

NORTH HERTFORDSHIRE DISTRICT COUNCIL



8 January 2021

Our Ref FARC – 18.01.2021
Contact. Committee Services
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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

MONDAY, 18TH JANUARY, 2021 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 5 - 6)
2.	APOLOGIES FOR ABSENCE Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
3.	MINUTES - 16 MARCH 2020 - 3 DECEMBER 2020 To take as read and approve as a true record the minutes of the meetings of the Committee held on: 16 March 2020; 15 June 2020; 20 July 2020; 7 September 2020; and 3 December 2020.	(Pages 7 - 58)
4.	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.

5. 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.

6. PUBLIC PARTICIPATION

To receive petitions, comments and questions from the public.

**7. ANNUAL AUDIT LETTER 2019/2020
REPORT OF ERNST AND YOUNG**

(Pages
59 - 78)

To consider the Annual Audit Letter 2019/2020.

**8. REVENUE BUDGET 2021/22
REPORT OF THE SERVICE DIRECTOR – RESOURCES**

(Pages
79 - 110)

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.

To consider the appropriate level of Council Tax that will be recommended to the meeting of the Council on the 11 February 2021.

**9. INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)
REPORT OF THE SERVICE DIRECTOR – RESOURCES**

(Pages
111 -
172)

To consider the Investment Strategy and recommend to Council the adoption of the Investment Strategy.

10. 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

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERNON ROAD,
LETCWORTH GARDEN CITY
ON MONDAY, 16TH MARCH, 2020 AT 7.30 PM

MINUTES

Present: *Councillors: Sam North (Vice-Chair), Sam Collins and George Davies*

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Mark Chalkley (Client Audit Manager SIAS) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

64 APOLOGIES FOR ABSENCE

Audio Recording – 17 Seconds

Apologies for absence were received from Councillors: Kate Aspinwall, Morgan Derbyshire, Steve Jarvis, Kay Tart and Michael Weeks.

Having given due notice, Councillor Sam Collins advised that he would be substituting for Councillor Steve Jarvis and Councillor George Davies advised that he would be substituting for Councillor Michael Weeks.

65 MINUTES - 20 JANUARY 2020

Audio Recording – 55 Seconds

RESOLVED: That the Minutes of the Meeting of the Committee held on 20 January 2020 be approved as a true record of the proceedings and be signed by the Chair.

66 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 1 Minute 17 Seconds

There was no other business notified.

67 CHAIR'S ANNOUNCEMENTS

Audio Recording – 1 Minute 22 Seconds

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

68 PUBLIC PARTICIPATION

Audio Recording – 2 Minutes 4 Seconds

There was no public participation.

69 SIAS INTERNAL AUDIT PLAN REPORT

Audio Recording – 2 Minutes 9 Seconds

The Client Audit Manager (SIAS) provided the Committee with background information regarding the SIAS Internal Audit before presenting the report as follows,

- Members were directed to paragraph 2.8 on page 17;
- Details of the targets set for 2020/21 were shown in the table at paragraph 3.3 on page 18 within the report;
- The proposed North Herts District Council Audit Plan was set out in Appendix A on page 20 within the report;
- Appendix B illustrated the Proposed North Herts District Council Audit Plan 2020/21 Reserve List; and
- Appendix C displayed the Audit start dates agreed with Management.

The following Members asked questions:

- Councillor Sam North

In response to the Member's question regarding absence management, the Service Director-Resources and the Client Audit Manager (SIAS) advised that:

- The proposed absence management audit, as listed on Appendix B, was added to the audit plan prior to the Covid-19 outbreak.
- The Client Audit Manager was happy that the absence management audit remained on the reserve list as an option to bring in should it be necessary; and
- As the Covid-19 outbreak is an exceptional situation, it would be managed through business continuity policies rather than absence management.

RESOLVED: That the proposed North Herts District Council Internal Audit Plan for 2020/21 be approved

REASON FOR DECISION: To ensure that the proposed North Herts District Council Internal Audit Plan for 2020/21 is approved.

70 SIAS PROGRESS REPORT

Audio Recording – 9 Minutes 17 Seconds

The Client Audit Manager (SIAS) presented the report entitled SIAS Progress Report and provided the Committee with the following information:

- The table at paragraph 2.2 on page 31 within the report illustrated the 2019/20 final reports that had been issued since 15 November 2019;

- The standard template schedule attached at Appendix B showed the management response, target implementation date and the implementation of the status of the agreed high priority audit recommendations that were currently not implemented;
- Small additions of time had been added to the following audits – Time Recording System (2 days) and Workforce Planning and Development (2 days);
- The table at paragraph 2.13 on page 33 within the report displayed the actual performance for North Herts District Council against the targets that could be monitored in year;
- 317 Planned days out of 338 had been delivered;
- 22 Planned Projects out of 27 had been delivered;
- Appendix B summarised the high priority recommendations that had been made previously, 2 of which have been implemented; and
- Appendix C displayed the audit plan start dates agreed with management. 5 reports had now gone to draft including: Expenses, SAFS Review, Financial Resilience of Suppliers, Insurance and Development management.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 4 March 2020 be noted;
- (2) That the proposed amendments to the 2019/20 Annual Audit Plan be noted; and
- (3) That the implementation status of high priority recommendations be noted.

REASON FOR DECISIONS: To ensure that the Internal Audit Progress Report, the 2019/20 Annual Audit Plan and the implementation status of high priority recommendations are noted.

71 SAFS - PROPOSED ANTI-FRAUD PLAN 2020/21 AND PROGRESS WITH DELIVERY OF 2019/20 ANTI-FRAUD PLAN

Audio Recording – 14 Minutes 55 Seconds

The Head of Shared Anti-Fraud Service provided the Committee with a brief update on the Proposed Anti-Fraud Plan 2020/21 and the progress with delivery of the 2019/20 Anti-Fraud Plan, as follows:

- On target to deliver the plan;
- The Service Director – Resources has been kept updated on the progress;
- The Anti-Fraud Plan for 2021/22 was being thought about;
- The NHDC/SAFS Action Plan 2020/21 as detailed on page 88 within the report; and
- The KPIs 2020/21 as detailed on page 89 within the report.

The Head of Shared Anti-Fraud Service advised that a further annual report would be provided to the Finance, Audit and Risk Committee in May or June 2020 in order to inform Members of all the work undertaken by SAFS and the Authority over the preceding 12 months.

The Head of Shared Anti-Fraud Service directed Members to the Councillor's Workbook on Bribery and Fraud Prevention contained within the report and similarly, brought Members' attention to the International Public Sector Fraud Forum which was made up of governments/authorities in Australia, New Zealand, Canada and the USA.

RESOLVED: That the SAFS/NHDC Anti-Fraud Plan 2020/21 be reviewed and approved.

REASON FOR DECISION: To ensure the SAFS/NHDC Anti-Fraud Plan for 2020/21 is reviewed and approved.

72 LOCAL CODE OF CORPORATE GOVERNANCE 2020 AND ANNUAL GOVERNANCE STATEMENT 2018/19 (ACTION PLAN FOR 2019/20) UPDATE

Audio Recording – 19 Minutes 57 Seconds

The Committee received the report entitled Local Code of Corporate Governance 2020 and Annual Governance Statement 2018/19 (Action Plan for 2019/20) Update, provided by the Policy and Community Engagement Manager.

The Policy and Community Engagement referred Members to the following:

- Paragraph 7.2 on page 92 within the report;
- Appendix A starting on page 97 within the report and advised that the basis of assessment had stayed the same for that year. The only amendment made was the addition of the revised Council Objectives that had been agreed earlier in the year;
- Paragraph 8.2 on page 93 within the report and advised that Appendix B detailed the progress made against the individual actions against the Action Plan for 2019/20; and
- Appendix B on page 109 within the report and stated that of the 8 actions, 5 had been completed and the remaining 3 were on-going for that financial year.

The following Members asked questions:

- Councillor Sam Collins.

In response to the Members' question relating to the Gender Pay Gap report action plan for 2019/20, the Policy and Community Engagement Manager responded that the report was published on an annual basis and that it was being prepared for the end of March 2020. This report would be published on the North Herts District Council website as well as going to the Joint Staff Consultative Committee.

RESOLVED:

- (1) That the Local Code of Corporate Governance 2020 (Appendix A) be approved;
- (2) That the current position with the AGS Action Plan (Appendix B) be noted.

REASONS FOR DECISIONS:

- (1) It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.
- (2) Reviewing the AGS Action Plan during 2019/20 provides the Committee with assurances that NHDC is following through with recommended changes and/or improvements to its governance arrangements.

73 RISK AND OPPORTUNITIES MANAGEMENT UPDATE

Audio Recording – 23 Minutes 21 Seconds

The Service Director – Resources presented the report entitled Risk and Opportunities Management Update and advised the Committee as follows:

- There were a series of changes to the waste risks;
- The changes consolidate the existing Waste risks into 4 risk entries – 2 Corporate Risks and 2 Service Risks;
- The Key Changes in approach were outlined in table 2 at paragraph 8.6; and
- Covid-19 was a significant corporate risk and would be scored at a 9.

Members entered into a brief discussion relating to the Covid-19 outbreak and the impact it would have on the Council.

The Service Director – Resources agreed with the concerns raised by Members and added that at present, working was being done to ensure Council services could be kept running during the Covid-19 outbreak. The Service Director – Resources further explained that there would be a recovery phase and potentially an emergency response across the County in the future.

Councillor Sam North, as a Deputy Executive Member, advised that Executive Members were being briefed by Senior Management in relation to Covid-19 and Members were instructed to contact the Communications Manager for any updates regarding the matter.

In response to a series of questions raised by Members, the Service Director – Resources responded accordingly.

RESOLVED: That the review/changes to the Corporate Risks for the quarter be noted;

RECOMMENDED TO CABINET:

- (1) That the proposed changes to the Waste risks be approved, with the exception of the archiving of the Route Optimisation of Collection Rounds risk which should be retained until further information is provided;
- (2) The archiving of the North Hertfordshire Museum and Town Hall project risk following sign off by Project Board;
- (3) That the Covid-19 outbreak be added as a Corporate Risk with a score of 9; and
- (4) That the proposed Risk Management Framework documents, to replace the current Policy and Strategy, be approved.

REASONS FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk and Opportunities Management.

74 THIRD QUARTER REVENUE MONITORING 2019/20

Audio Recording – 44 Minutes 35 Seconds

The Service Director – Resources presented the report entitled Third Quarter Revenue Monitoring 2019/20 and provided the Committee with the following information:

- Much of the focus was on table 3, starting at page 154 within the report;
- There was a £130k reduction in Planning Application Income forecasted; and
- Table 4 on page 158 within the report detailed the significant sources of income.

The following Members asked questions:

- Councillor Sam Collins; and
- Councillor Sam North.

In response to questions raised, the Service Director – Resources responded as follows:

- The date of approval for the Local Plan was not yet known; and
- The increase in income from Parking Penalty Charge Notices was partly due to there being a full team of Parking Enforcement Officers.

RECOMMENDED TO CABINET:

- (1) That the Third Quarter Revenue Monitoring 2019/20 be noted;
- (2) That the changes to the 2019/20 General Fund Budget, as identified in table 3 and paragraph 8.2, a £262k in net expenditure be approved;
- (3) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £287k in net expenditure be approved.

REASON FOR DECISIONS:

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.

75 THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2019/20

Audio Recording – 49 Minutes

The Service Director – Resources presented the report entitled Third Quarter Investment Strategy (Capital and Treasury) Review 2019/20 and drew Members' attention to the following:

- Table 2 at paragraph 8.4 on page 167 within the report, with particular focus on the scheme to provide Housing at Market Rents. The Service Director – Resources explained that in relation to that scheme, there had been delays in undertaking work at Harkness Court and that work would now commence in 2020/21;
- Table 3 on page 169 within the report; and
- Treasure Management 2019/20 - Paragraph 8.10 on page 170 within the report.

The following Members asked questions:

- Councillor Sam North; and
- Councillor Sam Collins.

In response to questions raised, the Service Director – Resources responded as follows:

- Full Council set the Treasury and Investment Strategy;
- A recommendation to Full Council would not be necessary as it stood currently;
- Breaching the £5M limit in the current account was not planned;
- The majority of people paid Council Tax by Direct Debit, therefore funds would be automatically received; and
- Despite the changes to the Business Rates, there would no financial impact on the Council as there would be a Section 31 Grant made available.

RECOMMENDED TO CABINET:

- (1) That the forecast expenditure of £1.804million in 2019/20 on the capital programme be noted;
- (2) That the adjustments to the capital programme for 2019/20 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 and beyond by £3.831million be approved;
- (3) That the position of the available of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability, be noted;
- (4) That the position of Treasure Management activity as at the end of December 2019 be noted.

REASONS FOR RECOMMENDATIONS

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (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.

76 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 58 Minutes 24 Seconds

The Chair requested that the following items be discussed at the next meeting of the Finance, Audit and Risk Committee:

- An update on the impact of Covid-19 on the Council; and
- Route Optimisation of Collection Rounds.

The meeting closed at 8.31 pm

Chair

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD AS A VIRTUAL MEETING
ON MONDAY, 15TH JUNE, 2020 AT 7.30 PM**

MINUTES

Present: *Councillors: Kate Aspinwall (Chair), Sam Collins, Steve Deakin-Davies, Morgan Derbyshire and Adem Ruggiero-Cakir*

In Attendance: *Ian Couper (Service Director - Resources), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young), Mark Chalkley (Client Audit Manager - SIAS), Melanie Stimpson (Democratic Services Manager) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting Councillor Ian Albert*

1 WELCOME & INTRODUCTION

Audio Recording – 40 Seconds

The Chair welcomed everyone to the virtual Finance, Audit and Risk Committee meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online and advised that there was the opportunity for the public and press to listen and view proceedings.

The Committee, Member and Scrutiny Officer gave advice regarding the following:

Attendance

A roll call was undertaken to confirm that the required Members and Officers were present and could hear and be heard.

If for any reason the meeting was not quorate an Officer would interject the meeting and the meeting would adjourn immediately. Once the meeting was quorate the meeting would resume.

Only Members present during the entire debate for an item were entitled to vote. If a Member had been cut off during the debate and re-joined the meeting, then they would not be able to vote on that item.

Live Streaming

The meeting was being streamed live on the Council's YouTube channel. If live streaming failed the meeting would adjourn. If the live stream could not be restored within a reasonable period then the remaining business would be considered at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

If technology failed for a member of the public who had attended to exercise their right to speak and was unable to do so, the Chair may decide to proceed to the next item of business to allow for connection to be re-established. If connection could not be restored within a reasonable period, the Chair may decide to conclude the remaining business, or consider the remaining business at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

Noise Interference

The Committee, Member and Scrutiny Officer asked all in attendance to ensure that electronic devices were muted.

Rules of Debate

If a Member wished to speak they should use the raise hand button and this would alert the host that they wished to speak.

Members were reminded that the normal procedure rules in respect of debate and times to speak would apply.

Voting

When requested to vote, Members were informed to vote using the Green tick for 'Yes', Red Cross for 'No' and Blue Raise Hand for 'abstain'.

Details of how Members voted would not be kept or minuted unless a Recorded Vote was requested or an individual requests that their vote be recorded.

The Committee, Member and Scrutiny Officer would clearly state the result of the vote and the Chair would proceed to the next agenda item.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

2 APOLOGIES FOR ABSENCE

Audio Recording – 5 Minutes 26 Seconds

There were no apologies for absence.

3 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 5 Minutes 44 Seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio Recording – 5 Minutes 49 Seconds

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded and live streamed onto the Council's YouTube channel;

- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

5 PUBLIC PARTICIPATION

Audio Recording – 6 Minutes 20 Seconds

There was no public participation.

6 UPDATE TO THE 2019/20 AUDIT PLAN

Audio Recording – 6 Minutes 22 Seconds

The Associate Partner - Ernst and Young and the Audit Manager presented the Update to the 2019/20 Audit Plan.

The Associate Partner – Ernst and Young informed the Committee that the purpose of the update was to advise on the impact that Covid-19 has had on the audit.

The Associate Partner – Ernst and Young and the Audit Manager directed Members to key points within the report, including

- MHCLG had changed the financial reporting dates for local authorities as a result of Covid-19. The Council was now required to publish its draft statements by the 31 August and publish audited accounts by 30 November;
- There was a presumption that the Council would continue as a going concern; and
- The Audit Plan included PPE valuations as an area of audit focus.

The Associate Partner – Ernst and Young reassured the Committee that, despite the challenges of remote working, the audits would still be completed and additional consultation processes would be put in place post Covid-19.

The following Members asked questions:

- Councillor Kate Aspinwall.

In response to the Member's question, the Service Director – Resources responded as follows:

- Any fee changes would be agreed with the auditor and fee requests referred to the PSAA; and
- The next Finance, Audit and Risk Committee would be held on 7 September 2020 when the accounts would be signed off.

In response to the Member's question, the Associate Partner – Ernst and Young responded as follows:

- The audit delivery was feasible. Remote working had been working well.

Upon being put to the vote, it was:

RESOLVED: That the Update to the 2019/20 Audit Plan be noted.

REASON FOR DECISION: To update the Committee on the 2019/20 Audit Plan.

7 2019/20 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT

Audio Recording – 19 Minutes 35 Seconds

The Client Audit Manager (SIAS) presented the report entitled 2019/20 Annual Assurance Statement and Internal Audit Annual Report and drew Members' attention to key points in the report, including:

- Paragraph 2.7 on page 12 within the report and advised that SIAS' external quality assessment would be postponed from November 2020 to May 2021 at the latest as a result of Covid-19;
- Paragraph 2.11 on page 13 within the report and advised that the Head of Assurance had confirmed that during the year that 'no matters threatened SIAS's independence' and 'SIAS was not subject to any inappropriate scope or resource limitations'. The Service Director – Resources provided this assurance;
- The Diagram at paragraph 2.12 on page 14 within the report;
- Section 3 of the report on page 15 within the report and informed that there was 1 'limited' Assurance Level in 2019 and 3 in 2020;
- The majority of reports were classified as satisfactory;
- A limited assurance opinion had been provided in the Time Recording System audit;
- Six audits were at draft report stage at the time of writing the Annual Report;
- Section 4 – Paragraph 4.1 on page 17 within the report and advised that the SIAS Planned Days target 2019/20 had been 95%. However, the actual to 31 March 2020 was 99%; and
- Section 5 – Audit Charter, Appendices C and D.

The Client Audit Manager (SIAS) stated that it has been an overall positive year at the Council as key performance indicators had been delivered.

The Service Director – Resources added that in relation to the table at paragraph 3.2, having good assurance reports in satisfactory illustrated that reports were being targeted effectively.

Upon being put to the vote, it was:

RESOLVED:

- (1) That the Annual Assurance Statement and Internal Audit Annual Report be noted;
- (2) That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;
- (3) That the SIAS Audit Charter be accepted;
- (4) That the assurance provided by the Service Director: Resources that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20 be noted.

REASON FOR DECISIONS: To update the Committee on the 2019/20 Annual Assurance Statement and Internal Audit Annual Report.

8 SIAS PROGRESS REPORT

Audio Recording – 28 Minutes 58 Seconds

Before the Client Audit Manager (SIAS) presented the report entitled SIAS Progress Report, he informed Members that it had been challenging delivering audits owing to the changes to working and adapting to remote working.

Members were informed that as at 18 May 2020, 8% of the 2020/21 Audit Plan days had been delivered.

The Client Audit Manager (SIAS) referred Members to key points in the report, including:

- The table at Paragraph 2.2 on page 35 within the report which detailed the 2019/20 final reports that had been issued since 4 March 2020;
- Paragraph 2.7 on page 36 within the report and advised that there had been no proposed amendments to the Annual Audit Plan;
- The table at Paragraph 2.8 detailed the summary of performance based in the latest performance information reported at Appendix A; and
- Appendix B – Implementation Status of High Priority Recommendations.

Upon being put to the vote, it was:

RESOLVED:

- (1) That the Internal Audit Progress Report for the period 18 May 2020 be noted;
- (2) That the implementation status of High priority recommendations be noted.

REASON FOR DECISIONS: To update the Committee on the Audit Committee Progress Report.

9 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2019/20

Audio Recording – 34 Minutes 11 Seconds

The Service Director – Resources presented the Finance, Audit and Risk Committee Annual Report 2019/20 and advised that this report would normally be referred to Council. However, owing to the change in the Council's Constitution, there was now no requirement to do so.

The Service Director – Resources pointed out an error in the report on page 49. The date shown under the Chair should be amended to read 'May 2020' instead of 'May 2019'.

Councillor Sam Collins sought clarification in relation to whether he was able to vote on the report as he was a Substitute on the Finance, Audit and Risk Committee and not a Committee Member for the Civic Year 2019/20.

In response to this matter, the Democratic Services Manager advised that the Member was able to abstain if he wished.

Upon being put to the vote it was:

RESOLVED: That the Finance, Audit and Risk Committee Annual Report 2019/20 be noted.

REASON FOR DECISION: To present the Annual Report and inform the Committee of its work and achievements over a 12 month period to March 2020.

10 REVENUE BUDGET OUTTURN 2019/20

Audio Recording – 37 Minutes 25 Seconds

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2019/20.

Members were directed to Table 3 on page 56 within the report and advised that the table detailed major variances above £25,000. The Service Director – Resources drew Members' attention to the following variances:

- Careline were purchasing and installing digital alarms when an alarm required replacement. The digital alarm costed twice as much as the analogue product previously installed but could be used up to three times;
- Council Tax Court Summons Income was lower than budgeted as a result of the closure of the Court until at least 30 June 2020, in response to the COVID-19 pandemic; and
- The shortfall in parking income was indicative of the impact of the response from the government and public to the COVID-19 pandemic. Income recorded for March of £107k was significantly lower than the £164k recorded for March 2019.

The Service Director – Resources concluded that from looking at the estimated overall impact on 2020/21, it was hoped that there would not be any ongoing impact that would require the Council to make additional long-term savings.

