

NORTH HERTFORDSHIRE DISTRICT COUNCIL



04/03/22

Our Ref Finance, Audit and Risk
Committee/16.03.22
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To: Members of the Committee: Keith Hoskins, Clare Billing, Adam Compton,
Morgan Derbyshire, Terry Hone, Sean Prendergast and Adem Ruggiero-Cakir

Substitutes: Councillors Juan Cowell, George Davies, Steve Jarvis, Nigel Mason, Kay Tart
and Terry Tyler

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES

On

WEDNESDAY, 16TH MARCH, 2022 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda

Part I

Item		Page
1.	APOLOGIES FOR ABSENCE 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.	
2.	MINUTES - 17 JANUARY 2022 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 17 January 2022	
3.	NOTIFICATION OF OTHER BUSINESS Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4.	CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.	
6.	ANNUAL GOVERNANCE STATEMENT 2020/21 REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER For the Committee to approve the Annual Governance Statement (AGS) for the year 2020/21 and Action Plan	(Pages 5 - 20)
7.	LOCAL CODE OF CORPORATE GOVERNANCE 2022 REPORT OF THE POLICY AND COMMUNITY ENGAGEMENT MANAGER	(Pages 21 - 36)

For the Committee to approve the Local Code of Corporate Governance for 2022.

8. **AUDIT RESULTS REPORT** (Pages
REPORT OF ERNST AND YOUNG 37 - 88)

To consider the Audit Results Report.

9. **STATEMENT OF ACCOUNTS 2020/21** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 89 - 196)

For the Committee to approve the audited Statement of Accounts for 2020/21.

10. **SAFS PROPOSED ANTI-FRAUD PLAN 2022/23 AND PROGRESS WITH DELIVERY OF 2021/22 PLAN** (Pages
To review and approve the Shared Anti-Fraud Service (SAFS) Anti-Fraud Plan 2021/22. 197 - 214)

11. **UPDATED FRAUD POLICY** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 215 - 236)

That the Committee approve the amended Fraud Prevention Policy.

12. **AUDIT PLAN 2022/2023** (Pages
To approve the audit plan for 2022/2023. 237 - 254)

13. **Q3 2021/22 AUDIT UPDATE REPORT** (Pages
To receive and note the Q3 Audit Update Report 255 - 264)

14. **RISK MANAGEMENT UPDATE** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 265 - 270)
To update the Committee on Corporate risks and changes to those risks.

15. **THIRD QUARTER REVENUE BUDGET MONITORING 2021/22** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 271 - 282)

To consider the Third Quarter Revenue Budget Monitoring report for 2021/22.

16. **THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2021/22** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 283 - 314)
To receive an update on progress with delivering the capital and treasury strategy for 2021/22, as at the end of December 2021

17. **TAX COMPLIANCE FRAMEWORK** (Pages
REPORT OF THE SERVICE DIRECTOR - RESOURCES 315 - 324)

That the Committee comment on and note the proposed Tax Compliance Framework.

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|------------|--|-------------------------|
| 18. | COUNCIL DELIVERY PLAN
A report detailing the performance Management Measures to support
Delivery of the Council Plan 22-27 | (Pages
325 -
346) |
| 19. | POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS
The Chair to lead a discussion regarding possible agenda items for future
meetings. | |

FINANCE, AUDIT & RISK COMMITTEE 16 MARCH 2022
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*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2020/21

REPORT OF: POLICY AND COMMUNITIES MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE, AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1 For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2020/21 and Action Plan. The Statement reviews the Council's governance arrangements for the 2020/21 period. It also proposes an Action Plan to update/improve those arrangements for the next financial year. This report also provides details of the amendments to the Statement and Action Plan since the draft AGS for 2020/21 was reported to the Committee in July 2021.

2. RECOMMENDATIONS

- 2.1 That the Committee is recommended to approve the amended AGS and Action plan (Appendix A).

3. REASONS FOR RECOMMENDATIONS

- 3.1 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.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan during 2021-22 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 At the Committee meeting on the 12 July 2021, members were asked to provide feedback on the draft AGS that was presented at that meeting. A copy of the draft was also provided to both the Shared Internal Audit Service (SIAS) and Ernst & Young

(External Auditors). SIAS provided comments in June and were incorporated into the AGS presented at the July FAR committee meeting. Ernst & Young provided comments in December 2021. The amendments include the following additions:

- A number of the weblinks have been updated to allow for external users to access the referred to documents on the internet and Modgov throughout the AGS. Additionally, the council's website had been completely updated after the July meeting and some links required updating to reflect this change.
- Principle D – A breakdown of the funding (of £42,150) provided for the Coronavirus Community Support fund between June 2020 and May 2021 to help alleviate child poverty. This has been added to the Leadership self-assessment and provides links to the relevant record of decision made under delegated as outlined in the table below:

Community Support fund (via Grants 04)	Proposed	Awarded	Report
Home-start Herts	£5,000	£5,000	June 2020 CSF Delegated Decision Report
Need Project	£5,000	£5,000	June 2020 CSF Delegated Decision Report
Christians Against Poverty	£3,500	£3,500	June 2020 CSF Delegated Decision Report
Ickleford Community Larder	£2,000	£2,000	June 2020 CSF Delegated Decision Report
Letchworth foodbank	£4,000	£4,000	June 2020 CSF Delegated Decision Report
Home-start Royston	£1,885	£1,885	June 2020 CSF Delegated Decision Report
Hitchin Food Provision Teams	£18,265	£18,265	June 2020 CSF Delegated Decision Report
Built on Faith	£500	£500	September 2020 CSF Delegated Decision Report
Kings Community Church	£2,000	£2,000	December 2020 CSF Delegated Decision Report
	£42,150	£42,150	

- Review of Effectiveness – Assurance from Internal and External Audit (Page 7). External Auditor paragraph amended to clarify the most recent update is the Audit letter issued in December 2020.
- Assurances from Complaints Outcomes – (Page 8). The Council's complaints summary has been updated to the report presented at Overview and Scrutiny in July 2021 and is now the full period for 2020-2021.
- Standards complaints involving Councillors – (Page 8). Reference added to October 2021 Standards Matters report

The amended AGS is attached as Appendix A and therefore the final version following consultation.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 Reference is made to the report of the 12 July 2021, which sets out the legal requirements for preparation, review, and approval of the AGS, together with the matters included/ and parties involved in that process. As indicated, this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of approving the Statement of Accounts (Regulation 9(2)(b)) at this Committee meeting. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.
- 7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which for this year onwards is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by Leadership Team against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It has been loaded on the Council's Corporate Governance internet page and will remain on the site until the next review is undertaken [[Leadership AGS self-assessment document 2020-21](#)].³
- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, the overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced.
- 8.2. The AGS for 2020-21 is attached as Appendix A for approval.
- 8.3. The Council will publish the approved 2020-21 AGS alongside the Statement of Accounts as it has in previous years.
- 8.4. Updates to the Action Plan will be reported to this Committee again at future meetings

9. LEGAL IMPLICATIONS

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations the 2020-21 AGS must be approved by this Committee by 31 July. An amendment to the regulation (The Accounts and Audit (Coronavirus) (amendment) Regulations 2020, due the impact of Covid-19, has extended that deadline. Otherwise, the legal implications are set out under section 7 above.

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

² As above (*ibid*)

³ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

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

10. FINANCIAL IMPLICATIONS

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

- 11.1 The process of assessing the Council’s governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

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.
- 12.1 There are no direct equality implications of this report or the AGS. Where relevant the Council’s arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Corporate Policy Team undertake an Annual Cumulative Equality Impact Assessment and publishes it on the internet.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff. Human resources will support the relevant actions within the Action Plan for 2021-22.

16. APPENDICES

- 16.1 Appendix A –Annual Governance Statement for 2020-21 and Action Plan for 2021-22.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 The Leadership AGS self-assessment is on the on the Corporate Governance Page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The AGS also contains links to relevant documents and or documents.

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NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

Introduction

North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

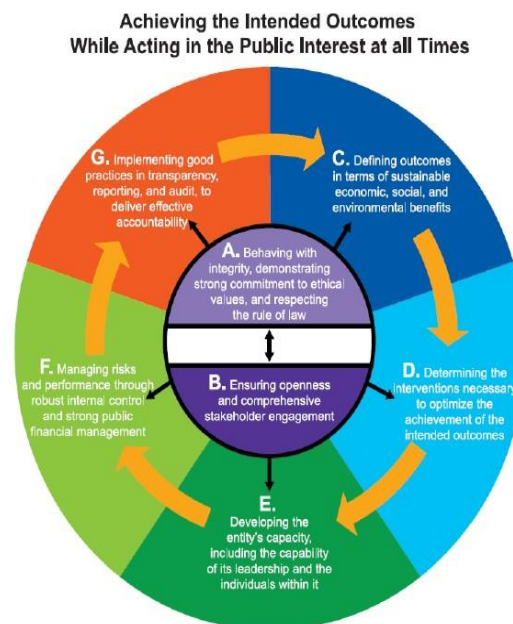
NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required¹ to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance in Local Government:

The Governance Framework comprises of systems, processes, culture and values, by which the authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



www.cipfa.org/services/networks/better-governance-forum

Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Strong Leader model that provides leadership, develops, and sets policy.
- ❖ A decision-making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by the Leadership Team and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ Following the approval of the redundancy of the Chief Executive in February 2020, a strategic officer leadership team has been established. This includes the Head of Paid Service (Managing Director) and Directors (which again includes all statutory officers).

How NHDC complies with the 2016 Governance Framework

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2020 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance

Set out below is a summary of **some of the central ways** that NHDC complies with the 2016 Framework Principles. The detailed arrangements, and examples are described / links provided in the Leadership AGS self-assessment document on the Corporate Governance page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>.

¹ Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015.

NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

What NHDC has or does:

Operates Codes of Conduct for Members (reviewed during 2020-2021) and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training usually takes place following an election however the election in 2020 was postponed due to COVID-19 as was the associated training. The next round of training took place following the election in 2021 (3 online sessions with District and local Councillors). This was noted in the Standards Committee meeting in October 2020 and March 2021 (and subsequent annual report to Council).

Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/ or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person Panel, Employment Committee and Full Council).

❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The 3 IPs are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provides an annual report to Full Council in July. This is designed to promote shared values with Members, employees, the community and partners.

❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees and decision-making practices

are outlined. The Council's Constitution is reviewed annually but has been in effect much more frequently during 2020-21 due to the pandemic.

❖ The Council's Fraud Prevention Policy, which includes the Anti-Money Laundering, Anti-Bribery, Anti-Fraud and Tax Evasion. In addition, the Whistleblowing Policy, have been reviewed and are available on the internet.² Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti-Bribery Policy.

❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.

❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Chief Executive (now Managing Director) and Chief Finance Officer (CFO) the MO has a statutory duty/ powers to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. The MO/ or Legal advisor attends Full Council, Cabinet, and regulatory Committees – such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed and reports directly to the Head of Paid Service. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.

❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012 and equality and environmental requirement); part 1 reports are published and available for inspection as per the statutory requirements. Committee Member & Scrutiny Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and despatch agendas and reports in advance of the meetings and take and despatch minutes and decision sheets after the meetings. Delegated decisions are retained by them and are available on-line.

❖ Further Planning training was provided to members via the Planning Advisory Service (PAS). An independent organisation who advises central and local government on planning issues to provide members with the relevant skills and knowledge.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

What NHDC has or does:

❖ The Council's vision and relevant documents are made available on the Council's website with Service Plans/Action Plans that show how the Objectives will be delivered in practical terms [[Council Plan page](#)].

²<https://www.north-herts.gov.uk/home/council-data-and-performance/policies/fraud-prevention-policy>

NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

❖ Open Data is published on the NHDC website, and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data Sets on NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].

❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities [[Annual Monitoring Report 2020-21](#)].

❖ NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region Air Quality Annual Status Report [[Air Quality Annual Status report 2020](#)].

❖ There is a Committee administration process in place so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings, are available online and through the Modern.gov system [[Council Meetings page](#)].

❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements³ apply. Report authors consider such matters with the designated Constitutional “Proper Officer”. Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)].

Public Registers and Delegated Decisions are available on the NHDC website [[Public Registers and Delegated Decisions](#)] and Planning applications/decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions⁴ are on the Council's website [[Delegated Decisions](#)].

❖ The Constitution also sets out what information is available to the public and how to engage with the Council [[Constitution](#)].

❖ The Council has a 5 year Consultation Strategy for 2016-2020 [[Consultation Strategy 2016-2020](#)] that sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation. A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement – Adopted July 2020](#)]. The SCI was adopted following a public [consultation](#) which took place in early 2020.

❖ The Council conducts a District Wide Survey every two years [[2019 District Wide Survey - Key Findings Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council's Citizens Panel, which is used for consultation.

❖ The Council also has an internal Staff Consultation Forum, a [Joint Staff Consultative Committee \(JSCC\)](#) and a Staff Consultation Policy.

❖ The Council convened a Shaping Our Future Group, which is designed to bring together staff and Councillors to input into the future direction of the organisation with regards to succession planning, automation, commercialisation, and diversity.

❖ The Inclusion Group feeds into the Shaping our Future group on matters of equality, diversity, and inclusion. Its purpose is to understand the experiences of staff mainly in relation to protected characteristics as defined under the Equality Act 2010, and to drive forward the diversity/inclusion agenda.

❖ The Council's Customer Care Standards aims to put people first [[Customer Care Standards](#)]. The Communications Strategy and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on-line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges. It has assisted with the renewals of the 3 Business Improvement Districts (Hitchin, Letchworth and Royston) which will be in place for another 3 years.

❖ The Council is also a member of the Hertfordshire Growth Board (alongside the other 10 districts and borough councils and Local Enterprise Partnership. The [Growth Board](#) is the vehicle in which the county is working together to manage future growth and support economic recovery.

❖ In response to the COVID-19 pandemic, North Hertfordshire District actively supported the most impacted/vulnerable by the outbreak of the virus. When the country went into full scale lockdown on the 24th

³ Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

⁴ Made under The Openness of Local Government Bodies Regulations 2014/2095

NHDC ANNUAL GOVERNANCE STATEMENT 2020-21

March, the council quickly set out its support by signposting residents and businesses to the Council's and central Government's package of guidance and support measures including grant funding awards. The Council's website established multiple pages with information and links and these have also been heavily publicised on various social media platforms.

❖ Since the first Covid-19 lockdown, meetings have been held virtually via Zoom, streamed live to YouTube, and remain on the Council's YouTube channel afterwards and has increased accessibility to members of the public

❖ Throughout the pandemic, Councillor Surgeries, Town Talks, Area Committees and Environment Panel meetings have also been held virtually via Zoom to ensure continued openness and engagement with residents. Monitoring reports of viewing figures of council meetings have tracked the wider engagement. <https://democracy.north-herts.gov.uk/documents/s15625/Virtual%20and%20Physical%20Meeting%20Attendance%20by%20members%20of%20the%20public%202019%20to%202021.pdf>

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

What NHDC has or does:

❖ The Council has a Council Objectives and Plan approval / review process, and its vision is based on partnership aspirations. The Objectives provide the foundations for the Service planning process. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the

Council's vision of equality and diversity [[Corporate Equality page](#)]. These issues are monitored through the report / decision making process and [Annual Cumulative Equality Impact Assessment 2020/21](#)

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What NHDC has or does:

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officer). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an 'options' appraisal called "Alternative options considered" and risk analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council's agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk Management Framework - Strategy](#). These are recorded on the Risk Register and monitored through the Council's Pentana performance/risk management system available to Councillors and staff. Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet. The corporate and individual risks are reported to the [Finance Audit and Risk Committee](#) on a quarterly basis.

❖ The Council's Financial Regulations [[Constitution PART B Section 19 Financial](#)

[Regulations](#)] are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium-Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5 year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan/business planning process. Budget workshops are provided to Political groups prior to budget setting/budget approval, and this helps to optimise achievements.

❖ From 2019, the Investment Strategy replaced the Capital Programme and Treasury Strategy, and was considered by Finance, Audit, and Risk on 20th January 2020 and approved by Full Council on 28th January 2020.

❖ The Council's Procurement Strategy 2021-22 puts in place the aspirations for the district as they relate to the Council Plan, including taking a focus on achieving community benefits though emphasis of the Go Local policy and a widening of the scope of this to incorporate Community Wealth Building.

❖ That Council have been alerted to a forecast impact of Covid-19 in comparison to available reserves and confirmed that these reserves will be used to fund the impact.

❖ In 2020, the Council awarded grants to food banks and food provision services, and to groups providing support for residents suffering from loneliness or mental health issues. This was done as part of the COVID-19 Community Support Fund with the aim to ensure the continued operation of vital services and organisations through and beyond the pandemic. See [Financial Impacts](#).

❖ The Council also provided the following support during the pandemic to the community:

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- Supporting the Food provision network and signposting families who need emergency help with food to local organisations in their area
- Distributing of food vouchers
- Providing Activity packs to families during the school holidays
- Supplying local charities and support groups with sanitary products to tackle period poverty
- Working with Survivors Against Domestic Abuse (SADA) to provide welfare packs to individuals and families who flee domestic abuse
- Supporting the Letchworth Best Before Café to purchase a basic kitchen for their new premises
- Working with the Hitchin Food Rescue Hub to stock up their non-perishable larder essentials
- In addition to these projects, we have also provided £42,150 from the Coronavirus Community Support Fund between June 2020 and May 2021 to help alleviate child poverty.
- The Council also received for distribution Central Government Grants to which the council developed policy criteria to support the access to payments; the Local Restrictions Support Grant (LRSB) to support businesses during lockdown and the Closed Business Lockdown Package (CBLP). The Council are in the process of developing an eligibility criteria policy for a local Restart Programme.
- The Council secured central government funding from the Next Steps Accommodation Programme (NSAP) to assist local authorities provide ongoing accommodation and support for rough sleepers housed during the current pandemic.
- The Council also received Homelessness Prevention Grant funding. The funding is

ringfenced for use in managing homelessness pressures and supporting those who are at risk of homelessness and rough sleeping.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

What NHDC has or does:

- ❖ The Council recognises the importance of employees, planning recruitment and development. The People Strategy incorporates the Workforce Development Plan People Strategy 2015-2020; Workforce profile (from the intranet), referenced externally through the [JSCC](#) and was developed with the Corporate Objectives (Priorities as was), Corporate Projects and workforce demands anticipated. A vacancy management process provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management qualifications and has Investors in People accreditation. (from the intranet), referenced externally through the
- ❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.
- ❖ Service area employees attend / are part of groups – such as Legal PLP and Herts First where good practice can be shared.
- ❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control, and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East

Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter, during the pandemic (currently dormant).

- ❖ The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing director/ Leader Briefings. Political Liaison Board (PLB) meetings are held, and opposition Member/ shadow Member briefings provided by the Chief Executive/ Service Directors and other senior officers.
- ❖ Weekly Leadership meetings are held where Policy, Projects, Performance and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.
- ❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service directors convene monthly briefings with relevant Executive Members
- ❖ Following the recently published Gender Pay Gap report, NHDC officers will take actions to implement the recommendations of the report.
- ❖ Following an [LGA Corporate Peer Challenge assessment, an Action Plan](#) has been developed to ensure the benefits of the CPS process are realised through thorough Organisational Development.
- ❖ The Council has a Transformation Project which seeks to improve our services to residents through the use of Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.
- ❖ The Shaping Our Future Programme contributes towards the development of the organisation, by considering how the Council

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can change and adapt in order to continue to achieve its priorities. It includes (but is not limited to) staff and leadership development; work on equality, diversity and inclusion; moving towards a more commercial culture; digital transformation.

❖ Staff Learning and Development sessions have also been instituted on the morning of every first Friday of each month. These are a mixture of themed and non-themed sessions to enable them to be used by teams or individuals to focus on an area of development most useful for them.

❖ In response to the COVID-19 crisis, the government has recently brought in new arrangements for meetings to be held remotely. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into force on 4 April 2020 and apply to local authority and police and crime panel meetings that are required to be held, or held before 7 May 2021. It was reported at the March Overview and Scrutiny meeting the increase of wider engagement on virtual platforms - [Virtual and Physical Committee Meeting attendance by members of the public 2019 - 2021](#)

❖ In response to Covid-19, the Council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. They meet regularly to respond to changing and current circumstances.

Principle F: Managing risks and performance through robust internal control and strong public financial management

What NHDC has or does:

❖ The Council has extensive mechanisms in place to manage risk and performance, for example, through the Risk Management Team/Group/Member Champion and the Risk Management Policy Statement, [Risk Management Framework – Strategy](#), the Risk Management Framework - Policy and operational guide. The Pentana system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant 'ownership'. These are reported to Leadership, FAR (risk) and O&S (performance) Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Risk Management Strategy is reviewed regularly and most recently was revised and approved by Cabinet in December 2020.

❖ [SIAS' reviews of Risk Management and Financial systems during 2019/20](#) provided overall Satisfactory assurance. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance. This will be updated in June 2021 for the year 2020/21.

❖ The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. COVID-19 remains one of the Council's top risks and currently has the highest risk score of 9 (assessed as high for both impact and likelihood). Actions taken to manage this risk have included: Closure of services in line with national restrictions, local outbreak and response plans, creation of a Project Board to manage the recovery process, including opportunities to build back better, ongoing support to staff, the majority of are continuing to work from home, ensuring services continue to be successfully delivered, offering sites for vaccination

programme and continuing wave monitoring and response. This has most recently been reviewed in the [Risk Management Update](#) in March 2021.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

What NHDC has or does:

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's website. It contains information about the Council's services and events. The Autumn Outlook– Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each year outlining the work undertaken in the previous civic year. On an annual basis SIAS is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). [Annual Assurance Statement and Annual Report 2020-21 presented in June 2021](#). An external review is required at least once every five years and this was last carried out in January 2016. The next external assessment was due in November 2020. The external review took place in June 2021 and reported at the December FAR meeting. [SIAS 2021/22 PROGRESS REPORT PDF 721 KB](#)

❖ The Head of Assurance has concluded, therefore, that SIAS 'partially conforms' to the Standards and associated Code of Ethics. However, the noted deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. It was noted that both identified issues (defining and clarifying the Board and Chief

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Audit Executive role across the partnership) were relatively easy and swift to resolve to enable the services to be classified as 'generally conforms'.

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom 2020/2021 and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/ Audit completion certificate and Annual Audit Letter).

