

NORTH HERTFORDSHIRE DISTRICT COUNCIL



26 June 2020

Our Ref Council – 09.07.20
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To: The Chair and Members of North Hertfordshire District Council

**NOTICE IS HEREBY GIVEN OF A
MEETING OF THE COUNCIL**

to be held as a

VIRTUAL MEETING

on

THURSDAY, 9 JULY 2020

at

7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda **Part I**

Item	Page
1. APOLOGIES FOR ABSENCE	
2. NOTIFICATION OF OTHER BUSINESS Members should notify the Chair 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 Chair will decide whether any item(s) raised will be considered.	
3. CHAIR'S ANNOUNCEMENTS <u>Climate Emergency</u> Members are reminded that this Council has declared a Climate Emergency. This is a serious decision and means that, as this is an emergency, all of us, officers and Members have that in mind as we carry out our various roles and tasks for the benefit of our District. <u>Declarations of Interest</u> 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 Chair 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.	
4. SREBRENICA COMMEMORATION Commemorating and remembering the 25th anniversary of the Srebrenica genocide	5 - 6
5. PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.	
6. ITEMS REFERRED FROM OTHER COMMITTEES Any Items referred from other committees will be circulated as soon as they are available.	7 - 74

- 7. ANNUAL REPORT OF THE STANDARDS COMMITTEE** 75 - 80
REPORT OF THE MONITORING OFFICER
- To consider the Annual report in relation to ethical standards in the preceding civic year.
- 8. CONSTITUTIONAL (INCLUDING FINANCIAL REGULATION) CHANGES** 81 - 86
TO FOLLOWING TIER 1 & 2 RESTRUCTURE
REPORT OF THE SERVICE DIRECTOR LEGAL AND COMMUNITY &
MONITORING OFFICER
- To present consequential changes for approval following the Tier 1 and 2 management changes.
- 9. VOLUNTARY REDUNDANCY** 87 - 90
REPORT OF THE CHIEF EXECUTIVE
- To seek the approval of the Council for a voluntary redundancy, where the cost exceeds the threshold of £100,000 as set out in the Pay Policy Statement.
- 10. QUESTIONS FROM MEMBERS**
- To consider any questions submitted by Members of the Council, in accordance with Standing Order 4.8.11 (b).
- 11. NOTICE OF MOTIONS**
- To consider any motions, due notice of which have been given in accordance with Standing Order 4.8.12.
- 12. EXCLUSION OF PRESS AND PUBLIC**
- To consider passing the following resolution:
- That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the likely disclosure of exempt information as defined in Paragraphs 1 - 4 of Part 1 of Schedule 12A of the said Act (as amended).
- 13. VOLUNTARY REDUNDANCY** 91 - 94
REPORT OF THE CHIEF EXECUTIVE
- To seek the approval of the Council for a voluntary redundancy, where the cost exceeds the threshold of £100,000 as set out in the Pay Policy Statement.

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THE SREBRENICA PRAYER



We pray to almighty God,
May grievance become hope
May revenge become justice
May mothers' tears become prayers
That Srebrenica never happens again
To no one, no where.

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Agenda Item 6

Referrals from Other Committees

- 5a Item referred from Cabinet: 23 June 2020 – Corporate Peer Challenge Action Plan
- 5b Item referred from Cabinet: 23 June 2020 – Revenue Budget Outturn 2019/20
- 5c Item referred from Cabinet: 23 June 2020 – Investment Strategy (Capital and Treasury) End of Year Review 2019/20

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REPORT CONSIDERED BY CABINET AT THE MEETING HELD ON 23 JUNE 2020

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: CORPORATE PEER CHALLENGE ACTION PLAN

REPORT OF: DEPUTY CHIEF EXECUTIVE

EXECUTIVE MEMBER: LEADER AND DEPUTY LEADER OF THE COUNCIL

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL

1. EXECUTIVE SUMMARY

- 1.1 Cabinet on 24 March 2020 and Full Council on 2 April 2020 (decisions taken under delegated decision following emailed consultation with Members) noted the final report from the Local Government Association Corporate Peer Challenge (CPC) and requested that an Action Plan be developed by the Leader, Deputy Leader, Chief Executive and Deputy Chief Executive to respond to the recommendations within the report. This report submits a draft Action Plan to Cabinet for approval.

2. RECOMMENDATIONS

- 2.1. That the draft Action Plan at Appendix A be approved.
- 2.2. That agreeing the timescales for the actions within the Action Plan be delegated to the Leader, Deputy Leader and Managing Director.
- 2.3. That Cabinet recommend to Full Council that the Special Reserve be used to fund a small transformation team for a period of 18 months from October 2020, with an estimated total cost of £150k (£50k in 2020/21 and £100k in 2021/22).
- 2.4. That agreeing the specification for, and intended outcomes of, the transformation programme be delegated to the Leader, Deputy Leader, Executive Member for Finance and IT, Managing Director and Service Director Resources.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the Council responds to the matters identified within the CPC report, ensuring that the benefits of the CPC process are realised.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. The 'do nothing' option of not creating an action plan to follow up on the report has been discounted, as the Council committed to undertake the CPC and should therefore seek to gain benefit from that process.

- 4.2. There is no prescribed format for the Action Plan, so it could have been developed in a different format, however having looked at a number of different approaches from other Councils the proposed draft seemed to present the required information in an easily accessible way. Different actions could have been proposed to respond to the recommendations, however the draft has been developed in consultation with the Leadership Team and Executive Members.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. All staff and councillors who took part in the CPC were invited to attend the feedback session on the final day. The feedback report was presented to Cabinet on 24 March and Full Council 2 April 2020. Executive Members and their deputies, in particular the Leader and Deputy Leader, have been consulted on the draft Action Plan.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 5 May 2020.

7. BACKGROUND

- 7.1. The background to this report is set out in the report to Cabinet of 24 March 2020.

8. RELEVANT CONSIDERATIONS

- 8.1. The Action Plan at Appendix A seeks to positively embrace the recommendations from the Peer Challenge and look for ways to implement improvements in the way we work. The recommendations listed include both those obviously marked as such in the CPC report (key, Planning, Overview and Scrutiny) and any recommendation contained within the text in the body of the report.
- 8.2. Members will note that much of the timescale column is currently blank. Due to the current pandemic and the impact of it on the Council's work it is very difficult to populate with accurate and meaningful dates. Therefore, it is proposed that the Leader, Deputy Leader and Managing Director agree these dates in due course.
- 8.3. It is important to adopt the Action Plan in a timely way so that the Council can commence work on the various actions set out, in particular developing an internal transformation programme reimagining the customer experience and progressing the already agreed Shaping our Future organisational development programme to ensure the Council is able to deliver on its programme.
- 8.4. The approach to the third main element of the Action Plan, developing an ambitious place narrative to shape our future agenda, is suggested to be based around sustainability as a central theme. This is recognised as an issue that effects all of our communities across the district, links to the Council declared climate emergency and is consistent with the Council priorities of communities, environment, economy and homes.

The key will be to develop a clear simple vision, that is both meaningful but does not stifle opportunities. It is proposed that initially workshops would be held with officers and members to develop proposals, followed by engagement with the community and partners to develop a vision which we can collectively work to deliver. The timing of this work is to be determined and needs to take into account the Local Plan process and the wider place narrative for the whole of Hertfordshire being developed through the Growth Board.

9. LEGAL IMPLICATIONS

- 9.1. Cabinet's terms of reference include at paragraph 5.6.13 "To consider the reports of external review bodies on key aspects of overall service delivery".
- 9.2. The CPC is a voluntary process and therefore there is no legal obligation to either host a CPC or act upon the recommendations. However, it is best practice to undertake a CPC and having done so, to act upon the issues identified.
- 9.3. The CPC makes various recommendations relating to the Council's Constitution. These are matters for Full Council to determine in accordance with paragraph 4.4.1(p) of the Council's constitution and were the subject of a separate report to Annual Council.
- 9.4. The Financial Regulations provide at 10.2 that the 'creation and movements in reserves need to be formally approved by Full Council, which is incorporated into the Revenue Budget Outturn report'. The Council's terms of reference include at 4.4.1 (dd) 'to determine those financial matters reserved to Council by the Financial Regulations.', therefore recommendation 2.3 falls to Full Council for approval.

10. FINANCIAL IMPLICATIONS

- 10.1. The recommended minimum level of reserves referred to in the CPC feedback report only applies to General Fund reserve. When the Council sets its budget each year, there is a requirement for the Chief Finance Officer to recommend a minimum level. This minimum level is set after considering other factors, including the level of specific revenue reserves. The Council's General Fund reserves are currently significantly above the minimum level, but this should not be seen as a target to get down to. Indeed the recent pandemic (and the cost implications arising from that) has shown that events can happen that are not fully reflected when setting the minimum level. It has been a policy of the Council to maintain reserves at a higher level to allow time to adjust to the expected reduction in funding in the medium term. However, having said that there is scope for a level of reserves that is lower than the current level, which is still prudent. This would then provide some limited funding for projects that positively benefit the Council. It could not be used for ongoing revenue costs.

- 10.2. It is proposed that the costs of the transformation team which are estimated to be £150k (£50k in 2020/21 and £100k in 2021/22) are met from the Special Reserve. This is based on a part-time (0.4WTE) Service Director Transformation and two supporting officers for a period of 18 months from October 2020. The balance of the Special Reserve as at 1st April 2020 was £1.175m. Whilst there are other known and expected calls against this reserve, it is not expected that (even with this additional spend) it will all be used. The biggest unknown is discretionary spend in relation to the response to Covid-19. However as this has not been committed to yet, if it came to it then this Covid-19 spend would have to be scaled back to be contained within the available funding.
- 10.3. The Peer Review, alongside many other services and support, is included within the Council's annual subscription to the Local Government Association. For 2019/20 this cost was £12,540.

11. RISK IMPLICATIONS

- 11.1. The CPC recommendations identifies that staff, partners and citizens frequently describe the Council as risk averse. The revised Risk Management Framework referred to in the Action Plan is intended to assist in moving the Council to a position of being 'risk aware' and focused on significant risks. This is an important part of the ongoing push to develop commercial income generating projects, but to move away from being 'risk averse' there would also be a need for a general shift in the level of risk that the Council is prepared to take.

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 known equalities implications that apply to this report. Individual actions on the plan may require equalities impact assessments in due course as solutions are developed.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report. Individual actions on the plan may require environmental impact assessments in due course as solutions are developed.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The work set out in the Action Plan will be incorporated into the work programmes of the relevant service areas. The Shaping Our Future programme is a commitment to, and investment in, our staff to ensure that the organisation is able to deliver the programme envisaged. It has been identified that the transformation programme will need additional resource to be delivered and Human Resources will help support the development of (and recruitment to) the proposed new temporary part time Service Director Transformation post and other roles which may be suitable for secondment. Recruitment and secondment to the project will be from existing staff where possible.

