

NORTH HERTFORDSHIRE DISTRICT COUNCIL



23 November 2020

Our Ref FARC – 03.12.2020
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To: Members of the Committee: Kate Aspinwall (Chair), Sam North (Vice-Chair), Sam Collins, Steve Deakin-Davies, Morgan Derbyshire, Adem Ruggiero-Cakir and Michael Weeks

Substitutes: Councillors George Davies, Steve Jarvis, Ian Moody, Helen Oliver, Kay Tart and Terry Tyler

**NOTICE IS HEREBY GIVEN OF A
MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE**

to be held as

A VIRTUAL MEETING

On

THURSDAY, 3RD DECEMBER, 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.	WELCOME AND REMOTE/PARTLY REMOTE MEETINGS PROTOCOL SUMMARY Members are requested to ensure that they are familiar with the attached summary of the Remote/Partly Remote Meetings Protocol. The full Remote/Partly Remote Meetings Protocol has been published and is available here: https://www.north-herts.gov.uk/home/council-and-democracy/council-and-committee-meetings .	(Pages 1 - 2)
2.	APOLOGIES FOR ABSENCE	
3.	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.	
4.	CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the 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.	
5.	PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.	
6.	FINAL AUDIT RESULTS REPORT REPORT OF ERNST & YOUNG To receive the Final Audit Results Report.	(Pages 3 - 46)
7.	SIAS UPDATE ON PROGRESS AGAINST THE 2020/21 AUDIT PLAN REPORT OF THE SHARED INTERNAL AUDIT SERVICE To receive an update on the Audit Committee Progress Report.	(Pages 47 - 66)

- 8. PROGRESS WITH DELIVERY OF THE 2020/21 ANTI-FRAUD PLAN** (Pages
REPORT OF THE SHARED ANTI-FRAUD SERVICE 67 - 86)

To receive an update on the progress made in delivering the 2020/21 Anti-Fraud Plan and the performance of SAFS in meeting its Key Performance Indicators in 2020/21.
- 9. ANNUAL GOVERNANCE STATEMENT 2019/20: UPDATED ACTION** (Pages
PLAN FOR 2020/21 87 - 92)
REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

For the Finance, Audit & Risk Committee to note the progress made against the Action plan for 2020/21. This Action plan was presented to the Committee as part of the final Annual Governance Statement (AGS) for 2019/20.
- 10. RISK MANAGEMENT UPDATE** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 93 - 136)

Q2 update on Risk Management at North Hertfordshire District Council.
- 11. SECOND QUARTER REVENUE MONITORING 2020/21** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 137 -
150)

To consider the Second Quarter Revenue Monitoring report 2020/21.
- 12. INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR** (Pages
REVIEW 2020/21 151 -
REPORT OF THE SERVICE DIRECTOR – RESOURCES 180)

To receive an update on the progress with delivering the capital and treasury strategy for 2020/21, as at the end of September 2020.
- 13. DRAFT BUDGET REPORT 2021/22** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 181 -
210)

To consider the Draft Budget 2021/22.
- 14. POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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REMOTE/PARTLY REMOTE MEETINGS PROTOCOL SUMMARY

A protocol regarding remote meetings has been devised as a result of The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 No.392 ('the Regulations') to provide guidance for the conduct of any remote meeting of the Council, and its various Committees and Sub-Committees, held under the provisions of the Regulations and subsequent changes to the Constitution.

The full Remote / Partly Remote Meetings Protocol has been published and is available to view on the Council's website via the following link: <https://www.north-herts.gov.uk/home/council-and-democracy/council-and-committee-meetings>

The Council's adopted Constitution will continue to apply to meetings of the Council and its various Committees and Sub-Committees. Where there is a conflict between the protocol and Constitution the Constitution takes precedence.

The protocol applies to this meeting. It outlines processes for conducting remote meetings. Some key points are highlighted here for guidance:

- Prior to the start of a meeting the Committee, Member and Scrutiny Officer/Manager ('The Officer') will confirm the meeting is being streamed live. They will confirm that they can see and hear all participating Members, Officers and/or members of the public at the start or upon reconvening a meeting.
- Any person attending the meeting remotely should join no later than 15 minutes prior to allow for technical checks. They should ensure that their name on screen appears in the agreed format, as indicated in the Protocol. They should mute their microphone when not speaking. Their background should be nondescript or virtual/blurred if possible. Headsets are recommended to reduce audio feedback.
- Remember to stay in view of the camera. While on camera everything you do is visible; please observe as far as possible the etiquette you would as if attending a meeting in person.
- Be careful to prevent exempt or confidential papers being seen within the video-feed. When a meeting is in private session there should be only those entitled to be present in the room. The live stream will continue with a holding card displayed.
- If a Member wishes to speak, they should use the raise hand function. Please wait to be invited by the Chair to address the meeting. The normal procedure rules with respect to debate and speaking times will apply as per the Constitution.
- If a Member has declared a Disclosable Pecuniary Interest and is required to leave the meeting during the consideration of an item, they will be placed in the waiting room. It is the responsibility of the Member in question to remind the Chair at the start of such item. The Officer will remind the Chair to return the Member as appropriate.
- Members will need to use the tools in the "Participants" function to vote: using a green tick to indicate 'for', a red cross to indicate 'against', or the "raise hand" tool to indicate an abstention. Where a Member has had to dial into the meeting by telephone, the Chair will ask for verbal confirmation as to how they wish to vote. Leave the vote in situ until told otherwise by either the Chair or Officer.
- The Officer will clearly state the result of the vote and the Chair will then move on.
- Details of how Members voted will not be kept or minuted unless a Recorded Vote is requested or an individual requests that their vote be recorded, although voting may be seen and/or heard on the video recording.
- If there are Part 2 (confidential) items Members will be invited to join a breakout room for these items. You must accept this invitation.
- Once Part 2 (confidential) discussions have concluded Members will need to leave the breakout room. Please do not leave the meeting.

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North Hertfordshire District Council Final Audit results report

Year ended 31 March 2020
23 November 2020

Page 7



Building a better
working world

Agenda Item 6



North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth
SG6 3JF

23 November 2020

Dear Finance, Audit and Risk Committee Members

We are pleased to attach our Final Audit Results Report for the forthcoming meeting of the Finance, Audit and Risk Committee. This report follows on from the Initial report we presented to the 7 September 2020 meeting. At that stage our audit was substantially complete but with three key aspects of the audit in progress.

We anticipate that by 27 November, we will issue an unqualified audit opinion on the North Hertfordshire District Council (the Authority) statement of accounts for 2019/20. We have agreed the content of the report with the Service Director - Resources.

As set out on pages 5 to 7, as per our update to the Committee in June 2020, the Covid-19 pandemic has impacted the statements and our audit opinion. In the audit report at Section 03, we have included an emphasis of matter paragraph on the Authority's disclosures relating to the valuation of its property, plant and equipment. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Finance, Audit and Risk Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent. We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to present this report at the Finance, Audit and Risk Committee meeting on 3 December 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

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

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



01

Executive Summary



Executive Summary

Scope update

In our audit planning report tabled at the January 2020 Finance, Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions which we reported to the Committee in June 2020.

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19

- ▶ **Valuation of Property Plant and Equipment** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty were included in the year-end valuation report produced by the Authority's external valuer. We considered that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment. This is particularly relevant for assets valued at fair value (such as investment properties) or some valued at existing use value (EUV) because of the paucity of reliable market information available at 31 March 2020 upon which to give those valuations. We have recognised the valuation of investment properties and other land and buildings valued using market data as a significant risk.
- ▶ **Disclosures on Going Concern** - The pandemic has had a significant impact on the Authority's finances and as a result there was a need for the Authority to revisit and update financial plans for 2020/21 and the medium term financial plan. We determined that the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the Covid-19 pandemic would need to be disclosed. The amount of detail required in the disclosure needs to reflect the specific circumstances of the Authority.
- ▶ **Adoption of IFRS16** - The adoption of IFRS 16 has been deferred until 1 April 2021. We therefore no longer considered this to be an area of audit focus for 2019/20.
- ▶ **Impairment of receivables** - We identified impairment of receivables as a new area of focus. The Authority holds material third party receivable balances as at 31 March 2020. There is a risk of increasing amounts written off as irrecoverable and impairment of year-end balances due to the potentially increasing number of businesses and residents unable to meet their financial obligations. We have reviewed significant judgements made by management.



Executive Summary

Scope update

New significant risks not identified at planning stage - In the January Audit Plan, we identified no significant risks. However, as outlined in the previous page we have identified new risks arising as a result of Covid-19.

Changes to the scope of our audit as a result of Covid-19

- ▶ As the Authority holds material land and buildings, which are valued at market value, we have engaged our own experts to support our audit procedures.

Changes in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.28m (Audit Planning Report – £1.32m). This results in updated performance materiality, at 75% of overall materiality, of £0.966m, and an updated threshold for reporting misstatements of £0.064m.

Information Produced by the Entity (IPE): We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the Authority due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19.

The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. We will determined the impact on our audit fee and discuss with the Service Director - Resources at the conclusion of the audit.



Executive Summary

Status of the audit

Since the 2 September 2020 meeting, we have obtained the IAS19 assurances from the auditor of the Hertfordshire Pension Fund and obtained the findings from our EY Real Estates team on their work testing a sample of the Authority's asset valuations. We have therefore substantially completed our audit of North Hertfordshire District Council financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit planning report. We are currently concluding our internal consultation process on the format of the audit report at Section 03. The focus of the consultation has been on the impact on the audit opinion of the Authority's disclosures in respect going concern and property, plant and equipment valuations. Since the 2 September meeting, we have worked collaboratively with officers to revise the two disclosures to ensure that they adequately disclose the Authority's position.

In respect of going concern, we have determined whilst the disclosure appropriately highlights the financial impact of Covid-19 on the Authority, the disclosure is not fundamental to the reader's understanding of the accounts to require us to emphasis the disclosure in the audit opinion. However, we have determined that because the value of the Authority's property, plant and equipment is so significant and the fact that the Authority has a relatively significant investment property portfolio, we will emphasise the Authority's disclosure of a material uncertainty as a result of Covid-19 to the valuation of its property, plant and equipment and investment properties.

We are currently concluding:

- ▶ The audit report consultation processes
- ▶ Our review of the final version of the financial statements.
- ▶ Our final review processes.
- ▶ Subsequent events review.

We will also review the signed management representation letter when received.

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit which we need to report.



Executive Summary

Areas of audit focus

Our audit plan and the June 2020 update, identified one significant risk and three areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Valuation of investment property & other land and buildings valued using market data Arising from the impact of the Covid-19 pandemic on the valuation at 31 March 2020	We obtained the output of the work of our valuation experts, EY Real Estates, in mid-November. Their work found a sample of valuations to be reasonably based. We are including an emphasis of matter paragraph in our audit report about the material uncertainty reported by the Authority's valuer. This is not a modification to the audit report but highlighting to the reader an important disclosure.
Other area of audit focus	Findings & conclusions
Pension liability	In October we obtained assurances from the auditor of the Hertfordshire County Council Pension Funds. The Authority has updated its pension disclosures following an updated IAS19 report from the actuary with a reduction in the net liability of £206k.
Going concern	The Service Director - Resources, reported the forecast financial impact of the Covid-19 pandemic to the July meeting of the Committee. The Authority has included a going concern disclosure in the statement of accounts which is informative and consistent with the detailed assessment that we have reviewed.
Impairment of receivables Arising from the impact of the Covid-19 pandemic	We have completed our audit procedures and found that the impairment of receivables is materially stated.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the property acquisition and development strategy and associated investment strategy as significant risk. We have completed our procedures and found that the Authority has the expected arrangements in place to manage the property acquisition and development strategy as they relate to the value for money conclusion.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 8 for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Valuation of investment properties and other land & buildings valued using market data

What is the risk?

Covid-19 has impacted the valuation of the Authority's investment properties and other assets valued using market data as outlined by the Authority's valuer. This is because of the paucity of reliable market information available at 31 March 2020 upon which to give those valuations. The Authority has included in Note 3 of the accounts reference to the valuers material uncertainty. There is a risk that the valuation of these assets could be materially misstated.

What judgements are we focused on?

The reasonableness of the methodologies adopted by the valuer in undertaking their valuations in 2019/20 and of the key assumptions input into these valuations. In particular assets with reference to fair value/market value. Additionally, we considered assets not revalued in the current year for the potential of material misstatement in valuation as of 31 March 2020.

What did we do?

- Considered the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Engaged our valuations specialist (EY Real Estates) to review a sample of other land & buildings & investment properties asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used.
- Challenged the assumptions used by the valuer. We sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square meter).
- Reviewed assets not subject to valuation in 2019/20 to confirm that the valuation of remaining asset base was not materially misstated.
- Checked that the material uncertainty reported by the Authority's valuer was appropriately disclosed in the financial statements.

What are our conclusions?

- We have completed our work in response to this risk, including the work carried out by our valuations specialist (EY Real Estates). They found that for the sample of valuations they reviewed, all were within an acceptable range.
- The draft accounts did not include a material valuation uncertainty paragraph reported by the valuer in their valuation report. This was subsequently updated. We have reviewed the disclosure in the financial statements, and consider the disclosure appropriate.
- Overall our audit work did not identify any material issues.



Areas of Audit Focus



Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hertfordshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £30.8 million (£50.4 million at 31 March 2019).

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Page 18
Our approach has focused on:

- ▶ Liaising with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to North Hertfordshire District Council;
- ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

Findings and conclusions

In October 2020, we obtained the IAS19 assurance letter from the auditor of the Pension Fund which has enabled us to complete our procedures. In late October the Authority obtained revised IAS19 report from the actuary and decided to amend the draft accounts to reflect a reduction in the net liability of £206k



Areas of Audit Focus



Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. We also reviewed the Authority's subsequent new disclosure note.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2019/20;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing the EY consultation requirements.

Findings and conclusions

The draft accounts did not include a going concern disclosure but the Service Director - Resources, had carried out an assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves for the July Finance, Audit and Risk Committee. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, particular around reductions in fees and charges. We also discussed with management the need to make specific disclosures in the 2019/20 statements.

The Authority is forecasting that the net General Fund impact in 2020/21 of the Covid-19 pandemic will be around £1.3m. In common with similar authorities, the biggest impact is forecast to be lost income and additional expenditure to support the provision of leisure centre services and the loss of car parking income. The net impact of £1.3m compares to a General Fund balance as at 31st March 2020 of £9.4m and a minimum General Fund balance of £3.5m (based on the 2020/21 original assessment with an additional risk-based allowance of £1m). We therefore note that the Authority has headroom within the General Fund to absorb the estimated financial impact of the Covid-19 pandemic in the short to medium-term.

We have now reviewed the new going concern disclosure included in the statement of accounts, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the impact of the pandemic on the Authority's finances.

We are completing our internal consultation to agree the final audit opinion and our determination that we do not need to include an emphasis of matter paragraph in the audit report.



Areas of Audit Focus



Impairment of receivables

At 31 March 2020 the Authority had £8.2m of total debtors. This included £3.2m of receivables from central government bodies and other local authorities. For the remaining balance, there may be risk to collection due to the impact of the Covid-19 pandemic. To address the risk, we have performed the following procedures:

- ▶ Evaluated the reasonableness of the methods and assumptions used by management to estimate the allowances for doubtful debts.
- ▶ Tested the accuracy and completeness of the data used by management to compute the bad debts provision.
- ▶ For a sample of 15 debtors, representing just over £2m of total debtor balance, reviewed the debt position as at July 2020 to evaluate reasonableness of collection as at 31 March 2020.

Findings and conclusions

When preparing the draft accounts the Authority based its calculation of the provision for bad debts on the consideration that there was little evidence to suggest an increased risk to collectability. Through our audit procedures, we determined that the Authority had considered the impact of Covid-19 through evidence that some debtors had agreed with the Authority temporary deferment of payment. Our sample testing confirmed that the impairment of receivables in the accounts was fairly stated.

Page 29



03 Audit Report



Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH HERTFORDSHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to [x].
- Collection Fund and the related notes 1 to [x]

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of North Hertfordshire District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Property, Plant and Equipment and Investment Property valuation

We draw attention to Note 3 - Assumptions made about the future and other major sources of estimation uncertainty and Note 16 - Property, Plant and Equipment which describe the valuation uncertainty the Council is facing as a result of COVID-19 in relation to the valuation of its land and buildings and investment properties. Our opinion is not modified in respect of this matter.



Audit Report

Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Service Director - Resource's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Service Director - Resource's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Service Director - Resource is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects,

North Hertfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects .

Responsibility of the Service Director - Resources

As explained more fully in the Statement of the Responsibilities set out on page 1, the Service Director - Resource's is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Service Director - Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.



Audit Report

Our opinion on the financial statements

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether North Hertfordshire District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, North Hertfordshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of North Hertfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of North Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton Date



04 Value for Money



Value for Money

Background

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

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Impact of covid-19 on our VFM assessment

On 16 April 2020 the NAO published an update to auditor guidance in relation to the 2019/20 VFM assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 VFM assessment auditors should consider local authorities responses to Covid-19 only as far as it relates to the 2019-20 financial year and only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified no such evidence for the Authority and therefore identified no significant VFM risk associated to Covid-19.

Overall conclusion

We identified one significant risk around these arrangements in respect of the Authority's property acquisition, development strategy and associated investment strategy. The tables overleaf present our findings in response to the risk and concludes that we found that the Authority had appropriate arrangements in place to manage the risks associated to the new strategy as it relates to our VFM responsibilities.

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



Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

What is the significant value for money risk?

Property acquisition and development strategy and associated investment strategy.

The Authority has put in place a property acquisition and development strategy and an associated investment strategy, aimed at making £20 million of investments in the five years commencing 2020/21.

This represents a new and ambitious activity for the Authority. It will need to ensure that it puts into place appropriate arrangements to enable it make informed decisions and deploy its resources in a sustainable manner.

What arrangements did the risk affect?

Taking informed decisions
Deploying resources in a sustainable manner

What did we do?

We have assessed the arrangements in place supporting this strategy, focusing on the:

- A. Relationship with the Authority's strategy and objectives;
- B. Legal and other third party advice obtained;
- C. Impact on the Authority's compliance with the Prudential Code as a result of strategy ;
- D. Financial impact on the budget and MTFS including assessments of downside risks associated to falling capital values and increasing borrowing costs;
- E. Process in place for investment decisions; and
- F. Impact of the Covid-19 pandemic on this strategy.

We also reviewed the Authority's financial resilience by completing a quantitative and qualitative assessment of the Authority's budget, medium term financial strategy and capital, treasury management strategies produced in the period to 31 March 2020.



Value for Money risks (continued)

What are our findings?

A. Relationship with the Authority's strategy and objectives

The Property Acquisition and Development Strategy (the Strategy) was agreed by Council in February 2020. There is clear evidence that it contributes to the Authority's Commercial Strategy which was approved by Cabinet in January 2019. The Commercial Strategy feeds directly in to the objective of "Enable an enterprising and co-operative economy". It is also intended to generate returns that help support spend in other areas of the Council Plan (or reduce for service changes that would otherwise be necessary to balance the budget).

B. Legal and other third party advice obtained

To date the Authority has relied on internal advice, using in-house expertise in estates, legal and finance. The Authority has made it clear that it will obtain relevant external advice tailored to individual investments and developments. This is a reasonable arrangement.

C. Impact on compliance with the Prudential Code

As detailed in the Strategy, the Authority will only use powers under s120 of the Local Government Act (1972) to acquire property. This would therefore be where the purposes of that acquisition is for:

- any of its functions under this or any other enactment, or
- the benefit, improvement or development of its area.

Using this power for the investment is consistent with being able to borrow, when needed, under the Prudential Code. The Authority will consider its prudential borrowing indicators as part of evaluating any need for borrowing.

D. Financial impact on the budget and MTFS

This will be assessed when opportunities are identified and taken forward to the next stage. Currently the provision for the spend is included in the capital programme and no revenue impact has been accounted. The Strategy is clear that investments will not be undertaken unless the initial return is greater than the cost of capital (assuming external borrowing, although internal borrowing may be used), plus a margin for risk. A full appraisal of return and risk will be carried out on each investment. This will consider capital value and borrowing cost changes. The Authority may use fixed rate borrowing to eliminate some of that risk.

E. Process in place for investment decisions

The Authority has established a Property Scrutiny Group comprising a directors and officers. Their core responsibilities will be to conduct appraisals of property acquisition and development opportunities based on the principles, core goal and objectives of the Strategy. The Group will make recommendations as to which opportunities to pursue and reject. This is a reasonable arrangement.

F. Impact of the Covid-19 pandemic

As a result of the Covid-19 pandemic the Authority has halted any property acquisition, which is a reasonable course of action.



05 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the latest version of the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

The Authority is below the threshold for requiring audit procedures on its WGA submission however as the WGA timetable has been moved to later in the year we have yet to review the Authority's consolidation pack for consistency with the audited statements.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We have had no reason to exercise these duties.



06

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.



07

Data Analytics



Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

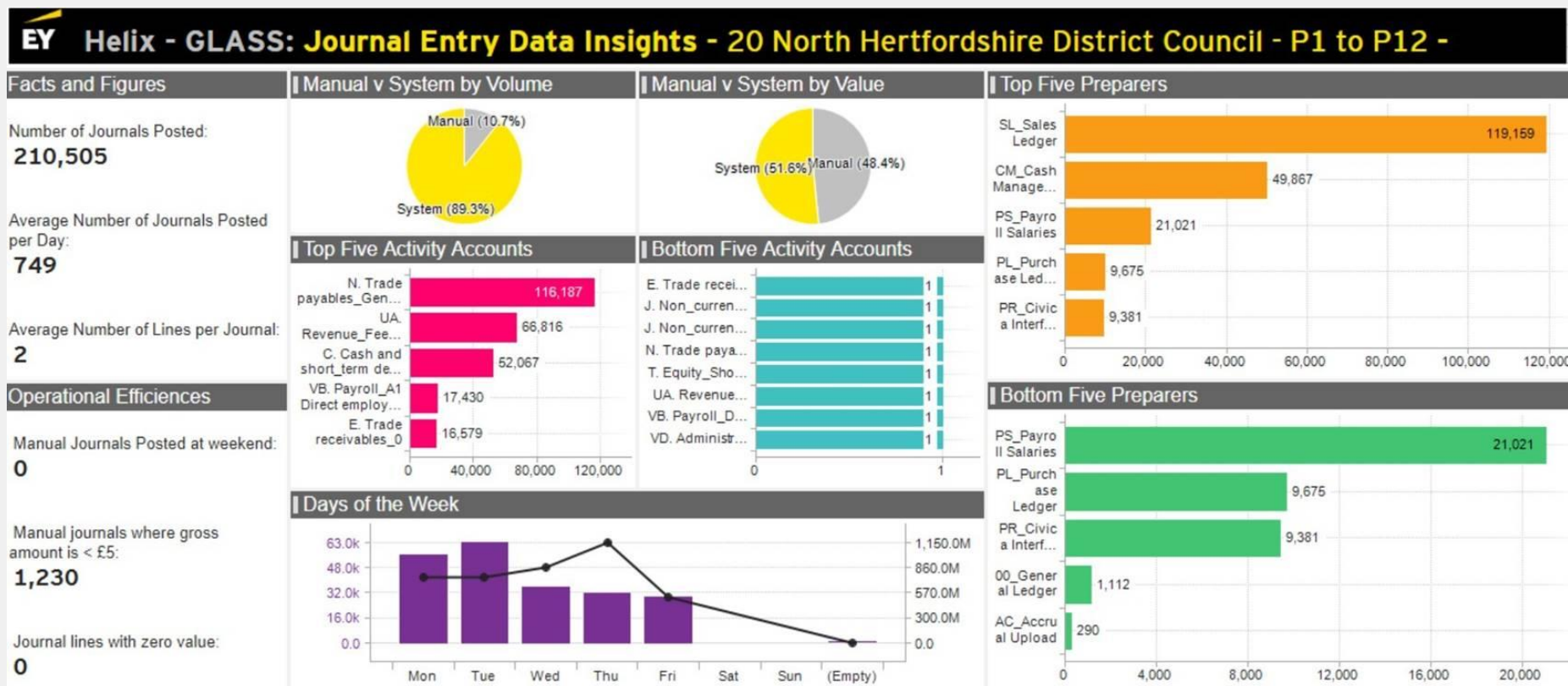


Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Journal Entry Data Insights

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the statement of accounts. The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective and risk focused approach to auditing journal entries.





08

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Finance, Audit and Risk committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Finance, Audit and Risk Committee on 7 September 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Outline Audit Plan and subsequent reporting to the Finance, Audit and Risk Committee, we have communicated our proposal to increase the scale fee for 2019/20. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Base work - scale fee	40,068	40,068	40,068	44,068
Additional code work:				
VFM conclusion significant risk (Note 1)	4,000	TBC	N/A	N/A
• Going concern disclosure (Note 2)	2,000-3,000	-	-	-
• Asset valuations impacted by Covid-19 (Note 3)	6,000-9,000			
• EY consultations on auditor report (Note 4)	1,750-3000	-	-	-
Total audit	TBC	40,068	40,068	44,068
Other non-audit services not covered above (Housing Benefits)	TBC	9,140	N/A	9,140
Total other non-audit services	TBC	9,140	N/A	9,140
Total fees	TBC	TBC	40,068	53,208

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Service Director - Resources and then PSAA.

1. We reported in the Outline Audit Plan that the VFMC significant risk would necessitate an additional fee.
2. We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.
3. We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on investment property valuations. This has led to an emphasis of matter paragraph in the audit report.
4. To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
 - An absolute prohibition on contingent fees.
 - Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf







09

Appendices

Appendix A

Required communications with the Finance, Audit and Risk Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you	
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Finance, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Audit Plan - January 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit Plan - January 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 		Initial Audit Results Report - 2 Sept 2020 Final Audit Results Report - 3 Dec 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about North Hertfordshire District Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Finance, Audit and Risk committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Finance, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Finance, Audit and Risk Committee responsibility. 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan - January 2020 and Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Finance, Audit and Risk committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Finance, Audit and Risk committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Risk committee may be aware of. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - January 2020 and Initial Audit Results Report - Sept 2020. Final Audit Results Report - 3 Dec 2020



Appendix B

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

Xx November 2020

Suresh Patel
Associate Partner
Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

This letter of representations is provided in connection with your audit of the financial statements of North Hertfordshire District Council ("the Council") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Hertfordshire District Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

1

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

2



Appendix B

Management representation letter (continued)

Management Rep Letter

▲ C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and audit committees held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 1 April 2019 through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims,

3

~~whether or not~~ they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent in Note X and have disclosed confirm that we have not given any guarantees to third parties.

E. Subsequent Events

1. As outlined in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

Going Concern

1. Note X the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collaterals. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and building assets and investment property and the IAS19

4



Appendix B

Management representation letter (continued)

Management Rep Letter

actuarial valuations of pension liabilities /and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Estimates

- i. Pension Liability
- ii. Property, Plant & Equipment / Investment Properties – Valuation and Impairment
- iii. Provision for impairment of receivables
- iv. NDR Appeals Provision

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
2. We confirm that the significant assumptions used in making the valuation of land, buildings and investment properties estimate appropriately reflect our intent and ability to continue to provide services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete, including the effects of the COVID-19 pandemic and made in accordance with provide a valuation for these assets in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Service Director – Resources (Chief Financial Officer)

Chair of the Finance, Audit and Risk Committee

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ED None

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North Herts District Council **Audit Committee Progress Report**

3 December 2020

Recommendations

Members are recommended to:

- **Note the Internal Audit Progress Report for the period to 18 November 2020, and**
- **Note the implementation status of High priority recommendations.**

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 High Priority Recommendations
 - 2.6 Proposed Amendments
 - 2.7 Performance Management

Appendices

- A Progress against the 2020/21 Audit Plan
- B Implementation Status of High Priority Recommendations
- C 2020/21 Audit Plan Start Dates Agreed with Management
- D Assurance and Finding Definitions 2020/21
- E FAR Review – Final Report

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2020/21 as at 18 November 2020.
- b) Implementation status of previously agreed high priority recommendations.
- c) Annual Audit Plan Progression for 2020/21.
- d) An update on performance indicators as at 18 November 2020.
- e) The Final Report for the Review of FAR audit completed.

Background

- 1.2 The 2020/21 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 16 March 2020.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the third report giving feedback on the delivery of the 2020/21 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 18 November 2020, 61% of the 2020/21 Audit Plan days had been delivered.
- 2.2 The following 2020/21 final reports have been issued since 21 August 2020 (cut-off date for the SIAS Update Report for 7 September 2020 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
FAR Review	September 2020	Not Assessed	N/A
Recycling (19/20)	September 2020	Satisfactory	5 Medium, 3 Low
Disaster Recovery	October 2020	Satisfactory	3 Medium

Risk Management Framework	November 2020	Satisfactory	1 Medium, 3 Low
IT Asset Management	November 2020	Good	1 Low
Treasury Management	November 2020	Satisfactory	1 Medium, 1 Low
Performance Indicators	November 2020	Satisfactory	1 Medium, 2 Low
Housing Allocations	November 2020	Good	N/A

- 2.3 As part of the Annual Audit Plan, a review of the effectiveness of the FAR Committee was completed. The Final Report was issued to Members and has been added at Appendix E to this report for Members to note the outcome and report the actions advised in Section 4.

High Priority Recommendations

- 2.4 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.5 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not yet implemented.