Review of Effectiveness

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

❖ One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken. From 1 April 2021, SIAS have adopted the CIPFA assurance definitions (previously SIAS have used their own definitions). During 20/20/21 SIAS reported on 26 areas of which 8 received a Good assurance, 8 received a satisfactory assurance and 1 received limited assurance, 5 not assessed and 4 not finalised. The limited assurance opinion related to the Financial Resilience of supplier audit. Three high priority recommendations were made and implemented. All key financial/ risk systems/ contract management were also reviewed and a satisfactory assurance opinion overall on financial systems was concluded.

Recommendations are detailed in the [June 2021 SIAS Annual Assurance Statement](#). SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Some of the recommendations have been implemented and outstanding ones will be taken forward and monitored through the 2021/22 reports to FAR Committee. SIAS also reviewed the effectiveness of the FAR Committee. Their conclusions for 2019/20 were that overall the FAR committee was compliant with guidance issued by CIPFA as noted at the FAR [Annual Report](#).

❖ The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Following the national impact of Covid-19, Ernst & Young added all new Covid related risks for all councils. The last Annual Audit Letter presented to the FAR Committee in January 2021 was generally very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources. This 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. [\[NHDC Annual Audit Letter 2019-20\]](#). The External Audit Update report issued in June 2020 [\[External Audit plan for year ending 31/3/20\]](#) indicated the addition of new risks – all Covid-19 related and in line with other local authorities. The Audit Letter issued in December 2020 proposed to issue an unqualified opinion on its value for money conclusion.

❖ SIAS confirmed a good compliance level for corporate governance for the systems in place for 2018/19. Additionally, SIAS audits on Key financial systems: all provided a good level of assurance.

Assurance from self-assessment

❖ The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director was responsible for producing their own assurance statements and an improvement action plan to rectify any identified governance weaknesses, as part of the Service Planning process. This process was reviewed with an overall Leadership assurance statement provided [see⁵].

❖ Leadership Team is chaired by the Managing Director respectively, includes the MO, CFO and key senior managers. It followed the CIPFA/ SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/ sub-principles guidance examples. This was undertaken during March-June and Leadership is satisfied that appropriate and overall Substantial 2016 Framework governance arrangements are in place. However, any improvement actions have been identified for 2019-20 in the Action Plan. The detailed AGS self-assessment is available on the Corporate Governance page⁶.

Assurance from Risk Management

❖ The top risks for the Council, as reported to the FAR Committee in March 2021 [\[Risk Management Update report March 2021\]](#), are: Brexit - EU Transition, Covid-19 - Leisure Management Contracts, Local Plan, Managing the Council's Finances, Novel Coronavirus - Covid-19, Cyber Risks, Delivery of the Waste Collection and Street Cleansing Services Contract, Sustainable Development - Neighbouring Authorities, Impact of Anti-Social Behaviour on Council Facilities, Income Generation, Increased Homelessness and Sustainable Development - National and Regional Planning Issues and External Factors Affecting the Future Provision of Waste Services. It is worth noting that the Brexit - EU

⁵ <https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-objectives>

⁶ <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>

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Transition risk score has subsequently been reduced to 5 (medium in terms of impact and likelihood).

❖ **Brexit** had been a top risk since March 2019, with the risk score reflecting the continued high level of uncertainty during that period. The Council continues to analyse and assess the potential implications and to take proportionate actions based on the likelihood and potential impact. This was recently downgraded.

❖ **Leisure Management contracts** - The facilities, operated by Stevenage Leisure Ltd (SLL) under a contract with NHDC, were heavily impacted by coronavirus (COVID-19) since the start of the pandemic. The council agreed a revised package of financial support to ensure the continued delivery of Council owned leisure facilities in the district to support the health and wellbeing of our residents.

❖ Delivery of the **Local Plan** has been and remains a top risk. The Planning Inspector published the Main Modifications arising from the Local Plan examination process in November 2018. These were reported to Cabinet in December 2018, when approval was granted for consultation on the proposals. The Council concluded consultation on the Main Modifications in April 2019. Following the consultation on the Main modifications in January 2020, the Inspector arranged for further hearing sessions for March 2020. Further progress has taken place to seek approval to conduct a consultation upon the Inspector's proposed Further Main Modifications to the Plan and documentation produced under delegated authority. It was resolved that officers be authorised to conduct a consultation on the proposed Further Main Modifications and relevant supporting documents.

❖ **Managing the Council's Finances** is an ongoing top risk which is reported through the FAR Committee and Cabinet process. The MTFs, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

❖ A new top risk relating to **Delivery of the Waste Collection and Street Cleansing Services Contract** was first introduced in 2019/20, which replaced the previously reported Waste Management, Recycling and Street Cleansing risk. The new risk focuses on the operational effectiveness of the contractor and the potential high-profile impacts on residents, businesses and the Council's reputation. The reduced overall risk score of 8 reflects improvements in service provision and the positive direction of travel of performance since the new contract commenced.

Assurance from Complaints outcomes

Local Government Ombudsman (LGO):

❖ The Council reports complaints to Leadership and O&S. The summary for the full period 2020/2021, was presented at the [July 2021 Overview and Scrutiny](#) meeting the summary indicated that the number of complaints received decreased from 764 in 2019/20 to 527 in 2020/21. 57% of complaints received in 2020/2021 were related to services delivered by key contractors.

Standards complaints involving Councillors

❖ During the 2020/21 (April to March), there were twenty-eight formal complaints made to the Monitoring Officer. These complaints are reported to the Standards Committee by the Service Director for Legal and Community on a regular basis. See [Standards Matters Report](#). (N.B complaints are recorded by calendar year rather than financial year, but we have calculated the figure for financial year 2020/21 for the purposes of this AGS)

Information Commissioner's office (ICO)

❖ The Review time limit supplements the statutory one for handling requests (20 working days) and during 2020/21 the Council only failed to handle 1.03% of the 677 FOIs/EIRs requests within that period. There were 7 reviews, 1 of which was

successful, and the information released, 3 which were partially successful, and 3 which were unsuccessful.

❖ There were 0 ICO cases. In respect to requests for information under the Data Protection Act - 165 Data Protection cases (including 22 Subject Access Requests) were received in the period 2020/21, of which 98.8% were successfully answered within the 40-calendar day deadline. There was 1 complaint lodged at the ICO. The council were unaware of the complaint until the outcome had been received. It was found in the Council's favour.

Conclusion

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2020/21 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan below to address/enhance its governance arrangements. Implementation will be monitored through the Finance Audit and Risk Committee.

Cllr Elizabeth Dennis-Harburg Leader of the Council
Anthony Roche Managing Director

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Action Plan 2021/2022

1. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module (Learning & Development)
2. Revised Grant Policy to be reviewed after a complete cycle of area committee meeting to assess awards across the voluntary sector (Policy and Communities Manager)
3. Implement recommendations of Gender Pay Gap Report action plan for 2020/21 (HR Manager and Learning and Development)
4. On-going implementation of Local Government Association (LGA) Peer Challenges recommendations; development of action plan; links to Organisational Development with reference to demonstration of NHDC compliance with relevant 2016 Framework Principles. [Leadership Management Team; HR Manager].
5. Recovery Project Board – ongoing action to oversee and monitor delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans during the Covid-19 pandemic. (Leadership Management Team)

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FINANCE, AUDIT & RISK COMMITTEE
16 March 2022

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: LOCAL CODE OF CORPORATE GOVERNANCE 2022

REPORT OF: POLICY AND COMMUNITIES MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: A WELCOMING, INCLUSIVE, AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1. For the Finance, Audit & Risk Committee to approve the Local Code of Corporate Governance for 2022.

2. RECOMMENDATIONS

- 2.1. The Committee approves the Local Code of Corporate Governance 2022 (Appendix A).

3. REASONS FOR RECOMMENDATIONS

- 3.1 It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. No other external or Member consultation has been undertaken on the content of the report.

6. FORWARD PLAN

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

7. BACKGROUND

Local Code of Corporate Governance:

- 7.1 It is recommended good practice for the Local Code of Corporate Governance ('the Local Code') be reviewed annually and was last updated in March 2021. It was based on the (2016) CIPFA/ SOLACE Framework Delivering Good Governance in Local Government Framework 2016 Edition principles. This remains the basis for an assessment of governance arrangements for the 2021/22 period. The Council's new vision and objectives for the period 2022-2027 (approved in September 2021) have been added in at Section 4 of Appendix A.

7.2 If the Code is approved by this Committee, it will be placed on the NHDC Corporate Governance internet page. Confirmation of the updated Code shall be provided to Members through the MIS process and to employees via the *Insight* monthly staff briefing.

7.3 The Code and the CIPFA/SOLACE Framework will then provide the effective scheme against which the AGS operational governance compliance will be measured.

8. RELEVANT CONSIDERATIONS

8.1. The Local Code 2022 is at Appendix A.

9. LEGAL IMPLICATIONS

9.1 There is currently a Ministry of Housing, Communities and Local Government (MHCLG) consultation taking place on the Accounts and Audit (Amendment) Regulations 2021, which would see the relevant deadline extended to 30th September in 2021 and 2022. Otherwise the legal implications are set out under section 7 above.

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

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

11.1. Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Approving a Local Code of Corporate Governance based on the national CIPFA/ SOLACE Framework is a means of mitigating potential 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 equality implications of this report. Where relevant, the Council’s arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified by the report author and Policy team. The Corporate Policy team undertake an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council’s website¹.

13. SOCIAL VALUE IMPLICATIONS

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

¹ <https://www.north-herts.gov.uk/sites/northherts-cms/files/Cumulative%20EiA%20assessment%20201920%20FINAL.pdf>

14. ENVIRONMENTAL IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

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

15. APPENDICES

15.1 Appendix A – Local Code of Governance

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 The Finance, Audit & Risk Report and Appendix A (September 2020 linked above).

17.2 [Local Code of Governance](#) published in March 2016, updated in March 2021.

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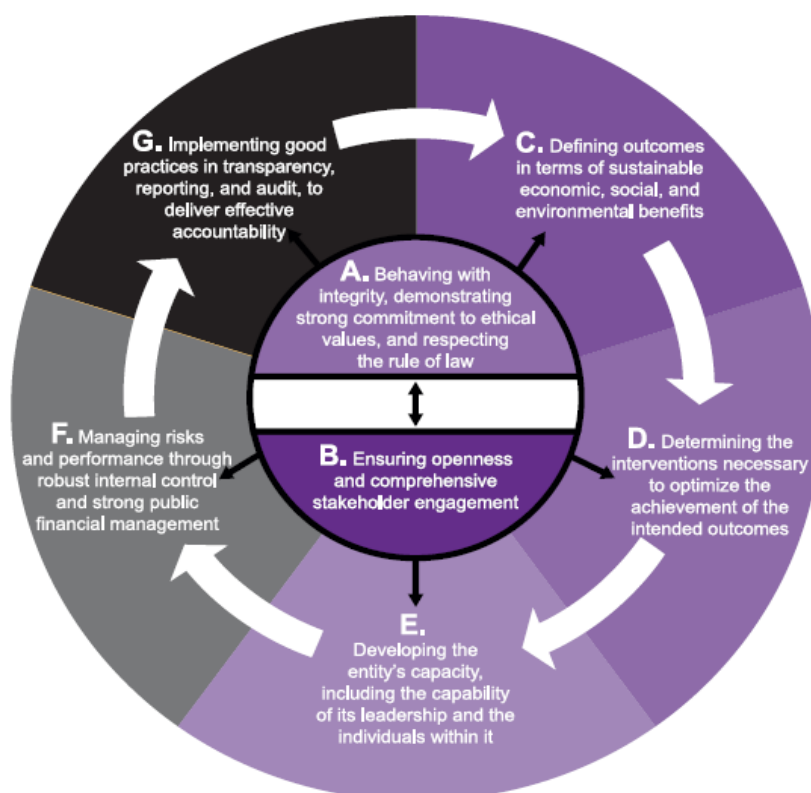
LOCAL CODE OF CORPORATE GOVERNANCE

1. INTRODUCTION

- 1.1 North Hertfordshire District Council (NHDC) is committed to achieving good corporate governance and this Local Code of Corporate Governance confirms its ongoing commitment to do so.
- 1.2 This Code outlines NHDC's approach towards corporate governance and the principles against which its arrangements will be measured.

2. WHAT IS CORPORATE GOVERNANCE?

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) set the standard for local authority governance in the UK through their Framework principles and published a new set in April 2016. These principles *are themselves* derived from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'). NHDC's Code is therefore based on these principles:



- 2.2. The 2016 Framework defines governance as comprising of: “...***the arrangements (including political, economic, social, environmental administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.***”

2.3. The CIPFA/Solace Framework states¹ that “**To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.**”

2.4. These principles and sub-principles are:

Principles in bold, Sub-principles in italics.
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.
1) Behaving with integrity
<i>i) Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</i>
<i>ii) Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</i>
<i>iii) Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</i>
<i>iv) Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</i>
2) Demonstrating strong commitment to ethical values
<i>i) Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.</i>
<i>ii) Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.</i>
<i>iii) Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</i>
<i>iv) Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</i>
3) Respecting the rule of law
<i>i) Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</i>

¹ Delivering good governance in Local Government Framework (2016 Edition)

<i>ii) Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</i>
<i>iii) Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</i>
<i>iv) Dealing with breaches of legal and regulatory provisions effectively.</i>
<i>v) Ensuring corruption and misuse of power are dealt with effectively.</i>
Principle B. Ensuring openness and comprehensive stakeholder engagement.
Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.
1) Openness
<i>i) Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</i>
<i>ii) Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</i>
<i>iii) Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</i>
<i>iv) Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</i>
2) Engaging comprehensively with institutional stakeholders
<i>i) Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</i>
<i>ii) Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</i>
<i>iii) Ensuring that partnerships are based on:</i> <ul style="list-style-type: none"> — trust — a shared commitment to change — a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
3) Engaging stakeholders effectively, including individual citizens and service users
<i>i) Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</i>
<i>ii) Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</i>

<i>iii) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</i>
<i>iv) Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</i>
<i>v) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</i>
<i>vi) Taking account of the interests of future generations of tax payers and service users.</i>
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.
1) Defining outcomes
<i>i) Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</i>
<i>ii) Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</i>
<i>iii) Delivering defined outcomes on a sustainable basis within the resources that will be available.</i>
<i>iv) Identifying and managing risks to the achievement of outcomes.</i>
<i>v) Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.</i>
2) Sustainable economic, social and environmental benefits
<i>i) Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</i>
<i>ii) Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</i>
<i>iii) Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</i>
<i>iv) Ensuring fair access to services.</i>
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes
Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action

is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

1) Determining interventions

i) Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.

ii) Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

2) Planning interventions

i) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

ii) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.

iii) Considering and monitoring risks facing each partner when working collaboratively including shared risks.

iv) Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.

v) Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.

vi) Ensuring capacity exists to generate the information required to review service quality regularly.

vii) Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.

viii) Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

3) Optimising achievement of intended outcomes

i) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.

ii) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.

iii) Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.

iv) Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

1) Developing the entity's capacity

i) Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.

ii) Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.

iii) Recognising the benefits of partnerships and collaborative working where added value can be achieved.

iv) Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

2) Developing the capability of the entity's leadership and other individuals

i) Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

ii) Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.

iii) Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.

iv) Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.*
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ensuring members and officers have the appropriate skills,*

<p>knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</p> <ul style="list-style-type: none"> - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.
v) Ensuring that there are structures in place to encourage public participation.
vi) Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
vii) Holding staff to account through regular performance reviews which take account of training or development needs.
viii) Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.
Principle F. Managing risks and performance through robust internal control and strong public financial management
<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.</p> <p>It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery.</p> <p>Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>
1) Managing risk
i) Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
ii) Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
iii) Ensuring that responsibilities for managing individual risks are clearly allocated.
2) Managing performance
i) Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
ii) Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
iii) Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made

thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

iv) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

v) Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).

3) Robust internal control

i) Aligning the risk management strategy and policies on internal control with achieving the objectives).

ii) Evaluating and monitoring the authority's risk management and internal control on a regular basis).

iii) Ensuring effective counter fraud and anti-corruption arrangements are in place).

iv) Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor).

v) Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:
— *provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment*
— *that its recommendations are listened to and acted upon.*

4) Managing data

i) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.

ii) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.

iii) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

5) Strong public financial management

i) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.

ii) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

1) Implementing good practice in transparency

i) Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.

ii) Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

6) Implementing good practices in reporting

i) Reporting at least annually on performance, value for money and the stewardship of its resources.

ii) Ensuring members and senior management own the results.

iii) Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).

iv) Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.

v) Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

7) Assurance and effective accountability

i) Ensuring that recommendations for corrective action made by external audit are acted upon.

ii) Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.

iii) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.

iv) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.

v) Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

2.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) also launched a Financial Management (FM) Code. The intention is that the Code helps to create a culture of strong financial management to help address the financial pressures that Councils are facing. The intention is that a self-regulation approach will prevent any other Local Authorities 'failing'. This will then avoid any need for any external control or reductions in current powers. The Code does not currently have any specific statutory backing. However, CIPFA reference that compliance with the code should be linked to s151 of the Local Government Act 1972 ("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”). They also place an obligation on their Members to adhere to the Code. The 17 standards contained within the Code have been provided to Members of the Committee by the Chief Finance Officer.

3. NHDC'S GOVERNANCE AIM

- 3.1. NHDC aims to meet the above Framework principles in a cost efficient and effective governance manner. The Council is required to review its arrangements annually and will assess these against the principles and prepare and publish an Annual Governance Statement (AGS) in accordance with Delivering Good Governance in Local Government: Framework (2016) and the statutory requirements².
- 3.2. Many of the requirements contained within the principles and this Code are included in the Council's Constitution and the Council's key strategies and policies, which are available through the Council's website:

<https://www.north-herts.gov.uk/>

As part of the annual assessment, the AGS will, however, set out how the requirements have been met through specific examples/ outcomes as against the above principles; or if these have not been met in part/ fully, detail the actions NHDC will take to address the matter. The assessment document will be published on the Council's website.

4. NHDC'S VISION

- 4.1. Leadership and collaborative working are developed themes within NHDC. It has a vision and the Council Plan that sets out NHDC's strategic priorities and thematic work for the district for 2022-2027.
- 4.2. NHDC's Vision is:

'We will put people first and deliver sustainable services, to enable a brighter future together'.

It is clear that the Council must work with its residents, businesses, contractors, and urban and rural communities to achieve this vision.

- 4.3. NHDC's internal corporate business planning process supports the delivery of the vision in terms of what we do and the collaborative work we carry out in conjunction with our partners.
- 4.4. The vision is supported by the Council's Priorities, which for 2022 onwards are:

- **People First**

People make North Herts work. We value all our residents, businesses, staff, contractors, councillors, and other partners, and place them at the heart of everything we do.

- **Sustainability**

We recognise the challenges our towns and district as a whole face and are committed to delivering services which are relevant and sustainable. In doing so we will place our environmental responsibilities, as well as sound financial planning, at the centre of our policy making.

² Under the Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234

- **A Brighter Future Together**

We are far-sighted and plan for the long term to secure the best outcomes for our people, towns and villages, and the local economy, ensuring North Herts continues to thrive.

- a. The Council aspires to achieve its priorities in an open and transparent manner having due regard to equal opportunities and the opportunities and benefits proffered by innovative and flexible partnership working.

5. CONCLUSION

To ensure that it keeps its aims, NHDC will:

- Review its Local Code of Corporate Governance annually to ensure that it reflects current recommended practice and remains a “live” document;
- Monitor all arrangements in place for practical effectiveness;
- Review practices, procedures and guidelines on a regular basis;
- Review its arrangements and report these through the AGS on how NHDC is complying with the principles/ the Code. This will include oversight of the assessment by the Senior Management Team and Member consideration and approval (through appropriate bodies). This assessment will include review of: the annual internal auditor’s opinion from the Head of the Shared Internal Audit Service (SIAS); external auditors opinion/ letter; managers’ assurance statements; the Finance, Audit and Risk Committee annual report/ review of its effectiveness; inspection reports (SIAS and the Shared Anti-Fraud Service – SAFS); Ombudsman’s recommendations; annual Scrutiny report; Standards Committee report; project governance and risk arrangements;
- Identify any necessary governance actions in the AGS including appropriate timescales and designate Lead Officers for the forthcoming year;
- Ensure that actions identified in the AGS are monitored and reported back through the Senior Management Team process (as appropriate) and to Members of Finance, Audit and Risk Committee.

Review date – 16 March 2022

*This Code will be reviewed by 31st March 2023 unless any **significant changes** are required in the interim.*

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North Hertfordshire District Council Provisional Audit Results Report

Year ended 31 March 2021
2 March 2022

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Finance, Audit and Risk Committee Members
North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth Garden City
SG6 3JF

2 March 2022

Dear Finance, Audit and Risk Committee Members

We are pleased to attach our Provisional Audit Results Report for the forthcoming meeting of the Finance, Audit and Risk Committee on 16 March 2022. This report summarises our preliminary audit conclusion in relation to the audit of North Hertfordshire District Council (the Council) for 2020/21.

We have substantially completed our audit for the year ended 31 March 2021. Please refer to the "Executive Summary" for further details on status of the work. Subject to satisfactorily concluding the outstanding matters listed in our report and Associate Partner review, we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. Whilst we have significantly completed our audit procedures, our work is still in progress at the date of drafting this report. We aim to finalise our audit before the end of March 2022. We will circulate a further update on our audit results if anything significant arises during finalisation of our audit procedures, including final reviews.

This report is intended solely for the use of the Finance, Audit and Risk Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Finance, Audit and Risk Committee meeting on 16 March 2022.

Yours sincerely

Debbie Hanson
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Finance, Audit and Risk Committee and management of North Hertfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Committee and management of North Hertfordshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Finance, Audit and Risk Committee and the management of North Hertfordshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Scope update

In our Outline Audit Planning Report dated 23 February 2021 to the Finance, Audit and Risk Committee, followed by an Update Report dated 3 December 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan, with the following highlights.

Update on our materiality: In our Outline Audit Planning Report, we communicated that our audit procedures would be performed using a planning materiality calculated at 2% of the Council's gross expenditure on provision of services as per the 2019/20 financial statements. We have recalculated our materiality based on the draft financial statements for 2020/21. The basis for our materiality remains same (i.e. 2% of gross expenditures). The table below shows our materiality amounts for planning and final audit procedures.

	Planning Materiality (PM) (2% of gross expenditures)	Performance Materiality/ Tolerable Error (TE) (75% of PM)	Significant Audit Differences (5% of PM)
Planning	£1.29 million	£0.97 million	£64,000
Final audit	£1.43 million	£1.07 million	£71,000

Information Produced by the Entity (IPE): As a result of the continuing impact of Covid and increased remote working, this is an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited;
- Agree IPE to scanned documents or other system screenshots; and
- gained our own access to the accounting software to enable us re-run reports ourselves.