16. APPENDICES

- 16.1 Appendix A – Draft Corporate Peer Challenge Action Plan

17. CONTACT OFFICERS

- 17.1 Anthony Roche, Deputy Chief Executive
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- 17.4 Reuben Ayavoo, Policy and Community Engagement Manager
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- 17.5 Kerry Shorrocks, Corporate Human Resources Manager
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18. BACKGROUND PAPERS

- 18.1 Report to Cabinet, 24 March 2020 – Corporate Peer Challenge Report

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		Recommendation	Action	Led by	Timescale
1	Key 1	Broaden the council's focus to an ambitious place shaping agenda	<p>Agreed. This will be considered as part of the review of the Council Plan. The agenda needs to include political support for key projects and proposals (e.g. Local Plan post adoption, significant planning applications), recognising and promoting the benefits of development and the necessity for us to support this under current Govt policy.</p> <p>This work also needs to clearly identify the role(s) the Council wishes to take during and after the delivery of growth through a consistently applied narrative (see Key 3 below), ensuring there is a clear joint, Member and Officer, view and direction of travel.</p>	Executive Members Leadership Team	
2	Key 2	Align all your resources, policies, capacity to achieve your priorities	Agreed. This will be considered as part of the budget review and review of Council Plan	Executive Members Leadership Team	
3	Key 3	Develop a narrative for place	Agreed, it is proposed to develop a place narrative around sustainability as a key issue of importance to the whole district, given the Council declared a Climate Emergency in May 2019. The place narrative will also need to link to the wider Hertfordshire Growth Board work and the place narrative being developed for the whole county	Executive Members Leadership Team	
4	Key 4	Use reserves to fund internal and external transformation capacity	Agreed, to set a "target level" of reserves that provides greater flexibility to fund transformation that aligns to Council priorities. Subject to understanding the impact of the COVID-19 pandemic on our financial reserves and future reserve baseline	Executive Member Finance and IT SD Resources	

5	Key 5	Take a corporate approach to transformation – top down and programme managed	It is proposed to create a new Director of Transformation post (part-time, fixed term, funded from reserves) and identify appropriate staffing resource to support the director. This transformation team will take the lead on our transformation programme, ensuring a corporate approach	Leader Deputy Leader Managing Director	
6	Key 6	Use external partnerships to benefit North Hertfordshire	Agreed. The Council recognises that the impacts of austerity and the cuts to its budget mean that we need to be an outward looking and ambitious authority, working with partners to deliver our aspirations	Executive Members Leadership Team	
7	Key 7	Best practice needs to look beyond the Hertfordshire area	Agreed. The Council already looks to authorities throughout the country and beyond for inspiration, but this could and should be reinforced and better communicated to ensure we do more and learn from the best examples	Executive Members Leadership Team	
8	Key 8	Be brave	Agreed. Officers and Members should be prepared to question each other if we are failing to be brave in our aspirations, policy setting and decision making, however this needs to be a constructive challenge whilst ensuring that we remain risk aware. We believe the actions set out above show our willingness to be brave. External speaker(s) to inspire innovation/ change of attitude?	Executive Members Leadership Team	
9	Place and Priority setting	Shift service delivery focus towards a more people and place-based approach.	Agreed, this will form a key part of the transformation programme	Executive Members Leadership Team	

10	Place and Priority setting	Realign Town Talk meetings to inform strategic direction, policy shaping and decision making and to proactively take council and place-based issues out to local communities.	We recognise the potential benefits of using Town Talks in this way and will consider how best to utilise them and how they interact with the new Community Engagement Panel	Executive Member Community Engagement SD Legal and Community	
11	Place and Priority setting	Use a strategic needs analysis to inform the council plan and policy shaping.	Agreed	Executive Members Leadership Team	
12	Place and Priority setting	NHDC would benefit from visiting other councils' that have achieved or are some way working towards the objectives and outcomes NHDC is seeking to deliver, such as place shaping, large scale housing development and commercial development.	<p>Agreed. The Council will seek out Councils who have faced and overcome similar challenges, including with areas where large scale housing development by developers has followed adoption of Local Plan. It is also worth noting that part of 'being brave' might mean doing things differently to other Councils.</p> <p>South Cambridgeshire and East Hertfordshire are two immediate neighbours with large-scale, strategic growth projects, recently adopted Plans and existing structures and mechanisms for dealing with delivery.</p> <p>The Council will also consider how best to enable Corporate level 'sounding boards' (or equivalent) for key schemes as it is crucial that there is clear and consistent messaging of the Council's asks and approaches, as well as a common understanding of where compromise on the strict application of all policy requirements (e.g. affordable housing vs open space vs social infrastructure) is required to ensure successful delivery and the best overall outcome.</p>	Executive Members Leadership Team	

13	Place and Priority setting	Place-shaping could be accelerated and supported by maximising the opportunity of working in closer partnership with the Hertfordshire Local Enterprise Partnership (LEP).	<p>Establish regular meetings with LEP.</p> <p>Partnership working should also extend to other key local partners such as Hertfordshire County Council, LGCHF, settle, First Garden Cities Homes, neighbouring authorities. England's Economic Heartland and national partners such as Homes England etc</p> <p>Clarity of a common narrative and agenda will enable discussions and engagement to be undertaken with confidence.</p>	<p>Leader Deputy Leader Managing Director</p> <p>Relevant Executive Members and Service Directors</p>	
14	Leadership of Place	A clear narrative for place is needed to support partners and staff in understanding how they can better contribute towards outcomes and assess strategically how resources can be deployed for maximum impact.	Agreed. The focus will be on an issue that unites the whole district, for example sustainability, emphasising co-operation between settlements rather than competition. The narrative needs to be carefully prepared in order to enable the Council to provide a focus for the District and not inhibit our ambitions.	Executive Members Leadership Team	
15	Leadership of Place	Councillors should be leading the way as brand ambassadors, 'selling' the district and promoting what is good about North Hertfordshire	Agreed	All Councillors Communications Manager	
16	Leadership of Place	Feedback regarding consultation from Citizen's Panel representatives regarding consultation specifically and the future of the district generally	<p>The consultation strategy is due to be reviewed in 2020 and the comments will be considered during that review</p> <p>The points regarding the future of the district to be explored further as we develop the clear place narrative</p>	Executive Member Community Engagement Communications Manager	

17	Leadership of Place	More can be done to actively inform citizens of the work NHDC has delivered and how their council tax is being invested.	Agreed. We will look to see what others do that we do not already provide	Leader Deputy Leader Communications Manager	
18	Leadership of Place	Ensure the differences in places, main settlements and villages are recognised in policy making	Agreed, provided those differences are used to build a stronger whole rather than being used to divide and create competition within the district	Executive Members Leadership Team	
19	Organisational Leadership and Governance	There needs to be clarity about the roles and responsibility of officers and members.	Agreed and has already been subject to a development session between the administration and the leadership team. Further consideration will be given to how to clarify the roles and responsibilities	Executive Members Leadership Team	
20	Organisational Leadership and Governance	There is an opportunity to involve staff more in the development of the new organisational development and people strategy.	Agreed, it was always the intention that the Shaping Our Future programme would include widespread consultation at all stages and this was agreed by Political Liaison Board prior to the Corporate Peer Challenge	Service Director Resources	
21	Organisational Leadership and Governance	Peers identified an opportunity to use the RPR process to gather information on career development (as done by other councils) and see career aspirations and personal development as an ongoing conversation as people's circumstances, positions and aspirations frequently change.	This is already a component of the RPR process, therefore no action required beyond reminding managers of approach to RPRs	Learning and Development Manager	Completed
22	Organisational Leadership and Governance	All learning and development should be aligned to the emerging organisational development plan and council plan delivery.	Agreed, to the extent that it does not prevent the individual development requirements of staff and members. This will be explored as part of the Shaping Our Future programme	Service Director Resources	

23	Organisational Leadership and Governance	It is recommended that the emerging organisational development strategy identifies the future skills and behaviour requirements and identifies how those skills and capabilities will be developed across the workforce, either in job design, specific learning interventions or other approaches to ensure skills acquisition keeps up with pace and change of organisational priorities.	Agreed, this was always the intention	Service Director Resources Member Training Champions	
24	Organisational Leadership and Governance	As an integral component of future organisational performance, it is recommended that there is an increased focus on management and political oversight of learning & development (for both officers and members) with regular reporting and assessment of impact and readiness e.g. being ready to cope with future increased planning applications post-Local Plan.	Agreed, the mechanism for oversight will be considered as part of setting up the Shaping Our Future programme and the monitoring of its impacts	Executive Members Leadership Team Learning and Development Manager	
25	Organisational Leadership and Governance	The peer team recommends that there is a focused period of time where all staff have the opportunity to understand the direction of the council and the council plan and ensure there is an increased outward-focus for the organisation to help staff to make the shift to understanding the place-shaping agenda and NHDC's role in facilitating curation of place.	Agreed, this was planned to be part of the development of the Shaping Our Future programme	Leader Deputy Leader Managing Director	

26	Organisational Leadership and Governance	Staff reflected that they would like to see more of the Chief Executive and leading more of the internal communication forums.	We have made improvements to the visibility of the leadership team and will continue to look for ways to further improve, in particular as the new Managing Director post develops	Managing Director Communications Manager	
27	Organisational Leadership and Governance	The peer team were surprised that only low / negative PI's were debated at O&S and those reports were shared publicly. Publishing positive performance alongside amber and red performance would provide the public with a rounded summary of performance, allowing NHDC to outwardly celebrate what is being delivered to agreed performance levels.	Agreed. Reports will reflect this going forwards	Chair and Vice Chair Overview and Scrutiny Committee Controls, Risk and Performance Manager	
28	Organisational Leadership and Governance	Peers understand that the full performance report is sent to councillors one month before O&S to provide the opportunity for requesting the appropriate lead executive member and officer to attend O&S to be accountable for questioning. This opportunity has never been requested and should be used in order to strengthen the debate and challenge at O&S.	Agreed. Chair of Overview and Scrutiny to remind committee members of this opportunity	Members of Overview and Scrutiny Committee Controls, Risk and Performance Manager	

29	Financial Planning and Viability	<p>There is a strong need to ensure there is an agreed risk framework shared between officers and members in order to maximise performance and outcomes and ensure the commercial team begins to deliver benefits.</p> <p>The peer team recommends that NHDC defines its approach to risk within the context of the council being more outward facing and ambitious for place, as well as being aligned to the council plan.</p>	<p>The Council updated its Risk Management Framework in March 2020</p> <p>Agreed that there needs to be a strategic approach to the Council's risk appetite, also noting the Peer team's recommendation to 'be brave'. A strategic discussion around risk will be facilitated at the Political Liaison Board, as this is felt to be more of an issue of attitude rather than policy. A review of some existing practices may be needed to achieve this, as it is arguable these have not facilitated the required culture to date.</p>	<p>Leader Deputy Leader SD Resources</p>	<p>Framework Complete</p> <p>31 December 2020</p>
30	Financial Planning and Viability	<p>Peers questioned if commercial plan business cases were taking into account non-cash benefits such as increased social value / outcomes, affordable homes, zero carbon homes and not just solely on financial returns.</p>	<p>Business plans do take into account non-cash benefits, although the financial situation of the Council means financial returns have to be prioritised. We will review our approach to ensure we are happy with the balance being taken.</p>	<p>Executive Member Enterprise and Co-Operative Development SD Commercial</p>	
31	Financial Planning and Viability	<p>The council should invest some reserve budget into funding the transition to the new council plan and making early investment in capacity to deliver place shaping and transformation, inside and outside the council.</p>	<p>Agreed, to set a "target level" of reserves that provides greater flexibility to fund transformation that aligns to Council priorities. Subject to understanding the impact of the COVID-19 pandemic on our financial reserves and future reserve baseline</p>	<p>Executive Member Finance and IT SD Resources</p>	

32	Financial Planning and Viability	Peers questioned whether a statutory / discretionary service and base-budget review is the priority for delivering transformation. The team recommend that starting with the customer and aligning the council plan objectives with the MTFS is a more appropriate point to initiate the design of and impact on services.	The Council will consider its approach to the reviewing the budget, which has been complicated by the COVID-19 pandemic and delays to the Comprehensive Spending Review and the delay to work on a medium-term funding settlement until 2021/22 (for years from 2022/23 onwards)	Executive Member Finance and IT SD Resources	
33	Capacity to Deliver	Although the introduction of new technologies was viewed as positive, the peer team recommend that the council ensure this approach fits within the strategic context and is sustainable after the IT graduate resources have left their placement.	Agreed. This will be a consideration for the transformation team to ensure work undertaken is sustainable	Executive Member Finance and IT SD Customers	
34	Capacity to Deliver	NHDC would benefit from an agreed target operating model (TOM) which would support an overall approach to how operational services are delivered. A TOM would support closing the gap between customer experience, ensuring that services have a common look and feel, supporting customers to navigate around services with more independence and decreasing more costly and avoidable demand.	The Council has been progressing work in this area for some time, particularly in relation to digital interaction with the Council. For example customer and member portals have been procured and will be implemented during 2020. This recommendation will be considered when setting the objectives for the transformation programme	Leader Deputy Leader Managing Director	