The Service Director – Resources drew Member's attention to the following:

- Paragraph 8.12 on page 62 within the report and advised that the previous trend of reductions in eligibility for Council tax reductions had stabilised and the impact of Covid-19 was resulting in an increase in eligibility. This creates a deficit on the Council Tax Collection Fund;
- There was an update provided in relation to Paragraph 8.15 on page 63 within the report. It had now been confirmed that there was a £917,000 gain which would increase the general fund balance end of 2019/20 up to £9.4million;
- Table 6 at paragraph 8.17 summarised the impact on the General Fund balance of the outturn position detailed in the report;
- The Council's total business rates income had been above its baseline for several years, meaning pooling gains and Section 31 grants were able to be transferred into a business rate reserve. This provides protection against potential fluctuations in Business Rates income, timing differences inherent in collection fund accounting and the potential impact of a Business Rates reset; and
- The MHCLG Grants Reserve (as shown in Table 8 on page 65) would be reviewed as it was possibly now too high. The 2020/21 budget had committed to releasing £368,000 from this reserve relating to the 2018/19 pooling gain. The balance as of 31 March 2020 of MHCLG Grants Reserve was £3.7million.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Kate Aspinwall; and
- Councillor Steve Deakin-Davies.

In response to questions raised, the Service Director – Resources responded as follows:

- The impact of lost income from parking, as a result of COVID-19, would be kept under review particularly in relation to changes as lockdown is eased.
- The Council is currently forecasting a £1.4million loss in parking income for the year which was the most significant hit on the Council's income. This is based on a gradual recovery during the year;
- There had been a reduction in Penalty Charge Notices being issued. There would be a move back towards issuing PCNs, which had only been focused on safety issues;
- A number of businesses were receiving a mandatory business rate relief, providing the Council with some protection and guaranteed some level of income;
- There could be a longer term impact of business rates if some businesses were to close post lockdown;
- Alongside the Medium-Term Strategy, there would be a report providing a forecast of the impact of Covid-19; and
- Careline did not make a profit.

RECOMMENDED TO CABINET:

- (1) That the report be noted;
- (2) That a decrease of £129k in the 2019/20 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £14.692 million be approved;
- (3) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a total £344k increase in net expenditure, be approved;
- (4) That the transfer, as referred to in paragraph 8.3, of £59k from the underspend on the General Fund to the strategic Priority fund to enable the Leadership Team to undertake invest to save and/or continuous improvement projects be approved.

That Cabinet recommend to Council:

- (1) The net transfer to earmarked reserves of £2.161million be approved.

REASONS FOR DECISIONS:

- (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.
- (2) Changes to the Council's balances are monitored and approved.

11 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2019/20

Audio Recording – 58 Minutes

The Service Director – Resources presented the report entitled Investment Strategy (Capital and Treasury) End of Year Review 2019/20 and drew Members' attention the following:

- Paragraph 4.2 on page 73 within the report and advised that the primary principles governing the Council's investment criteria were the security and liquidity of its investments. After this the return was then considered, which provided an income source for the Council;
- Paragraph 8.4 on page 75 within the report and the contents in Table 2 which listed the schemes in the 2019/20 Capital Programme that will now start or continue in 2020/21;
- Paragraph 8.9 on page 78 within the report and informed that the Council's Capital Financing Requirement (CFR) at 31 March 2020 was negative £5.60 million. This means that the Council does not have a need to borrow for capital spend;
- The Treasury Management 2019/20 at paragraphs 8.10 – 8.18; and
- Paragraph 8.18 on page 80 within the report and advised that the Chief Executive (under urgency powers) had approved a removal on the limit on balances the Council held in its current account in response to Covid-19.

NB: Councillor Kate Aspinwall lost connection to the meeting at 20:35. The meeting briefly adjourned to ascertain if her connection could be re-established. Cllr Aspinwall reconnected to the meeting at 20:36 and the meeting resumed.

The following Members asked questions in respect of the Service Director's report:

- Councillor Steve Deakin-Davies.

In response to the questions raised by the Member, the Service Director – Resources responded as follows:

- A review of the benefits of Cloud computing would need to be looked at by IT; and
- It was covered in the recently approved IT Strategy.

NB: Councillor Morgan Derbyshire lost connection to the meeting at 20:40. The meeting briefly adjourned. However, Councillor Derbyshire was unable to re-join the meeting. The Chair, after having sought advice from the Democratic Services Manager, decided to resume proceedings as the Committee was still quorate.

RECOMMENDED TO CABINET:

- (1) That the expenditure of £1.473million on 2019/20 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net decrease on the working estimate of £0.055million, be noted;
- (2) That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 by £0.277million (re-profiled from 2019/20), be approved;
- (3) That the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability, be noted;

- (4) That the application of £0.639million of capital receipts towards the 2019/20 capital programme and the drawdown of £0.397million from set aside receipts, paragraph 8.6 refers, be approved;
- (5) That the position of Treasury Management activity as at the end of March 2020 be noted.

Cabinet recommend to Council:

- (1) That the actual 2019/20 prudential and treasury indicators be approved;
- (2) That the annual Treasury Report for 2019/20 be noted.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded;
- (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.

12 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 1 Hour 14 Minutes 39 Seconds

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

The following items were suggested for a future meeting:

- (1) A presentation from the Commercial Directorate on the return of investment;
- (2) The spend on investigating the benefits of IT Cloud computing; and
- (3) A recovery plan following the Covid-19 pandemic and the cost implications.

In response to those suggestions, the Chair advised that she would raise all the requests with the Chair of the Overview and Scrutiny Committee, to prevent the overlapping of reports.

The Service Director – Resources informed the Committee that there would be various phases of recovery from the Covid-19 pandemic as well as adjusting to a 'new normal' which would include looking at the way the District Council Offices were used.

The meeting closed at 8.52 pm

Chair

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD AS A VIRTUAL MEETING
ON MONDAY, 20TH JULY, 2020 AT 7.30 PM**

MINUTES

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

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Darren Bowler (Assistant Counter Fraud Manager, SAFS) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting Councillor Ian Albert*

13 WELCOME AND INTRODUCTION

Audio Recording – 0 Minutes

The Chair welcomed everyone to the virtual Finance, Audit and Risk Committee meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online and advised that there was the opportunity for the public and press to listen and view proceedings.

The Committee, Member and Scrutiny Officer gave advice regarding the following:

Attendance

A roll call was undertaken to confirm that the required Members and Officers were present and could hear and be heard.

If for any reason the meeting was not quorate an Officer would interject the meeting and the meeting would adjourn immediately. Once the meeting was quorate the meeting would resume.

Only Members present during the entire debate for an item were entitled to vote. If a Member had been cut off during the debate and re-joined the meeting, then they would not be able to vote on that item.

Live Streaming

The meeting was being streamed live on the Council's YouTube channel. If live streaming failed the meeting would adjourn. If the live stream could not be restored within a reasonable period then the remaining business would be considered at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

If technology failed for a member of the public who had attended to exercise their right to speak and was unable to do so, the Chair may decide to proceed to the next item of business to allow for connection to be re-established. If connection could not be restored within a reasonable period, the Chair may decide to conclude the remaining business, or consider the remaining business at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

Noise Interference

The Committee, Member and Scrutiny Officer asked all in attendance to ensure that electronic devices were muted.

Rules of Debate

If a Member wished to speak they should use the raise hand button and this would alert the host that they wished to speak.

Members were reminded that the normal procedure rules in respect of debate and times to speak would apply.

Voting

When requested to vote, Members were informed to vote using the Green tick for 'Yes', Red Cross for 'No' and Blue Raise Hand for 'abstain'.

Details of how Members voted would not be kept or minuted unless a Recorded Vote was requested or an individual requests that their vote be recorded.

The Committee, Member and Scrutiny Officer would clearly state the result of the vote and the Chair would proceed to the next agenda item.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

14 APOLOGIES FOR ABSENCE

Audio Recording – 4 Minutes

There were no apologies for absence.

15 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 4 Minutes 36 Seconds

There was no other business notified.

16 CHAIR'S ANNOUNCEMENTS

Audio Recording – 4 Minutes 39 Seconds

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded and streamed on the Council's YouTube Channel;

- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

17 PUBLIC PARTICIPATION

Audio Recording – 5 Minutes 20 Seconds

There was no public participation.

18 SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD REPORT 2019/20 & PROGRESS WITH DELIVERY OF THE 2020/21 ANTI-FRAUD PLAN

Audio Recording – 5 Minutes 24 Seconds

The Assistant Counter Fraud Manager – Shared Anti-Fraud Service presented the report entitled Shared Anti-Fraud Service (SAFS) Anti-Fraud Report 2019/20 & Progress With Delivery Of The 2020/21 Anti-Fraud Plan, including:

- During 2019/20 SAFS had received 77 allegations of fraud affecting Council Services;
- In comparison to some other SAFS Partners, and historic fraud allegations received by the Council, the volume of reported fraud in 2019/20 had reduced significantly since 2015. Investigating reasons for this;
- Of the 70 cases investigated and closed in the year where fraud or error had been identified recoverable losses of £163,000 and savings of £31,000 were reported;
- The number of cases (70) investigated was the highest number the Council had seen since 2015;
- The National Fraud Initiative has been positive;
- All high priority cases had been resolved; and
- SAFS had been providing support with COVID-19 and business grant payments. The Revenues and Benefits department had received Phishing emails, which had been referred to SAFS and dealt with; and
- Members of the Public had reported to the Council suspicious emails regarding Council Tax.

The following Members asked questions of the Assistant Counter Fraud Manager:

- Councillor Michael Weeks; and
- Councillor Kate Aspinwall.

The Assistant Counter Fraud Manager responded to questions raised as follows:

- The remaining cases that had not yet been investigated would continue to be looked into and would feature in the next report brought before the Committee;
- The definition of Identity Fraud was someone reporting to be someone else, for example on a Housing Application form or using counterfeit documents in order to claim for Benefits not eligible for;
- In relation to Case Study 1, the person was investigated as data matching had taken place with the Department for Work and Pensions. Data matching enabled data to be compared with various data sets from Government Departments; and
- Housing Benefits and Council Tax Discount fraud were grouped together as they were usually claimed at the same time and were on the same application form.

It was:

RESOLVED: That the report entitled Anti-Fraud Report 2019/20 be noted.

REASON FOR DECISION: To enable the Finance, Audit and Risk Committee to review the following:

- (1) The Council's work to combat fraud in 2019/20;
- (2) The performance of SAFS in meeting its KPIs in 2019/20.

19 ANNUAL GOVERNANCE STATEMENT 2019/20

Audio Recording – 22 Minutes 19 Seconds

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019/20 and drew Members' attention to the following:

- Copies of the draft AGS had been sent to the Shared Internal Audit Service (SIAS), Ernst & Young (External Auditors) and the Shared Anti-Fraud Service;
- Ernst and Young had asked for comments to be added in relating to the actions that the Council took around the pandemic at the end of March to support residents, businesses and voluntary organisations and the work of the recovery board;
- The draft AGS had been prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles;
- CIPFA had indicated that the AGS should be a 'meaningful but brief communication';
- Updates on the AGS Action Plan would be provided to the Finance, Audit and Risk Committee twice a year at the September and March meetings; and
- A finalised version of the AGS would be brought to Members of the Finance, Audit and Risk Committee in September 2020.

The Policy and Community Engagement Manager reminded Members that comments could be sent to him by email if they wished.

The following Members asked questions:

- Councillor Kate Aspinwall.

In response to the Member's question, the Policy and Community Engagement Manager advised that a substantial amount of report had been completed before coronavirus. The Annual Governance Statement would be revised and would be brought before the Committee in September and capture the additional Council actions during the coronavirus pandemic, mostly in relation to the support provided to residents, voluntary and community groups and businesses, relaxing of PCN notices, partnership working food parcels, establishment of a community support grant sign posting to Government grants and the development of a district wide recovery plan.

It was:

RESOLVED: That the draft AGS Action Plan 2019/20 be noted and any further comments on the drafts be provided to the Policy and Community Engagement Manager in order for it to be finalised for approval (in September 2020).

REASON FOR DECISION: The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval in September 2020.

20 RISK MANAGEMENT UPDATE

Audio Recording – 27 Minutes 40 Seconds

The Service Director – Resources presented the report entitled Risk Management Update and drew Members' attention to the following:

- Paragraph 8.2 on page 76 within the report and advised that at the Risk Management Group on 18 May, the Novel Coronavirus (Covid-19) Risk was reviewed. However, there had been some changes since that meeting and an update would be provided at the next meeting which looked at managing the risk of lifting lockdown restrictions, creating a recovery project board and the implications of a local lockdown;
- Paragraph 8.3 on page 76 within the report and advised that the Cyber Risk would be kept at Score 8 on the Draft Risk and Opportunities Matrix;
- A new Service risk had been set up for delivering the NHDC Climate Change Strategy with a risk score of 6, as detailed at paragraph 8.4 on page 76 within the report;
- The Annual Report on Risk Management was reviewed and agreed by the Risk Management Group, as further explained at paragraph 8.5 on page 76 within the report.

The following Members asked questions of the Service Director – Resources:

- Councillor Sam Collins;
- Councillor Sam North;
- Councillor Michael Weeks; and
- Councillor Kate Aspinwall.

In response to questions raised, the Service Director advised as follows:

- A general economic crash could form part of the Covid-19 Risk, as well as the Managing the Council's Finances Risk. However, it may need to have its own risk. This would be discussed at the next Risk Management Group;
- The Novel Coronavirus Risk Owner came under the Directorate Place as Emergency Planning was the responsibility of the Service Director – Place. However, all Senior Officers were involved with the planning of the Covid-19 Risk;
- There was a need for all Service Areas to relook at Business Continuity especially if any resilience was being impacted by Coronavirus;
- The responsibility for Organic Waste disposal laid with the County Council and was part of a long-term contract. It was believed that the County Council would look at separating the waste once the contract came to end. However, at present, food and garden waste (termed Organic Waste) went to the same place; and
- Climate Change was not detailed on the matrix as it was classified as a Service Risk and not a Corporate Risk.

In response to the Member's question relating to the risk of an economic crash following the Coronavirus pandemic, Councillor Ian Albert, Executive Member for Finance and IT, advised that there was a Risk Management Group due to be held in August where the risk of an economic crash and the implication on the Council would be discussed and monitored thereafter.

In response to the Member's question relating to the re-classification of 'Food and Garden Waste' to 'Organic Waste', the Chair directed the Member to the explanation provided at paragraph 4.6 – Re-Classified to Service Risks on page 93 within the report.

Councillor Aspinwall requested a Written Question be asked of the Executive Member for Recycling and Waste Management, as follows:

- (1) Why the Delivery of the Waste Collection and Street Cleaning Services Contract remained as a Risk Score 8 on the Draft Risk and Opportunities Matrix?
- (2) Why the Food and Garden Waste had been be re-classified as Organic Waste?

Councillor Sam North stated that despite Climate Change not being classified as a Corporate Risk, it did not detract from the fact that the Council were taking Climate Change seriously and were responding to Climate Change via the Cabinet Panel on the Environment which helped to inform Council policy.

It was **RESOLVED:**

- (1) That the Corporate Risks for the quarter, namely the review of the Novel Coronavirus (COVID-19) risk with an unchanged scored of 9 and the review of the Cyber Risks and Data Protection Risk with an unchanged score of 8, be noted;
- (2) That the Annual Report on Risk Management be noted.
- (3) That the Executive Member for Recycling and Waste Management be requested to provide a written response to the following questions to the next meeting of the Finance, Audit and Risk Committee on 7 September 2020:

Why the Delivery of the Waste Collection and Street Cleaning Services Contract remained as a Risk Score 8 on the Draft Risk and Opportunities Matrix?

Why the Food and Garden Waste had been be re-classified as Organic Waste?

RECOMMENDED TO CABINET: That the Annual Report on Risk Management be noted and then referred to Full Council.

REASONS FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet;
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

21 FINANCIAL IMPACTS OF COVID-19

Audio Recording - 48 Minutes 40 Seconds

As Executive Member for Finance and IT, Councillor Ian Albert introduced the report entitled Financial Impacts of Covid-19 and advised Members of the Committee that the report was to provide assurance to the Committee, Cabinet and Council on the current Covid-19 financial situation. He informed Members that the Service Director – Resources' report was based on the reports that had been sent regularly to the Ministry of Housing, Communities and Local Government.

Councillor Ian Albert stressed that Council services had continued to operate under the circumstances despite being faced with shortfalls.

Audio Recording – 1 Hour 11 Minutes 52 Seconds

After the presentation of the Part 2 Report entitled Financial Impacts of Covid-19, the Service Director – Resources presented the Part 1 report entitled Financial Impacts of Covid-19 and drew Members' attention to the following:

- Paragraphs 8.13-8.14 on page 107 within the report and the contents in Table 2;
- It was only possible to estimate the extent to which the income guarantee would cover losses. The Council had to fund the first tranche of losses up to 5%;
- The contents in Table 7 as detailed at paragraph 8.35 on page 113 within the report; and
- The Investment Strategy detailed how the Council would invest its cash, which included loans for service purposes, as detailed at paragraph 8.39 on page 114 within the report.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Sam North;
- Councillor Kate Aspinwall;
- Councillor Adem Ruggiero-Cakir; and
- Councillor Morgan Derbyshire.

In response to questions, the Service Director – Resources advised that:

- Thus far, £5,000-£10,000 had been received from the Government in relation to housing the Homeless during the coronavirus pandemic;
- A local lockdown financial impact modelling would only provide an estimate and would be difficult to forecast costs;
- The cost of resurfacing the Lairage Car Park, outlined in Table 7 on page 113 within the report, was an estimated cost a tender had not taken place;
- £350,000 was not the final price for the resurfacing work of the Lairage car park;
- It was important to start the resurfacing work on the Lairage car park as over time the water could cause the concrete to fail which would result in longer term problem;
- In relation to Recommendation 2.4 and asking Council to approve the £350k resurfacing work on the Lairage car park, there was no requirement to use the Emergency Powers to start the work sooner. The resurfacing work could wait until after Council meeting in September 2020.

In response to the Member's point regarding Bim Afolami's letter relating to offering residents free parking in NHDC car parks in Hitchin, Councillor Ian Albert stated that the Council would need to be convinced that this was the best way to spend money. However, he welcomed the MP for attending the Hitchin Committee to discuss the proposal.

Members discussed the financial cost of Homelessness, detailed at paragraph 8.18 on page 109 within the report. It was proposed by Councillor Sam Collins and seconded by Councillor Sam North that a letter be sent to the relevant Government Minister and/or Prime Minister asking that the £200k forecasted spend on housing the Homeless for the entirety of the coronavirus pandemic be covered by the Government.

RECOMMENDED TO CABINET:

- (1) That the forecast financial impact of Covid-19, but that this could be subject to significant change. The Budgets will be formally adjusted as part of the Quarter 1 revenue budget monitor, be noted;
- (2) The delay of the capital spend of £2,809k to 2021/22 onwards, as detailed in Table 6, be approved;
- (3) That a letter be sent to the relevant Government Minister and/or Prime Minister asking that the £200k forecasted spend on housing the Homeless for the entirety of the coronavirus pandemic be covered by the Government.

That Cabinet recommend to Council:

- (1) The forecast impact of Covid-19 in comparison to available reserves and confirms that these reserves will be used to fund the impact. This means that an emergency budget is not required, be noted;
- (2) The £350k is added to the Capital Programme for the resurfacing of the top deck of the Lairage Car Park, Hitchin, be approved;
- (3) An addition to the Investment Strategy that would allow the Council to provide a loan to Hertfordshire Building Control of £65k, if it is required, be approved.

REASON FOR DECISIONS: To ensure that the financial impacts of Covid-19 are recognised and make the necessary changes to allow the Council to manage its budgets.

22 EXCLUSION OF PRESS AND PUBLIC

Audio Recording – 53 Minutes 40 Seconds

RESOLVED: That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the likely disclosure of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the said Act (as amended).

23 FINANCIAL IMPACTS OF COVID-19

Owing to the confidential nature of the report, there was no audio recording.

The Service Director – Resources presented the report entitled Financial Impacts of Covid-19.

Members posed a number a questions to the Service Director – Resources and after a substantial discussion, it was:

RESOLVED: That the contents of the Part 2 Report entitled Financial Impacts of Covid-19 be noted.

REASON FOR DECISION: To ensure that the financial impacts of Covid-19 are recognised and make the necessary changes to allow the Council to manage its budgets.

24 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 1 Hour 42 Minutes 47 Seconds

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they were welcome to email her.

RESOLVED: That the Financial Impacts of Covid-19 be a standing item on future Finance, Audit and Risk Committee Agendas.

The meeting closed at 9.19 pm

Chair

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD AS A VIRTUAL MEETING
ON MONDAY, 7TH SEPTEMBER, 2020 AT 7.30 PM**

MINUTES

Present: *Councillors: Kate Aspinwall (Chair), Sam North (Vice-Chair), Sam Collins, Steve Deakin-Davies, Adem Ruggiero-Cakir and Michael Weeks*

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Mark Chalkley (SIAS Client Audit Manager), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting Councillor Ian Albert (Executive Member for Finance and IT) and Georgina Chapman (Policy Officer)*

25 WELCOME AND INTRODUCTIONS

Audio Recording – 13 Seconds

The Chair welcomed everyone to the virtual Finance, Audit and Risk Committee meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online and advised that there was the opportunity for the public and press to listen and view proceedings.

The Committee, Member and Scrutiny Officer gave advice regarding the following:

Attendance

A roll call was undertaken to confirm that the required Members and Officers were present and could hear and be heard.

If for any reason the meeting was not quorate an Officer would interject the meeting and the meeting would adjourn immediately. Once the meeting was quorate the meeting would resume.

Only Members present during the entire debate for an item were entitled to vote. If a Member had been cut off during the debate and re-joined the meeting, then they would not be able to vote on that item.

Live Streaming

The meeting was being streamed live on the Council's YouTube channel. If live streaming failed the meeting would adjourn. If the live stream could not be restored within a reasonable period then the remaining business would be considered at a time and date fixed by the Chair.