Status of audit

We have substantially completed our audit of North Hertfordshire District Council's financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Outline Audit Planning Report. The main pending area is assets valuation, where we have not yet received the report from our EY Real Estate specialists and hence have not concluded our work in this area. A full list of outstanding items can be seen at Appendix D.

Subject to satisfactory completion of the outstanding items, we expect to issue an unqualified opinion on the Council's financial statements. As the audit is ongoing and many areas are subject to Manager and Engagement Partner review, further amendments and issues may arise.

We expect to issue the audit certificate after we issue the audit opinion, once the requirements of the Whole of Government Accounts (WGA) submission has been notified to us and subsequently completed.

Executive Summary

Audit differences

At the date of this report, we have not identified any audit differences (corrected or uncorrected)

We have identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have agreed to amend in the final set of accounts.

Until we complete all of our audit procedures, as noted in the status of audit above and on subsequent slides, along with our final Manager and Engagement Partner review, further differences may be identified.

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020, 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. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to North Hertfordshire District Council a commentary against specified reporting criteria (see below) on the arrangements the North Hertfordshire District 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 North Hertfordshire District Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:**
How the North Hertfordshire District Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:**
How the North Hertfordshire District Council uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money – progress update

At the time of our Outline Audit Plan, we were yet to commence with our value for money (VFM) risk assessment. We have now completed this work and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. However the work remains subject to final Engagement Partner review.

As a result, we currently have no matters to report by exception in the auditor's report (see Section 03). We will include our detailed VFM commentary in our Auditor's Annual Report which will be issued to the Council within three months of the date of the final 2020/21 audit opinion.



Executive Summary

Independence

Please refer to Section 09 for our update on Independence.

Control observations

During the audit, and to date, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Other reporting issues

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

We have not yet been able to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance is not expected to be available until mid 2022. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after this date. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued.

We have no other matters to report.



Executive Summary

Areas of audit focus

In our Outline Audit Planning Report, we identified a number of key areas of focus for our audit of the financial statements of North Hertfordshire District Council. This report sets out our observations and the status of our work in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements from the work completed to date.
Incorrect capitalisation of revenue expenditure	We have not identified any evidence of manipulation of expenditure through incorrect capitalisation of revenue expenditure.
Valuation of investment properties	We sample tested investment properties to gain assurance that the key assumptions and inputs into valuations were supportable and that the resulting valuations were materially accurate. We also engaged our EY Real Estate (EYRE) specialists to review a sample of investment properties to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. We are currently waiting for our EYRE report to conclude our work.
Area of audit focus	Findings & Conclusions
Valuation of property, plant & equipment (PPE)	We sample tested a number of assets which form part of the PPE balance to gain assurance that the key assumptions and inputs into valuations were supportable and that the resulting valuations were materially accurate. We also engaged our EY Real Estate (EYRE) specialists to review a sample of these assets to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. We are currently waiting for our EYRE report to conclude our work in this area.
Pension liability valuation and disclosures	We have reviewed the accounting entries and disclosures in the draft financial statements related to pension liabilities and assessed the work of the actuary. We have substantially completed our planned procedures, including the receipt and consideration of the report from EY Pensions specialist to provide a parallel actuarial model to confirm the material accuracy of the actuary's IAS19 estimation procedures. We have nothing to report as of the date of this report. The work is subject to Engagement Partner review.
Going concern disclosures	We will conclude our going concern work close to sign off date (which we expect to be up to March/April 2023). Management have agreed to update the going concern disclosure in the financial statements to capture the latest position covering at least 12 months from expected sign off date, once this is confirmed. The work will be subject to Engagement partner's review, and if required, our internal consultation.
Recognition of grant income associated with Covid-19	We have substantially completed our procedures in this area and have not identified any issue as of the date of this report. However the work remains subject to Engagement Partner review.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

Misstatements due to fraud or error (Fraud risk)

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focused our testing on accounting estimates which include pension liability, property valuation, and bad debts provision including NNDR appeals provision. Also performing mandatory procedures including testing of journal entries.

What did we do?

This is a risk that we recognise on all engagements. Our overall response to this for North Hertfordshire District Council was:

- ▶ Assessment to identify fraud risks during the planning stages.
- ▶ Inquired management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements, assessing accounting estimates for evidence of management bias and evaluating the business rationale for significant and unusual transactions.
- ▶ We have utilised our data analytics capabilities to assist with our work.

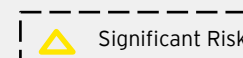
What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

The work remains subject to Engagement Manager and Partner review.





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure (fraud risk)

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

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What judgements are we focused on?

Whether management have appropriately classified expenditure as capital in nature

What did we do?

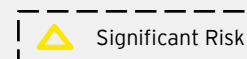
We have undertaken additional procedures to address the specific risk we have identified, which included:

- For significant additions to property, plant and equipment, we have examined invoices, capital expenditure authorisations, leases and other data that support these additions. We have ensure that they have been correctly classified as capital in line with accounting standards and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- If material we planned to review Revenue Expenditure Funded from Capital Under Statute (REFCUS), to verify that revenue costs have not been inappropriately funded from capital. However, as the balance was only £496k and therefore immaterial we have not undertaken any testing on this balance.
- We have extended our testing of items capitalised in the year by lowering our testing threshold. We have also review a random sample of capital additions below our testing threshold.
- Journal testing - we have used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing to date.

The work remains subject to Engagement Manager and Partner review.





Areas of Audit Focus

Significant risk

Valuation of investment properties

What is the risk?

The fair value investment properties represent a significant balance in the Council's accounts and is subject to valuation changes, market volatility, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. As per draft accounts for 2020/21, investment properties amount to £23.8 million (2019/20: £18.4 million)

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What judgements are we focused on?

As this is a material accounting estimates and one dependent on a high degree of subjectivity, we associated a significant risk to the valuation of investment properties in the 2020/21 audit.

What did we do?

We have undertaken following procedures to address the specific risk we have identified, which included:

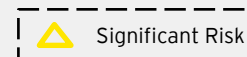
- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Engaged our valuations specialist (EY Real Estates) to review a sample of 4 investment properties valuations to verify the reasonableness of the valuation methodology applied and key assumptions used.
- Challenged the assumptions used by the valuer and sample testing key information used by the valuer in performing their valuation.
- Reviewed the list of investment properties to ensure that all properties were revalued in 2020/21.
- We have reviewed the report from the Council's valuer - Reynolds Butler, and confirmed there is no material uncertainty in their report for 2020/21.

What are our conclusions?

We have completed our procedures (as noted in "What did we do?") except for review of the EYRE report as we are currently waiting for the report from our specialists and hence have not concluded our work in this area.

Overall our audit work did not identify any material issues at the time of writing this report. However our work on valuations is still in progress and needs to be concluded.

The work remains subject to Engagement Manager and Partner review once completed.





Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Valuation of property, plant and equipment (PPE) assets

The valuation of assets included in the PPE balance represent significant balances in the Council's accounts and are subject to valuation changes. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is therefore a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.

Property, plant and equipment (PPE) (of which land and buildings and surplus assets represent the vast majority) are significant balances in the Council's accounts. As at 31 March 2021, PPE totals £95.6 million (2019/20: £95 million).

What have we done and our conclusions?

We have:

- ▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Engaged our valuations specialist (EY Real Estates) to review a sample of asset valuations to verify the reasonableness of the valuation methodology applied and key assumptions used, including the potential impact of Covid-19 on valuation uncertainties. Our sample included total 4 properties - out of this sample 3 assets are from land and buildings and one from surplus assets category;
- ▶ Sample tested key asset information used by the valuers in performing their valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- ▶ Considered any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

We have substantially completed our work on the above procedures.

We are currently waiting for the report from our EYRE specialists on the selected sample and hence have not concluded our work in this area.

This work will be subject to Engagement Manager and Partner review once completed.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Pension liability valuation and disclosures

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. As per the draft accounts, this liability amounts to £46.6 million as at 31 March 2021 (2019/20: £30.7 million).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

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

What have we done and our conclusions?

To address this risk, we have carried out a range of procedures including:

- ▶ liaised with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PwC, as the Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering the review of this work by the EY Pensions actuarial team;
- ▶ Considered the nature and value of level 3 investments held by the Pension Fund and the proportion of the overall Fund relating to North Hertfordshire District Council in and confirmed no additional procedures are required to support the estimates of the valuation of these asset as at 31 March 2021;
- ▶ Considered the movement in fund asset values between the actuary's estimate and year end; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

ISA540 (revised) requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we modified our planned approach and undertook alternate procedures to create an auditor's estimate, to gain the necessary assurance. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Council's actuary. Our specialists have completed their procedures and have not reported any significant difference.

We have completed our procedures and have not identified any issue. The work remains subject to Engagement Manager and Partner's review.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Going concern disclosures

Covid has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Council's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.

However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

What have we done and our conclusions?

The revised standard requires:

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Council obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ ensuring compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

We have agreed with management that they will provide a documented and detailed consideration to support their assertion regarding the going concern basis, particularly with a view whether there are any material uncertainties for disclosure and the impact of the ongoing impact of Covid on future financial planning.

We will review the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We will consider whether you have included necessary disclosures regarding any material uncertainties that do exist.

As set out in Appendix D, we will conclude our going concern work close to sign off date (which we expect to be up to March/April 2023). Management have agreed to update the going concern disclosure in the financial statements to capture the latest position covering at least 12 months from expected sign off date, once this is confirmed. The work will be subject to Engagement partner's review, and if required, our internal consultation.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

National Non-Domestic Rates (NNDR) Appeals Provision

In common with other billing authorities, the Council is proposing a significant increase in its appeals provision due to more businesses seeking rates reductions as a result of Covid-19 and a decrease in rental prices on which rateable values are based. In light of this we consider there to be a higher inherent risk of misstatement of the Council's NNDR appeals provision.

The NNDR provision amount as per the draft statement of accounts for 2020/21 is £2.74 million (2019/20: £0.84 million).

What have we done and our conclusions?

We have considered the Council's estimation of the NNDR appeals provision by performing the following:

- Reviewed the assumptions made by the Council in determining the NNDR appeals provision and challenged these assumptions to ensure their adequacy.
- Assess the reasonableness of any local adjustments made by the Council on the NNDR appeals provision.

We have substantially completed our work on above procedures and have not identified any issue as of the date of this report. The work remains subject to Engagement Manager and Partner review.



Areas of Audit Focus

Inherent risks and other areas of audit focus

What is the risk/area of focus?

Recognition of grant income associated with Covid

Central Government has provided a number of new and different Covid related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies.

The Council needs to review each of these grants to establish how they should be accounted for. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any initial conditions that may also affect the recognition of the grants as revenue during 2020/21.

What have we done and our conclusions?

We have:

- ▶ Considered the revenue and capital grants received by the Council;
- ▶ Responsive to the risk, carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.
- ▶ For a sample of the grants we have:
 - Reviewed the Council's assessment of whether it is acting as principal or agent;
 - Reviewed whether any initial conditions are attached to grants which would impact on their recognition;
 - Assessed whether the accounting appropriately follows those judgements.

We have also checked that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.

We have substantially completed our work on above procedures and have not identified any issue as of the date of this report. The work remains subject to Engagement Manager and Partner review.



03 Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

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

Opinion

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Movement in Reserves Statement,
- Cash Flow Statement,
- the related notes 1 to xxx, and the Expenditure and Funding Analysis on page xxx,
- Collection Fund and the related notes 1 to xxx

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of North Hertfordshire District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Service Director - Resources's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Service Director - Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/2021, other than the financial statements and our auditor's report thereon. The Service Director - Resources is responsible for the other information contained within the Narrative Report 2020/2021.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Audit Report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Service Director - Resources

As explained more fully in the Statement of the Service Director - Resources Responsibilities set out on page xxx, the Service Director - Resources is responsible for the preparation of the Annual Financial Report 2020/2021, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992,
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.



Audit Report

Our opinion on the financial statements

- We understood how North Hertfordshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.
- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether North Hertfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the North Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.



Audit Report

Our opinion on the financial statements

Use of our report

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

Debbie Hanson
Ernst & Young LLP (Local Auditor)
Luton:
Date: xxxxxxxxxx



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of Audit differences as at the date of this report

The draft statement of accounts prepared by management was again of a good quality with only minor disclosure amendments required.

At the date of this report, we have not identified any corrected or uncorrected audit differences.

We have identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have agreed to amend in the final set of accounts.

Until we complete all of our audit procedures, as noted in the status of opinion audit section of this report and in previous slides, along with our final Manager and Engagement Partner review, further adjustments may be identified.



05 Value for Money



Value for Money

The Council's 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 its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its 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 its arrangements for securing value for money from their use of resources.

Risk assessment

Throughout our audit we have performed a risk assessment in relation to the arrangements in place. This risk assessment looked at whether there was any risk of significant weaknesses in the VFM arrangements.

No significant risks were identified through our risk assessment.

The Council's responsibilities for value for money

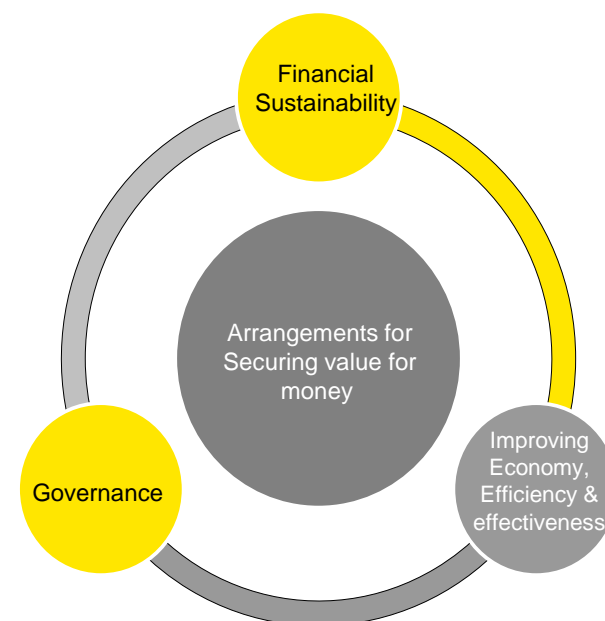
We have substantially completed our work on VFM arrangements and did not identify any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We currently have no matters to report by exception in the audit opinion. Our work remains subject to final review by the Engagement Partner.

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. We will issue our Auditor's Annual Report following the issue of our audit opinion.





06 Other reporting issues

Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts for the year ended 2020/21 with the audited financial statements.

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

Financial information in the Statement of Accounts for the year ended 2020/21 and published with the financial statements was consistent with the audited financial statements.

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

Whole of Government Accounts

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

We have not yet been able to perform the procedures required by the NAO on the WGA submission. This is because HM Treasury (HMT) are continuing to review the online 2020/21 WGA Data Collection Tool (DCT) and update the guidance that is available for preparers. Based on the last available update the DCT and guidance was not expected to be available until mid 2022. Therefore the 2020/21 WGA component instructions will not be available for auditors to consider until after this date. Group Audit Instructions and the timetable for 2020/21 will necessarily follow any changes HMT make to the DCT and process. Although, as in previous years we expect the Council to be below the threshold that required us to undertake any detailed procedures, we are not able to issue our certificate until the Group Audit Instructions are issued.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report as of the date of this report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics

Analytics Driven Audit

Data analytics

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

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

In 2020/21, our use of these analysers in the audit included testing journal entries and payroll, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

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

Journal Entry Analysis

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

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the general ledger. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

We have substantially completed our work on journal entries and have found no exceptions to report as of the date of this report. The work remains subject to review by the Engagement Partner.



09

Independence

Relationships, services and related threats and safeguards

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

There are no relationships from 1st April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The next page includes a summary of the fees that are due to us in relation to the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Finance, Audit and Risk Committee.

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

We confirm that we have not undertaken non-audit work, other than the certification of the Council's housing benefit subsidy claim.

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)

Confirmation of independence and analysis of audit fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Proposed Fee (£) 2019/20	Final Fee (£) 2019/20	Planned Fee (£) 2020/21
Scale fee - Code work	40,068	40,068	40,068
Changes in work required to address professional and regulatory requirements & scope changes associated with risk - Note 1	19,752	12,962	19,752
Additional work required in 2019/20 - Note 2	14,877	7,000	-
Additional work required in 2020/21 - Note 3	-	-	TBC
Additional work required due to changes in auditing standards for estimates - Note 4	-	-	2,500
Additional work required due to change in scope of VFM work - Note 4	-	-	6,000 to 11,000
Non-audit Fee - Housing subsidy claim	7,340*	9,140	7,340*
Total audit fees	82,037	69,170	TBC

All above fees are excluding VAT

** This amount doesn't include any fee for extended ("40+") testing*

Note 1: For 2019/20 and 2020/21, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors including changes in risk profile of the audit and increases in regulatory standards. Further detail on this proposed increase was included in our previous reports to the Committee. We have proposed an increase of £19,752 to the scale fee to reflect these additional requirements and have shared details of the breakdown with management. For 2019/20, PSAA approved £12,962 against this proposed fee.

Note 2: For 2019/20, we proposed an additional fee of £14,877, as detailed in our 2020/21 Outline Audit Plan. This reflected the increased audit work required in regard to: valuations of PPE and investment properties; the impact of Covid-19 on a number of areas including going concern disclosures, EY internal consultation with our PPD on audit report. For 2019/20, PSAA approved £7,000 against this proposed fee.

Note 3: For 2020/21, the additional fee will be quantified after completion of audit and will be discussed with the management before submission to PSAA. PSAA will determine the final fee.

Note 4: PSAA published additional information for 2020/21 audit fees in August 2021, whereby PSAA provided guidance about the range of minimum additional fee in certain areas of audit. The figures above are the ranges or minimum fee set by PSAA. PSAA also revised its hourly rates for calculating the additional fee variations.



10 Appendices

Appendix A

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

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Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Trade receivables	Substantively tested all relevant assertions	Substantively tested all relevant Assertions	No change
Property, plant and equipment	Fully substantive approach. Engaged with EY Real Estate	Fully substantive approach. Engaged with EY Real Estate	No change
Trade payables	Fully substantive approach	Fully substantive approach	No change
Cash, investments and borrowings	Substantively tested all relevant assertions	Substantively tested all relevant assertions	No change
Grants	Fully substantive approach	Fully substantive approach	No change
Pensions	Substantively tested all relevant assertions. We engaged EY Pensions to assist with reviewing actuary model.	Substantively tested all relevant assertions	We engaged our pensions specialists due to the requirements of ISA540 (revised)

Appendix B




Summary of communications

Date	Nature	Summary
23 February 2021	Audit Plan	The EY audit team submitted the Outline Audit Planning Report for 2020/21
8 March 2021	Finance, Audit and Risk Committee	The partner in charge of the engagement attended the Finance, Audit and Risk Committee meeting
8 March 2021	Report	The Outline Audit Planning Report, including confirmation of independence, was presented to the Finance, Audit and Risk Committee.
5 November 2021	Meeting	The EY engagement partner, manager and senior held meeting with Service Director - Resources and NHDC's finance team.
15 December 2021	Update on audit	The EY audit team submitted the update on Audit Update Report for 2020/21.
15 December 2021	Finance, Audit and Risk Committee	The partner in charge and manager of the engagement attended the Finance, Audit and Risk Committee meeting and presented the Audit Update Report.
2 March 2022	Audit Results Report	The Provisional Audit Results Report, including confirmation of independence is issued to the Finance, Audit and Risk Committee.
16 March 2022	Finance, Audit and Risk Committee	The partner in charge and manager of the engagement will attend the Finance, Audit and Risk Committee meeting.
Weekly meetings throughout November-December 2021	Meeting	The EY audit team met regularly to discuss the progress of the audit with Council's Finance team

Appendix C

Required communications with the Finance, Audit and Risk Committee

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

		Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Finance, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Outline Audit Planning Report - 23 February 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline Audit Planning Report - 23 February 2021
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Provisional Audit Results Report - 2 March 2022

Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Provisional Audit Results Report - 2 March 2022
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Provisional Audit Results Report - 2 March 2022
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Finance, Audit and Risk Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Provisional Audit Results Report - 2 March 2022
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Finance, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Finance, Audit and Risk Committee responsibility. 	Provisional Audit Results Report - 2 March 2022



Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Provisional Audit Results Report - 2 March 2022
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Outline Audit Planning Report - 23 February 2021</p> <p>Provisional Audit Results Report - 2 March 2022</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	<p>Outline Audit Planning Report - 23 February 2021</p> <p>Provisional Audit Results Report - 2 March 2022</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Provisional Audit Results Report - 2 March 2022




Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Provisional Audit Results Report - 2 March 2022
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Provisional Audit Results Report - 2 March 2022
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Provisional Audit Results Report - 2 March 2022
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Outline Audit Planning Report - 23 February 2021 Provisional Audit Results Report - 2 March 2022
Value for money commentary	A commentary on the arrangements in place during 2020/21 to achieve value for money, and any recommendations we may make to improve those arrangements.	Auditor's Annual Report - April/May 2022
Consideration of laws and regulations	<ul style="list-style-type: none"> Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Finance, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Risk Committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Valuation of land and buildings and investment properties	Receipt and audit team's review of report from EYRE, resolving any further queries and conclusion from this and completion of our documentation in audit file	EY with support from management if required
Payroll	Completion of work in our file in relation to address some minor documentation issues	EY
Going concern disclosures	We will conclude our going concern work close to sign off date (which we expect to be up to March/April 2023). Management have agreed to update the going concern disclosure in the financial statements to capture the latest position covering at least 12 months from expected sign off date, once this is confirmed. The work will be subject to Engagement partner's review, and if required, our internal consultation.	EY and management
Completion procedures	Our finalisation procedures, including receipt of final version of financial statements and signed representation from management (refer Appendix E for draft representation letter), subsequent events review, final checks on financial statements and other sign off procedures.	EY and management
Final review from Engagement manager and Partner	Ongoing review process	EY
Clearance of queries arising from review by Engagement Partner and Manager	Ongoing review process	EY with the help from management if required
Completion of procedures required for whole of government accounts	Submission of assurance statement to be undertaken upon receipt of instructions	EY

DRAFT Management representation letter

Management Representation Letter - DRAFT

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

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This letter of representations is provided in connection with your audit of the consolidated and council financial statements of North Hertfordshire District Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of the Council financial position of North Hertfordshire District Council as of 31 March 2021 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.

DRAFT Management representation letter

Management Representation Letter - DRAFT

3. The significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 for the for the Council that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

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

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

DRAFT Management representation letter

Management Representation Letter - DRAFT

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and [all material transactions, events and conditions are reflected in the consolidated and council financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council, and committees (the Executive, Audit Committee and Review Committee) (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date]
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter (17 November 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

DRAFT Management representation letter

Management Representation Letter - DRAFT

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note xxxx to the consolidated and council financial statements all guarantees that we have given to third parties.