35	Capacity to Deliver	Project and programme management resourcing and planning could be improved as peers identified that resources and timescales were often underestimated, resulting in projects being delayed and staff having to manage the pressure of delivering day-to-day operational requirements whilst taking projects forward.	It is worth noting that whilst there may have been delays on some of the Councils most complex and high-profile projects, many progress without issue. The resourcing of projects is considered on a project by project basis and with the change to a single Managing Director post we recognise that this has resource implications for delivering projects. The Council has a pool of trained project managers with different skills and experience and we will look at that pool to see if there is a suitable project manager, whether they are within the commissioning department or not. This will also give the opportunity for staff to broaden their experience of different areas of the Council. This recommendation and the recommendations of the independent review of the District Wide Museum project will be considered as projects are established	Executive Members Leadership Team	
36	Capacity to Deliver	The peer team recommend that the organisational development plan addresses the future skills needs and supports staff, managers and leaders in building the required place-shaping capacity at a strategic level.	Agreed, this was always the intention for the Shaping Our Future programme	Service Director Resources Member training champions	
37	Capacity to Deliver	The peer team suggest that there could be a pooling of roles with generic, flexible skills that could move around the organisation where the work dictates. This pool could operate as a corporate transformation resource pool and be assigned to projects through a programme management approach.	A transformation team will be established to support a new Director of Transformation, initially to deliver the transformation programme on a time limited basis funded from reserves. Once the initial programme is concluded further consideration will be given to this recommendation, as it clearly has financial implications given the budgetary pressures on the Council.	Managing Director	

38	Planning Committee	Have planning training provided by an external trainer with broad experience, to aid understanding of the National Planning Policy Framework (NPPF) and what are material planning considerations.	<p>Agreed. An ongoing training programme will be developed for members and officers, to cover the planning basics plus new policies and specific areas of interest and relevance. Initial contact has already been made with Planning Advisory Service (PAS) for web-based training in light of social distancing restrictions.</p> <p>Training will also be considered for other groups such as Parish Councils.</p>	Planning and Conservation Manager Member training champions	Post Annual Council and appointment of new committee members, however timescales may not allow external training to be implemented prior to the first planning committee in the new civic year.
39	Planning Committee	Submit 'issues paper' to the planning committee early in the process so officers are aware of the concern's members want addressing. This will ultimately lead to less deferments.	Agreed for major and strategic applications and must go on website for public scrutiny. Members need to identify issues in advance of the Committee so they can be addressed in advance of the application being heard. This will allow engagement with the applicant to seek to limit deferments and any refusal to extend the statutory deadline.	Planning and Conservation Manager	

40	Planning Committee	Arrange specific training for the Chair and Vice Chair of planning committee as they have a key role, and this will support the development of a strongly led committee.	Agreed, see above comments regarding training generally for the Committee. Additionally training on chairing meetings has been identified for Chairs and Vice Chairs.	Planning and Conservation Manager	Post Annual Council and appointment of chair and vice chair, however timescales may not allow external training to be implemented prior to the first planning committee in the new civic year.
41	Planning Committee	Lessen the number of call-ins by tightening up criteria for a call-in. Give reasons related to material planning considerations only, not simply in the “public interest” which is too vague and raises objectors’ expectations for refusal.	Proposal to Full Council to tighten the criteria, to be supported by training for all councillors on appropriate use of the call-in procedure. Planning Advisory Service (PAS) training can include this item, important as current objections from a Parish Council require Ward Councillor support and the training should reinforce that public interest is not a planning ground for call in.	Group Leaders Monitoring Officer Planning and Conservation Manager	Annual Council (May/June 2020)
42	Planning Committee	Consider starting meetings earlier. Members and officers are not performing at their best at late night meetings after a full day’s work and there is an increased risk of challenge from applicants if it was perceived that an application had been rushed because of a long meeting.	Moving meeting times is not supported politically at the current time due to concerns it may dissuade people with caring responsibilities from standing to be Councillors. Alternative of allowing officers to attend meetings virtually from home to be explored	Group Leaders Monitoring Officer	

			It is proposed that this is reviewed once the other recommendations have been implemented regarding call ins, issues paper, training and chairing of meetings to establish whether it remains an issue or has been resolved by other action.		
43	Planning Committee	Consider reducing the size of the planning committee.	Proposal to Full Council to reduce Committee size to 12	Group Leaders Monitoring Officer	Annual Council (May/June 2020)
44	Planning Committee	Produce supplementary report to table on evening of the planning committee that updates members on changes / updates since publication of report. Currently there is a verbal update at committee which is time that could be saved.	Agreed, noting may still need some verbal updates if any last minute changes after publication of supplementary report which would need to be published the day before the Committee to allow participants time to read it. Tabling a supplementary report at the Committee will simply replace time taken for verbal update with reading time.	Planning and Conservation Manager	
45	Planning Committee	Have specialists at planning committee for example, highways officers where there are highways issues.	Agreed and this already occurs where possible, subject to the availability of those specialists who may not be employed/contracted by the Council. Alternative of allowing external specialists to attend meetings virtually to be explored. Consideration will be given to including sessions with specialists as part of the training programme, so that their role and input is better understood	Planning and Conservation Manager	
46	Planning Committee	Strong and clear legal advice can help.	Agreed. A Planning Control Committee decision aide memoire has already been agreed with the Chair, Vice Chair, Group Leader and relevant officers to assist.	Service Director Legal and Community	

47	Planning Committee	Strong chairmanship of committee required, especially post Local Plan.	Agreed. Chair and Vice Chair will receive the planning training and charring training referred to above.	Chair and Vice Chair of Planning Control Committee	
48	Planning Committee	Committee reports - Highlight in bold the key material planning considerations.	Report template to be reviewed to ensure material planning considerations are clear to reader	Planning and Conservation Manager	Review prior to training
49	Planning Committee	Committee reports - Location plan to show wider context.	Agreed. Will be included in review of report template	Planning and Conservation Manager	Review prior to training
50	Planning Committee	Committee reports - Training will help understanding of the key points.	Agreed. Review of template to be undertaken prior to training so that it can be included. Training can be delivered by officers as part of the training programme.	Planning and Conservation Manager	
51	Planning Committee	Have up to date council plan and supplementary planning documents.	Council Plan is reviewed annually each summer SPDs will be reviewed post conclusion of Local Plan Examination	Executive Member Planning and Transport SD Regulatory	
52	Planning Committee	Cabinet member or Leader to speak in support of applications at planning committee that support the Council's priorities and where the specifics would amount to a material planning consideration.	Agreed, where it is appropriate	Leader and/or Executive Member	
53	Overview and Scrutiny Committee	Executive members should lead at O&S and be visibly accountable for decisions and performance.	Agreed as recommendation	Executive Members	Immediate

54	Overview and Scrutiny Committee	Future meetings would benefit from taking a longer-term view of the key issues for the district (not just focussing on the next immediate meeting), fewer, more targeted agenda items, and be focused on key areas informed by performance reports and a forward work plan. Fewer agenda items will support more allocated time for meaningful scrutiny and related debate.	Agreed. To be taken forward as part of the training for the committee members	Chair and vice chair of O+S Scrutiny support	
55	Overview and Scrutiny Committee	The current membership of O&S was considered to be too large and would benefit from reducing from 15 members to 11 or 9.	Proposal to Full Council to reduce Committee size to 12	Group Leaders Monitoring Officer	Annual Council (May/June 2020)
56	Overview and Scrutiny Committee	It is recommended that all O&S members undertake formal training to ensure a robust base of skills and expertise can be deployed in the O&S environment.	Formal scrutiny training has previously been provided to the Committee, but given changes to committee membership agree it makes sense to put in place further training and ensure that any new members receive training in the future	Chair and Vice Chair of O+S Scrutiny support Member training champions	
57	Overview and Scrutiny Committee	Use the task and finish programme to support early engagement and involvement with policy making.	Agreed. To be taken forward by the Leader (on behalf of Cabinet) and Chair and vice chair of Overview and Scrutiny, to discuss work programme	Leader Chair and Vice Chair of O+S Scrutiny support	

58	Overview and Scrutiny Committee	It is recommended that finish times should be agreed in the constitution and meetings end promptly at those times. There was a concern around individual personal effectiveness, accessibility, external public perception and health & safety / personal welfare of both members and officers from such excessively long and late meetings.	<p>Moving meeting times is not supported politically at the current time due to concerns it may dissuade people with caring responsibilities from standing to be Councillors.</p> <p>Alternative of allowing officers to attend meetings virtually from home to be explored</p> <p>A 'guillotine' provision on committee meetings is not supported politically at the current time due to concerns it might stifle debate. It is proposed that this is considered once the other recommendations have been implemented regarding work programme, training and chairing of meetings to establish whether it remains an issue or has been resolved by other action.</p> <p>Training is provided to Chairs and Vice Chairs, but this could be reviewed to ensure that Chairs and Vice Chairs are able to confidently manage meetings to ensure they proceed in a timely manner</p>	Service Director Legal and Community Member training champions	
59	Overview and Scrutiny Committee	Peers recommend clarification of the governance arrangements between O&S and cabinet panels.	Proposal to Full Council to clarify relationship	Group Leaders Monitoring Officer	Annual Council (May/June 2020)
60	Overview and Scrutiny Committee	Ensure the O&S forward work plan includes scrutiny of external partners and contractors as a contribution to the leadership of 'place'.	Agreed as recommendation	Chair and Vice Chair of O+S Scrutiny support	Immediate

REPORT CONSIDERED BY CABINET ON 23 JUNE 2020

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2019/20

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure as at the end of the financial year 2019/20. The net outturn of £14.692m represents a £129k decrease from the working budget of £14.821million. There are corresponding requests to carry forward £195k (of underspends) to fund specific projects that will now take place in 2020/21. There is a further forecast impact on the 2020/21 base budget of a £149k increase. Within these summary totals there are a number of budget areas with more significant variances, which are detailed and explained in table 3. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.4)
 - 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)
 - confirmation of the funding position as at the end of 2019/20 (table 6)
 - details of earmarked reserves movements and balances (table 8)

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of £129k in the 2019/20 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £14.692million.
- 2.3. That Cabinet approves the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a total £344k increase in net expenditure.
- 2.4. That, as referred to in paragraph 8.3, Cabinet approves the transfer of £59k from the underspend on the General Fund to the Strategic Priority fund to enable the Leadership Team to undertake invest to save and/or continuous improvement projects.

That Cabinet recommends to Council

- 2.5. That Council approves the net transfer to earmarked reserves, as identified in table 8, of £2.161million.

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.
- 3.2. Changes to the Council's balances are monitored and approved.

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 13th March 2020.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2019/20 of £15.251million in February 2019. At the end of the year the working budget has decreased to £14.821million. 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
Quarter 2 2019/20 Revenue Monitoring report – 2019/20 variances approved by Cabinet (December 2018)	(360)
Revenue monitoring included within 2020/21 budget report – 2019/20 variances approved by Cabinet (January 2020)	(187)
Quarter 3 2019/20 Revenue Monitoring report – 2019/20 variances approved by Chief Executive under delegated authority as a result of the Cabinet meeting on 24 March 2020 being cancelled due to Covid-19 situation (March 2020)	(262)
Current Working Budget	14,821

- 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 three monitoring report.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Working Budget at Q3	Changes approved at Q3	Other Budget Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k
Chief Executive	1,807	(86)	(169)	1,552
Commercialisation	(463)	(50)	11	(502)
Customers	3,544	17	38	3,599
Legal & Community	2,262	(51)	33	2,244
Place	4,563	59	149	4,771
Regulatory Services	867	(142)	38	763
Resources	2,503	(9)	(100)	2,394
TOTAL	15,083	(262)	0	14,821