Proposed Amendments

- 2.6 At the request of management, the following changes have been made to the 2020/21 Annual Audit Plan in the period since the last FAR Committee:
- Community Engagement (15 days) – this audit has been **reduced to 10 days** in order to release days for the investigation below.
 - Investigation (5 days) – this audit has been **added** to the plan. At the request of management, SIAS were commissioned to investigate part of a complaint received in relation to the award of a Community Facilities Capital Grant in May 2020. The outcome and report from the investigation is confidential, however any recommendations, including any action taken, will be reported as part of the Community Engagement audit.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current situation in terms of progress against the projects in the Audit Plan, we have provided an overall progress

update at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Summary – 18 November 2020			
Status	No of Audits at this Stage	% of Total Audits (24)	Profile
Draft / Final Report Issued	12	50%	(13/24)
In Fieldwork / Quality Review	3	13%	(5/24)
Terms of Reference Issued / In Planning	3	13%	(0/24)
Not Yet Started	6	24%	(6/24)

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 18 November 2020, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 18 November 2020	Actual to 18 November 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	65% (190 / 292 days)	61% (179/ 292 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (13 / 24 projects)	50% (12 / 24 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 issued, 5 returned – all returned satisfactory)
4. Number of High Priority Audit Recommendations agreed	95%	95%	100% (2 recommendations)

- 2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2020/21 Head of Assurance's Annual Report:

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

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 13 NOVEMBER 2020

2020/21 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Financial Systems Audits									
Benefits						10	Yes	0.5	In Planning
Integra (Financial System)						15	Yes	0.5	In Planning
Payroll Processing						15	Yes	8	In Fieldwork
Revenues						15	Yes	4	In Fieldwork
Treasury Management	Satisfactory	0	0	1	1	8	Yes	8	Final Report Issued
Cross-Council Audits									
Community Engagement						10	Yes	0	Not yet started
Performance Indicators	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
Operational Audits									
Anti-Social Behaviour						0	N/A	0	Cancelled
Climate Change and Sustainability						7	Yes	0	Not yet started
Commercial Strategy						15	Yes	14.5	Draft Report Issued
Customer Services – Digitalisation						10	Yes	9.5	Draft Report Issued
Corporate Debt Management Follow Up	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
Health and Safety of Out of Hours Workers						12	Yes	0.5	In Planning
Housing Allocations	Good	0	0	0	0	10	Yes	10	Final Report Issued
King George V Playing Fields						1	Yes	0	Not yet started
Medium Term Financial Strategy						12	Yes	11	Quality Review

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 13 NOVEMBER 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Parking Strategy and Enforcement						15	No	0	Not yet started
Review of FAR	Not Assessed					5	Yes	5	Final Report Issued
Trade Waste						10	Yes	0	Not yet started
Waste Contract Follow Up						3	Yes	2.5	Draft Report Issued
Workman's Hall						1	Yes	0	Not yet started
Contract Audits									
Green Space Providers	Good	0	0	0	0	12	Yes	12	Final Report Issued
Risk Management Audits									
Risk Management Framework	Satisfactory	0	0	1	3	12	Yes	12	Final Report Issued
IT Audits									
Disaster Recovery	Satisfactory	0	0	3	0	12	Yes	12	Final Report Issued
IT Asset Management	Good	0	0	0	0	15	Yes	15	Final Report Issued
Shared Learning and Joint Reviews									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled
Investigations									
Investigation						5	Yes	5	Completed
Contingency									
Contingency						0	N/A	0	Through Year
Client Management - Strategic Support									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete

APPENDIX A – PROGRESS AGAINST THE 2020/21 AUDIT PLAN AS AT 13 NOVEMBER 2020

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Audit Committee						8	Yes	6	Through Year
Client Meetings						8	Yes	6	Through Year
Liaison with External Audit						1	Yes	0.5	Through Year
Progress Monitoring						9	Yes	7.5	Through Year
SIAS Development						5	Yes	5	Through Year
2021/22 Audit Planning						6	Yes	0	Through Year
Completion of outstanding 2019/20 projects						5	Yes	4	In Progress
Total - North Herts D.C.		0	0	6	6	292		179	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
1.	Development Management (July 2020)	<p>At the earliest opportunity, management must ensure that all files which are no longer required to be kept are deleted from each system in accordance with the requirements set out in the document retention schedule.</p> <p>Additionally, management should implement an annual review process to ensure all required files are removed in a timely manner.</p> <p>In line with Information Commissioners Office (ICO) guidance, the Council should assess the level of risk to people's rights of the breach and consider whether a disclosure to the ICO is necessary.</p>	<p>Deletion of files where no breach was established in accordance with the Retention Schedule</p> <p>Deletion of remaining files in accordance with the Retention Schedule (taking account of any public register requirements)</p> <p>Formal assessment of risk re: DPA</p> <p>Review process implementation</p>	<p>Planning Control and Conservation Manager</p> <p>Technical Support Manager</p>	<p>By September 2020</p> <p>By January 2021</p> <p>31 August 2020</p> <p>31 August 2020</p>	<p>August 2020: Recommendations on track for implementation by original target date.</p> <p>November 2020: The following will be completed/ongoing by January 2021 in line with the retention schedule: - Applications and documents are being deleted 3 years after any decision made not to enforce. - Applications and documents are being deleted 6 years after the compliance with any enforcement notice. The notice will be retained as per planning legislation. - Review process to be implemented, and guidance notes on deletion of files outside of retention schedules to be agreed/written. It is anticipated that this will</p>	In Progress

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
2.	Development Management (July 2020)	Management should ensure that Uniform records detail the reasons for any delays in the process and that all files are promptly closed	Internal protocol to be established together with monitoring regime and record keeping	Planning Control and Conservation Manager	30 September 2020	<p>be an automatic process going forward.</p> <p>In progress, with only high hedge complaints remaining to be agreed. We agreed that all complaints that did not result in a notice will be deleted after 3 years in accordance with the wider enforcement case retention schedule.</p> <p>The need to disclose the breach to the ICO was referred to Service Director (Customers), although given the security of data and the low risk of a complaint, this was not expected to be required.</p>	In Progress
						<p>August 2020: Recommendations on track for implementation by original target date.</p> <p>November 2020:</p>	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS





No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
Page 61		<p>following decisions made. Additionally, where inspection visits are considered unnecessary the rationale for this should be documented.</p> <p>Spot checks on closed files should be completed by the Planning Control and Conservation Manager on a quarterly basis to ascertain the levels of compliance with policy and implement corrective actions where necessary.</p>				<p>The findings of the audit report were considered and various improvements have been developed/implemented (e.g. a schedule of quarterly checks, S106 monitoring updated from an excel spreadsheet system to a bespoke module within Uniform, automatically generated monitoring reports set up in the new system, new closure request system, reasons for no site visit being added to closure reports and checked by the officer closing the file). The quarterly spot-check management system for completed files is being finalised and will commence from January 2021.</p>	

APPENDIX C – 2020/21 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Debt Management F/U Final Report Issued	Customer Services Draft Report Issued	Integra In Planning	Climate Change and Sustainability
Review of FAR Final Report Issued	Commercial Strategy Draft Report Issued	Treasury Management Final Report Issued	King George V Playing Fields
Disaster Recovery Final Report Issued	Anti-Social Behaviour Cancelled	Payroll Processing In Fieldwork	Workman's Hall
Performance Indicators Final Report Issued	Housing Allocations Final Report Issued	Revenues In Fieldwork	Trade Waste
Green Space Providers Final Report Issued	Health and Safety LW In Planning	Benefits In Planning	Parking Strategy and Enforcement
2019/20 Projects Requiring Completion	Risk Management Framework Final Report Issued	Medium Term Financial Strategy Quality Review	Community Engagement (Moved from Q2)
	Waste Contract F/U (Moved from Q1) Draft Report Issued	IT Asset Management Final Report Issued	

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2020/21

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

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

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Final Internal Audit Report

North Herts District Council – Review of the Effectiveness of the Finance, Audit and Risk Committee 2019/20

September 2020

Issued to:	Members of the Finance, Audit and Risk Committee
Copied to:	Ian Couper – Service Director (Resources) Jeannette Thompson – Service Director (Legal and Community) Anthony Roche - Managing Director Tim Everitt (Performance and Risk Officer)
Report Status:	Final
Reference:	N218/20/001
Overall Assurance:	Not Applicable

INDEX

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. 2019/20 Review Areas	3
3. Overall Audit Opinion	5
4. Looking Ahead	6

1. EXECUTIVE SUMMARY

- 1.1 The audit committee is a key element of the governance framework of local authorities. CIPFA describe the purpose of an audit committee as ‘to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.’ CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2018
- 1.2 The Public Sector Internal Audit Standards (PSIAS) also state that the ‘Head of Internal Audit should participate in the committee’s review of its own remit and effectiveness.’ For the 2019/20 review, this function has been delegated to SIAS, who provide internal audit services to North Herts District Council (‘The Council’).
- 1.3 This review provides Members with the opportunity to reflect on the effectiveness of the Finance, Audit and Risk Committee (‘the Committee’) during the 2019/20 civic year. It also provides assurance to Members of the FAR Committee and the Council on the effectiveness of risk management and internal control arrangements (Internal Audit) and the approval of the annual accounts (External Audit).

2. 2019/20 REVIEW AREAS

- 2.1 The effectiveness of the Committee in discharging its Governance responsibilities are outlined below:

Governance	
Meetings	<p>The Committee met six times during the 2019/20 civic year. This is consistent with the number of meetings outlined in the Terms of Reference, which states ‘there shall be six regular meetings of the Committee in each year’.</p> <p>The Committee met in June, July, September and December (2019) and January and March (2020).</p>
Attendance	<p>All meetings held were quorate (with at least three voting members as outlined in the Terms of Reference).</p> <p>One member of the Committee attended one out of six scheduled meetings, while another attended two out of six scheduled meetings.</p> <p>It is vital that the Committee maintain a high level of member attendance and engagement to help ensure that it is effective. The Committee meetings were supported by officers as required throughout the year. These included the Service Director – Resources; Accountancy Manager; Assistant Counter Fraud Manager (Shared Anti-Fraud Service) Committee and Member Services Officer; Senior Policy Officer; Head of the Shared Internal Audit Service; Client Audit Manager from the Shared Internal Audit Service; and an EY representative.</p>

Composition	<p>The Committee is comprised of seven Members, with a quorum of three Members for each meeting. The proportion of seats to political parties complies with local authority rules as specified in the Local Government and Housing Act 1989. There are also substitute Members that can attend in a Committee Members absence.</p> <p>During 2019/20, the Chair of the Committee was Councillor Kate Aspinwall, with Councillor Sam North as the Vice-Chair.</p>
Terms of Reference and Reporting	<p>The Terms of Reference of the Finance, Audit and Risk Committee is set out in section ten of the Council Constitution. This was reviewed and approved by Full Council on 16 January 2020.</p> <p>This report on the effectiveness of the FAR Committee is not referred to Full Council, this should be considered as part of the reporting cycle to ensure full transparency and the items raised in section 4 can be considered more widely.</p> <p>When comparing the Committee's Terms of Reference to the guidance outlined in 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police' 2018 edition, it was confirmed that the Terms of Reference included all core functions and Committee responsibilities.</p>
Access and Agenda	<p>The Chair of the Committee is appointed at the annual meeting of the Council, and the Committee reviews its work and achievements from the previous year at the first meeting of the civic year.</p> <p>The Committee references decisions to Cabinet where appropriate, showing that it has appropriate access to other committees where appropriate.</p>

2.2 The effectiveness of the Committee in discharging its core functions is outlined below:

Core Functions	
Internal Audit	<p>The Committee was informed at the 15 June 2020 meeting that the Council's Internal Audit Service (provided by SIAS) 'generally conforms with the Public Sector Internal Audit Standards in 2019/20 as defined by the Head of Assurance'. 'Generally, conforms' is the highest rating, which means that 'SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective'. There are two areas of agreed non-compliance, but there were no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement. This is outlined in the Annual Assurance Statement and Internal Audit Annual Report.</p> <p>Throughout the year, the Committee received updates from SIAS</p>

	<p>at four of its six meetings. The Committee received and scrutinised update reports throughout the year to gain assurance that:</p> <ul style="list-style-type: none"> a) Progress would be enough to allow the Head of Internal Audit to provide an annual assurance opinion; and b) High priority recommendations were being implemented in line with the agreed timescales. <p>The proposed Internal Audit Plan for 2020/21 was presented to the March 2020 Committee meeting for review and approval after an extensive planning exercise was completed by SIAS.</p>
External Audit	<p>The Council's external auditors are EY, with representatives being present at Committee meetings as requested.</p> <p>EY present a variety of reports to the Committee, including the audit plan, audit findings report, and the annual audit letter. A key duty undertaken by external audit is to provide an audit opinion on the Council's Statement of Accounts. The Statement of Accounts 2018/19 was signed off by the FAR Committee at its 29 July 2019 meeting.</p> <p>The Committee sought clarification on the information presented as appropriate.</p>
Risk Management	<p>The Committee review quarterly updates on corporate risks as provided by the Service Director (Resources). There is evidence in Committee Minutes that the Members debated new risks and the movement of risks throughout the year and had an appropriate space to challenge risks before they were recommended to Cabinet for approval.</p>
Annual Governance Statement	<p>The Annual Governance Statement was reviewed by the Committee at its June 2020 meeting.</p> <p>The implementation of the Annual Governance Statement was monitored throughout the year.</p>
Anti-Fraud Arrangements	<p>The Council's anti-fraud provision is completed by the Shared Anti-Fraud Service (SAFS). The Committee received updates from SAFS three times during the year. This included reviewing the progress of the service against its targets.</p>

2.3 Non-core functions of the Committee (as defined by the CIPFA guidance) have not been included in this review. An example of this is Treasury Management.

3. OVERALL AUDIT OPINION

3.1 This review has shown that the FAR Committee is compliant with the CIPFA best practice guidance and is therefore an effective scrutiny body for financial, audit, risk and internal control functions.

4. LOOKING AHEAD

- 4.1 The role of the Audit Committee is increasingly poignant because of significant external pressures being faced by the Council in the coming year.
- 4.2 In light of these pressures, we advise that the actions set out below at paragraphs 4.3 to 4.6 are completed to ensure ongoing compliance with CIPFA best practice guidance and to maximise the effectiveness of the FAR Committee:

Independent member (non-political appointment)

- 4.3 It may be beneficial to have an independent member sit on the Audit Committee (this would be a non-political appointment), which could bring additional knowledge and expertise. Also, this could maintain continuity of Committee membership which may be affected by the electoral cycle.

Committee Independence

- 4.4 To ensure effective independence of FAR Committee Members, it is advisable (and best practice) that Members are exclusively on the FAR Committee. However, we recognise that this may be practically difficult to implement, therefore the Council should consider the membership status of each Member and the potential risk to independence prior to selection for this committee. Membership of sub-committees, such as Licensing and Planning, are likely to pose less risk to independence than Members that are part of the Cabinet or Overview and Scrutiny Committee (OSC). Therefore, Members of Cabinet or OSC should be discouraged from becoming members of the FAR Committee.

Committee Business

- 4.5 Members challenge processes, as appropriate, to ensure there is an appropriate balance between risk and control. This could be enhanced by compiling a forward work plan at the beginning of the civic year, including proposed agenda items which are relevant to the Committee and of interest to Members (ensuring that the remit of this Committee does not overlap with, for example, OSC) .

Learning and Development

- 4.6 All Members are requested to complete a skills self-assessment to identify areas of strength and training needs. This would allow a training programme to be developed to address any improvements or training needs identified. At the time of this review, there were limited returns of the skills self-assessment matrices, in order to improve the effectiveness of this Committee, the Chair should encourage all Members to return their completed skills self-assessment matrices.



North Hertfordshire District Council

Progress with delivery of the 2020/21 Anti-Fraud Plan

December 2020

Recommendation

Members are recommended to:

- Review the progress made in delivering the 2020/21 Anti-Fraud Plan.
- Review the performance of SAFS in meeting its Key Performance Indicators in 2020/21.

Contents

Introduction

1. Background
2. Summary of anti-fraud activity at NHDC- April-October 2020

Appendix

- A. NHDC/SAFS Anti-Fraud Plan 2020/21
- B. SAFS KPI Performance to October 2020

Introduction

This report provides details of the work undertaken by officers and the Shared Anti-Fraud Service (SAFS) to protect the Council against the threat of fraud and in delivering the Council's 2020/21 Anti-Fraud plan.

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

These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. This document replaces the previous 2016-2019 Strategy on which the current Anti-Fraud Plans are based, however, much of the format/themes/content of the previous document are retained with key changes around the governance and 'ownership' of anti-fraud and corruption arrangements that the Council have already developed mature policies around.

Tackling Fraud in the Public Sector 2020. In 2019 CIPFA commissioned a survey and several round table events for senior managers from across local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA & MHCLG.

COVID-19 Counter Fraud Measures Toolkit. The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.

The Governments ***United Kingdom Anti-Corruption Strategy 2017-2022*** includes the vision and priorities for dealing with the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

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

2. Anti-Fraud Activity 2020/21

Staffing & Resources

- 2.1 In March this year this Committee approved the 2020/21 Anti-Fraud Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See **Appendix A** for details of the Plan and **Appendix B** for SAFS KPI Performance.
- 2.2 The SAFS Team for 2020/21 is composed of 18 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Stevenage.
- 2.3 Each SAFS Partner receives dedicated support and this is achieved by allocating officers to work at each Partner, but also allowing all officers to work with different Partners from time to time. Providing the Service in this manner allows staff to develop working relationships with Council staff, whilst providing improved resilience and flexibility across the whole partnership. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.
- 2.4 For 2020/21 SAFS has deployed one Counter Fraud Officer to work exclusively for the Council. This officer is supported by SAFS Management and the SAFS Intelligence Team, based at Stevenage, which includes expertise in open source investigations, data-matching, data-analytics, specialist training and financial investigations.

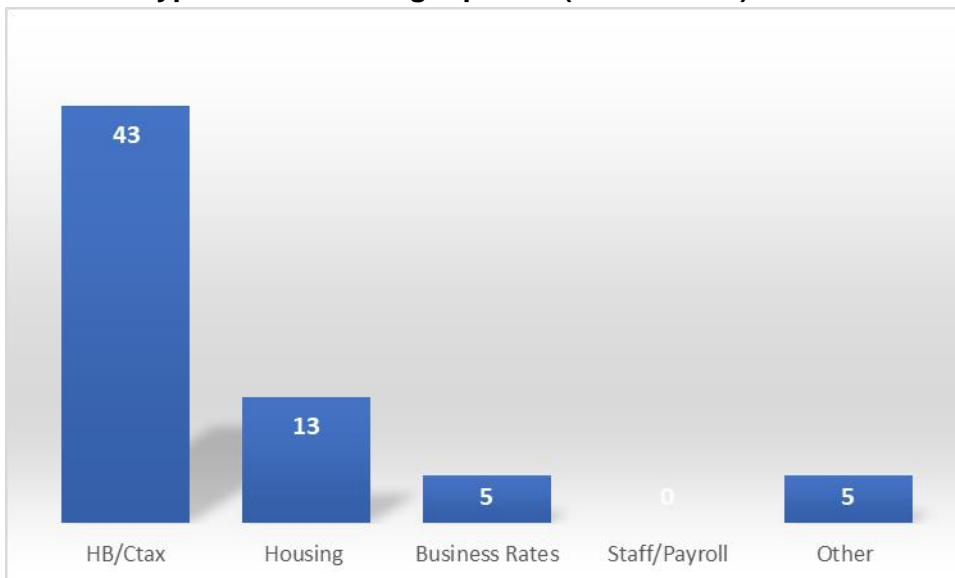
Fraud Awareness and Prevention

- 2.5 One of the key aims for the Council is to continue to maintain an 'Anti-Fraud' culture that will deter fraud; encourage senior managers and Members to consider the risk of fraud when developing policies or processes thereby preventing fraud; encourage staff and the public at large to understand the impact of fraud on the Council and to report fraud where it is identified.
- 2.6 Council and SAFS officers will be reviewing the Councils Fraud Prevention Policy to ensure that this meets current best practice and guidance with particular regard to the latest Fighting Fraud Locally Strategy published this year.
- 2.7 The Council will take part in several fraud awareness/prevention campaigns in the current year including the International Fraud Awareness Week in November. These campaigns encourage residents to report any fraud that they suspect which may impact on the Council or the services it delivers.
- 2.8 SAFS works with the communication teams at all partners developing social media campaigns with shared messages across Hertfordshire. The last social media campaign in August 2020, using the tag-line 'Fraudsters aren't on Furlough', reached more than 330k residents across the County and increased visits to the SAFS webpages to over 700 a week.
- 2.9 The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertfordshire.gov.uk. These contact details are also available via the Councils own website <https://www.north-herts.gov.uk/home/benefits/report-fraud>. None of these functions replace the Council's own Whistleblowing reporting procedures. Council staff can use the same methods to report fraud and they can speak directly to the SAFS officers working with the Council.
- 2.10 Alongside the Councils HR team SAFS maintains the delivery of its E-training package for staff to raise awareness of fraud and includes modules covering bribery and money laundering as well. Additional training for front line staff is being agreed with service leads and will be delivered via Teams/Zoom/Skype for the remainder of this year.

Counter Fraud Activity & Reported Fraud

- 2.11 Between April and October SAFS has received a total of 66 allegations of fraud across Council services.

Table 1. Types of fraud being reported (66 Referrals)

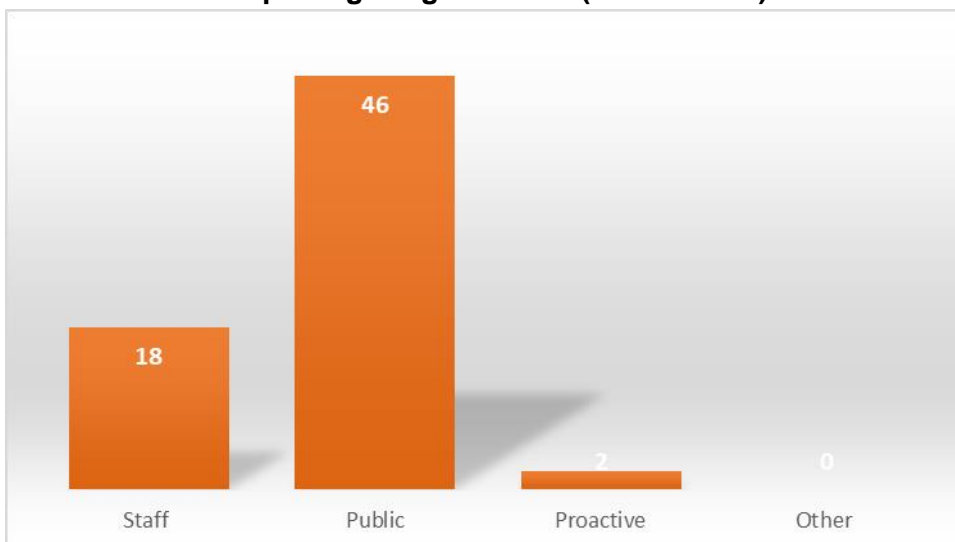


'HB/CTax- Housing Benefit/Council Tax Reduction Scheme/ Single Person Discounts.

Business Rates all relate to Covid Grant applications.

'Other' were all matters that did not affect the Council directly.

Table 2. Who is reporting alleged fraud? (66 Referrals)



'Proactive' (2 cases) arose from the use of data matching/ analytics activity

- 2.12 Reporting of fraud has increased slightly this year and this may be due to several proactive publicity campaigns although staff reporting is still quite low. One reason for the low numbers for staff may have been the response and focus on the Covid Pandemic and the lack of visibility of a fraud presence in the 'virtual' workspace. We have seen this at other SAFS Partners and are developing ways to help staff better understand their service fraud risks and how to report suspected fraud.

- 2.13 SAFS carried forward 25 live cases from 2019/20 and currently 49 cases are open and under investigation with estimated fraud losses/savings of £380k.
- 2.14 At the time of this report many cases raised for investigation are still in the early stages, however, of the 10 investigations closed in year fraud loss and savings of £28k have been reported.

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

- 2.15 A significant number of cases have been delayed or suspended due to the restrictions with face to face interviews resulting from social distancing rules. Cases where SAFS works with other agencies, in particular the Department for Work and Pension (DWP), have been delayed as staff working for the DWP have been redeployed in response to the Covid crisis.

SAFS Response to Covid-19

- 2.16 SAFS moved to a home working service following Government and Council guidance in mid-March and this has remained the case since.
- 2.17 It became apparent very quickly that the Covid-19 outbreak and the various responses to it, both nationally and locally, would create opportunities for fraudsters to exploit. In February 2020, the Government had published its ***Fraud in Emergency Management and Recovery principles***, and SAFS recent close involvement with the Cabinet Office put us in unique position to be able to share this guidance with those involved in the county-wide response to the outbreak and our own support for SAFS Partners.
- 2.18 The areas that have seen the most focus from SAFS have been as follows:
- Support with the NDR / Small Business Relief (SBR) Grant/ discount schemes. SAFS staff undertook several data-cleansing exercises for the various grant schemes and are now using Destin and other systems to provide post payment assurance for all grant schemes. This has included preparation for an extension of these schemes during the second lock-down in November.
 - SAFS also provided guidance and support to NDR Teams on the services provided NAFN, CIFAS and the ‘Spotlight’ system from the Cabinet Office. Currently, SAFS have several cases under investigation where fraudulent applications for grants appear to have been made and we are working closely with the NDR team to resolve these.
 - Enhanced alerts around mandate / phishing frauds from national bodies including Cabinet Office, CIFAS/CIPFA/ NFIB, Herts Police and NAFN. We are providing alerts to all SAFS Partners of new and emerging fraud threats and, where these are being identified or reported by SAFS Partners, we are sharing this intelligence with Action

Fraud, Trading Standards, NCSC and CIFAS. This activity also applies to local businesses that have also been targeted using similar methods and we are working with the local police business watch scheme- OWL.

- SAFS is assisting in a national scam email received by local councils attempting to obtain data about local businesses in the hospitality, retail and pharmacy sectors.
- Phishing emails sent to residents purporting to be from local councils or central Government offering grants/refunds - these can range from the obviously fraudulent to very clever emails closely mimicking genuine HMRC correspondence. We have set up a specific alert with SAFS Partner customer service teams and the County Councils Trading Standards Service so that we can collate and share this intelligence nationally.
- SAFS has been liaising nationally and regionally with other LA groups and counter fraud services and utilised it's 'Knowledge Hub' pages to share best practice and initiatives with LACAN, South East Counter Fraud Group, London Fraud Forum and others. These networks have provided assurance that SAFS response is targeted on the right areas for the all partners including North Hertfordshire District Council.

Proactive and Prevention Activity

- 2.19 SAFS manages the framework contract for all councils in Hertfordshire to conduct bulk reviews of council tax discounts and exemptions, improving collection and preventing fraud. These services are provided with split in costs between Hertfordshire County Council, the Police and Crime Commissioner, and district and borough councils. The Councils Revenue Service plan to make use of this Framework in 2020/21.
- 2.20 SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job Seekers Allowance or Universal Credit. Although this partnership approach has been suspended temporarily following the redeployment of all DWP fraud staff. SAFS continues to provide an investigation function into allegations of Housing Benefit fraud.
- 2.21 Officers have ensured the Council's compliance with the National Fraud Initiative (NFI). The NFI is a nationwide statutory anti-fraud data sharing exercise conducted by the Cabinet Office every two years across local and central government. The next extract and upload of data from the Council is due in October, as part of NFI 2020/21, and SAFS offered support to Council officers to make sure that relevant data-sets were identified and officers trained to conduct the upload in accordance with legislation.
- 2.22 The Council joined the Hertfordshire FraudHub in 2019. This project operates using the same legal framework as the two yearly NFI but allows data to be matched more frequently helping to prevent fraud or detecting it sooner.

Appendices

- A.** NHDC Anti-Fraud Plan 2020/21
- B.** SAFS KPI performance

**North Hertfordshire District Council
Anti-Fraud Plan 2020/21**

in partnership with

The Shared Anti-Fraud Service



Contents

	Page No.
Introduction	2.
The National Context	3.
SAFS Resources for 2020/2021	4.
SAFS Standards of Service	5.
North Hertfordshire District Council Anti-Fraud Action Plan 2020/2021	6.
SAFS KPIs for North Hertfordshire District Council 2020/2021	7.

Introduction

This plan supports the Council's Fraud Prevention Policy by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Policy states:

The Council will promote an environment where everyone feels able to report any concerns that they have

The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces.

The Council has an overarching "Fraud, Corruption and Bribery" risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside.

This plan includes objectives and key performance indicators that support the Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government exceeded £7bn in 2016/2017, excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency’s *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

CIPFA’s *Counter Fraud and Corruption Tracker 2019 – (Summary Report)* reported that fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But, the report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires that the Council has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

CIPFA’s ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** provides a strategic response for local government to deal with the threat of fraud and provides three key principles ‘**Acknowledge/Prevent/Pursue**’. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C’s:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

What is clear is that the threat of fraud to the Council is real and, that every pound lost from the public purse is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of ‘Acknowledge/ Prevent/ Pursue’ and the 6 C’s to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

SAFS Resources 2020/2021

Anti-Fraud Arrangements

North Hertfordshire District Council is a founding Partner of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won awards for '*Significant Contribution*' at the Fighting Fraud and Corruption Locally Awards and the '*Outstanding Partnership*' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the North Hertfordshire District Council the Service Director- Resources is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

North Hertfordshire District Council fees will increase from £81,600+ VAT (2019/20) to £83,232+ VAT (2020/21).

Staffing

The full complement of SAFS in 2020/2021 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.6 FTE Accredited Financial Investigator both posts are funded from SAFS Budgets.

North Hertfordshire District Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Officer and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 5 days, on average.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
 - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case selected for investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/office accommodation required to undertake their investigations.
 - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
 - Where a decision indicates an offence SAFS will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Finance Audit & Risk Committee as agreed in the SAFS Partnership Contract.

*Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.

NHDC / SAFS Action Plan 2020/ 2021			
CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan	Managing Director / Service Director - Resources
		Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	Service Director - Resources/ Service Director – Legal and Community
		Audit Committee and Senior Managers ensure compliance with CIPFA best practice in the Councils counter fraud arrangements	Service Director - Resources
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Service Director – Legal and Community/ HR Services Manager
	The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness	Communications Manager
		Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	SAFS Manager
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	SAFS Manager / HR Services Manager
		SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	SAFS Manager
PREVENT	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Develop the Councils use of the Herts <i>FraudHub</i> and report the benefits of this initiative to the Council.	Service Director - Resources/ SAFS Manager
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS, SAS and Hooyu	Service Director – Legal and Community / SAFS Manager
		Deliver the NFI 2020/2021 Exercise	Service Director - Resources/ SAFS Manager
		Continue to work with DWP to deliver CTRS/HB joint working	Service Director - Resources/ SAFS Manager
	Have the highest levels of professional standards COMPETENCE	Work with other organisations, including private sector, to improve access to data	SAFS Manager
		All SAFS staff will be fully trained and accredited	SAFS Manager
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA	SAFS Manager
		All investigations will comply with relevant legislation and Council Policies	SAFS Manager
	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession	SAFS Manager
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	SAFS Manager
		SAFS will record and report on all fraud referred, investigated and identified	SAFS Manager
		SAFS will review fraud trends and new threats and report on these to Council officers	SAFS Manager
PURSUE	Develop the right level of resources to deal with the level of fraud risk CAPACITY	Legal Service and Housing, HR and Debt Recovery Teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses	SAFS Manager / Service Director – Legal and Community / Service Director - Resources
		The Council will review its ROI from SAFS Membership	Service Director - Resources
		SAFS will assist the Council in providing its Transparency Code (Fraud) Data for 2019/2020	SAFS Manager
		Reports for Audit Committee on all Counter Fraud activity at the Council	Service Director - Resources/ SAFS Manager
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	SAFS Manager

SAFS

KPIs 2020/ 2021

KPI	Measure	Target 2020/21	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload by the Council. C. Consider other areas where the better use of data will benefit the Council financially.	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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SAFS – NHDC

KPIs 2020/ 2021

KPI	Measure	Target 2020/21	Performance to October 2020
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Reports to SAFS Board in June 2020 and September 2020. NHDC S.151 sits on the SAFS Board and meetings also take place between the s.151 & SAFS Mgt.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Finance Audit & Risk Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. FTE in post and was recently promoted to senior grade. B. Reports to FARC in July 2020 and December 2020 and third report planned for March 2021. C. SAFS has close working with relationship with R&B and is part of the Councils Corporate Governance Group.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	A&B. Both being met within 2 days at present.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	A. SAFS has access to both and, Council staff can access NAFN B. SAFS Mgt are members of the CF Centre. C. See A above. D. Training events are being developed with HR.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	A. This is happening as all referrals received B. This is being monitored and will be included in SAFS year-end report but presently a target of 44% is being achieved. C. This is happening as all cases are investigated/closed. D. (NEW) Financial penalties and sanctions are considered in line with the Council policies on a case by case basis.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload by the Council. C. Consider other areas where the better use of data will benefit the Council financially.	A. A fraud-hub approach is being taken where data/knowledge/experience is shared across SAFS Partners. B. SAFS are fully supporting NHDC compliance with NFI 2020/21 C. This includes the Herts Fraud-Hub as well as specific one-off data-matching/analytics (Incl, Covid Grant schemes).