If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

If technology failed for a member of the public who had attended to exercise their right to speak and was unable to do so, the Chair may decide to proceed to the next item of business to allow for connection to be re-established. If connection could not be restored within a reasonable period, the Chair may decide to conclude the remaining business, or consider the remaining business at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

Noise Interference

The Committee, Member and Scrutiny Officer asked all in attendance to ensure that electronic devices were muted.

Rules of Debate

If a Member wished to speak they should use the raise hand button and this would alert the host that they wished to speak.

Members were reminded that the normal procedure rules in respect of debate and times to speak would apply.

Voting

When requested to vote, Members were informed to vote using the Green tick for 'Yes', Red Cross for 'No' and Blue Raise Hand for 'abstain'.

Details of how Members voted would not be kept or minuted unless a Recorded Vote was requested or an individual requests that their vote be recorded.

The Committee, Member and Scrutiny Officer would clearly state the result of the vote and the Chair would proceed to the next agenda item.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

26 APOLOGIES FOR ABSENCE

Audio Recording – 3 Minutes 26 Seconds

There were no apologies for absence received.

27 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 3 Minutes 38 Seconds

There was no other business notified.

28 CHAIR'S ANNOUNCEMENTS

Audio Recording – 3 Minutes 40 Seconds

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded and streamed on the Council's YouTube Channel;

- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question; and
- (4) The Chair advised that a comfort break would be called if the meeting were to run past 9:00pm.

29 PUBLIC PARTICIPATION

Audio Recording – 4 Minutes 15 Seconds

There was no public participation.

30 SIAS - ANNUAL REPORT 2019/20

Audio Recording – 4 Minutes 19 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Annual Report 2019/20, including:

- The Performance Indicators on page 13 within the report and advised that as at 31 March 2020, 94% planned days had been delivered against a target of 95%;
- 89% audits issued in draft by 31 March against a target of 95%;
- The figures in brackets represented revisions to account for the impact of audits unable to commence or complete due to Covid-19;
- The impact of Covid-19 was felt in March 2020 and posed audit delivery challenges; and
- The Public Sector Internal Audit Standards required SIAS to have an external quality assessment at least once every five years. The next assessment was due in November 2020. However, the SIAS Board have agreed to defer the assessment to May 2021.

The following Members offered comment:

- Councillor Sam Collins; and
- Councillor Michael Weeks.

RESOLVED: That the report entitled SIAS – Annual Report 2019/20 be noted.

REASON FOR DECISION: To enable the Committee to consider the SIAS Annual Report 2019/20.

31 SIAS - AUDIT COMMITTEE PROGRESS REPORT

Audio Recording – 10 Minutes 30 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Audit Committee Progress Report, including:

- Directed Members to the table at Paragraph 2.2 on page 21 within the report and advised that one report was outstanding. A meeting was due to take place in 2 week's time to finalise the report;
- Directed Members to the table at Paragraph 2.3 on page 22 within the report and advised that these 2 reports had now been issued;
- Members were directed to the High Priority Recommendations starting at Paragraph 2.4 on page 22 within the report;

- There had been some delays in progressing with the 2020/21 audit plan. As a result of the loss of available time to deliver the originally agreed plan, the SIAS Board have agreed to a reduction in the total number of planned days - this amounted to 28 days for NHDC;
- The Anti-Social Behaviour Audit had been removed. The decision to remove the audit was based upon the changing priority of the service;
- The Shared Learning and Joint Reviews had been removed;
- The Contingency had been removed from the audit plan;
- The Progress Monitoring had been reduced by 1 day;
- The impact of changes to the audit plans meant that the total number of days to be delivered was 292 days, reduced from 320;
- The planned audit projects had been safeguarded as far as possible to ensure that assurance opinions provided to the Council for the financial year were well informed;
- Directed Members to the table at Paragraph 2.11 and provided updated figures, as follows:
 - 78.5 (27%) Planned Days had been delivered; and
 - Draft reports remained unchanged;
- Audits were on track to be completed. However, the next 2 months were critical to ensure their competition; and
- Appendix C detailed that all work started was due to be completed in the next few months.

The following Members asked questions:

- Councillor Michael Weeks.

In response to the Member's question, the SIAS Client Audit Manager advised that there were no physical meetings taking place currently. Working remotely and differently posed some challenges but there was still good engagement from partners.

The Chair thanked the work that was being done by SIAS.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 21 August 2020 be noted;
- (2) That the implementation of High Priority status recommendations be noted.

REASON FOR DECISIONS: To enable the Committee to consider the SIAS – Audit Committee Progress Report.

32 ANNUAL GOVERNANCE STATEMENT 2019/20

Audio Recording – 23 Minutes 7 Seconds

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019/20 and drew Members' attention to the amendments to the AGS detailed at Paragraph 5.1 on page 34 within the report.

RESOLVED: That the amended AGS and Action plan be approved.

REASONS FOR DECISION:

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

33 DRAFT AUDIT RESULTS REPORT

Audio Recording – 26 Minutes 55 Seconds

The Draft Audit Results Report was added under urgency provisions. The reason for urgency was that the Statement of Accounts must be approved by 30 November 2020, in line with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The next scheduled Finance, Audit and Risk Committee is due to take place after this deadline on 3 December 2020.

The Associate Partner and the Audit Manager – Ernst and Young, presented the Draft Audit Results Report.

The Associate Partner informed Members that the audits had been completed entirely via remote means.

The Associate Partner advised that subject to satisfactory completion of some outstanding items they were expected to issue an unqualified opinion on the Authority's financial statements. The Audit Manager provided more detail on the outstanding items, as per page 115 of the report.

The Audit Manager advised that they would include an 'emphasis of matter' paragraph in order to draw users' attention to the going concern disclosure.

The Associate Partner provided further information relating to the Fee Analysis, outlined on page 141 within the report.

The Service Director – Resources concluded the item by advising that Members were recommended to note the Draft Audit Results Report.

RESOLVED: That the Draft Audit Results Report be noted.

REASON FOR DECISION: To enable the Committee to consider the Draft Audit Results Report.

34 STATEMENT OF ACCOUNTS 2019/20

Audio Recording – 37 Minutes 55 Seconds

The Statement of Accounts was added under urgency provisions. The reason for urgency was that the Statement of Accounts must be approved by 30 November 2020, in line with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The next scheduled Finance, Audit and Risk Committee is due to take place after this deadline on 3 December 2020.

The Service Director – Resources presented the report entitled Statement of Accounts and drew Members' attention to Recommendation 2.2. He advised that there may be some minor changes to the accounts. However, if there were any major changes to be made, the report would be brought back before Members of the Committee.

The Service Director – Resources reaffirmed that the accounts required approval by 30 November 2020. However, the next Finance, Audit and Risk Committee was not scheduled until 3 December 2020, therefore illustrating the urgency.

There was clarification sought from Members regarding Recommendation 2.2 which the Service Director – Resources provided guidance on.

RESOLVED:

- (1) That the draft 2019/20 Annual Statement of Accounts, as set out in Appendix A, be approved based on the draft Audit Results report;
- (2) That subject to the final Audit Results report not requiring any substantial changes, the final approval of the 2019/20 Annual Statement of Accounts be delegated to the Chair of the Committee. This will include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISIONS: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

35 RISK MANAGEMENT UPDATE

Audio Recording – 44 Minutes

The Service Director – Resources presented the report entitled Risk Management Update, including:

- The Risk Management Group (RMG) discussed the impact of Anti-Social Behaviour on Council Facilities. The Group agreed to the reduction in the risk score from a 7 to a 5;
- In view of the Director of Public Health Herts reports stating that we were heading down the curve both locally and nationally, it was agreed by the RMG that the Covid-19 risk score should be reduced from a 9 to an 8;
- The RMG discussed the Service Risk for the Leisure Management Contract,. The group agreed that it should be split into two separate risk entries, one relating to the significant risks associated with Covid-19 and the other relating to the previously recorded ongoing operational risks. The RMG proposed that the Covid-19 risk should be a corporate risk with a score of 8;

- The Service Manager for Waste and Recycling had provided further information in relation to the Route Optimisation of Collection Rounds Risk. It has been confirmed that the route optimisation of rounds was complete and collection services were operating within normal expected parameters. Therefore, as the work has been completed and appropriate risk mitigation measures were in place, it was recommended that the risk was now archived.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Sam North;
- Councillor Kate Aspinwall;
- Councillor Adem Ruggiero-Cakir; and
- Councillor Michael Weeks.

Following Members questions relating to the Impact of Anti-Social Behaviour on Council Facilities Corporate Risk Score, the Service Director – Resources provided further information as to the reasons the score was reduced. He advised that work had been completed prior to Lockdown to tackle anti-social behaviour such as making physical improvements to the Lairage car park and the Car Parking Team moving back into the car park. Additionally, work done by the Community Protection team, the Police and Schools had all helped to reduce Anti-Social Behaviour in the car park.

There was a further discussion on the decision to reduce the Impact of Anti-Social Behaviour on Council Facilities risk score, with Members providing reasons that the risk score should not be reduced.

In light of Members' points, the Service Director – Resources responded that the risk score specifically related to Anti-Social Behaviour against Council facilities rather than general Anti-Social Behaviour.

A Member raised a question relating to Stevenage Leisure which the Service Director – Resources advised there would be a report presented at Council in regards to that subject.

There was a discussion as to whether the Covid-19 risk score should be reduced as there was a possibility of a second wave of the pandemic that could have a further impact on the Council's income.

The Service Director – Resources advised that there were mitigation processes in place such as the car park income guarantee from the Government.

RECOMMENDED TO CABINET:

- (1) 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;
- (2) That the Novel Coronavirus (covid19) Corporate risk be retained at a risk score of 9 instead of reduced to 8;
- (3) That the New Corporate Risk, Covid19 – Leisure Management Contract, be proposed as a risk score of 8.
- (4) That the Route Optimisation of Collection Rounds Risk be archived.

REASON FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet;
- (2) This Committee has the responsibility to monitor the effective development and operation of Risk Management.

36 FIRST QUARTER REVENUE MONITORING 2020/21

NB: Before the start of this item, there was a comfort break called at 20:45. The meeting resumed at 20:57.

The Committee, Member and Scrutiny Officer carried out a roll call to ensure all Members and Officers were present.

Audio Recording – 1 Hour 25 Minutes 46 Seconds

The Service Director – Resources presented the report entitled First Quarter Revenue Monitoring 2020/21, including:

- The table at Paragraph 8.1 on page 81 within the report and advised that Service Managers were responsible for monitoring their expenditure and income against their working budget. Table 3 highlighted areas where there were forecast to be differences;
- The Financial Impact of Covid-19 Report brought before Members in July 2020 was intended to illustrate a realistic bad case impact. However, despite this, the outcome showed that an Emergency Budget would not need to be set as the Council's reserves were sufficient;
- This report took a less severe approach as it reflected what had happened thus far;
- Further information was provided in relation to the income guarantee as detailed at Paragraph 8.16 on page 90 of the report and advised that the Council was able to decide the income streams to apply it to. The Income Guarantee only related to sales, fees and charges impacted by a reduction in demand;
- Two significant areas not covered by the income guarantee were therefore the garden waste service and income from recycled materials;
- The latest forecast at the end of August showed that the income recovery was better than forecasted; and
- The Service Director – Resources drew Members' attention to Paragraphs 8.3 and 8.4 on page 87 within the report in relation to a debt write-off.

The following Members asked questions:

- Councillor Sam Collins.

In response to questions, Councillor Ian Albert, as Executive Member for Finance and IT, advised as follows:

- A lot of the Government's estimates were predicated on the notion that the situation could only improve. However, this may not be the case;
- A number of things were being looked at including a budget challenge group and working closely with the Local Government Association in order to continue to lobby the Government as Local Authorities were running short of money;
- The Council's financial position was better than that of a lot of other Councils;
- There was no need currently for an emergency budget; and
- Another Lockdown could have a serious impact on the Council's finances.

RECOMMENDED TO CABINET:

- (1) That the report entitled First Quarter Revenue Monitoring 2020/21 be noted;
- (2) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.468million increase in net expenditure, be approved;
- (3) That the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £186k increase in net expenditure, be noted. These will be incorporated in the draft revenue budget for 2021/22;
- (4) That the write-off of debtor invoices totalling £17,442.64 raised to Hitchin Markets Limited, as explained in paragraphs 8.3 and 8.4, be approved.

REASON FOR DECISIONS: 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.

37 FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2020/21

Audio Recording – 1 Hour 39 Minutes 45 Seconds

The Service Director – Resources presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review 2020/21 and highlighted to Members the Treasury Management position for 2020/21 detailed at Paragraphs 8.9 – 8.10 on page 100 within the report.

RECOMMENDED TO CABINET:

- (1) That the forecast expenditure of £10.519million in 2020/21 on the capital programme, paragraph 8.3 refers, be noted;
- (2) That 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 £0.296million, be approved;
- (3) That 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, be noted;
- (4) That the position of Treasury Management activity as at the end of June 2020, be noted.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (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.

38 MEDIUM TERM FINANCIAL STRATEGY

Audio Recording – 1 Hour 42 Minutes 55 Seconds

The Service Director – Resources presented the report entitled Medium Term Financial Strategy, including Appendix A.

- As detailed in the separate report the financial impact of Covid-19 on income and expenditure in 2020/21 was forecast to be around £4,708k against estimated Government funding of £3,550k, leaving a shortfall of £1,358k;
- There was also expected to be a shortfall on the Council Tax Collection Fund from the increased entitlement for Council Tax Reduction Scheme (CTRS);
- The MTFS had previously assumed net growth of 1% per year in the Council Tax base. This was based on housing growth and a stable CTRS eligibility. The actual assumption was that growth would be a bit higher than 1% but that some of this was needed to fund the additional costs associated with new properties (e.g. waste collection);
- Further delays to the Local Plan hearings and a general economic downturn meant that housing growth was likely to be suppressed;
- Whilst CTRS eligibility may start to decrease over time it would probably still be higher than previous levels; and
- The current budget included an allowance for pay inflation of 2% each year. The pay award offered to the Unions by the employers under national pay bargaining for 2020/21 was for 2.75%. This was only for one year.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Michael Weeks; and
- Councillor Kate Aspinwall.

The Executive Member for Finance and IT responded to question as follows:

- As there was a larger base of people claiming Council Tax Reduction owing to Covid, it meant there was smaller amount of people to collect the same amount from, leaving the Council with an additional shortfall as outlined at Paragraph 2.7;
- Collection Rates were due for a discussion at Overview and Scrutiny. There was an issue with Business Rates. However, Council Tax was holding up well;
- The Service Director – Customers would provide a further update on collection rates;
- Brexit was not built into the assumptions as the risk was not yet known and there was a lot of uncertainty; and
- Long term planning was difficult owing to the pandemic and a new funding system.

In response to questions, the Service Director – Resources advised as follows:

- Increases in Council Tax Reduction Scheme eligibility decrease the Council Tax base;
- The Local Plan was not wrong in terms of housing growth. There was not certainly when the growth would take place;
- There was forecasted to be £6.4million in the General fund reserves by the end of the period based on the assumptions; and
The strategy would be amended if required should the situation deteriorate.

RECOMMENDED TO CABINET:

That Cabinet recommend to Council:

- (1) The adoption of the Medium Term Financial Strategy 2021-26 as attached at Appendix A.

REASON FOR DECISION: Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2021/2022 to 2025/2026, culminating in the setting of the Council Tax precept for 2020/21 in February 2021.

39 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 2 Hours 9 Minutes 30 Seconds

Members discussed items for the future agenda and it was:

RESOLVED: That the risks in relation to Commercialisation and the Commercial Team be reviewed by the Risk Management Group, and that this be reported back to the next meeting.

The meeting closed at 9.55 pm

Chair

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NORTH HERTFORDSHIRE DISTRICT COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
MEETING HELD AS A VIRTUAL MEETING
ON THURSDAY, 3RD DECEMBER, 2020 AT 7.30 PM

MINUTES

Present: *Councillors: Kate Aspinwall (Chair), Sam North (Vice-Chair), Adem Ruggiero-Cakir*

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young), Josh Smart (Audit Senior - Ernst and Young), Mark Chalkley (SIAS Client Audit Manager), Nick Jennings (Head of the Shared Anti-Fraud Service) Matthew Hepburn (Committee, Member and Scrutiny Officer) and William Edwards (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting Councillor Ian Albert was present as Executive Member for Finance and IT.*

40 WELCOME AND REMOTE/PARTLY REMOTE MEETINGS PROTOCOL SUMMARY

The Chair welcomed everyone to this virtual Finance, Audit and Risk meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online. There was also the opportunity for the public and press to listen to and view proceedings.

The Chair invited the Committee, Member and Scrutiny Officer to explain how proceedings would work and to confirm that Members and Officers were in attendance.

The Committee, Member and Scrutiny Officer undertook a roll call to ensure that all Members and Officers could hear and be heard and gave advice regarding the following:

The meeting was being streamed live onto You Tube and recorded via Zoom. Extracts from the Remote/Partly Remote Meetings Protocol was included with the agenda and the full version was available on the Council's website which included information regarding:

- Live Streaming;
- Noise Interference;
- Rules of Debate and
- Voting

Members were requested to ensure that they were familiar with the Protocol.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

41 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Sam Collins, Steve Deakin-Davies and Michael Weeks.

NB: Councillor Morgan Derbyshire sent apologies for the meeting via email at 19:24. However, this was not received by the Committee, Member and Scrutiny Officer until after the meeting had closed.

42 NOTIFICATION OF OTHER BUSINESS

There was no other business notified.

43 CHAIR'S ANNOUNCEMENTS

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

44 PUBLIC PARTICIPATION

There was no public participation.

45 FINAL AUDIT RESULTS REPORT

The Associate Partner and the Audit Manager – Ernst and Young presented the report entitled Final Audit Results Report. The Associate Partner informed Members that his colleague, Josh Smart, was in also attendance as Audit Senior who had completed the Council's Audit.

The Associate Partner updated the Committee as follows:

- The September 2020 meeting of the Finance, Audit and Risk Committee reported the Audit Results of the 2019/20 accounts;
- At the September meeting, there were three key items that Ernst and Young were waiting to conclude: pension assurances, completion of work by the property valuation specialists and completion of the internal consultation process on the Council's Audit report namely in respect of the impact of Covid-19 on 'Going Concern' and 'Property Valuations';
- In November, all three of those items were concluded and Ernst and Young were in a position to issue the Council's Audit Opinion on 30 November 2020, allowing for the publication of the audited accounts by the target date;
- The September Audit went smoothly despite the challenges posed by working remotely; and
- Ernst and Young did not include an emphasis of matter on the Council's Going Concern and the report contained an explanation for that.

The Audit Manager continued the presentation and reported as follows:

- Property Valuation was a significant risk in September 2020 compared to their planning where it was an area of audit interest risk;

- The reason the risk was upgraded to significant was mainly owing to the uncertainty reported by the valuer;
- Ernst and Young engaged their real estate specialists where they used certain examples including Churchgate Shopping Centre. Based on their review from Ernst and Young's valuation experts, it was concluded the valuation was reasonable and the material uncertainty did not exist for property valuation;
- An emphasis of matter paragraph had been included in the report which outlined a disclosure relating to material uncertainty; and
- The other area outstanding in September was pension liability evaluation which was concluded in November. However, in October, the Council received a revised valuation report and there was a change of £206,000 in reduction of net liability.

The Associate Partner reassured Members that the emphasis of matter on property valuations and the late adjustments on the pensions liability were common. The emphasis of matter on property valuations had been appearing in the majority of Councils who hold significant property assets on their balance sheet.

The Associate Partner directed Members to the Fee Analysis detailed on Page 32 within the report.

It was:

RESOLVED: That the Final Audit Results Report be noted.

REASON FOR DECISION: To update the Committee on the Final Audit Results.

46 **SIAS UPDATE ON PROGRESS AGAINST THE 2020/21 AUDIT PLAN**

The SIAS Client Audit Manager presented the report entitled SIAS Update on Progress Against the 2020/21 Audit Plan, including:

- Directed Members to the Table at Paragraph 2.2 on page 53 within the report and advised that the table detailed all final reports that had been issued since September 2020;
- 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 had been added at Appendix E;
- The Community Engagement Audit had been reduced to 10 days from 15 days in order to release days for an investigation in relation to a complaint received; and
- SIAS were requested to investigate part of a complaint received in relation to the award of a Community Facilities Capital Grant in May 2020.

The SIAS Client Audit Manager reported that there were some updates to be made to the information contained in the Table at paragraph 2.8, as follows:

- 187 (64%) planned days had now been delivered;
- 13 out of 24 planned projects had now been completed; and
- 7 Client Satisfaction with Conduct of the Audit questionnaires had been returned.

The SIAS Client Audit Manager advised that they expected to achieve the annual targets.

The SIAS Client Audit Manager directed Members to the appendices A-D and provided further information in relation to those reports still outstanding in Appendix B. He further advised that Quarter 3 in Appendix C, some of those audits should be completed before Christmas.

The following Members asked questions:

- Councillor Sam North

In response to the question raised, the SIAS Client Audit Manager advised that:

- In relation to the investigation, the report had been issued to the Deputy Monitoring Officer and Section 151 Officer.

Members entered into a discussion around 'North Herts District Council – Review of the Effectiveness of the Finance, Audit and Risk Committee 2019/20 - Section 4 – Looking Ahead' and the 4 actions that had been set out.

Councillor Kate Aspinwall and Councillor Adem Ruggiero-Cakir posed some questions in regards to the actions detailed at Section 4.

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

- 'The Independent Member' action detailed in Section 4 'Looking Ahead' was a matter for the Council's Constitution;
- Committee Independence was a matter for nominations at Annual Council but now was the time for Members to put their views forward in relation to that;
- In regards to Deputy Executive Members, from a practicality point of view, if 14 members of the Joint Administration were taken out, there would potentially not be a sufficient number of people. Therefore, not all Members could be excluded; and
- It was a good idea to compile a work plan at the beginning of the civic year with the Chair of the Finance, Audit and Risk Committee and the Chair of Overview & Scrutiny to ensure that the remit of FAR did not overlap with that of Overview & Scrutiny.