8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2019/20 of £14.692 million (recommendation 2.2). This is a net decrease of £129k on the working budget of £14.821million. Table 3 below highlights the most significant variances, which are generally more than £25k, and contains an explanation for each. The final columns detail if a carry forward into 2020/21 is requested and the estimated ongoing impact of any variances:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Strategic Priorities Fund	41	0	(41)	A total budget of £100k was made available for the Strategic Priorities Fund in 2019/20, of which a total of £59k was allocated to successful investment bids. It is requested that the remaining £41k goes towards a new allocation of £100k for 2020/21.	41	0
Commercialisation Projects	85	52	(33)	A commercial consultant has compiled a report with several recommendations. The expertise of the consultant will be required in delivering these recommendations in the new year. The unspent budget is therefore requested to be carried forward to meet the associated costs in 2020/21.	33	0
COVID-19 Government Grant Income	0	(48)	(48)	Grant was received in March 2020 from MHCLG. The funding has not been ringfenced and can be allocated to COVID-19 pressures in whatever way the Council feels is appropriate.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Customers Directorate Employee Costs – Redundancy Costs	0	32	+32	Redundancy costs associated with the closure of the Document Centre in January.	0	0
Careline Service – Community Alarms Equipment	231	309	+78	Careline are now purchasing and installing digital alarms when an alarm requires replacement. The digital alarm costs twice as much as the analogue product previously installed but can be used up to three times, whereas the old analogue equipment could only be used once. Once there is sufficient turnover of the new alarm, annual equipment costs should reduce as alarms returned from former clients can be used for new installations.	0	78
Council Tax Court Summons Income	(228)	(201)	+27	Lower than budgeted Council Tax summons income follows the closure of the Court until at least June 30 th , in response to the COVID-19 pandemic. The Council has since not made any applications for the issue of court summons.	0	57
Net Housing Benefit Expenditure	400	430	+30	Increase in net cost is primarily due to an increase in benefit payments relating to temporary accommodation, which are not eligible for Housing Benefit Subsidy funding from Government. In 2018/19 this cost was £20k and this increased to £42k in 2019/20.	0	0
Commingled Recycling – Haulage and Processing Costs	381	462	+81	Variance reflects recent steep falls in sales prices for the materials collected, the income from which reduces the charge for haulage and processing. Monthly income from materials in the first eight months of the year averaged £38k, whereas for the remainder of the year the monthly average dropped to £20k. In addition, the total volume of commingled material collected in 19/20 was higher than the prior year, therefore increasing the amount of haulage and processing required.	0	0
Commingled Recycling – Recycling Credits Income	(446)	(472)	(26)	The higher volume of comingled material collected for recycling, and hence diverted from landfill, has increased the corresponding total of recycling credit income eligible from Hertfordshire County Council. The total annual tonnage rose from 9,360 tons in 2018/19 to 10,051 tons in 2019/20, an increase of 7%.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Textiles Recycling – Sales Income	(11)	0	+11	Both the volume of materials collected, and the price received for textiles, have fallen significantly. As such, officers are now investigating the viability of the service.	0	11
Garden Waste Service Expenditure	299	269	(30)	The underspend variance is due to a performance management reduction issued to the contractor for missed bin collections.	0	0
Garden Waste Service Income	(781)	(849)	(68)	Higher than budgeted income follows the removal, for the subscription period commencing 1 st August 2019, of both the £35 'early bird' offer and the £20 rate offered for those who joined partway through the first year of the service.	0	0
Green Space Management – Development and Maintenance of Howard Park	51	11	(40)	The Council supports the Friends of Howard Park group in maintaining the park through purchasing materials and equipment. Last year a large volume was purchased which meant that little extra was required this year. The activities of the Park Ranger in 2019/20 have also generally been focused on Norton Common rather than Howard Park, while the Countryside Management Service have used volunteers to carry out works such as hedge laying and cleaning ditches at no additional cost to the Council.	0	0
NHDC Trees Maintenance	110	74	(36)	Planned tree works were put on hold in 19/20 due to staff sickness. It is therefore proposed that the unspent budget is carried forward to fund the completion of the scheduled works in 2020/21.	36	0
Crematorium Project Consultants	30	6	(24)	The planning appeal hearing has been deferred to a later date. Consultants will be representing NHDC at the hearing and these costs will be invoiced once the hearing has taken place. It is therefore requested that the unspent budget is carried forward.	24	0
Car Parking – Pay-As-You-Use Income	(1,885)	(1,823)	+62	Shortfall in parking income is indicative of the impact of the response from the government and public to the COVID-19 pandemic. Income recorded for March of £107k is significantly lower than the £164k recorded for March 2019. On 16th March, the Government advised the public to stay at home where possible by working from home and limiting time in public spaces. On 20th March restaurants, pubs and cafes were ordered to close. These actions have	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
				affected the number of people going to town centres and using the car parks.		
Parking Lines and Signs Maintenance	25	43	+18	The working budget total was reduced by the £64k approved to be carried forward into 20/21 (originally requested at Q2). Certain lines and signs however were since identified as being in urgent need of re-marking to ensure the necessary enforcement could be undertaken and prevent safety or anti-social parking issues. These works were consequently carried out in 2019/20. As a result, the carry forward budget requested has been amended accordingly.	(18)	0
Local Plan Legal and Consultants Costs	168	99	(69)	Local Plan hearings in March were suspended due to COVID-19 restrictions. This has resulted in the majority of the associated costs also being deferred until the resumption of the hearings when circumstances allow. As such, it is requested that the unspent budget is carried forward into 2020/21.	66	0
Planning Application Income	(820)	(861)	(41)	Forecast income from planning applications was reduced at Q3 based on the experience of the first three quarters of 2019/20. The overachievement of the revised budget at outturn indicates an increase in activity in the final quarter of the year.	0	0
Electric Vehicle Charging Consultants	15	0	(15)	This budget was an investment bid to engage consultants to undertake a study to review and consider opportunities from Electric Vehicle Charging. Officers have prepared a Scoping Document and undertaken a consultation to define the extent of a Strategy and agreed action plan for adoption in 2020/21. Work on the Strategy was underway prior to the pandemic and will continue into 20/21. The requested carry forward of the unspent budget will fund any specialist advice required.	15	0
Total of explained variances	(2,335)	(2,467)	(132)		197	146
Other minor balances	17,156	17,159	+3		(2)	3
Overall Total	14,821	14,692	(129)		195	149

- 8.2. Cabinet are asked to approve the estimated impact on the 2020/21 budget, a £344k increase in budget, which includes:
- £195k of budget carry-forwards from 2019/20 to 2020/21 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 3 above. This will take the total carry-forward to £679k, after including those reported and approved at quarter 2, month 8 and quarter 3.
 - £149k increase in budget to reflect the estimated ongoing net impact in 2019/20 of variances identified in Q4. These are shown in the final column of table 3 above.
- 8.3. Cabinet are asked to approve the transfer of £59k from the underspend in 2019/20 into the Strategic Priorities Fund in the following year (recommendation 2.4). Along with the Strategic Priorities Fund carry forward of £41k requested, this will bring the total amount in the fund next year to £100k. The fund provides the Council's Leadership Team with authority to approve the allocation of the funds during the year for invest to save or continuous improvement projects as the opportunity arises. As identified in the Corporate Peer Challenge Action Plan report (also on the agenda of this Cabinet meeting) there could be transformation and continuous improvement projects identified that could be funded from this budget.
- 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. Progress in delivering the efficiencies identified has been monitored throughout the year and reported at each quarter. All the efficiencies approved in February last year for 2019/20 have been 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 the end of the year a total of £197k of the budget carried forward has not been spent in 2019/20, as detailed in Table 4 below, of which £187k has been requested to be carried forward into 2020/21.

Table 4 – Unspent Carry Forward Budget in 2019/20

Monitoring Report	Carry Forward Budget in 19/20 (£k)	Project	Underspend reported (£k)
Q2	13	Herts Warmer Homes Project	10
Q2	64	Parking Lines and Signs; forecast underspend at Q2 of £64k since revised at Outturn, as highlighted and explained in Table 3 above.	46
Q3	17	Brexit Grant Expenditure	17
Q3	87	Community Infrastructure Levy	87
Outturn	95	Commercialisation projects; £52k of the £85k carry forward budget has been spent in 2019/20, with the remainder requested to be carried forward into 2020/21 (as highlighted and explained in table 3 above).	33
Outturn	18	Letchworth Area Committee; 50% of a grant awarded in June 2019, funded from 2018/19 carry forward budget, is payable in June 2020.	2
Outturn	6	Southern Rural Area Committee; The March 2020 meeting of the Southern Rural Area Committee was cancelled due to COVID-19 so the balance of the 2018/19 carry forward was not spent in 2019/20. This has since been allocated and spent as grants were awarded by delegated decision in April 2020.	2
Total Underspend 2019/20			197

- 8.6. There are 4 key corporate ‘financial health’ indicators identified in relation to key sources of income for the Council. Table 5 below shows the performance 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 income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.
- 8.7. At the end of the year, three indicators are green and one indicator is red.
- 8.8. The red indicator in relation to income from planning applications was highlighted within the revenue monitoring report at quarter 3. While the position improved during quarter four, as indicated by the income variance highlighted in table 3 above, the uncertainty around the next steps of the Local Plan and the national situation with regards to Brexit are believed to have impacted upon the level of income during the year; either through uncertainty with regard to the timescale for sites to progress or through uncertainty around house prices and mortgage rates.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget	Outturn	Projected Variance
		£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Red	(950)	(861)	+89
Land Charges	Green	(164)	(165)	(1)
Car Parking Fees	Green	(1,809)	(1,823)	(14)
Parking Penalty Charge Notices	Green	(532)	(726)	(194)

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.
- 8.11. At the end of 2019/20, there is an overall deficit on the NHDC share of the Council Tax Collection Fund of £82k. Part of the deficit (£21k) relates to the deterioration in the position in the final quarter of 2018/19, as explained in the Quarter One Revenue Monitoring report. The £82k overall deficit is £27k higher than the £55k deficit anticipated for 2019/20 at the time of setting the budget for 2020/21. Statute requires that the £55k estimate must be repaid to the Collection Fund in 2020/21. The £27k difference will be incorporated in the calculation of the surplus/deficit for 2020/21 and therefore not impact the General Fund position until 2021/22.
- 8.12. The recent trend of deficits on the Council Tax Collection Fund, after several consecutive years of recording annual surpluses, is attributed to the amount of Council Tax reduction awarded. In previous years falling numbers of claimants eligible for Council Tax reduction had more than offset the absolute increase in the reduction amount awarded to those eligible, which has increased as Council Tax has risen. The trend of falling numbers of claimants has however plateaued over the last eighteen months and is now likely to increase with the economic impact of the COVID-19 pandemic.

- 8.13. With regards to Business Rates, while income collected in year was in line with original estimates, at the end of 2019/20 there is an overall surplus on the NHDC share of the Business Rates Collection Fund of £365k. The overall surplus position comprises a £911k in-year surplus for 2019/20 that is partially offset by the £546k adjustment for the prior year final outturn, as detailed and explained at Quarter One. Both amounts are primarily explained by changes to the calculation of the provision required for business rates appeals. At the end of 2018/19, it was considered prudent that the provision calculation reflected the experience of Hertfordshire as a whole in terms of the impact of successful appeals on rates income. This change increased the contribution required to the provision in 2018/19 and hence increased the final recorded deficit for that year. In reviewing the position at the end of this financial year, a revised approach was taken to identifying premises most likely to appeal successfully and for which provision should be made. This has reduced the total amount of provision required at the end of 2019/20, with the release of some of the provision making an £820k contribution to the £911k in-year surplus recorded.
- 8.14. The Central Government return submitted in January 2020 estimated an overall Business Rates Collection Fund deficit for 2019/20 of £294k. The contribution to the Collection Fund required in 2020/21 in respect of the position for 2019/20 is based on this January estimate. The £659k difference between the actual surplus of £365k and the January estimated deficit of £294k will be included in the calculation of the estimated surplus/deficit for 2020/21 (submitted to Central Government in January 2021), and hence will affect the calculation of the Council's retained business rates income for 2021/22.
- 8.15. While legislation requires that annual Collection Fund surpluses or deficits do not affect the General Fund balance in the year they are recorded, the Council's share of the gain from Hertfordshire being a Business Rate pilot in 2019/20 will increase the General Fund balance at the end of March 2020. The actual gain is dependent on the overall Business Rates collected across Hertfordshire. Calculation of the gain is being coordinated by Hertfordshire County Council. At the time of writing the amount is still to be confirmed, with timetables and processes delayed by the impact of the COVID-19 emergency. The funding total in table 6 below currently assumes only the budgeted business rates baseline amount, which represents close to the minimum level of funding the Council can expect to receive from business rates. It should therefore be noted that, once notification of the final gain amount is received from the County Council, accounting for the gain will increase the General Fund balance at 31 March 2020 to a total higher than that currently shown in table 6.
- 8.16. The Council also receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. In 2019/20 NHDC received grant totalling £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 has been used in 19/20 to fund the repayment to the Collection Fund of the deficit for 2018/19, as shown in table 6, and some will be used in the next financial year to fund the repayment of the £294k deficit amount highlighted above.
- 8.17. Table 6 summarises the impact on the General Fund balance of the outturn position detailed in this report. It should however also be noted at this point that the Statement of Accounts is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

Table 6 – General Fund impact

	Working Budget £k	Outturn £k	Difference £k
Brought Forward balance (1st April 2019)	(7,862)	(7,862)	-
Net Expenditure	14,821	14,692	(129)
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 and transfer of reserves as approved at Full Council in February 2020)	(405)	(405)	0
Carried Forward balance (31st March 2020)	(8,639)	(8,768)	(129)

8.18. 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 at the end of the financial year a total of £349k have come to fruition. The identified risk realised in the final quarter relates to;

- Recycling services. Increase in net cost due to both; increased cost of haulage and processing of commingled recycling collected - £81k; the reduction in income from textiles collected for recycling - £11k (both highlighted in table 3 above).