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**FINANCE, AUDIT & RISK COMMITTEE
3 DECEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2019/20: UPDATED ACTION PLAN FOR 2020/21

REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 For the Finance, Audit & Risk Committee to note the progress made against the Action plan for 2020/21. This Action plan was presented to the Committee as part of the final Annual Governance Statement (AGS) for 2019/20 at the September 2020 meeting.

2. RECOMMENDATIONS

2.1 That the committee notes the progress made against the individual actions as outlined in the Action plan for 2020/21 at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The AGS must be considered by Members of the Committee and approved under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234, before the Statement of Accounts.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan during 2020/21 will provide the Committee with assurances that NHDC is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. As reported to the Committee on 20 July 2020 [[Draft Annual Governance Statement \(AGS\) 2019/20 report](#)] the governance review and AGS format is based on the 2016 CIPFA/ SOLACE Framework.

- 5.2. At the Committee on 7 September 2020, Members were asked to approve the AGS for 2019/20 and the attached Action Plan for 2020/21. The external auditors Ernst & Young and SIAS were provided with a draft of the self- assessment for comments.
- 5.3. Any comments, or queries were included, and links provided following this consultation as appropriate.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 Reference is made to the report of 20 July 2020, which sets out the legal requirements for preparation, review and approval of the AGS, together the matters included/ and parties involved in that process. As indicated, this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 *before* the relevant authority approves the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It has been loaded on the Council's Corporate Governance internet page and will remain on the site until the next review is undertaken [[SMT AGS self-assessment document](#)].
- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced. The approved AGS for 2020 can be found on the Council's website [[Annual Governance Statement 2019/20](#)].

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

² As above (*ibid*)

- 8.2. Appendix A notes the progress made against the individual actions against the Action Plan for 2020/21/. All five are on-going for this financial year. Further updates and related amendments to the AGS Action Plan for 2020/21 will be reported to this Committee at the March meeting. Any revisions to the Local Code of Governance will be presented at that time.

9. LEGAL IMPLICATIONS

Under the LAAA 2014/ AAR 2015 Regulations the 2019/20 AGS must be approved by this Committee by 31 July. An amendment to the regulation (The Accounts and Audit (Coronavirus) (amendment) Regulations 2020, due the impact of Covid-19, has extended that deadline. Otherwise the legal implications are set out under section 7 above

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

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council’s arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified by the report author and Policy team. The Corporate Policy team undertake an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council’s website³.

³ <https://www.north-herts.gov.uk/sites/northherts-cms/files/Cumulative%20EiA%20assessment%20201920%20FINAL.pdf>

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.

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

- 15.1 Appendix A - Action plan for 2020/21 and corresponding actions.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 The Finance, Audit & Risk Report and Appendix A (20 July 2020 linked above).
- 17.2 The SMT AGS self-assessment is on the Corporate Governance Page: <https://www.north-herts.gov.uk/home/council-data-and-performance/policies/corporate-governance>. This contains links to further relevant background documents, reports, Policies and Guidance. The AGS also refers to documents and where possible, links have been provided to relevant pages and or documents.

Action	Officer update
1. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module (Learning & Development)	An extensive Induction programme took place in May 2019 for new members. A Councillors' Learning and Development Protocol was also instituted with nominated Member training champions for 2018/2020. ONGOING.
2. Revised Grant Policy to be reviewed after a complete cycle of area committee meeting to assess awards across the voluntary sector (Policy and Community Engagement Manager)	The Community Engagement Team are drafting an annual report to assess the scope of area committee grant wards made during 2019/20. This report will be circulated at the end of the financial year. ONGOING.
3. Implement recommendations of Gender Pay Gap Report action plan for 2020/21 (HR Manager and Learning and Development)	Recommendations include – review of recruitment selection methods, unconscious bias training for recruiting managers, application of software to assess job adverts, job descriptions and personal specifications to mitigate gender bias and proposed introduction of staff network groups. ONGOING.
4. Implementation of LGA Peer Challenges recommendations; development of action plan; links to Organisational Development with reference to demonstration of NHDC compliance with relevant 2016 Framework Principles. [Leadership Management Team; HR Manager].	The 'Shaping Our Future' programme has been established to take forward organisational development for the council and relevant activities identified In the LGA Peer Challenge Action plan. A Steering group of members and officer has been established; information sessions have been held to update staff on this programme: ONGOING.
Implementation of Recovery Project Board – oversee and monitor delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. (Leadership Management Team)	The weekly officer group is chaired by the Managing Director. The Project Board meets fortnightly and comprises of the group leaders and party representatives. The recovery Board reflect the current local and national situation and move between response and recovery as appropriate as national lockdowns dictate. ONGOING.

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FINANCE AUDIT AND RISK COMMITTEE 3 December 2020

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: RISK MANAGEMENT UPDATE

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

1. EXECUTIVE SUMMARY

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

2. RECOMMENDATIONS

2.1. That the Committee notes the reviews of the Corporate Risks for the quarter, namely

- The review of the Covid 19 Leisure Management Contract risk with a proposed increase in the score from 8 to 9.

2.2 That the Committee notes and recommends to Cabinet the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit.

3. REASONS FOR RECOMMENDATIONS

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

3.2. This Committee has responsibility to monitor the effective development and operation of Risk Management.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 14 August 2020.

7. BACKGROUND

At the September meeting, the Committee noted

- The review of the Impact of Anti- Social Behaviour on Council Facilities Corporate risk with a reduction in the risk score from a 7 to a 5 and proposed Target score of 3.
- The review of the Novel Coronavirus (covid19) Corporate risk with a reduced score of 8.
- The New Corporate Risk, Covid19 – Leisure Management Contract with a proposed score of 8.
- The recommendation that the Route Optimisation of Collection Rounds risk be archived.

Following discussion at the meeting, the following changes were recommended to Cabinet.

- That the Corporate Risk for the impact of Anti-Social Behaviour on Council Facilities be retained at a risk score of 7 instead of reduced to 5;
- That the Novel Coronavirus (covid19) Corporate risk be retained at a risk score of 9 instead of reduced to 8;

The FARC recommendations were subsequently approved by Cabinet and changes actioned on Pentana.

8. RELEVANT CONSIDERATIONS

- 8.1. The Corporate risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana, the Council's performance and risk management software. Guest Login details can be found at the link below.
- <https://intranet.north-herts.gov.uk/search/node/pentana%20quest%20login>

Table 1: Draft Risk and Opportunities Matrix

The dates specified relate to the date that officers last reviewed the risk.
Risks that officers have reviewed since the last meeting have been given a direction of travel arrow.

Likelihood	3 High	4	7 <ul style="list-style-type: none">• Impact of Anti-Social Behaviour on Council Facilities (15.09.20) ↑• Income Generation (28.10.20) ↔• National and Regional Planning Issues (21.10.20) ↔	9 <ul style="list-style-type: none">• Brexit (EU Transition) (26.10.20) ↔• Local Plan (21.10.20) ↔• Managing the Council's Finances (02.09.20) ↔• Novel Coronavirus (Covid-19) (02.11.20) ↑• Covid-19 - Leisure Management Contracts (02.11.20) ↑
	2 Medium	2	5 <ul style="list-style-type: none">• Increased Homelessness (02.09.20) ↔• Workforce Planning (15.05.20)	8 <ul style="list-style-type: none">• Cyber Risks (19.10.20) ↔• Delivery of the Waste Collection and Street Cleansing Services Contract (28.01.20)• Sustainable Development - Neighbouring Authorities (21.10.20) ↔
	1 Low	1	3	6 <ul style="list-style-type: none">• External Factors Affecting the Future Provision of Waste Services (28.01.20)
		1 Low	2 Medium	3 High
		Impact		

- 8.2. At the Risk Management Group (RMG) on the 11 November, The Group received an update on the Covid 19 Leisure Management Contract Corporate risk. (Appendix A) Following the commencement of a second national lockdown and the subsequent closure of leisure facilities, the risk score has been increased from 8 to 9, with a Target risk score of 6, as it is extremely difficult to assess what will happen next. Prior to the recent closure of facilities, the recovery plan had been progressing well, although this

will now need to be reviewed. Senior officers and Members continue to monitor the ever-changing picture and to meet with SLL. Both Stevenage and Central Bedfordshire also have recovery plans in place. The Group agreed the revised score was appropriate.

- 8.3. As requested at the last meeting of this committee, the RMG considered the Income Generation risk. As is usual practice, members of this committee were invited to attend the meeting, and two were able to attend. The risk was presented by the Service Director: Commercial. The group were content that the risk adequately reflected the current position, and there was not a proposal to change the risk score. The RMG also received updates on the Brexit and Novel Coronavirus risks, with no changes proposed.
- 8.4 The new Risk Management Framework (RMF) came into force in March 2020. SIAS subsequently conducted an audit into the application of the RMF. The Management response to some of the recommendations has resulted in proposed changes to the Framework. The Audit report is included as Appendix B and the Summary of Key changes document is included as Appendix C, along with the tracked changes Policy and Strategy documents. The main change relates to the frequency of reviews. It was proposed that Red Risks be reviewed every 3 months (currently monthly) and Amber risks should be reviewed every 6 Months (currently 3 monthly) The changes reflect the resources available and the proposed frequencies are felt to be more effective and realistic. The Group were happy with the proposed changes.

9. LEGAL IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial implications arising from this report. However, it should be noted that there is a separate Corporate risk relating to Managing the Councils Finances.

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" 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.

15. HUMAN RESOURCE IMPLICATIONS

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

16. APPENDICES

- 16.1. Appendix A – Covid 19 Leisure Management Contracts
Appendix B – SIAS Audit Risk Management Framework
Appendix C – Summary of Changes to the Risk Management Framework and tracked change Framework documents.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. The risks held on Pentana, the Councils Performance and Risk Management software.

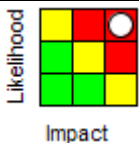
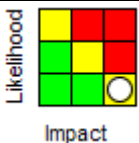
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Covid-19 - Leisure Management Contracts

Generated on: 06 November 2020



Risk Code	CR68.1	Risk Title	Covid-19 - Leisure Management Contracts
Risk Owner	Vaughan Watson	Updated By	Louise Randall
Year Identified	2020	Council Objective	Respond to challenges to the environment
Risk Description	<p>As a result of the Covid-19 pandemic and associated restrictions regarding service provision, there is a risk that:</p> <ul style="list-style-type: none"> - There is further enforced temporary closure of all facilities, e.g. due to a second wave of the virus; - Customers may not return or have a negative reaction to the changes required to reopen, which could mean targets set out in recovery plans are not achieved; - The contractor becomes insolvent, potentially as a result of the above risks materialising or the withdrawal of another large client; - Alternative options for operating leisure facilities in the district will be required, e.g. delivered in-house or arms-length, or alternatively, leisure facilities could be closed permanently. 		
Opportunities	<ul style="list-style-type: none"> - To ensure the current provision of leisure facilities is maintained and continues to meet the demands of local communities. - To investigate alternative options regarding service provision, to ensure that it remains cost effective. 		
Consequences	<ul style="list-style-type: none"> - Decline in performance indicator. - May not obtain any 'profit share'. - Contractor is unable to meet management fee obligations, as a result of enforced temporary closures. - Decision on future provision of leisure services and facilities. 		
Work Completed	<ul style="list-style-type: none"> - Leisure contracts with SLL for RLC, HSC and Letchworth Leisure Management extended to 2023/24. - In March 2020, agreed suspension of all contractor payments to the Council for three months, in view of the temporary closure of all facilities (Covid-19 restrictions). - SLL maintained facilities during temporary closures. - In June 2020, Cabinet agreed to delegate to senior officers/Executive Members decision making regarding Leisure service provision, to protect the Council's financial position and to ensure it prepared effectively for possible issues. - Decision made to not open the outdoor pools in 2020. - Cabinet agreed on 21 July 2020 the SLL Recovery Plan (the phased approach to reopening, which allows flexibility through delegation, aims to ensure business continuity for the leisure contracts and survival beyond the Covid-19 pandemic) and to support SLL using the Open Book approach, as recommended in the Procurement Policy Note PPN 02/20, including further financial support (affordability of financial support provided to SLL assessed on the basis of the cost of alternative outcomes and available short and medium-term resources). - Reopened NHLC, HSC, Archers and RLC from July 2020 and Fearnhill Sports Centre from September 2020. - Council approved the following resolution on 24 September 2020, "To provide financial support to Stevenage Leisure Limited (SLL) on an Open Book basis from 20 March 2020 up to at least 31 March 2021. The support provided would only cover losses relating to the Council's contracts, and will not cover central overheads. SLL would be required to take all reasonable actions to minimise the value of any losses. The actual value of the support required will depend on SLL's income recovery but will be capped at a maximum of £1.8m." - Due to the second national lockdown commencing on 5 November 2020, leisure facilities forced to close again for at least four weeks. 		

Ongoing Work	<ul style="list-style-type: none"> - Regular monitoring of contractor's credit score rating by Accounts. - Regular meetings held at director level to continually re-assess position, in light of further developments relating to the Covid-19 restrictions. - Regular meetings between SLL's three largest clients (NHDC, SBC and CBC) and the Chief Executive and Operational Director of SLL to ensure a consistent approach, in particular around recovery. - Regular updates to Executive Members. - Open book accounting arrangements in place with the contractor, ensuring full financial transparency. - Ongoing assessment of the options available to respond to the various scenarios. - Officers to continue working with SLL, as delivery of the recovery plan is very challenging and will require regular monitoring/review, and where necessary action will be taken to safeguard the financial position of operating our leisure facilities, whilst ensuring that operations continue to meet Covid-19 and other safety requirements. - Officers assessing the full implications of the second national lockdown and its effect on the current recovery plan. 		
Current Overall Risk Score	9		
Current Impact Score	3	Current Likelihood Score	3
Current Risk Matrix		Target Risk Matrix	
Date Reviewed	02-Nov-2020	Next Review Date	15-Jan-2021
Latest Notes	02-Nov-2020 Louise Randall and Vaughan Watson increased the risk score from 8 to 9 (high likelihood/high impact) due to the government announcement that a second national lockdown would commence on 5 November 2020. The lockdown means that leisure facilities will be forced to close again for at least four weeks. Officers are working with SLL to assess the implications for the current recovery plan.		
	15-Oct-2020 Risk reviewed and updated by Louise Randall on 15 October 2020. Council approved the support package on 24 September 2020. Since the reopening of facilities, usage has been good in relation to the targets specified in the recovery plan. Officers continue to work with SLL to deliver the recovery plan and to maintain open book accounting arrangements. No change made to the risk score, as there is still the possibility of a further enforced temporary closure of facilities, which could affect the successful delivery of the recovery plan.		
	16-Sep-2020 The proposal to introduce a new Corporate Risk of "Covid-19 – Leisure Management Contracts" with a risk score of 8 was recommended to Cabinet by the Finance, Audit and Risk Committee on 7 September 2020 and approved by Cabinet on 15 September 2020.		
	24-Aug-2020 On 3 August 2020, the Risk Management Group proposed that the "Covid-19 - Leisure Management Contracts" risk entry should be promoted to a new Corporate Risk, sitting alongside the existing Corporate Risk of "Novel Coronavirus (Covid-19)".		



Final Internal Audit Report

North Herts District Council Risk Management Framework 2020/21

November 2020

Issued to:	Rachel Cooper – Controls, Risk and Performance Manager Tim Everitt - Performance and Risk Officer Ian Couper – Service Director (Resources)
Copied to:	Anthony Roche – Managing Director FAR Committee Members
Report Status:	Final
Reference:	N219/20/001
Overall Assurance:	Satisfactory

INDEX

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. Assurance by Risk Area	7
Appendix A – Management Action Plan	8
Appendix B - Definitions of Assurance and Finding Priorities	15

1. EXECUTIVE SUMMARY

Introduction

- 1.1 Internal Audit provides North Herts District Council ('the Council') with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan. This audit forms part of the Council's approved 2020/21 Audit Plan.
- 1.2 Risk management involves the identification, assessment and monitoring of risks along with the implementation of mitigating controls to reduce the probability of occurrence and/or to manage the impact of the risk should it be realised. Without effective risk management, the Council may be susceptible to events which could result in the Council's vision, objectives and strategic aims not being achieved.
- 1.3 The Council has introduced a new risk management framework in April 2020, replacing the previous strategy which was introduced in 2017. Some of the key changes in the new framework includes, the introduction of target risk scores, SMART (specific, measurable, achievable, realistic and timely) actions to mitigate risks, the introduction of an archiving process for risks and changes to definitions of risk rating categories.
- 1.4 The framework was recommended to Cabinet for approval by the Finance, Audit and Risk Committee (FAR) on 16 March 2020 and subsequently approved by the Chief Executive in consultation with the Leader of the Council under 6.3.11(b) of the Council's Constitution. Since the beginning of the 2020/21 financial year, the new framework has started to be implemented across the Council. At the time of the audit review, the Council had 57 operational and 14 corporate risks on its two registers, with changes to the new framework intended to improve the risk management process at the Council.
- 1.5 The purpose of this audit was to provide assurance that robust governance exists within the risk management framework, the design of the framework is effective to manage risks, suitable guidance and training are available to officers, changes to the framework have been clearly communicated to officers and Members and risk management activities are applied consistently by risk owners, in line with the governance arrangements of the new framework.

Overall Audit Opinion

- 1.6 Based on the work performed during this audit, we can provide overall **Satisfactory Assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in section 2 below.
- 1.7 The overall opinion was based on our assessment of the design and operation of control activities in relation to appropriately managing the Council's operational and strategic risks. The subsequent paragraphs provide an overview of how our opinion was formed, highlighting good practice and drawing out some weaknesses identified.

- 1.8 We have concluded that the Risk Management Framework (RMF) provides officers with sufficient and robust processes and procedures to manage risks, including clearly designated roles and responsibilities, which are outlined within the Councils RMF Policy and Strategy. The roles and responsibilities of the Controls, Risk and Performance Team (Controls, Risk and Performance Manager and Performance and Risk Officer) are included within the RMF Strategy. Our review of the RMF has demonstrated that its design enables the Council to effectively manage risks.
- 1.9 With respect to the oversight and monitoring of risk management activities throughout the Council, we have noted the Risk Management Group's (RMG) role in reviewing risks provides adequate corporate oversight arrangements. In addition to this role, the reporting arrangements to Senior Management Team (SMT) and members, through Finance Audit and Risk Committee (FARC), and Cabinet are sufficient to ensure members and leadership have oversight of risks. Service Directors are also updated on risks held within their directorates on a monthly basis, through reports issued by the Controls, Risk and Performance Team.
- 1.10 Our testing showed that reporting arrangements to RMG and FARC were correctly implemented in line with the RMF. However, changes to operational risk ratings were not reported to the SMT in reports received in May and August 2020. The RMF Policy outlines that this arrangement will occur. As a result, we have raised a recommendation in this area. In addition, we advise that the RMF document is clarified to outline the process for making changes to Pentana and reinstatement of risk ratings, where rejection of changes occur by oversight groups.
- 1.11 With regards to the communication of changes to the RMF, we have seen adequate arrangements to both members and leadership, through the reporting to RMG, FARC and SMT. In addition, we confirmed that communications were provided to all officers, not only Risk Owners, through notifications on the Councils intranet page supported by clear direction on where to locate the RMF documents. We have also seen email communications to three of the six risk owners we met with outlining some of the requirements of the RMF. However, some risk owners informed us that they were unaware of changes to the RMF. Therefore, we have raised a recommendation in relation to awareness and understanding of the RMF.
- 1.12 Discussions with risk owners and key officers involved in the risk management process and analysis of the Councils risk management system, has shown that risk owners are managing risks in line with most aspects to the RMF. We reviewed all risks that have been reviewed since the new RMF was introduced and found that they all contain risk descriptions, risk ratings have been applied, mitigating actions are assigned and risks are assessed in line with the Councils risk matrix rating system (3 by 3 matrix). This demonstrates that the identification and initial assessment of risk complies with the new RMF, albeit these are the areas that were subject to minimal change.
- 1.13 However, our review has shown that some requirements of the RMF are yet to be fully implemented. We found that 76% of operational risks reviewed in 2020/21 do not have a target risk score and 22% of corporate risks (two out of nine risks) reviewed in 2020/21 did not have a target risk assigned. In addition, 95% of operational and 89% of corporate risks reviewed in 2020/21 did not have SMART (specific, measurable,

achievable, realistic and timely) actions applied. These design elements of the RMF are key to ensure that the acceptable level of risk is defined, therefore allowing the Council to focus on monitoring key risks and that action is taken in a timely manner. We acknowledge that the challenges caused by COVID-19 has had an effect on the full implementation of the new RMF as well as the focus on ensuring the new definitions for impact and likelihood are implemented and that historic risks are archived. However, it is important that target risks and SMART actions are introduced in a timely manner to ensure the new RMF operates robustly. Therefore, we have raised a low priority recommendation in this area.

- 1.14 The RMF outlines specific review frequencies for risks, which are to take place on the Pentana by the risk owners. Our testing has identified that 71% of operational risks and 78% of corporate risks not being reviewed as per the timing requirements in the RMF. Of the risks not reviewed in line with the requirements, 41% had a risk rating between 7 and 9 (red), while 59% had a risk rating between 4 and 6 (amber). The RMF outlines that red risks are to be reviewed on a monthly basis as a minimum, while amber risks are to be reviewed on a quarterly basis as a minimum. Our analysis showed that 12 red rated risks had just one risk review in 2020/21 at the time of our testing in September 2020. Adding to this, at the time of testing, 19 operational risks and 5 corporate risks had not been reviewed by the Council in 2020/21. Six of these risks were red rated and ten had an amber rating. From our discussions with risk owners, we understand that they would not typically review a risk out of the scheduled risk assessments, unless changes were required. Therefore, a medium priority recommendation has been raised around ensuring compliance with the risk review frequency set within the RMF.
- 1.15 We are satisfied that there is sufficient guidance documentation available to risk owners and managers to support risk management activities. We also acknowledge that a risk management toolkit is being developed with part of this expected to roll out at the end of October, which will support officers with fully implementing the RMF.
- 1.16 We have provided satisfactory assurance in this area as a result of the curtailment of training activities due to the circumstances of COVID-19. We have not raised a recommendation due to the ongoing work of the Controls, Risk and Performance Team to develop a new E-Learning module on risk management, which we understand will be mandatory for all officers to complete, including risk owners. We have reviewed the draft content for this module and have seen clear alignment between the material and the RMF. We understand that this is likely to be introduced at the end of October, after testing is completed with a sample of officers. We also note that the Council plan to provide the opportunity to book 1-2-1 support via Grow Zone on using the Pentana System. The above actions are robust and should they be implemented as designed, we would be providing good assurance in this area.
- 1.17 For definitions of our assurance levels, please see Appendix B.

Summary of Recommendations

- 1.18 In order to improve the control environment in operation, we have raised four recommendations as part of the audit undertaken, one of which is a medium priority recommendation and three which are low priority recommendations.

1.19 Please see Management Action Plan at Appendix A for further detail.

Annual Governance Statement

1.20 This report provides satisfactory levels of assurance to support the Annual Governance Statement.

2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	No	Limited	Satisfactory	Good
Governance Arrangements - Council has a robust risk management framework providing officers with clear processes and procedures to effectively manage risks. Monitoring arrangements are suitable for corporate oversight of risks identified and reporting arrangements enable leadership and Members to have oversight of risks. The design of the risk framework enables the Council to effectively manage risks.				
Communication of Changes – Changes to the risk management framework have been clearly communicated to officers and Members, risk owners are aware and understand the framework.				
Application of Risk Management Activities - Risk owners are managing risks using a consistent approach which is in line with the Councils risk management framework.				
Training and Supporting Guidance - Officers are provided with sufficient guidance and tools to support them in managing risk, training is available to officers to allow them to effectively undertake risk management activities.				
Overall				

2.2 See definitions for the above assurance levels at Appendix B.

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p>Risk Reviews</p> <p>The Risk Management Framework (RMF) Strategy clearly states the frequency that risks should be reviewed by risk owners on the Councils Risk Management System (Pentana). These are as follows:</p> <ul style="list-style-type: none"> Red (Ratings 7-9) - Minimum monthly reviews Amber (Ratings 4-6) - Minimum quarterly reviews Green (Ratings 1-3) - Only review if situation changes <p>A review of the Councils Risk Management system identified that risk reviews were not taking place at the stated frequencies (at the time of our review in September 2020). The review showed:</p> <p>1. Corporate Risks:</p> <ul style="list-style-type: none"> 7 of 9 corporate risks reviewed in 2020/21 did not take place at the frequency prescribed in the RMF. (6 were red and 1 was amber rated). Of these 9 risks, 7 did not have a next assessment date which aligns with review requirements 	Medium	<p>We recommend that the Controls, Risk and Performance Team remind all risk owners of the stated risk review frequencies stated in the Risk Management Framework (RMF).</p> <p>In addition, we recommend that further checks are introduced to ensure risk reviews are taking place at the required frequency. Escalation measures should be introduced to notify the Service Director where red risks have not been reviewed in two months maximum. A record of action taken should be maintained to verify that reviews are taking place as expected.</p> <p>An exercise should be undertaken to ensure all risks, operational and corporate, have a date of next review that aligns to the RMF is added to Pentana.</p>	<p>Responsible Officer: Controls Risk and Performance Manager</p> <p>It has become evident since implementation of the framework that the frequency of the reviews is not currently practical with existing resources. We will propose a revision to the risk management framework that the frequency be revised Red – 3 monthly Amber – six monthly</p> <p>There is no point in imposing reviews which are impractical to complete.</p> <p>Once the revised timescales are authorised, they will be publicised to all officers. Monthly Directorate overviews will highlight any risks not reviewed within these timescales.</p> <p>Next assessment dates to be</p>	<p>Proposed changes to RMG 30/11/2020</p> <p>Report to FARC and Cabinet 31/12/2020</p> <p>Included in Directorate Overviews 02/01/2021</p> <p>31/12/2020</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 113	<p>of the RMF.</p> <ul style="list-style-type: none"> 4 red rated risks had only one review in 2020/21 A total of 5 corporate risks had not been reviewed in 2020/21. Four of these risks were red and one was amber rated. <p>2. Operational Risks:</p> <ul style="list-style-type: none"> 27 of 38 operational risks reviewed in 2020/21 did not take place at the frequency prescribed in the RMF. (8 were red and 19 were amber rated). Of these 27 risks, 26 did not have a next assessment date which aligns with review requirements of the RMF. 8 red rated risks had only one review in 2020/21 A total of 19 operational risks had not been reviewed in 2020/21, at the time of our review. Two of these risks were red rated and nine were amber rated. <p><u>Associated Risk</u></p> <p>Risks are not reviewed at the frequency prescribed in the RMF. Key risks may not be effectively monitored leading to increased likelihood of</p>			added to all risks as they are reviewed.	and ongoing

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	risks materialising which would prevent the Council from achieving its objectives.				
2.	<p>Implementation of Target Risk Scores and SMART Actions</p> <p>The RMF outlines that target risk scores and SMART (specific, measurable, achievable, realistic and timely) actions are to be implemented for each risk managed by the Council.</p> <p>We reviewed the Councils Risk Management software for all risks which have been reviewed since the new RMF was approved and found that 29 of 38 (76%) operational risks had no target risk score and 2 of 7 corporate risks did not have a target risk score.</p> <p>In addition, our review found that 36 of 38 (95%) operational risks and 8 of 9 (89%) corporate risks did not have any SMART actions.</p> <p>We also understand that the Council intends to add target risk scores as upcoming risk reviews take place. However, at the time of our review</p>	Low	<p>We recommend risk owners immediately review risks which do not have a target risk score or SMART actions and complete the following to ensure compliance with the RMF:</p> <ul style="list-style-type: none"> • Add a Target Risk Score • Review all outstanding actions ('ongoing work') and ensure that these actions are SMART. 	<p>Responsible Officer: Controls Risk & Performance Manager / Performance and Risk Officer</p> <p>The new RMF was only implemented in March 2020 at the same time as the lockdown. As a result, it has been difficult to ensure all risk reviews are up to date as Service areas have had to prioritise keeping a service going. We are slowly getting these updated. As risks are reviewed the target score will be set and smart actions identified to get down to the target score. This will also be highlighted in the Monthly Directorate overviews to ensure oversight.</p>	<p>Target Risk Scores /SMART actions on all risk reviews where appropriate from 05/11/2020</p> <p>Directorate overviews to pick up where requirements of RMF not being met</p>





No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 145	<p>(almost six months into the new RMF being in place) a large percentage of risks are not currently meeting key requirements of the RMF as outlined above.</p> <p><u>Associated Risk</u></p> <p>Risks are not managed in line with the Councils RMF. This could lead to poor risk management or inefficiency in managing risks. This may ultimately result in risks materialising and prevent the Council from achieving its objectives.</p>				31/12/2020 (next report due)
	<p>Awareness and Understanding of Risk Management Framework</p> <p>We identified, through discussions with a sample of risk owners, that awareness, understanding of and confidence in applying the RMF was not consistent across the organisation.</p> <p>The main areas of the RMF where awareness and understanding were limited, are as follows:</p> <ol style="list-style-type: none"> Target risk scores; Archiving of risk; 	Low	<p>We recommend:</p> <ol style="list-style-type: none"> A notification is sent to all current risk owners outlining that changes to the RMF and new processes have been implemented by the Council. The notification should: <ul style="list-style-type: none"> Explain the key changes to the RMF, purpose of the changes and what the requirements are of the risk 	<p>Responsible Officer: Controls, Risk and Performance Manager</p> <p>Agree to send further notification of changes as a general update, however it must be noted that 2 of the risk owners who said they were unaware of the changes had been sent specific emails from the Performance and</p>	30/11/2020

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
Page 116	<p>c) Reporting of risks</p> <p>However, it is important to acknowledge that during our review we have seen suitable actions taken by the Control, Risk and Performance Team to inform the risk owners of changes to the RMF. These include:</p> <ul style="list-style-type: none"> Emails from the Performance and Risk Officer to some risk owners outlining that the RMF has changed explaining key requirements of risk owners under the new RMF. We have seen evidence of this for 3 risk owners we met with. A notice on the Councils Intranet 'Message Board' outlining that changes have been made to the RMF and a link to the new documentation. This was supported by a global email. Changes to the new RMF being presented to the Senior Management Team (SMT), which Service Directors have access to reports and attend. <p><u>Associated Risk</u></p> <p>Key officers are unaware or do not</p>		<p>owner.</p> <ul style="list-style-type: none"> Provide a link to the Councils Risk Management intranet page where the RMF documents are located and ask risk owners to review this documentation. A request to provide the Controls, Risk and Performance Team with positive confirmation that the risk owner has understood the new RMF. <p>2. A central notification is issued to Service Managers and key officers outlining that changes to the RMF have occurred, where they can locate the new RMF documents and asking them to cascade this message to relevant members of their team.</p> <p>3. With regards to the areas of the RMF which risk owners require improved awareness, the E-Learning module which is planned to be introduced, should include information on:</p> <ul style="list-style-type: none"> Target risk scores and the 	<p>Risk Officer, explaining the changes to the process. This further notification of changes will be aligned with the release of the e-learning on GrowZone.</p> <p>The E- Learning currently under construction includes sections on target risk scores and their purpose, how oversight of risks is provided and will include archiving risks</p> <p>Once the e – learning goes live we will be able to ensure we have provided all relevant officers with the training they need and have records of the completed training.</p>	

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	fully understand the risk management framework. This could cause officers to not take the required actions or not on the deliver roles, responsibilities or requirements in the framework. This may lead to delays in the risk management process or ineffective management of risks. This may ultimately result in risks materialising, preventing the Council from achieving its objectives.		<p>purpose of these risk scores.</p> <ul style="list-style-type: none"> The expectations around the archiving of risks including the responsibilities of stakeholders in this process. Information on the oversight and reporting arrangements to members and other oversight groups such as SMT and RMG. 		
Page 117	<p>Information Reported to SMT</p> <p>The Councils RMF Policy outlines that "All new, changed and proposed archiving/closure of Operational Risks, must be reviewed by the RMG and SMT prior to the changes to Pentana Risk being finalised". Review of the report received by SMT in May 2020 did not show any information on changes made to two operational risk scores and the August 2020 report also did not show changes made to two operational risk scores.</p> <p>Therefore, the oversight requirements of SMT, which are outlined within the RMF do not appear to have been</p>	Low	We recommend SMT are provided with information on changes to operational risks as per the requirements of the RMF.	<p>Responsible Officer: Controls Risk and Performance Manager</p> <p>It was never the intention that changes to operational risks are seen by RMG or SMT, only new and proposed deletions to Operational risks. Framework wording to be made clearer to reflect this as part of the annual review of the documents currently underway.</p> <p>RMG undertake an annual review of all service risks</p>	<p>Proposed changes to RMG 30/11/2020</p> <p>Report to FARC and Cabinet 31/12/2020</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>met.</p> <p><u>Associated Risk</u></p> <p>Information reported to SMT does not meet the requirements of the RMF. SMT may not have adequate information to offer guidance, support and challenge as part of the risk management process. Risks may be ineffectively managed by the Council.</p>			currently on the register. Last review took place in February 2020. These will continue to ensure that these risks are looked at annually in order to provide oversight. This review then feeds through to the quarterly report to SMT.	