Councillor Kate Aspinwall, in relation to action 4.6 – Learning and Development, stated that Learning and Development should be a priority for Members in the next Civic Year.

The Committee were in agreement with the "Looking Ahead' Recommendations outlined at Paragraphs 4.3-4.6 on page 70 within the report.

It was:

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 18 November 2020 be noted; and
- (2) That the implementation status of High priority recommendations be noted.

REASON FOR DECISIONS: To update the Committee on the progress against the 2020/21 Audit Plan.

47 **PROGRESS WITH DELIVERY OF THE 2020/21 ANTI-FRAUD PLAN**

The Head of the Shared Anti-Fraud Service presented the report entitled Progress with delivery of the 2020/21 Anti-Fraud Plan, including:

- Drew Members' attention to Appendix B – KPIs on page 89 within the report which were all on target;
- The Covid-19 outbreak created opportunities for fraudsters to exploit. The Shared Anti-Fraud Service's response to the pandemic and the impact it has had on the service was detailed in the report starting at Paragraph 2.18 on page 76 within the report;
- SAFS had deployed one Counter Fraud Officer to work exclusively for the Council. The Officer received support from the Intelligence Team;
- The Intelligence Team dealt with all fraud allegations received;
- The Counter Fraud Officer has been working with the Council on looking at the prevention of, and recovery of fraudulent grant payments. There were a few cases under investigation;
- Directed Members to paragraphs 2.5 – 2.10 on page 74 within the report which outlined fraud awareness and prevention;
- One of the key aims for the Council was to continue to maintain an 'Anti-Fraud' culture that would deter fraud and encourage the public and staff to identify fraud and report it;
- There had been a decrease in referrals across all the partners between March and July 2020;
- A Campaign was launched in August to raise awareness of Fraud against the Local Authority;
- The campaign reached approximately 350,000 residents and as a result there was an increase of visits to the SAFS website;
- International Fraud Awareness week took place in November 2020 – the outcome was not known yet however visits to the website had increased;
- There had been 66 allegations of fraud between April and October 2020 - that number was higher than on previous years possibly highlighting that the fraud awareness campaigns had been effective; and
- There were 49 live cases at the moment – this number was manageable.

It was:

RESOLVED:

- (1) That the progress made in delivering the 2020/21 Anti-Fraud Plan be reviewed;
- (2) That the performance of SAFS in meeting its Key Performance Indicators in 2020/21 be reviewed.

REASON FOR DECISIONS: To update the Committee on the progress with delivery of the 2020/21 Anti-Fraud Plan.

48 **ANNUAL GOVERNANCE STATEMENT 2019/20: UPDATED ACTION PLAN FOR 2020/21**

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019/20: Updated Action Plan for 2020/21, including:

- The report brought an update to the action plan 2020/2021;
- The report was part of the final Annual Governance Statement which Members of the Committee considered at the meeting of the Finance, Audit and Risk Committee in September; and

- Drew Members' attention to paragraph 8.2 on page 93 within the report and advised that all those actions outlined in Appendix A on page 95 within the report were on-going.

Councillor Ian Albert, Executive Member for Finance and IT, emphasised the importance of Members undertaking the Ethical Awareness Training detailed in Appendix A.

The following Members asked questions:

- Councillor Adem Ruggiero-Cakir

In response to the question on the Gender Pay-Gap Group, the Chair responded that she had discussed this matter with the Acting Human Resources Manager and was comfortable with the work being undertaken regarding all areas of diversity and inclusion. She further added that the Gender Pay-Gap Group was now considering wider inclusion issues in terms of diversity and protected characteristics.

The Service Director – Resources further reported that the Gender Pay-Gap Group formally changed its name to The Inclusion Group as it was now also looking at diversity and inclusion. The Terms of Reference had been drafted to reflect this.

It was:

RESOLVED: That the progress made against the individual actions as outlined in the Action plan for 2020/21 at Appendix A be noted.

REASONS FOR DECISION:

- (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;
- (2) The Committee is the legal body with responsibility for approval of the AGS; and
- (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.

49 RISK MANAGEMENT UPDATE

The Service Director – Resources presented the report entitled Risk Management Update, including:

- The Risk Management Group proposed to change the risk in relation the impact of Covid-19 on the Council's Leisure Management Contract;
- The 'Lockdowns' had placed huge financial pressures on Stevenage Leisure Ltd: and
- As requested at the last meeting of the Finance Audit and Risk Committee, the Risk Management Group had considered the Income Generation risk.

The following Members asked questions:

- Councillor Kate Aspinwall

In response to the Member's question, the Service Director – Resources advised that the Covid-19 Risk covered both the impact of the pandemic on the Council's Services and elements of recovery. A few months ago, the attention was on recovery but now the Council was required to move back to reaction. Expected that in Spring next year there would be need to review the presentation and structure of the risk

NB: Councillor Kate Aspinwall advised that she was having some connection issues. As a result, the Service Director – Resources repeated the answer provided.

NB: Councillor Kate Aspinwall lost connection to the meeting for a brief moment but re-established connection. In order to help solve the problem, the Committee, Member and Scrutiny Officer advised the Chair to disable her camera.

The Committee, Member and Scrutiny Officer read out the recommendations in the report as follows:

- (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) 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.

The Service Director – Resources advised that Recommendation 2.1 should be amended so that the Committee recommend to Cabinet 'that the risk score for the Covid-19 Leisure Management Contract risk be increased from 8 to 9;'

It was:

RESOLVED:

- (1) That the reviews of the Corporate Risks for the quarter be noted;
- (2) That the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit, be noted.

RECOMMENDED TO CABINET:

- (1) That the risk score for the Covid 19 Leisure Management Contract risk be increased from 8 to 9;
- (2) That the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit be noted and approved.

REASONS FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet;
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

50 SECOND QUARTER REVENUE MONITORING 2020/21

The Service Director – Resources presented the report entitled Second Quarter Revenue Monitoring 2020/2, including:

- Drew Members' attention to Table 3 on page 143 within the report which outlined the changes in the forecast for that quarter;
- The forecasts detailed the Covid-19 impacts that the Council were aware of;
- The 'reason for difference' column on Table 3 offered further information relating to the impact arising from Covid-19;
- Table 5 on page 150 within the report provided a full list of events reported at Quarters 1 and 2;
- The Council were predicting, even taking into account the money provided from central Government, a net impact on the budget of £1.5 million but potentially up to £2 million. Those figures were an estimate;
- In the first 'Lockdown' car parking income decreased to approximately 10-20% of the normal income levels. The second 'Lockdown' saw the car parking income decrease to 30-40%; and
- Table 6 on page 151 within the report highlighted the impact on the Council's General Fund based on the forecasts carried out at the start of the year. The Council were forecasting a balance of approximately £9.4 million however, by the end of the year, it was likely to be around £7.6 million on current forecasts.

NB: Councillor Kate Aspinwall lost connection to the meeting. The meeting adjourned at 20:27 as the Committee had become inquorate. The meeting reconvened at 20:32 when Councillor Kate Aspinwall re-established connection to the meeting.

The following Members asked questions:

- Councillor Kate Aspinwall

In response to the Member's question in relation to Careline, the Service Director Resources advised that in looking into the prospect of taking on Hertfordshire County Council's Telecare service the impact of the additional costs highlighted in the report (table 3) would be considered and placing it under the remit of NHDC's Careline.

It was:

RECOMMENDED TO CABINET:

- (1) That the report entitled Second Quarter Revenue Monitoring 2020/21 be noted;
- (2) That 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, be approved;
- (3) That 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, be noted. These will be incorporated in the draft revenue budget for 2021/22.

REASON FOR DECISIONS: 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.

51 INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR REVIEW 2020/21

The Service Director – Resources presented the report entitled Investment Strategy (Capital And Treasury) Mid-Year Review 2020/2, including:

- Directed Members to the contents in Table 2 on page 158/159 within the report;
- The Council were dealing with a high number of grants and schemes which meant the Council's cash balances were high;
- Investment Returns (yields) on cash balances were low;
- Directed Members to the Table contained on page 161 within the report;
- The table highlighted that there were some historic investments still in place and they would reach maturity at some point;
- Investments would be replaced with a new ones at a much lower interest rate;
- As part of the spending review, there was an announcement relating to borrowing from the Public Works Loan Board which was the 'go-to' place for borrowing for Local Authorities. Whilst the Council were not in a borrowing position at the moment, owing to the capital reserves, it would be something that would be looked into in future years;
- Rates had decreased on that borrowing and conditions had been imposed that stated that the Council were not able to borrow from the Public Works Loan Board if there was any spend in the capital programme that was primarily to generate income; and
- That announcement could have an implication on the Investment Strategy going to Full Council in February.

It was:

RECOMMENDED TO CABINET:

- (1) That the forecast expenditure of £3.937million in 2020/21 on the capital Programme be noted;
- (2) That 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, be approved;
- (3) That 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, be noted;

That Cabinet recommend to Council:

- (4) That the position of Treasury Management activity as at the end of September 2020 be noted.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (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.

52 DRAFT BUDGET REPORT 2021/22

The Service Director – Resources presented the Draft Budget Report 2021/22, including:

- The main purpose of the report at the stage was to highlight the base positions and provide feedback from the budget workshops which took place in November;
- The budget would be presented at Full Council in February 2021;
- The comments from the workshop were captured in the report at paragraphs 8.9, 8.10 and 8.11;
- The resultant summary position was set out in Table 3;
- Owing to the changes made in relation to updating inflation amounts particularly regarding pay, the savings numbers had decreased from around £2.65m in the Medium Term Financial Strategy to £2.1 million. There would be a need to identify savings in future years;
- The Income Guarantee was to be continued in the period of April to June next year; and
- There was no commitment yet in terms of when the Government would look at future funding for Local Government which would have an impact on the Medium Term Financial Strategy in future years.

It was:

RECOMMENDED TO CABINET:

- (1) That 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, be noted;
- (2) That the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget, be noted;
- (3) That the comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget, be noted;
- (4) That the 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), be confirmed.

REASON FOR DECISIONS: 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.

53 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

The Chair reported that at the next meeting of the Finance, Audit and Risk Committee, the following items would be due on the agenda:

- Annual Audit Letter 2019/20;
- Certification of Claims and Returns Annual Report 2019/20;
- Corporate Business Planning – Revenue Budget 2021/22; and
- Investment Strategy (Integrated Capital and Treasury).

The meeting closed at 8.54 pm

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North Hertfordshire District Council

Annual Audit Letter for the year
ended 31 March 2020

December 2020

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The EY logo, consisting of the letters 'EY' in a bold, white, sans-serif font, with a yellow triangle above the 'Y'.

Building a better
working world

Agenda Item 7

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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.



Section 1

Executive Summary

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Executive Summary

We are required to issue an annual audit letter to North Hertfordshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion	
► Financial statements	On 30 November 2020 we issued an unqualified opinion giving a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended. We did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
► Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

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

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the PCC and CC's Whole of Government Accounts return (WGA).	We had no matters to report. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Final Audit Results Report dated 23 November 2020 and presented it to the 8 December 2020 Finance, Audit and Risk (FAR) Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our certificate on 30 November 2020.

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Fees

In the Final Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have quantified the proposed final fee and will shortly provide the Service Director – Resources with appropriate supporting details.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work and in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic and their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Section 2

Purpose and Responsibilities

Page 64

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council. We have already reported the detailed findings from our audit work in our 2019/20 Initial and Final Audit Results Report to the FAR Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

Expressing an opinion:

- ▶ On the 2019/20 financial statements of the Council; and
- ▶ On the consistency of other information published with the financial statements.

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

Reporting by exception:

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

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

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

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

Section 3

Financial Statement Audit

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Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 November 2020. We reported our detailed findings initially to the 7 September 2020 FAR Committee and then in our November Final Audit Results Report, presented to the 8 December FAR meeting. The key issues identified as part of our audit were as follows.

Significant risks	Conclusion
Valuation of investment property & other land and buildings valued using market data	Our audit work did not identify any material issues. The Council has appropriately disclosed a material valuation uncertainty paragraph included by its valuer in their valuation report. We emphasised this in our audit opinion.
Other audit risks	Conclusion
Pension Liability Valuation	The Council has appropriately accounted for its pension liabilities.
Impairment of receivables	The impairment of receivables in the accounts are fairly stated.
Going concern	The Council has assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Our application of materiality

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

Item	Thresholds applied
Planning materiality	Based on our materiality measure of 2% of gross expenditure on provision of services, we determined planning materiality as £1.289m and performance materiality at 75% of planning materiality £0.966m.
Reporting threshold	We agreed with the FAR Committee that we would report to them all audit differences in excess of 5% of materiality which is £0.64m.

Section 4

Value for Money



Value for Money

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

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

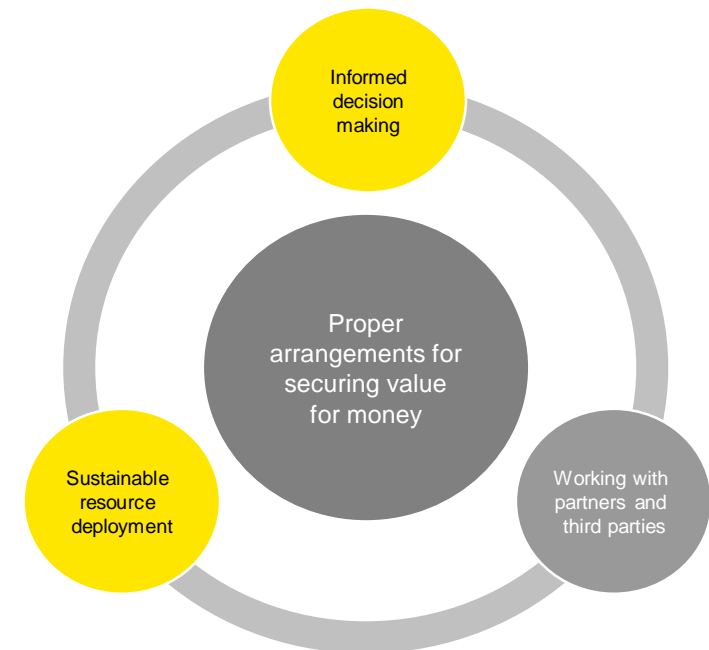
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider LG bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; 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 one significant risk in relation to these arrangements in respect of the Council's property acquisition and development strategy and associated investment strategy. Whilst we acknowledge that as a result of the Covid-19 pandemic, the Council's plans have been paused, the risks in relation to the arrangements in place to secure sustainable resource deployment and make informed decision making remained relevant to the 2019/20 VFM conclusion.

We reported in detail as part of the Audit Results Report and do not repeat our findings here.

We performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500m. Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. We had no matters to report.

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Final Audit Results Report to the FAR Committee on 8 December 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

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

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Section 6

Focused on your future



Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Continued

Focused on your future

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

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

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Audit Fees

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Audit Fees

Fees

In the Final Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified the proposed fee and are in discussion with the Service Director - Resources having shared supporting information. When we have reached agreement with the Service Director - Resources, we will then seek approval from PSAA.

	Final fee 2019/20 (£)	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work	40,295	40,068	40,068
Additional work:			
VFM conclusion significant risk (Note 1)	4,000	4,000	-
Going concern disclosure (Note 2)	2,808	2,000-3,000	-
Asset valuations impacted by Covid-19 (Note 3)	6,120	6,000-9,000	-
EY consultations on auditor report (Note 4)	1,949	1,750-3000	-
Total audit	54,945	53,818-59,608	40,068

Notes:

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.

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**FINANCE, AUDIT AND RISK COMMITTEE
18 JANUARY 2021**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE 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; consider the appropriate level of Council Tax that will be recommended to the meeting of the Council on the 11 February 2021.

2. RECOMMENDATIONS

That Cabinet:

- 2.1. Approves the decrease in the 2020/21 working budget of £153k, as detailed in table 5.

That Cabinet recommends to Council:

- 2.2. Notes the position on the Collection Fund and how it will be funded.
- 2.3. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £3.7 million is recommended.
- 2.4. Approves the savings and investments as detailed in Appendix B.
- 2.5. Approves a net expenditure budget of £16.361m, as detailed in Appendix C, .
- 2.6. Approves a Council Tax increase of £5 for 2021/22 for a band D property, with other increases pro-rata to this (as per the Medium Term Financial Strategy).

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all 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.
- 3.2. To ensure that Cabinet recommends a balanced budget to 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. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops.
- 5.2. Business Ratepayers will be consulted on the proposals within the January report before the budget is discussed at Full Council on 11 February. Any feedback will be made available at that meeting. 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.
- 5.3. 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) during January. It is however considered that this does not apply to any of the savings proposals included.

6. FORWARD PLAN

- 6.1. This report contains a recommendation on a key Executive decision (recommendation 2.1) that was first notified to the public in the Forward Plan on the 14 October 2020. The budget for 2021/22 will be presented to Full Council for approval 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. 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 to date have been detailed in a separate report to Cabinet in July and a further summary update was included in the Second Quarter Revenue Budget Monitoring report. 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. The potential impacts in next year and the medium term are considered in this report and the appendices.
- 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, though this timescale is not certain. Similarly, there was no Autumn Budget this year, while the Spending Review announced by the Chancellor on the 25 November covered only one year, instead of the three-year review originally anticipated.

8. RELEVANT CONSIDERATIONS

General and Specific Funding

- 8.1. Following the Spending Review in November, the provisional Local Government Settlement was announced on 17 December 2020. This provided the following information on the funding for the Council in 2021/22, subject to there being no changes in the final settlement.
- 8.2. As expected in the Draft Budget report, and assumed in the MTFs, the Settlement confirmed that Negative Revenue Support Grant (RSG) will not be applied in 2021/22. This deferral is assumed to be for one year only, with the assumption still that the equivalent of a negative RSG (i.e. reducing our funding by around £1m) will be applied as part of the fair funding formula from 2022/23. Funding amounts for the Council in 2022/23 and beyond remain highly uncertain, with reforms to Local Government funding and business rates having a potentially significant impact on the level of funding the Council receives.
- 8.3. The Settlement also confirmed that the business rates multiplier has been frozen for 2021/22, reducing the business rates income estimate for next year by around £50k, with a similar impact on the estimates for the years beyond. This will be off-set by an increase of £33k in the compensation for under-indexing the business rates multiplier, up to £142k for 2021/22. The freezing of the multiplier does also reduce the Council's projected expenditure on business rates, with the estimated inflation allowance within the proposed total net expenditure budget, as shown in Appendix C, adjusted accordingly.
- 8.4. While it was announced in the November Spending Review that the referendum threshold for increases in Council Tax will be 2% in 2021/22, the publication of the Provisional Settlement detailed that District Councils will be allowed to increase Council Tax by the higher of the 2% referendum limit or £5 for a band D equivalent property. The MTFs sets out that the Council will look to increase Council Tax by the maximum amount possible without the need for a local referendum. For the future years beyond 2021/22, it is assumed that the 2% (or £5 for a band D equivalent) will continue to be the maximum increase allowed without the need for a referendum.

The Provisional Settlement is however subject to a consultation process before it becomes final. It is expected that there will be a number of representations from Districts that the referendum limit should be set at £10 (per band D equivalent). If that was agreed for a single year then it would increase the Council's funding by around £250k per year on an ongoing basis.

- 8.5. The Council Tax income that the Council retains is also affected by the Council Tax base. Subsequent to the Draft Budget report, further update and refinement of the Council Tax base calculation for 2021/22 has resulted in a revised total of 49.396.9, which represents a 1.17% decrease on the Council Tax Base for 2020/21 and is equivalent to a £140k reduction in Council Tax income. The MTFs did identify a reduction in the Council Tax base as a potential consequence of the Covid-19 pandemic, due to the associated increase in residents becoming eligible for Council Tax reduction. The assumption in table 1 is that the Council Tax base will return to the 20/21 level in 2022/23, with no further growth in the subsequent financial years.
- 8.6. A new round of New Homes Bonus payments in 2021/22 was announced in the Settlement. While the deadweight of 0.4% was maintained, property growth in North Herts in the 12 months to October 2020 has attracted a provisional total eligible bonus allocation of around £42k. This amount is in addition to the prior assumption, based on previous announcements, that only the legacy payments due from previous years (2018/19 and 2019/20), totalling £350k, would be received in 2021/22. The government has confirmed that, as was the case for the 2020/21 allocation, there will be no legacy payments in respect of the 2021/22 allocation. The Council therefore only expects to receive a further £131k in 2022/23. There will be a consultation on potential reforms to the scheme from 2022/23 but, given the uncertainty over a funding stream that looks to reward housing growth, over which the Council does not have much control, no assumption is made in the funding estimates as to any replacement funding.
- 8.7. The Government also proposed in the Settlement a new non-ringfenced Lower Tier Services Grant in 2021-22, of which the Council has been provisionally allocated £116k. The stated intention behind the grant is to ensure overall funding, or 'Core Spending Power', which includes estimated receipts from Council Tax, Business Rates and New Homes Bonus, in 2021/22 is no lower than funding available for 2020/21. This grant was not anticipated prior to the Settlement announcement and is therefore additional to the funding estimates provided in the Draft Budget Report 2021/22, presented to Cabinet in December.
- 8.8. Outside of core spending power consideration, it was announced in the Spending Review that £2.2bn of funding would be provided to Local Government in 2021/22 to help authorities mitigate the financial impact of the Covid-19 pandemic. Further details have now been released by Government and the additional financial support that the Council will receive next year is comprised of;
 - Non-ringfenced grant to support services – Based on a relative needs formula devised by MHCLG, the Council will receive a grant allocation of £558k in April 2021 to manage pressures in 2021/22. This amount had not been anticipated and is therefore additional to previous funding estimates for 2021/22.