Table 7 – 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)
Known financial risks realised in Quarter 3	(156)
Known financial risks realised in Quarter 4	(92)
Remaining allowance for known financial risks	854

EARMARKED RESERVES

- 8.19. The Council has a number of earmarked reserves, which can be used to fund revenue expenditure. These are detailed in Table 8 below. A total of £3.372million has been contributed to the reserves in 2019/20 and a total of £1.211million has been transferred out of the reserves to the General Fund. The total transferred to the General Fund includes the release of those balances no longer needed - the Community Right to Challenge Reserve, Environmental Warranty Reserve, Property Maintenance Reserve and the Street Furniture Reserve - as detailed and explained in the Revenue Budget Report 2020/21 and approved by Council in February this year.
- 8.20. Cabinet are therefore asked to recommend to Council that the net contribution to reserves of £2.161million be approved (recommendation 2.5), which leaves a total balance in earmarked reserves at 31 March 2020 of £9.344million.

Table 8 – Earmarked Reserves

	Balance at 1 April 2019	Contributions to reserve	Transfers out of reserves	Balance at 31 March 2020
	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	161	7	(1)	167
Childrens Services Reserve	7	52	(2)	57
Climate Change Grant Reserve	28	0	(2)	26
Community Right to Challenge Reserve	45	0	(45)	0
MHCLG Grants Reserve	1,814	2,004	(77)	3,741
DWP Additional Grants Reserve	190	116	(121)	185
Environmental Warranty Reserve	209	0	(209)	0
Funding Equalisation Reserve	0	68	0	68
Growth Area Fund Reserve	53	0	0	53
Homelessness Grants Reserve	262	210	(59)	413
Housing & Planning Delivery Reserve	1,142	95	(168)	1,069
Information Technology Reserve	82	0	(4)	78
Insurance Reserve	34	0	0	34
Land Charges Reserve	94	0	0	94
Leisure Management Maintenance Reserve	47	30	0	77
Museum Exhibits Reserve	12	1	0	13
Neighbourhood Plan Reserve	41	40	(3)	78
Office Move IT Works	7	0	(7)	0
Paintings Conservation Reserve	11	0	0	11
Property Maintenance Reserve	72	0	(72)	0
S106 Monitoring Reserve	36	0	(17)	19
Special Reserve	1,395	0	(220)	1,175
Street Furniture	21	0	(21)	0
Street Name Plates	16	0	0	16
Syrian Refugee Project	115	339	(182)	272
Taxi Licences Reserve	13	2	0	15
Town Centre Maintenance	45	8	0	53
Traffic Regulation Orders	347	0	(1)	346
Waste Reserve	631	99	0	730
Waste Vehicles Reserve	253	301	0	554
Total Revenue Reserves	7,183	3,372	(1,211)	9,344

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 of reserves.
- 9.2. The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published.
- 9.3. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 9.4. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.
- 9.5. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer.
- 9.6. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.

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.
- 10.2. The General Fund balance of £8.768million (table 6) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

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. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

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

16. APPENDICES

- 16.1. None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1. None.

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REPORT CONSIDERED BY CABINET AT THE MEETING HELD ON 23 JUNE 2020

*PART 1 – PUBLIC DOCUMENT

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

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER FOR FINANCE AND I.T.

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1 EXECUTIVE SUMMARY

- 1.1 As at the end of financial year 2019/20, there is a reduction in Capital spend compared to quarter 3 of **£0.331million**. The majority of this change is due to revisions to the profile of planned project spend, with **£0.277million** that will now instead be incurred in 2020/21.
- 1.2 During the year the Council has generated **£0.411million** of interest from its investments. This is slightly below the budgeted total of £0.418million. The Council continued to invest in smaller Building Societies (subject to checks that compare the size of the Society with that of the investment) and also now invests in non-UK banks.
- 1.3 The Council has repaid £0.017million of borrowing during the year as it has matured. The Council has £0.423million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.
- 1.4 The Council complied with its legislative and regulatory requirements throughout the year.
- 1.5 The forecast for 2020/21 is that investment income will continue to reduce due to market conditions, the use of cash balances to fund the capital programme and the effect of Covid-19.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of **£1.473million** in 2019/20 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net decrease on the working estimate of **£0.055million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 by **£0.277million** (re-profiled from 2019/20).

- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet approves the application of **£0.639million** of capital receipts towards the 2019/20 capital programme and the drawdown of £0.397million from set aside receipts, paragraph 8.6 refers.
- 2.5 Cabinet is asked to note the position of Treasury Management activity as at the end of March 2020.
- 2.6 Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2019/20 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2019/20.

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 Executive decision that was first notified to the public in the Forward Plan on the 13th March 2020.

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 £117.0 million of capital assets that it currently owns. This has increased from £114.5 million as at 31 March 2019. 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 The outturn Capital expenditure for 2019/20 is **£1.473million**. This is a reduction of **£0.331million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into future years and underspend on projects. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates

	2019/20 £M	2020/21 £M	2021/22 to 2024/25 £M
Original Estimates approved by Full Council February 2019	8.213	0.962	
Changes approved by Cabinet in 2018/19 Capital Outturn report	1.007	0	
Revised Capital estimates at start of 2019/20	9.220	0.962	
Changes at Q1	-1.398	1.408	
Changes at Q2	-1.936	1.450	
Changes in 20/21 strategy approved by full Council in February	0	5.507	
Changes at Q3	-4.082	3.831	
Changes since Q3	-0.331	0.277	
Outturn 2019/20	1.473	13.435	23.524

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 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
Community Facilities Refurbishment	313	210	-103	Community facilities are run with minimal resource to service the needs of the building. Many facilities are solely supported by volunteers. Officers have found that these committees are often under-resourced to complete any additional work over and above the maintenance of the building, taking bookings and other general up-keep of a facility. The completion of applications has, therefore,	103

Scheme	2019/20 Working Budget £'000	2019/20 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
				taken more time than anticipated since the inception of the grant scheme.	
Baldock Town Hall Improvements	70	21	-49	This project is demand led and spend is dependent on invoices being submitted for payment once works have been completed.	49
Cyber Attacks	30	0	-30	The pre-planned Cyber Essentials training and procurement of new hardware was put back due to a delay in the annual Penetration Test being carried out. The results of the test will contain recommendations for any new hardware required.	30
Leisure Condition Survey	30	0	-30	Works were originally programmed in 20/21 but an opportunity arose to bring the work forward to 19/20. However, only one formal price was received from contractors and, as this did not comply with our contract procurement rules, the work was unable to commence before the end of March.	30
Total Minor (under £25k) slippage on other projects			-65		65
Total Revision to Budget Profile			-277		277

8.5 There are also changes to the overall costs of schemes in 2019/20. These changes total a net decrease of £0.055million 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
Home Repair Assistance	60	21	-39	Spend on this budget is demand led. All applications received during the year were actioned. Some have taken longer to process due to resourcing issues and some have been delayed by the request of the applicant. £15K income offset the spend as previously award grant funding was returned as per the terms of the grant agreements.
Other minor changes			-16	
Total revision to scheme spend			-55	

8.6 The following capital schemes have been completed during 2019/20:

- Channel Shift - Housing Register
- Museum / Town Hall Lift
- Acoustic Panelling Hitchin Town Hall
- Bar Facility Hitchin Town Hall
- Letchworth Outdoor Pool Safety
- Auto Chemical Dosing Pumps
- Renovate District Park Great Ashby
- Renovate King George V Play Area
- Various IT Projects

Capital Programme 2019/20 Funding onwards

8.7 Table 4 below shows how the Council will fund the 2019/20 capital programme.

Table 4: Funding the Capital Programme:

	2019/20 Balance at start of year £M	2019/20 Additions £M	2019/20 Funding Used £M	2019/20 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	8.490	0.0	(1.036)	7.454
IT Reserve			(0.005)	
S106 receipts			(0.346)	
Other third party grants and contributions			(0.083)	
Revenue contributions			(0.003)	
Total	8.490		(1.473)	

8.8 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.

8.9 The Council's Capital Financing Requirement (CFR) at 31st March 2020 was negative £5.60 million (negative £5.99 million 31st March 2019). As the CFR is negative the Council does not have a need to borrow to fund capital spend. However, should the Capital programme be fully spent in 20/21 there will be a potential need to borrow £4.0M, which will have an impact on the General Fund by way of a Minimum Revenue Provision (MRP). This need to borrow will mainly be dependent on spend in line with the property acquisition and development strategy. It is expected that any such spend will generate income that will exceed the cost of capital (interest costs and Minimum Revenue Provision).

Treasury Management 2019/20

8.10 In summary, the Council has operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. The £5 million limit on the Council's current account was exceeded on two separate occasions and each was reported to Members in the quarterly monitoring reports.

8.11 The Council generated £0.411M of interest during 2019/20. The average interest rate agreed on new deals during the year was 0.99%. The average interest rate on all outstanding investments at the 31st March was 1.18%.

8.12 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.

- 8.13 **Security Risk** – The possibility that other parties fail to pay amounts due to the Authority.

The Council’s counterparty list comprises UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB, non-UK banks with a credit rating greater than AA- with a AAA Country rating, but also includes other Local Authorities and Public Corporations. It also includes smaller Building Societies that do not have a credit rating.

- 8.14 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.

- 8.15 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.

Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risks of long term deals are:

- (i) The longer the time period the longer the investment is exposed to default.
- (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures.

- 8.16 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy, which allows no more than 12M of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council had £1.0M (3.4%) invested for longer than 365 days.

- 8.17 **Interest (Yield)** - This year has continued to prove challenging to find counterparties willing to pay a reasonable return on cash investments, either long or short term. The uncertainty around interest rate changes has continued in 19/20, with the latest predictions indicating that there will be no increase in base rate during 2020/21.

- 8.18 The investments outstanding at the 31 March 2020 were £37.5million. This compares to a balance of £32.4million at 31 March 2019. These figures include the balance on the interest-bearing current account. Investment in capital projects will continue during 2020/21 and combined with declining returns for new investments, means that the estimated investment interest for 2020/21 was set at £0.300million. This was set, however, prior to a further fall in interest rates and the outbreak of Covid-19. This figure is therefore expected to reduce and will be updated in the first monitoring report of 2020/21.

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.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report. Tolerance
- 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 next ten-year programme it should be anticipated that the total spend over the period could be £4.022million higher than the originally budgeted £45.491million.
- 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 £10.0k 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 2020 was negative £5.6million.
- 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” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report. The projects at section 8.4 may have impacts that contribute to an adverse impact. As these projects go forward, an assessment will be made where necessary.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications.

16. APPENDICES

- 16.1 Appendix A - Capital Programme Detail including Funding 2019/20 onwards.
16.2 Appendix B - Treasury Management Annual Review.