E. Going Concern

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

F. Subsequent Events

1. Other than xxxxxxx described in Note xxxxxxx] to the consolidated and Council financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Financial Report 2020/2021, including the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

I. Ownership of Assets

1. The Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

J. Reserves

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

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property and the defined benefit pension scheme liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

DRAFT Management representation letter

Management Representation Letter - DRAFT

L. Estimates

1. We confirm that the significant judgments made in making the valuation of property and defined benefit pension liability have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property and defined benefit pension liability.
3. We confirm that the significant assumptions used in making the valuation of property and defined benefit pension liability estimates appropriately reflect our intent and ability to carry out on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent entity financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property and defined benefit pension liability.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and parent entity financial statements, including due to the COVID-19 pandemic.

M. Retirement benefits

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

Yours faithfully,

(Service Director - Resources)

(Chairman of the Finance, Audit and Risk Committee)

Appendix F

Implementation of IFRS 16 Leases

In previous reports to the Finance, Audit and Risk Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Currently, the adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2022. However, CIPFA is currently consulting on deferring the implementation of IFRS 16 for a further year and reversing the planned changes to the 2022-23 Code. In either case, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliant with the CIPFA Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures
Data collection	<p>Management should:</p> <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy choices	<p>The Council needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).
Transitional accounting arrangements	Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.
Ongoing accounting arrangements	Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.
Remeasurements and modifications	Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

FINANCE, AUDIT AND RISK COMMITTEE 16 March 2022
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PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2020/21

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: *NON-EXECUTIVE*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to ask Finance, Audit and Risk Committee to approve the audited Statement of Accounts for 2020/21. The Statement of Accounts has been subject to external audit and a draft is enclosed with the report as Appendix A.

2. RECOMMENDATIONS

- 2.1. That the draft 2020/21 Annual Statement of Accounts, as set out in Appendix A, be approved based on the draft Audit Results report.
- 2.2. That, subject to the final Audit Results report not requiring any substantial changes, the Committee delegates to the Chair of the Committee the final approval of the 2020/21 Annual Statement of Accounts. 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.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None. The Authority is required to prepare an annual Statement of Accounts and must follow accounting practices guidance issued by the Secretary of State and follow 'proper practices' governing the preparation of the annual Statement of Accounts (Section 21 of the Local Government Act 2003).

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the Statement of Accounts is not required.
- 5.2. The draft Statement of Accounts 2020/21 was published on the Council's website at the end of July 2021
- 5.3. The accounts are subject to audit by the Council's External Auditors, Ernst and Young LLP (EY).

- 5.4. Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations. No one took up this opportunity

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The Council is legally required to annually produce a statement of accounts detailing the financial activities for the year and overall financial position as at 31st March. Generally it has a statutory responsibility to publish its draft Statement of Accounts by 31st May, and that an audited version should be approved by 31st July 2021. Due to the implications of the Covid-19 pandemic, however, these deadlines have been extended. The Council published unaudited accounts by the revised deadline of 31 July 2021. An audited version should have been approved by 30th November 2021. This was delayed by resourcing issues at Ernst & Young LLP. In line with legislation, the Council published a notice on its website detailing this delay, alongside a letter from Ernst and Young: [Statement of Accounts | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/statement-of-accounts).
- 7.2. The Council's external auditors, Ernst & Young LLP commenced their audit work in November 2021.

8. RELEVANT CONSIDERATIONS

- 8.1. A draft of the audited version of the Statement of Accounts is attached at Appendix A. The Narrative Report within the statement of accounts provides an overview of how the accounts are presented and highlights the most significant matters. Changes from the draft unaudited accounts published in July 2021 are highlighted in yellow. The final signed version of the accounts will have these highlights removed.
- 8.2. The only changes of note in the version of the statement of accounts at Appendix A from the draft accounts published last July relate to the accounting for the Council's share of the Hertfordshire Pension Fund, following the audit of the Hertfordshire Pension Fund accounts. The draft 2020/21 accounts for the Pension Fund had included some asset values that were based on a measurement as at the end of the third quarter of the financial year. It was subsequently established during the audit that there were large movements in these asset values during the final quarter, the materiality of which was such that it required both the asset values to be restated in the Pension Fund Accounts and, consequently, the pension estimates for North Herts Council to be recalculated by the Pension Fund actuary accordingly. The accounts as published at Appendix A therefore reflect the updated position. All other changes highlighted are minor corrections or updates to disclosure notes and do not change the summary financial position for the Council as presented in the unaudited accounts.
- 8.3. As detailed in the Provisional Audit Results report from Ernst & Young LLP (also on the agenda for this meeting), while the audit work is substantially complete, certain areas remain outstanding and these are itemised in Appendix D to the EY report. The main item outstanding is assurance for the land and property values included in the accounts. These are subject to review by the EY Real Estates specialist team and the outcome of their examination is currently awaited. Further changes required to the statement of accounts may therefore arise following their review.

- 8.4. On the basis that there are no substantial changes required, the Committee are asked at recommendation 2.2 to approve the Statement of Accounts based on the provisional Audit Results Report, and to delegate to the Chair of the Committee the final approval when the final Audit Results Report is issued. Should substantial changes be required, the Statement of Accounts will instead be brought back to the Committee for approval.
- 8.5. In either scenario, once approved, the Statement of Accounts will be formally signed. The Chair will sign page 1 of the Statement of Accounts to confirm that they have been approved by the Committee. The Service Director- Resources (as the Council's Chief Finance Officer) will sign the Statement of Responsibilities (page 1 of Appendix A) to certify that the statement of accounts give a true and fair view of the financial position of the Authority as at 31 March 2021 and its income and expenditure for the year then ended. The Service Director- Resources (as Chief Finance Officer) and the Chair of the Committee will also sign the Letter of Representation on behalf of the Council. The wording of the Letter of Representation can be found as an appendix to the provisional Audit Results Report document presented by EY this evening.
- 8.6. Officers are not aware of any events that have occurred since the year end that provide additional evidence of conditions that existed at 31st March 2021 or materially affect the amounts in the Statement of Accounts. In particular, there has not been any subsequent event that would require an amendment to the contingent assets and liabilities listed in the accounts. The implications of the Covid-19 pandemic are detailed in the accounts and the Narrative Report. There is also an extended justification on that it is still appropriate to prepare the accounts on a Going Concern basis.
- 8.7. The Annual Governance Statement (AGS) is also recommended to be approved by Finance, Audit & Risk Committee at this meeting tonight. The Council has a legal duty to ensure that the publication of the Statement of Accounts is accompanied by the publication of the Annual Governance Statement.

9. LEGAL IMPLICATIONS

- 9.1. The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published. For 2020/21 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended the dates by which the accounts have to be prepared and approved.
- 9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to "review and approve the Statement of Accounts" (constitution 10.1.5a).
- 9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.
- 9.4. The Local Government Act 2003 (section 21) determines that the Council must follow 'proper practices' in the preparation of the annual Statement of Accounts

10. FINANCIAL IMPLICATIONS

- 10.1. The outturn reports were presented to Members in June. These provided the end of year position of the General Fund, other reserves and capital expenditure. None of the changes to the Statement of Accounts identified from the audit have resulted in any change to the outturn position reported.

11. RISK IMPLICATIONS

- 11.1. The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds.

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 equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. There are no direct human resource implications arising from this report.

16. APPENDICES

- 16.1. Appendix A - Draft Statement of Accounts 2020/21 (current version at the time of writing the report).

17. CONTACT OFFICERS

- 17.1. Ian Couper, Service Director – Resources
ian.couper@north-herts.gov.uk; ext 4243
- 17.2. Antonio Ciampa, Accountancy Manager
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18. BACKGROUND PAPERS

- 18.1. None.

**Audited Statement of
Accounts
2020/2021**

**North
Hertfordshire
District Council**

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The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Service Director – Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

Service Director – Resources' Responsibilities

The Service Director – Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the statement of accounts, the Service Director – Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;

The Service Director – Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2021 and its income and expenditure for the year then ended.

Ian Couper

Service Director – Resources

Independent Auditor's Report

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Independent Auditor's Report

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Narrative Report

This narrative report provides a summary of the key information that is contained within the Statement of Accounts, as well as providing more information about the Council. This includes the vision and objectives, performance over the year and how resources are allocated.

The Council Plan, Vision and Objectives

The Council has a five year Council Plan that it reviews each year, although the intention is that the vision and objectives should be in place for at least a five year period. Following the local elections in May 2019, a joint administration of Labour and Co-operative and Liberal Democrat Councillors was formed. The plan agreed in November 2019 for the period 2020-25 reflects the aims and ambitions of the joint administration. The plan was updated in September 2020, with the first objective being updated to be “a welcoming, inclusive and efficient Council”. The full plan can be found here <https://www.north-herts.gov.uk/home/council-data-and-performance/council-plan>.

The Council’s overall vision is to make “**North Hertfordshire a district in which everyone who lives, works or visits is able to flourish**”.

The Council understands that it must work with its partners, businesses, and urban and rural communities to achieve this vision. This is reflected in our five objectives which are:



Narrative Report

We will operate in line with the principles of a co-operative council. The Council will be one that builds the co-operative values of mutual support, accountability, fairness and responsibility into everything it does.

New organisational values were adopted in 2019. These are expected to be demonstrated by staff and these values are embedded in our appraisal system to ensure our plan is delivered in a co-operative manner. The values ("We are") are matched with corresponding behaviours for staff ("I am"). The values and behaviours are: -



The values and behaviours are also being incorporated in to our "Shaping our Future" programme.

What we do

Despite reductions in funding, the Council continues to deliver a wide range of statutory and non-statutory services. Some of the statutory services are provided at levels beyond the statutory minimum.

Examples of the delivery of statutory duties are:

- Waste collection from just over 58,000 households
- 57% of household waste sent for re-use, recycling and composting
- Street cleansing over 400 miles of roads
- Food inspections of around 600 premises.
- Collecting Council Tax and Business Rates from just over 58,000 homes and 4,500 businesses
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Issuing of approximately 2,200 licences to premises and licenced individuals, around 550 licences to taxi and private hire vehicles and drivers and in the region of 650 temporary licenses to premises/individuals.
- Homelessness provision
- Housing Benefit to around 4,700 claimants
- Regulation e.g. Parking, Fly-tipping.

Non-statutory services provided include:

- Leisure centres in Hitchin, Letchworth and Royston
- Five swimming pools including 2 outdoor pools
- Maintenance of 100 hectares of parks and gardens
- 'Splash' parks in the four towns.
- Museum provision in the new North Hertfordshire Museum in Hitchin
- Local information and signposting to other services and providers
- Active Communities events

Narrative Report

Impact of Covid-19

The COVID-19 pandemic has had a significant impact on the Council during 2020/21 in terms of financial implications, service pressures and new burdens. Some of the initial actions undertaken by the Council at the start of the pandemic included:

- providing accommodation for homeless peoples
- setting aside reserve funding to support community groups to provide support to vulnerable people during the pandemic
- enabling our staff to work from home through the provision of IT equipment and support

There have been several impacts on our services during 2020/21. Many of these have had financial implications. These impacts include:

- The suspension of garden waste and bulky waste collection services during the early stages of the pandemic to allow a focus on residual, food and recycling waste collections.
- Periods of closure of our leisure facilities in line with Government guidelines, and Covid-safe measures in place when they have been allowed to open reducing capacity and the range of activities available.
- Periods of closure of Hitchin Town Hall and District Museum in line with Government guidelines, and Covid-safe measures in place when they have been allowed to open.
- Increases in volumes of waste collected from households. Additional costs for the disposal of recyclable materials as a result of increased volumes, additional processing costs and changes in material values.
- Additional staffing costs due to changes in the way services can operate e.g. our community alarm service, Careline.
- The supply of targeted communications to ensure residents and businesses were kept informed about the local and national Covid-19 response.
- Implemented safety measures in playgrounds and maintained parks and open spaces during the pandemic, including dealing with increased litter.
- Some of our customers have struggled to pay us the money that they owe. We have only been doing light-touch chasing of debts. This has resulted in an increase in overall debt, and also the amount that we have set-aside as a bad debt provision (from £109k to £172k).

There have also been reductions in demand for our services which has affected our income. Examples of these include:

- Car Parking
- Trade Waste collections
- Planning Applications

There have been areas where the Council has had to take on additional work, mainly due to new burdens and instructions from Government:

- The continuing need to provide accommodation to homeless people.
- Payment of Business Grants, some of which have been paid in accordance with criteria fully determined by Government and some where the Council has been able to determine how they are awarded. Amounts paid out of £39.2million in 2020/21.
- Payment of self-isolation payments to those with low incomes. Payments totalled £150k in 20/21.
- Environmental Health support to help mitigate the impacts of the pandemic e.g. Test and Trace, helping businesses to reopen in a Covid-secure way.

Narrative Report

Impact of Covid-19

The Council has worked with partners in the response to the pandemic. This work has included:

- Supporting provision of food and essential supplies to those that were Shielding, including helping create capacity for voluntary organisations to increase their provision.
- Identifying sites for Covid-19 testing centres and vaccination centres.
- Providing activity packs to families during the school holidays.
- Providing welfare packs to individuals and families who were fleeing domestic abuse.

As detailed above, we chose to make some of our reserves available to Community Groups to apply for. This was to fund the additional costs involved in supporting people with the provision of food and essentials, mental health support and domestic abuse support. The funding covered very focused support (e.g. focused on a particular area) up to general support (e.g. groups covering the whole District). As at 31st March 2021, £86k had been allocated.

The total costs and lost income incurred by the Council in 2020/21 was £5.4million (excluding grant payments and other areas where ring-fenced funding has provided full compensation). Of that the Council has received £3.2million in Government support relating to 2020/21 and expects to receive a further £0.6million relating to 2020/21. That leaves a balance of £1.6million that the Council has had to fund from its reserves.

The expenditure and income impacts of the pandemic are continuing in to 2021/22, although it is hoped that they will be significantly less. The Council welcomes the continuation of the Covid-19 grant funding and the Sales, Fees and Charges compensation from Government up to 30th June 2021. However the additional costs and lost income are still expected to be significantly higher. The budget agreed by Full Council for 2021/22 attempts to reflect the expected slow recovery in leisure income, and also builds in the uncertainty for other costs and income through increasing the recommended minimum General Fund balance.

As well as additional costs and reduced income, the Council has also been faced with uncertainty over its funding from Council Tax and Business Rates. A large proportion of the Rates that the Council would usually collect from businesses has been paid as compensation from Government (via a s31 grant), as they have provided mandatory relief to those businesses during 2020/21. However the Council still faces impacts from the impact of the subsequent failure of those businesses and the inability to pay of those businesses that were not eligible for any/ full relief in 2020/21. For Council Tax the biggest impact has been the increase in eligibility for Council Tax Reduction Support (CTRS). The reduction in Business Rate income and Council Tax income is mostly covered by a funding income guarantee from Government for 2020/21. The forecast impact on 2020/21 before the Guarantee is £3.5million, and the Guarantee reduces it down to £2.2million. This impact is accounted for through the Collection Fund so the actual impact will need to be reflected when setting the budget for 2022/23.

The funding impact for 2021/22 is more uncertain, as there is no Guarantee currently in place. For Business Rates the impact will also depend on how businesses are able to pay their rates when reliefs (and other business support) come to an end. This could be reflected in the underlying rateable value, or just the ability to pay what is owed. For Council Tax, it is unknown how and when CTRS eligibility will start to decrease. The current planning assumption that the Council has adopted is that there will be no growth in the Council Tax base. This means that it is assumed that the increase in CTRS will be off-set by property growth, but there will not be a quick reduction in CTRS eligibility.

There has been a significant impact on our staff who have had to adapt to new ways of doing their job, change the work that they need to do and (in a number of cases) have done more hours to get the job done. This is demonstrated by the accumulated absence accrual of £428k in 20/21, an increase of £388k on the equivalent adjustment of £40k posted in the 2019/20 accounts. The Council is very aware of the need to continue to support our staff.

Narrative Report

Impact of Covid-19

Throughout 2020/21 the Council has formally reported the budget position to Cabinet on a quarterly basis. There have also been additional updates relating to key decisions, such as providing financial support to Stevenage Leisure Limited. In addition to this, monthly reviews on the Covid-19 impact have also been undertaken. This has been used to determine if additional reporting/ action would be required. This process will be continued in to 2021/22

The Council has chosen to keep its cash more liquid during the pandemic. This reflects the uncertainty over whether income (including fees, charges, Council Tax and Business Rate income). would be received or when, when business grants would be paid out and when additional costs would be incurred. This combined with the general decline in market conditions has significantly reduced the investment interest payments that have been received. During the first half of 2021/22, the Council will look at investing for longer periods again.

Covid-19 recovery

The Council has been able to provide the majority of its services during the pandemic, although some have operated in different ways. Some of the different ways of working are expected to continue as a new way of doing things. The following services have recommenced during the first few months of 2021/22:

- Leisure Centres reopened on Monday 12th April, with increasing capacity and facilities available as the Government roadmap allows.
- Hitchin Town Hall and Museum reopened on Tuesday 18th May.
- Customer Service Centre will reopen on 2nd August on an appointment basis.

As well as recovering the services that it provides, the Council has supported the wider recovery of the District and will continue to do so through the next phases. To date the work has been focused on town centre recovery. This has included developing a Shop Safe, Shop Local campaign, in conjunction with East Herts Council. It has also involved a successful bid for money from the Reopening High Streets Safely (RHSS) Fund (£88k), of which £20k has been spent during 2020/21. The remainder will be spent during 2021/22.

The Council has tried to make sure that business grant money is paid out as quickly as possible, whilst ensuring that appropriate checks are in place. In the first quarter of 2021/22 it will focus on making payments from the Additional Restrictions Grant (ARG) money to support those businesses that were missed by the mandatory schemes. This should enable the Council to receive another tranche of funding (£1.127m) which be focused on more general business support and further grants.

The Council has also been allocated £118k of Welcome Back funding. This will be used to:

- Continue the initiatives that were put in place as part of the RHSS funding, including communications and maintaining planters in the Town Centres.
- Develop Town Centre plans for what they will look like post-pandemic and provide a basis on which to apply for future regeneration plans.
- Work with partners (e.g. Business Improvement Districts, Parish, Town and Community Councils) to fund specific interventions that will make a difference to their local economies.

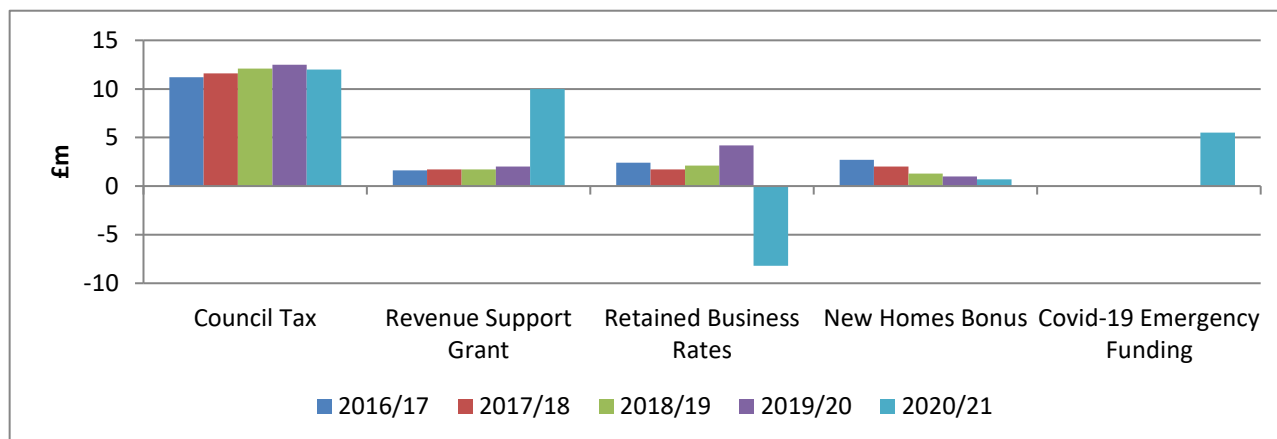
The Council will work with Hertfordshire County Council to make best use of Contain Outbreak Management Funding. This funding it targeted to break the trains of transmission and protect the vulnerable. The Council will be able to spend the £144k that has been specifically allocated to the District, as well as looking to access the County-wide pot of funding.

Narrative Report

Our funding

The Council is required to split its spending between Revenue (day-to-day running costs) and Capital (buying and creating assets with a useful life of more than one year). Similarly, our funding is split between Revenue and Capital. We can only use Capital funding sources for Capital spend (i.e. we can't use this funding for day-to-day running costs).

Revenue funding sources (Taxation and General Grants):



Increases in Council Tax are limited by Central Government, unless agreed by a local referendum. In 2020/21 the Council raised its element of Council Tax by £5 for a band D property (with other bands pro-rata to this), which was the maximum possible without a referendum.

The Revenue Support Grant total includes section 31 grants, which is where Central Government provides reimbursements for reliefs and discounts in relation to Business Rates. This was substantially higher in 2020/21 due to the reliefs that have been provided in relation to Covid-19. The actual grant to support general expenditure has decreased substantially in recent years and has been zero for the last few years.

Government have provided grant funding to Councils in 2020/21 to support the additional expenditure and lost income caused by Covid-19. This is shown separately on the graph above. As detailed in the Covid-19 impacts section, the Council is still facing a significant shortfall that it will meet from reserves.

The graph above excludes the grant funding that the Council has received to pay on to businesses. For some of these grants the Council has had discretion as to which specific businesses that they are paid to (£3.1m of the total paid out) and for some it has been mandated as to how they should be paid (£36.1m of the amounts paid).

The current Business Rates system involves 50% of funding being retained within Local Government, and the balance going to the Ministry of Housing, Communities and Local Government. Each Authority has an assessed baseline need and, as the Council's assessed need is a lot lower than the income it collects, it has to pay a levy which redistributes the funding to other Authorities. The Council retains some of any growth in Business Rates, but is also exposed to falls as well (subject to a safety net level). This would mean that usually the Council keeps around 6p out of every £1 it collects. During 2020/21, the Council was part of a Business Rates Pool with Hertfordshire County Council and four other Hertfordshire Districts/ Boroughs.

Income from New Homes Bonus increased up to 2016/17 as the period for which the Bonus was paid increased each year. In 2016/17 Authorities received the bonus for new housing in the previous 6 years. For 2017/18, the period reduced to 5 years, and further has reduced year by year since then. Alongside this a baseline was also introduced, so the Bonus is only paid if housing growth for that year is above a certain level.