- Council Tax support grant – This funding is intended to recognise the additional costs associated with increases in local council tax support caseloads in 2021/22. The indicative allocation for the Council is £230k and it is non-ringfenced funding. The impact of the reduced Council Tax base (due to increased Council Tax Reduction Scheme eligibility) is already reflected in the Council Tax income estimate, so this funding will be applied to the General Fund. The impact detailed in paragraph 8.5 is £140k, but in a usual year the Council would also expect growth in the tax base of around 1% (equivalent to over £100k of additional income). Some of this growth has been suppressed by the increase in Council Tax support. It is therefore considered reasonable to apply the whole balance.
- 8.9. Supplementary to the additional grant funding above, the Government has also announced a 'Local Tax Income Guarantee' for 2020/21, with the government compensating local authorities for 75% of irrecoverable losses in Council Tax and business rates income in respect of 2020-21. The current estimate is that this could mean the Council receiving a total of around £350k, with £120k relating to Council Tax and £230k in respect of Business Rates lost. The actual value to the Council of the Local Tax Income Guarantee will not be known until after the Collection Fund accounts for 2020/21 are finalised and the relevant returns to Government are submitted. Whilst the compensation receipts are expected to be received in January 2022, as the compensation relates to activity in 2020/21 the calculated eligible amounts will be accounted for in the 2020/21 accounts. The benefit from the scheme will therefore be an increase in reserve balances at the start of the next financial year.
- 8.10. As a further response to the impact of the Covid-19 pandemic on Local Government finances, the Government has legislated that the repayment of the Business Rates and Council Tax Collection Fund deficits for 2020/21 be spread over three years from 2021/22, rather than full repayment in 2021/22 as would have been required under the previous legislation. In terms of the Council Tax Collection Fund, the estimated impact of the spreading on projected General Fund balances is shown in table 1 below, based on the current projection of the 2020/21 year-end position. In respect of the Business Rates Collection Fund, the Council funds annual deficits from grant held in an earmarked reserve. The spreading of the repayment of the deficit therefore simply changes the projected amounts required to be drawn down from the earmarked reserve over the next three years and hence has no impact on the funding estimates in table 1.
- 8.11. 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	11,862	12,252	12,501	12,751	13,006
Council Tax Collection Fund Deficit	(77)	(54)	(54)	0	0
Negative RSG (or equivalent)	0	(1,159)	(1,182)	(1,206)	(1,230)
Business Rates baseline	2,726	2,780	2,836	2,893	2,951
Compensation for not increasing the Business Rates multiplier	142	142	145	148	151
New Homes Bonus	392	131	0	0	0
Lower Tier Services Grant	116	0	0	0	0
Council Tax support to Parishes	(39)	(23)	(23)	(23)	(23)

	15,122	14,069	14,223	14,563	14,855
Covid-19: Emergency Grant Funding	558	0	0	0	0
Covid-19: Council Tax Support Grant	230	0	0	0	0
	15,910	14,069	14,223	14,563	14,855

- 8.12. The Council also receives grants for specific purposes. Generally 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.

Table 2 – Forecasts in relation to Grant Income

Grant	2020/21 Amount £'000	Expectation for 2021/22
Housing Benefit Subsidy	24,340	Initial estimate will be available late January 2021, so budget expectation for 2021/22 is based on the 2020/21 mid-year estimate of £24.340million.
Discretionary Housing Payments	247	An announcement is expected in January 2021. Expectation is that the grant level will be similar to 2020/21.
Benefits Administration and Fraud Initiative	419	Notification of a Housing Benefit Administration grant of £274k was received in January. Council Tax administration grant is still to be announced. The expectation is that the grant amount will be similar to 2020/21, meaning a total for next year of around £400k.
Section 31 Grants	10,877	These grants compensate the Council for the impact of Business Rate reliefs and caps (which create a deficit on the Collection Fund). Values for next year will be determined by MHCLG after submission of the business rates return in January. Based on the estimates provided for the assessment of Business Rates Pooling options next year, LG Futures have calculated an estimate of S31 reliefs for 2021/22 of £2.282million
NNDR Administration Grant	175	The cost of collection will not be known until the central government return for business rates is finalised in January 2021. Assuming a similar level to the 2020/21 total of £175k.
Healthy Hub Grant	40	Hertfordshire County Council are providing total funding of £100k for a two year Healthy Hub project. £40k is projected to be drawn down this year and a further £40k is anticipated in 2021/22
Syrian refugee resettlement grant	190	There are no new families expected in 2021/22, so the grant funding next year will be to support existing families living in the District. Estimated to be £127k.
Flexible homelessness support grant	173	MHCLG announced in December that the two grants would be replaced by a new Homelessness Prevention Grant for 2021/22, with NHDC receiving a grant allocation of £340k.
Homelessness Reduction Grant	84	
Waste minimisation – HCC contribution via the Alternate Financial Model.	572	While some reduction was expected in 2021/22 (as detailed in PE3 in Appendix B), the Covid-19 pandemic has impacted on the Council's recycling performance during 2020/21 to the extent that the Council's eligible share is projected by HCC to be zero in 2021/22, compared to the budget assumption of £481k. While £122k of the £481k total expected was earmarked for waste awareness activities, the remaining £359k had been anticipated as a contribution to the cost of Waste Services.

Grant	2020/21 Amount £'000	Expectation for 2021/22
		The resulting pressure is itemised in Appendix B and is included in the calculation of the net budget estimate in Appendix C.
Total Revenue Grants	36,545	

Business Rates and Council Tax Collection Funds

- 8.13. NHDC is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the NHDC General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the NHDC General Fund and other precepting bodies.
- 8.14. The total amount of Council Tax that is collected is dependent on the actual number of properties, eligibility for paying a reduced amount (Council Tax Reduction Scheme) and the success in collecting what is owed. An estimate is made of the cumulative impact of this and converted in to an equivalent number of band D properties. This is known as the Council Tax Base. The amount of Business Rates that are collected is dependent on the number and type of business premises in the area, the success in collecting what is owed, eligibility for relief and the number and value of successful appeals. Assumptions on these factors are made in forecasting the level of income from Council Tax and Business Rates in future years.
- 8.15. It is currently forecast (at the end of month 8) that the Council Tax collection fund will have a deficit at the end of the year, due to an increase in the amount of Council Tax reduction awarded, of which the Council's share is projected to be £185k. A contribution from the General Fund to the Collection Fund is therefore required to make up the shortfall. £23k of the projected deficit relates to the deterioration in the position in the final quarter of 2019/20 and this amount will be repaid in 2021/22. The repayment of the remainder (£162k) will now be spread over the next three years. The contribution required from the General Fund therefore reduces the total funding amount available in each of the next three years, as shown in table 1 above and appendix C. The compensation received from the Local Tax Guarantee will increase the funding reported for 2020/21 and therefore increase the General Fund balance available at the start of 2021/22.
- 8.16. The current forecast for the Business Rates collection fund is that there will be a deficit at the end of the year, of which the NHDC share will be around £8m. Much of the deficit is due to the additional business rate reliefs introduced by government in response to the Covid-19 pandemic. NHDC has received compensation in this financial year from Government, in the form of section 31 Grants, for the impact of the additional reliefs introduced, as detailed in table 2 above. The element of the deficit relating to the additional reliefs is still required to be repaid in full in the following financial year. The section 31 grant amounts received this year have therefore been transferred to an earmarked reserve for this purpose.

- 8.17. As highlighted in the funding section above, the repayment of the element of the business rates deficit for 2020/21 relating to lost business rates income in the year, as a result of business closures etc., will now be spread over the next three financial years. The current estimate is that the NHDC share of the lost rates income will be around £300k. The repayment over the next three years will be funded from the grant held in an earmarked reserve. The introduction of the Local Tax Income guarantee will also mean that the Council receives additional section 31 grant, accounted for in the current year, equivalent to 75% of this amount (based on current estimate, approximately £230k). This amount will be added to the reserve and used to fund the repayment of the deficit.
- 8.18. A Business Rates Pool application for 2021/22 has been accepted for Hertfordshire County Council and five other Districts (including North Hertfordshire). As detailed in the Business Rates Pooling 2021/22 report presented to Cabinet in October, the Pool has been formed with the expectation that this will reduce the business rates levy amount otherwise payable at the end of next year, as has been the case in prior years. The initial estimate was a reduction in levy of around £400k. The achievement of this pooling gain next year is however not guaranteed and will be dependent on the actual value of business rates collected in the year. As the levy payable will be funded from grant held in reserve, any pooling gain that does materialise next year will not increase the General Fund balance, but instead reduce the drawdown on the grant held in reserve. The Council (and other Local Authorities in the Pool) have until mid-January to determine if they want to continue with the planned pooling arrangement.

Review of balances and reserves

- 8.19. In setting its budget, the Council needs to consider the level of its reserves. This determines the extent to which the current budget can be supported by the use of reserves, or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, NHDC has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.
- 8.20. A full list of specific reserves and estimated balances is shown in table 3 below.

Table 3 – Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2020	Estimated Balance at 31 March 2021	Estimated Balance at 31 March 2022
Funding Equalisation Reserve	Where anticipated annual revenue funding has exceeded estimated net expenditure, the Council has opted to contribute the surplus amount to the Funding Equalisation Reserve, rather than raise Council Tax by less than the maximum amount allowed. The reserve balance will now be used to mitigate the impact on the General Fund of pressures anticipated for next year.	68	397	0
Cemetery Mausoleum Reserve	Held to cover the Authority's obligation to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches. Still available niches so not expected to be used in the short-term.	167	167	167
Childrens Services Reserve	Used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Expected to be fully utilised next year.	57	49	0
Climate Change Grant Reserve	Grant awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy. Will be fully used by the end of 2024/25.	26	22	17
Growth Area Fund Reserve	Holds the revenue grant awarded. To be used once the Local Plan is in place.	53	53	53
Homelessness Grants Reserve	To help prevent homelessness in the district. The entire grant is earmarked for different homelessness projects or resources.	413	461	323
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services. Future balances will depend on timing of spend and fees received in relation to the 20% increase.	1,091	1,489	Unknown
Information Technology Reserve	To ensure the Authority has adequate resources to purchase hardware and software items when they are required. Reserve balance now committed to fund a Uniform software upgrade with improved functionality.	78	35	0
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. Being used for additional administration costs and software upgrades over 3 years.	94	65	36

Name of Reserve	Purpose of Reserve	Balance at 1 April 2020	Estimated Balance at 31 March 2021	Estimated Balance at 31 March 2022
Leisure Management Maintenance Reserve	To cover the cost of any future significant repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	77	Unknown	Unknown
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. Pooling gain of £368k to be released to the General Fund in 2020/21. In 2019/20 participation in the Business Rates Pilot resulted in total business rates related income (including pilot gain and s31 grant receipts) of £5.2m, exceeding the original budget amount of £2.7m by £2.5m, and reduced the draw down required on this reserve, resulting in a net contribution to this reserve in 2019/20 of £1.9m. It is considered that £2.5m can be released from the reserve and used to cushion the impact on the General Fund of the anticipated funding shortfall from 2022/23, as shown in Appendix C.	3,741	13,896	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	13	Unknown	Unknown
Neighbourhood Plan Reserve	Funds received for neighbourhood Plans from the MHCLG have been transferred. The funding has been provided to authorities who received neighbourhood plans as funding will be needed in future years as plans are developed and public examinations and public referendums are required.	78	78	78
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	Unknown	Unknown
S106 Monitoring Reserve	To cover the cost of monitoring s106 obligations in future years. Ring-fenced. Future balances are unknown as not known what new funding will be received.	19	Unknown	Unknown
Special Reserve	This reserve is maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation, support the response to and reduce the impact of major incidents and other financial pressures. As detailed in the Covid-19 Financial Impacts report (on the Council agenda in September 2020) the Special Reserve will be released in to General Fund balances. The balance of £716k will be transferred in 2022/23.	1,175	821	716
Street Name Plates	To fund Street Name Plates as and when required. To maintain until Local Plan is adopted and then review.	16	Unknown	Unknown
Syrian Refugee Project	The council has agreed to house 50 Syrian Refugees over five years under the government's resettlement scheme. The scheme is fully funded by the government and the reserve enables the multiple year funding for each household to be maintained for future expenditure associated with their placement in the district, such as housing and support costs.	272	458	585

Name of Reserve	Purpose of Reserve	Balance at 1 April 2020	Estimated Balance at 31 March 2021	Estimated Balance at 31 March 2022
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.	15	13	11
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	53	61	69
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. However due to other priorities this work was delayed and the budget has been transferred to a reserve, to be drawn down as and when the work is done.	346	346	346
Waste Reserve	AFM monies are transferred to help mitigate any potential risk to the waste service.	730	749	749
Waste Vehicles Reserve	As repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.	554	913	1,340
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme. These grants will be used when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	185	134	Unknown

8.21. As at the 31 March 2020 there was a total of £882k held as provisions. These are comprised of:

- Business Rates appeals - £842k - the NHDC estimated share of outstanding business rates appeals
- Insurance - £40k - covers the uninsured aspect of outstanding insurance claims.

8.22. NHDC operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £16million, this means a minimum balance of about £800k. As the Council has become more reliant on generating income to set a balanced budget, an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) will also be included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be £11.2m and therefore an additional allowance of £335k will be added. Furthermore, a significant proportion of Council expenditure, approximately £10m per annum, is for goods and services procured via contract. Considering the potentially significant, but still unknown, impact of Brexit and / or Covid-19 on contract prices for outsourced goods and services, it would be prudent to incorporate 5% of this expenditure in the minimum balance calculation. Therefore £500k will also be added to the minimum level. This minimum figure represents the cushion against unforeseen items. When setting the level of balances for any particular year, known risks which are not being budgeted for should be added to this figure, according to risk likelihood.

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

Table 4- Budget Risks in 2021/22

Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	17	5,368	0
Medium	17	3,075	768
High	17	2,665	1,333
Total	51	11,108	2,101

- 8.24. Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £3.7million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

Expenditure Forecasts

- 8.25. The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2020. The budget adjustments identified subsequently are itemised in Appendix B, including those changes recommended following the budget review undertaken at the end of November, details of which are included in table 5 below.
- 8.26. Table 5 provides explanations for the variances identified at the end of November that are greater than £25k, as well as any budgets where there are carry-forward requests. All other variances are included within the 'other minor variances' line at the bottom of the table.

Table 5- Summary of forecast variances (amounts £000)

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2021/22 Budget impact
Court Summons Income	(102)	(41)	+61	Due to the timing of the national lockdown in November, no further action was taken to recover unpaid Council Tax and Business Rates amounts after statutory reminder notices were issued in September.	0	0

Budget Area		Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2021/22 Budget impact
Area	Committee	72	59	(13)	The underspend requested to be carried forward comprises £3.7k for Letchworth, £2k for Hitchin, £4.2k for Baldock and £3k for Southern Rural. This is largely due to fewer grant applications than anticipated being received and also represents grants awarded but not yet released pending evidence of criteria being met.	13	0
Paper Recycling					Ongoing trend of falling paper tonnages, with volumes collected in April to November 2020 22% less than the equivalent period in 2019. This is attributed to consumers switching from print media to digital media. The reduction in tonnages reduces the incentive income eligible from Hertfordshire County Council.		
Income from sale of paper		(112)	(92)	+20		0	20
HCC	Recycling Credit Income	(111)	(87)	+24		0	24
Total		(223)	(179)	+44		0	44
Electric	Vehicle Charging	35	20	(15)	This budget was an investment bid to engage consultants to undertake a study to review and consider opportunities from Electric Vehicle Charging. Officers have prepared a Scoping Document and undertaken a consultation to define the extent of a Strategy and agreed action plan for adoption. Work on the Strategy was underway prior to the pandemic and will now continue into 21/22. The requested carry forward of the unspent budget will fund any specialist advice required.	15	0
Community Infrastructure Levy (CIL)		87	0	(87)	The publication of a government white paper is awaited prior to reporting on the review of the feasibility of introducing a CIL for residential sites. It is requested that the unspent budget is carried forward into 2021/22 to cover any costs arising from this review or its recommendations.	87	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2021/22 Budget impact
Single Issue Local Plan Review	52	12	(40)	An investment bid was approved for the delivery of a single issue local plan review to incorporate any emerging Council priorities. However, due to the delay in the adoption of the local plan, this will be delayed until at the earliest 2021/22, hence the request for this budget to be carried forward into 2021/22.	40	0
Street names, lines and signs	63	23	(40)	Due to the national lockdowns planned works have been delayed and/or deferred. The unspent budget is requested to be carried forward to fund those works that will now be carried out in the next financial year.	40	0
Waste and Street Cleansing Contract	5,236	5,191	(45)	Application of the negative indexation rate of 0.89% to contract prices for services delivered in 2020/21.	0	(45)
Grounds Maintenance – Income from Services provided to settle	(199)	(171)	+28	Reduction in income follows a dispute raised by settle in respect of the level of service received not meeting that outlined in the service level agreement in the first half of the year. A refund has now been agreed in respect of services in Quarter One, with discussions ongoing to resolve any residual issues.	0	0
Transport Users Forum	50	3	(47)	£50k of funding has been allocated to set up a Transport Users Forum. This Forum has now been set-up and requires minimal ongoing funding. The funding will therefore be used on initiatives that promote use of public transport in the District. Initiatives will only be funded where they provide value for money and are supported by the Forum. £3k of this funding will be spent in 2020/21 on a bus service amalgamation project, while the remainder is requested to be carried forward to 2021/22.	47	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2021/22 Budget impact
Support for Leisure Facilities	992	tbc	tbc	An update on the financial position of the Leisure Facilities will be presented to Council in January. The financial implications of recommendations approved by Council will be reflected here via an addendum report. This will ensure that the financial position, upon which the budget for 2021/22 will be approved in February, is as accurate as possible.		
Total of Explained Variances	6,063	5,909	(154)		242	(1)
Other Minor Variances	13,267	13,268	+1		0	(3)
Total General Fund	19,330	19,177	(153)		242	(4)

8.27. Budget proposals were put forward for discussion at Group workshops in November. Comments on the proposals made by the Groups were outlined in the draft budget report presented at the December meeting of Cabinet. The lists of savings and investments proposals is attached at appendix B.

8.28. Appendix B to this report includes two changes to those proposals agreed by Cabinet at the December meeting. The first relates to anticipated investment interest income. An additional pressure (R11) has been added to the list, with the budgeted level of interest income over the period revised in line with the returns detailed in the Investment Strategy (Capital and Treasury Combined) for 2021-31. The second is a revision to the timing of the biannual investment (PI2) for the local housing market analysis, as this will not now be undertaken in 2021/22 as originally planned.

Revenue effects of capital

8.29. The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. If the Council was to take out new borrowing for capital purposes then it would incur revenue costs in relation to interest payments and Minimum Revenue Provision (MRP). MRP is explained in the Investment Strategy report. As identified in the Investment Strategy report, the Council does not need to borrow to fund core capital spend, as it is forecast that this can be funded from existing capital reserves and the generation of new capital receipts. For capital 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.

Reliability of estimates

- 8.30. As part of the budget setting process, the Chief Finance Officer is required to comment on the reliability of the estimates made. A prudent approach has been adopted, especially in relation to income where it is only included where there is a high degree of certainty over it being achieved.
- 8.31. In addition to those factors already highlighted in this report that may affect estimates, a further significant area of uncertainty is in relation to pay inflation, which has been assumed to be 2.25% across the period. This assumption is in line with the majority of Councils, and the allowances made are a factor in where the negotiations will end up. The Chancellor however announced a public sector pay freeze in the November Spending Review. This does not directly apply to Local Government pay but may be considered as part of pay negotiations. 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.
- 8.32. The impact of Covid-19 remains a significant uncertainty. The funding towards expenditure pressures and the Council Tax support grant have been incorporated in to the budget. No significant expenditure pressures in relation to Covid-19 have been assumed. The decision made by Full Council in January will result in an update to this budget to reflect the expected cost of supporting leisure provision in both the current year and 2021/22. It is currently assumed that income levels will return to normal by 2022/23, but there is a risk that they will not. The unknown duration of the current period of restrictions makes it very difficult to estimate the impact on key income sources (e.g. parking) in 2020/21 and 2021/22. Following the previous easing of restrictions, parking income has bounced back towards normal levels quite quickly. The commitment from Government to Sales, Fees and Charges compensation also mitigates the majority of the financial pressure. The most significant issue will be if income levels do not substantially recover before the end of June, and the compensation scheme is not extended. There are also income sources (e.g. garden waste charges) that are not covered by the income compensation scheme. Overall it is very difficult to forecast and the increased minimum level of General Fund Balance highlights the need to create a cushion to protect from this uncertainty.
- 8.33. Overall it is considered by the Chief Finance Officer that the estimates made as reliable as they reasonably can be. They will be subject to risk and this is the reason for setting a minimum General Fund balance and carrying out budget monitoring throughout the year.

Cumulative impact

- 8.34. The cumulative impact of all the estimates described in the previous sections is provided at Appendix C. This shows a forecast of funding and net expenditure for the next five years, including the impact on the General Fund balance.

- 8.35. Appendix C also includes a forecast of the remaining savings that the Council still needs to deliver by 2025/26. Savings totalling £2m are estimated to be required in order for the Council to balance income and expenditure by the end of the period. Furthermore, with the proposed phasing of these savings, there would be a need to use more than £4m of reserves. These amounts could also be significantly affected by future changes to Local Government funding, with the introduction of the fairer funding formula and a proposed business rates reset potentially from 2022/23, ongoing impacts on expenditure and income from the Covid-19 pandemic, while they are also dependent on the successful delivery of the efficiencies identified in Appendix B.
- 8.36. This level of savings still required to be identified assumes that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level would further increase the savings required to balance the budget over the period and require greater drawdown on reserves. As shown in Appendix C, even with the application of the Funding Equalisation Reserve balance, a deficit is anticipated for 2021/22. The proposal is therefore that Council Tax should be increased by the maximum allowed (£5 for a Band D equivalent).
- 8.37. In response to the significant challenges indicated in this report, a budget review/ challenge process has been started. This will 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.

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

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. 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 – Financial Risks 2021/22
- 16.2. Appendix B – Revenue Budget Savings and Investments
- 16.3. Appendix C – Budget Summary 2021 - 2026

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18. BACKGROUND PAPERS

- 18.1. None.