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

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

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

RISK MANAGEMENT FRAMEWORK

PART 3 – STRATEGY (How we will do it)

North Hertfordshire's Risk Management Framework is outlined within four key documents.

Part 1 – Risk Management Policy Statement sets out the Council's commitment to the proactive management of external and internal risks within seven key principles. In order to ensure we can meet those principles, a number of objectives have to be achieved.

- 1 Maintenance of a robust and consistent Risk Management approach.
- 2 Considering any Opportunities which may present themselves whilst managing Risks.
- 3 Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated.
- 4 Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance.
- 5 Communicating Risk information effectively through a clear reporting framework.
- 6 Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

Part 3 - The Strategy provides more detail on how the Council intends to ensure these objectives are met.

1 – Maintenance of a robust and consistent Risk Management approach

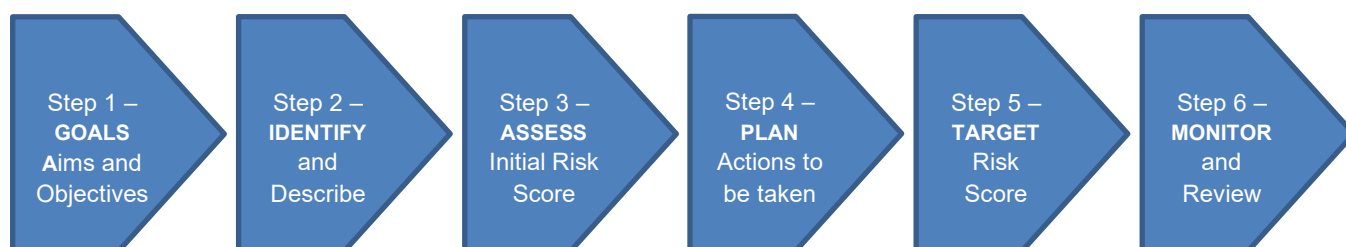
The objectives of the Risk Management Approach are to meet the seven principles outlined in Part 1 – Policy Statement:

- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
- We will assess each risk, identifying existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher risk levels.
- We acknowledge that even with good risk management, things will sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- We will challenge the Risk Management Process through the use of the Risk Management Group and the Finance, Audit and Risk Committee.

- We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

Good risk management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job and the Senior Management Team and Cabinet must keep the Corporate Risks faced by NHDC under regular strategic review.

The following six steps are used by the Council in managing its risks:



Step 1 – Identify NHDC Aims and Objectives

Before we can start to identify risks, we will establish context by looking at **what we are trying to achieve** and what our proposed outcomes are. These objectives will usually be detailed in existing documents, such as

- The Council Plan
- Service Plans
- Project Initiation Documents
- Partnership Agreements

Step 2 – Identify and Describe the Risk –What stops us from achieving objectives?

There are many different types of risks that we should consider, the main one should be selected.

Type of Risk	Example
Strategic	<ul style="list-style-type: none"> - Delivery of the key objectives of the Council - New political arrangements - Changes to Government policy
Operational	<ul style="list-style-type: none"> - Delivery and efficiency of services, specifically around day-to-day work - New initiatives, ways of working and relationships with partners - Monitoring arrangements - Levels of service usage - Day-to-day management of buildings

Information	<ul style="list-style-type: none"> - Accuracy of data, systems or reported information - Appropriate transfer and sharing of data - Security of data and systems - Management and control of knowledge resources, e.g. the retirement of a key member of staff
Reputation	<ul style="list-style-type: none"> - The Council's brand or image - Customer experience - Negative publicity - Levels of complaints - Levels of public confidence and participation
Financial	<ul style="list-style-type: none"> - Acceptance of liabilities - Levels of funding - Levels of income - Losses by fraud / corruption - Adequacy of insurance cover - Availability of funds to deliver services / projects
People	<ul style="list-style-type: none"> - Employees, e.g. recruitment and managing change - Management, e.g. communication / consultation and business continuity / emergency planning arrangements - The public, stakeholders and partners, e.g. changing needs / expectations, inequalities and safeguarding - Delivery of services to minority and disadvantaged groups
Regulatory	<ul style="list-style-type: none"> - Adherence to regulatory environments and compliance regimes - Legislation, e.g. Health & Safety at Work Act, Data Protection, FOI, Human Rights, Equalities Act 2010, Public Sector Equality Duty 2011, Employment Law, TUPE etc. - Grant funding conditions
Environment	<ul style="list-style-type: none"> - Recycling, Green Issues - Impact of planning policies - Climate Change - Management of Open Spaces

Describing the risk is vital for ensuring that risks are fully understood. The **cause and effect** of each risk must be detailed. To ensure consistency, the terminology below is used.

Description of Risk	Cause –why?	Effect – what will happen?
Risk of ... Failure to ... Lack of Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Opportunity to ... Damage to due to ... because leads to ... results in ...

Step 3 – Assess Initial level of Risk when identified – How significant is it?

The Council assesses each risk in terms of its potential likelihood and impact, enabling actions to be prioritised. **We will actively monitor risks scoring 4 or higher on the Risk Scoring Matrix.**

Each risk should be assessed twice, to set both Initial and then Target risk levels.

The first assessment – the initial risk score - is taken on the “as is” basis—what is the risk if we do nothing further and just maintain any existing controls (the score should reflect whether these are currently operating effectively or not).

To ensure consistency, risks are assessed using a standard Risk Scoring Matrix, Likelihood (1-3) and Impact (1-3).

The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

RISK MATRIX			Likelihood	
LIKELIHOOD	3	4	7	9
	2	2	5	8
	1	1	3	6
		1	2	3
		IMPACT		
		1. Low		
		2. Medium		
		3. High		
		Impact		
		1. Low		
		2. Medium		
		3. High		

4 Likelihood High (3) Impact Low (1) Chance of it happening -More than 60% Consequences - Minor	7 Likelihood High (3) Impact Medium (2) Chance of it happening - More than 60% Consequences - Noticeable effect on the Council	9 Likelihood High (3) Impact High (3) Chance of it happening - More than 60% Consequences - Significant impact on the Council
2 Likelihood Medium (2) Impact Low (1) Chance of it happening – between 20 – 60% Consequences - Minor	5 Likelihood Medium (2) Impact Medium (2) Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council	8 Likelihood Medium (2) Impact High (3) Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council
1 Likelihood Low (1) Impact Low (1) Chance of it happening – less than 20% Consequences - Minor	3 Likelihood Low (1) Impact Medium (2) Chance of it happening – less than 20% Consequences – Noticeable effect on the Council	6 Likelihood Low (1) Impact High (3) Chance of it happening – less than 20% Consequences – Significant impact on the Council

Step 4 – Plan actions required to reduce the Likelihood or Impact of a Risk – what can we do about it?

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects.

The following five general approaches are used by the Council when determining relevant actions to be taken.

Transfer	Use of insurance (to transfer the financial cost), or by contracting out services (this transfers some but not all of the risks and may create different ones).
Tolerate	It may not be practical or cost effective to take effective action against some risks. In this instance, the risk should be monitored to ensure the likelihood or impact does not change.
Treat	Most risks will be in this category. This involves putting in place a series of mitigation actions, bringing the risk score to an acceptable level. It includes contingency planning, describing what action will need to be taken if a risk is realised.
Terminate	Quick and decisive action to eliminate a risk altogether, which would usually be linked to stopping doing the activity completely. It is unlikely that the Council will be in a position to terminate the provision of a service.
Taking an Opportunity	In managing risks, opportunities may sometimes present themselves. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

Actions should be **SMART** (specific, measurable, achievable, realistic and timely).

Managers should list existing and additional actions required to manage the risks and set out Contingency Plans to be followed in the event of the threat materialising.

Each action should have a named Officer (the Risk Owner) and a target date for completion. The cost of the planned actions needs to be established and, wherever possible, should not exceed the cost of the risk they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Financial costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise should be assessed and provision made on the Councils Financial Risk Register, if appropriate.

When looking at risks, we will **also consider opportunities**. Planned actions to mitigate risk should be examined to see whether they open up new possibilities to help us achieve our objectives.

Step 5 – Aim – Set a Target Risk Score – what will the actions achieve?

Once the actions have been identified, the risk will be assessed again, using the same Matrix in Step 3, this time, taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **Target Risk Score** and reflects the position where the risk is deemed to be **managed to an acceptable level**.

The Council uses the Target Risk Score to ensure that:

- Risks are prioritised in terms of their significance;
- Actions are relevant and effectively managing and/or reducing the Likelihood or Impact of the risk;
- Risks are removed when no further actions are required.

Step 6 – Monitor and Review Risks

Risk management is an ongoing process and risks will be reviewed regularly to ensure that actions are being completed.

Each Risk Owner is expected to conduct a review of their risks on Pentana Risk in line with the review schedule in Appendix A. These reviews should consider:

- Any new risks which have been identified.
- Whether actions have been completed by their target dates, or revisions required.
- Whether the Target Risk Score has been achieved.
- Whether additional actions are required.
- Whether risks should be proposed for archiving/closure.

Where a risk is assessed at a low level (1, 2 or 3) or has been managed down to a low level, then the risk will fall into business as usual and the risk entry should be proposed for archiving.

Where a risk is no longer relevant the risk should be proposed for archiving.

Any decision to archive/close a risk will be reviewed and agreed by the Risk Management Group, prior to the change being finalised-accepted on Pentana Risk. If the proposed change is not accepted, Pentana will be reinstated with the agreed score.

Regular reporting of Corporate Risks, through Risk Management Group, SMT and Finance, Audit and Risk Committee (FARC) enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.

Risk registers (Operational and Corporate) are maintained on the Council's risk management software Pentana Risk. This enables the Council to monitor and review risks and produce meaningful management reports.

2 – Considering any Opportunities which may present themselves whilst managing Risks

In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.

These opportunities may take the following forms:

1. **Absence of Threats** - If the bad thing does not happen, we might be able to take advantage of something good instead. For example, if poor industrial relations do not lead to a strike, we might be able to introduce an incentive scheme and turn the situation round from negative to positive.
2. **Inverse of Threats** - Where a variable exists and there is uncertainty over the eventual outcome, instead of just defining the risk as the downside we will also consider upside potential. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).
3. **Secondary Risks** - Sometimes by addressing one risk we can make things worse (the response creates a new threat), but it is also possible for our action to create a new opportunity. Avoiding potential delays to a car journey by taking the train might also allow us to do some useful work during the journey whilst achieving a lower environmental impact.

Opportunities cannot be managed unless they are identified. When looking at risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to

mitigate risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

3 – Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated

NHDC expects all its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council, in the achievement of our objectives, and consider the management of risk as part of their everyday activities.

Roles in the Risk Management Process

All Employees	<ul style="list-style-type: none"> • Manage day-to-day risks and opportunities and report risk management concerns to their line managers. • Identify any new risks relating to their service area. • Undertake risk management e – learning. • Attend training and awareness sessions, as appropriate.
All Members	<ul style="list-style-type: none"> • Support and promote an effective risk management culture. • Constructively review and scrutinise the risks involved in delivering the Councils objectives.
Cabinet	<ul style="list-style-type: none"> • Risk manage the Council in delivering its objectives. • Approve the risk management Policy and Strategy. • Consider and challenge the risks involved in making any “key decisions”. • Responsible for oversight of Corporate Risks (with SMT).
Finance, Audit and Risk Committee (FARC)	<ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including review of proposed amendments to the Policy and Strategy prior to its presentation to Cabinet. • Review of changes to Corporate Risks.
Shared Internal Audit Service (SIAS)	<ul style="list-style-type: none"> • Provide assurance that risks are being effectively assessed and managed. • During all relevant audits, challenge the content of risk registers. • Periodically undertake specific audits of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.
Senior Management Team (SMT)	<ul style="list-style-type: none"> • Champion an effective Council wide risk management culture. • Ensure all reports contain sufficient risk implications. • Ensure Members receive relevant risk information. • Responsible for oversight of Corporate Risks (with Cabinet). • Ensure that Business Continuity Plans are in place for each service area.

Service Directors	<ul style="list-style-type: none"> • Risk manage their Directorates in delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process. • Constructively review and challenge the risks involved in decision making. • Ensure that appropriate resources and importance are allocated to the process.
Service Director - Resources	<ul style="list-style-type: none"> • Corporate Champion for Risk Management. • Promotes the adequate and proper consideration of risk management to senior managers and more widely within the Council. • Ensure the Internal Audit work plan is focused on the key risks facing the Council.
Controls, Risk and Performance Team	<ul style="list-style-type: none"> • Design and facilitate the implementation of a Risk Management Framework within NHDC ensuring it meets the needs of the organisation. • Act as a centre of expertise, providing support and guidance as required. • Collate risk information and prepare reports, as necessary. • Develop, support and promote the Council's risk management software Pentana Risk <u>and provide Training where required.</u>
Service Managers / Project Managers	<ul style="list-style-type: none"> • Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's Risk Management Framework. • Identify, assess and appropriately document significant risks and opportunities. • Clearly identify risk ownership. • Manage risks in line with corporately agreed timescales and policies. • Escalate risks, where appropriate. • Review risks regularly and recommend for archiving where appropriate.
Risk Management Group	<ul style="list-style-type: none"> • Maintain the mechanism for risk management to be discussed and disseminated across the Authority. • Review and challenge the content of risk registers. • Provide direction and guidance to ensure that a risk based approach is taken to the development of policies and procedures. • Support the Controls, Risk and Performance Team to implement the Risk Management Framework effectively, including reviews of risk management training. • Review recommendations and amendments to the Risk Management Framework – Policy, Strategy and Toolkit.

4 – Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance

The Risk Management Strategy is an essential element of strategic planning and sits under the broader umbrella of the Council Plan.

NHDC has a [Local Code of Corporate Governance](#), which includes risk management as one of the seven key principles:

“Managing risks and performance through robust internal control and strong public financial management.”

For risk management to be effective and a meaningful management tool, it must be an integral part of key management processes and day-to-day working. The Chief Executive and Leader of the Council must satisfy themselves that NHDC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. Risks and the monitoring of associated actions are considered as part of the Council’s significant business processes, including:

- Corporate Decision Making – significant risks, associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service /Budget Planning – this annual process includes updating the individual business unit risk registers to reflect current aims/outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes, before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.). <https://intranet.north-herts.gov.uk/home/doing-business/project-management/nhdc-project-management-framework/project-risks>
- Business Continuity – the Council has a duty to maintain plans to ensure that it can continue to function in the event of an emergency including plans for organisations that carry out services on the Council’s behalf. The process identifies the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue operating. <https://intranet.north-herts.gov.uk/home/about-nhdc/business-continuity/what-business-continuity>
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the partnership’s aims and objectives.
- Procurement – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process. <https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance – the Information Security Policy sets out practices and procedures to be adopted for good information management. There is also mandatory annual refresher training in Data Protection. The Information Security Policy can be found at: <https://intranet.north-herts.gov.uk/home/about-me/hr-policies/information-security-policy>
- Insurance – the HCC Insurance team manages NHDC’s insurable risks and self-insurance arrangements. The Manager presents a regular update to the RMG.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the RMG.

Corporate Governance

NHDC's approach to risk management has been developed to support the key requirements of good corporate governance:

Openness and Inclusivity - Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities, including how we are managing them. Risk management supports and enhances our decision making process and all committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

Integrity - The control environment, which includes risk management, supports the integrity of the Council. The risk management framework is key to taking informed decisions and continued service delivery.

Accountability - There is clear accountability for our risks. This includes the risk section in committee reports; an Annual Governance Statement, approved by the Finance, Audit and Risk Committee and included in the Council's Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks. The Council's key partners and contractors must have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint risk registers are put in place with key partners/contractors.

So that it can manage and demonstrate how well it has embedded risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

5 – Communicating Risk information effectively through a clear reporting framework

Appropriate and effective reviews and reporting arrangements reinforce and support the risk management processes. They allow sufficient and accurate performance information to be passed to Risk Owners, Senior Managers, the Senior Management Team (SMT) and Members.

The Risk Register

The Risk Register entries on the Council's risk management software - Pentana Risk, are the basic building blocks in the Strategy. The system generates reminder emails when the Next Review Date is approaching and generates up to date reports on a weekly basis, available for all to view on the system.

A Directorate Overview of Risks is taken to each Directorate's Management Team meeting at least once a year by a member of the Controls, Risk and Performance Team. This allows an overview of all risks to be discussed and any new risks to be suggested.

The Risk Management Group reviews all new risks, decisions on not to monitor risks, proposed archiving/closures and any lessons learned when risks are archived (particularly in relation to projects). This includes consideration of the residual risks.

Pentana Risk shows the Original Risk Score, the Target Risk Score and SMART actions with target dates for completion.

The risk matrix is used to plot the risks and to enable Service Directors to prioritise risk management activities that need to be undertaken to mitigate the risks. This risk information feeds into the Corporate Business Planning process.

The Risk Register also provides an understanding on how managing or capitalising on an opportunity can help achieve the objectives.

Corporate Risks

The Corporate Risks facing the Council are those that cut across the delivery of all services, key projects and those that will affect the delivery of the Council's objectives. They are the responsibility of the Senior Management Team and Cabinet. Cabinet ensure the Corporate Risks are managed appropriately.

The Corporate Risks are discussed at the Risk Management Group and any significant changes are included in the reports to SMT.

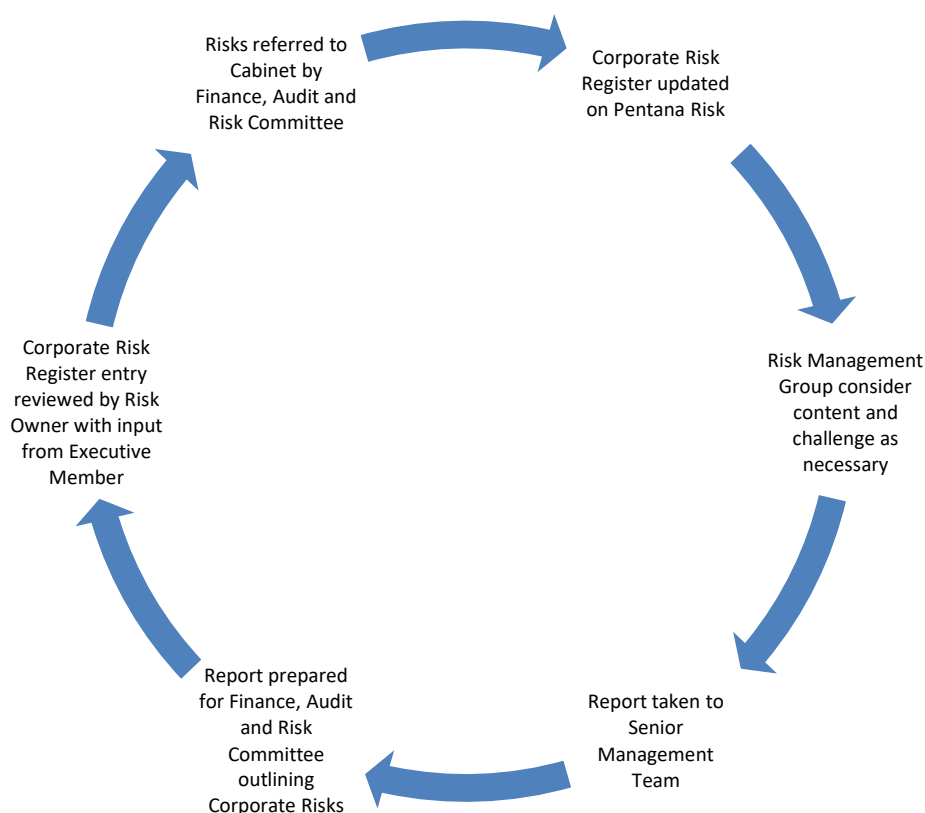
After consideration by SMT, the Corporate Risks are reported to the Finance, Audit and Risk Committee four times a year.

The Finance, Audit and Risk Committee monitor the effective development and operation of risk management within the Council. It agrees actions put forward by officers, where appropriate, and makes recommendations to Cabinet.

The Finance, Audit and Risk Committee refer any amendments to Corporate Risks and changes to the Risk Management Framework Policy Statement, Policy and Strategy to Cabinet.

Council receives an annual report on Risk Management from the Members Risk Management Champion.

Diagram representing the review of Corporate Risks



6 – Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

NHDC uses a range of training methods to meet the needs of the organisation but primarily relies on intranet based e-awareness training. (Currently under development with HR)

Risk management information is also available on the intranet, including templates and further detailed guidance in the Risk Toolkit.

A SIAS representative sits on the Risk Management Group, along with the HCC Risk and Insurance Manager, who is able to comment on both Herts County Council and Hertsmere risk management. This enables the sharing of good practice with other Hertfordshire authorities.

Appendix A - Review Timetable

Risk Score 7 – 9 (RED)	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.	As a minimum – Review <u>every 3 Months</u> Monthly Individual Actions must be reviewed as they become due.
Risk Score 4 – 6 (AMBER)	Usually accepted, on the basis additional mitigating actions to reduce the likelihood are implemented, if this can be done cost effectively. Reassess to ensure conditions remain the same and existing/new actions are operating effectively.	As a minimum – Review <u>every 6 Months</u> Quarterly Individual Actions must be reviewed as they become due.
Risk Score 1 – 3 (GREEN)	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Archive on register once agreed by Risk Management Group.	Only review if situation changes

Appendix B – Responsibilities / Oversight

Task	Corporate Risks	Service Risks	Project Risks
Risks identified by:	SMT Service Directors	Service Managers	Project Team Key Stakeholders
Risks owned by:	Service Directors	Service Managers	As appropriate
Risks reviewed by:	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
Risks scrutinised by:	Risk Management Group SMT Finance Audit and Risk Committee	Service Directors	Project Team
Risk Register (Pentana Risk) updated by:	Risk Owners with support from Performance and Risk Officer if required.		
Review of Risk Management Framework by:	Service Director - Resources Controls, Risk and Performance Team Risk Management Group		

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SUMMARY OF KEY CHANGES ANNUAL RISK MANAGEMENT FRAMEWORK REVIEW 2020/2021

	New	Previously	Reason
Change to Policy – Pg 3 Section 5 / 5.6	5.6 All new and proposed archiving/closure of Operational Risks, must be reviewed by the Risk Management Group (RMG) and SMT prior to the changes to Pentana Risk being accepted.	5.6 All new, changed and proposed archiving / closure of Operational Risks must be reviewed by the Risk Management Group (RMG) and SMT prior to the changes to Pentana Risk being finalised	Minor change to wording to clarify only new and archived risks to be monitored by SMT and RMG. Changes to Operational Risks are the responsibility of the Service areas.
Change to Policy – Pg 3 Section 5 / 5.7	5.7 Any changes to Corporate Risks and the Risk Management Framework must be reviewed by RMG, SMT and Finance, Audit and Risk Committee (FARC) before being approved by Cabinet. Changes to Operational Risks should be discussed with the relevant Service Director.	5.7 Any changes to Corporate Risks and the Risk Management Framework must be reviewed by RMG, SMT and Finance, Audit and Risk Committee (FARC) before being approved by Cabinet.	Worded added to clarify Service Area responsibility.
Change to Strategy – Pg 6 Step 6, Monitor and review risks	Any decision to archive/close a risk will be reviewed and agreed by the Risk Management Group, prior to the change being accepted on Pentana Risk. If the proposed change is not accepted, Pentana will be	Any decision to archive/close a risk will be reviewed and agreed by the Risk Management Group, prior to the change being finalised on Pentana Risk.	Minor change to wording to clarify that any change to Pentana is temporary until agreed by RMG and FARC

	reinstated with the agreed score.		
Change to Strategy – Pg 8 Roles in the Process Controls, Risk and Performance Team	Develop, support and promote the Council's risk management software Pentana Risk and provide Training where required.	Develop, support and promote the Council's risk management software Pentana Risk	Added responsibility for providing training
Change to Strategy – Pg 13 Appendix A – review timetable – RED RISKS	As a minimum – Review every 3 Months Individual Actions must be reviewed as they become due.	As a minimum – Review every Month. Individual Actions must be reviewed as they become due	Review timetable changed to enable reviews to be carried out with existing resources
Change to Strategy – Pg 13 Appendix A – review timetable – AMBER RISKS	As a minimum – Review every 6 Months. Individual Actions must be reviewed as they become due.	As a minimum review Quarterly. Individual actions must be reviewed as they become due.	Review timetable changed to enable reviews to be carried out with existing resources

RISK MANAGEMENT FRAMEWORK – PART 2 – POLICY (What you must do)

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes

Officers / Managers - You Must:

- Consider Risk Management as an integral part of your job;
- Read and follow the guidelines in the Risk Management Framework documents;
- Identify and record any threats relating to service delivery in your own area.

Risk Owners – You Must:

- Record Risks on Pentana Risk;
- Review existing Risks in line with the Framework requirements;
- Ensure actions are updated and completed;
- Ensure Risks are proposed for archiving/deletion when no longer required;
- Update Business Continuity Plans where relevant.

Members – You Must:

- Support and promote an effective Risk Management culture;
- Constructively review and scrutinise the Risks involved in delivering the Council's objectives;
- Ensure the Risk Management objectives are aligned with the objectives and strategies of the Council.

Policy author and further advice from: Rachel Cooper, Controls, Risk and Performance Manager.

Contents:

1. Definitions
2. Purpose of Policy
3. Identification and Assessment of Risk
4. Monitoring and Reviewing Risks
5. Promotion and Scrutiny of the Risk Management Process
6. Linked Policies and Procedures
7. Communication and Training

1. Definitions

Risk - Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

Risk Management - The “systematic application of principles, approach and processes to the identification, assessment and monitoring of Risks.”

Risk Owner – Responsible Officer to whom a Risk is assigned. Provides assurance that the Risks for which they are the Risk Owner are being effectively managed, allocating appropriate resources and importance to the process, confirming the existence and effectiveness of existing actions and ensuring further actions are implemented.

2. Purpose of Policy

2.1 Good Risk Management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider Risk Management as an integral part of their job and the Senior Management Team (SMT) and Cabinet must keep the Corporate Risks faced by NHDC under regular strategic review.

2.2 Part 1 of the Risk Management Framework (the Framework) – the Policy Statement, sets out the seven principles underpinning how we will undertake Risk Management at North Hertfordshire District Council.

2.3 Part 2 – the Policy, aims to ensure that Risk Management is undertaken in a consistent and effective manner through the Council, with Risks that are well documented, reported and understood. It highlights responsibilities and roles within the process.

2.4 North Hertfordshire District Council is committed to the proactive identification and management of key external and internal Risks, which may affect the delivery of our objectives. This will allow us to be a Risk aware Council, who understands that Risks may increase as services evolve and we undertake more commercial activities. The Framework is designed to ensure consistent management of Risk and provides more detailed guidance for users. The Framework will be regularly updated to ensure we are in line with regulatory and best practice requirements.

3. Identification and Assessment of Risk

3.1 It is the responsibility of all Managers and Officers to identify and document key Risks within their service areas, which may affect the achievement of the Council's objectives.

3.2 When risks have been identified, they must be recorded and assessed using the Council's Risk Management software, Pentana Risk.

3.3 All Risks should be assessed in line with the requirements of the Framework, assigning an initial Risk Score, and taking into account any existing controls which may be in place.

3.4 Each Risk must be assigned to a Risk Owner, who takes responsibility for the risk. This should be someone who has the authority to ensure that required actions are carried out.

3.5 A set of mitigating controls or actions must be identified, with timescales for completion. All actions should be SMART (specific, measurable, achievable, realistic and timely). The Risk should be assessed for a second time, taking the effect of the actions into account. This will become the Target Risk Score and will form the basis of the ongoing Risk monitoring.

3.6 Whilst assessing and managing the Risk, Officers should also consider and act on any opportunities which may present themselves. Further guidance on how to consider opportunities is provided within the Framework Part 4 - Toolkit.

3.7 Officers must ensure that the Business Continuity Plan for the Service area is updated with any new Risks, including how they can be mitigated to allow any key functions to continue operating.

4. Monitoring and Reviewing Risks

4.1 Once identified and recorded, Risks must be proactively managed by the Risk Owner. It is important that the Risk Register is dynamic – new Risks added as they arise and Risks removed when they have been managed down to an appropriate level. It is the Council's Policy to focus its resources on monitoring Risks which, because of their likelihood or impact, make them priorities. These are the Risks which score 4 or above on the Risk Matrix.

4.2 Risk Owners must review their Risks in line with the requirements of the Framework. Reminders will be issued automatically from Pentana Risk when reviews of risks are due.

4.3 Actions must be updated once completed, and the Risk assessed to see whether the Target Risk Score has been achieved. Further actions should be added if required.

4.4 When deemed appropriate, the Risk Owner should propose the archiving of any low level Risks scoring 3 or below which are no longer relevant and any Risks which they consider to have been managed down to "Business as Usual". They must also review the Business Continuity Plan for the Service area and update it with any changes which may be required following the archiving/closure of the Risk.