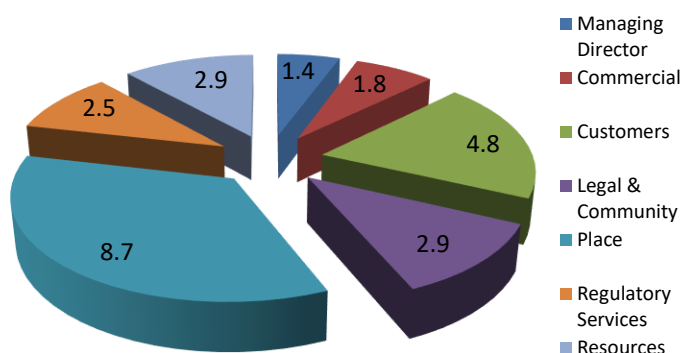
While overall our funding of £20.1m in 2020/21 was higher than the total received in 2019/20, this relates to Covid-19 support. This additional funding will continue in the first part of 2021/22 (up to the end of June), but is then expected to end.

Narrative Report

Spend by service area

The Council is managed under 6 Service Directorates and the Managing Director area (including Communications), and spend against these in 2020/21 was as follows:

Service-related net spend (by Strategic Directorate), £m



Future Funding

Reforms to Council funding are expected to happen at some time, but it is now very uncertain (due to Covid-19) when this will take place. It is still expected that this will include a move to 75% Business Rate Retention, a Business Rate reset and a new Fair Funding Formula. However Covid-19 has put in to question whether these are suitable mechanisms for funding Local Government. If they are implemented, this is likely to mean that more money will be provided to Local Government but will be matched by new responsibilities. The way that this pot of money is then allocated to individual Councils will also change. It is expected that this will result in more money being provided to Social Care authorities, and therefore less to Authorities like North Hertfordshire District Council. Any change may be phased in, although it is expected that this phasing will be quite short.

How we allocate our funding

At the same time that the Council reviews its Council Plan, it also carries out an annual review of its Medium Term Financial Strategy (MTFS). This estimates the funding that we expect to have in future years and sets the strategy for meeting any shortfall. This strategy is inherently linked to the Council Plan. **The MTFS for 2021-2026 can be found here:**

<https://srvmodgov01.north-herts.gov.uk/documents/s11769/Appendix%20A-%20Medium%20Term%20Financial%20Strategy.pdf>

Current spend provides a good starting point for assessing the future costs of providing services. Future budgets are estimated from this starting point, with adjustments for inflation, service changes, efficiencies and demography.

Each year, Officers and Councillors are asked to come up with ideas for reducing expenditure (e.g. income generation, efficiencies and service changes). Each of the Political Groups are given an opportunity to comment on these proposals at Budget Workshops held in the Autumn. These comments are considered by Cabinet when they formulate a budget in January. This budget is presented to Full Council in February for approval.

The Council has started a budget challenge process. This initially looked at all the budgets and what they are spent on. It has also started to look at all the potential ways that the Council could spend less or generate more income. When it is clearer what the Council's future funding will be, there will be a residents' consultation to seek views on which measures should be implemented to balance the budget.

Budgeting for Risk

In setting the budget each year, the Council's Chief Finance Officer is required to recommend a minimum level of General Fund reserves (the money that the Council has that is not allocated to a specific purpose). This minimum level is currently calculated as:

- 5% of the net budget of the Council- which is an allowance for unknown financial risks
- +
- An assessment of known financial risks by both value and likelihood of occurring
- +
- An assessment of known financial risks by both value and likelihood of occurring

This is a change from 2021/22 onwards, as for 2020/21 (and prior years) the income element was not included. This partly reflects the impact of Covid-19, which showed how volatile income could be.

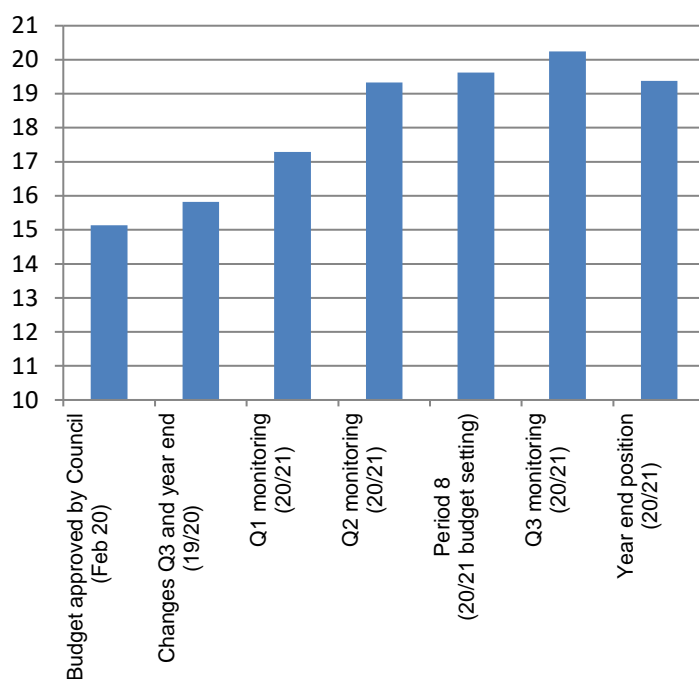
For 2020/21, this resulted in a recommended minimum General Fund level of £2.45 million (£3.85 million in 2021/22). The budgeted balance was £8.4 million at the start of the year and £8.4 million at the end of the year. The actual balance at 31st March 2021 was £8.9 million.

Narrative Report

Monitoring expenditure

The Council's Cabinet are responsible for monitoring expenditure (both revenue and capital) and they receive quarterly reports to enable them to do this. The Finance, Audit and Risk Committee review the financial performance of the Council. They receive the same reports and are able to make recommendations to Cabinet.

Reported spend forecasts in 2020/21 (£m)



Success at achieving savings

Budgeted revenue savings achieved by year since 2010/11 (efficiencies, income generation and service change).

Year	Savings Achieved (£m)
2010/11	1.3
2011/12	1.9
2012/13	0.6
2013/14	0.7
2014/15	1.6
2015/16	0.4
2016/17	0.4
2017/18	1.2
2018/19	2.9
2019/20	0.6
2020/21	0.5
Total	12.1

Corporate Financial Health Indicators (Income)

In addition to overall monitoring, the quarterly reports also detail performance in relation to 4 of the Council's key sources of income.

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Planning Application Fees	950	Amber	Amber	Red	Red	822
Land Charges	164	Red	Red	Red	Red	142
Car Parking Fees	1,936	Red	Red	Red	Red	826
Penalty Charge Notices	532	Red	Red	Red	Red	371

Narrative Report

Capital funding

The Council funds capital expenditure from these main sources:

- Government Grants
- S106 developer contributions
- Other Contributions – including third party contributions and financing from revenue.
- Capital receipts - amounts received from the sale of surplus assets
- Set aside capital receipts - the remainder of the amounts received from the sale of our housing stock to North Herts Homes in 2003

The Council can also borrow money to fund capital expenditure, subject to meeting certain conditions. The Council has historic borrowing of £405k which is not worth repaying early (as at 31st March 2021).

During 2020/21 the Council's capital expenditure was funded from the following sources:

	£'000
Government Grants	120
S106 Developer Contributions	122
Capital Receipts	1,224
Set-aside receipts	417
Total	1,883

As at the end of the year, the Council had £1.1m of Capital Receipts and £5.1m of set-aside receipts remaining.

Significant Capital Projects in 2020/21

Access to Burymead Road, Hitchin

IT Infrastructure and Hardware

Laptop purchases

North Herts Leisure Centre Gym Changing Rooms refurbishment

North Herts Leisure Centre pool circulation pipework replacement

Conversion of Harkness Court to flats

Refurbishment and improvements to Community Facilities

All projects with spend greater than £50,000 in 2020/21

The Council's capital assets

The total value of the Authority's capital (long-term) assets is £124.0 million.

The main components of this are:

- Property, Plant and Equipment (£98.7 million) used to deliver services
- Heritage assets (£0.9 million), the museum collections and public artwork
- Investment properties (£23.8 million) that generate an annual income from being leased out (£1.2 million in 2020/21)

The property assets are revalued on a regular basis (at least every 5 years).

Narrative Report

The Council's liabilities

The most significant liability that the Council has is its pension fund, which is administrated by Hertfordshire County Council. All of the Council's employees are eligible to join the pension scheme, which provides a retirement benefit that is linked to earnings. Employees make a contribution as part of their salary based on percentage rates that are set nationally. The Council also makes employer contributions. These contributions are based on:

- The estimated cost of the benefits being accrued by current employees – it is impossible to know what this really is as they will be payable from an unknown future date (when the employee retires) for an unknown period (depending on how long the employee lives for).
- Making up the shortfall from the past where the previous contributions are now considered to be insufficient – the shortfall is due to a combination of factors including people living longer and the old scheme where pensions were based on final salary. To stabilise the impact on Council Tax, this is being caught up on over a number of years.

The pension scheme is fully revalued every 3 years, with a less detailed revaluation each year in between. These valuations are undertaken by an actuary and involve a number of assumptions about the future. As the shortfall is being caught up on over time, this leaves an outstanding liability. This liability is the difference between the estimated value of the future pension payments that have been accrued and the value of the assets held by the pension fund.

As at the 31st March 2021, the value of the liability was £46.0 million (compared with £30.7 million at 31st March 2020). During the year, the Council made contributions of £2.8 million (of which £1.0 million was a lump sum relating to past shortfalls) and its employees contributed £0.6 million.

Key partners and contractors

Services may not always be delivered by the Council alone, but increasingly in a partnership with others.

Key partners include those in partner authorities and other Councils across the country, Urbaser (waste contract), John O'Connor (grounds maintenance contract), Stevenage Leisure Limited, settle, Countryside Management Service and Groundwork.

We work to support local, County wide and wider partnerships that seek to improve the wellbeing of our local community e.g. through the North Herts Health and Wellbeing Partnership and Hertfordshire Public Health Board.

Other key partners in the operation of the Council include District Councillors, County Councillors, Parish Councillors, local Members of Parliament, the Ministry of Housing, Communities and Local Government, the Local Government Association, the East of England Local Government Association, the Local Government Ombudsman, housing associations, North Herts Centre for Voluntary Service, Citizens Advice North Hertfordshire, North Herts Minority Ethnic Forum, Youth Connexions Herts, Business Improvement Districts, Letchworth Garden City Heritage Foundation, the Police, Herts Young Homeless and the Stevenage Haven.

We have contributed to a number of key partnerships in responding to the Covid-19 pandemic. These partnerships have supported the delivery of supplies to those who were vulnerable, increasing testing capacity, delivery of vaccinations, communications and the general Public Health/ Environmental Health response.

Governance

The Council is required to review its governance arrangements annually and assess these against the International Framework: Good Governance in the Public Sector. An Annual Governance Statement (AGS) is published alongside the Statement of Accounts.

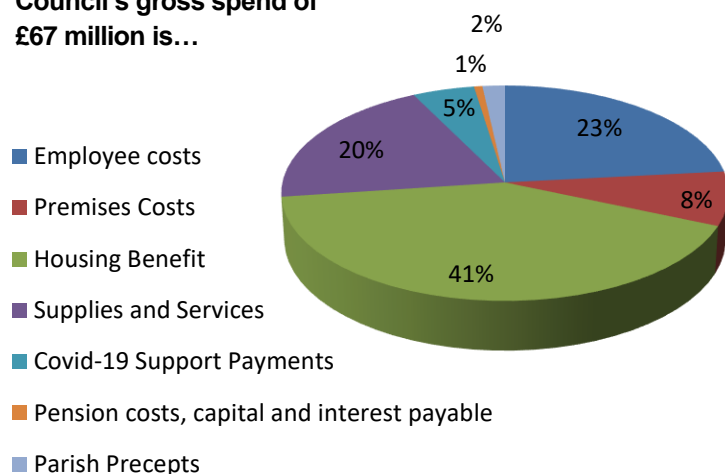
The Finance, Audit and Risk (FAR) Committee approves the AGS and monitors the actions identified.

The Action Plan from 2020/21 was last considered by the Committee at their meeting on 8th March 2021.

Narrative Report

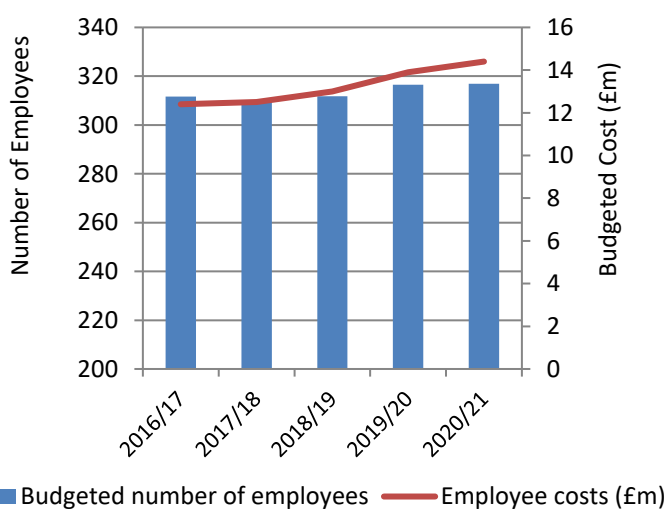
Spend by type, including employee spend

The breakdown of the Council's gross spend of £67 million is...



By far the largest area of expenditure is Housing Benefit, which the Council is responsible for administering. The Council claims a subsidy from the Department of Work and Pensions (DWP) towards the costs of benefits paid. In general, the subsidy covers the cost of the grants awarded.

The next two most significant areas of expenditure are employee costs and supplies and services. Supplies and services include the amounts paid to suppliers to deliver services on the Council's behalf (e.g. waste collection, street cleansing and grounds maintenance). The graph below shows the trend in numbers and costs of employees:



Whilst the number of employees (as measured by the number of whole-time equivalents) has been fairly stable over the last 5 years, the costs have increased. This reflects wage inflation and increasing pension contributions.

Alternatives Models of Service Delivery

CCTV

The Council is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmeire Borough Council. Each member of the arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. This new company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

Building Control

The Council set up a joint Building Control Company with six other Hertfordshire Authorities. The company began trading in August 2016. The company delivers statutory building control services on behalf of the Council, as well being able to access further areas of work to help spread the cost of the service. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

Home Improvement Agency





During 2017/18 the Council was part of the setting up of a Home Improvement Agency (HIA) arrangement that is hosted by Hertfordshire County Council. The HIA integrates Disabled Facilities Grants and Occupational Therapists to provide a more seamless service to those who need housing adaptations. The Council shows its contribution to running costs and use of Disabled Facilities Grants within its accounts.

Narrative Report

Monitoring Projects

The Council's projects and performance are monitored by the Overview and Scrutiny Committee. The Committee receive quarterly update reports on projects and an end of year report in June.












A summary of the position on the key projects throughout the year is:

Status	Q1	Q2	Q3	Q4
 Halted/ Funding not available	0	0	0	0
 Behind original due date or forecast not to meet due date	3	3	5	7
 Not due for completion in year or has not reached due date	10	9	6	4
-- Project pending	2	1	1	1
 Project Completed	0	1	1	0
	15	14	13	12

After being reported as completed the project is taken off for the next quarter. At Q2, 1 project was reported as completed (refurbishment of Gym Changing Room at North Herts Leisure Centre). 1 project was reported as completed at Q3 (Brexit preparation and implementation).

At Q1 it was decided that the project to provide a purpose-built depot, transfer facility and household waste recycling centre should be removed from the monitoring report for 2020/21 and that monitoring resume in 2021/22

The end of year position on the projects was:

Project	Progress
Refurbishment of lifts at Lairage Multi-Storey car park.	On track against milestones. 
Delivery of Climate Change Strategy / Installation of Electric Vehicle Charging Points	The Electric Vehicle strategy is now embedded with the Council's Climate Change Strategy. Officers are working towards an approach to install electric vehicle charges within the Council's car parks. Delivery impacted by Covid-19 pandemic. 
Disposal of Surplus Assets	Two sites have been sold (Land at Hill View, Rushden and Town Lodge, Letchworth site). The majority of the other sites are in progress. 
Acquisition of Property Investments	Continue to explore opportunities. Finalising the options appraisal for Harkness Court, Hitchin. 
Examination and adoption of a Local Plan for North Herts	A six-week consultation on the proposed further modifications commenced on the 12 May 2021. It is anticipated the Inspector will issue a report following consideration of the responses to the consultation. 
Implement a "Customer Account" for customers to access specific information and transact with the Council	The Customer 'MyAccount' portal is now live. A soft launch, targeting e-billing customers and callers to the CSC to sign up initially, will then be followed up with a bigger launch, so this milestone is complete. The Councillor Portal is being tested but is due to launch soon. 
Property conversion at Harkness Court, Hitchin to provide Housing at market rents.	Expected completion in May 2021. 
Develop long-term museum storage solution	A layout plan was devised. When a developer was asked to provide an indicative cost plan it was much higher than expected. Officers are currently investigating whether this can be offset through commercial use of the rest of the plot or through the sourcing of grant funding. Once commercial investigations are completed, officers will undertake a procurement to source alternative quotes for the overall scheme and gain a clear picture of the costs involved. 
Renovate play area at Howard Park, Letchworth	Brexit related supply issues meant the play equipment was not received until May. To avoid closing at the busiest time of the year, installation has been delayed until Autumn. 
Designating Air Quality Management Areas in Hitchin	A number of actions have been completed. But some have been delayed due to Officer time being focused on the Covid-19 pandemic. 
Development of a North Herts crematorium	The appeal against refusal of outline planning permission has been dismissed. Officers are now considering the Inspector's reasons for this decision and are assessing the options regarding the next steps. 
Churchgate	Officers continue to investigate options. --

Narrative Report

Key Projects 2021/22

The Overview and Scrutiny Committee have identified the following key projects for 2021/22:





- Roll out separated recycling bins for flats.
- Refurbishment of lifts at Lairage Multi-Storey Car Park.
- Trial Electric Vehicle Charging Points in car parks.
- Churchgate.
- Set up community tree planting programme.
- Develop a long-term museum storage solution.
- Examination and adoption of the 2011-2031 Local Plan.
- Development of a crematorium.
- Preparation of a walking and cycling strategy.
- Introduce a North Herts Community Lottery.
- Delivery of the Climate Change Strategy.
- Disposal of surplus assets.
- Acquisition of property investments.
- Provide housing at market rents.
- Develop and implement a cohesive Empty Homes strategy.

The Committee will receive updates against these projects on a quarterly basis which will be available here:





<https://democracy.north-herts.gov.uk/ieListMeetings.aspx?CId=134&Year=0>

Monitoring Performance

The Overview and Scrutiny Committee also receive quarterly reports on Performance Indicators. During 2020/21 there were 18 indicators that were monitored, with some having targets and others for information only. A summary of the position on these throughout the year is:

Status	Q1	Q2	Q3	Q4
 Met or exceeded target	4	4	4	5
 Target not achieved but within agreed tolerance	0	0	2	2
 Not achieved and outside tolerance	6	6	3	2
 For information only and traffic light status is not applicable	8	8	9	9

The indicators that did not meet or exceed their target at Q4 were*:

Indicator	Target	Actual Value	Comments
Percentage of due sales invoices that had not been paid	97%	 92.5%	Mainly due to the impact of Covid-19, both in terms of ability to pay and reduced actions taken to chase payment. Receipts during April 2021 have taken it above 97%.
Percentage of NNDR collected in year	97%	 94.8%	The Covid-19 pandemic, as expected, has had a serious effect on Business Rate collection. The suspension of all recovery processes during 2020 coupled with trading uncertainty has kept the collection rate below expected levels. The indications are that some businesses continue to struggle and there is increasing evidence of further business failures, which will have an ongoing negative affect on collection rates.
Kg of residual waste per household	335kg	 387kg	The overall impact of elevated tonnages during lockdown, both residual and recycling (with more residents at home and an increase in online purchasing and associated packaging), has led to a drop in the NI192 recycling rate. We are likely to see ongoing impacts into the next reporting year. A recent waste compositional analysis indicated that food waste still makes up 23% of the weight of our purple bins despite separate weekly collections. Our primary communication focus is therefore reducing food waste and increasing food waste capture for recycling
Percentage of household waste sent for reuse, recycling and composting	55.6%	 57.5%	

* The target for leisure centre visits was amended and the target for Environmental Health Inspections was deleted. These changes were both due to the impacts of Covid-19 and approved by Cabinet in January 2021.

Narrative Report

Monitoring Risk and Opportunities

The Council's processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The committee review reports and can make recommendations to Cabinet on any changes.

In December 2020, the Committee reviewed the Council's 'Risk Management Framework' (details can be found here; <https://srvmodgov01.north-herts.gov.uk/ieListDocuments.aspx?CId=146&MId=2455&Ver=4>). They recommended that revisions to the framework be adopted, which was then approved. The committee also receive quarterly reports on Corporate Risks.

Full Council receives an Annual Report on Risk Management in July each year.

At the start of the year the Council's Corporate Risks were:

Likelihood	3 High	4	7 • Impact of Anti-Social Behaviour on Council Facilities • Income Generation • Sustainable Development	9 • Brexit • Local Plan • Managing the Council's Finances • Novel Coronavirus (Covid-19)
	2 Medium	2	5 • Increased Homelessness • Workforce Planning	8 • Cyber Risks • Delivery of the Waste Collection and Street Cleansing Services Contract
	1 Low	1 • Route Optimisation of Collection Rounds (archiving postponed pending the provision of further information)	3	6 • External Factors Affecting the Future Provision of Waste Services
		1 Low	2 Medium	3 High
		Impact		

During the year, the Committee received recommendations on changes to the following risks:

- Introduction of a 'Covid-19 - Leisure Management Contract' risk, initially with a score of 8 and then increased to 9.
- Archiving of the 'Route Optimisation of Collection Rounds' risk.
- The 'Increased Homelessness' risk score be increased to 7 with a target score of 6.
- That the 'Workforce Planning' risk be archived.

Understanding the Accounts

The accounts are made up of 5 core financial statements:

- Expenditure and Funding Analysis
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cashflow statement

These are supported by a series of notes that provide further details of the numbers that they contain. Much of the information is of a technical nature and has been completed to be compliant with the 2020/21 Local Authority Accounting Code of Practice and Service Reporting Code of Practice, which are based on the International Financial Reporting Standards. On the next page there is a summary of the key information from each of these statements.

Narrative Report

Comprehensive Income and Expenditure Statement

This statement shows the Council's cost of providing services. There are two key totals:

- Surplus or Deficit on provision of services
- Total Comprehensive Income and Expenditure

The deficit on provision of services is £1.0m, which includes actual income and expenditure incurred as well as adjustments for the cost of using capital assets (e.g. depreciation) and pension costs.