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Appendix A - Financial Risks 2021/22

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Commercialisation	FR1	Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	M	35,000	25%	8,750
	FR2	Contamination clear-up costs for disposal/vacant sites	M	500,000	25%	125,000
	FR3	Deterioration in the financial position of Hitchin Market increases the cost to the Council of maintaining the market provision.	L	20,000	0%	0
	FR4	Lower income generated from Community Facilities (Hitchin Town Hall and Brotherhood Hall) as the demand for bookings takes time to fully recover following the lifting of Covid-19 pandemic restrictions.	H	100,000	50%	50,000
	FR5	Lower income generated from Hitchin Town Hall Café and Museum Shop as footfall takes time to fully recover following the impact of the Covid-19 pandemic and the associated economic downturn.	H	25,000	50%	12,500
	FR6	Increase in rent defaults on the Council's existing Investment Properties due to the economic downturn.	H	200,000	50%	100,000
Customers	FR7	Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
	FR8	Bad Debt Provision may need to increase in light of the roll-out of Universal Credit and in particular the managed migration of working age housing benefit clients to Universal Credit.	M	70,000	25%	17,500
	FR9	Ransomware attack results in the write-off of IT hardware and infrastructure.	L	200,000	0%	0
	FR10	Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	H	50,000	50%	25,000
Legal & Community	FR11	District by-election	L	4,000	0%	0
	FR12	Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	M	100,000	25%	25,000
	FR13	Legal expertise related to employment cases	M	50,000	25%	12,500
	FR14	The Council is required to meet the cost of any award from new or ongoing judicial reviews.	H	100,000	50%	50,000

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
	FR15	Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
	FR16	Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
	FR17	Domestic Homicide Review – requirement for additional resources to respond	H	15,000	50%	7,500
Place	FR18	The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	L	300,000	0%	0
	FR19	Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	H	500,000	50%	250,000
	FR20	Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	M	50,000	25%	12,500
	FR21	Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	50,000	0%	0
	FR22	Cost of felling and destroying trees as a result of pests and tree disease.	L	75,000	0%	0
	FR23	Cost of maintaining service provision in the event of major contract failure.	M	1,000,000	25%	250,000
	FR24	Income from Trade Refuse is adversely affected by economic downturn.	M	300,000	25%	75,000
	FR25	Lack of resilience in delivering key statutory services, such as Environmental Health, Planning and Parking, when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, redeployment to other duties etc, increases expenditure on agency staff and / or consultancy advice to maintain service provision.	H	40,000	50%	20,000
	FR26	Increase in net cost of measures to address homelessness/rough sleeping and meeting obligations/projects as a result of for example: absence of government funding / reduced government funding, national and local situations etc.	M	250,000	25%	62,500
	FR27	Dangerous structures - where the Council is unable to recover either or both of; the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered; the costs involved in seeking to recover the expenditure incurred.	L	50,000	0%	0
	FR28	Specialist advice required with regard to planning applications, e.g. town centre schemes and "hostile applications"	M	100,000	25%	25,000
	FR29	Costs associated with a challenge to a decision of the Council, for example an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction.	H	500,000	50%	250,000

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Regulatory	FR30	Enforcement – costs in relation to enforcement for example: investigations to enable consideration of enforcement action, specialist legal or other advice, direct action / appeal processes, recovery of illegal earnings.	M	100,000	25%	25,000
	FR31	New duties and obligations associated with government policy, e.g. Brexit, requiring additional training or additional and/or specialist staff or consultancy support to deliver.	M	100,000	25%	25,000
	FR32	Local Plan: additional costs associated with progressing the Local Plan.	H	250,000	50%	125,000
	FR33	Local Plan: costs associated with a challenge to the Local Plan either from the Council or another stakeholder/authority	H	450,000	50%	225,000
	FR34	Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000
	FR35	Income related to planning applications is lower than the budget expectation as a result of a delay to Local Plan progress or the economic impact of Brexit.	H	250,000	50%	125,000
	FR36	Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs.	H	15,000	50%	7,500
Resources	FR37	Assumed vacancy saving within staffing payroll budgets does not materialise as a slim staffing structure reduces both employee turnover and the capacity to hold posts vacant for any significant period of time.	L	300,000	0%	0
	FR38	Breach of partial-exemption calculation for VAT	L	300,000	0%	0
	FR39	Reactive maintenance required in the year exceeds the allocated budget provision.	M	50,000	25%	12,500
	FR40	Localisation of Business Rates – The council is directly exposed to a range of risks including; business rates levy, safety net.	L	130,000	0%	0
	FR41	Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
	FR42	Further payments are required under MMI scheme of arrangement	L	20,000	0%	0
	FR43	Treasury Management - potential default by a counter party	L	3,000,000	0%	0
	FR44	Difficulty in recruiting Facilities Assistants results in higher expenditure on agency staff	L	10,000	0%	0

Service Directorate	Financial Risk Ref. No.	Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
	FR45	Employment related risks related to outsourcing, shared services and restructuring	M	250,000	25%	62,500
	FR46	Reduced staffing capacity means that the delivery of efficiency proposals or investment projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	M	50,000	25%	12,500
	FR47	Alternative arrangements are required to secure the outcomes expected from the corporate compliance contract.	H	75,000	50%	37,500
	FR48	Alternative arrangements are necessary to secure the outcomes expected from the corporate occupational health contract.	H	20,000	50%	10,000
	FR49	Relates to an environmental warranty that was provided to North Herts Homes on the transfer of the Housing stock.	L	209,000	0%	0
	FR50	The outcome of the negotiations between the Council's External Auditor and the Public Sector Audit Appointments is an increase to the annual external audit fee.	H	25,000	50%	12,500
	FR51	Cost of annual Housing Benefit Subsidy Certification is higher than budgeted due to additional audit fieldwork required.	H	50,000	50%	25,000

11,108,000

2,101,250

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
R11	Managing Director	Investment interest income. Budget estimate adjusted in line with anticipated cash balances and interest returns, as detailed in the Council's Investment Strategy (Combined Capital and Treasury) for 2021-31.	Income Reduction	64	65	70	71	75
Total Net Budget Increase from new pressures and investment proposals			Total Additional Expenditure	265	73	73	73	73
			Total Income Reduction	64	65	70	71	75
			Total Investments	329	138	143	144	148

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

	Service Directorate	Description of Proposal	Budget Impact	Efficiency				
				2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'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: Due to Covid-19, the planned analysis will not be completed in 2020/21. It is therefore proposed that the exercise is conducted in 2021/22 and the biannual budget profile realigned accordingly.	Additional Expenditure	-	(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	152	80	72	84	32
	Total Income Reduction	23	23	23	23	23
	Total Investments	175	103	95	107	55

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)

Budget Report 2021/22	Place	Waste and Street Cleansing Contract Expenditure. Application of the negative indexation rate of 0.89% to contract prices for services delivered in 2020/21.	Expenditure Reduction	(45)	(45)	(45)	(45)	(45)
Budget Report 2021/22	-	Net total of minor permanent budget adjustments requested at Quarter Two 2020/21 (included in 'other minor variances' total in table)	Expenditure Reduction	(3)	(3)	(3)	(3)	(3)

Total Savings incorporated since 2020/21 budget agreed in February 2020			Total Expenditure Reduction	(380)	(380)	(380)	(380)	(380)
			Total Additional Income	(8)	(8)	(8)	(8)	(8)
			Total Efficiencies	(388)	(388)	(388)	(388)	(388)

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
Budget Report 2021/22	Place	Income from the sale of paper collected for recycling. Ongoing trend of falling tonnages, with volumes collected in April - November 2020 22% less than the equivalent period in 2019, attributed to consumers switching from print media to digital media.	Income Reduction	20	20	20	20	20

Budget Report 2021/22	Place	Recycling Credit Income. Falling paper tonnages collected for recycling reduces the incentive income eligible from Hertfordshire County Council.	Income Reduction	24	24	24	24	24
Budget Report 2021/22	Place	Alternative Financial Model Income from Hertfordshire County Council. The Covid-19 pandemic has impacted on the Council's recycling performance during the year, to the extent that the Council's eligible share was projected by HCC in October 2020 to be zero. The pressure value is after mitigating the impact with the removal of the expenditure budget that would have been funded by AFM (highlighted in Table 2 in the budget report).	Income Reduction	359	-	-	-	-

Total pressures and investments incorporated since 2020/21 budget agreed in February 2020	Total Additional Expenditure	255	255	255	255	255
	Total Income Reduction	655	296	296	296	296
	Total Pressures Arising	910	551	551	551	551

Previously agreed changes, including updates to amounts

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	-	-	-	-
Budget Report 2021/22	Legal & Community	Area Committee Grants. Request to carry forward budget amounts estimated to be unspent at the end of the financial year, due to both fewer grant applications than anticipated being received and in some cases represents grants awarded but not yet released pending evidence of criteria being met.	13	-	-	-	-
Budget Report 2021/22	Regulatory	Community Infrastructure Levy. In January 2020, Cabinet resolved that officers be instructed to conduct a review to consider the feasibility of introducing a CIL for residential sites. The review was due to be reported in the second half of 2020. However this review is also dependant on the outcome of a government white paper. It is requested that the unspent budget is carried forward into 2021/22 to cover any costs arising from this review or its recommendations.	87	-	-	-	-
Budget Report 2021/22	Regulatory	Single Issue Local Plan. An investment bid was approved for the delivery of a single issue local plan review, to incorporate any emerging Council priorities. However due to the delay in the adoption of the local plan, this will be delayed until at the earliest 2021/22, so request for this budget to be carried forward into 2021/22.	40	-	-	-	-
Budget Report 2021/22	Regulatory	Electric Vehicle Charging. This budget was an investment bid to engage consultants to undertake a study to review and consider opportunities from Electric Vehicle Charging. Officers have prepared a Scoping Document and undertaken a consultation to define the extent of a Strategy and agreed action plan for adoption. Work on the Strategy was underway prior to the pandemic and will now continue into 21/22. The requested carry forward of the unspent budget will fund any specialist advice required.	15	-	-	-	-
Budget Report 2021/22	Regulatory	Parking lines and signs. Lockdowns in the year have meant that planned works have been deferred. The resource is requested to be carried forward to fund those works that will now take place in the next financial year.	40	-	-	-	-
Budget Report 2021/22	Regulatory	Transport User Forum. £50k of funding has been allocated to set up a Transport Users Forum. The Forum has now been set up and £3k of this funding will be spent in 2020/21 on a bus service amalgamation project, while the remainder is requested to be carried forward. The funding will be used on initiatives that promote use of public transport in the District. Initiatives will only be funded where they provide value for money and are supported by the Forum.	47	-	-	-	-
Total Budget Carried Forward			340	-	-	-	-

Revenue Budget 2021/22

Appendix C - General Fund Estimates for 2021/22 to 2025/26

All amounts £000	2021/22	2022/23	2023/24	2024/25	2025/26
Net expenditure brought forward	14,902	16,361	15,668	15,606	15,389
Planned delivery of savings previously identified	-51	128	-24	0	0
Planned Investments previously approved	194	-56	-24	0	0
Other previously identified adjustments in future years	20	-15	19	-2	0
Ongoing impact of variances reported in year	504	-374	15	-5	-153
New savings proposals	-168	-22	-23	2	-2
New investment proposals	329	-191	5	1	4
Net pay increments	37	50	50	50	50
Pay inflation	304	300	300	300	300
Forecast Contractual Inflation	80	300	300	325	325
Forecast Income Inflation	-129	-273	-280	-288	-296
Investment allowance in future years	0	0	0	0	0
2020/21 Budgets Carried Forward	340	-340	0	0	0
Further savings tbc	0	-200	-400	-600	-800
Total Net Expenditure	16,361	15,668	15,606	15,389	14,817
Council Tax Income	-11,862	-12,252	-12,501	-12,751	-13,006
Council Tax Collection Fund (Surplus) / Deficit	77	54	54	0	0
(Negative) Revenue Support Grant	0	1,159	1,182	1,206	1,230
Business Rates	-2,726	-2,780	-2,836	-2,893	-2,951
Business Rates - Under-indexing of multiplier compensation	-142	-142	-145	-148	-151
New Homes Bonus	-392	-131	0	0	0
Lower Tier Services Grant	-116	0	0	0	0
Coronavirus (COVID-19): emergency grant funding	-558	0	0	0	0
Coronavirus (COVID-19): Council Tax Support Grant	-230	0	0	0	0
Other (Council Tax Reduction Scheme payment to Parishes)	39	23	23	23	23
Total Funding	-15,910	-14,069	-14,223	-14,563	-14,855
Net funding position (use of reserves)	451	1,599	1,383	826	-38
General Fund b/f	7,836	7,783	7,783	7,783	7,228
Funding Equalisation Reserve	-398	0	0	0	0
Special Reserve transfer	0	-716	0	0	0
MHCLG Grants Transfer	0	-883	-1,383	-271	0
General Fund c/f	7,783	7,783	7,783	7,228	7,266

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**FINANCE, AUDIT AND RISK COMMITTEE
18 JANUARY 2021**

***PART 1 – PUBLIC DOCUMENT**

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

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

The Investment Strategy provides the following key information:

- A capital programme of £14.718m in 2021/22 and £25.074m for the period 2022/23 to 2025/26.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2021/22)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy
- The scope of treasury investments where the Council will invest any surplus cash.

2. RECOMMENDATIONS

- 2.1. That Cabinet recommend to Council the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- 2.2. That Cabinet recommend to Council the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.12 to 8.17).

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Each proposed service related capital scheme is the result of consideration of options for the best way of continuing service delivery by the relevant Service Director in consultation with the relevant Executive Member. The capital schemes relating to District investments (rather than directly service related) will primarily consider the benefits to the District and residents, as well as a risk-based yield.
- 4.2 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2020. Notes of the comments raised at the workshops were provided to Cabinet in December.
- 5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.3 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision, as the ultimate decision is made by Full Council.

7. BACKGROUND

- 7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District and a review of the Medium Term Financial Strategy. Finance and other resources are aligned to the strategic priorities as set out in the Council Plan.

- 7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2020/21. The report advised that total expenditure of £46.119m would be required to deliver the current capital programme for 2020-2030, with £3.937m forecast to be spent in 2020/21. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2020. In December, Cabinet approved a referral to Council for the reprofiling of IT budgets to allow the purchase of laptops. This will be subject to approval by Full Council in January but is included in the table below to provide a complete picture of the current anticipated position.

Table 1

	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
Proposed reprofiling of IT budgets to allow the purchase of laptops (subject to Full Council approval in January)	0.050	0.030	0.169
Current Capital Estimates	3.987	14.466	27.915

- 7.3 The Treasury Strategy Statement for 2020/21 was approved by Council in February 2020. A mid year review of the Treasury Strategy will be provided to Council in January 2021. There have been no changes made to the Strategy during the course of 2020/21.

8. RELEVANT CONSIDERATIONS

- 8.1 The proposed Investment Strategy is attached at Appendix A. Council are asked to approve this strategy, which includes the following:
- New capital investment proposals totalling £1.348m
 - A total capital programme for the period of 2021/22 to 2025/26 of £39.792m.
 - Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators
- 8.2 The following are provided as appendices to Investment Strategy, and are also appendices to this report:
- Appendix A1- A full list of planned future capital expenditure (2021/22 onwards)
 - Appendix A2- A list of new capital schemes and schemes planned to commence from 2021/22
- 8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.
- 8.4 In general the capital programme detailed in tables 6 and 7 on pages 13 and 14 is what was presented to the budget workshops (as referenced in paragraph 5.1). The two exceptions to this are:
- The proposed changes to the IT budgets for purchase of laptops as detailed in paragraph 7.2. The detail presented to the budget workshop did detail a shift from desktop to laptop PCs, but the amounts and profiling has changed since then. Full details are provided in the separate report to Cabinet and Council.
 - The addition of a £27k budget for the purchase of 76 election polling booths and ballot boxes. A number of the booths are coming to end of their useful life. This purchase is for a new type of more portable booth that should make transit and storage easier, and hopefully less expensive. It is also possible to reclaim a proportion of the costs when we carry out elections on behalf of others (e.g. County Council, Police and Crime Commissioner and Parliamentary). The opportunity to progress with this purchase this year was only identified after the budget workshops.
- 8.5 As detailed in table 7 on page 14, there is an allocation of £20m that is aligned to the Property Acquisition and Development Strategy. In addition, there is an allocation for spend on residential property that is funded from capital reserves and has been reprogrammed in to 2021/22. Table 8 (on page 16) provide an assessment of the Security, Liquidity and Yield of the projected spend on these assets. Table 9 (on page 16) details that the assessment of the expected risk of loss will be carried out as part of individual business cases. The paragraph at the bottom of page 24 details the changes to the rules for accessing Public Works Loan Board borrowing, and why it has been necessary to shift the focus of the residential property investment to development and conversion.

- 8.6 As detailed in table 11 (on page 17) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £5.2m of borrowing in 2021/22, rising to £6.3m in 2023/24, £13.0m in 2024/25 and up to £18.2m by the end of 2030/31. As detailed on page 19, the Council can consider whether to borrow internally or externally. The advantages and disadvantages of each are also considered on pages 19 and 20. Based on this, and the uncertainty over value and timing of capital receipts it is considered that the Council should assume that it will need to borrow externally. This will be given further consideration at the time that any borrowing is needed. If the forecast is that the need is more likely to just be for a short period (e.g. there is greater certainty over capital receipts) or there is a clearer indication over future interest rates (e.g. they are not likely to rise) then internal borrowing will be reconsidered. It is also possible that there will not be the need to borrow that is identified if there is slippage on the capital programme, this is particularly likely in relation to the investments described in paragraph 8.4 above as they are dependent on there being the right opportunities.
- 8.7 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). For external borrowing there is also a need to pay interest costs. The need to borrow in effect comes from the decision that has been made to invest £20m in line with the Property Acquisition and Development Strategy. The primary reason for any such investment is for the purposes of the Council's functions or the benefit, improvement or development of the area. However, investments will only be taken forward if they generate a return above the cost of capital (based on prevailing interest costs and estimated MRP). This reflects suitable compensation for the risks of property investment. This return has not been factored in the revenue budgets and nor will the costs of capital (interest charges and MRP). This is considered to be a prudent net approach to take. The totals for Treasury Indicator 6 on page 24 are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 6% for new investments (2.5% MRP + 2% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 4.5% (2.5% MRP and 2% interest).
- 8.8 The Council also needs to determine a MRP policy. The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore, it is considered appropriate to use adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.

8.9 Table 17 on page 29 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following changes are proposed compared to last year:

- Increase investment limit with other individual Local Authorities from £3m per Authority to £5m. This is based on increasing the percentage that can be invested from 10% to 15%. This reflects that other Local Authorities are relatively low risk due to their tax raising powers, and that a number of other Local Authorities will now only look at borrowing £5m or more.
- Increase overall Building Societies limit from £16m to £17m. This change applies the same percentage as last year, but the forecast year end total investment balance is slightly higher.
- Increase the limit with the same banking group from £4m to £5m and increase the total limit with banks from £20m to £21m. This change applies the same percentages as last year, but the forecast year end total investment balance is slightly higher.
- To reduce the amount that can be invested in Property Funds to £2m. This uses the same percentage but applies it to the forecast balance at the end of 2025/26. This reflects that this should be considered to be a long term investment.
- To add the option to invest in UK multi-asset funds. These funds invest in a range of assets to achieve diversification. These assets include equities, bonds and cash and are can be spread over a broad range of strategies, styles, sectors and regions. These should be considered to be longer-term investments and are expected to provide a greater return (over time) that is commensurate with the increased liquidity risk. The proposed limit is set at £2m in line with the rationale for Property Funds (above).

8.10 In relation to the Property Funds and Multi-asset Funds mentioned above it is important to invest in a fund that is appropriate for the Council (e.g. considering types of investments, level of risk, balance between income and capital growth, approach to ethical and green investments). The treasury budget will be used to procure professional advice in respect of this. It should also be noted that the fees involved will be very small in comparison to the potential differentials in yields between the various funds.

8.11 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.

8.12 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.

8.13 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:

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

8.14 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs are substantially unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code’s key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):

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

- 8.15 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.
- 8.16 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.6.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (a) (iii) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.
- 8.17 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

9. LEGAL IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

- 10.1 These are covered in section 8.

11. RISK IMPLICATIONS

- 11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed. The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.
- 11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2021/22 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 resources implications arising from this report.

16. APPENDICES

- 16.1 Appendix A - Investment Strategy
- 16.2 Appendix A1- A full list of planned capital expenditure (2021/22 onwards)
- 16.3 Appendix A2- A list of new capital schemes and schemes planned to commence from 2021/22

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director- Resources, Ext: 4243, E-mail: ian.couper@north-herts.gov.uk
- 17.2 Dean Fury, Corporate Support Accountant, Ext 4509, dean.fury@north-herts.gov.uk
- 17.3 Reuben Ayavoo, Policy and Community Engagement Manager, Ext 4212, reuben.ayavoo@north-herts.gov.uk

18. BACKGROUND PAPERS

- 18.1 None

Appendix A

Investment Strategy (Integrated Capital and Treasury Strategy)

Part 1- Overview

Introduction

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

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

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

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

This strategy now provides an integrated view of capital spend and income, alongside treasury management. This is because long-term Treasury management is inextricably linked to the funding of the capital programme. There is also a requirement to apply treasury management principles to any capital spend that is not related to service provision.

The format of this strategy is as follows:

Part 2- Capital Spend

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

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

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

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

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

Part 5- Investment Strategy

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

Part 6- Overall Risk considerations

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

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

Reporting requirements

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

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

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

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

Basis of Estimates

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

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

from the European Union and ongoing uncertainty over Covid-19. For capital projects, there is some flexibility to the extent to which they can overspend without further approval (ranging from 5% to 20% dependant on value) and this is considered in setting this overall strategy and in the quarterly monitoring.