17. 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					
		Actual 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 Revenue / IT Reserve	Funded from Planned Borrowing	Balance funded from Capital Receipts/ Set-aside receipts
PC's - Refresh Programme	Customers	19,500	17,000	17,000	17,000	0	0	0	0	0	70,500
Playground Renovation District Wide	Place	0	0	180,000	180,000	0	0	0	0	0	360,000
Private Sector Grants	Regulatory	20,800	60,000	60,000	60,000	0	0	0	0	0	200,800
Provide housing at market rents.	Commercial	4,800	2,976,700	0	0	0	0	0	0	0	2,981,500
Refurbishment and improvement of community facilities	Legal and Community	210,000	522,900	0	0	0	0	0	0	0	732,900
Refurbishment of lifts at Lairage Car Park	Regulatory	700	359,300	0	0	0	0	0	0	0	360,000
Ransoms Rec Footpaths, Gates and Railing	Place	0	0	0	10,000	0	0	0	0	0	10,000
Renovate play area Howard Park, Letchworth	Place	0	75,000	0	0	0	0	0	0	0	75,000
Renovate play area King George V Recreation Ground, Hitchin	Place	30,000	800	0	0	0	0	0	0	0	30,800
Renovate play area, District Park, Gt. Ashby	Place	74,200	800	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	0	60,000
Replace items of equipment Brook View	Place	300	0	0	0	0	0	0	0	0	300
Replace items of play equipment Holroyd Cres, Baldock	Place	0	10,000	0	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	0	10,000
Replace items of play equipment, Chiltern Road, Baldock	Place	0	0	0	0	0	0	0	0	0	0
Replacement SAN	Customers	0	110,000	0	0	0	0	0	0	0	110,000
Royston Leisure Centre extension	Place	0	0	0	1,000,000	0	0	0	0	0	1,000,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	0	0	225,000	0	0	0	0	0	225,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	30,000
S106 Projects	Various	162,700	128,800	0	0	0	0	288,900	2,600	0	0
Security - Firewalls	Customers	12,600	14,000	0	14,000	0	0	0	0	0	40,600
St Johns Cemetery Footpath	Place	0	10,000	0	0	0	0	0	0	10,000	0
Storage Facilities	Resources	-4,000	0	0	0	0	0	0	0	0	-4,000
Tablets - Android Devices	Customers	13,100	12,900	15,000	18,000	0	0	0	0	0	59,000
Telephony system	Customers	0	10,600	0	0	0	0	0	0	0	10,600
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	250,000	0	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	0	300,000	0	250,000	0	37,000	0	0	13,000
Walsworth Common Pitch Improvements	Place	73,600	18,900	0	0	0	0	85,300	0	0	7,200
Weston Hills LNR Footpath Renovation	Place	0	0	0	20,000	0	0	0	0	0	20,000
Wilbury Hills Cemetery Footpaths	Place	0	10,000	10,000	0	0	0	0	0	20,000	0
WiFi Upgrades for DCO & Hitchin Town Hall	Customers	0	35,000	0	0	0	0	0	0	0	35,000

1,472,800	13,435,500	5,405,000	6,334,100	379,800	764,500	800,900	7,900	3,827,700	20,866,600
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Annual Treasury Management Review

2019/20

English Local Authorities

April 2020

Annual Treasury Management Review 2019/20

1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2019/20 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 07/02/2019)
- a mid-year (minimum) treasury update report (Cabinet 18/12/2019)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, Cabinet and the Finance, Audit and Risk (FAR) Committee have received quarterly treasury management update reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance Audit and Risk Committee before they were reported to the full Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2018/19 Actual £'000	2019/20 Working Budget £'000	2019/20 Actual £'000
Capital expenditure	5,574	1,804	1,473
Financed in year	1,233	1,220	1,076
Unfinanced capital expenditure	4,341	584	397

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2019/20 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLb], or the money markets), or utilising temporary cash resources within the Council.

CFR (£m): General Fund	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
Opening balance	-10,335	-4,394	-5,993
Add unfinanced capital expenditure (as above)	4,342	4,332	397
Closing balance	-5,993	-62	-5,596

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2019 Actual £'000	31 March 2020 Budget £'000	31 March 2020 Actual £'000
Gross borrowing position	440	423	423
CFR	-5,993	-62	-5,596

The CFR is negative as the Council has more cash investments than borrowing. Borrowing is historic and was undertaken prior to the housing stock transfer when the CFR was positive.

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - - this indicator is the net cost of borrowing as a percentage of the total revenue budget. This would usually show how much of the overall budget is spent on borrowing costs. However as the Councils investment income exceeds the cost of interest on borrowing it is a negative number.

	2019/20
Authorised limit	£10.0m
Maximum gross borrowing position during the year	£0.440m
Operational boundary	£4.1m
Average gross borrowing position	£0.432m
Financing costs as a proportion of net revenue stream	-2.3%

4. Treasury Position as at 31 March 2020

At the end of 2019/20 the Council’s treasury position was as follows:

	31 March 2019 Principal £'000	Rate/ Return	31 March 2020 Principal £'000	Rate/ Return
Fixed rate borrowing:				
-PWLB	440	9.7%	423	9.82%
-Market	0		0	
Variable rate borrowing:				

-PWLB	0		0	
-Market	0		0	
Total debt	440	9.7%	423	9.82%
CFR	-5,993		-5,596	
Over / (under) borrowing	6,433		6,019	
Investments:				
Total investments	30,000	1.17%	29,500	1.18%

The maturity structure of the debt portfolio was as follows:

	31 March 2019 Actual £'000	31 March 2020 Actual £'000
Under 12 months	17	18
12 months and within 24 months	18	18
24 months and within 5 years	58	61
5 years and within 10 years	82	69
10 years and above	265	257

The table below summaries where investments were held at 31 March and includes the Lloyds Bank interest bearing current account:

INVESTMENT PORTFOLIO	Actual 31.3.19 £000	Actual 31.3.19 %	Actual 31.3.20 £000	Actual 31.3.20 %
Treasury investments				
Banks	9,900	30	10,000	27
Building Societies	16,500	51	9,500	25
Local authorities	6,000	19	16,000	43

Money Market Funds	0	0	0	0
Central Government	0	0	2,000	5
TOTAL TREASURY INVESTMENTS	32,400	100	37,500	100

Money market funds provide a short-term investment option with no entry or exit fees. Due to changes in accounting regulations the Council would have been required to obtain (and possibly pay for) professional advice on the risk of default in relation to balances held in Money Market Funds at 31st March 2020. To avoid these fees, it was decided to temporarily remove the funds and then reinvest them after the 1st April 2020.

The maturity structure of the investment portfolio was as follows:

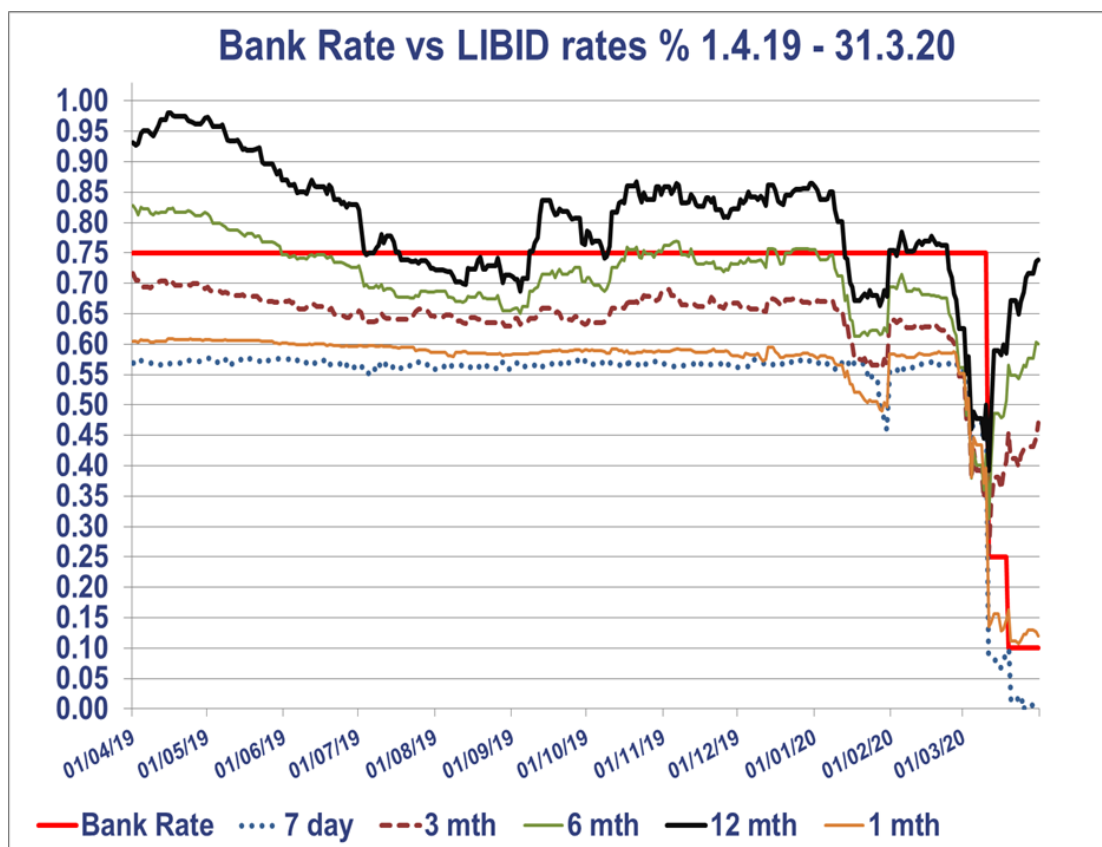
	2018/19 Actual £000	31 March 2020 Actual £000
Investments Longer than 1 Year	1,500	1,000
Investments Up to 1 Year	28,500	28,500
Total	30,000	29,500

5. The strategy for 2019/20

The strategy in 2019/20 was to continue only lending to UK banks, building societies, money market funds, Local Authorities and property funds. Only UK banks with a credit rating, for longer term deals, greater than “BBB” and F3 or above for short term credit ratings were on the Council’s lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal. In addition, the strategy was changed in 2019/20 to allow investments with non-UK banks with a credit rating greater than AA- with a AAA Country rating. The strategy moved from imposing limits based on a percentage of the total investments outstanding to a fixed limit.

Change in strategy during the year – the strategy adopted in the original Treasury Management Strategy Report for 2019/20, approved by the Council on 07/02/2019, was not changed during the year.

5.1 Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.75	0.58	0.61	0.72	0.83	0.98
High Date	01/04/2019	09/05/2019	15/04/2019	01/04/2019	01/04/2019	15/04/2019
Low	0.10	0.00	0.11	0.26	0.31	0.39
Low Date	19/03/2020	25/03/2020	23/03/2020	11/03/2020	11/03/2020	11/03/2020
Average	0.72	0.53	0.56	0.63	0.70	0.80
Spread	0.65	0.58	0.50	0.46	0.52	0.59

Link Asset Services Interest Rate View		31.3.20							
		Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month LIBID		0.45	0.40	0.35	0.30	0.30	0.30	0.30	0.30
6 Month LIBID		0.60	0.55	0.50	0.45	0.40	0.40	0.40	0.40
12 Month LIBID		0.75	0.70	0.65	0.60	0.55	0.55	0.55	0.55
5yr PWLB Rate		1.90	1.90	1.90	2.00	2.00	2.00	2.10	2.10
10yr PWLB Rate		2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30
25yr PWLB Rate		2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70
50yr PWLB Rate		2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50

Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the

coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

6. Borrowing Outturn

Borrowing

No new long term loans were taken during the year.

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

£17K of PWLB loans were repaid during the year, as they became due.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7. Investment Outturn

Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 07/02/19. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the Fitch credit rating agency for banks and asset size for building societies.

The investment activity during the year conformed to the approved strategy. The £5M limit on the Council’s current account was exceeded on two separate occasions and were reported to Members in the quarterly monitoring reports.