The total comprehensive income and expenditure (which is a deficit of **£5.2 million**) also includes the estimated gains on the revaluation of non-current (e.g. land and buildings) and pension assets. These gains would only be realised if the assets were actually sold.

Movement in Reserves Statements

This statement starts with the surplus or deficit on provision of services total (from the Comprehensive Income and Expenditure Statement). A series of adjustments are then applied to get to the movement in the General Fund balance.

The General Fund balance is like the Council's savings account. We try to balance income and expenditure each year, but there will be variations which lead to amounts being added to or taken out of the General Fund. There is a need to maintain a certain level of savings, and Council Tax will be set to try and keep these at the right level.

The adjustments to get to the General Fund balance reflect that:

- The Council has separate funding sources for capital so rather than reflect the full cost of using assets; it only has to make allowances for the repayment of any borrowing that it has taken out to fund capital purchases.
- Rather than reflect the full cost of future pension liabilities, the Council only has to show current year contributions. These already include an element of catching up on previous deficits.

The overall result is that the movement on the General Fund is £0.5 million, which means that the balance at the start of the year of £9.4 million is now £8.9 million.

This statement also shows the other reserves that the Council has. The key ones are:

- Earmarked Reserves - money that the Council has chosen to set aside for a specific purpose.
- Capital Receipts Reserve - funding that can be used to fund future capital expenditure.

Expenditure and Funding Analysis

This statement is the most relevant to Council Taxpayers as it shows the Council's spend by Directorate (net total of £19.8 million). It then goes on to show how this is funded from taxation and grants. The final section shows the impact on the General Fund balance.

Balance Sheet

The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held. The total value of net assets of the Authority at 31 March 2021 is **£109.4 million**. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £98.7 million
- Investment properties used to generate income: £23.8 million
- Short Term Treasury investments: £24.5 million
- Pension liabilities: **-£46.0 million**

Cashflow Statement

This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

Statement of Accounting Policies

1. GENERAL

- 1.1. The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and the position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.
- 1.2. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All disclosures are subject to materiality as the intention of the statement of accounts is to present a 'true and fair' view of financial position, financial performance and cashflows.

2. ACCRUALS OF INCOME AND EXPENDITURE

- 2.1. Subject to materiality, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
 - Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Revenue from the provision of services is generally recognised when the Authority can measure reliably the percentage of completion of the transaction and this reflects that the same proportion of the economic benefits or service potential associated with the transaction will flow to the Authority. Where the revenue is not material in value and the time interval between the receipt of the payment and transfer of the service to the service recipient is insignificant, the revenue is recognised when the payment is received. Where the provision of the service occurs over a period of time and the expectation of receiving the economic benefits or service potential only flows to the authority when the performance obligations have been completely fulfilled, the revenue will only be recognised when performance obligations in the contract have been fully satisfied.
 - Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
 - Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Statement of Accounting Policies

3. COUNCIL TAX AND NON-DOMESTIC RATES

- 3.1 Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.
- 3.2 The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- 3.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

4. BUSINESS IMPROVEMENT DISTRICTS

- 4.1 Business Improvement District (BID) schemes apply in Hitchin, Royston and Letchworth. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as an agent only under the scheme and so income is not shown in the Comprehensive Income and Expenditure Statement since the BID levies are collected on behalf of the relevant BID body.

5. CASH AND CASH EQUIVALENTS

- 5.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

- 6.1. Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and banked hours in the flexi scheme for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Statement of Accounting Policies

Termination Benefits

- 6.2. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis in the Comprehensive Income and Expenditure Statement and recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits.
- 6.3. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

- 6.4. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.
- 6.5. The Authority participates in one pension scheme, the Local Government Pension Scheme, administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Local Government Pension Scheme

- 6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
 - Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).
 - The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:

quoted securities	– bid price
unquoted securities	– professional estimate
united securities	– average of the bid and offer rates
property	– market value

Statement of Accounting Policies

- 6.7. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Net Interest on the net defined benefit liability (asset) – i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any charges in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hertfordshire Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- 6.8. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

- 6.9. The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Statement of Accounting Policies

7. EVENTS AFTER THE REPORTING PERIOD

- 7.1. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
 - Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- 7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. EXCEPTIONAL ITEMS

- 8.1. When items of income and expenditure are material and significant to the understanding of the Council's financial performance, their nature and amount is disclosed separately in the notes to the accounts.

9. FINANCIAL INSTRUMENTS

- 9.1. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Liabilities

- 9.2. Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
- 9.3. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- 9.4. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Statement of Accounting Policies

FINANCIAL ASSETS

- 9.5. Financial assets are classified into two types:
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
 - Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments
- 9.6. The Authority does not have any available for sale assets.

Loans and Receivables

- 9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.
- 9.8. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.
- 9.9. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

- 10.1. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:
- The Authority will comply with the conditions attached to the payments, and
 - The grants or contributions will be received.
- 10.2. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Statement of Accounting Policies

- 10.3. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where revenue grants have been ring-fenced to a specific service and have not been spent at the Balance Sheet date they are reversed out of the General Fund Balance and posted to an ear-marked reserve (revenue grants with less than £1,000 left unspent at the Balance Sheet date are treated as Creditors and not transferred to an ear-marked reserve).
- 10.4. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. HERITAGE ASSETS

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

- 11.1 Heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets consist of collections of assets or artefacts either exhibited or stored in the Authority's Museums (North Hertfordshire, Letchworth and Hitchin Museums) or the Museum Resource Centre, and items of public Sculpture and Artwork.
- 11.2 Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as the majority of them do not have a material monetary value and are therefore not recognised on the Balance Sheet.
- Where the Museums' Manager determines that an asset has a monetary value then they will undertake an annual programme of valuations by reviewing the archives of auctions houses to identify similar paintings by the same artist which have sold in the recent past.
 - Purchased acquisitions are initially recognised at cost.
 - For any donated acquisitions the Museums' Manager will determine whether they are likely to have a monetary value. If they do, then they will either provide a valuation or obtain an external valuation (as per above). Otherwise they will not be recognised on the Balance Sheet.
- 11.3 The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see section 18.13 in this summary of significant accounting policies.
- 11.4 The Authority has a policy for the acquisition and disposal of Museum collections. The policy states there is a strong presumption against the disposal of any items in the museum's collection and decisions to dispose of items will not be made with the principal aim of generating funds. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Statement of Accounting Policies

12. INTANGIBLE ASSETS

- 12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
- 12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
- 12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.
- 12.4. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- 12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. INVENTORIES AND LONG TERM CONTRACTS

- 13.1. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.
- 13.2. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. INVESTMENT PROPERTY

- 14.1. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- 14.2. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged in an orderly transaction between participants at the measurement date, and assuming that highest and best use is made of that asset. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Statement of Accounting Policies

- 14.3. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

- 15.1. Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.
- 15.2. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other partners, with the assets being used to obtain benefits for the partners. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

16. LEASES

- 16.1. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 16.2. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

- 16.3. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
- 16.4. Lease payments are apportioned between:
- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
 - A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Statement of Accounting Policies

- 16.5. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
- 16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

- 16.7. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance leases

- 16.8. Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
- 16.9. Lease rentals receivable are apportioned between:
- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
 - Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- 16.10. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
- 16.11. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Statement of Accounting Policies

Operating Leases

- 16.12. Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. OVERHEADS AND SUPPORT SERVICES

- 17.1. The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

18. PROPERTY, PLANT AND EQUIPMENT

- 18.1. 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.

Recognition

- 18.2. 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.
- 18.3. The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment.

Measurement

- 18.4. Assets, other than surplus assets (see below), are initially measured at cost, comprising:
- The purchase price.
 - Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
 - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Surplus assets are measured at fair value, based on the highest and best use of that asset.

- 18.5. The cost of assets acquired other than by purchase is deemed to be its current value. Where an acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority) and is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.
- 18.6. Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Statement of Accounting Policies

- 18.7. Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost.
 - All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- 18.8. Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.
- 18.9. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
- 18.10. Assets included in the balance sheet at current value are revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.
- 18.11. Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
 - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

- 18.13. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
- 18.14. Where impairment losses are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
 - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.15. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Statement of Accounting Policies

Depreciation

- 18.16. Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).
- 18.17. Depreciation is calculated on a straight line allocation over the useful life of the property as estimated by the valuer. There is no depreciation in the year of disposal but a full year's depreciation charge in the year of acquisition. Assets are typically depreciated over the following lives:

Fixed Asset	Life
Operational Buildings	Up to 50 years
Vehicles & Plant	5 to 10 years
Community Assets	Up to 50 years
Infrastructure	Up to 40 years

- 18.18. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
- 18.19. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:
- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
 - A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the components useful life and required method of depreciation is different to the overall asset.
 - The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
 - The cost of a component is based on best estimates where historical cost of assets and components is not available.
- 18.20. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

- 18.21. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Statement of Accounting Policies

- 18.22. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
- 18.23. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 18.24. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
- 18.25. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
- 18.26. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.
- 19. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**
- 19.1. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 19.2. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
- 19.3. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Statement of Accounting Policies

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

- 20.1. Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 20.3. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
- 20.4. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

- 20.5. A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will not be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

- 20.6. A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. RESERVES

- 21.1. The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.
- 21.2. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Statement of Accounting Policies

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

- 22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.
- 22.2. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.
- 22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

23. TRUST FUNDS AND THIRD PARTY ASSETS

- 23.1. Where the Authority acts as sole managing trustee for a Trust the net balance of the transactions incurred in running the Trust is included in the Comprehensive Income and Expenditure Statement. The Authority also holds income received for S106 legal agreements and unilateral undertakings relating to the submission of planning applications and these are treated as receipts in advance in the Balance Sheet before they are applied.

24. VAT

- 24.1. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

The Expenditure and Funding Analysis is a note to the financial statements however it is positioned here as it provides a link between the figures in the narrative statement and the CIES.

2019/20			2020/21		
Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement Directorate £'000	Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
2,005	(981)	1,024	1,891	(504)	1,387
783	519	1,302	1,097	686	1,783
3,861	1,062	4,923	4,013	801	4,814
2,230	845	3,075	2,121	819	2,940
3,561	2,632	6,193	5,968	2,776	8,744
415	630	1,045	2,049	409	2,458
2,310	361	2,671	2,637	267	2,904
15,165	5,068	20,233	19,776	5,254	25,030
		Net Cost of Services			
1,160	0	1,160	1,200	147	1,347
		Other Operating Expenditure			
(947)	1,240	293	(867)	(4,398)	(5,265)
		Financing and Investment Income and Expenditure			
(19,055)	(864)	(19,919)	(31,010)	10,930	(20,080)
		Taxation and Non-Specific Grant Income and Expenditure			
(3,677)	5,444	1,767	(10,901)	11,933	1,032
		(Surplus) or Deficit on Provision of Services			
(7,862)		Opening General Fund Balance	(9,378)		
		(Surplus) or Deficit on General Fund Balance in year			
(3,677)			(10,901)		
2,161		Transfers to / (from) Earmarked Reserves	11,414		
(9,378)		Closing General Fund Balance at 31st March	(8,865)		

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and Movement in Reserves Statement.

2019/20			Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
1,094	(70)	1,024	Managing Director	1,445	(58)	1,387
1,681	(379)	1,302	Commercialisation	1,895	(112)	1,783
35,811	(30,888)	4,923	Customers	39,544	(34,730)	4,814
4,017	(942)	3,075	Legal & Community	3,419	(479)	2,940
10,820	(4,627)	6,193	Place	13,460	(4,716)	8,744
6,262	(5,217)	1,045	Regulatory	6,748	(4,290)	2,458
2,787	(116)	2,671	Resources	2,975	(71)	2,904
62,472	(42,239)	20,233	Cost of Services	69,486	(44,456)	25,030
		1,160	Other Operating Expenditure			1,347
		293	Financing and Investment Income & Expenditure			(5,265)
		(19,919)	Taxation and Non-Specific Grant Income & Expenditure			(20,080)
		1,767	(Surplus) or Deficit on Provision of Services			1,032
		(3,920)	(Surplus) or Deficit on revaluation of non-current assets			(10,143)
		(1,293)	(Surplus) or Deficit on revaluation of available for sale assets			111
		(23,191)	Re-measurements of the net defined benefit liability	39		14,207
		(28,404)	Other Comprehensive Income and Expenditure			4,175
		(26,637)	Total Comprehensive Income and Expenditure			5,207

Service Reporting Code of Practice:

The above revenue service analysis is compliant with the latest accounting code of practice.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes and reflect the adjustments between the accounting basis and the funding basis under regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019	7,862	7,183	2,580	938	18,563	69,383	87,946
Movement in Reserve during 2019/20							
Surplus or (deficit) on provision of services	(1,767)	0	0	0	(1,767)	0	(1,767)
Other Comprehensive Expenditure and Income	0	0	0	0	0	28,404	28,404
Total Comprehensive Expenditure and Income	(1,767)	0	0	0	(1,767)	28,404	26,637
Adjustments between accounting basis & funding basis under regulations (Note 12)	5,444	0	(639)	0	4,805	(4,805)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,677	0	(639)	0	3,038	23,599	26,637
Transfers to/from Earmarked Reserves (Note 27)	(2,161)	2,161	0	0	0	0	0
Increase / (Decrease) in Year	1,516	2,161	(639)	0	3,038	23,599	26,637
Balance at 31 March 2020	9,378	9,344	1,941	938	21,601	92,982	114,583
Movement in Reserve during 2020/21							
Surplus or (deficit) on provision of services	(1,032)	0	0	0	(1,032)	0	(1,032)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(4,175)	(4,175)
Total Comprehensive Expenditure and Income	(1,032)	0	0	0	(1,032)	(4,175)	(5,207)
Adjustments between accounting basis & funding basis under regulations (Note 12)	11,933	0	(808)	(39)	11,086	(11,086)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,901	0	(808)	(39)	10,054	(15,261)	(5,207)
Transfers to/from Earmarked Reserves (Note 27)	(11,414)	11,414	0	0	0	0	0
Increase / (Decrease) in Year	(513)	11,414	(808)	(39)	10,054	(15,261)	(5,207)
Balance at 31 March 2021	8,865	20,758	1,133	899	31,655	77,721	109,376

Balance Sheet as at 31 March 2021

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020 £'000		Note	31 March 2021 £'000
95,603	Property, Plant and Equipment	16	98,709
853	Heritage Assets	17	928
18,429	Investment Property	18	23,776
289	Intangible Assets	19	224
1,000	Long Term Investments (non-property)	20	0
1	Mortgages	20	0
17	Loans	20	0
320	Other Long Term Debtors		320
116,512	Long Term Assets		123,957
299	Inventories	21	416
6,632	Short Term Debtors	22	23,349
26,627	Short Term Non Property Investments	20	24,539
2,909	Assets Held for Sale	24	6,296
8,848	Cash & Cash Equivalents	23	20,850
45,315	Current Assets		75,450
(25)	Short Term Borrowing	20	(26)
(4,653)	Short Term Creditors	25	(19,240)
(8,249)	Receipts in Advance	25	(19,700)
(12,927)	Current Liabilities		(38,966)
(405)	Long Term Borrowing	20	(386)
(2,388)	Long Term Creditors	38	(1,957)
(882)	Provisions (> 1 year)	26	(2,783)
(30,691)	Liability related to Pension Scheme	39	(45,976)
49	Deferred Credits		37
0	Capital Grants Receipt in Advance	35	0
(34,317)	Long Term Liabilities		(51,065)
114,583	Net Assets		109,376
21,601	Usable Reserves	27	31,655
92,982	Unusable Reserves	28	77,721
114,583	Total Reserves		109,376

The un-audited accounts were authorised for issue on 29th July 2021.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £'000	2020/21 £'000
(1,767) Net surplus or (deficit) on the provision of services	(1,032)
5,461 Adjustments for non-cash movements (Note 29)	24,601
(1,314) Adjustments for items that are investing and financing activities (Note 29)	2,443
2,380 Net cash flows from operating activities	26,012
(602) Investing Activities (Note 29)	(846)
1,019 Financing Activities (Note 29)	(13,164)
2,797 Net Increase or (decrease) in cash and cash equivalents	12,002
6,050 Cash and Cash Equivalents at the beginning of the year	8,847

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Notes to the Core Financial Statements

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 42) set out supplementary information to assist readers of the accounts.

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Code will require implementation from 1 April 2021 and there is therefore no impact on the 2020/21 Statement of Accounts. It is also considered that these standards and amendments will not have a material impact on the Council's Statement of Accounts when they become applicable.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies (see the Statement of Accounting Policies), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has determined that the ownership of the freehold of the Churchgate Shopping Centre in Hitchin is an investment property (carrying value of £1.7million) as there is no alternative policy for ownership other than for rental income or capital appreciation.
- The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease, with the underlying assets included on the balance sheet (carrying value of £1.8 million). This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven-year contract commenced in May 2018, with the vehicle assets recognised at an initial value of £3.2 million.
- The Authority considers that the financial statements accurately reflect the financial consequence of the COVID-19 pandemic for the financial year 2020-2021. While many of the service impacts noted in the narrative report remain prevalent at the date of signing of the accounts, with the progress of the vaccination programme and anticipated easing of Covid-19 restrictions it is expected that the aggregate financial impact in the next financial year will be significantly less.

Notes to the Core Financial Statements

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over estimated useful lives. If, for any reason, an individual asset should deteriorate at a quicker rate than expected, then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £450,300 for every year that useful lives had to be reduced.
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	An average yield of 7.0% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £1.8million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2021 the Authority had a balance of short term debtors of £26.0million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £2.7million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £2.7million to be set aside.
National Non Domestic Rates – Provision for Appeals	The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The arrangements came into effect on 1 April 2013. The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.	A provision of £2.7m has been made, as at 31 March 2021, for the Authority's share of refunding outstanding appeals that are ultimately successful. This amount is based on the details of outstanding appeals with the Valuation Office Agency as at 31 March 2021, after applying a success factor of 25% and likely reduction in RV between 18.8% and 20%, and also includes an allowance for appeals not yet lodged. An increase of 1% in the success factor would increase the amount of provision required by £43,000.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Actuarial valuations are carried out every three years, with the latest undertaken in 2019/20. The Authority's actuaries advised that the net pensions liability in 2020/21 had increased by £15.3million . This is due to a lower than expected discount rate when working out the financial assumptions.

Notes to the Core Financial Statements

4. GOING CONCERN

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council's accounts for 2020/21 include the early impacts of COVID-19 on its financial position up until 31st March 2021. The impacts on the Council have been significant but have been partly off-set by additional funding from Government. The accounts show that as at the 31st March the Council had a General Fund balance of £8.9m.

The progress of the vaccination programme and easing of Covid-19 restrictions provides optimism that income and expenditure will return towards normal levels. However the Council is aware that the return towards normal could take some time, and also that normal post-pandemic might be different to what it was pre-pandemic. In setting its budget for 2021/22, the Council reflected the following:

- Lost income (£0.8m) and additional expenditure (£1.2m) in relation to the Council's leisure services contract. This is a mid-case assumption, with the range of estimated impacts being between £1.3m to £3m. The lowest impact was based on a quicker easing of restrictions compared to what has happened, but so far the regular monitoring reports provided by the leisure contractor are monitoring against this lowest impact level. For the period April to June it was assumed that the lost income would be covered by the Government's 75% Sales, Fees and Charges Income Guarantee.
- The Minimum Recommended General Fund Balance was increased by around £1m to include uncertainties in relation to income. This will be kept under review as to whether it is needed on an ongoing basis.
- The other significant income losses were likely to be in relation to car parking and Hitchin Town Hall. These are expected to be linked to the level of Covid-19 restrictions, and also covered by the Government's 75% Sales, Fees and Charges Income Guarantee. No specific budget impact was incorporated.
- Assumed net zero Council Tax Base growth, with any growth in properties off-set by increased eligibility for the Council Tax Reduction Scheme.
- The receipt of the general Covid-19 expenditure grant from Government covering the period April – June 2021 of £0.6m.
- No budget impact was included for additional expenditure.

The Council knows that the Covid-19 situation is volatile and can change quickly. It is therefore continuing to carry out regular reviews of its forecast financial position during 2021/22, which includes a specific focus on the following:

- Regular tracking of parking income.
- Monthly updates from the leisure contractor.
- Review of costs for accommodation homeless people and the extent to which they will be covered by recoverable Housing Benefit.
- The overall estimated impact on the Council's General Fund balance.
- The impact on the Business Rates and Council Tax Collection Fund, and the future forecast impact on the General Fund.

These reviews are carried out on a monthly basis. Any significant impacts will be reported to Cabinet and/ or Council as soon as possible. Otherwise the cumulative impact will be reported through the quarterly budget monitoring reports to Cabinet (and reviewed by the Finance, Audit and Risk Committee).

The Council will publish an update to its Medium Term Financial Strategy in September. The assessments carried out in preparation for this consider the potential for impacts on key areas of income and expenditure continuing in to 2022/23. It also considers the impact on funding in terms of:

- Deficits on the Collection Funds in 2021/22 that would need to be funded in later years.

Notes to the Core Financial Statements

- The implications of a decline in Business Rate income down to safety net levels.
- Reviewing the assumptions around growth in the Council Tax base, due to reductions in the building of new properties and increased eligibility for Council Tax Reduction Scheme.

Based on current forecasts and the current General Fund balance, the Strategy will show that the impact of Covid-19 continues to be affordable in 2022/23 by using some reserve balances, even when more negative scenarios are considered. This gives the Council time to focus on recovery and hopefully get some more certainty on funding (in relation to tax base and ongoing Central Government funding) before embarking on a strategy to achieve a balanced in-year budget by the end of the 5 year period.

It is therefore noted that there is significant headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Code of Practice requires the disclosure of the nature and amount of any material items of income and expenditure which are not separately disclosed on the face of the Comprehensive Income and Expenditure Statement.