Treasury Management Policy and Treasury Management Practices

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

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

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

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

Treasury Consultant

The Council renewed its contracted with Link Asset Services to provide treasury management advice for the three year period October 2019 – September 2022. It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure

that undue reliance is not placed upon Link. However, there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

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

Skills and culture

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

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	Required to formally adopt this Strategy. Required to approve any capital purchase over £2.5m.	Annual training that provides an introduction to Local Authority funding and accounting did not take place due to Covid-19 and that there were no elections, so no new Councillors. To be reinstated during 2021. Training session in 2018/19 provided by Link (the Council's treasury advisors) on risk and how it can be assessed, particularly in relation to capital investment. To review when to re-run this session.
Finance, Audit and Risk Committee	To review the Council's policies on Treasury, Capital and the Medium-Term Financial Strategy. To monitor the effective development and operation of risk management.	Members of the Committee (and substitutes) are encouraged to complete a skills self-assessment. This allows the targeting of specific training. Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.
Chief Finance Officer and Finance Team	Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management. Responsible for reviewing and amending the financial implications sections of reports.	Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.
Senior Management Team (SMT)/ Officer Leadership Team (LT)	Individual Service Directors will be responsible for putting forward proposals. Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process. Members of SMT are likely to be involved in negotiating commercial deals.	Training session on risk, risk appetite and assessing risk. Regular updates on the Council's funding and finances, including significant changes in regulations. Training on the core principles of the prudential framework.
Political Liaison Board (Joint Member and Officer Leadership Team)	Cabinet makes recommendations to Council on the policy direction and budget for the Council. Approves capital spend up to £2.5m.	Presentations on the implications of the CIPFA Financial Management Code to help ensure effective financial governance and sustainability.

Part 2- Capital Spend

Current Capital Assets

As at 31st March 2020, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	17,785
Surplus Land and buildings	Various	Held for future sale or development	17,307
Offices and Storage	DCO	Staff offices, customer service centre and democratic facilities	5,075
Offices and Storage	Unit 3	Off-site storage, back-up IT and emergency planning	400
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	7,021
Leisure Facilities	Letchworth Outdoor Pool	Service use	2,605
Leisure Facilities	North Herts Leisure Centre	Service use	12,109
Leisure Facilities	Royston Leisure Centre	Service use	7,172
Leisure Facilities	Pavilions	Service use	1,676
Leisure Facilities	Recreation Grounds / Play Areas / Gardens/Allotments	Service use	5,978
Community Centres and Halls	Various	Community facilities, generally operated by third parties	11,259
Markets	Hitchin Market	To provide a market	134
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	12,254
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,398
Cemeteries	Various	Service use	1,419
Community Safety	Various CCTV cameras	Service use	23
IT	Various computer equipment and software	To enable the delivery of other services	240
Parking	Various car parks	Service use	9,368
Waste Collection	Bins	Service use	509
Waste Collection	Vehicles	Service use	2,270
Public Conveniences	Various	Subject to leases/ management arrangements	503
Other	Various	Various	436
Total			116,941

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
Investment Properties	Residential Housing	To enable the conversion of Harkness Court to increase housing provision in the District	30
IT	Various computer equipment and software	To maintain IT service and provision of equipment in the Council Chamber	694
Various	Various	Capital maintenance of Council buildings/land	647
Leisure Facilities	Hitchin Swim Centre / Archers	Replace Outdoor Boiler	40
Leisure Facilities	Letchworth Outdoor Pool	Replace Outdoor Boiler	40
Leisure Facilities	North Herts Leisure Centre	Refurbish Members Changing room and upgrade Circulation Pipe work	259
Leisure Facilities	Leisure Condition Survey	Improvements to various Leisure sites	87
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Refurbishment of play areas.	147
Cemeteries	Various	St Johns and Wilbury Hills Path enhancement	20
Museums and Arts	Hitchin Town Hall and District Museum	Mainly works to the Town Hall	188
Museums and Arts	Museum storage	Museum storage solution	100
Parking	Multi-storey car parks	Lighting at Letchworth Multi-storey, wall works at Lairage Car Park, lift refurbishment at Lairage, resurfacing Lairage.	871
Parking	Off Street	Upgrade pay and display machines and resurfacing	53
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS).	572
Grants	Various	Disabled Facilities Grants and private sector housing grants S106 Grants (REFCUS)	239
Total			3,987

Capitalisation Policy:

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

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

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.6m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.8m)	A long lease with upward only rent reviews. However, this is dependent on amounts due being paid. The Covid-19 restrictions mean that amounts are currently overdue.	On the basis that it generates a reasonable rental stream, likely to be some interest as an investment. Current rental stream is affected by the current Covid-19 restrictions. Therefore, low liquidity, which may improve when Covid-19 restrictions cease.	Valuations are based on the yield generated.
Letchworth Town Hall (value £0.6m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Beverley Close Store, Royston (value £0.1m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court)	The demand for housing is considered to be greater than an office building. Therefore, the expenditure on a conversion scheme is expected to increase the security of the asset.	The liquidity of the asset increased with the granting of planning permission and building regulation approval. Will continue to increase as conversion works progress. On completion will have quite high liquidity.	Not currently generating any income. The conversion will increase the capital value / enable generation of rental income.
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

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

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

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

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

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£15.6m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.8m)	Valued on a fair value basis. The valuation is based on rental yields.	External valuations have been commissioned in recent years. These have highlighted the difficulties that face retail and shopping centres in particular. These difficulties have been heightened by the current Covid-19 restrictions. It is unclear whether this additional impact will be ongoing when restrictions are lifted. Whilst, the freehold that the Council has is on beneficial terms which would usually provide investment returns, these returns are uncertain when the leaseholder is unable to generate income to afford to pay them. Whilst maintenance is the responsibility of the leaseholder, this will be impacted by availability of funds. Valuation reports have been checked and challenged by the Council's chartered surveyors.
Letchworth Town Hall (value £0.6m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall, there currently is an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Beverley Close Store, Royston (value £0.1m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.
Other assets valued at less than £0.1m (£0.3m in total)	Not fully assessed	Not fully assessed

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

Use of Capital Receipts Direction:

The Capital Receipts direction has been used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2021/22– 2025/26.

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Existing Capital Programme-schemes 2021/22 onwards							
Various	Capital maintenance based on condition surveys	255	0	0	0	0	0 (tbc)
Cemeteries	Ickneild Way, St Johns and Wilbury Hills - Enhance Footpaths	60	0	10	50	0	30
Computer Software & Equipment	To maintain IT services	87	492	133	458	494	1,174
Lairage Multi-storey car park		111	0	0	0	0	0
Hitchin Swim Centre	Refurbishment / Boiler Replacement	0	30	40	200	300	605
Letchworth Outdoor Pool	Boiler Replacement	0	0	40	0	0	0
North Herts Leisure Centre	Various Refurbishments	50	330	250	0	0	270
Royston Leisure Centre	Various Refurbishments	0	255	0	150	0	300
Various	Growth Fund Projects	713	0	0	0	0	0
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	300
Various Leisure Facilities	Condition Survey enhancements	0	0	107	0	0	0
Various Off-Street Car Parks	Resurfacing / Lighting	163	56	8	0	0	0
Various Parks and Playgrounds	Enhancements	180	270	435	215	180	900
New Capital Programme							
Coombes Community Centre	Improve Underground Drainage	25	0	0	0	0	0
Computer Software & Equipment	To maintain IT services	90	0	60	55	40	230
Hitchin Swim Centre	Replacement of Domestic Hot Water Calorifer	25	0	0	0	0	0
Lairage Multi-storey car park	Cosmetic coating to four stairwells and replacement windows and doors	75	0	0	0	0	0
Newark Close	Road Replacement	65	0	0	0	0	0
North Herts Leisure Centre	Replacement of Sport Hall heating system	30	0	0	0	0	0
Royston Leisure Centre	Solar Thermal Installation	50	0	0	0	0	0
Thomas Bellamy House	Structural and roof enhancements	65	0	0	0	0	0

Asset	Description of future capital expenditure	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 – 2030/31
Various Parks and Playgrounds	Enhancements	45	10	0	0	0	0
Reprogramming (as at Quarter 2)							
Various off-street car parks	Resurfacing / Lighting	75	0	0	0	0	0
Total		2,224	1,503	1,143	1,188	1,074	3,809

The totals for 2026/27 to 2030/31 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £185k per year for this purpose. For 2021/22 there is a recommendation in the revenue budget that this is increased by £122k for one year, before returning back down to the previous level. This increase will allow a number of proactive maintenance works to be carried out, whilst maintaining provision for reactive works.

New Capital Assets

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

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Existing Capital Programme-schemes 20120/21 onwards							
Property acquisition and development	As per property acquisition and development strategy	4,000	4,000	4,000	4,000	0	0
NH Museum and Community Facility	Museum Storage Solution	1,100	0	0	0	0	0
On-Street Parking	Parking Charging, Payment & Management	285	0	0	0	0	0
Walsworth Common Pavilion	New pavilion	0	300	0	0	0	0
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	1,000	0	0	0	0
John Barker Place	Contribution to redevelopment	0	1,096	0	0	0	0
Waste and Recycling	Vehicles	0	0	0	0	4,000	0

Waste and Recycling	Northern Transfer Station	0	0	0	1,600	0	0
New Capital Programme							
Electric Vehicle Charging	Provision of On-Street Electric Vehicle charging	100	0	0	0	0	0
Elections	Polling Booths / Boxes	27	0	0	0	0	0
Off-Street Parking	Parking Machines Upgrade - Contactless Payment Facility Installation	36	20	0	0	0	0
Off-Street Parking	Parking Machines Replacement	0	0	0	0	150	150
Reprogramming (as at Quarter 2)							
Property acquisition and development	As per property acquisition and development strategy	4,000	0	0	0	0	0
Develop housing at market rents	Increase provision of housing at market rents	2,946	0	0	0	0	0
Total		12,494	6,416	4,000	5,600	4,150	150

Below is an estimate of the total capital expenditure to be incurred in the years 2021/22 to 2025/26. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2021/22 to 2025/26

Year	£m
2021/22	14.718
2022/23	7.919
2023/24	5.143
2024/25	6.788
2025/26	5.224

A full list of planned future capital expenditure (2021/22 onwards) is provided as Appendix A1. A list of new capital schemes and schemes planned to commence from 2021/22 is provided in Appendix A2.

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

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Residential Property	<p>The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. The focus on developing new properties or converting existing properties to residential will also help to ensure security due to the expected uplift in value. Individual market factors will be considered prior to acquisition.</p> <p>Where retained it is likely that the property will be held through a company. The Council's interest will therefore be secured via a loan or equity holding. Any loan can be secured against property. Any equity interest does not offer the same security, but it may be required due to HMRC rules on the funding of companies or for another commercial reason.</p>	Property is a medium to long-term asset due to the costs of buying and selling. However, it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.	The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.
Investments in line with the Property Acquisition and Development Strategy (£20m)	As detailed in the Property Acquisition and Development Strategy, the security of investments will be given a high weighting in determining which ones to take forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties. Spreading the total investment over a number of properties will help mitigate the second of these.	Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature. The Property Acquisition and Development Strategy targets those properties that are considered to be more liquid e.g. they have a wider range of tenants and/ or uses.	To reflect the risk of property investment a net surplus of 1-1.5% (above borrowing, administration and acquisition costs) will be targeted as a minimum. Any target surplus will be commensurate with the level of risk.

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

Table 9

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

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

Capital Funding

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

Table 10

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Forecast Receipts (£000)	4,173	11,200	0	Tbc	Tbc	Tbc

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

As a result of planned expenditure in 2020/21 and future years, the Council forecasts the following use of funding for capital (table 11).

Table 11

Funding Source	Brought forward (at 31/3/20)	Forecast expenditure and funding sources (£000)						
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
Capital Expenditure		3,987	14,718	7,919	5,143	6,788	5,224	3,959
Less: Set-aside receipts used	5,514	891	4,554	0	0	55	0	0
Less: Capital receipts used	1,941	2,812	4,067	7,342	4,043	104	0	0
Less: Grant funding used		50	813	0	0	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		148	0	307	0	0	0	0
Less: Funding from revenue		0	0	0	0	0	4,000	0
Less: Other Capital Contributions		86	36	270	0	0	0	0
Borrowing requirement		0	5,248	0	1,100	6,629	1,224	3,959

Definitions:

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

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

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

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31 st March 2020 (actual)	-5.6
As at 31 st March 2021 (forecast)	-4.7
As at 31 st March 2022 (forecast)	5.1
As at 31 st March 2023 (forecast)	5.1
As at 31 st March 2024 (forecast)	6.2
As at 31 st March 2025 (forecast)	12.9

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

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

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

Borrowing strategy

Definitions:

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

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

Based on Prudential Indicator 2 (page 19) the Council has a Capital Financing Requirement from 2021/22 onwards and therefore does have a need to borrow.

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

Table 12

Revenue balance	Brought forward (at 31/3/20)	Forecast balance at year end						
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31
General Fund ¹	9,378	7,562	6,973	5,527	4,515	4,192	4,846	4,846
Add back MRP	0	0	0	0	0	0	0	0
Revenue Reserves ²	9,344	9,844	10,344	10,844	11,344	11,844	7,844	7,844
S106 balances	3,741	3,779	3,779	3,779	3,779	3,779	3,779	3,779
Provisions	882	882	882	882	882	882	882	882
Outstanding Debt	423	405	5,635	5,353	6,170	12,494	13,047	12,846
Total	23,768	22,472	27,613	26,385	26,690	33,191	30,398	30,197

1 Based on General Fund forecasts as per 'Revenue Budget 2021/22' report.

2 Revenue Reserve balance as at 31/3/20. Then increases in line with contributions to waste vehicle reserve at £500k per year for 7 years. At end of 7 years assumed that this funding will be used to fund new waste vehicles. For simplicity this ignores some of the fluctuations in reserve balances that are detailed in the 'Revenue Budget 2021/22' report.

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

As well as the availability of revenue funding, the Council would also need to consider the advantages and disadvantages of external borrowing. Interest rates are at very low levels and may stay at the current level for some time. Even if the Bank of England base rate went to zero or negative, it seems unlikely that Council borrowing rates would fall any further. There has recently

been a reduction in the Public Works Loan Board (PWLB) rates (by 1%) that reverses the increase applied in October 2019. The increase was designed to prevent Councils from using the PWLB for commercial investments and has been replaced by restrictions of when the PLB can be used. So whilst it may not be some time, the cost external borrowing will increase in the future. Whilst unlikely at the moment, it may become possible to generate higher returns from investing revenue reserves than the interest costs that would be saved. However, this has to be balanced against the certainty of interest costs that will be incurred as soon as borrowing is taken out. There is also a need for the Council to retain a certain buffer of revenue reserves as cash to manage the peaks and troughs in its cash balances. Whilst the Council can borrow for short-term cash-flow needs, this can become expensive. Whatever strategy is adopted, it should be prudent.

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

Table 13

	Brought forward (at 31/3/20)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/31)
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 to 2030/31	
Total borrowing requirement	423	0	5,248	0	1,100	6,629	1,224	3,959	0
Made up of:									
Internal borrowing	0	0	0	0	0	0	0	0	0
External borrowing	423	0	5,248	0	1,100	6,629	1,224	3,959	12,848

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

Definitions:

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

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

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long- term liabilities¹ £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31 st March 2020 (Actual)	0.423	2.125	2.548	3.7	9
As at 31 st March 2021 (forecast)	0.405	1.622	2.027	3.2	9
As at 31 st March 2022 (forecast)	5.635	1.119	6.754	7.9	12
As at 31 st March 2023 (forecast)	5.353	0.616	5.969	7.1	11
As at 31 st March 2024 (forecast)	6.170	0.113	6.283	7.4	12
As at 31 st March 2025 (forecast)	12.460	0	12.460	13.6	18
As at 31 st March 2026 (forecast)	13.015	0	13.015	14.2	19

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

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

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/21 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLb	08/01/49	80	Oct 2025	5,346	837	3.125	30
	16/09/49	80	Jul 2029	380	41	3.0	1
	10/05/46	80	Jan 2026	10,150	1,520	3.125	54
	12/11/48	80	Jul 2028	13,885	3,061	3.0	100
	18/08/61	60	Jul 2021	13,817	474	7.0	81
	28/07/64	60	Jul 2024	15,801	3,041	6.0	217
	02/03/65	60	Jan 2025	19,558	4,240	6.0	296
	01/10/65	60	Jul 2025	33,976	8,171	6.0	560
	05/07/66	60	Jan 2026	35,000	9,222	6.0	623
	02/08/66	60	Jul 2026	50,000	14,290	6.0	954
	18/03/68	60	Jan 2028	40,000	16,115	7.375	1,283
	03/01/69	60	Jul 2028	53,027	24,048	8.125	2,092
	06/03/70	60	Jan 2030	20,100	10,862	8.75	1,001
	24/11/70	60	Jul 2030	18,714	11,007	9.5	1,095
	26/01/71	60	Jan 2031	25,000	15,397	9.75	1,566
	05/03/71	60	Jan 2031	12,500	7,468	9.25	722
	05/03/71	60	Jan 2031	25,0000	14,941	9.25	1,444
	31/05/46	80	Jan 2026	9,570	1,500	3.125	53
	28/02/47	80	Jan 2027	5,832	936	2.5	26
	18/10/46	80	Jul 2026	1,527	226	2.5	6
	20/02/48	80	Jan 2028	14,952	3,099	3.0	102
	22/09/50	80	Jul 2030	654	177	3.0	6
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	227	3.125	8
	16/09/49	80	Sep 2029	640	158	3.0	5
	20/03/53	80	Mar 2033	1,020	418	4.125	18
	23/10/53	80	Sep 2033	750	299	4.0	9
	20/11/53	80	Sep 2033	420	171	4.0	7
	25/04/52	80	Mar 2032	480	183	4.25	8
	30/01/48	80	Sep 2027	1,560	303	3.0	10
	20/09/45	80	Sep 2025	16,690	2,602	3.125	96
Total					405,034		

Definitions:

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

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

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

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

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

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

Definitions:

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

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

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2020/21	1.6	1.6	0.5
2021/22	6.8	6.8	2.0
2022/23	6.5	6.5	1.9
2023/24	7.3	7.3	2.2
2024/25	13.6	13.6	4.1
2025/26	14.2	14.2	4.3

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

The totals below are based on existing investment assets and spend in line with the capital programme on residential property and investments in line with the Property Acquisition and Development Strategy. The annual income is based on forecasts for the existing investments and an assumed return of 7% for new investments (2.5% MRP + 2% interest + 1.5% margin). The loans are in accordance with the identified need to borrow and the cost of borrowing is assumed at 5.5% (2.5% MRP and 2% interest).

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2021/22	29.376	1.177	4.6	0.207
2022/23	33.376	1.997	4.6	0.207
2023/24	37.376	2.327	5.7	0.257
2024/25	41.376	2.607	9.7	0.437
2025/26	41.376	2.887	9.7	0.437

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

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The change to the PWLB rules also means that this borrowing cannot be accessed if there is any capital spend that is primarily to generate income, even if that spend was intended to be financed from reserves. The capital programme item in respect of housing had previously encompassed the purchase of existing housing. This has been in the capital programme for a few years and is funded from capital receipts, so would not breach the "borrowing in advance of need" rules. However, it could be considered to be in breach of the PWLB borrowing restrictions. The focus of this funding has therefore been changed to cover the development and conversion of new housing. As detailed in the property development and acquisition strategy the primary purpose of the £20m investment is for the

purposes of the Council's functions or the benefit, improvement or development of the area. Any surplus is necessary to justify this investment but is not the primary purpose.

Minimum Revenue Provision

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

Minimum Revenue Provision:

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

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

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

The Council will have a need to borrow in 2021/22 if the Capital programme is fully spent and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is a combination of spend on service provision and investments that should generate a consistent return over time. Therefore, it is considered appropriate to adopt an equal instalment MRP policy. This can be reviewed in future if the Council ever looked at an investment with a return profile that increased over the life of the asset.

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

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2021/22 to 2025/26

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2021/22	0.276	15.755	1.75
2022/23	0.275	15.499	1.78
2023/24	0.323	15.448	2.09
2024/25	0.619	15.458	4.00
2025/26	0.674	15.287	4.41

Part 5- Investment Strategy

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

Table 15

Balances	Brought forward (at 31/3/20)	Forecast balance at year end (£000)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue balances (including MRP added back)	23,768	22,472	27,613	26,385	26,690	33,191	30,398
Capital Receipts	1,941	234	340	4,185	142	38	38
Capital Grants Unapplied	938	938	225	225	225	225	225
Add: Long-term liabilities ¹	2,125	1,622	1,119	616	113	0	0
Less: Capital Financing Requirement	-5,594	-4,704	5,098	5,094	6,194	12,912	14,136
Less: Borrowing repayments	17	18	18	282	282	339	671
Total forecast of available for investment	34,349	29,952	24,181	26,035	20,694	20,203	15,854

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

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

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

Before considering where the Council will invest any surplus cash in treasury investments, it firstly needs to consider any loans that it may want to make for other purposes. A local authority can choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures. These loans can relate to service provision or to promote local economic growth. These loans may not seem prudent when considered purely in relation to security and liquidity. Table 16 details current and planned loans and shows the reasons for these loans, how their value is proportionate, the risk of loss and credit control arrangements that are in place.

Table 16

Loan	Amount	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/7 th of the shares.	Insignificant in the context of overall cash balances. Around 0.4% of total investments.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Tbc, up to £3m	To provide the company with finances to purchase and develop property assets. These properties will then be let or sold to generate income and profit. It is also possible that any investment could be in the form of equity.	Based on investment limits in table 17 below, it could be the equivalent of one investment in a bank or building society. Also included within treasury limits to ensure diversification in relation to residential property.	Any loan could be secured against the property assets of the company. An equity investment would provide less security and increase expected credit loss. However, it may enable the company to be more profitable, and therefore increase returns. Expected credit loss would be looked at in more detail in advance of any investment being granted and linked to the planned use of those funds.

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

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

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

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected balance at the end of the year (2021/22)* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. The limits are shown in table 17 below.

* This is the balance taken from table 15 above of £24.2m but adjusted for the £3m potential capital investment in residential investment. This is included as the £3m investment and is included within the limits to ensure diversification.