5. Promotion and Scrutiny of the Risk Management Process

5.1 SMT and Cabinet will support a culture of well measured Risk taking throughout the Council's business, by embedding Risk Management in our corporate business processes including strategic planning, corporate business planning, policy making and review, performance management and key partnerships.

5.2 All Managers and Members must consider Risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance.

5.3 Business Continuity Plans must be maintained for each service area, identifying the key functions in a service, what the Risks are and how they can be mitigated to allow key functions to continue.

5.4 All Committee reports must contain a Risk Implications section, summarising the Risks the decision maker has to consider.

5.5 Members must constructively review and scrutinise the Risks to ensure they have been adequately considered, to enable delivery of the Councils objectives.

5.6 All new, ~~changed~~ and proposed archiving/closure of Operational Risks, must be reviewed by the Risk Management Group (RMG) and SMT prior to the changes to Pentana Risk being ~~finalised~~ accepted.

5.7 Any changes to Corporate Risks and the Risk Management Framework must be reviewed by RMG, SMT and Finance, Audit and Risk Committee (FARC) before being approved by Cabinet. Changes to Operational Risks should be discussed with the relevant Service Director.

5.8 Members of RMG and FARC are responsible for ensuring the Risk Management process is aligned to the Council's objectives, challenging the process where appropriate and making recommendations to Cabinet.

6. Linked Policies and Procedures

6.1 Everyone is required to adhere to all Council policies, procedures and processes. The Risk Management Framework consists of four documents and all Officers, Managers and Members should ensure they have a good understanding of their Risk responsibilities.

Risk Management Framework – Part 1 – Policy Statement (The Key Principles)

Risk Management Framework – Part 2 – Policy (What you must do)

Risk Management Framework – Part 3 – Strategy (How we will do it)

Risk Management Framework – Part 4 – Toolkit (Operational guidance)

7. Communication and Training

7.1 The Council is committed to making training available to everyone. We will increase understanding and expertise in Risk Management through targeted training and the sharing of good practice and lessons learned. Training is available via e-learning on the Growzone, with further training available from the Controls, Risk and Performance Team on request. Some of this training may be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All Officers should also request training on any areas that they are uncertain about.

7.2 A Toolkit is provided as part of the Risk Management Framework, which provides practical guidance on the use of Pentana Risk and all the associated tasks to be undertaken.

Risk Management E – Learning – Growzone

Risk Management page on the Intranet

FINANCE, AUDIT AND RISK COMMITTEE 15 DECEMBER 2020

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: SECOND QUARTER REVENUE MONITORING 2020/21

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 forecasts for the financial year 2020/21, as at the end of the second quarter. The forecast variance is a £2.036million increase on the net working budget of £17.294million, with an ongoing impact in future years of a £73k decrease and a request to carry forward budget of £20k to fund a specific project in 2021/22. Within these summary totals there are a number of budget areas with more significant variances, which are detailed and explained in table 3.
- 1.2. The report also provides an update on;
 - the delivery of planned efficiencies (paragraph 8.3)
 - the use of budget approved to be carried forward from 2019/20 (paragraph 8.4)
 - performance against the four key corporate 'financial health' indicators (paras 8.5-8.7)
 - the overall forecast funding position for the Council and factors that may affect this (paras 8.8 – 8.18)

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £2.036million increase in net expenditure.
- 2.3. That Cabinet notes the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £53k decrease in net expenditure. These will be incorporated in the draft revenue budget for 2021/22.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 14th August 2020.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2020/21 of £15.136million in February 2020. As at quarter 2 the working budget has increased to £17.294million. 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 2020/21	15,136
Quarter 3 2019/20 Revenue Monitoring report – 2020/21 budget changes 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)	287
2019/20 Revenue Outturn Report – 2020/21 budget changes approved by Cabinet (June 2020)	403
Quarter 1 2020/21 Revenue Monitoring report - 2020/21 variances approved by Cabinet (September 2020)	1,468
Current Working Budget	17,294

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

Table 2 – Service Directorate Budget Allocations

	Working Budget at Q1	Changes approved at Q1	Other Budget Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k
Managing Director	1,904	8	(19)	1,893
Commercialisation	(429)	140	16	(273)
Customers	3,666	345	8	4,019
Legal & Community	2,370	(113)	0	2,257
Place	4,465	376	7	4,848
Regulatory Services	1,344	716	6	2,066
Resources	2,506	(4)	(18)	2,484
TOTAL	15,826	1,468	0	17,294

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final column details if there is expected to be an impact on next year's (2021/22) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Hitchin Town Hall Community Facility						
Supplies and Services Expenditure	102	41	(61)	The £111k reduction in forecast income reported at Q1 assumed that income levels would return towards pre-pandemic levels in the second half of the year. However, this has now been further affected by the "rule of 6" restrictions, which are likely to be in place until at least March, and the new lock-down period. This limits the income generating potential of the facility and the income projection has therefore reduced accordingly, mitigated as far as possible by reductions in associated costs. The reduction in expenditure is for the whole period, as the Q1 report just adjusted for the expected income reduction at that time.	0	0
Income	(91)	(23)	+68		0	0
Careline Emergency Response Fallback Service	19	49	+30	Increase in forecast cost is due to a markedly higher number of falls requiring the despatch of the Emergency Response Fallback Service to assess the situation. The response service is delivered by a private contractor and is subject to a call out charge. In the first half of this financial year 116 call outs were required, compared to only 21 for the equivalent period in 19/20. This is considered a further consequence of the COVID-19 pandemic, with informal carers (family, friends, neighbours) declining to respond when initially contacted in the event of a client suffering a fall. The client contribution to the service is a fixed monthly fee, meaning that the increase in activity and spend is not offset by an increase in Careline income.	0	0
Legal & Community Directorate Staffing Costs	1,654	1,600	(54)	Reduction in forecast spend is due to vacant posts in the first half of the year being filled later than anticipated.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Wilbury Hills Crematorium Project Costs	24	51	+27	The Planning Inspector has now set a date in February 2021 for a Public Enquiry into Central Bedfordshire Council's decision to refuse planning permission, rather than hold an Appeal Hearing. This change in approach by the Planning Inspector has increased the estimated cost of pursuing the appeal, with the appointment of a barrister to represent NHDC now required.	0	0
Waste and Street Cleansing Contract Expenditure	5,300	5,235	(65)	Underspend variance follows the calculation of the contract indexation for 2020/21. The budget for 20/21 assumed a contract indexation of 1.28%, based on the respective indices at that time. Due primarily to a subsequent fall in the fuel price index the calculation of the actual indexation rate for 20/21, as defined in the terms of the contract, has resulted in a deflationary value of -0.89%. The forecast variance therefore removes the provision for indexation in the budget. The negative indexation has not yet been applied to the contract prices, with negotiations ongoing with the contractor.	0	(65)
Comingled Recycling - Haulage and Processing Costs	501	654	+153	<p>The trend of higher than anticipated tonnages and falling sales prices for materials, as evident and highlighted at quarter one, has continued during the second quarter. With an increase in costs of £121k reported at Q1, the total impact at this point in the year is an increase on the budgeted cost of £274k. The higher tonnages are considered an impact of the pandemic, as relatively more people work from home and receive deliveries ordered online. Such is the uncertainty as to the level of expenditure in the remainder of the year, the forecast variance reflects only the impact on costs from recorded activity to date.</p> <p>Forecasts of the Covid-19 impact for the whole year have assumed an impact of £300k, although it has also been flagged that it could be in excess of £500k.</p>	0	0
Commingled Recycling – Recycling Credits Income	(503)	(540)	(37)	The higher tonnages of comingled material collected for recycling, and hence diverted from landfill, has increased the forecast total of recycling credit income eligible from Hertfordshire County Council.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Leisure Centres Management				Forecast outturn follows Full Council approval in September 2020 of the financial support package for SLL of up to £1.8m, developed in response to the impact of the Covid-19 pandemic. Open book accounting with the contractor will be used to determine the final level of any finance support provided, but it is likely that the total cost will be around £1.8m		
Management Contract Fee Income	(808)	0	+808		0	0
Leisure Centres Expenditure Support	0	992	+992		0	0
Total:	(808)	992	+1,800		0	0
Regulatory Directorate Staffing Costs	3,517	3,441	(76)	Forecast staffing underspend is due to various vacant posts in Planning and Environmental Health. A combination of the delayed progress in the local plan, recruitment difficulties due to Covid-19 and several resignations in critical areas has led to the underspend.	0	0
Housing Services – Temporary Accommodation				As the MHCLG continues to expect local authorities to accommodate rough sleepers, the Council's use of hotels continues to be high and, with the prospect of further restrictions under COVID lockdown rules and the arrival of winter, this is likely to continue through to the end of March 2021 and possibly beyond.		
Expenditure on accommodation	477	651	+174		0	0
Net Housing Benefit Payments	434	577	143		0	0
Housing Benefit Contribution to Temporary Accommodation Costs	(150)	(305)	(155)		0	0
Government Grant Income	(0)	(71)	(71)		0	0
Net total	762	853	+91	Following a recent funding bid, MHCLG awarded the Council £183k towards the cost of accommodating people sleeping rough, or those threatened with rough sleeping. While £112k of this funding has been allocated to Haven First to increase the capacity of their specialist supported housing service, with the ultimate aim of sustainable resettlement for all individuals, the remaining £71k partially mitigates the forecast overspend on temporary accommodation.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
Housing Stock Condition Survey	20	0	(20)	Resources to carry out the housing stock condition survey have been focussed on Covid-19 related actions. It is therefore requested to carry forward the £20k budget for the survey, which will be planned and, subject to available resources, carried out during 2021/2022.	20	0
Car Parking Income				As highlighted in the Covid Impacts report and at Q1, parking activity has been severely impacted by the Covid-19 pandemic, with people and businesses changing their normal routines and activities in response.		
Pay-As-You-Use Income	(1,526)	(1,380)	+146	The £146k reduction in forecast income follows the £409k reduction reported at Q1, giving a total shortfall of £555k recorded for the first half of the year. The comparatively smaller variance reported at Q2 indicates the extent of the recovery in parking activity during Q2. Receipts increased month by month during the quarter, with the recorded total for September around 75% of the original budget expectation.	0	0
Car Park Season Ticket Income	(236)	(187)	+49	Demand for parking season tickets continued to be below the budget expectation during Q2, meaning a total shortfall of £123k for the first half of the year (£74k reported at Q1). The trend of businesses embracing home working has resulted in significant refunds being issued to several companies that had originally purchased a large number of car park season tickets.	0	0
Total:	(1,762)	(1,567)	+195	The total shortfall reported to date (including PCNs) is £779k. Forecasts of the Covid-19 impact for the whole year have assumed an impact of around £1.1m. This is now expected to increase with the four week lock-down period. It is likely that the additional impact will be at least £100k.	0	0
Town Lodge Business Rates Expenditure	0	56	+56	The efficiency proposal for 20/21 in respect of Town Lodge premises costs had anticipated that the handover of the Town Lodge site to the developer would take place early in the calendar year 2020. This timescale however has been delayed due to the developer submitting a revised planning application. If planning permission is granted in December, it is expected that the sale will be completed by the end of this financial year. Upon completion the liability for business rates will pass to the developer.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Forecast Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2021/22 £k
District Council Offices (DCO) Energy Costs	46	25	(21)	Decrease in forecast spend in 20/21 includes the impact of certain areas of the building being out of use since the lockdown commenced in March. It also relates to professional advice that air conditioning systems should be switched off as they could enable the wider spread of Covid-19. This advice has now changed and any risk is considered negligible. At the same time there is now sufficient consumption data to establish ongoing energy needs following the refurbishment of DCO and the switch to electric heating.	0	(13)
Total of explained variances	8,781	10,867	+2,086		20	(78)
Other minor balances	8,513	8,463	(50)		0	5
Overall Total	17,294	19,330	+2,036		20	(73)

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £2.036million increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2021/22 budget (net £53k decrease in budget, which includes the request to carry forward £20k of budget from 2020/21 to 2021/22), which will be incorporated in to the 2021/22 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2020/21 (and therefore working budget) included efficiencies totalling £651k, which were agreed by Council in February 2020. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. At Quarter One it was estimated that £115k of the efficiencies would not be achieved. The current forecast at the end of Quarter Two is a total underachievement of £171k. The £56k increase in the forecast underachievement relates to the Town Lodge premises costs efficiency and the delay in transferring the liability for business rates to the developer, as highlighted and explained in table 3 above.
- 8.4. The working budget for 2020/21 includes budgets totalling £679k 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 2019/20 but was delayed into 2020/21. At Quarter One it was forecast that £11k of the total carried forward will not be spent in 2020/21 and this forecast remains unchanged at Quarter Two.
- 8.5. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 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 they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. Currently one of the indicators is amber and three are red.

- 8.6. The three red indicators were highlighted and explained at Quarter One. The projected income outturn from land charges and parking penalty charge notices is unchanged at Quarter Two. The further reduction in projected parking fees income at the end of Quarter Two is itemised in table 3 above.
- 8.7. The amber indicator in relation to income from planning applications is to highlight that cash receipts at the end of Quarter Two were slightly below the budget expectation and the wider economic downturn may precipitate a reduction in planning activity in the remainder of the year. As such there is a risk that the income budget will not be achieved.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Projected Variance
		£k	£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Amber	(950)	(723)	(950)	0
Land Charges	Red	(164)	(59)	(122)	42
Car Parking Fees	Red	(1,936)	(397)	(1,381)	555
Parking Penalty Charge Notices	Red	(573)	(164)	(471)	102

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2020 of the amount of New Homes Bonus it could expect to receive in 2020/21 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. At the end of the second quarter, there is forecast to be a deficit on the NHDC share of the Council Tax Collection Fund of £185k and an estimated deficit on the Business Rates Collection Fund of around £7.5million. As statute requires that Collection Fund income amounts chargeable to the General Fund in 2020/21 must be those estimates prepared around the time of setting the budget for the year, the forecast deficits do not impact the funding total or the projected general fund balance shown in table 6. The repayment of the deficits will instead affect the funding position for 2021/22.
- 8.10. The forecast deficit on the Business Rates Collection Fund is primarily due to the additional business rate reliefs introduced by government in response to the COVID-19 pandemic. The Council 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.

The Council expects to receive total compensation of £8.418m for reliefs in 2020/21, which includes £6.734m for the additional reliefs introduced by government in response to the COVID-19 pandemic. The Council holds the grant received in a reserve to fund the repayment in future years of deficits recorded. Some of the amount held in reserve will be used in 20/21 to fund the repayment to the Collection Fund of the deficit originally estimated for 2019/20, as shown in table 6.

- 8.11. In 2020/21 NHDC is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, as has been the case in prior years. In 2018/19 the Council benefited from a pooling gain of £368k. Council approved in February the release of this pooling gain to the General Fund in 2020/21 and this is included in the funding total in table 6. Original estimates indicated a total pooling gain of £4.3m for the Hertfordshire Business Rates Pool in 2020/21, with NHDC calculated to benefit from a saving of around £700k, reducing the estimated levy from £1.1m (if outside the pool) to an estimated pool contribution required of £0.4m.
- 8.12. The amount of levy payable for 20/21 and any pooling gain will be dependent on the actual value of business rates collected in the year after adjusting for business rate reliefs, which are directly compensated for via the grant from central government. As the Pool Lead, Hertfordshire County Council is currently collating forecast estimates from each of the pooling authorities in order to gain an indication of the overall position for the pool and the levy implication for member authorities. The impact of the Covid-19 pandemic and the associated wider economic downturn means that there are a range of potential outcomes for pool member authorities in terms of the respective contribution required to the pool to meet the total levy payable, dependent on the incidence and severity of the reduction in rates income collected due to business closures. In the worst-case scenario, the reduction in rates collected means a 'pooling loss' is incurred, with the required contribution to the Pool meaning that the Council ultimately retains less business rates income than if it had remained outside of the pool. In any case however, the Council's contribution to the pool in 2020/21 will be funded from grant held in reserve, and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.13. The Council has received non-ringfenced emergency grant funding in 2020/21 from Government of £1.502m in relation to the Covid-19 pandemic and in October it was announced that NHDC would receive a further £100k, bringing the total grant received in this financial year to £1.602m. The Council has also received and is due to receive various streams of specific funding. It is currently assumed that these will be spent on the specific purpose for which they have been allocated and therefore will have a net zero General Fund impact. This assumption will be kept under review.
- 8.14. In September, MHCLG invited Local Authorities to apply for compensation for loss of income due to the impact of Covid, referred to previously as the 'Income Guarantee'. The Council's claim submitted for the period April to the end of July amounted to £680k. The corresponding full year forecast indicates a total income compensation claim for the year of around £1.5m, although this will depend on income levels for the remainder of the year.

8.15. At Quarter One the total net General Fund impact related to Covid-19 impacts was £1.565m. The total net General Fund impact detailed in table 3 above relating to Covid-19 impacts is £2.276m. Table 5 below shows how this breaks down by budget area, and how it compares to the estimated full-year impact as reported to MHCLG in the latest impacts return (6th November 2020).

Table 5 – COVID Financial Impact

Budget Area	Reported at Q1 £k	Reported at Q2 £k	Total reported to date £k	Expected to be covered by Income guarantee	Full-year estimate £k	Reason for difference
Leisure Centres	0	1,800	1,800	Part	1,800	N/a
Parking	584	195	779	Yes	1,200	Only included impact in first half of year as could have recovered quite quickly. Full year estimate now includes assumed impact of second lock-down
Recycling Processing and materials	121	153	274	No	500	Material volumes and material values very uncertain.
Garden Waste	186	0	186	No	186	N/a
Homeless Accommodation	69	91	160	No	160	N/a
Investment Income	115	0	115	No	115	N/a
HTH/ Museum Income	111	7	118	Yes	118	N/a
Trade Waste	90	0	90	Yes	93	
Court Summons Income	79	0	79	No	180	The majority of the difference is because the current year budget was adjusted as part of the 2019/20 revenue outturn report.
Land Charges	42	0	42	Yes	25	Increase in demand and currently back towards normal levels.
Careline fall response	0	30	30	No	30	N/a
Careline over-time	27	0	27	No	4	Only part due to Covid-19, the remainder is due to other factors
Planning	0	0	0	Yes	91	Not reported as there might be some large applications later in the year that bring this back in line with budget.
Support Grants	0	0	0	No	150	Net nil General Fund impact as covered from Special Reserve
Other	141	0	141	Part	174	
Total	1,565	2,276	3,841		4,826	
Less: non-ringfenced grant funding					(1,602)	
Less: estimated Sales, Fees and Charges compensation income					(1,500)	
Less: funding from Special Reserve					(150)	
Net General Fund impact					1,574	

8.16. As shown in table 5 above, the estimated overall impact is just over £1.5m. It is therefore necessary to apply a proportion of the grants and compensation received to come back to this overall impact. If the whole estimated grant and compensation was applied then this would understate the estimated year end position. Therefore £2.267m (£3.841m less £1.574m) has been shown in table 6 below.

- 8.17. Table 6 below summarises the impact on the General Fund balance of the position at Quarter Two detailed in this report.

Table 6 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2020)	(9,378)	(9,378)	-
Net Expenditure	17,294	19,330	2,036
Funding (Council Tax, Business Rates, NHB)	(15,576)	(15,576)	0
Contribution to Funding Equalisation Reserve	329	329	0
Contribution to Collection Fund	294	294	0
Funding from Reserves (including Business Rate Relief Grant)	(294)	(294)	0
Covid-19 un-ringfenced government grant funding	(407)	(1,602)	(1,195)
Applied Government Compensation for Covid-19 related income losses (to balance to £2.267m)	0	(665)	(665)
Carried Forward balance (31st March 2021)	(7,738)	(7,562)	176

- 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 £1,351k, and by the end of quarter two a total of £376k has come to fruition. The identified risks realised in the first quarter relate to;

- Recycling services. Increase in net cost due to the increased cost of haulage and processing of commingled recycling collected (as highlighted in table 3 above) - £96k.
- Usage of bed and breakfast accommodation for homeless households (as highlighted in table 3 above) - £91k.

Table 7 – Known financial risks

	£'000
Original allowance for known financial risks	1,351
Known financial risks realised in Quarter 1	(189)
Known financial risks realised in Quarter 2	(187)
Remaining allowance for known financial risks	975

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.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. SOCIAL VALUE IMPLICATIONS

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

14. 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.

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18. BACKGROUND PAPERS

- 18.1. None.

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**FINANCE, AUDIT AND RISK COMMITTEE
3 DECEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR
REVIEW 2020/21**

REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

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

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2020/21, as at the end of September 2020.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2020/21 – 2029/30. The current estimate is a decrease in spend in 2020/21 of £6.582million and an increase in spend in future years of £7.022million. The most significant individual changes relate to £4.0M Acquisition of Property Investments and £2.947M Provide Housing at Market Rents both being reprofiled into 2021/22.
- 1.3 To inform Cabinet of the Treasury Management activities in the first three months of 2020/21. The current forecast is that the amount of investment interest expected to be generated during the year is £0.185million. This remains unchanged from the estimate reported in the first quarter monitoring report.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of **£3.937million** in 2020/21 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2020/21 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by **£7.022million**.

- | | |
|-----|--|
| 2.3 | That Cabinet notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability. |
| 2.4 | That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2020. |

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 14th August 2020.

7. BACKGROUND

- 7.1 In February 2020, Council approved the Integrated Capital and Treasury Strategy for 2020/21 to 2029/30. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.
- 7.2 The Medium Term Financial Strategy for 2020 to 2025 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. 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 2020/21

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2020/21 to 2029/30 and the funding source for each capital scheme.
- 8.3 Capital expenditure for 2020/21 is estimated to be **£3.937million**. This is a reduction of **£6.582million** on the forecast in the 1st quarter report (reported to Cabinet on 15th September 2020). The decrease in spend in 2019/20 is largely due to the reprofiling of projects into 20/21. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2020/21 £M	2021/22 £M	2022/23 to 2029/30 £M
Original Estimates approved by Full Council February 2020	9.357	5.405	26.650
Changes approved by Cabinet in 3rd Qrt 2019/20	3.801	0	0
Changes approved by Cabinet in 2019/20 Capital Outturn report	0.277	0	0
Revised Capital estimates at start of (2020/21)	13.435	5.405	26.650
Changes approved by Cabinet in Covid-19 Financial Impacts report 21/07/20	-2.809	1.713	1.096
Executive Member – Finance and I.T. approved additional Expenditure on 4 schemes	0.180	0	0
Changes at Q1	-0.287	0.296	0
Executive Member – Finance and I.T. approved additional Expenditure on 4 schemes	0.458	0	0
Changes at Q2	-7.040	7.022	0
Current Capital Estimates	3.937	14.436	27.746

- 8.4 Table 2 lists the schemes in the 2020/21 Capital Programme that will start or continue in 2021/22:

Table 2: Scheme Timetable Revision:

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

Scheme	2020/21 Working Budget £'000	2020/21 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2021/22 onwards £'000
Acquisition of Property Investments	4,000	0	-4,000	The Commercial Directorate has investigated and considered several investment property acquisitions over the year. However, no investment has thus far been committed to. NHDC has not invested due to a number of reasons, which include investments not meeting NHDC's various investment criteria, as set out in its Property Acquisition &	4,000

Scheme	2020/21 Working Budget £'000	2020/21 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2021/22 onwards £'000
				Development Strategy, limited numbers of opportunities presenting themselves to the market, and partly due to the uncertainties of Covid-19 on the property market and property investment performance making it prudent to adopt a "wait and see" approach before investing.	
Provide Housing at Market Rents	2,977	30	-2,947	The Council is in the process of investigating if it is financially viable to invest in property through Council's property company for rental. Until this work has been completed this capital money will not be spent, therefore, it is requested that it is rolled over to the next financial year.	2,947
Replace Floodlights at St Mary's Car Park	60	0	-60	Due to the volume of reactive maintenance works, this work has been reprioritised to next year.	60
Total Minor (under £25k) slippage on other projects	30	15	-15		15
Total Revision to Budget Profile			-7,022		7,022

8.5 There is also one minor change to the overall forecast cost of schemes in 2020/21 with the revised estimate being an underspend of £0.018million.

- 8.6 Table 3 below shows how the Council will fund the 2020/21 capital programme.

Table 3: Funding the Capital Programme:

	2020/21 Balance at start of year £M	2020/21 Forecast Additions £M	2020/21 Forecast Funding Used £M	2020/21 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	7.455	1.105	(3.691)	4.869
S106 receipts			(0.148)	
Other third party grants and contributions			(0.098)	
Planned Borrowing			0	
Total			(3.937)	

- 8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change. This will be kept under review throughout the year.
- 8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2020 was negative £5.60 million. Based on current forecasts it is expected to remain negative during 2020/21, which means that the Council does not have a need to borrow to fund capital spend.

Treasury Management 2020/21

- 8.9 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve balances and variations in cash due to the timing of receipts and payments. During the first six months, the Council had an average investment balance of £42.1 million and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices. Officers can confirm that the approved investment limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2020.
- 8.10 The Council generated £0.125M of interest during the first six months of 2020/21. The average interest rate on all outstanding investments at the 30th September was 0.81%. Interest rates have continued to decline since the first quarter report with some banks offering 0%.

The Government's Debt Management Office has recently been offering negative rates for very short term deposits. Consequently any new investments are yielding significantly less than 0.81%, usually 0.1% or less. Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £0.185 million of interest over the whole of 2020/21.

- 8.11 As at 30 September 2020 the split of investments was as shown in the table below. There were no investments with non-UK banks during the quarter. There has been a general downgrading of banks which has meant a couple of non-UK banks have been temporarily removed from the Council's approved counter party list:

Banks	18%
Building Societies	36%
Local Authorities	38%
Money Market Fund	8%

- 8.12 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30 September 2020. The most risky investment still has a historic risk of default of only just above 0.1%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. As stated in paragraph 8.9, all investments have been made in accordance with the Investment Strategy.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 Sept	Historic Risk of Default %
PSDF	3.0	0.23	AAA	Call	0
Barclays Bank	1.5	0.04	A	19	0.003
Coventry Bldg Soc	1.0	0.05	A-	19	0.003
Principality Bldg Soc	1.0	0.09	BBB+	19	0.008
Lloyds Bank 32 Day Notice	1.0	0.1	A+	32	0.005
Lloyds Bank	1.0	1.1	A+	36	0.005
Medway Council	2.0	1.25	AA-	37	0.002
Barclays Bank	1.5	0.05	A	47	0.007
Newcastle Bldg Soc	1.0	1.17	*	58	0.025
Slough Borough Council	1.0	0.4	AA-	62	0.004
West Brom Bldg Soc	1.5	0.15	*	76	0.142
Birmingham City Council	3.0	0.1	AA-	82	0.005
Skipton Bldg Soc	2.0	0.1	A-	82	0.034
Bank of Scotland 95 Day Notice	1.0	0.2	A+	95	0.014
Lloyds Bank 95 Day Notice	1.0	0.2	A+	95	0.014
Darlington Bldg Soc	1.0	1.2	*	110	0.044

Marsden Bldg Society	1.5	1.6	*	114	0.050
Liverpool City Council	2.0	0.35	AA-	119	0.008
Fife Council	1.0	0.4	AA-	121	0.008
Principality Bldg Soc	1.0	0.16	BBB+	131	0.055
Surrey Heath Borough Council	3.0	0.18	AA-	145	0.010
Skipton Bldg Soc	1.0	0.2	A-	168	0.007
Leeds Bldg Soc	2.0	0.14	A-	174	0.025
Monmouthshire Bldg Soc	1.0	1.5	*	240	0.289
Slough Borough Council	2.0	1	AA-	240	0.016
Monmouthshire County Council	1.0	0.25	AA-	261	0.017
	39.0	0.81			

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

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Section 151 of the Local Government Act 1972 states that:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 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.
- 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 £4.144million higher than the budgeted £46.119million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces.

Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £1.0k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2020 was negative £5.6million. This may turn positive next year if the capital programme is fully spent.

- 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 dependent 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 2020/21 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

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

14. 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 2020/21 onwards.
Appendix B, Treasury Management Update.