The following material items of income and expenditure are included in the Cost of Services in the Comprehensive Income and Expenditure Statement:

Directorate	Description of Material Item	Comment
Customers	Careline Service – Contribution from Hertfordshire County Council	Total income receivable under the terms of the contractual agreement with Hertfordshire County Council was £1.3million in 2020/21 (£1.1m in 2019/20).
Customers	Covid-19 Discretionary Grants Fund	A total of £1.4m of grants were paid to businesses operating in the District under the Discretionary Grants Fund scheme in 2020/21 (£0 in 2019/20). The Council was responsible for designing the scheme, including eligibility criteria and the value of individual grant amounts. The Council received an equivalent income contribution of £1.4m for the cost of the grants from the Ministry for Housing, Communities and Local Government (MHCLG).
Customers	Covid-19 Additional Restrictions Grant	£1.4m of payments to businesses in the District were made under the Additional Restrictions Grant scheme in 2020/21 (£0 in 2019/20). The Council developed the details of the grant scheme internally, while ensuring compliance with criteria laid down by the Department for Business, Energy and Industrial Strategy (BEIS). The grant expenditure was fully funded by an income contribution of £1.4m for the cost of the grants from BEIS.
Customers	Housing and Council Tax Benefits	The Authority paid a total of £27.8million of Housing Benefit payments in 2020/21 (£27.4million in 2019/20). This was funded by a grant subsidy from the Department for Work and Pensions of £27.2million (£26.9million in 2019/20).
Place	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £1.3million in 2020/21 (£1.3million in 2019/20).
Place	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £3.6million in 2020/21 (£3.5million in 2019/20).
Place	Leisure Centre Management	Expenditure of £1.4m to maintain operations at the Council's Leisure Centres in 2020/21 ((£0.7m) [net income] in 19/20).

Notes to the Core Financial Statements

6. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2020/21.

7. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that needed disclosing in 2020/21.

8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2020/21 or 2019/20. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2020/21. All operations are therefore classified as '*continuing operations*'.

9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis presents the total adjustments required to the amounts chargeable to the General Fund in order to arrive at the Net Expenditure in the Comprehensive Income and Expenditure Statement. The main adjustments required are detailed and explained below.

2019/20				2020/21				
Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	(1,021)	40	(981)	Managing Director	0	(932)	428	(504)
368	151	0	519	Commercialisation	604	83	0	687
278	784	0	1,062	Customers	330	471	0	801
566	279	0	845	Legal & Community	661	157	0	818
2,446	186	0	2,632	Place	2,661	115	0	2,776
59	571	0	630	Regulatory	95	314	0	409
129	232	0	361	Resources	106	161	0	267
3,846	1,182	40	5,068	Net Cost of Services	4,457	369	428	5,254
0	0	0	0	Other Operating Expenditure	147	0	0	147
(11)	1,251	0	1,240	Financing and Investment Income and Expenditure	(5,107)	709	0	(4,398)
(267)	0	(597)	(864)	Taxation and Non-Specific Grant Income and Expenditure	(54)	0	10,984	10,930
(278)	1,251	(597)	376	Other Income and Expenditure from the Expenditure and Funding Analysis	(5,014)	709	10,984	6,679
3,568	2,433	(557)	5,444	Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services	(557)	1,078	11,412	11,933

Notes to the Core Financial Statements

1) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the Services lines, and for the following items in Other Income and Expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. The gain to the authority on receipt of a donated asset is also credited to this line.

2) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.

3) Other Differences

This includes those other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Core Financial Statements

10. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

	2019/20	2020/21
	£'000	£'000
Directorate		
Managing Director	(752)	(307)
Commercialisation	(1,544)	(1,351)
Customers	(30,889)	(34,730)
Legal & Community	(942)	(479)
Place	(4,627)	(4,716)
Regulatory	(5,218)	(4,290)
Resources	(116)	(71)
Total Directorate Income	(44,088)	(45,944)
Other Income Received		
Non-Ringfenced Government Grants	(2,982)	(16,277)
Income from Council Tax and Business Rates	(16,670)	(3,749)
Total Income within Surplus or Deficit on the Provision of Services	(63,740)	(65,970)

11. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2019/20	2020/21
	£000	£000
Employee costs	15,441	15,643
Other Service Expenditure	16,172	21,948
Housing Benefit Payments	27,351	27,768
Interest Payments	612	555
Net Pension Costs	1,251	709
Capital Charges:		
- Depreciation of Property, Plant & Equipment	3,370	3,775
- Amortisation of Intangible Assets	150	166
- Impairment / Downward Revaluation of Assets	0	194
(Increase) / Decrease in Fair Value of Investment Properties	0	(5,103)
(Gain) / Loss on the Disposal of Assets	0	147
Parish Council Precepts	1,160	1,200
Total Expenditure	65,507	67,002
Fees and Charges	(9,549)	(7,383)
Interest and Rental Income	(1,795)	(1,559)
Housing Benefit Subsidy	(26,921)	(27,188)
Grants and Contributions	(8,805)	(26,091)
Income from Council Tax and Business Rates	(16,670)	(3,749)
Total Income	(63,740)	(65,970)
(Surplus) or Deficit on the Provision of Services	1,767	1,032

Notes to the Core Financial Statements

12. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The first table shows the adjustments made in the comparative year 2019/20:

2019/20	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,370)	0	0	3,370
Movements in the market value of Investment Properties	0	0	0	0
Amortisation of Intangible Assets	(150)	0	0	150
Capital Grants and contributions applied	429	0	0	(429)
Revenue Expenditure funded from capital under statute	(488)	0	0	488
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	3	0	0	(3)
Capital expenditure charged against the General Fund	8	0	0	(8)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	639	0	(639)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,103)	0	0	5,103
Employers pensions contributions and direct payments to pensioners payable in year	2,670	0	0	(2,670)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	597	0	0	(597)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(40)	0	0	40
Total Adjustments	(5,444)	639	0	4,805

Notes to the Core Financial Statements

The following table shows the adjustments made in 2020/21:

2020/21	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,969)	0	0	3,969
Movements in the market value of Investment Properties	5,103	0	0	(5,103)
Amortisation of Intangible Assets	(166)	0	0	166
Capital Grants and contributions applied	228	0	39	(267)
Revenue Expenditure funded from capital under statute	(496)	0	0	496
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(562)	0	0	562
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	4	0	0	(4)
Capital expenditure charged against the General Fund	0	0	0	0
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	455	(455)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,223	0	(1,223)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(40)	40	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,855)	0	0	3,855
Employers pensions contributions and direct payments to pensioners payable in year	2,777	0	0	(2,777)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(10,984)	0	0	10,984
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(428)	0	0	428
Total Adjustments	(11,933)	808	39	11,086

Notes to the Core Financial Statements

13. OTHER OPERATING EXPENDITURE

2019/20		2020/21
£000		£000
1,160	Parish council precepts	1,200
0	(Gains) / losses on disposal of non-current assets	147
1,160	Total	1,347

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20		2020/21
£000		£000
612	Interest payable and similar charges	555
1,251	Pensions interest cost and expected return on pensions assets	709
(416)	Interest receivable and similar income	(195)
0	Change in Fair Value of Investment Properties	(5,103)
(1,154)	Income and expenditure in relation to investment properties	(1,231)
293	Total	(5,265)

15. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2019/20		2020/21	2020/21
£000		£000	£000
(12,491)	Council Tax Income		(11,983)
0	Council Tax Covid-19 Hardship Fund Grant		(679)
0	Covid-19 Emergency Grant Funding		(1,602)
0	Covid-19 Sales, Fees and Charges Compensation		(1,899)
0	Covid-19 Local Tax Income Guarantee		(1,347)
(1,998)	Section 31 Business Rates Reliefs Grant		(10,037)
(984)	New Homes Bonus		(713)
	National Non-Domestic Business Rates (NNDR)		
(13,745)	Share of total collectible income	(15,153)	
10,848	NNDR Tariff and Levy	12,998	
(365)	NNDR Collection Fund (Surplus) / Deficit	10,389	
(917)	Share of Hertfordshire Pilot Gain	0	
(4,179)	Net Recognised NNDR		8,234
(267)	Capital Grants and Contributions (see below)		(54)
(19,919)			(20,080)

2019/20	Capital Grants and Contributions	2020/21
£000		£000
186	S106 Developer Contributions	28
0	Arts Council England	13
0	Art Fund	11
0	Hertfordshire Heritage Fund	2
21	Museum Heritage Lottery Funding	0
60	Bancroft Rec MUGA – Sports England Grant	0
267	Total	54

Notes to the Core Financial Statements

16. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2019/20 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

Land & Buildings	– Offices, Depots, Leisure Facilities, Community Centres, Museums and Pavilions
Infrastructure Assets	– Capital Works to Public Roads and Drainage Schemes
Community Assets	– Commons and Parks

REVALUATIONS

The Authority has a 5 year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 1 April of the financial year when the valuation takes place. Valuations of the Authority's properties are overseen by the Senior Estates Surveyor, who is a professional member of the Royal Institution of Chartered Surveyors. When necessary, specialist external valuers are used for assets which require particular knowledge of the asset valued.

Revaluations have been undertaken in 2020/21 in line with the 5 year rolling programme. These have resulted in a net increase to the carrying value of property, plant and equipment of just over £9.880million.

The following table shows which class of assets have been scheduled for revaluation over the last 4 years:

2017/18	2018/19	2019/20	2020/21
Industrial Properties	Industrial Properties	Industrial Properties	Investment Properties
Investment Properties	Investment Properties	Investment Properties	Assets Held for Sale
Burial Ground	Agricultural	Assets Held for Sale	Surplus Assets
Car Park	Allotments	Surplus Assets	
Community Centres	Amenity Land		Operational Assets:
Leisure Centres	Recreation Grounds		Amenity Land *
Markets			Burial Ground *
Museum			Car Park *
Pavilions			Community Centres
Play Areas			Industrial
Public Conveniences			Leisure Centres
Public Halls			Market *
Public Open Spaces			Museums
Storage			Offices *
Swimming Pools			Pavilions *
Trust Property			Play Areas *
			Public Conveniences
			Public Halls
			Public Open Space *
			Recreation Ground *
			Storage *
			Swimming Pools
			Trust Properties *

* Selected assets were valued in this category.

Notes to the Core Financial Statements

The Authority measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. The three widely used valuation techniques are:

- the market approach - uses prices and other relevant data generated by market transactions involving identical or comparable (i.e. similar) assets or group of assets.
- the cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- the income approach - converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

The market approach and the cost approach were both employed for the valuation of all surplus assets. The use of more than one valuation technique in the measurement of an asset is to ensure as far as possible that the valuation is most representative of fair value in the circumstances.

The market approach was employed for the valuation of all investment properties. For certain investment properties, where sufficient data was available, the income approach was also employed for valuation corroboration purposes, in accordance with valuation good practice.

The fair value measurements take into account the three levels of categories for inputs to valuations for fair value assets:

Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.

Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1

Level 3 Unobservable

The Authority's investment properties and surplus assets have been assessed as Level 2 for valuation purposes.

An impairment review was completed as at 31 March 2021 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. No impairments were identified.

DISPOSALS

The Authority sold three sites during 2020/21:

- Town Lodge Site, Gernon Road, Letchworth
- Land at Treacle Lane, Rushden
- 1 North End Kelshal

The combined carrying value of these assets at the time of disposal was £0.562million. The combined total of receipts received was £0.455million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2019/20

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2019	86,441	14,189	93	5,795	10,465	100	117,083
Additions	112	331	0	0	0	141	584
Disposals	0	0	0	0	0	0	0
Reclassifications	(619)	71	0	0	40	(71)	(579)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations taken to Revaluation Reserve	0	0	0	0	3,912	0	3,912
Upward Revaluations recognized in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
At 31 March 2020	85,934	14,591	93	5,795	14,417	170	121,000
Depreciation & Impairments							
At 1 April 2019	(11,039)	(9,541)	(40)	(1,395)	(20)	0	(22,035)
Depreciation Charge for 2019/20	(2,172)	(1,057)	(2)	(131)	(8)	0	(3,370)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	0	0	0	8	0	8
At 31 March 2020	(13,211)	(10,598)	(42)	(1,526)	(20)	0	(25,397)
Balance Sheet amount at 31 March 2020	72,723	3,993	51	4,269	14,397	170	95,603
Balance Sheet amount at 1 April 2019	75,402	4,648	53	4,400	10,445	100	95,048

Included in the Land and Buildings total is a donated asset with a carrying value of £1.8 million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2020/21

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2020	85,934	14,591	93	5,795	14,417	170	121,000
Additions	484	537	0	2	0	262	1,285
Disposals	0	0	0	0	0	0	0
Reclassifications	84	30	0	0	(4,285)	(114)	(4,285)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations taken to Revaluation Reserve	2,904	0	0	0	26	0	2,930
Upward Revaluations recognized in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	0
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	(194)	0	0	0	0	0	(194)
At 31 March 2021	89,212	15,158	93	5,797	10,158	318	120,736
Depreciation & Impairments							
At 1 April 2020	(13,211)	(10,598)	(42)	(1,526)	(20)	0	(25,397)
Depreciation Charge for 2020/21	(2,565)	(1,078)	(2)	(128)	(1)	0	(3,774)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	7,143	0	0	0	1	0	7,144
At 31 March 2021	(8,633)	(11,676)	(44)	(1,654)	(20)	0	(22,027)
Balance Sheet amount at 31 March 2021	80,579	3,482	49	4,143	10,138	318	98,709
Balance Sheet amount at 1 April 2020	72,723	3,993	51	4,269	14,397	170	95,603

Included in the Land and Buildings total is a donated asset with a carrying value of £1.4 million.

Notes to the Core Financial Statements

17. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority.

	Museum Collections	Public Sculpture / Artwork	Total Heritage Assets
	£'000	£'000	£'000
1 April 2019	807	46	853
Additions	0	0	0
31 March 2020	807	46	853
1 April 2020	807	46	853
Additions	75	0	75
31 March 2021	882	46	928

Museum Collections

A small number of items in the Authority's art collection and one item of the Authority's archaeology collection are reported in the Balance Sheet at insurance valuations which are based on market values. These valuations are reviewed annually and updated where relevant.

Many of the paintings owned by the Authority have been donated by local painting societies and are, therefore, not by artists who would attract value for their work. Of the grand total of 2,600 items in the art collection many of them are simple sketches which have no value.

The items of the art collection recognised on the Balance Sheet include eight paintings of note by William Ratcliffe. The Authority has been donated a number of Ratcliffe paintings, prints and drawings and has added to the collection by the occasional purchase. The collection is documented in a book on William Ratcliffe published by the Authority in 2011.

Other individual items of the Museum's collections, recognised on the Balance Sheet, include a Henry Moore Sculpture, an oil painting by Spencer Gore called The Road and "The Wymondley Hoard", which consists of 600 silver Tudor coins. There are a number of other paintings in the collection, of the local area. These are of local interest but do not have a significant monetary value to a national audience.

The Authority's Museums Manager carried out a full valuation of the collections as at 31 March 2012 and reviewed these valuations as at 31 March 2020. The valuations were based on commercial markets, including transaction information from auctions where similar paintings are regularly being purchased.

The principal museum collections are not considered to have a significant monetary value and include (all numbers are approximations):

- Archaeological (small finds such as coins, jewellery, nails) – 10,000 items
- Archaeological (other finds such as pots and broken pottery, human and animal bone, building materials) – 350,000 items
- Art collection – 2,600 items
- Ceramics and glass – 600 items
- Costume and costume accessories – 4,500 items
- Documents – 20,000 items
- Military – 1,000 items
- Natural Sciences – 500,000 items
- Photography – 500,000 items
- Social History – 22,000 items

The majority of the collections are not recognised in the Authority's Balance Sheet since there is no readily available information on the cost or market value of such items and to obtain such information would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2020.

Notes to the Core Financial Statements

Public Sculpture / Artwork

The Authority has two items of public sculpture in Letchworth. These are the Bronze Statue of Sappho installed in Howard Gardens during 2011 and the centenary artwork 'Paradise Is' located next to the Town Hall on Gernon Road.

The Authority's civic regalia is not recognised in the financial statements. There are four ceremonial chains, which are insured in total for £19,180.

The Authority's sculpture of a bronze bust of Erica Lee by Reginald Hine and an M4 painting by Richard Smith are not recognised in the financial statements. These are each insured for £5,000.

The Authority has piece of granite toe of an Egyptian Pharaoh statue, which is 6 inches wide. This was donated by the Sculptor John Mills and has been insured for £8,000.

There are other Authority assets which could be considered to have attributes consistent with the definition of Heritage Assets. However, because it is deemed that they are maintained for purposes other than for their contribution to knowledge and culture, they have been classified in the financial statements as Community Assets. These include the Hitchin War Memorial and open spaces and parks such as Priory Memorial Gardens in Royston and Broadway Gardens in Letchworth.

Heritage Asset Transactions

A summary of the transactions relating to Heritage Assets over the period 1 April 2020 to 31 March 2021 is as follows:

The Museum purchased 45 watercolours of North Herts town and countryside views by members of Letchworth's Haggio family for £200 total. The museum also purchased an oil painting by William Ratcliffe, The Red Curtain. This cost £25,800 ex vat at auction, and the museum paid 1%, £258, with the rest coming from grant-aid (Arts Council/V & A; Art Fund; Hertfordshire Heritage Fund)

The Authority received the following separate donations or groups of donations in the year:

- Coby the Covid Cobra; 100+ stones painted by pupils and neighbours of Whitehill School, Hitchin, which formed a long lockdown snake.
- 5 Victorian carved letter bricks from a Biblical inscription around the former St Mary's School, Hitchin
- Red Cross blanket from the Jewish Refugees Boys' Hostel, Hitchin, c.1938-39
- Foster Instruments (Letchworth) pyrometer used by a Baldock toolmaker
- Documentation and finds from four excavations (near Whitwell, Royston and Baldock) by Albion Archaeology
- 3 framed photographs of Russell's Tannery, Hitchin
- Letchworth and Baldock Directory 1947

Plus 7 groups of photographs and paper archive, including:

- Hitchin Civil Defence ephemera
- 1963 Local Yokels Hospital Carnival programme
- Booklet on Willian village
- FL Griggs catalogue 1974 and booklet illustrated by Griggs
- Various Hitchin photographs, papers and archives
- Local Board Minute Books, 1873 -90, and Hitchin UDC Minute Books 1938-9 and 1973 (saved from skip in 1974 by Jim Turner, former NHDC employee)

2 items or groups of items left the permanent collections, transferred to other museums:

- Stevenage Museum leaflet 1993, transferred to Stevenage Museum
- Medal, medal box and medal ribbon along with soldier's release book and Liberation of Norway certificate, belonging to P Bailey of the Hampshire Regiment. Transferred to Royal Hampshire Regiment Museum.

Notes to the Core Financial Statements

18. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2019/20 £'000	2020/21 £'000
Rental Income from Investment Property	(1,165)	(1,239)
Direct Operating Expenses arising from Investment Property	11	8
Net Gain / (Loss)	(1,154)	(1,231)

There are no restrictions on the Authority's ability to realise the value inherent in investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2019/20 £'000	2020/21 £'000
Balance at Start of the Year	18,839	18,429
Net Gains / (Losses) from Fair Value adjustments	0	5,103
Transfers (to) / from Assets Held for Sale	(410)	0
Transfers (to) / from Property, Plant and Equipment	0	244
Balance at End of Year	18,429	23,776

19. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	2,374
Amortisations to 1 April 2020	(2,085)
Balance at 1 April 2020	289
Expenditure in Year	101
Written off to Revenue in Year	(166)
Balance at 1 April 2021	224

Notes to the Core Financial Statements

20. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Financial Liabilities at amortised cost:				
Creditors payable in one year	0	0	1,457	4,955
Borrowing	405	386	25	26
Total Financial Liabilities:	405	386	1,482	4,981
Financial Assets (loans and receivables):				
Debtors	338	320	3,166	7,852
Investments	1,000	0	26,627	24,539
Cash & Cash Equivalents	0	0	8,848	20,850
Total Financial Assets:	1,338	320	38,641	53,241

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

	Financial Liabilities At amortised cost £'000		Financial Assets Loans & Receivables £'000		Total £'000	
	2020	2021	2020	2021	2020	2021
Interest Expense	(611)	(552)	0	0	(611)	(552)
Interest Payable & Similar Charges	(611)	(552)	0	0	(611)	(552)
Interest Income	0	0	411	184	411	184
Interest & investment income	0	0	411	184	411	184
Net gain/(loss) for year	(611)	(552)	411	184	(200)	(368)

Financial Liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value is assessed as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, using the following assumptions:

- A 'premature repayment' set of rates, supplied by the Council's financial advisors, in force on the 31 March 2021 has been used to supply the fair value for loans
- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council is required to classify the valuation of financial instruments into three levels according to the quality and reliability of information used to determine fair value:

Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.

Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1

Level 3 Unobservable

Notes to the Core Financial Statements

The valuation basis adopted below uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

The fair values are calculated as follows:

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	1,887	2,304	5,367	5,808

The fair value of the financial liabilities is more than the carrying amount because the Authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2020		31 March 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables	39,872	40,009	53,454	53,507

The fair value of the loans & receivables is more than the carrying amount because valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved in the annual Investment Strategy (Integrated Capital and Treasury Strategy). The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Investment Strategy (Integrated Capital and Treasury Strategy) ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2020/21 or 2019/20. The table below details the investment limits for 2020/21.

Notes to the Core Financial Statements

Investment Category	Maximum amount of investment allowable in category	Investment Type	Maximum Amount of Investment Allowable in any one Institution	Amount Invested as at 31 March 2021* £'000
Banks	£20M	UK Clearing Banks	£3M	0
		UK Clearing Banks (Wholly owned Subsidiaries)	£3M	0
		Non-UK Clearing Banks	£3M	0
UK Building Societies and UK Property Market Funds	£19M	Building Societies (Assets £4.5bn)	£3M	6,000
		Building Societies (Assets £2.5bn - £4.5bn)	£3M	1,000
		Building Societies (Assets £1bn to £2.5bn)	£3M	1,000
		Building Societies (Assets £0.3bn to £1bn)	£2M	2,500
		Property Market Funds	£3M	0
Money Market Funds	£7M	Money Market Funds	£3M	0
UK Local Authorities	No limit	Other Local Authorities	£3M	20,000
UK Government	No limit	Debt Management Office	No limit	12,000
Total Invested				42,500

* This column shows the total invested in all counterparties in the group (for example, there was £6.0million invested in two separate building societies, assets £4.5bn as at 31 March 2021).

The analysis of the £42.5million of investments by credit rating at year end is as follows:

AAA or equivalent	AA / AA- or equivalent	A+ / A- or equivalent	BBB+ / BBB or equivalent	AAA money market fund	Other Local Authorities	Not rated*	Total Investments
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	0	15,000	3,000	0	20,000	4,500	42,500

* Many Building Societies do not pay to be credit rated. The Authority has chosen not to exclude Building Societies from its counterparty list for this reason alone and has continued to make cash deposits with Building Societies during the year.

The Authority does not allow credit facilities for customers with relation to payments for the provision of services. £1.056M of the total £2.037M sundry debtor balance at 31 March 2021 has passed its due date for payment. The risk of default is accounted for through the corresponding bad debt provision, which is determined primarily by the age of the sundry debtor outstanding. The sundry debtor balance and corresponding provision is presented in the table below.