Table 17

Investment Type	Maximum amount in that type of investment (£m)	Maximum amount in group (£m)	Maximum amount with any individual counterparty (£m)	Rationale and details
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	5	15% with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit	21	5	3	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 75% with banks in total
Lloyds Current Account		n/a	5	Used for cashflow purposes
Non-UK banks- includes deposits and Certificates of deposit		7	3	AAA Country rating and AA-and above institution rating. Maximum of 10% with any one counterparty. Maximum of 25% in non-UK banks. 75% in banks in total.
UK Building Societies- assets of £300m to £1bn	n/a	17	2	Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £2m. Maximum of 60% with UK Building Societies and Property Funds combined.
UK Building Societies- assets of over £1bn			3	As above, but £3million
Rated UK Building Societies			3	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
Residential Property Investment			N/A	Up to £3M in line with Capital Programme. Maximum of 60% in Residential Property Investments and Building Societies combined.
UK Property Funds	2		2	Due to long-term nature of investment 10% of 2025/26 year end cash balance to be invested in any one fund or combination of funds. No durational limits.
Money Market Funds	7	n/a	3	AAA rated. Maximum of 25% in MMFs and 10% with any one fund.

Ultra-Short Dated Bond Funds	3		1	AAA rated. Maximum of 10% in USDBFs and £1M with any one fund.
UK Multi-Asset Funds	2		2	Due to long-term nature of investment 10% of 2025/26 year end cash balance to be invested in any one fund or combination of funds. No durational limits.

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

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

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

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

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

The Council maintains a treasury risk on its risk register.

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

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2020/21	0.1	0.1
2021/22	0.1	0.1
2022/23	0.1	0.1
2023/24	0.1	0.1

Combining these average interest rates with expected balances, gives a forecast of the interest that will be earned in each year. However, the Council is planning on investing in longer term Property and Multi-asset funds. By taking on greater liquidity risk, a higher medium-term return could be expected. The table below makes an estimate of £4m invested in these funds and a return of 2%. This will be accompanied by a financial risk as returns are very uncertain, particularly on a short-term basis.

Table 19

	2021/22	2022/23	2023/24	2024/25	2025/26
Forecast of average balance available for investment (£m)- short to medium term	23.2	22.0	16.7	16.2	11.9 Forecast
Forecast of average interest earned on investments (%)- short to medium term	0.1	0.1	0.1	0.1	0.1
Forecast of balance available for investment (£m)- longer-term	4	4	4	4	4
Forecast of average interest earned on investments (%)- longer-term	2	2	2	2	2
Forecast of interest earned (£m)*	0.103	0.102	0.097	0.096	0.092
Current interest assumed in the revenue budget.	0.167	0.167	0.167	0.167	0.167

*Due to current economic uncertainty Interest estimates in the revenue budget are higher than those forecast from multiplying the average balance by forecast interest rates. These will be reassessed each year. For 2021/22 it will be necessary to revise the budget down to £104k (a pressure of £63k.

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

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

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2020/21	0.041	0.185	-0.144	15.889	-0.906
2021/22	0.276	0.103	0.173	15.755	1.098
2022/23	0.275	0.102	0.173	15.499	1.117
2023/24	0.323	0.097	0.226	15.448	1.463
2024/25	0.619	0.096	0.523	15.458	3.382
2025/26	0.674	0.092	0.582	15.287	3.808

Part 6- Overall Risk Considerations

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

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

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

Part 7- Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Priority	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 - 30/31 Estimate £
Advances & Cash Incentives							
John Barker Place, Hitchin	0	0	1,096,000	0	0	0	0
Advances & Cash Incentives Total	0	0	1,096,000	0	0	0	0
Asset Management							
Access Bury Mead Road	84,000	0	0	0	0	0	0
Acquisition of Property Investments	0	8,000,000	4,000,000	4,000,000	4,000,000	0	0
Alteration & improvement to underground drainage at Coombes Community Centre	0	25,000	0	0	0	0	0
Council property improvements following condition surveys	472,200	255,000	0	0	0	0	0
Energy efficiency measures	8,500	0	0	0	0	0	0
Land Purchase Adj Grange CC	20,000	0	0	0	0	0	0
Provide housing at market rents	30,000	2,946,700	0	0	0	0	0
Replacement of Newark Close, Royston.	0	65,000	0	0	0	0	0
Thomas Bellamy House, Hitchin	0	65,000	0	0	0	0	0
Asset Management Total	614,700	11,356,700	4,000,000	4,000,000	4,000,000	0	0
Community Services							
Baldock Town Hall project	48,800	0	0	0	0	0	0
Refurbishment and improvement of community facilities	522,900	0	0	0	0	0	0
S106 Projects	128,800	0	0	0	0	0	0
Community Services Total	700,500	0	0	0	0	0	0
Computer Software and Equipment							
40 KVA UPS Device or Battery Replacement	7,000	11,000	0	12,000	0	14,000	16,000
Additional PC's - Support Home Working/OAP	11,000	0	0	0	0	0	0
Alternative to safeword tokens for staff/members working remotely	16,000	0	12,000	0	18,000	0	33,000
Back-up Diesel 40 KVA Generator (DCO)	0	0	0	25,000	0	0	0
Cabinet Switches - 4 Floors	0	18,000	0	0	18,000	0	18,000
Cadcorp Local Knowledge & Notice Board Software	5,400	0	0	0	0	0	0
CCTV at DCO & Hitchin Town Hall	15,000	0	0	15,000	0	0	0
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	0	35,000	0	0	0	0	0
Cyber Attacks - Events Monitoring Software Solution	30,000	0	0	0	0	0	0
Data Switch upgrade	0	0	15,000	0	18,000	0	41,000
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	0	0	0	55,000	0	0	60,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	39,000	0	0	0	0	0	0
Email Encryption Software Solution	45,000	0	0	0	0	0	0
Infrastructure Hardware	284,600	0	28,000	0	278,000	25,000	348,000
Laptop Purchases for Officers	0	55,000	0	0	55,000	0	110,000
Laptops - Refresh Programme	109,600	30,000	7,000	7,000	80,000	5,000	70,000
Member Laptops - Refresh Programme	0	0	0	60,000	0	0	120,000
Microsoft Enterprise Software Assurance	0	0	390,000	0	0	426,000	462,000
PC's - Refresh Programme	30,500	13,000	8,000	7,000	13,000	7,000	34,000
Security - Firewalls	14,000	0	14,000	0	16,000	0	36,000
Tablets - Android Devices	12,900	15,000	18,000	12,000	17,000	17,000	56,000
Voice Recorders Careline	28,500	0	0	0	0	0	0
WiFi Upgrade	0	0	0	0	0	40,000	0
WiFi Upgrades for DCO & Hitchin Town Hall	35,000	0	0	0	0	0	0
Computer Software and Equipment Total	683,500	177,000	492,000	193,000	513,000	534,000	1,404,000
Corporate Projects							
Elections Equipment	0	27,000	0	0	0	0	0
Telephony system	10,600	0	0	0	0	0	0
Corporate Projects Total	10,600	27,000	0	0	0	0	0
Growth Fund Projects							
Cycle Strategy implementation (GAF)	0	278,000	0	0	0	0	0
Green Infrastructure implementation (GAF)	0	185,000	0	0	0	0	0
Transport Plans implementation (GAF)	0	250,000	0	0	0	0	0
Growth Fund Projects Total	0	713,000	0	0	0	0	0
Leisure Facilities							
Allotments Water Supply Improvements	0	0	10,000	0	0	0	0
Avenue Park Splash Park	0	0	0	70,000	0	0	0
Bancroft & Priory Splash Pads	0	0	0	0	35,000	0	0
Bancroft Lighting	0	0	0	45,000	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	19,400	0	0	0	0	0	0
Decommissioning of Play Areas	5,000	0	0	0	0	0	0
Football Goal Replacement Programme	0	0	15,000	0	0	0	0
Great Ashby District Park safety and security	0	20,000	0	0	0	0	0
Howard Gardens Splashpad	0	0	35,000	0	0	0	0
HSC Boiler Replacement	0	0	0	0	200,000	0	0
HSC Future Refurbishment	0	0	0	0	0	300,000	605,000
HSC Outdoor Pool Boiler Replacement	40,000	0	0	40,000	0	0	0
HSC Reception Toilet Refurbishment	0	0	30,000	0	0	0	0
Ickneild Way Cemetery Footpaths	0	50,000	0	0	0	0	0
Ivel Springs Footpaths	0	0	10,000	0	0	0	0
Leisure Condition Survey Enhancements	0	0	0	107,000	0	0	0
Letchworth Outdoor Pool Boiler Replacement	40,000	0	0	40,000	0	0	0

	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £	2024/25 Estimate £	2025/26 Estimate £	2026/27 - 30/31 Estimate £
Priority							
Mrs Howard Hall Replacement Boiler & Windows	63,000	0	0	0	0	0	0
Newmarket Road Royston Skatepark & Access	0	0	0	90,000	0	0	0
NHLC Boiler Replacement	0	0	200,000	0	0	0	0
NHLC Dryside Changing Area	0	0	100,000	0	0	0	0
NHLC Interactive Water Feature	0	0	0	0	0	0	120,000
NHLC Pool Flume Replacement	0	0	0	0	0	0	150,000
NHLC Reception Toilet Refurbishment	0	0	30,000	0	0	0	0
NHLC Refurbish Gym Floor	0	50,000	0	0	0	0	0
NHLC Refurbishment of Gym Members Changing Rooms	200,000	0	0	0	0	0	0
NHLC Replace Circulation Pipework	58,700	0	0	0	0	0	0
NHLC Replacement of Sport Hall heating system	0	30,000	0	0	0	0	0
NHLC Sauna Steam Refurbishment	0	0	0	250,000	0	0	0
Norton Common Footpaths	0	0	0	10,000	0	0	0
Norton Common Wheeled Sports improvements	7,100	0	0	0	0	0	0
Oughtonhead Common Footpaths	0	0	0	20,000	0	0	0
Park Recycling Litter Bins	0	25,000	0	0	0	0	0
Playground Renovation District Wide	0	180,000	180,000	180,000	180,000	180,000	900,000
Ramsoms Rec Footpaths, Gates and Railing	0	0	10,000	20,000	0	0	0
Renovate play area Howard Park, Letchworth	75,000	0	0	0	0	0	0
Renovate play area King George V Recreation Ground, Hitchin	800	0	0	0	0	0	0
Renovate play area, District Park, Gt. Ashby	800	0	0	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	10,000	0	0	0	0	0	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	10,000	0	0	0	0	0	0
Replacement of Domestic Hot Water Calorifer at HSC	0	25,000	0	0	0	0	0
RLC Changing Village Refurbishment	0	0	225,000	0	0	0	0
RLC Dry Side Toilet Refurbishment	0	0	30,000	0	0	0	0
RLC Future Refurbishment	0	0	0	0	0	0	300,000
RLC Members Change Refurbishment	0	0	0	0	150,000	0	0
Royston Leisure Centre extension	0	0	1,000,000	0	0	0	0
Solar Thermal Installation at Royston Leisure Centre	0	50,000	0	0	0	0	0
St Johns Cemetery Footpath	10,000	0	0	0	40,000	0	0
Walsworth Common Pavilion - contribution to scheme	0	0	300,000	0	0	0	0
Walsworth Common Pitch Improvements	18,900	0	0	0	0	0	0
Weston Hills LNR Footpath Renovation	0	0	20,000	0	0	0	0
Wilbury Hills Cemetery Footpaths	10,000	10,000	0	10,000	10,000	0	30,000
Leisure Facilities Total	655,700	440,000	2,195,000	882,000	615,000	480,000	2,105,000
Museum & Arts							
Hitchin Town Hall Additional Bar & Glassware Infrastructure	25,000	0	0	0	0	0	0
Hitchin Town Hall Sprung Floor Replacement	75,000	0	0	0	0	0	0
Museum Storage Solution	100,000	1,100,000	0	0	0	0	0
NH Museum & Community Facility	48,300	0	0	0	0	0	0
NH Museum Platform Lift Solutions	40,000	0	0	0	0	0	0
Museum & Arts Total	288,300	1,100,000	0	0	0	0	0
Parking							
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	0	75,000	0	0	0	0	0
Installation of trial on-street charging (GAF)	0	50,000	0	0	0	0	0
Lairage Multi-Storey Car Park - Structural wall repairs	10,000	110,700	0	0	0	0	0
Letchworth Multi-Storey Car Park - parapet walls, soffit & decoration	133,800	0	0	0	0	0	0
Letchworth Multi-Storey car park - lighting	18,000	0	0	0	0	0	0
Match funding for Electric Vehicle charging	0	100,000	0	0	0	0	0
Off Street Car Parks resurfacing and enhancement	15,000	178,000	56,100	8,000	0	0	0
Parking Charging, Payments & Management	0	235,000	0	0	0	0	0
Parking Machines Replacement	0	0	0	0	0	150,000	150,000
Parking Machines Upgrade - Contactless Payment Facility Installation	38,000	36,000	20,000	0	0	0	0
Refurbishment of lifts at Lairage Car Park	359,300	0	0	0	0	0	0
Replace and enhance lighting at St Mary's Car Park	0	60,000	0	0	0	0	0
Resurface Lairage Car Park	350,000	0	0	0	0	0	0
Parking Total	924,100	844,700	76,100	8,000	0	150,000	150,000
Renovation & Reinstatement Grant Expenditure							
Mandatory Disabled Facility Grants	50,000	0	0	0	0	0	0
Private Sector Grants	60,000	60,000	60,000	60,000	60,000	60,000	300,000
Renovation & Reinstatement Grant Expenditure Total	110,000	60,000	60,000	60,000	60,000	60,000	300,000
Waste collection							
Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	0	0	0	0	1,600,000	0	0
Waste and Street Cleansing Vehicles	0	0	0	0	0	4,000,000	0
Waste collection Total	0	0	0	0	1,600,000	4,000,000	0
Grand Total	3,987,400	14,718,400	7,919,100	5,143,000	6,788,000	5,224,000	3,959,000

CAPITAL INVESTMENT PROPOSALS

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			£'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	20,000	-	8,000	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.
ECP2	Service Director - Commercialisation	Provide housing at market rents	2,947	-	2,947	-	-	-	0	0	tbc	This project follows on from the revenue investment proposal that explores the feasibility. This is an "invest to earn" proposal to utilise NHDC capital and land to generate revenue income. Under this scheme, the land and properties would remain in NHDC ownership. Phase 1 (as dealt with by the revenue investment bid): form investment mechanism to own houses built for market rent. Phase 2: identify appropriate partnership model to achieve build and/or purchase. Phase 3: contract with a property management company. Phase 4: acquire/build properties. Phase 5 (beyond scope of this bid): identify other sites where this model could be applied.
ECP3	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			23,357	-	11,357	4,000	4,000	4,000	-	-	-	21
Corporate Items												
NCP4	Service Director - Legal & Community	Elections equipment	27	-	27	-	0	0	0	0	0	Replacement of polling booths and ballot boxes. The current polling booths are wooden, heavy to manoeuvre and have to be assessed for any required repairs prior to each election, due to their condition and age. These have been in use for a number of years and given the volume of elections scheduled in 2021, it is an opportune time to replace some of these booths with a much lighter product. The current wooden booths provide for one voting pod, whereas the new booths provide for two voting pods. This means that the number of booths needing to be delivered to each station will be reduced. The booths are currently delivered by a removal company – going forward, once all booths have been replaced will enable alternative delivery methods to be considered (i.e. Presiding Officer to collect the polling booth required at the same time as the ballot box). The current plastic ballot boxes are difficult to secure as some are warped. Ballot boxes must be secured by 7am on the day of poll. Those to be purchased are a foldable design, meaning that less storage space is required, and also have handles, making them easier to carry.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sub-Total: Corporate Items			27	-	27	-	-	-	-	-	-	
Grants to Third Parties												
ECP4	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)
ECP5	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	-	
Externally financed projects												
ECP6	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.
ECP7	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.
ECP8	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.
ECP9	Service Director - Regulatory	Green Infrastructure implementation (GAF)	185	185	185	0	0	0	0	0	0	It is recommended that decisions on capital projects eligible for GAF funding are postponed until adoption of the Local Plan and any further strategies that may be recommended by the Inspector.
Sub-Total: Externally financed projects			763	763	763	-	-	-	-	-	-	
Parking Related Proposals												

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP5	Service Director - Regulatory	Parking Machines Upgrade - Contactless Payment Facility Installation	56	43	36	20	0	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). In October 2020 a £38k capital allocation, fully financed using GAF funding, was approved by the Executive Member Finance & IT for this tranche to be completed in 2020/21. Tranche 2: Upgrade of remaining 26 coin parking machines to include contactless to be rolled out over a 2 year programme from 2021/22.
NCP6	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.
NCP7	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.
NCP8	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.
ECP10	Service Director - Regulatory	Lairage Multi-Storey Car Park - Structural wall repairs	111	-	111	0	0	0	0	0	0	Works to preserve this income generating asset in usable condition. Works necessary to protect surface following experience at Letchworth multi-storey.
ECP11	Service Director - Regulatory	Replace and enhance lighting at St Mary's Car Park	60	-	60	0	0	0	0	0	0	The existing lighting columns within the car park have suffered from ongoing electrical supply problems and structural decay. A temporary solution has been provided to provide lighting, however the existing columns need replacing. The lighting in the remainder of the car park is not to current recommended levels. This scheme will address all of these issues with new, energy efficient, lighting columns.
ECP12	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	242	-	178	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.
ECP13	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 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			1,179	43	795	76	8	-	150	150	-	
Waste Collection												

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP14	Service Director - Place	Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	1,600	-	0	0	0	1,600	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.
ECP15	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			5,600	3,200	-	-	-	1,600	4,000	-	-	
Leisure Related Proposals												
ECP16	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 bolier 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												
NCP9	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.
ECP17	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.
ECP18	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.
ECP19	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.
ECP20	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.
ECP21	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP22	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.
ECP23	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.
ECP24	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.
ECP25	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												
NCP163	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.
ECP26	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.
ECP27	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.
ECP28	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.
ECP29	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.
ECP30	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP31	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.
ECP32	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 fume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool.
ECP33	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												
NCP11	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.
ECP34	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.
ECP35	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.
ECP36	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.
ECP37	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.
ECP38	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. UPDATE CBP 2021/22: Remove original £80k allocation in 2025/26 as windows have been repaired. Carried out during closure period.
ECP39	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP40	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.
ECP41	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												
NCP12	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
NCP13	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.
ECP42	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.
ECP43	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	-	
Green Space Developments - Baldock												
ECP44	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.
ECP45	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.
ECP46	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												

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP14	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	-	-	-	-	-	-	

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Green Space Developments - Hitchin												
ECP47	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>
ECP48	Service Director - Place	Bancroft and Priory Splash Pads	35	-	0	0	0	35	0	0	0	<p>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.</p>
ECP49	Service Director - Place	Bancroft Lighting	45	-	0	0	45	0	0	0	0	<p>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.</p>
ECP50	Service Director - Place	Oughtonhead Common Footpaths	20	-	0	0	20	0	0	0	0	<p>To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.</p>
ECP51	Service Director - Place	Ransoms Rec Footpaths, Gates and Railing	30	-	0	10	20	0	0	0	0	<p>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.</p>
ECP52	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												
ECP53	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>
ECP54	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>
ECP55	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>

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP56	Service Director - Place	Norton Common Footpaths	10	-	0	0	10	0	0	0	0	To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
Sub-Total: Green Space Developments - Letchworth			155	-	60	35	20	10	-	30	-	
Green Space Developments - Royston												
ECP57	Service Director - Place	Newmarket Road Royston Skatepark and Access	90	-	0	0	90	0	0	0	0	Following the success of the new facility at Norton Common the existing item at Newmarket Road is in need of renovation and updating at the same time now the site is becoming more popular access into the site requires improvement and formalising. 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.
Sub-Total: Green Space Developments - Royston			90	-	-	-	90	-	-	-	-	
Museum and Arts Development												
ECP58	Service Director - Commercialisation	Museum Storage Solution	1,100	-	1,100	0	0	0	0	0	0	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures which are increasingly posing a health and safety risk to our staff. This project will involve relocating parts of the museum collection whilst the previously mentioned storage units are levelled and a new purpose built storage unit is built on the site. The storage unit will comprise of space saving roller racking, climate controlled spaces for fragile items of the collection and a small amount of office space for museum staff to utilise when on site. This office space could also be used under supervision to assist with third party research such as students or historians. The amount requested is an initial estimate, extrapolated from previous external costing exercises on a smaller storage unit on the site. It is the opinion of officers however, that a larger site would future proof the museum storage facilities and more costing work will need to be undertaken to provide a more precise quotation for the development. The completion of this work would see the former Hitchin Museum and Letchworth Museum sites be completely cleared of museum storage.
Sub-Total: Museum and Arts Development			1,100	-	1,100	-	-	-	-	-	-	
IT Schemes:												
NCP15	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.
NCP16	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.
NCP17	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.
NCP18	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP59	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.
ECP60	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.
ECP61	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.
ECP62	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.
ECP63	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.
ECP64	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.
ECP65	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.
ECP66	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
ECP67	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.
ECP68	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.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP69	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.
ECP70	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.
ECP71	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.
ECP72	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.
ECP73	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.
ECP74	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.
ECP75	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.
ECP76	Service Director - Customers	Laptops - Refresh Programme	199	-	30	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. To facilitate the timely delivery of the scheme, Cabinet (December 15 2020) approved the bringing forward of £50k of the proposed capital allocation into 2020/21.
ECP77	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.
ECP78	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			3,313	-	177	492	193	513	534	1,404	-	

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
TOTAL			43,752	4,733	14,719	7,919	5,143	6,788	5,224	3,959	-21	

TOTAL CONSISTS OF:												
PROPOSALS ALREADY IN THE CAPITAL PROGRAMME:			42,404	4,690	14,086	7,889	5,083	6,733	5,034	3,579	0	
NET CHANGE IN THE 2021/22 PROCESS			1,348	43	633	30	60	55	190	380	-21	

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

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