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18. BACKGROUND PAPERS

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)
<https://democracy.north-herts.gov.uk/documents/s9835/Appendix%20A%20-%20Investment%20Strategy.pdf>

								Funding					
Project	Service Directorate	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 - 2029/20 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
40 KVA UPS Device or Battery Replacement	Customers	7,000	11,000	0	12,000	0	0	0	0	0	0	0	30,000
Access Burymean Road	Commercial	84,000	0	0	0	0	0	0	0	0	0	0	84,000
Additional PC's - Support Home Working/OAP	Customers	11,000	13,000	11,000	13,000	15,000	76,000	0	0	0	0	91,000	48,000
Alternative to safeword tokens for staff/members working remotely	Customers	16,000	0	12,000	0	18,000	33,000	0	0	0	0	51,000	28,000
Avenue Park Splash Park	Place	0	0	0	70,000	0	0	0	0	0	0	0	70,000
Acquisition of Property Investments	Commercial	0	8,000,000	4,000,000	4,000,000	4,000,000	0	0	0	0	0	9,749,700	10,250,300
Back-up Diesel 40 KVA Generator (DCO)	Customers	0	0	0	25,000	0	30,000	0	0	0	0	30,000	25,000
Baldock Town Hall project	Legal and Community	48,800	0	0	0	0	0	0	0	0	0	0	48,800
Bancroft Lighting	Place	0	0	0	45,000	0	0	0	0	0	0	0	45,000
Bancroft & Priory Splash Pads	Place	0	0	0	0	35,000	0	0	0	0	0	35,000	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Place	19,400	0	0	0	0	0	0	0	0	0	0	19,400
Cabinet Switches - 4 Floors	Customers	0	18,000	0	0	18,000	18,000	0	0	0	0	54,000	0
Cadcorp Local Knowledge & Notice Board Software	Customers	5,400	0	0	0	0	0	0	0	0	200	0	5,200
CCTV at DCO & Hitchin Town Hall	Customers	15,000	0	0	15,000	0	0	0	0	0	0	0	30,000
Council property improvements following condition surveys	Resources	472,200	255,000	0	0	0	0	0	0	0	0	0	727,200
Cyber Attacks - Events Monitoring Software Solution	Customers	30,000	0	0	0	0	0	0	0	0	0	0	30,000
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	0	0	278,000	0	0	0	0
Data Switch Upgrade	Customers	0	0	15,000	0	18,000	41,000	0	0	0	0	59,000	15,000
Decommissioning of Play Areas	Place	5,000	0	0	0	0	0	0	0	0	0	0	5,000
Disabled Facilities Grant	Regulatory	50,000	0	0	0	0	0	0	50,000	0	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	0	0	55,000	0	60,000	0	0	0	0	60,000	55,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Customers	39,000	0	0	0	0	0	0	0	0	0	0	39,000
Email Encryption Software Solution	Customers	45,000	0	0	0	0	0	0	0	0	0	0	45,000
Energy efficiency measures	Resources	8,500	0	0	0	0	0	0	0	0	0	0	8,500
Football Goal Replacement Programme	Place	0	0	15,000	0	0	0	0	0	0	0	0	15,000
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	0	0	185,000	0	0	0	0
Hitchin Swim Centre Boiler Replacement	Place	0	0	0	0	200,000	0	0	0	0	0	200,000	0
Hitchin Swim Centre Future Refurbishment	Place	0	0	0	0	0	905,000	0	0	0	0	905,000	0
Hitchin Swim Centre Indoor Pool Cover	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Hitchin Swim Centre Outdoor Pool Boiler Replacement	Place	40,000	0	0	40,000	0	0	0	0	0	0	0	80,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Hitchin Town Hall Additional Bar & Glassware Infrastructure	Commercial	25,000	0	0	0	0	0	0	0	0	0	0	25,000
Hitchin Town Hall Sprung Floor Replacement	Commercial	75,000	0	0	0	0	0	0	0	0	0	0	75,000
Howard Gardens Splashpad	Place	0	0	33,000	0	0	0	0	0	0	0	0	33,000
Ickneild Way Cemetery Footpaths	Place	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Infrastructure Hardware	Customers	284,600	0	28,000	0	278,000	373,000	0	0	0	0	651,000	312,600
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	0	0	50,000	0	0	0	0

								Funding					
Project	Service Directorate	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 - 2029/20 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
Renovate play area, District Park, Gt. Ashby	Place	800	0	0	0	0	0	0	0	0	0	0	800
Replace and enhance lighting at St Mary's Car Park	Resources	0	60,000	0	0	0	0	0	0	0	0	0	60,000
Replace items of play equipment Holroyd Cres, Baldock	Place	10,000	0	0	0	0	0	0	0	0	0	0	10,000
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	10,000	0	0	0	0	0	0	0	0	0	0	10,000
Resurface Lairage Car Park	Resources	350,000	0	0	0	0	0	0	0	0	0	0	350,000
Royston Leisure Centre extension	Place	0	0	1,000,000	0	0	0	0	0	0	0	0	1,000,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	0	225,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Royston Leisure Centre Future Refurbishment	Place	0	0	0	0	0	380,000	0	0	0	0	380,000	0
Royston Leisure Centre Members Changing Refurbishment	Place	0	0	0	0	150,000	0	0	0	0	0	150,000	0
S106 Projects	Various	128,800	0	0	0	0	0	0	0	128,800	0	0	0
Security - Firewalls	Customers	14,000	0	14,000	0	16,000	36,000	0	0	0	0	52,000	28,000
St Johns Cemetery Footpath	Place	10,000	0	0	0	30,000	0	0	0	0	0	0	40,000
Tablets - Android Devices	Customers	12,900	15,000	18,000	12,000	17,000	73,000	0	0	0	0	90,000	57,900
Telephony system	Customers	10,600	0	0	0	0	0	0	0	0	0	0	10,600
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	250,000	0	0	0	0
Upgrade Parking Machines	Regulatory	38,000	0	0	0	0	0	0	0	0	0	0	38,000
Voice Recorders Careline	Customers	28,500	0	0	0	0	0	0	0	0	0	0	28,500
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	0	0	250,000	0	37,000	0	0	13,000
Walsworth Common Pitch Improvements	Place	18,900	0	0	0	0	0	0	0	11,700	0	0	7,200
Waste and Street Cleansing Vehicles	Place	0	0	0	0	0	4,000,000	0	0	0	0	4,000,000	0
Weston Hills LNR Footpath Renovation	Place	0	0	20,000	0	0	0	0	0	0	0	0	20,000
Wilbury Hills Cemetery Footpaths	Place	10,000	10,000	0	10,000	10,000	30,000	0	0	0	0	0	70,000
WiFi Upgrades for DCO & Hitchin Town Hall	Customers	35,000	0	0	0	0	0	0	0	0	0	0	35,000

3,937,400	14,435,400	7,430,100	5,099,000	6,686,000	8,531,000	298,300	813,000	455,000	200	21,184,700	23,367,700
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Treasury Management Strategy Statement and Annual Investment Strategy

**Mid-Year Review Report
2020/21
English and Welsh authorities**

Date of issuance: 7.10.20

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1. Background

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare an Investment Strategy which is to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 Treasury management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Finance, Audit and Risk Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2020/21 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2020/21;
- A review of the Council's borrowing strategy for 2020/21;
- A review of any debt rescheduling undertaken during 2020/21;
- A review of compliance with Treasury and Prudential Limits for 2020/21.

3. Economics and interest rates

3.1 Economics update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
 - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to 21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
 - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
 - It forecast that there would be excess demand in the economy by Q3 2022 causing **CPI inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including Quantitative Easing (QE) and the use of forward guidance.
- The MPC expected the £300bn of QE purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.
- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that “it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably”. That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to “somewhat less than £80bn”. It stated that in its assessment “banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's

central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.
- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It

is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020**: this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK** - stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved by this Council on 6th February 2020.

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved. OR

5. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2020/21 Working Estimate £m	Current Position £m	2020/21 Revised Estimate £m
Asset Management	7.541	0.070	0.614
Community Services	0.701	0.243	0.701
Computer Software and Equipment	0.651	0.016	0.633
Corporate Items	0.011	0	0.011
Leisure Facilities	0.656	0.156	0.656
Museum & Arts	0.288	0.020	0.288
Parking	0.611	0.015	0.924
Renovation & Reinstatement Grant Expenditure	0.060	0.001	0.110
Total capital expenditure	10.519	0.521	3.937

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will

be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2020/21 Working Estimate £m	Current Position £m	2020/21 Revised Estimate £m
Total capital expenditure	10.519	0.521	3.937
Financed by:			
Capital receipts and Set Aside Receipts	7.153	0.474	3.691
Other third party grants and contributions	0.048	0	0.098
S106 Receipts	0.148	0.047	0.148
Total financing	7.349	0.521	3.937
Borrowing requirement	3.170	0	0

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

Reprofiling the Capital Programme has delayed the need to borrow in 2020/21, leaving the CFR negative.

Prudential Indicator – the Operational Boundary for external debt

	2020/21 Original Estimate £m	Current Position £m	2020/21 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
Total CFR	3.800	-5.377	-4.704
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	6.900	0.414	6.900

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for capital. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2020/21 Original Indicator £m	Current Position £m	2020/21 Revised Indicator £m
Total	12.0	0.414	12.0

6. Borrowing

The Council's capital financing requirement (CFR) for 2020/21 is -£5.377m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The CFR is negative as the Council has more cash investments than borrowing.

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

Loans Outstanding at 30 September 2020:

	Amount	Average Interest Rate
	£k	%
Public Works Loans Board	414	9.89

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

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

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

There is a prudential indicator that compares the net cost of financing (i.e. borrowing costs less income generated from investments) with the net revenue budget of the Council. As the Council currently generates more income from investments than the cost of borrowing, shown below is also the cost of borrowing only as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2020/21	0.041	19.303	0.21
2021/22	0.040	14.911	0.27
2022/23	0.039	15.021	0.26
2023/24	0.037	15.021	0.25

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget	Estimated cost of borrowing as a % of net revenue budget
2020/21	0.041	0.185	-0.144	19.303	-0.75
2021/22	0.040	0.167	-0.127	14.911	-0.85
2022/23	0.039	0.167	-0.128	15.021	-0.85
2023/24	0.037	0.167	-0.130	15.021	-0.87

7. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

8. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2020, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2020/21. The Service Director: Resources (s151 Officer) reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

9. Annual investment strategy

The Treasury Management Strategy Statement (TMSS) for 2020/21, which includes the Annual Investment Strategy, was approved by the Council on 6th February 2020. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

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

As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous years as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

Negative investment rates

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6-12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

Creditworthiness.

Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. However, during Q1 and Q2 2020, banks made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into the next quarters ahead, more information will emerge on *actual* levels of credit losses. (Quarterly performance is normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that UK banks went into this pandemic with strong balance sheets. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". They stated that in their assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on negative watch, but with a small number of actual downgrades.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

Although CDS prices, (these are market indicators of credit risk), for UK banks spiked upwards at the end of March / early April due to the liquidity crisis throughout financial markets, CDS prices have returned to more average levels since then, although they are still elevated compared to end-February. Pricing is likely to remain volatile as uncertainty continues. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

Investment balances

The average level of funds available for investment purposes during the quarter was **£43m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds **£20.5m** core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the first six months of the year was 0.59%. This is the weighted average rate of interest earned on investments held by the Council between 1 April and 30 September. The 0.81% average interest rate shown in the table below is the weighted average rate of interest on outstanding investments on 30 September.

Investments at 30 September 2020

	Amount £	Average Interest Rate %
Managed By NHDC		
Banks	7,000,000	0.64
Building Societies	9,500,000	0.14
Local Authorities	15,000,000	0.64
Money Market Fund	3,000,000	0.23
NHDC Total	34,500,000	0.51
Managed by Tradition		
Building Societies	4,500,000	1.45
Tradition Total	4,500,000	1.45

TOTAL	39,000,000	0.81
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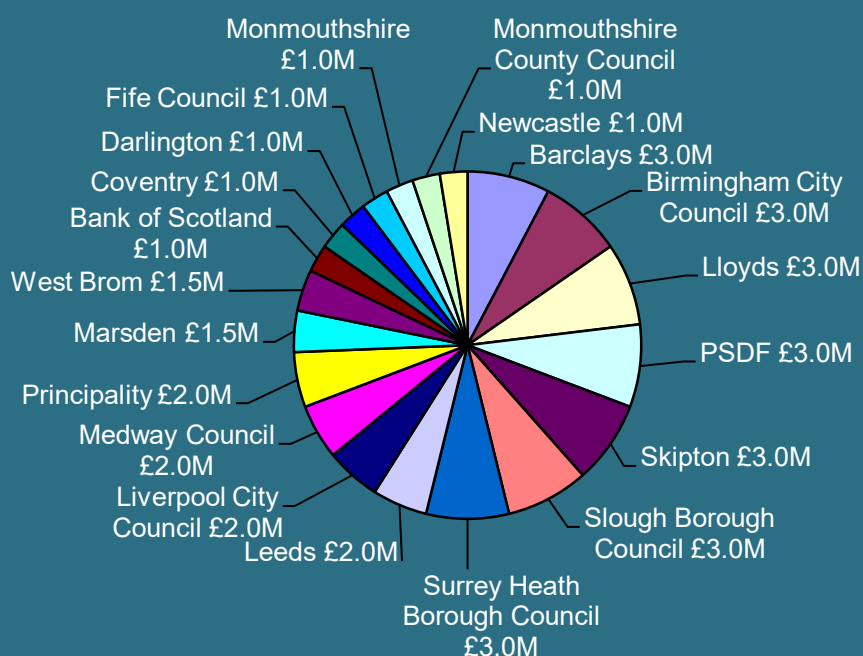
In percentage terms, this equates to:

	Percentage
Money Market Fund	8
Local Authorities	38
Banks	18
Building Societies	36

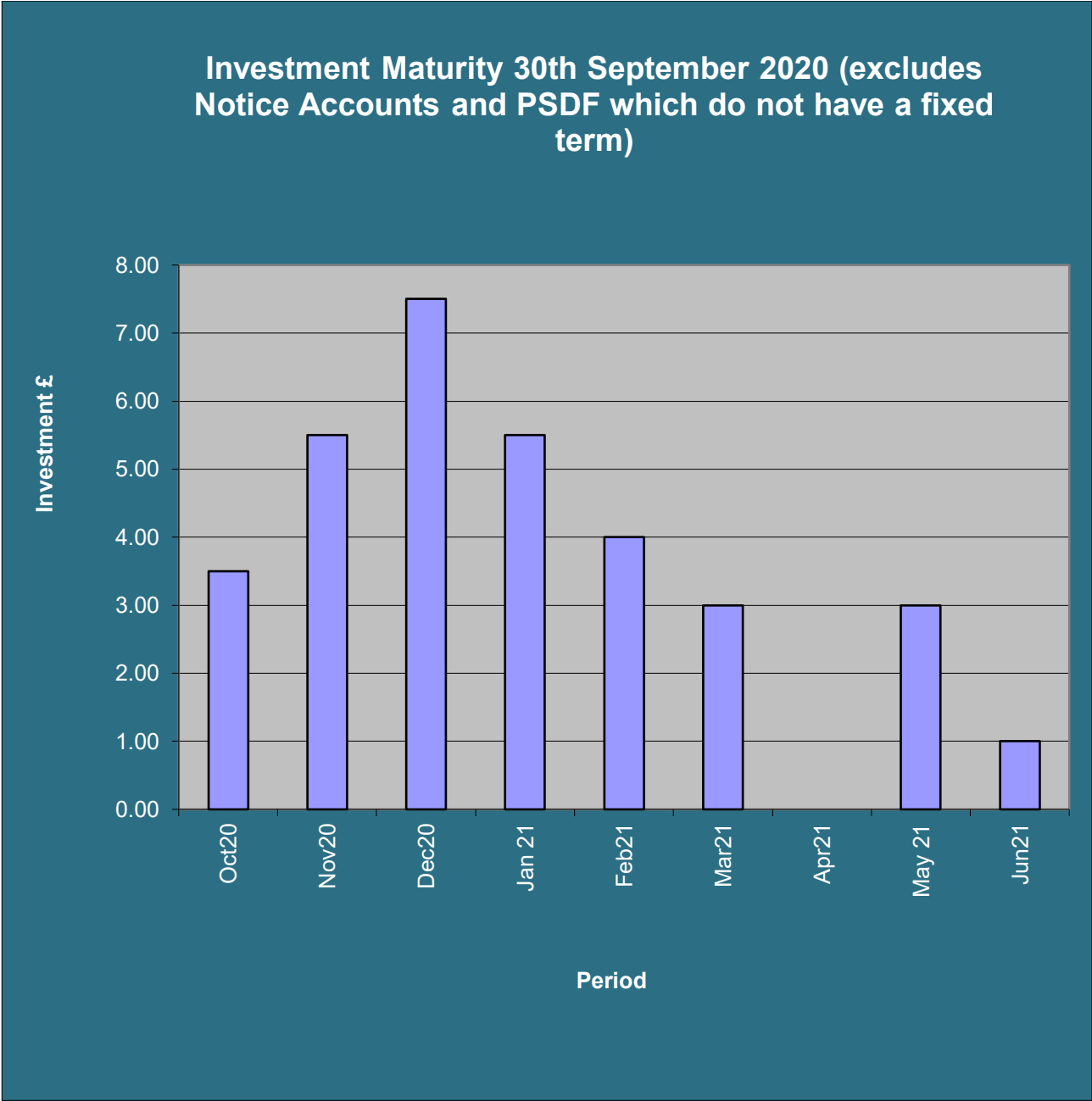
The approved 20/21 strategy is that no more than 60% of investments should be placed with Building Societies with a maximum value of £16M. The value at 30 September was £14.0M.

The pie chart below shows the spread of investment balances as at 30 September 2020. This is a snapshot in time that demonstrates the diversification of investments.

Placement of Investments 30th September 2020

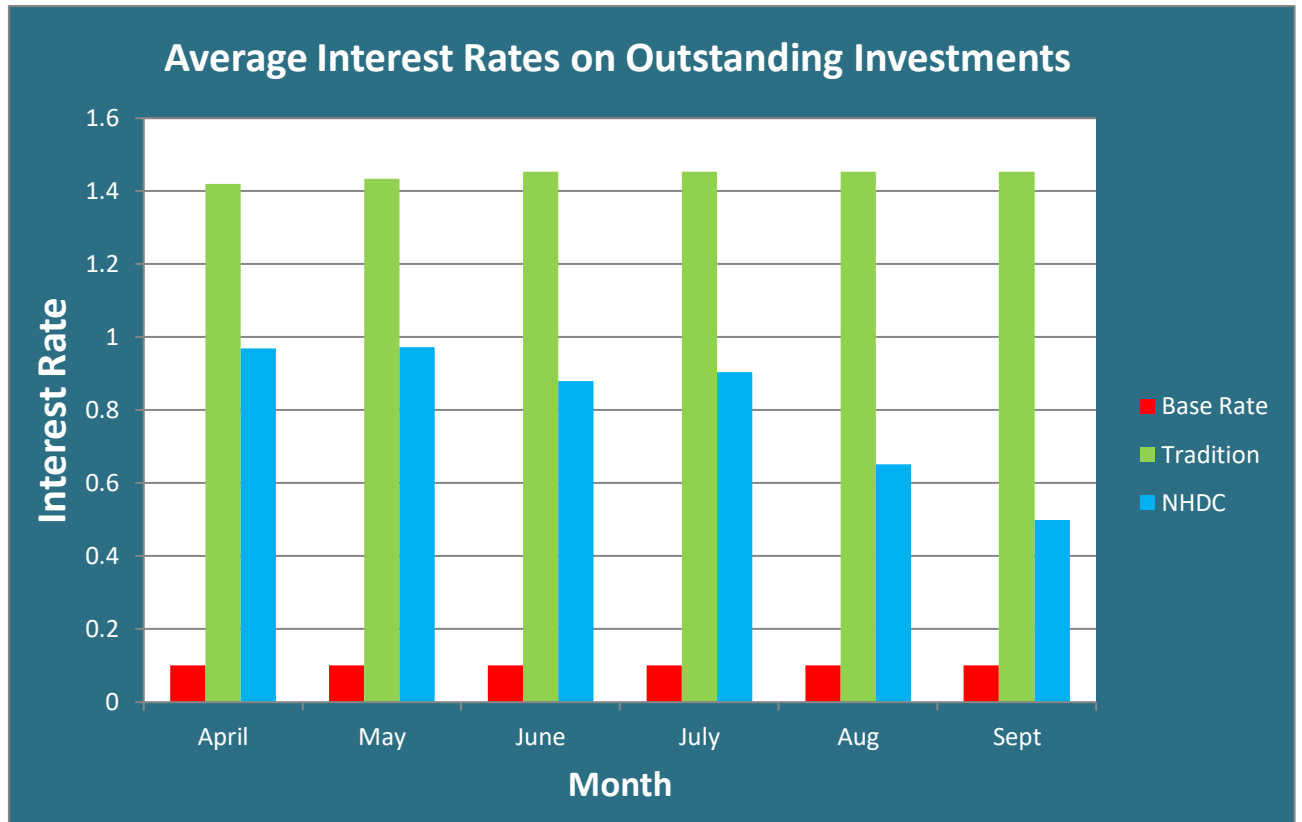


The chart below shows the Council's investment maturity profile. This does not include the £3.0M held in the Public Sector Deposit Fund Money Market account nor the £3.0M held in 3 separate Notice Accounts.



The Council's Original budgeted investment return for 2020/21 was £0.300M. The projection at the 1st quarter was a reduction of £0.115M and based on current investments and cashflow forecasts this remains unchanged and it is expected that the Council will generate £0.185M of interest.

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



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

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**FINANCE, AUDIT AND RISK COMMITTEE
3 DECEMBER 2020**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: DRAFT BUDGET 2021/22

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. Cabinet is asked to consider the draft budget for 2021/22 and the main factors which contribute to the determination of the North Hertfordshire District Council (NHDC) Council Tax level.

2. RECOMMENDATIONS

- 2.1. That Cabinet note the funding forecasts for 2021/22 and the significant uncertainty around Central Government funding levels in 2021/22 and beyond, and that these estimates provided could be subject to significant change.
- 2.2. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget.
- 2.3. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget.
- 2.4. That Cabinet confirm that Council Tax increases for 2021/22 will be in line with the Medium Term Financial Strategy (i.e. the maximum amount allowed without the need for a local referendum).

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all relevant factors are considered in arriving at a proposed budget and Council Tax level for 2021/22, to be considered by Full Council on 11 February 2021.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. In seeking to address the funding gap detailed in the Council's Medium Term Financial Strategy for 2021-26, Political Groups and Officers have been asked for savings ideas and these are presented in appendix A to this report.

- 4.2. The proposed investments are a combination of cost pressures to deliver existing services and new spend that is linked to the delivery of priorities identified within the Council Plan.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops. The comments from these workshops are detailed in this report.
- 5.2. This report is the first draft of the budget and a further report to Cabinet will follow in January. Both reports will also be considered by the Finance, Audit and Risk (FAR) Committee.
- 5.3. Business Ratepayers will be consulted on the proposals within the January report. This is the only statutory consultation that is required. It is intended that this consultation will be via the website/ e-mail, as previous consultation events have not been very well attended, and this is also more practical given the impact of Covid-19.
- 5.4. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Area Committee(s). It is however considered that this does not apply to any of the savings included.

6. FORWARD PLAN

- 6.1. The report contains a recommendation on setting a draft budget which is a key Executive decision that was first notified to the public in the Forward Plan on the 16 November 2020. The budget for 2021/22 will need to be approved by Full Council in February.

7. BACKGROUND

- 7.1. The Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Full Council in September following recommendation by Cabinet. The budget estimates within the MTFS included a number of assumptions. These have been updated as better information has become available and further updates will be made prior to the presentation of the budget to Cabinet in January. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.
- 7.2. The Covid-19 pandemic is expected to have a fundamental impact on the Council's finances in the short and medium term. The financial impacts of Covid-19 have been detailed in a separate report to Cabinet in July and a further summary update is included in the Second Quarter Revenue Budget Monitoring report, which will be considered by Cabinet this evening. It is anticipated that additional funding from Central Government will not fully compensate for the financial impacts of Covid-19 and this has therefore reduced the projected reserves available at the start of the financial year 2021/22. With regards to the medium term, at this stage the budget estimates for 2021/22 and beyond provided in this report have not been adjusted for those impacts identified as most likely to be ongoing, such as reduced demand for car parking and leisure centres, due to the associated level of uncertainty. The Medium Term Financial Strategy did consider sensitivities in respect of key sources of income and concluded that the Council had sufficient reserves to manage these risks.

- 7.3. Due to Covid-19, the introduction of a new Fairer Funding Formula and 75% Business Rates Retention have been delayed. The details of these are now expected in 2021/22 for implementation from 2022/23. Similarly, there has also been no Autumn Budget this year, while an anticipated three-year Spending Review will now cover only one year, with an announcement expected from the Chancellor in late November. The provisional Local Government settlement is likely to be announced in mid-December, and the final settlement expected in January.
- 7.4. The Council has applied, along with four other Hertfordshire District and Borough Councils and Hertfordshire County Council, to form a Business Rates Pool for 2021/22. The anticipated benefit, based on current forecast rates income, from the pooling of Business Rates is a relative reduction in the business rates levy payable to Central Government next year, referred to as the 'pooling gain', meaning the Council will be able to retain more of the Business Rates income it collects. Should the forecast position change, however, each of the proposed pool members have the option to withdraw from the Pool after (within 28 days of) the announcement of the Local Government Finance settlement. Such is the volatility of business rates and the higher level of uncertainty surrounding estimates in this area, a pooling gain in 2021/22 is not assumed in the estimated funding figures contained in this report.

8. RELEVANT CONSIDERATIONS

General and Specific Funding

- 8.1. With the delays to planned changes in Local Government funding mechanisms and the Government spending review announcement to now only cover one year, it is assumed that the funding outcome for 2021/22 will be similar to last year, with the application of the "negative Revenue Support Grant" (RSG) (or equivalent) deferred for at least a further year. This however remains subject to confirmation from Government and the publication of the provisional Local Government Finance Settlement. Funding amounts for the Council in 2022/23 and beyond are highly uncertain, with reforms to Local Government funding and business rates having a potentially significant impact on the level of funding the Council receives.
- 8.2. The key assumptions underlying the funding amounts shown in table 1 are as follows;
- Business rates retained next year and beyond will be at the Business Rates Baseline level. The Baseline will continue to increase annually by inflation, but will be subject to a cut of £1.2m (also increasing by inflation each year) from 2022/23 onwards. This is equivalent to the expected negative RSG, but is actually likely to take the form of a cut to the Councils assessed need following the Fairer Funding Review.
 - New Homes Bonus funding will continue to be phased out in line with previous announcements and from 2023/24, there will be no New Homes Bonus received. No assumption is made as to any replacement funding.
 - Council Tax can be increased by £5 per year (band D equivalent). There is a risk that the referendum limit could be set lower (e.g. 2%).
- 8.3. The level of Council Tax funding shown in table 1 has been updated for the calculation of the provisional Council Tax Base for 2021/22, which has resulted in a reduction in the Council Tax Base of 0.34% from that calculated for 2020/21. This has reduced estimated Council Tax income for 2021/22 by approximately £40k. The MTFs did identify this as a potential consequence of the Covid-19 pandemic and so removed the previous assumption of 1% annual growth.

The MTFs estimates had however assumed the Council Tax Base would remain stable. The assumption in table 1 is that the Council Tax Base will return to the 20/21 level in 2022/23 and then no further growth in the subsequent years.

- 8.4. The above results in the following forecasts of funding for 2021/22 onwards. The forecasts in table 1 are shown for five years on the basis that the Council should be balancing net expenditure and funding within the medium-term:

Table 1 – Estimated General Funding

£000 Funding	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax	11,961	12,252	12,501	12,751	13,001
Council Tax Collection Fund Deficit	(185)	0	0	0	0
Negative RSG (or equivalent)	0	(1,159)	(1,182)	(1,206)	(1,230)
Business Rates baseline	2,780	2,836	2,893	2,950	3,009
New Homes Bonus	350	131	0	0	0
Council Tax support to Parishes	(39)	(24)	(24)	(24)	(24)
	14,867	14,036	14,188	14,471	14,756

- 8.5. **In recommendation 2.1, Cabinet is asked to note the funding forecasts for 2021/22 and the significant uncertainty around Central Government funding levels in 2021/22 and beyond, and that these estimates provided could be subject to significant change.**
- 8.6. The Council also receives grants for specific purposes. These grants are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so can not be used towards funding the base budget. These grant amounts are often uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. As these grant announcements tend to take place in January, further details will be provided in the next iteration of this budget report in January.

Revenue Savings and Investment proposals

- 8.7. The MTFs highlighted a need to make £2.65million of net savings (efficiencies, income generation and service changes) over a five-year period i.e. by the end of 2025/26, which included the assumption that £200k of savings would be identified and delivered in 2021/22.
- 8.8. The revenue savings and investment proposals were presented to Political Group workshops in early November. The full list of revenue savings and investments is attached as Appendix A. This full list includes the impact of previous decisions, such as previous budget decisions made by Full Council and the ongoing impact of budget variances that have been reported to Cabinet since the 2020/21 budget was set.
- 8.9. Savings in relation to reducing street litter bins, the transfer of public toilets to be run by another organisation and ceasing funding of Christmas trees were considered at the Joint Administration (Labour and Co-operative and Liberal Democrat) budget workshop. In the case of litter bins, it was considered that the saving should be removed until an audit of litter bin locations had been completed, and any future consideration of the saving proposal in future years would be based on that information. In the case of the public toilets, it was felt that these were valuable facilities.

There was support to the general principle of transferring them if their current availability could be maintained, but it was unclear at this stage who would be willing to take on the running of them and deliver the savings proposed. Therefore it was determined that the saving should be removed until more work had been done on who may be willing to take on the toilets and the costs/ savings involved. In the case of the Christmas trees, the saving was not supported. This decision by the Joint Administration group to remove these savings was relayed to the Conservative Group at their budget workshop, as it took place 2 days later. The Conservative Group confirmed that they would also not have supported the savings put forward. In the interests of transparency, the details of these three savings proposals are set out in Appendix A, but they have been greyed out and the value of the savings are not included in the forecast numbers.

- 8.10. In respect of the proposed saving to reduce the frequency of publication of Outlook Magazine, the Joint Administration Group supported the inclusion of this saving, but also wanted to consider other ways the saving could be achieved and options for delivering a greater saving. As an example, this could include increased advertising.
- 8.11. The Conservative Group raised a query at their Workshop over the timing of the efficiency delivery from the proposed Crematorium at Wilbury Hills, which is currently assumed to materialise during 2022/23, and whether the planned efficiency amounts should be put back a year. The delivery of the Crematorium is subject to the Council obtaining planning permission from Central Bedfordshire Council, with a public enquiry into the initial decision to refuse permission scheduled for February 2021. As such, these amounts and expected timing will be kept under review.
- 8.12. The net position of the new savings and investments is shown in table 2 below. The net ongoing impact is a decrease in annual spend of £140k. This is against the target in the MTFS of a net reduction of £2.65million.

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

£000	2021/22	2022/23	2023/24	2024/25	2025/26
New Savings	(168)	(189)	(213)	(211)	(213)
New Investments	265	73	73	73	73
Net (Saving) / Investment	98	(116)	(140)	(138)	(140)
Net change year on year	98	(214)	(24)	2	(2)

Capital Programme and Funding

- 8.13. This version of the budget does not include the full capital budget, which will be part of the Investment Strategy (Treasury and Capital) that will be presented to Cabinet in January for recommendation on to Full Council in February.
- 8.14. The budget proposals that were presented for discussion at the Political Group workshops are attached as Appendix B. This includes all capital projects that have budgeted spend in 2021/22 or beyond. It also includes an estimate of spend over the years 2026-31. It does not include any projects that have been reprogrammed from 2020/21 in the Quarter 2 Investment Strategy monitor (also being considered at this meeting).

- 8.15. There were no comments of note at the Budget Workshops against the items in the capital programme. All minor changes identified and requested, such as to specific project titles or project descriptions, have been incorporated in appendix C attached.
- 8.16. It is still expected that the core capital programme (excluding spend in line with the property acquisition and development strategy) will be funded from current and forecast capital receipts in the medium term. Therefore new borrowing costs have not been built in to the revenue budget. This will be further reviewed and updated as part of the January update to Cabinet. For spend that is line with the property acquisition and development strategy, no income generation or borrowing costs are assumed. This is considered to be a prudent approach in the absence of any specific opportunities at this stage, as the initial income generation would be required to exceed any borrowing costs.
- 8.17. **Cabinet are asked in recommendation 2.3 Cabinet to note the feedback from the budget workshops, and comment on the inclusion of the capital investments in the draft budget.**

Summary Position

- 8.18. Table 3 below forecasts the net revenue spend for the next five years and includes the impact of the ongoing variances identified in the Quarter Two revenue monitoring report (also presented this evening). The table builds in assumptions around inflation on pay, general expenditure and income. These assumptions will be further refined and updated prior to the presentation of the budget to Cabinet in January. For example, the CPI figure as at November, which will inform increases to discretionary fees and charges (CPI+2%) applied in 2021/22, will not be published by the Office of National Statistics until the middle of December.
- 8.19. The most significant uncertainty in respect of inflation relates to pay inflation. The Medium Term Financial Strategy assumed pay inflation of 2.75%. This was based on forecast changes in the National Living Wage, where there was a Government intention that the hourly rate would increase to £10.50 by 2024, and the need to maintain appropriate differentials in the Council's pay scales. The £10.50 level was based on this amount being two-thirds of median earnings. Economic conditions are likely to have an impact on inflation and average earnings, so it is likely that wage growth will not be as high as previously forecast. At the time of writing this report, there were also indications that the Chancellor will freeze public sector pay as part of the Spending Review. This does not directly apply to Local Government pay but may be considered as part of pay negotiations. This budget therefore now assumes a revised wage growth of 2.25% per year across the five-year period. This is in line with what other Councils are now forecasting. The pay awards that the Council actually pays will be unchanged by this, as they would still be based on the results of national pay bargaining. The impact of over-estimating pay inflation is that it will require savings to be made to balance the budget, that may not actually be required. There is obviously a risk that this change is under-estimating pay inflation, and if that was the case then there would then be a need to identify more savings when it becomes evident that this is likely to be the case.