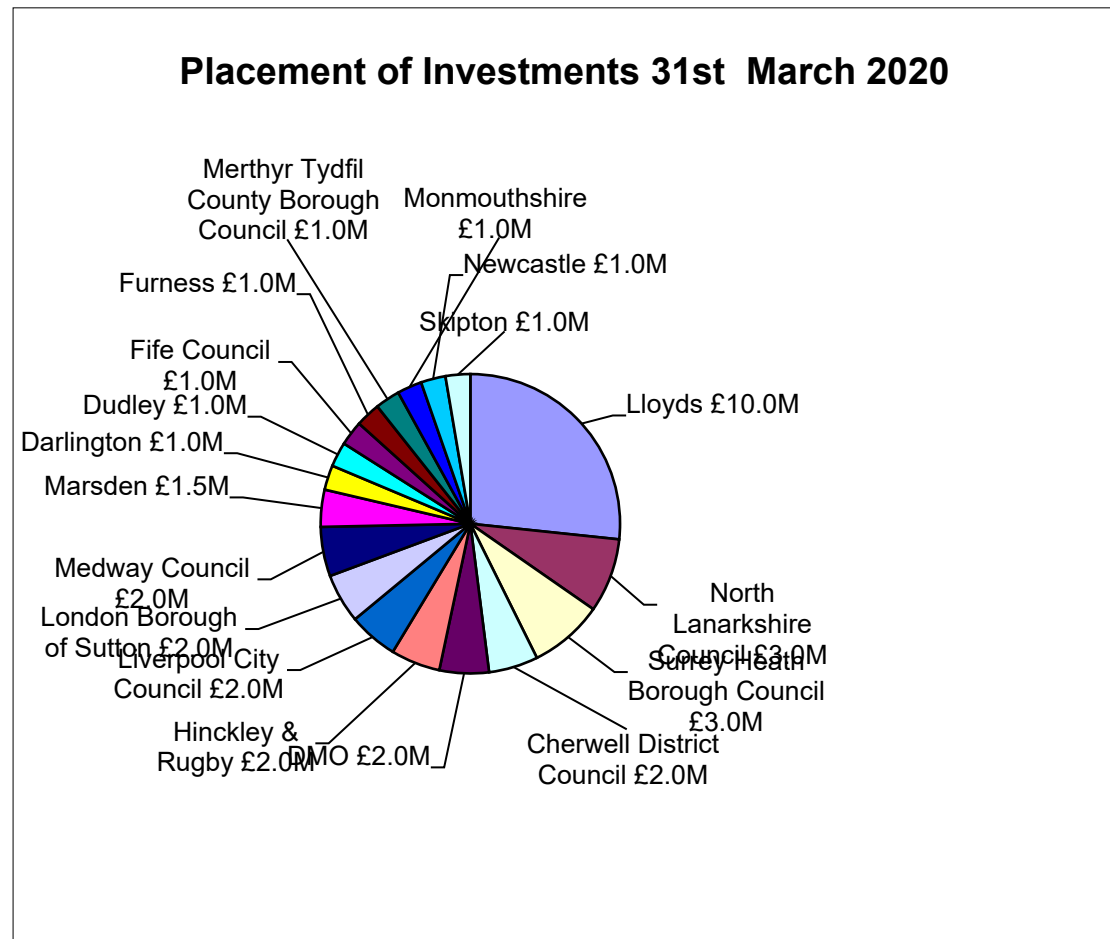
Investments placed by Cash Managers – the Council used an external cash manager to invest some of its longer term cash balances, where the rate achieved (after fees) is better than can be obtained by the Council directly. At the start of the year, Tradition had £8.5m of outstanding investments. This remained the same throughout the year. The performance of the Tradition against the benchmark return was:

Cash Manager	Investments Placed	Interest	Return	Benchmark*
Tradition	£8.5M	£0.116M	1.36%	0.55%

* Ave 7 days notice Rate 0.55%

This compares with an original budget of £0.111M.

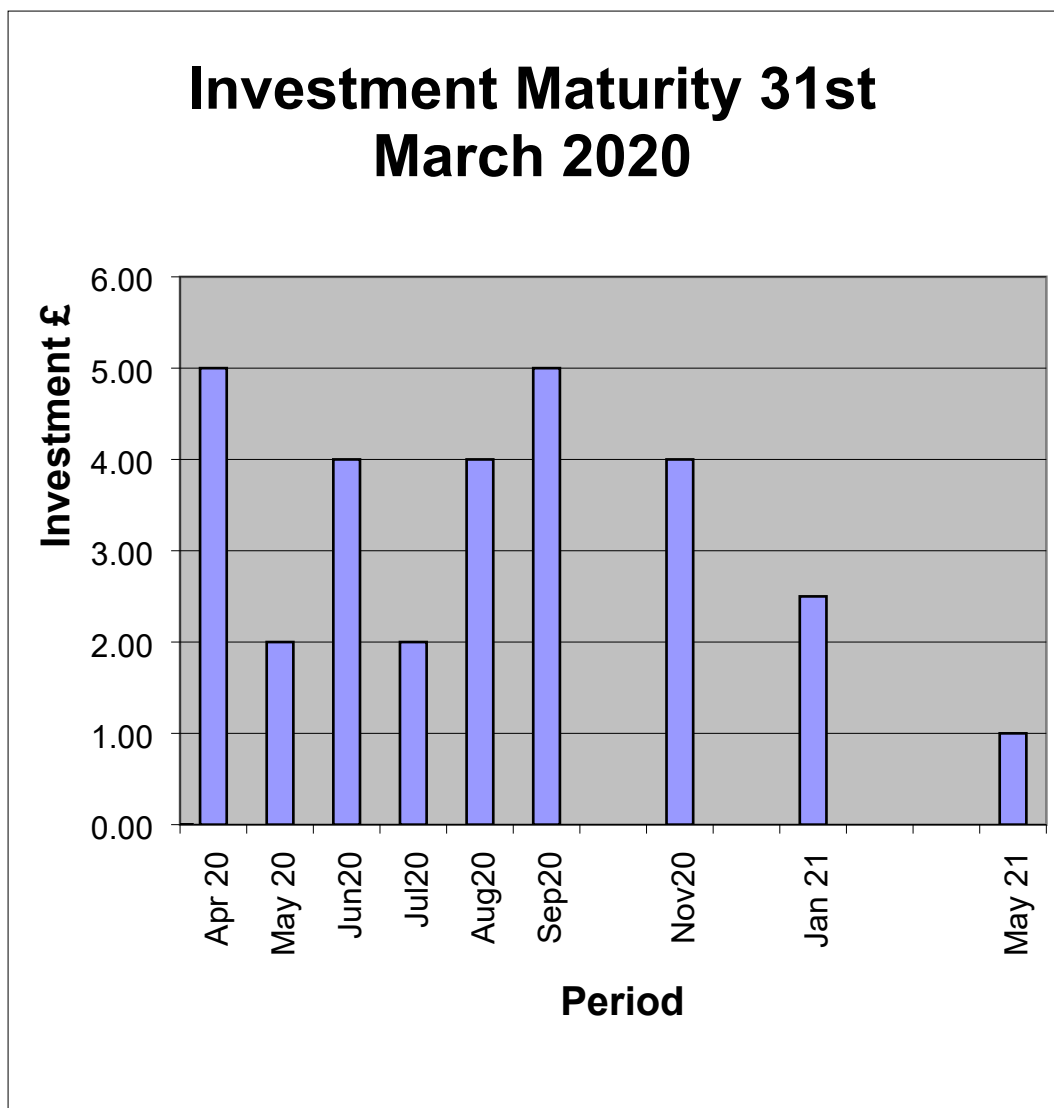
The pie chart below shows the spread of investment balances as at 31 March 2020. This is a snapshot in time that demonstrates the diversification of investments.



The average daily balance of investments was £39.8m with balances varying between £29.5m and £51.0m.

£0.411m of interest was generated from investments during the year. This is slightly less than the estimated interest of £0.418m (as per Quarter 3 forecast).

The graph below shows the maturity profile of investments at 31st March 2020.



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 31 March. 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. All investments have been made in accordance with the Investment Strategy.

Borrower	Interest Rate %	Principal	Days to Maturity from 31/03/20	Historic Risk of Default	Risk of Default
DMO	0.09	2,000,000	3	0.00%	0.00000
HINCKLEY & RUGBY	1.35	2,000,000	24	0.15%	0.00010
SKIPTON	0.92	1,000,000	29	0.15%	0.00012
DUDLEY	1.3	1,000,000	37	0.15%	0.00015
MERTHYR TYDFIL COUNTY BOROUGH COUNCIL	0.85	1,000,000	58	0.00%	0.00000
FURNESS	1.3	1,000,000	63	0.15%	0.00026
LONDON BOROUGH OF SUTTON	0.8	2,000,000	66	0.00%	0.00000
FIFE COUNCIL	1.15	1,000,000	90	0.00%	0.00000
LIVERPOOL CITY COUNCIL	0.83	2,000,000	118	0.00%	0.00000
LLOYDS	1.25	1,000,000	125	0.05%	0.00017
SURREY HEATH BOROUGH COUNCIL	0.9	3,000,000	146	0.00%	0.00000
NORTH LANARKSHIRE COUNCIL	0.9	3,000,000	163	0.00%	0.00000
CHERWELL DISTRICT COUNCIL	0.87	2,000,000	174	0.00%	0.00000
LLOYDS	1.1	1,000,000	219	0.05%	0.00030
MEDWAY COUNCIL	1.25	2,000,000	220	0.00%	0.00000
NEWCASTLE	1.17	1,000,000	241	0.15%	0.00099
DARLINGTON	1.2	1,000,000	283	0.15%	0.00116
MARSDEN	1.6	1,500,000	297	0.15%	0.00122
MONMOUTHSHIRE	1.5	1,000,000	423	0.15%	0.00174

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources	31 March 2019 £,000	31 March 2020 £’000
Balances	8,800	9,332
Earmarked reserves	7,184	9,271
Provisions	1,245	2,446
Usable capital receipts	2,580	1,941
Total	19,679	22,990

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COUNCIL
9 July 2020

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL REPORT OF THE STANDARDS COMMITTEE

REPORT OF MONITORING OFFICER

THE CHAIR OF THE STANDARDS COMMITTEE, CLLR JUDI BILLING

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL

1. EXECUTIVE SUMMARY

- 1.1 To consider the Annual report in relation to ethical standards in the preceding civic year. Members should also note the ongoing national consultation on a new Model Code and participate if possible¹.

2. RECOMMENDATIONS

- 2.1. That Council receives and notes the Annual Report.

3. REASONS FOR RECOMMENDATIONS

- 3.1 In line with recommended good governance practice to report the work of Standards Committee to the full Membership, to promote and maintain high standards of conduct and to demonstrate a strong commitment to ethical values.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation has taken place with the Chair and Vice Chair on this report; and where relevant/ applicable with the Standards Committee as part of their deliberations on the topics detailed. Group Leaders are also kept informed of any relevant developments as part of their monthly Service Director briefings. Quarterly meetings are also scheduled between the Monitoring Officer, Deputies, Chair, Vice Chair with the Independent Persons to discuss standards matters.

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.

¹ <https://www.local.gov.uk/code-conduct-consultation-2020>

7. BACKGROUND

- 7.1 The current standards regime was introduced in July 2012 following the introduction of the Localism Act 2011 ('the Act'). There is a legal duty under section 27 of the Act to promote and maintain high standards of conduct. The Standards Committee has the responsibility under the Council's Constitution to promote and maintain high standards of conduct. Since 2017 a written Annual Report has been presented to the membership, with an address by the Chair of the Standards Committee for the relevant civic year. This is in line with best practice recommendations.

8. RELEVANT CONSIDERATIONS

- 8.1 The following outlines standards matters, work of the Standards Committee and Monitoring Officer / Deputies during the civic year 2019-20.

Complaints:

- 8.2 The Procedure for handling Councillor Complaints was last reviewed and amended in May 2019, following the Committee on Standards in Public Life (CSPL) report on Local Government Ethical Standards and Standard Committee instructing resolution to that effect. This included updated criteria for considering complaints.
- 8.3 The following 10 formal complaints have been received since the last Annual Report in May 2019. All were considered by the Monitoring Officer or Deputies with an Independent Person before a decision was reached on initial assessment:

	<i>Complainant:</i> Councillor, employee or public	<i>Complaint against:</i> District or Parish Councillor - and which Parish, Town or Community Council	<i>Allegation summary</i>	<i>Outcome</i>
7/2019	Public	District Councillor	Unsubstantiated allegations regarding the Councillor alleged conduct in the street/ vehicle.	No case to answer as confirmed by the police.
10/2019	Public	District Councillor	Alleged conduct of bias when acting as ward councillor at Council meeting.	No case to answer.
11/2019	Employee	District & Pirton Parish Councillor	Alleged disrespectful conduct towards officer at a Council meeting.	No case to answer for both.
13/2019	Community Councillor	Great Ashby Community Councillor	Alleged Cllr was insensitive and offensive during a GACC meeting.	No case to answer.
14/2019	Community Councillor	Great Ashby Community Councillor	Allegations that Councillor not behaving in a neighbourly way. Allegations also against the Councillor's wife.	No case to answer.
15/2019	Great Ashby Community Councillor	Great Ashby Community Councillor	Linked to previous complaints and involvement.	No case to answer.
16/2019	Community Councillor	Great Ashby Community Councillor	Councillor allegedly harassed another Councillor (similar to 13/2019).	No case to answer.

[redacted]				Ongoing.
2/2020	District Councillor	District Councillor	Alleged discriminatory Tweet during a council meeting.	No case to answer.
3/2020	Clerk	District Councillor	Allegations inappropriate comments on Facebook.	No case to answer.

8.4 Complaints are also made informally to the Monitoring officer by Councillors or employees – this covers situations where the individuals do not wish to pursue something formally and, as per agreement, are dealt with by raising them with the relevant Group Leader. These are not reported above, at the request of the Standards Committee (February 2019); however, represent the missing references in 2019. Since the last report there have been 5 dealt with in this way.