Table 3 - Forecast net revenue spend and funding

£000	2021/22	2022/23	2023/24	2024/25	2025/26
Net expenditure brought forward	14,902	15,657	15,883	16,200	16,596
Net new investments (Table 2)	98	(214)	(24)	2	(2)
Other savings and investments (previous decisions)	304	57	(29)	9	(169)
Estimated changes in costs of existing staffing	395	350	350	350	350
Net general expenditure and income inflation	(42)	33	19	35	29
Net expenditure carried forward	15,657	15,883	16,200	16,596	16,804
Estimated Funding (Table 1)	14,867	14,036	14,188	14,471	14,756
Funding Equalisation Reserve	398	0	0	0	0
Funding shortfall to be met	392	1,847	2,012	2,125	2,048

8.20. Table 3 demonstrates that, even with the application of the Funding Equalisation Reserve balance, a deficit is anticipated for 2021/22. The Council is therefore justified in increasing Council Tax by the maximum amount allowed without the need for a local referendum. In line with the Referendum Principles for the current and recent years, this is expected to be a £5 increase (Band D equivalent). As set out in the Medium Term Financial Strategy this deficit will be funded from reserves.

8.21. Table 3 shows that the forecast level of savings to be achieved has reduced from the £2.65million calculated in the MTFS to £2.05million. This reduction is due to the net savings that have been identified and changes in assumptions around inflation, especially pay inflation. As members of Cabinet will be aware, a budget review/ challenge process has been started. This has started to highlight opportunities for savings (including efficiencies, service changes and income generation) in future years. Some of those opportunities will need to be taken forward in advance of next year's budget e.g. where they primarily relate to efficiencies. For the majority of those savings, which relate to service changes, these will need to be prioritised so that they can start to be developed and included in next year's budget. This will demonstrate that, whilst the exact value of the savings that the Council needs to deliver is unknown, the Council is committed to the work and decisions that will need to be taken in the medium-term. As set out in the Medium Term Financial Strategy it is expected that the Council will adopt a phased approach to balancing savings, and achieve an in-year balanced budget by 2025/26. Reserves will be used to balance the budget in intervening years.

8.22. **Cabinet is asked in recommendation 2.5 to confirm that Council Tax increases for 2020/21 will be in line with the Medium Term Financial Strategy (i.e. the maximum amount allowed without the need for a local referendum).**

9. LEGAL IMPLICATIONS

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

9.2. Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.

- 9.3. Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this has either taken place or will take place following agreement of efficiencies or growth.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" 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. Appendix A - Full list of Revenue Savings and Investments.
- 16.2. Appendix B - Full proposed Capital Programme

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18. BACKGROUND PAPERS

- 18.1. None.

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REVENUE BUDGET SAVINGS AND INVESTMENTS

New Efficiency Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Net Efficiency				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
E1	Commercial	Commercial rents income. Efficiency associated with the capital scheme proposal for the replacement of Newark Close, Royston. Replacing and improving the condition of Newark Close should support NHDC in securing greater rent uplifts during rent reviews of those NHDC investment properties served by the road because access is a material factor in the properties' rent reviews.	Additional Income	(3)	(3)	(3)	(3)	(3)
E2	Commercial	Property management costs and commercial rents income. Efficiencies associated with the capital scheme proposal in respect of Thomas Bellamy House, Hitchin. The capital project will significantly raise the prospects of NHDC securing tenants for Thomas Bellamy House and generating a commercial rental income stream for the Council. Further, by securing tenants, NHDC will be in a position to pass on the costs of holding this property, such as energy and maintenance costs, to those tenants by way of leases or other occupational agreements. NHDC currently bears most/all of the holding costs as the building is largely vacant.	Additional Income	(18)	(27)	(46)	(46)	(46)
E3	Customers	IT Software License Costs. NHDC will not be renewing the SOPHOS Mobile Device Management Software (MDM) or Blackberry Works (Enterprise Software). From 31 March 2021 this software will be replaced with Microsoft In-Tune solution, which is provided as part of the Corporate Microsoft Enterprise Agreement.	Expenditure Reduction	(23)	(23)	(23)	(23)	(23)
E4	Legal & Community	Environmental Crime and Licensing overtime budgets. Reduction of £1k in each budget for weekend and out-of-hours working after reviewing levels of spend in recent years.	Expenditure Reduction	(2)	(2)	(2)	(2)	(2)
E5	Legal & Community	Independent Remuneration Panel (IRP) expenses. Proposed that the Members' Allowances Scheme is reviewed every four years, subject to the scheme making a provision for an annual adjustment of allowances by reference to an indexation. Each person on the Independent Remuneration Panel is paid an honorarium of £500 plus expenses incurred, e.g. mileage. If the scheme provides for an indexation there would be no need for the IRP to meet annually unless there was a change in circumstance, in which case the Council could request the IRP to convene.	Expenditure Reduction	(2)	(2)	(2)	-	(2)
E6	Legal & Community	Council meeting refreshments. £790 was spent in 2019/2020 on food and beverages for Council meetings. Holding virtual meetings provides an opportune time for refreshments to cease going forward. It would also save the Committee Team the time spent on sourcing and physically purchasing refreshments. Meetings that are all day where there is no opportunity for a lunch break would continue to have provision made.	Expenditure Reduction	(1)	(1)	(1)	(1)	(1)
E7	Legal & Community	Legal Consultancy. Legal consultancy has been used to support specific projects and service activities. It is proposed that the ongoing budget is removed and instead any potential liability for external legal advice is identified as a financial risk by service managers and factored into business cases.	Expenditure Reduction	(10)	(10)	(10)	(10)	(10)
E8	Legal & Community	Policy and Community Engagement overtime budget. Reduction in budget based on reducing staffing support to meetings, such as Councillor Surgeries / Town Talks / Cabinet Panels, to one officer where possible.	Expenditure Reduction	(2)	(2)	(2)	(2)	(2)
E9	Place	Reduction in street cleansing contract expenditure through a phased reduction in the number of street litter bins, by up to a quarter in number. Litter bins are currently emptied through the contract on an as required basis. An audit of litter bins would be undertaken by the Waste Client Team to determine any which are under utilised or in close proximity to other bins with low usage and therefore could be removed without significant adverse consequence. A phased approach is suggested to allow impacts to be measured. Efficiency value is net of the cost of removal. Also potential for some of these savings to be delivered through bin sponsorship.	Expenditure Reduction	-	-	-	-	-
E10	Place	Transfer of NHDC Public Conveniences. This would include the full time Public Conveniences at; - Howard Park, Letchworth - The Arcade, Hitchin - Fish Hill Royston The summer opening public conveniences at; - Bancroft Gardens, Hitchin - Avenue Park, Baldock Current cost is £63k per year, so that would be the maximum potential saving. Any saving would be part year only in first year. Would need to determine that there was a third party willing to take on before savings could be assumed.	Expenditure Reduction	-	-	-	-	-
E11	Regulatory	Planning Technical Support staffing costs. Deletion of a part-time Assistant Technical Support Officer post. This post is currently vacant. The change in working practises prompted by the flu pandemic, which are expected to continue ongoing, have removed the need for some of the duties undertaken as part of the role. For example, no further printing of plans will be required as officers will be provided with laptops.	Expenditure Reduction	(13)	(13)	(13)	(13)	(13)
E12	Resources (Regulatory)	Cease funding (either through grants or direct provision) of Christmas Trees to the four towns and the Letchworth Hospice	Expenditure Reduction	-	-	-	-	-

E13	Resources	Continued reduction in audit days (Shared Internal Audit Service- SIAS). Previous savings to reduce from 350 days down to 300 days. This proposal is for a further reduction down to 270 days (15 day reduction in 2022/23 and a further 15 days in 2023/24). It is still believed that this will provide sufficient coverage for the Council and to provide the required assurance from the Head of SIAS.	Expenditure Reduction	-	(5)	(9)	(9)	(9)
E14	Customers	Revenue savings associated with the proposed capital investment to facilitate the provision of laptops for all officers for use at home and in the office. Savings anticipated would include a reduction in telephone call charges, as the laptops would facilitate soft-telephony. The reduced office footprint required may also allow income generation from the renting of floor space at DCO. 'Green' benefits may also materialise in the form of reduced travel and energy consumption. Work is ongoing to quantify the financial impact.	Expenditure Reduction	tbc	tbc	tbc	tbc	tbc
E15	Legal and Community	Increase charges for Chair's reception to make it self-financing, stop having a Chair's reception or look at other options to make it zero net cost.	Expenditure Reduction	(4)	(4)	(4)	(4)	(4)
E16	Managing Director	Reduce frequency of Outlook from 3 editions per year to 2 editions per year.	Expenditure Reduction	-	(8)	(8)	(8)	(8)
E17	Regulatory	Remove Neighbourhood Planning Budget and use accrued specific reserve funding and funding from MHCLG (assuming that continues to be provided).	Expenditure Reduction	(10)	(10)	(10)	(10)	(10)
E18	Regulatory	Remove funding for Local Plan work post-2031, known as new settlement work. Rely on accrued specific reserves and future grant funding.	Expenditure Reduction	(30)	(30)	(30)	(30)	(30)
E19	Regulatory	Reduce Area Wide Parking Review budget from £65k to £15k. Royston review and remaining other work would be funded from accrued specific reserve.	Expenditure Reduction	(50)	(50)	(50)	(50)	(50)
Total Net Budget Reduction from new efficiency proposals			Total Expenditure Reduction	(147)	(159)	(164)	(162)	(164)
			Total Additional Income	(21)	(30)	(49)	(49)	(49)
			Total Expenditure Reduction	(168)	(189)	(213)	(211)	(213)

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
R1	Commercial	Employment of a temporary Estates Surveyor from an employment agency based on average required working pattern of 23 hours per week over a 48-week period, in lieu of a permanent appointment. NHDC has attempted to recruit a permanent Estates Surveyor on several occasions during 2020 without success. Despite the intention to carry out further recruitment attempts, it is considered prudent to request budget provision for a temporary position in order to have proper resource to carry out NHDC's estates management role, part of which has statutory function and basis. The investment value is net of the saving from the permanent post vacancy.	Additional Expenditure	12	-	-	-	-
R2	Customers	As part of the IT Strategy to move Council data to the cloud, there is a requirement to have a backup service of the data within the cloud to enable restores of data from Exchange and OneDrive. A recent SIAS audit of IT Disaster Recovery has recommended that NHDC invest in a SAAS (software as a service) to enable restores as part of their findings.	Additional Expenditure	20	20	20	20	20
R3	Place	Planting of 10,000 trees. At the request of the Executive Member, the development of a communications plan, including public events, to distribute small trees for residents to plant in their own gardens	Additional Expenditure	25	-	-	-	-
R4	Regulatory	Creation of a five-year Project Officer post to support delivery of the Local Plan targets, e.g. Town Centre Reviews. The estimated annual cost of £50k will be fully funded through existing permanent budget for planning development initiatives and the use of the Planning and Housing Delivery earmarked reserve. While this means there is a net zero impact on General Fund estimates, the proposal is highlighted here as there is an opportunity cost attached to the use of resource.	Additional Expenditure	-	-	-	-	-
R5	Regulatory	Use of the Town Wide Area Parking Review earmarked reserve over the next three years to fund additional responsibility payments to an existing planning officer to deliver area wide parking reviews, on-street charging (additional income) and replacement of lines and signs for enforcement initiatives. The additional cost currently anticipated over the three years is £16k, though the continuation of the ARP will be reviewed annually. While the use of the reserve mitigates the impact on the General Fund, the proposal is highlighted here as there is an opportunity cost attached to the use of the resource.	Additional Expenditure	-	-	-	-	-
R6	Resources (Managing Director)	Increase in costs of the subscription to the East of England Local Government Association, due to a requirement to fund their inherited past pension costs	Additional Expenditure	2	2	2	2	2
R7	Resources (Managing Director)	Subscription to the Co-operative Councils Innovation Network	Additional Expenditure	1	1	1	1	1
R8	Resources	Repairs and maintenance works to Council property assets. A review of works required has identified that the central budget of £185k is not sufficient to cover all necessary maintenance in 21/22. The additional investment value is after deferring where possible maintenance works into future years and is calculated on the assumption that, based on the experience of the prior year, approximately 50% of the annual budget will be required to fund reactive maintenance works during the year.	Additional Expenditure	122	-	-	-	-
R9	Managing Director	Council website development and maintenance costs. Rebuild of website due to end of life of the web platform, Drupal 7, in November 2021 plus ongoing development, support and hosting costs. Investment value is estimated cost based on some soft market testing undertaken - this work will be subject to a tender process and so final cost and profile of expenditure will depend on the outcome of the procurement exercise.	Additional Expenditure	83	18	18	18	18
R10	Managing Director	With reference to earmarked investment PI12 below, appointment of a Digital Media and Engagement Officer on a permanent basis. The current temporary post has had a significant impact on the level of engagement with the Council, with the ability to create more interactive content, e.g. videos, picture stories etc. NHDC now has 5,000 fans on Facebook, 11,200 followers on Twitter and 1,500 followers on Instagram. Engagement on Facebook more than doubled to 30,000 engagements (likes, shares or comments) from April 2019 – March 2020, compared to 14,000 between April 2018 – March 2019. It is therefore proposed that the post is incorporated into the Council's permanent staffing structure.	Additional Expenditure	-	32	32	32	32
Total Net Budget Increase from new pressures and investment proposals			Total Additional Expenditure	265	73	73	73	73
			Total Income Reduction	-	-	-	-	-
			Total Investments	265	73	73	73	73

Efficiencies earmarked in 2021/22 (and/or beyond) resulting from previous decisions

	Service Directorate	Description of Proposal	Budget Impact	Efficiency				
				2021/22	2022/23	2023/24	2024/25	2025/26
				£'000	£'000	£'000	£'000	£'000
PE1	Place	Provision of a Crematorium at Wilbury Hills. Delivery of the crematorium and any revenue efficiency is dependent on a successful planning application. The planning application was refused by Central Bedfordshire Council, but NHDC has submitted an appeal against this decision. Whilst the Council feels that there is a good chance of success in the appeal, the process has delayed the achievement of any savings. The timing and value of savings is based on the Council making a prompt decision to appoint a new partner to deliver the Crematorium. The estimated efficiency value is based on the proposed terms of the original lease, with NHDC receiving an annual base rent of £10k (indexed annually by RPI) plus a percentage (up to a maximum of 10%) of the turnover generated from the Crematorium. The eligible percentage of turnover would be linked to the number of cremations that take place over a 12 month period. If however the Council decided to build the Crematorium itself then the savings could be greater, but would probably take longer to achieve and would require funding to be allocated through the capital budget.	Additional Income	-	(50)	(100)	(100)	(100)
PE2	Legal & Community	Cease MOU and contractual payments to identified Community Groups. Baldock Town Centre Partnership. Grant ceasing at the end of 2020/21.	Expenditure reduction	(2)	(2)	(2)	(2)	(2)
PE3	Legal & Community	Removal of budget provision for District Council elections in 2021/22 as no elections are scheduled to be held. Efficiency value includes both the £25k increase in estimated cost of elections reported at Q2 2019/20, which is attributed to rising venue hire prices and higher numbers of postal votes requested, and the £1k saving from integrating elections payroll onto the new Council payroll system. UPDATE CBP 2021/22: Removal of budget provision in 2025/26.	Expenditure reduction	(117)	-	-	-	(117)
PE4	Place	AFM income from Herts County Council. The efficiency proposal in setting the budget for 2020/21 was to adjust the budget estimates to better reflect the Council's current performance (annual income budget increased by £156k). The reduction in anticipated income beyond 20/21 is due to the HCC proposal to reduce the total amount allocated to collection authorities by 12.5% per annum (approximately £500k per year) for the next three years (impacting receipts from 2021/22). The actual impact will however depend on the Council's recycling performance relative to other Hertfordshire authorities, as well as the overall performance of Hertfordshire collection authorities in diverting waste from landfill and reducing associated costs incurred by HCC.	Additional Income	69	130	156	156	156
Total Net Budget Reduction from earmarked efficiencies			Total Expenditure reduction	(119)	(2)	(2)	(2)	(119)
			Total Additional Income	69	80	56	56	56
			Total Efficiencies	(50)	78	54	54	(63)

Investments earmarked in 2021/22 (and/or beyond) resulting from previous decisions

	Service Directorate	Description of Proposal	Budget Impact	Investment				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
PI1	Regulatory	Review of Social Housing stock- On a four yearly basis, procure consultants to analyse the condition of housing stock in North Herts and/or support activity on measures aimed at resultant findings/current priorities (e.g. helping residents introduce energy efficiency measures). UPDATE CBP 2021/22: Earmark £20k investment in 2024/25	Additional Expenditure	(20)	(20)	(20)	-	(20)
PI2	Regulatory	Local housing market analysis- Appoint consultant biannually to provide information and analysis on the local housing market in order to inform the development of housing policies and strategies. UPDATE CBP 21/22: Reinstate expenditure budget in 2024/25 and then remove allocation in 2025/26 as expenditure is biannual	Additional Expenditure	(8)	-	(8)	-	(8)
PI3	Commercial	To pay for the salaries of the Commercial Manager and Commercial Officer, as when this structure was approved it was agreed that the Special Reserve could be used to fund the first two years. This will allow the Council to continue to deliver the Commercial Strategy. UPDATE CBP 2021/22: Investment value updated to reflect estimated staffing cost based on current pay scale points. Original investment figure of £125k based on maximum value approved to be drawn down from Special Reserve.	Additional Expenditure	98	98	98	98	98
PI4	Regulatory	The undertaking of town centre strategy reviews, which form part of the documents supporting the Local Plan. It is proposed that the investment will be required in each of the next four years to cover all four towns.	Additional Expenditure	40	40	40	40	-
PI5	Place	Introduction of a discounted annual rate of £20 for garden waste collection for eligible customers from 20/21. Investment value in 2021/22 and beyond is the additional amount to reflect the full year impact of the discount (estimated to be £70k). The discount is offered to residents who are in receipt of housing benefit or universal credit (approx. 7000 properties), with the estimated value assuming a 50% take-up.	Income Reduction	23	23	23	23	23
PI6	Resources	Hitchin Fountain. Lady Dixon has agreed to pay for a new floating fountain to go in front of the church in Hitchin. It is believed that this will provide a more reliable water flow than the old pump. The supplier is prepared to provide free maintenance for the first 2 years if the Council agrees to put up an in keeping plaque near to the fountain. The quote for this maintenance after the first 2 years is just under £3k per year.	Additional Expenditure	2	3	3	3	3
PI7	Chief Executive	Triennial Pension Scheme Valuation. Increases in annual lump sum [fixed] contribution recommended by the actuary over the three year period from April 2020.	Additional Expenditure	28	57	57	57	57
PI8	Legal & Community	Provide inflationary increase (2%) for MOUs with CVC and Citizens Advice North Herts. Inflation increases beyond 2023/24 included within estimated inflation total.	Additional Expenditure	4	8	12	12	12
PI9	Regulatory	Delivery of a single issue Local Plan review to incorporate any emerging Council Priorities re. Climate Change Emergency into formal planning policy for the District. Dependent on the outcome of current Council Priorities work, the estimated two-year programme (2020/21 & 2021/22) would include commissioning of evidence and examination.	Additional Expenditure	-	(40)	(40)	(40)	(40)
PI10	Regulatory	Continuation of the Electric Vehicle strategy to incorporate any emerging Council Priorities re: the Climate Change Emergency / air quality. While details are not yet known, future implementation may require accompanying capital expenditure.	Additional Expenditure	-	-	(20)	(20)	(20)
PI11	Regulatory	To extend the joint Economic Development Officer post (shared with East Herts) for a further 2 years to the end of 2021/22.	Additional Expenditure	-	(26)	(26)	(26)	(26)
PI12	Managing Director	Extension of the employment of a Digital Media and Engagement Officer to end of 2021/22. The initial two year fixed term post was funded from the Corporate Strategic Priorities Fund, with appointment to the role in March 2019. Council agreed to a proposal last year to extend funding for the post for a further two years (2020/21 and 2021/22).	Additional Expenditure	-	(32)	(32)	(32)	(32)

Total Net Budget Increase from earmarked investments	Total Additional Expenditure	144	88	64	92	24
	Total Income Reduction	23	23	23	23	23
	Total Investments	167	111	87	115	47

Savings incorporated since 2020/21 Budget approved by Council in February 2020

Report	Service Directorate	Description of Saving	Budget Impact	Saving				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Q3 2019/20	Commercial	Rental Income for Phone Masts on DCO. Vodafone lease part of the DCO roof top for their phone mast. Following a landlord and tenant dispute, the annual rent agreed is now just over £8k; however, legislation may result in a reduction in the future rental value.	Additional Income	(8)	(8)	(8)	(8)	(8)
Q1 2020/21	Managing Director	Senior Management Tier 1 Restructure. The estimated net saving from the restructure of senior management approved by Full Council in April and implemented from 18th July 2020. The ongoing saving is from deleting the Chief Executive and Deputy Chief Executive posts, and creating a single Managing Director post. This saving is reduced by the additional payment made to the Service Director designated as Deputy to the Managing Director, equivalent to 10% of current salary.	Expenditure Reduction	(130)	(130)	(130)	(130)	(130)
Q1 2020/21	Resources	Human Resources staffing costs. The permanent saving from deleting the Corporate HR Manager post following the voluntary redundancy package approved by Full Council in July. This saving is net of the financial impact from the subsequent reconfiguration of HR Services staffing arrangements.	Expenditure Reduction	(50)	(50)	(50)	(50)	(50)
Q1 2020/21	Customers	Outbound Mail contract expenditure. The renegotiation of the Outbound Mail contract, effective from 1st August 2020, has enabled the Council to realise further savings from the lower than originally estimated volumes of outbound post being processed by the contractor. The saving has been partially offset by an increase in Royal Mail charges. The ongoing saving is anticipated until the contract ends in November 2023.	Expenditure Reduction	(52)	(52)	(52)	(52)	(52)
Q1 2020/21	Place	Contribution to operational costs at Fearnhill Sports Hall. The school has undertaken significant work on the sports hall in recent years, which has reduced the annual contribution required from the Council to the cost of maintenance and repairs at the facility.	Expenditure Reduction	(18)	(18)	(18)	(18)	(18)
Q2 2020/21	Place	Waste and Street Cleansing Contract Expenditure. Removal of the provision for indexation in the 20/21 budget. The budget for 20/21 assumed a contract indexation of 1.28%, based on the respective indices at that time. Due primarily to a subsequent fall in the fuel price index the calculation of the actual indexation rate for 20/21, as defined in the terms of the contract, resulted in a deflationary value of -0.89%.	Expenditure Reduction	(65)	(65)	(65)	(65)	(65)
Q2 2020/21	Resources	District Council Offices (DCO) Energy Costs. There is now sufficient consumption data to establish ongoing energy needs following the refurbishment of DCO and the switch to electric heating.	Expenditure Reduction	(13)	(13)	(13)	(13)	(13)
Q2 2020/21	-	Net total of minor permanent budget adjustments requested at Quarter Two 2020/21 (included in 'other minor variances' total in table 3)	Expenditure Reduction	(4)	(4)	(4)	(4)	(4)
Total Savings incorporated since 2020/21 budget agreed in February 2020			Total Expenditure Reduction	(332)	(332)	(332)	(332)	(332)
			Total Additional Income	(8)	(8)	(8)	(8)	(8)
			Total Efficiencies	(340)	(340)	(340)	(340)	(340)

Budget Pressures and Investments incorporated since 2020/21 Budget approved by Council in February 2020

Report	Service Directorate	Description of Pressure	Budget Impact	Pressure				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Q3 2019/20	Customers	Net cost of the Careline Service. An increase in maintenance costs is not being fully funded by the service users due to restrictions placed on increasing the weekly service user charge by HCC.	Additional Expenditure	19	19	19	19	19
Q3 2019/20	Regulatory	Net cost of providing temporary accommodation based on estimated annual spend of £80k. NHDC receives subsidy from the DWP for any households in temporary accommodation that receive housing benefit. The £10k pressure is due to not all households in sheltered accommodation qualifying for housing benefit, while there is also a cap on how much can be claimed.	Additional Expenditure	10	10	10	10	10
Q3 2019/20	Commercial	Rental income from Thomas Bellamy House. The lease with the Hitchin Christian Centre has come to an end and was not renewed by the tenant. The space is now being held vacant pending refurbishment of the entire building and future re-letting (included within other minor variances total in table 3).	Income Reduction	6	6	6	6	6
Q3 2019/20	-	Net total of minor permanent budget adjustments requested at quarter 3 2019/20 (included in 'other minor variances' total in table 3)	Additional Expenditure	6	6	6	6	6
Outturn 2019/20	Customers	Council Tax Summons Income. Reduction in forecast income followed the closure of the Court in response to the COVID-19 pandemic.	Income Reduction	57	57	57	57	57
Outturn 2019/20	Place	Income from the sale of textiles collected for recycling. 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.	Income Reduction	11	11	11	11	11
Outturn 2019/20	Customers	Careline alarms equipment costs. Careline are 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.	Additional Expenditure	78	78	78	78	78
Outturn 2019/20	-	Net total of minor permanent budget adjustments requested at Outturn 2019/20 (included in 'other minor variances' total in table 3)	Additional Expenditure	3	3	3	3	3
Q1 2020/21	All	Staff Payroll Costs. The assumption in the original budget estimates was a staff pay award for 20/21 of 2%. The National Employer pay offer to Trade Unions in April was an increase to all salary points of 2.75%. The budget pressure is therefore the additional resource required for the increase in pay over and above the original 2% estimate.	Additional Expenditure	95	95	95	95	95
Q1 2020/21	Customers	Careline Service Overtime costs. The ongoing adjustment is to recognise the level of staff turnover apparent in recent years and the impact on overtime spend. The cost impact is particularly acute for Careline as a new member of staff requires training by an existing colleague, the hours of whom must then be backfilled either through overtime or the hiring of agency staff.	Additional Expenditure	12	12	12	12	12
Q1 2020/21	Customers	Benefit Overpayments Income. Forecast income reduction is attributed to the ongoing transfer of working age benefit claimants to Universal Credit, which is administered by the DWP. Since October 2018 the Council has not accepted Housing Benefit claims from new working age claimants or from existing claimants whose circumstances have changed, as housing costs are now part of Universal Credit. The benefit caseload has since dropped by 28%, from 6,426 to 4,614, with the reduction in activity therefore helping to reduce the incidence and value of benefit overpayments. The apparent downturn in the economy and reduction in individual incomes, from associated job losses or furlough, has also contributed to reducing the occurrence of benefit overpayments and accelerated the migration to Universal Credit.	Income Reduction	163	163	163	163	163
Q1 2020/21	Resources	Insurance premiums. There have been increases across a number of policy renewals, indicative of both the general climate in the insurance market and the fact that there were a couple of substantial claims relating to Development Control submitted in the past year.	Additional Expenditure	18	18	18	18	18
Q1 2020/21	Place	Bin stickers. The previous Waste Contractor would commission the Council to produce hangers and stickers for bins to show the collection dates during Easter and Christmas. Urbaser has since made alternative arrangements and this income will no longer be achieved (included in 'other minor variances' total at Q1).	Income Reduction	6	6	6	6	6
Q1 2020/21	Customers	Income from other Local Authorities for IT services. The shared support service contract for the Local Land and Property Gazetteer database has not been renewed by Hertsmere Borough Council (included in 'other minor variances' total in table 3).	Income Reduction	9	9	9	9	9
Q1 2020/21	-	Net total of minor permanent budget adjustments requested at Quarter One 2020/21 (included in 'other minor variances' total in table 3)	Additional Expenditure	5	5	5	5	5
Q2 2020/21	Regulatory	Stray Dog Contract costs. Increase in annual cost of the stray dog collection and kennelling service, provision of which is a statutory requirement, follows the outcome of the recent procurement exercise and the award of a new three-year contract to the successful supplier (included in 'other minor variances' total in table 3).	Additional Expenditure	9	9	9	9	9

Total pressures and investments incorporated since 2020/21 budget agreed in February 2020	Total Additional Expenditure	255	255	255	255	255
	Total Income Reduction	252	252	252	252	252
	Total Pressures Arising	507	507	507	507	507

Previously agreed changes, including updates to amounts

Proposed revised amounts in yellow

Reference	Service Directorate	Description	Budget Impact	Pressure / Saving				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
-	Managing Director	Reduction in annual interest payments relating to outstanding loans with Public Works Loans Board. The annual interest payments reduce as the loan principal is repaid. UPDATE CBP 2021/22: Estimates updated and extended to 2025/26	Saving	(1)	(2)	(4)	(5)	(7)
Council 31st August 2017	Managing Director	Annual interest (fixed at 3.5%) receivable from NHDC loan to SLL for purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres, approved by Council in August 2017, decreases as the loan principal is repaid. Loan principal is scheduled to be fully repaid by the end of March 2023.	Pressure	3	7	10	10	10
-	Managing Director	District Wide Survey (estimated cost £18k) takes place in alternate years. UPDATE CBP 2021/22: Remove budget in 2024/25 and reinstate in 2025/26	Pressure	18	-	18	-	18

Total Net Budget Impact	Total Pressures	21	7	28	10	28
	Total Savings	(1)	(2)	(4)	(5)	(7)
	Net Budget Impact	20	5	24	5	21

Expenditure Budget requested to be Carried Forward from 2020/21

Report	Service Directorate	Purpose of Carry Forward	Carry Forward				
			2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Q1 2020/21	Managing Director	Apprenticeship Scheme. Three 18-month apprentice posts are being funded in 2020/21 from the carry forward of unspent budget in 19/20. The £11k carry forward requested is to fund the period of the contracts falling in 2021/22.	11	-	-	-	-
Q1 2020/21	Legal & Community	District Elections Expenditure. The District Elections that were due to take place in May 2020 have been postponed until May 2021 due to COVID-19. There is no budget provision for District Elections in 2021/22 as no elections were due to take place in the next financial year. It is therefore requested that this budget is carried forward. UPDATE CBP 2021/22: Original carry forward budget request of £117k at Q1 reduced by £50k. District Council elections in 2021 will be held simultaneously with the elections for Hertfordshire County Council and Hertfordshire Police & Crime Commissioner, with costs shared accordingly.	67	-	-	-	-
Q2 2020/21	Regulatory	Housing Stock Condition Survey. Resources to carry out the housing stock condition survey have been focussed on Covid-19 related actions. It is therefore requested to carry forward the £20k budget for the survey, which will be planned and, subject to available resources, carried out during 2021/2022.	20	-	-	-	-
Total Budget Carried Forward			98	-	-	-	-

CAPITAL INVESTMENT PROPOSALS

Ref No	Responsible Service Director	Description of Proposal	Total Project Investment 2021/22 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment 2026 - 2031	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Asset Management and Investment												
NCP1	Service Director - Commercialisation	Alteration & improvement to underground drainage at Coombes Community Centre, Royston.	25	-	25	0	0	0	0	0	0	To make improvements and alterations to the underground drainage at the Coombes Community Centre as it is inadequate which is causing ongoing issues to the building's occupation, including sewage water flooding, toilets not operating effectively and associated health and safety risks.
NCP2	Service Director - Commercialisation	Replacement of Newark Close, Royston.	65	-	65	0	0	0	0	0	-3	Newark Close is owned by NHDC. It is not adopted public highway. It provides vehicle and pedestrian access to several of NHDC's investment property tenants, their under-tenants, customers and the public. The road is in poor and hazardous condition with pot holes, cracks and unevenness. Wholesale replacement of the road, including surface and sub-surface, is now required to maintain safe access.
NCP3	Service Director - Commercialisation	Thomas Bellamy House, Hitchin	65	-	65	0	0	0	0	0	-18	NHDC owns the freehold in Thomas Bellamy House. Several essential items of work to the structure and roof are required to improve the building's fabric and condition. Such work will arrest further deterioration and place the building in a condition whereby it has a realistic prospect of securing tenants and a commercial rental income stream for the Council. Further, by securing tenants, NHDC can pass on some or all of its property holding costs of the building to those tenants in the form of a lease or other occupational agreement.
ECP1	Service Director - Commercialisation	Acquisition of Property Investments	16,000	-	4,000	4,000	4,000	4,000	0	0	tbc	Acquisition of property and investments in line with the Commercial Strategy and the Property Investment Strategy to seek revenue and/or capital returns and growth for NHDC. £4m allocation in 2020/21 means a total earmarked investment over five years of £20m.
ECP2	Service Director - Resources	Council property improvements following condition surveys	255	-	255	0	0	0	0	0	0	Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to 29 of those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs. The level of 'backlog' maintenance is also proposed as a national performance indicator by Central Government. An amount of £150k was approved to undertake the urgent works in 2014/15, based upon surveys carried out to date. In following years a full 5 year programme will be applied, based upon completed condition surveys or the whole estate. this is complementary to the Community Halls strategy (CHS), although covers a larger number of properties than those subject to CHS, i.e., it puts in place funds to allow works to be done that may assist in progressing that strategy (e.g. full repairing/partial repair leases). To help ensure that this project is delivered in the timeframe estimated within the Capital Programme, the investment was allotted over three years with an annual capital allocation of £255k from 2019/20.
Sub-Total: Asset Management and Investment			16,410	-	4,410	4,000	4,000	4,000	-	-	-	21
Grants to Third Parties												
ECP3	Service Director - Regulatory	Private Sector Grants	600	-	60	60	60	60	60	300	0	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAG funding is also used to support the Warm Homes Fund project where homes without central heating are provided with gas central heating. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold. In February 2015 Council approved an increase in the level of funding from £35k to £60k per annum for 2015/16 and future years. UPDATE CBP 21/22: Proposed to extend annual investment across the period of the ten year investment strategy (earmarked until 2029/30 in current programme)
ECP4	Service Director - Regulatory	John Barker Place, Hitchin	1,096	270	0	1,096	0	0	0	0	0	Cabinet agreed to the commitment to the John Barker Place regeneration scheme in January 2013, subject to the availability of funds. The capital resource required is now earmarked in 2022/23, in line with the scheme timetable.
Sub-Total: Grants to Third Parties			1,696	270	60	1,156	60	60	60	300	-	

CAPITAL INVESTMENT PROPOSALS

Ref No	Responsible Service Director	Description of Proposal	Total Project Investment 2021/22 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment 2026 - 2031	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Externally financed projects												
ECP5	Service Director - Regulatory	Cycle Strategy implementation (GAF)	278	278	278	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
ECP6	Service Director - Regulatory	Installation of trial on-street charging (GAF)	50	50	50	0	0	0	0	0	0	It is anticipated that this funding will be spent in line with the parking strategy.
ECP7	Service Director - Regulatory	Transport Plans implementation (GAF)	250	250	250	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
Sub-Total: Externally financed projects			578	578	578	-	-	-	-	-	-	
Parking Related Proposals												
NCP4	Service Director - Regulatory	Parking Machines Upgrade - Contactless Payment Facility Installation	94	81	54	20	20	0	0	0	0	The upgrade of the current chip and pin card readers in the parking machines to include contactless payments, mostly financed from uncommitted GAF funding, is required for PCI compliance. This will also allow maximum flexibility for the customer, as it is anticipated that the use of coins will further reduce, and help to mitigate the risk of theft and vandalism to the machines as less cash will be retained in the machines. The proposed plan is for delivery in two tranches. Tranche 1: Upgrade 24 Coin and Chip & Pin (Card Reader Machines) to contactless in order to be PCI compliant, plus 2 chip & Pin Machines to contactless only (note the coin option remains unchanged in the 24 machines). Tranche 2: Upgrade of remaining 26 coin parking machines to include contactless to be rolled out over a 2 year programme from 2022/23.
NCP5	Service Director - Regulatory	Parking Machines Replacement	300	-	0	0	0	0	150	150	0	Replacement of all parking machines over a 2 year period, with the roll out commencing in late 2025/26 . Please note that this is as estimated cost based on the current full replacement cost of a machine taken from the ESPO framework adjusted for inflation. The type of machine replacement would be dependent on the latest technology and this estimate may need to be reviewed nearer the time.
NCP6	Service Director - Resources	Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors.	75	-	75	0	0	0	0	0	0	The current stair wells are aesthetically unsightly uncoated concrete, which are difficult to keep clean and stain. At least two of the four stairwells suffer anti-social behaviour, and this compounds the staining and cleaning requirements. The proposed coating will improve the appearance and make cleaning the stairwells less onerous. Replacement of windows and doors where required.
NCP7	Service Director - Regulatory	Match funding for Electric Vehicle charging	100	-	100	0	0	0	0	0	0	On the basis that the Council can obtain Government funding for the provision of on-street EV charging.
ECP8	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	227	-	163	56	8	0	0	0	0	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable. UPDATE CBP 2021/22: Proposed additional capital allocations of £163k in 2021/22, £9k (increase to original allocation of £47k) in 2022/23 and £8k in 2023/24 based on findings of most recent car park condition surveys undertaken.

CAPITAL INVESTMENT PROPOSALS

Ref No	Responsible Service Director	Description of Proposal	Total Project Investment 2021/22 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment 2026 - 2031	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP9	Service Director - Regulatory	Parking Charging, Payments & Management	235	-	235	0	0	0	0	0	0	Revision in scope of existing capital allocation for the implementation of town centre pay & display machines for on-street parking. With the advance of technology it is considered that the use of physical machines and tickets is outdated. As such, this proposal seeks to utilise the capital allocation to still focus on charging, payment and management of parking but through more customer orientated systems. This proposal will encompass (where appropriate) a move to virtual payment and permits/tickets, pay-on-exit for car parks as identified within the Council's Parking Strategy.
Sub-Total: Parking			1,031	81	627	76	28	-	150	150	-	
Waste Collection												
ECP10	Service Director - Place	Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	-	-	0	0	0	-	0	0	0	Herts County Council are planning to build a waste and recycling transfer station which could accommodate both North and East Herts Councils residual, food and garden waste. This would enable surety on a long term disposal route for the materials. The anticipated build cost for this element of the site is circa 1.6m. The agreement for the site and confirmation on whether this is going ahead however is tbc.
ECP11	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	4,000	3,200	0	0	0	0	4,000	0	0	It is anticipated that the cost of replacing the current fleet of vehicles will have increased due to inflation by the time of required purchase in 2025/26. The vehicles currently in operation are held on the Council's balance sheet under a finance lease arrangement embedded within the waste contract, with the associated charge for their use met from the Council's cash reserves rather than the General Fund. As such the annual saving to the General Fund is transferred to an earmarked reserve with the intention that this will be used to help finance the cost of the new vehicles.
Sub-Total: Waste Collection			4,000	3,200	-	-	-	-	4,000	-	-	
Leisure Related Proposals												
ECP12	Service Director - Place	Leisure Condition Survey Enhancements	107	-	0	0	107	0	0	0	0	A physical condition survey was carried out at all four leisure facilities in 2018. The survey identified all works that were needed and/ or would become necessary over the following five year period. This totalled £266k, with £87k in the capital programme for 2020/21, and the balance of £179k across the years 2022/23 and 2023/24. UPDATES CBP 2021/22: Original £39k allocation removed in 2022/23, which condition survey highlighted as required for HSC boiler replacements, as boiler replacements are provided for under schemes ECP14 and ECP15. £140k earmarked in 2023/24 reduced to £107k as certain works identified have either been completed by SLL (funded from profit share) or are separately itemised within the capital programme.
Sub-Total: Leisure			107	-	-	-	107	-	-	-	-	
Leisure - Hitchin Swim Centre												
NCP8	Service Director - Place	Replacement of Domestic Hot Water Calorifer at HSC	25	-	25	0	0	0	0	0	0	Existing calorifier is in poor condition resulting in leaks and calcification. Proposed to replace with modern plate heat exchange to ensure efficiency and reduce energy consumption and costs.
ECP13	Service Director - Place	Hitchin Swim Centre Reception Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
ECP14	Service Director - Place	Hitchin Swim Centre Outdoor Pool Boiler Replacement	40	-	0	0	40	0	0	0	0	Hitchin outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.

CAPITAL INVESTMENT PROPOSALS

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP15	Service Director - Place	HSC: Boiler Replacement	200	-	0	0	0	200	0	0	0	Boilers are 15+ years old and are at the end of their economic lifespan. While repair works are carried out on a regular basis there is a risk that, if they are not replaced, they may fail which could result in pool closure.
ECP16	Service Director - Place	Hitchin Swim Centre Indoor Pool Cover	-	-	0	0	0	0	0	0	0	The indoor Pool cover and electric roller is over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs. UPDATE CBP 21/22: This project was agreed under a profit share proposal and SLL have confirmed they are placing the order. £20k allocation earmarked in 2021/22 can therefore be removed.
ECP17	Service Director - Place	HSC: Archers Member Change and Relaxation Area Refurbishment	300	-	0	0	0	0	300	0	0	Refurbishment of the changing rooms and relaxation areas at Archers Health and Fitness Club to ensure customer satisfaction is maintained.
ECP18	Service Director - Place	HSC: Change Village Refurbishment	225	-	0	0	0	0	0	225	0	Investment earmarked in 2026/27. Full refurbishment of the change village, which has not been refurbished since 2005.
ECP19	Service Director - Place	HSC: Outdoor Pool Cover Replacement	30	-	0	0	0	0	0	30	0	The outdoor pool covers are over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs.
ECP20	Service Director - Place	HSC: Fitness Equipment Replacement	300	-	0	0	0	0	0	300	0	Investment earmarked in 2026/27. Replacement of the cardio and resistance fitness equipment to maintain membership levels and ensure customer satisfaction.
ECP21	Service Director - Place	HSC: Fitness Facility Refurbishment	50	-	0	0	0	0	0	50	0	Investment earmarked in 2026/27. Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment
Sub-Total: Leisure - Hitchin Swim Centre			1,200	-	25	30	40	200	300	605	-	
Leisure - Letchworth												
NCP9	Service Director - Place	NHLC Replacement of Sport Hall heating system	30	-	30	0	0	0	0	0	0	The heating system in the sports hall is over 15 years old and at the end of its economic life. It is currently out of order and cannot be repaired, therefore replacement is required.
ECP22	Service Director - Place	NHLC Refurbish Gym Floor	50	-	50	0	0	0	0	0	0	The gym floor was laid in 2006, after 13 years the floor has now come to the stage where it can no longer be repaired and requires replacing. To ensure customer satisfaction is maintained a full replacement of the flooring in the main gym and weights area is proposed.
ECP23	Service Director - Place	NHLC Boiler Replacement	200	-	0	200	0	0	0	0	0	The two boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk if they are not replaced they may fail which could result in a closure. UPDATE CBP 21/22: The installation of a Combined Heat Power (CHP) unit in 2020 has reduced pressure on the boilers. Officers will review the Capital replacement project on an annual basis. Proposed to defer £200k capital allocation in 2021/22 to 2022/23.

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ECP24	Service Director - Place	NHLC Reception Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled toilets in the reception area is proposed.
ECP25	Service Director - Place	NHLC Dryside Changing Area	100	-	0	100	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side changing areas is proposed.
ECP26	Service Director - Place	NHLC: Sauna Steam Refurbishment	250	-	0	0	250	0	0	0	0	The steam and sauna area was last refurbished in 2006. To ensure customer satisfaction is maintained a proposal to fully refurbish the area is proposed.
ECP27	Service Director - Place	NHLC: Interactive Water Feature	120	-	0	0	0	0	0	120	0	Investment proposal earmarked for 2027/28. To ensure continued improvements and customer satisfaction within our leisure facilities a project to transform the small pool into a highly interactive water play area for children of all age and ability groups is proposed. The proposed features for this area allow children to explore and discover their watery environment, and teaches them how to manipulate the flow of water through channels and interactive jets.
ECP28	Service Director - Place	NHLC: Pool Flume Replacement	150	-	0	0	0	0	0	150	0	Investment proposal earmarked for 2028/29. The pool flume was installed in 1992 and due to its age a proposal to replace the flume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool.
ECP29	Service Director - Place	Letchworth Outdoor Pool Boiler Replacement	40	-	0	0	40	0	0	0	0	Letchworth outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational.
Sub-Total: Leisure - Letchworth			970	-	80	330	290	-	-	270	-	
Leisure - Royston Leisure Centre												
NCP10	Service Director - Place	Solar Thermal Installation at Royston Leisure Centre	50	-	50	-	0	0	0	0	0	Solar thermal technology can be utilised to heat the pool water, reducing the site's carbon footprint and facilitate utility savings.
ECP30	Service Director - Place	Royston Leisure Centre extension	1,000	170	0	1,000	0	0	0	0	tbc	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL will increase their management fee to the Council.
ECP31	Service Director - Place	Royston Leisure Centre Dry Side Toilet Refurbishment	30	-	0	30	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.
ECP32	Service Director - Place	Royston Leisure Centre Changing Village Refurbishment	225	-	0	225	0	0	0	0	0	The change village is over 17 years old and has not been refurbished since opening in 2005. A full refurbishment of the change village is proposed to ensure customer satisfaction is maintained.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP33	Service Director - Place	RLC: Members Change Refurbishment	150	-	0	0	0	150	0	0	0	The members changing room is over 17 years old and has not refurbished since opening in 2005. To ensure customer satisfaction is maintained a proposal to fully refurbish the male, female and disabled areas is proposed.
ECP34	Service Director - Place	RLC: Pool Hall Window Replacement	-	-	0	0	0	0	0	0	0	The pool hall windows are corroding due to age and corrosive atmosphere. A full replacement of windows is proposed. UPDATED: removed £80k in 2025/26 as windows have been repiared. Carried out during closure period.
ECP35	Service Director - Place	RLC: Fitness Facility Refurbishment	50	-	0	0	0	0	0	50	0	Investment earmarked in 2026/27. Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment.
ECP36	Service Director - Place	RLC: Boiler Replacement	100	-	0	0	0	0	0	100	0	Investment earmarked in 2026/27. Boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk that, if they are not replaced, they may fail which could result in a closure.
ECP37	Service Director - Place	RLC: Fitness Equipment Replacement	150	-	0	0	0	0	0	150	0	Investment earmarked in 2026/27. Replacement of the cardio and resistance fitness equipment to maintain membership levels and customer satisfaction.
Sub-Total: Leisure - Royston Leisure Centre			1,755	170	50	1,255	-	150	-	300	-	
Green Space Developments												
NCP11	Service Director - Place	Park Recycling Litter Bins	25	-	25	0	0	0	0	0	0	Introduction of recycling litter bins into the town centre parks to increase the opportunities for recycling
NCP12	Service Director - Place	Allotments Water Supply Improvements	10	-	0	10	0	0	0	0	0	Improve water supply to NHDC allotments through the installation of additional taps and increasing the water pressure at every tap. Any increase in ongoing maintenance and water supply costs is anticipated to be marginal.
ECP38	Service Director - Place	Football Goal Replacement Programme	15	-	0	15	0	0	0	0	0	The existing football goals do not meet current FA standards and are in some cases dangerous due to corrosion or misuse. While the posts are repainted annually this only delays their deterioration. Normally posts are replaced at the beginning of the season on a need only basis based upon their condition - not if they meet FA standards.
ECP39	Service Director - Place	Playground Renovation District Wide	1,800	-	180	180	180	180	180	900	0	Moving forward from the existing policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This technically would ensure that each play area is renovated on an 18 year cycle which still far exceeds manufacturer lifespan guidelines. UPDATE CBP 2021/22: £180k investment allocation earmarked in 2030/31.
Sub-Total: Green Space Developments			1,850	-	205	205	180	180	180	900	-	

CAPITAL INVESTMENT PROPOSALS

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Green Space Developments - Baldock												
ECP40	Service Director - Place	Avenue Park Splash Pad	70	-	0	0	70	0	0	0	0	To replace the existing mains fed system with a recirculating system as found at our other splashpads. This will reduce water usage and help maintain good levels of water quality. Additionally this will help reduce the problems of algae on the surfacing which has caused significant injuries due to slipping in the past.
ECP41	Service Director - Place	Ivel Springs Footpaths	10	-	0	10	0	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
ECP42	Service Director - Place	Weston Hills LNR Footpath Renovation	20	-	0	20	0	0	0	0	0	Many of the footpaths around the site are of an informal nature and are not currently compliant with disability access requirements. In order to minimise erosion of the existing footpath network the surfacing needs updating and renovating.
Sub-Total: Green Space Developments - Baldock			100	-	-	30	70	-	-	-	-	
Green Space Developments - Great Ashby												
NCP13	Service Director - Place	Great Ashby District Park safety and security	20	-	20	0	0	0	0	0	0	To address ongoing anti-social behaviour issues within the park, installation of electric power supply to power automatic gate (adapt existing solar powered gate) and provide lighting in the car park.
Sub-Total: Green Space Developments - Great Ashby			20	-	20	-	-	-	-	-	-	
Green Space Developments - Hitchin												
ECP43	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	300	287	0	300	0	0	0	0	0	<p>This project was originally listed as a project for 2016/17 in the Council's adopted Green Space Management Strategy 2014 - 2019. The project was slipped into 2017/18 pending the outcome of the Green Space Strategy review. Following the review, this project is now earmarked for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. The project is dependent on securing section 106 contributions and/or external grants. In the review, the pavilion was identified as being beyond economic repair.</p> <p>UPDATE CBP 2021/22: Proposed to defer £300k allocation in 2021/22 to 2022/23.</p>
ECP44	Service Director - Place	Bancroft and Priory Splash Pads	35	-	0	0	0	35	0	0	0	These two systems were introduced 4 years ago and use the same systems to maintain water quality. Over time the systems wear and require replacement of the filter media and uv systems to ensure that they remain effective.
ECP45	Service Director - Place	Bancroft Lighting	45	-	0	0	45	0	0	0	0	To remove the existing out of date and potentially dangerous lighting around the gardens and replace with new items. This would significantly improve personal safety of the public.
ECP46	Service Director - Place	Oughtonhead Common Footpaths	20	-	0	0	20	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
ECP47	Service Director - Place	Ransoms Rec Footpaths, Gates and Railing	30	-	0	10	20	0	0	0	0	Many of the footpaths are degrading and becoming uneven and would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. The formal gates and railings off Nightingale Road are in need of investment to ensure they remain safe, fit for purpose and of an appropriate standard for the location.

CAPITAL INVESTMENT PROPOSALS

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ECP48	Service Director - Place	St Johns Cemetery Footpath	40	-	0	0	0	40	0	0	0	<p>Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Planning for the renewal of the Greenspace Management Strategy in 2021.Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. Due to other priorities and limited staffing resources this is planned for 2024/25. In the meantime urgent repairs will be completed on an adhoc urgency basis.</p> <p>UPDATE CBP 2021/22: Increase in estimated investment from £30k to £40k due to further deterioration in condition,</p>
Sub-Total: Green Space Developments - Hitchin			470	287	-	310	85	75	-	-	-	
Green Space Developments - Letchworth												
ECP49	Service Director - Place	Howard Gardens Splashpad	35	-	0	35	0	0	0	0	0	<p>The facilities at Howard Gardens are now over 10 years old since the site was renovated with support of a HLF Grant. The equipment in the plant room is now well worn and is in need of renewal.</p> <p>UPDATE CBP 2021/22: Increase in estimated investment from £33k to £35k as further deterioration has increased cost of refurbishment.</p>
ECP50	Service Director - Place	Ickneild Way Cemetery Footpaths	50	-	50	0	0	0	0	0	0	<p>Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site.</p>
ECP51	Service Director - Place	Wilbury Hills Cemetery Footpaths	60	-	10	0	10	10	0	30	0	<p>Due to high volumes of visitors the existing footpath network through the site are wearing out this program will support an investment program over a period of time to maintain current standards.</p>
	Service Director - Place	Norton Common Footpaths	10	-	0	0	10	0	0	0	0	<p>To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.</p>
Sub-Total: Green Space Developments - Letchworth			155	-	60	35	20	10	-	30	-	
Green Space Developments - Royston												
ECP53	Service Director - Place	Newmarket Road Royston Skatepark and Access	90	-	0	0	90	0	0	0	0	<p>Following the success of the new facility at Norton Common the existing item at Newmarket Road is in need of renovation and updating at the same time now the site is becoming more popular access into the site requires improvement and formalising.</p> <p>UPDATE CBP 2021/22: Increase in investment from £60k to £90k. Officers are seeking to identify whether S106 funding can be applied to support the scale of the revised project.</p>
Sub-Total: Green Space Developments - Royston			90	-	-	-	90	-	-	-	-	
Museum and Arts Development												
ECP54	Service Director - Commercialisation	Museum Storage Solution	1,100	-	1,100	0	0	0	0	0	0	<p>The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures which are increasingly posing a health and safety risk to our staff. This project will involve relocating parts of the museum collection whilst the previously mentioned storage units are levelled and a new purpose built storage unit is built on the site. The storage unit will comprise of space saving roller racking, climate controlled spaces for fragile items of the collection and a small amount of office space for museum staff to utilise when on site. This office space could also be used under supervision to assist with third party research such as students or historians. The amount requested is an initial estimate, extrapolated from previous external costing exercises on a smaller storage unit on the site. It is the opinion of officers however, that a larger site would future proof the museum storage facilities and more costing work will need to be undertaken to provide a more precise quotation for the development. The completion of this work would see the former Hitchin Museum and Letchworth Museum sites be completely cleared of museum storage.</p>
Sub-Total: Museum and Arts Development			1,100	-	1,100	-	-	-	-	-	-	

CAPITAL INVESTMENT PROPOSALS

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IT Schemes:												
NCP14	Service Director - Customers	Laptop Purchases for Officers	220	-	55	0	0	55	0	110	tbc	As part of the Transformation changes and to support the new ways of working, the strategy being proposed going forward will be for all officers to have a laptop, instead of a PC, that will be used for both Home Working and Office use. The laptops will support soft telephony, meaning that the Council won't have to replace 250 telephone handsets that are reaching end of life at an approximate cost of £63K. The investment is also anticipated to facilitate associated revenue savings in the form of telephone call charges, DCO energy costs and potentially additional rental income from the reduction in office space required for Council purposes. The requested resource is additional to that requested for the Laptop - Refresh Programme (ECP72) and will allow the roll-out of laptops to all officers.
NCP15	Service Director - Customers	Member Laptops - Refresh Programme	180	-	0	0	60	0	0	120	0	Laptops were purchased for Council Members in 2020 to support the new ways of working during the pandemic. Periodic replacement will ensure that the equipment is fit for purpose and that the software is compliant with PSN regulations.
NCP16	Service Director - Customers	WiFi Upgrade	40	-	0	0	0	0	40	0	0	WiFi upgrade within District Council Offices, Hitchin Town Hall/ North Hertfordshire Museum and Buntingford Depot. As part of the ongoing Transformation programme, the upgrade will ensure staff and Members will have full Internet access via their laptops when operating from these Council buildings.
NCP17	Service Director - Customers	Conference Calling Solutions in Large Meeting Rooms at District Council Offices	35	-	35	0	0	0	0	0	0	Installation of Audio and Conference solutions into 8 of the meeting rooms across the DCO for future video and conference calls.
ECP55	Service Director - Customers	Back-up Diesel 40 KVA Generator (DCO)	25	-	0	0	25	0	0	0	0	As part of Business Continuity and improving services, the authority purchased a Diesel Generator in 2015/16. The proposed investment in 2023/24 is for the renewal of this hardware.
ECP56	Service Director - Customers	Additional Data Backup Storage	74	-	0	15	0	18	0	41	0	As the amount of data being stored is increasing annually, there is a need to ensure we keep adding additional storage to cope with the demands of the back-up storage.
ECP57	Service Director - Customers	CCTV at DCO & Hitchin Town Hall	15	-	0	0	15	0	0	0	0	Replace the existing CCTV Controllers with newer, faster technology including more disc space to capture enhanced images. The cameras will remain.
ECP58	Service Director - Customers	Data Switch Upgrade	74	-	0	15	0	18	0	41	0	The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly.
ECP59	Service Director - Customers	DR Hardware Refresh Inc UPS Battery Pk (Unit 3)	115	-	0	0	55	0	0	60	0	Hardware upgrade within the Disaster Recovery centre at Unit 3, as part of the hardware refresh programme. This includes the Servers, Switches and UPS at the DR Centre at Unit 3.

CAPITAL INVESTMENT PROPOSALS

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ECP60	Service Director - Customers	Mobile Device Management software	-	-	0	0	0	0	0	0	0	Replace the current Mobile Device Management software, which enables the Council to lock down mobile devices and provides the ability to remotely wipe these, should they be lost or stolen. The replacement system will be a modern cloud solution meaning that any future upgrades can be done remotely without the need for the device to be brought into the Council Offices UPDATE CBP 2021/22: Proposed to remove £18k allocation in 2024/25 as the Mobile Device Management software has been superseded by a product called In-Tune, which is provided within the Microsoft Enterprise Agreement. There is therefore no longer a need to have a separate piece of software to control mobile devices. The associated software technical support and maintenance saving is included within the revenue efficiency proposals for 2021/22.
ECP61	Service Director - Customers	PC Refresh Programme	82	-	13	8	7	13	7	34	0	PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the Citrix thin client technology. UPDATE CBP 2021/22: Total project allocation proposed to be reduced by £100k from original £182k to £82k to support the purchase of laptops going forward. Original programme included annual £17k allocations in 21/22,22/23,23/24, £23k in 24/25, £25k in 25/26 and £83k over 2026 - 2031.
ECP62	Service Director - Customers	Additional PC's - Support Home Working/OAP	-	-	0	0	0	0	0	0	0	The authority has a large PC/Monitor estate which as part of the ICT Service Plan requires refreshing annually. UPDATE CBP 2021/22: Total original approved allocation of £128k proposed to be removed as laptops will instead be purchased going forward. Monitors will be purchased with PCs via the PC Refresh Programme (ECP61) going forward
ECP63	Service Director - Customers	Tablets - Android Devices	135	-	15	18	12	17	17	56	0	As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. The tablets also facilitate paperless Committee Meetings.
ECP64	Service Director - Customers	Security - Firewalls	66	-	0	14	0	16	0	36	0	Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure.
ECP65	Service Director - Customers	Cabinet Switches - 4 Floors	54	-	18	0	0	18	0	18	0	This hardware connects each floor across the DCO to each other and back to the IT Data Centre on the ground floor. This hardware is the essential piece of kit that routes the traffic from desktops to the data servers and hence keeping this technology up to date and modern is essential to ensure data speeds are maintained.
ECP66	Service Director - Customers	40 KVA UPS Device or Battery Replacement	53	-	11	0	12	0	14	16	0	The operation life of the batteries within the UPS Systems is 3 years and they need to be replaced periodically. The authority has got 3 40 KVA UPS Systems which have varying battery sizes installed.
ECP67	Service Director - Customers	Dell Servers	145	-	0	0	0	70	0	75	0	In 2015/16 the authority upgraded the Server Estate with 10 Physical high level Dell Servers which have 179 virtual servers running within them. The hardware has a 5 year shelf life before being unsupported.
ECP68	Service Director - Customers	New Blade Enclosure	92	-	0	0	0	40	0	52	0	The Blades are an integral part of the Servers and go hand in hand. These formed part of the hardware refresh programme in 2015/16 and have a shelf life of 5 years.
ECP69	Service Director - Customers	Replacement SAN	235	-	0	0	0	115	0	120	0	The Storage Area Network (SAN) is used to compliment the data storage and backups across the infrastructure estate. These are a critical element of the data infrastructure network as they also move the data traffic around the servers. The authority replaced the current SAN in 2015/16 and the life of this hardware is 5 years.

CAPITAL INVESTMENT PROPOSALS

Ref No	Responsible Service Director	Description of Proposal	Total Project Investment 2021/22 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2021/22	Proposed Investment in 2022/23	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment 2026 - 2031	Revenue Implication	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP70	Service Director - Customers	Core Backbone Switch	75	-	0	0	0	35	0	40	0	Dual processor switch, which links the virtual servers to the SAN.
ECP71	Service Director - Customers	Additional Storage	58	-	0	13	0	0	25	20	0	As part of the day to day collection and storage of data within the Information@Works (I@W) which is the Corporate Document Management solution, the amount of data that is being scanned and captured via the Doc's on-line contract provided by Northgate is increasing by the day. There has been a huge push over the past year to work towards enabling every department to have access to I@W as this compliments Home Working.
ECP72	Service Director - Customers	Laptops - Refresh Programme	249	-	80	7	7	80	5	70	0	Over the past 3 years IT have reduced the laptop estate from 149 devices down to only having 48 still in use. The small budget provision is to ensure we have funds to replace these devices when Windows 7 becomes de-supported or they have reached their end of life as part of the refresh programme. UPDATE CBP 2021/22: Approved total scheme allocation of £21k proposed to be increased by the £228k of resource released from the proposed reductions in allocations for PC Refresh (ECP61 - £100k) and additional PCs for Homeworking (ECP62 - £128k). As part of the Transformation changes, the strategy being proposed going forward will be for all officers to have a laptop instead of a PC that will be used for both Home Working and Office use.
ECP73	Service Director - Customers	Alternative to safeword tokens for staff/members working remotely	63	-	0	12	0	18	0	33	0	The technology has changed considerably since we first starting using the Safeword Tokens 7-8 years ago. With the changes in personal technology such as Smart/IOS Phones there are now products on the market that are PSN approved for getting Access Keys delivered for 2 Layer Authentication such as Texts or App's on Smart Phones etc. This enables Members, Staff and Support Agencies to gain access to the remote login site from anywhere with no need to have a physical hardware device to hand.
ECP74	Service Director - Customers	Microsoft Enterprise Software Assurance	1,278	-	0	390	0	0	426	462	0	It is essential NHDC has the correct Microsoft Licences to ensure the Council does not fall foul of F.A.S.T (Fraud Against Software Threat) regulations. The current three year contract started from 1st April 2019.
Sub-Total: IT			3,363	-	227	492	193	513	534	1,404	-	
TOTAL			34,895	4,586	7,442	7,919	5,163	5,188	5,224	3,959	-21	

TOTAL CONSISTS OF:											
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:			33,536	4,505	6,818	7,889	5,083	5,133	5,034	3,579	0
NET CHANGE IN THE 2021/22 PROCESS			1,359	81	624	30	80	55	190	380	-21

These totals exclude those capital projects planned to complete in 2020/21.

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