8.5 Otherwise, whilst the Council has not received any further formal complaints since March 2020, the Council’s Monitoring Officer in-box is copied into various exchanges for Great Ashby Community Council, including allegations: sent to the auditors, alleged defamation, policy decisions, spending and whistleblowing – none of which fall within the remit of the NHDC Monitoring Officer. The relevant Community Councillor has been informed of the Monitoring Officer’s remit. This is, however, highlighted in terms of resource implications for this Council given the apparent expectation of intervention and involvement where no remit or resource is available.

Planning Code of Good Conduct (PCGC):

8.6 Following the elections in May 2019 the new administration set a priority for reviewing the Planning Code of Good Conduct. The Standards Committee considered this at their meeting in October and following this / further liaison with the Chair and Vice Chair, recommendations on amendments were made to Council and approved in January 2020. This was to clarify the role of Ward Advocate/ Councillor.

National standards matters:

8.7 Members will recall that the Committee in Standards in Public Life (CSPL) made 26 recommendations on ethical standards in local government on 30 January 2019, as reported to the February 2019 Committee². Brexit, EU transition and now the pandemic have dominated the political landscape and therefore no formal response has materialised from the Government. The CSPL, however, decided to liaise with the Local Government Association (‘LGA’) and various other organisations with a view to preparing a draft new model code for Councillors. The LGA commenced a consultation on 8 June³ and this will run for 10 weeks until Monday 17 August. Members can participate individually by clicking on the link below, although a response will be prepared with the Standards Committee membership for submission on behalf of the Council.

The Year Ahead:

8.8 Once the code of conduct consultation has been reported by the LGA, the NHDC Code and procedures will be reviewed and amendments considered by Standards Committee and recommended if applicable/ relevant. This could be used to facilitate some wider work in the District, time and resources allowing.

² <https://democracy.north-herts.gov.uk/ie/ListDocuments.aspx?CId=154&MId=2023&Ver=4>
³ <https://www.local.gov.uk/code-conduct-consultation-2020>

- 8.9 The Council will also look to recruit to another Independent Person (IP) position – with a view (in the absence of the Government implementing the recommendations regarding IPs) to success arrangements. Enquiries regarding a Hertfordshire bank of IPs has not been productive. The Monitoring Officer shall therefore be looking to recruit another IP with the Chair and / or Vice Chair (and potentially existing IPs) in the next few months. The aim would be to have a recommendation for Full Council for November.

9. LEGAL IMPLICATIONS

- 9.1 Although it is not specifically referred to in the Constitution, Full Council has routinely received an Annual Report on standards issues. There is no legal requirement to have an Annual Report; however, it is considered good practice to do so.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no capital or revenue implications arising from the content of this report.

11. RISK IMPLICATIONS

- 11.1 Appropriate policy frameworks help to ensure good governance of the Council and therefore reduce risk of poor practice or unsafe decision making.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The Councillor Code of Conduct clearly states that it is a requirement for all Councillors to carry out their duties with reference to the principles set out under the Equality Act. The Standards Committee role is to promote this. There are no other implications to this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 None.

16. APPENDICES

- 16.1 None.

17. CONTACT OFFICERS

- 17.1 Jeanette Thompson Service Director: Legal and Community and Monitoring Officer
Jeanette.thompson@north-herts.gov.uk ext 4370

18. BACKGROUND PAPERS

18.1 Other than those identified within the Report, none.

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**COUNCIL
9 JULY 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: CONSTITUTIONAL (INCLUDING FINANCIAL REGULATION) CHANGES TO FOLLOWING TIER 1 & 2 RESTRUCTURE

REPORT OF THE SERVICE DIRECTOR LEGAL AND COMMUNITY & MONITORING OFFICER

EXECUTIVE MEMBER: THE LEADER OF THE COUNCIL: COUNCILLOR MARTIN STEARS-HANDSCOMB

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL

1. EXECUTIVE SUMMARY

- 1.1 To present consequential changes for approval following the Tier 1 and 2 management changes.

2. RECOMMENDATIONS

- 2.1. That Full Council approves the proposed amendments set out under 8.1 & 8.3, or where alternatives are proposed – such alternatives as are appropriate. Such changes to come into effect on **18 July 2020**.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure the Constitution reflects the new senior management structure and any necessary updated approval process.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. This follows the Full Council decisions relating to the senior management structure and appointment of a Managing Director, of 27 February¹ 2020 and 16 April 2020². The Leader of Council, Deputy Leader and Cllr Levett, as Group Leader, have however also been consulted on these proposals.

¹ <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=136&MId=2379&Ver=4>

² <https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=136&MId=2489&Ver=4>

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision, it is a Full Council decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 Full Council made the decisions in February and April 2020 to delete from the establishment the roles of Chief Executive and Deputy Chief Executive, replacing these with and appointing to a Managing Director role. That role is effective from 18 July 2020. As a result, certain changes are required to the Constitution.
- 7.2 Following expressions of interest and interview process in June 2020, the Service Director: Regulatory has been appointed to act in the absence of the Managing Director.

8. RELEVANT CONSIDERATIONS

Constitution sections 1-18 & 20:

- 8.1. Some consequential changes are required to:

Various	Changing the reference throughout from Chief Executive to Managing Director.
Various	Delete reference to Deputy Chief Executive & 14.6.6. Re-number subsequent delegations under 14.6.6 onwards.
2.2.2	Amending the definition of Head of Paid Service to read: <i>“Head of Paid Service”</i> <i>an officer who must be appointed by law to carry out certain functions. See Section 12.2 for more details. The officer will usually have other duties and a different job title. See Section 12.1.4 for which officer is the Head of Paid Service.</i> <i>Any reference to Chief Executive in legislation or Council Policy and Procedure documentation is deemed to be a reference to the holder of this position</i>
10.3.4(b)	Delete reference to Deputy Chief Executive as no longer such a post. Add Returning Officer / Electoral Registrations Officer ('RO/ERO') as not part of Managing Director's role. Add interview and appoint for the posts of Service Directors. b) to read: <i>(b) To interview and appoint candidates for the posts of Deputy Chief Executive Service Directors, and to interview and recommend to Council the appointment of Monitoring Officer, and Chief Finance Officer and Returning Officer/ Electoral Registration Officer.</i>
10.3.4 (c)	Delete as no longer required (covered above) & subsequent renumbering in sections: (c) To appoint candidates for the posts of Service Directors.

14.6.2(c)	Change to Monitoring Officer to reflect current practice: <i>c) All officers discharging these functions may authorise any member of their staff to act on their behalf and shall keep a written record of all sub-delegations in a register held by the Monitoring Officer Chief Executive (subject to the limitations at 14.6.3 and within specific policies).</i>
14.6.11	New (viii): adding to the Service Director: Regulatory the following: <i>"In the absence of the Managing Director to exercise the functions, powers or duties of the Managing Director"</i>

8.2 Members should note that the role of RO/ERO, is yet to be confirmed by Council as these were excluded from the Managing Director’s role. The default position under the Constitution since June 2018 is that the role(s) “in absence or vacancy” fall to the Service Director: Legal & Community – this will therefore be the acting role position until the process for appointing the new RO/ERO is concluded by appointment by Full Council (anticipated by September Council meeting).

Financial Regulations section 19

8.3 Some consequential changes are required to:

Various	Changing the reference throughout from Chief Executive to Managing Director.
Para 1.2	Delete the references to the Deputy Chief Executive
Para 19.17	That the Managing Director’s expenses claims will be approved by the Chief Finance Officer (previously the Chief Executive’s claims were approved by the Deputy Chief Executive)

9. LEGAL IMPLICATIONS

9.1. Full Council’s terms of reference include “approving or adopting the Policy Framework”. The Policy Framework includes the Constitution.

9.2. Section 37 Local Government Act 2000 requires the Council to have in place a Constitution and to keep that under review. The Local Government Act 2000 section 9P sets out the requirements of a local authority’s Constitution, including the requirements to prepare it and keep it up to date and the requirement to make it available for public inspection.

9.3. The Service Director: Legal & Community’s delegation at 14.6.8(a) states as follows:
*“(xxii) To carry out the duties of the Electoral Registration Officer because of the Registration Officer’s inability to act or because of a vacancy.
 (xxiii) To carry out the duties of the Returning Officer because of his inability to act or because of a vacancy.”*
 In respect of the ERO role this is the effective appointed Deputy position under s52(2) of the Representation of the People Act 1983.

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications arising from this report.

11. RISK IMPLICATIONS

11.1. Ensuring the Council has appropriate governance arrangements in place is an important risk mitigation measure. The Council's Constitution is a fundamental part of those governance arrangements.

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 Otherwise, there are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct implications from this report, other than changes in delegations and a reflection of updated processes following on from changes to the Employment Committee's change of remit.

15. ENVIRONMENTAL IMPLICATIONS

15.1 None identified.

16. APPENDICES

16.1 None.

17. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 Previous constitution:
<https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>

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**COUNCIL
9 JULY 2020**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: VOLUNTARY REDUNDANCY

REPORT OF THE CHIEF EXECUTIVE

EXECUTIVE MEMBER: COUNCILLOR MARTIN STEARS- HANDSCOMB

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1. EXECUTIVE SUMMARY

- 1.1. To seek the approval of the Council for a voluntary redundancy, where the cost exceeds the threshold of £100,000 as set out in the Pay Policy Statement.

2. RECOMMENDATIONS

- 2.1. That Council approves the proposed voluntary redundancy the details of which are presented in the Part II Report.
- 2.2. That Council approves the use of the Special Reserve to fund the redundancy costs.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To meet the financial challenges to the Council in light of reducing Government support and assist in meeting the budgetary requirements in the long term.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Alternative options are detailed in the Part II report.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

Consultation has taken place with the affected member of staff in accordance with the Council's Reorganisation Policy.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. When the budget was set for 2020/21 and beyond it was estimated that the Council will need to deliver £1.35m of annual savings by the year 2023/4. This was based on levels of funding beyond this year being very uncertain and subject to a change to Business Rate retention, a new funding formula and the Comprehensive Spending Review. The impacts of the Covid-19 pandemic will mean that changes to funding will not be implemented until 2022/23, it is very likely that the Council will need to fund a significant proportion of the current year impact and there may be ongoing financial impacts. Overall there is an even greater need to identify ongoing reductions in the Council's expenditure.
- 7.2. The Council's Reorganisation Policy sets out the approach to restructure arrangements and includes a strong emphasis on seeking to avoid compulsory redundancies. The Council's approach to voluntary redundancy arrangements are set out in the policy.
- 7.3. The Authorisation arrangements for terminating employment are set out on the Constitution and, with the exception of Statutory Officers (Head of Paid Service, S151 Officer and Monitoring Officer) such matters fall to the Head of Paid Service. However the Council's adopted Pay Policy Statement requires Council to approve any related settlement package where the total cost to the Council exceeds £100,000 (which includes both severance payment and employer's liability for pension strain or other costs). In this case the total contractual payments including employer costs exceed £100,000. In the instance of the case set out in the Part 2 report the total cost would exceed £100,000 however it also provides significant ongoing savings.

8. RELEVANT CONSIDERATIONS

- 8.1. These are set out in the Part II Report.

9. LEGAL IMPLICATIONS

- 9.1. The Localism Act 2011 introduced the requirement for Local Authorities to agree and publish an annual Pay Policy Statement commencing 2012/13. The Department for Communities and Local Government (DCLG) also published supplementary statutory guidance '*Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011*¹' and authorities must have due regard to this when preparing their Pay Policy Statements. This DCLG guidance provides that Full Council should be asked to determine whether it wishes to vote on any remuneration package or payment on termination of employment that amounts to £100,000 or greater. This provision has been included in the Pay Policy Statement approved by Members.
- 9.2. Full Council also has remit under 4.4.1 (aa) for "*agreeing any award which would exceed the financial limits set out in the Council's Pay Policy Statement.*"

¹ [Openness and accountability in local pay: guidance under section 40 of the Localism Act](#)

9.3 Otherwise, the Council is bound by the terms of individual contracts with employees and employment law. The proposed course of action set out in this report accords with the Council's employment policies and those contracts.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

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

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

15.1. None.

16. CONTACT OFFICERS

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Ian Couper, Service Director – Resources
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17. BACKGROUND PAPERS

17.1. Pay Policy Statement 2020/21

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

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