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	981	0%	0	981
1-3 months over term	711	0%	0	711
3-12 months overdue	223	25%	(56)	167
12-24 months overdue	24	75%	(18)	6
More than 24 months overdue	98	100%	(98)	0
Total at 31 March 2021	2,037		(172)	1,865

The equivalent position at the end of 2019/20 is shown in the table below:

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	807	0%	0	807
1-3 months over term	144	0%	0	144
3-12 months overdue	40	25%	(10)	30
12-24 months overdue	19	75%	(14)	5
More than 24 months overdue	85	100%	(85)	0
Total at 31 March 2020	1,095		(109)	986

Notes to the Core Financial Statements

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Investment Strategy (Integrated Capital and Treasury Strategy) and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy for 2020/21 was to utilise capital receipts and set aside reserves and no new borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2020 £'000	31 March 2021 £'000
Public Works Loan Board	423	405
Banks and Other Monetary Sectors	0	0
Total Borrowing	423	405
Less: Debt Maturing in 12 Months	18	19
Total Long Term Borrowing	405	386

At 31 March 2021 the average rates of interest on the different varieties of loans were as follows:

	%
Public Works Loan Board	9.96

The consolidated rate of interest, the rate used for internal transactions, was 13.43%.

The maturity analysis of the long term financial liabilities is as follows:

	£'000
Maturing in more than 1 and less than 2 years	19
Maturing in more than 2 and less than 5 years	62
Maturing in more than 5 and less than 10 years	55
Maturing in more than 10 years	250
Total	386

Market Risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be included in the Surplus or Deficit on Provision of Services and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

Notes to the Core Financial Statements

The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2021 if interest rates had been 1% higher with all other variables held constant, the effects seen in the Income and Expenditure Statement would have been an increase of £41k in interest receivable from cash investments. The fair value of the loans outstanding would have been £9k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(41)
Impact on Income and Expenditure Account	(41)
Increase in fair value of fixed rate loans	<u>9</u>

Price risk

The Council does not have any equity shares or shareholdings and thus has no exposure to a loss arising from movements in the prices of shares.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

21. INVENTORIES

	31 March 2020 £'000	31 March 2021 £'000
Inventory:		
Paper and Stationery	1	0
Postage	8	3
Waste & Recycling equipment	35	45
Museum merchandise	6	5
Careline Telecare equipment	243	360
Hitchin Town Hall Bar/Café Supplies	5	2
Electrical equipment	1	1
Total	299	416

22. DEBTORS

	31 March 2020 £'000	31 March 2021 £'000
Central Government Bodies	458	14,880
Impairment	0	0
Net Total Central Government Bodies	458	14,880
Other Local Authorities	2,819	5,549
Impairment	0	0
Net Total Other Local Authorities	2,819	5,549
Ratepayers / Council Tax Payers	1,539	2,164
Impairment	(605)	(1,547)
Net Total Ratepayers / Council Tax Payers	934	617
Housing Benefit Overpayments	1,641	1,403
Impairment	(848)	(894)
Net Total Housing Benefit Overpayments	793	509
Other Entities and Individuals	1,785	2,045
Impairment	(157)	(251)
Net Total Other Entities and Individuals	1,628	1,794
Total Net Debtors	6,632	23,349

Notes to the Core Financial Statements

23. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020 £000		31 March 2021 £000
5	Cash held by the Authority	16
6,843	Bank current accounts	2,834
0	Short-term Deposits with Banks/Building Societies	6,000
2,000	Short-term Deposits with Central Government	12,000
8,848	Total	20,850

24. ASSETS HELD FOR SALE (Non-Current)

	2019/20 £'000	2020/21 £'000
Balance Outstanding at Start of Year	627	2,909
Assets newly classified as held for sale:		
Property Plant & Equipment	579	4,060
Investment Properties	410	0
Impairment losses	(157)	(111)
Revaluation gains	1,450	0
Assets Sold	0	(562)
Balance Outstanding at End of Year	2,909	6,296

25. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2020 £000	31 March 2021 £000
Central government bodies	783	14,285
Other local authorities	2,182	536
Other entities and individuals*	1,688	4,419
Total	4,653	19,240

* As at 31 March 2021 there was £10k of prepayments received in the last few days of the year (£8k as at 31 March 2020).

Receipts in Advance	31 March 2020 £000	31 March 2021 £000
Central government bodies	2,466	11,470
Other local authorities	140	642
Other entities and individuals	5,643	7,588
Total	8,249	19,700

Notes to the Core Financial Statements

26. PROVISIONS

	Provisions > 1 year		Total £'000
	Insurance Fund	NNDR Appeals	
	£'000	£'000	
Balance at 1 April 2020	(40)	(842)	(882)
Additional provisions made in 2020/21	(33)	(1,915)	(1,948)
Amounts used in 2020/21	30	17	47
Unused amounts reversed in 2020/21	0	0	0
Balance at 31 March 2021	(43)	(2,740)	(2,783)

Insurance Provision

The insurance provision covers the uninsured aspect of outstanding insurance claims (the amount of our policy excess and any self-insured losses to be covered by the Insurance Fund). This varies throughout the year and the provision amount is adjusted at the end of each quarter on receipt of revised estimates from insurers.

NNDR Appeals Provision

The Authority is required to recognise a provision for NNDR appeals liabilities. The balance includes provision for both; lodged appeals against the 2010 and 2017 published ratings; appeals not yet lodged against the 2017 ratings. The calculation is based on both information from the Valuation Office (VOA) and an underlying assumption, in line with the expectation of MHCLG, that the annual cost of appeals against the 2017 ratings will ultimately be equivalent to 4.7% of net rates payable. The total at the end of 2020/21 was £6.9million (£2.4million in 2019/20) and, as this is shared between North Herts, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £2.7million (£842k in 2019/20). The additional provisions made in 2020/21 primarily relate to the provision for appeals not yet lodged. The authority considers that further appeals will be submitted in the coming years, as was the experience following the 2005 and 2010 revaluations.

27. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and the following notes.

	Balance at 1 April 2020 £'000	Net Movement in Year £'000	Balance at 31 March 2021 £'000
Usable Capital Receipts	1,941	(808)	1,133
Earmarked Reserves	9,344	11,414	20,758
Capital Grants Unapplied	938	(39)	899
General Fund Reserve	9,378	(513)	8,865
Total Usable Reserves	21,601	10,054	31,655

Usable Capital Receipts

	2019/20 £'000	2020/21 £'000
Amounts receivable	0	455
Amounts applied to finance new capital investment	(639)	(1,223)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	(40)
Total increase / (decrease) in realised capital resources	(639)	(808)
Balance brought forward at 1 April	2,580	1,941
Balance carried forward at 31 March	1,941	1,133

Notes to the Core Financial Statements

Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserve	Balance as at 31st March 2019	Transfers out 2019/20	Transfers in 2019/20	Balance at 31st March 2020	Transfers out 2020/21	Transfers in 2020/21	Balance at 31st March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	161	(1)	7	167	(2)	10	175
Childrens Services Reserve	7	(2)	52	57	(9)	43	91
Climate Change Grant Reserve	28	(2)	0	26	(1)	0	25
Community Right to Challenge Reserve	45	(45)	0	0	0	0	0
Environmental Warranty Reserve	209	(209)	0	0	0	0	0
Funding Equalisation Reserve	0	0	68	68	0	329	397
Growth Area Fund Reserve	53	0	0	53	0	0	53
Hitchin Museum Donations	0	0	0	0	0	0	0
Homelessness Grants Reserve	262	(59)	210	413	(208)	276	481
Housing & Planning Delivery Reserve	1,142	(168)	95	1,069	(101)	54	1,022
Information Technology Reserve	82	(4)	0	78	(20)	0	58
Insurance Reserve	34	0	0	34	0	0	34
Land Charges Reserve	94	0	0	94	(28)	0	66
Leisure Management Maintenance Reserve	47	0	30	77	(51)	0	26
MHCLG Grants Reserve	1,814	(77)	2,004	3,741	(685)	11,242	14,298
Museum Exhibits Reserve	12	0	1	13	0	1	14
Neighbourhood Plan Reserve	41	(3)	40	78	0	20	98
Office Move IT Works	7	(7)	0	0	0	0	0
Paintings Conservation Reserve	11	0	0	11	0	0	11
Property Maintenance Reserve	72	(72)	0	0	0	0	0
S106 Monitoring Reserve	36	(17)	0	19	(19)	0	0
Special Reserve	1,395	(220)	0	1,175	(432)	0	743
Street Furniture	21	(21)	0	0	0	0	0
Street Name Plates	16	0	0	16	0	0	16
Syrian Refugee Project	115	(182)	339	272	(16)	194	450
Taxi Licences Reserve	13	0	2	15	(8)	0	7
Town Centre Maintenance	45	0	8	53	0	8	61
Traffic Regulation Orders	347	(1)	0	346	0	40	386
Waste Reserve	631	0	99	730	0	19	749
Waste Vehicles Reserve	253	0	301	554	0	359	913
Welfare Reform Grants Reserve	190	(121)	116	185	(122)	521	584
Total Earmarked Reserves	7,183	(1,211)	3,372	9,344	(1,702)	13,116	20,758

Notes to the Core Financial Statements

The Authority has taken the decision to set aside resources in a number of Earmarked Reserves to be used for specific purposes. The Reserves are reviewed annually during the budget estimate process to ensure the balance available is appropriate for the purpose. A description of each earmarked reserve is provided below:

The **Cemetery Mausoleum reserve** is 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.

The **Children's Services Reserve** is being used to help fund Active Communities projects in the district and is funded from grant income.

The **Climate Change Grant** was awarded to help combat the effects of climate change. The grant is currently being used to fund work on Climate Strategy.

Community Development Reserve – various grants for Community Development.

Community Right to Challenge represents the one-off grant funding received to recognize the additional burden of the new legislation. With the legislation in place for 5 years and with no significant burden transpiring, the Council has transferred the amount held in the earmarked reserve to the General Fund balance in 2019/20.

The **Environmental Warranty Reserve** relates to an environmental warranty provided to North Herts Homes on the transfer of the Housing stock, equivalent to the cost of obtaining insurance for 10 years. Council approved the release of this amount to the General Fund balance in 2019/20, with the potential liability instead recognized as a financial risk in future years.

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 be used to cushion the impact of future expected funding reductions and provide more time to implement the savings that are likely to be required to address the future forecast budget gap.

Growth Area Fund Reserve is the reserve where revenue Growth Area Grant has been transferred.

The **Homelessness Grant** is awarded to help prevent homelessness in the district. The entire grant is earmarked for different homelessness projects or resources.

The **Housing & Planning Delivery Reserve** holds 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.

The **Information Technology Reserve** is used to help ensure the Authority has adequate resources to purchase hardware and software items when they are required.

The **Insurance Reserve** is used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority.

Land Charges Reserve was established to help meet the potential cost should the financial risk of the repayment of personal search fees occur.

The **Leisure Management Maintenance Reserve** is to cover the cost of any future repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k.

MHCLG Grants Reserve holds unapplied Section 31 business rate relief grants, which will be used to fund NNDR Collection Fund deficit contributions and levy payments in future years. It also provides some protection against potential future reductions in NNDR receipts.

The **Museum Exhibits Reserve** funds the purchase of museum exhibits and is funded from donations.

The **Neighbourhood Plan Reserve** is where funds received for neighbourhood plans from MHCLG have been transferred. The funding has been provided from government to local authorities who have received neighbourhood plans from Parishes, as funding will be needed in future years as plans are formalised and public examinations and public referendums are required

Notes to the Core Financial Statements

Office Move IT Works is a reserve to cover the cost of moving cabling between Authority buildings when required.

The **Paintings Conservation Reserve** is being used to help restore paintings. This is funded through donations and publication income.

The **Property Maintenance Reserve** is to cover the cost of any unplanned emergency maintenance costs that may occur at any of the Authority's properties. The Council considers this reserve to no longer be required and the balance has been transferred to the General Fund in 2019/20.

The **S106 Planning Monitoring** reserve is used to cover the cost of monitoring s106 obligations in future years.

The **Special Reserve** was originally the residual balance from the Housing Revenue Account that was used to fund the realignment of costs of the Authority following stock transfer. 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.

Street Furniture is a reserve to fund new street furniture as and when required. The Council considered this reserve to no longer be needed and the balance held has been transferred to the General Fund in 2019/20.

Street Name Plate Reserve is a reserve to fund Street Name Plates as and when required.

Syrian Refugee Project - The council has agreed to house 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.

Taxi Reserve is a reserve where 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.

Town Centre Maintenance reserve is for the implementation of the Town Wide Reviews and ad hoc town centre maintenance.

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.

Waste Reserve – is a reserve where unspent AFM monies are transferred to help mitigate any potential risk to the waste service, for example the construction of a Northern Transfer Station.

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.

Welfare Reform Grants are 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.

Notes to the Core Financial Statements

28. UNUSABLE RESERVES

	Balance at 1 April 2020	Net Movement in Year	Balance at 31 March 2021
	£'000	£'000	£'000
Revaluation Reserve (note 28A)	53,504	8,525	62,029
Capital Adjustment Account (note 28B)	70,082	2,911	72,993
Pensions Reserve (note 28C)	(30,691)	(15,285)	(45,976)
Collection Fund Adjustment Account (note 28D)	283	(10,984)	(10,701)
Short Term Accumulating Compensated Absences Account (note 28E)	(196)	(428)	(624)
Total Unusable Reserves	92,982	(15,261)	77,721

Note 28A – Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2019/20 £'000		2020/21 £'000
49,306	Balance at 1 April	53,504
5,843	Upward revaluation of assets	10,584
(630)	Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(552)
5,213	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	10,032
(1,015)	Difference between fair value depreciation and historical cost depreciation.	(1,387)
0	Accumulated gains on assets sold or scrapped.	(120)
(1,015)	Amount written off to the capital adjustment account	(1,507)
53,504	Balance at 31 March	62,029

Note 28B – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account has also been credited with all the Housing capital receipts required by regulation to be set aside at the time of the Housing stock transfer in 2003.

Notes to the Core Financial Statements

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019/20		2020/21
£'000		£'000
71,996	Balance at 1 April	70,082
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,370)	Depreciation and impairment of non-current assets	(3,969)
(150)	Amortisation of Intangible assets	(166)
(488)	Revenue expenditure funded from capital under statute	(496)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(442)
0		(442)
(4,008)		(5,073)
1,015	Adjusting amounts written out of the Revaluation Reserve.	1,387
(2,993)	Net written out amount of the cost of non-current assets consumed in the year	(3,686)
	Capital financing applied in the year:	
639	Use of the Capital Receipts Reserve to finance new capital expenditure	1,223
429	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	228
0	Application of grants to capital financing from the Capital Grants Unapplied Account	39
3	Statutory provision for the financing of capital investment charged against the General Fund	4
8	Capital expenditure charged against the General Fund	0
1,079		1,494
0	Movements in the market value of investment properties	5,103
70,082	Balance carried forward at 31 March	72,993

Notes to the Core Financial Statements

Note 28C – Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20 £'000		2020/21 £'000
(51,449)	Balance at 1st April	(30,691)
23,191	Actuarial gains or losses on pension assets and liabilities	(14,207)
(5,103)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(3,855)
2,670	Employer's pensions contributions and direct payments to pensioners payable in the year.	2,777
(30,691)	Balance at 31st March	(45,976)

Note 28D – Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019/20 £'000		2020/21 £'000
(314)	Balance at 1 April	283
597	Movement in the Authority's share of the Collection Fund surplus / deficit	(10,984)
283	Balance at 31 March	(10,701)

Note 28E Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20 £'000		2020/21 £'000
(156)	Balance at 1 April	(196)
(40)	Amounts accrued at the end of the current year	(428)
(196)	Balance at 31 March	(624)

Notes to the Core Financial Statements

29. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
405	Interest Received	283
(612)	Interest Paid	(555)
(207)	Net cash flows from operating activities	(272)

The adjustments for non-cash movements are as follows:

2019/20		2020/21
£'000		£'000
3,370	Depreciation	3,775
0	Impairments and downward revaluations	194
150	Amortisation of intangible assets	167
2,211	Movement in Creditors	29,222
(1,938)	Movement in Debtors	(7,078)
(62)	Movement in Inventories	(117)
2,433	Pension Liability	1,078
0	Carrying amount of non-current assets sold	562
(703)	Movement in other provisions	(3,202)
5,461	Net Adjustment for non-cash movements	24,601

The adjustments for items that are investing or financing activities are as follows:

2019/20		2020/21
£'000		£'000
(429)	Grants applied to the financing of capital expenditure	(229)
(885)	Proceeds from the sale of non-current assets	2,672
(1,314)	Net Adjustment for investing or financing activities	2,443

Cash Flow Statement - Investing Activities

2019/20		2020/21
£'000		£'000
(1,081)	Purchase of property, plant and equipment, investment property and intangible assets	(1,530)
(121,135)	Purchase of short-term and long-term investments	(602,373)
0	Other payments for investing activities	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	455
121,135	Proceeds from short-term and long-term Investments	602,373
479	Other receipts from investing activities	229
(602)	Net cash flows from investing activities	(846)

Cash Flow Statement - Financing Activities

2019/20		2020/21
£'000		£'000
0	Cash receipts of short and long-term borrowing	0
1,039	Council Tax and NNDR adjustments	(12,783)
(3)	Cash payments for the reduction of finance leases liabilities	(362)
(17)	Repayments of short and long-term borrowing	(18)
1,019	Net Cash flows from financing activities	(13,163)

Notes to the Core Financial Statements

30. TRADING OPERATIONS

The Council has no trading operations.

31. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2020/21 compared to the previous financial year:

	2019/20	2020/21
	£'000	£'000
Allowances	339	331
Expenses	10	1
Total	349	332

Notes to the Core Financial Statements

32. EMPLOYEES REMUNERATION

Senior Employee Remuneration in 2020/21

The Authority is required to disclose individual remuneration details for senior employees. The first table that follows details the individual remuneration for senior employees in 2020/21. The second table details the equivalent information for the comparative year, 2019/20. The Authority is voluntarily opting to disclose the name of the Chief Executive, Managing Director and Deputy Chief Executive. For senior employees, compensation for loss of office comprises the employer pension contribution amount calculated as part of the redundancy or termination package, as well as any other payments receivable on termination of employment (e.g. redundancy payments and payment in lieu of notice).

Post Title	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2020/21) £
David Scholes Chief Executive	1	37,696	0	116,037	153,733	6,791	160,524
Anthony Roche Managing Director	2	86,694	0	0	86,694	15,878	102,572
Anthony Roche Deputy Chief Executive		33,207	0	0	33,207	5,644	38,851
Service Director - Regulatory	3	86,250	0	0	86,250	15,365	101,615
Service Director - Resources		76,838	0	0	76,838	13,908	90,746
Service Director - Customers	4	44,848	0	0	44,848	8,736	53,584
Service Director - Customers	5	34,563	0	0	34,563	6,103	40,666
Service Director - Place		80,725	0	0	80,725	14,341	95,066
Service Director - Legal and Community		79,034	0	0	79,034	14,011	93,045
Service Director - Commercialisation		73,980	0	0	73,980	13,077	87,057
Service Director - Transformation	6	14,560	0	0	14,560	0	14,560

1. The Chief Executive left the post on 17th July 2020. Amounts paid for Compensation for Loss of Office were disclosed in the Termination and Exit Packages note of the 2019/20 accounts as the departure had been approved in February 2020. The annualised salary excluding fees and allowances was £123,480.
2. The Deputy Chief Executive left the post on 17th July 2020 for which the annualised salary excluding fees and allowances was £102,612. The officer was appointed to the new post of Managing Director on 18th July 2020 for which the annualised salary excluding fees and allowances was £120,672.
3. The Service Director Regulatory was appointed as Deputy to the Managing Director on 18 July 2020 and received additional payments of £5,430, equivalent to 10% of the Service Director salary, as compensation for the additional responsibility.
4. The Service Director – Customers left the post on 30th September 2020. The annualised salary excluding fees and allowances was £77,100.
5. The Service Director – Customers was appointed to the post on 1st October 2020. The annualised salary excluding fees and allowances was £65,556.
6. The Service Director Transformation was appointed to a fixed term 0.4 FTE post on 1st October 2020. The annualised salary excluding fees and allowances was £30,480.

Notes to the Core Financial Statements

Senior Employee Remuneration in 2019/20

Post Title	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2019/20) £
David Scholes Chief Executive	1	113,565	0	0	113,565	20,379	133,944
Anthony Roche Deputy Chief Executive		103,001	0	0	103,001	18,360	121,361
Service Director - Resources		74,024	0	0	74,024	13,117	87,141
Service Director - Regulatory		78,767	0	0	78,767	13,991	92,758
Service Director - Customers		79,064	0	0	79,064	14,055	93,119
Service Director - Place		78,597	0	0	78,597	13,957	92,554
Service Director - Legal and Community		74,496	0	0	74,496	13,183	87,679
Service Director - Commercialisation		69,783	0	0	69,783	12,297	82,080

1. The Chief Executive also held the position of Returning Officer for the Council and received £9,012 of expense allowances for this role in 2019/20.

Notes to the Core Financial Statements

The Authority is also required to disclose the authority's other employees that received more than £50,000 remuneration for the year. For this purpose, remuneration comprises all amounts paid to or receivable by an employee, other than employers pension contributions, and includes sums due by way of taxable expenses, the estimated monetary value of any benefit, and compensation for loss of office. The remuneration is shown in each bracket of a scale in multiples of £5,000.

Remuneration Band	2019/20	2020/21
	Employees	Employees
£50,000-£54,999	13	10
£55,000-£59,999	10	13
£60,000-£64,999	0	1
£65,000-£69,999	1	1
Total	24	25

33. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of 2 employees in 2020/21, incurring liabilities of £181,446 (£144,168 in 2019/20) that have been charged to the Comprehensive Income and Expenditure Statement in the current year.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. The amounts disclosed in the table include redundancy cost and early retirement pension costs.

Exit package cost band (including special payments)	(a)		(b)		(c)		(d)		(e)	
	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band			
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£		
£0 - £19,999	0	1	0	0	0	1	0	1,515		
£20,000 - £39,999	1	0	0	0	1	0	31,243	0		
£40,000 - £59,999	0	0	0	0	0	0	0	0		
£60,000 - £79,999	0	0	0	0	0	0	0	0		
£80,000 - £99,999	0	0	0	0	0	0	0	0		
£100,000 - £149,999	0	0	1	0	1	0	112,925	0		
£150,000 - £199,999	0	0	0	1	0	1	0	179,931		
Total Cost included in bandings and in CIES							144,168	181,446		

Notes to the Core Financial Statements

34. FEES PAYABLE TO THE AUTHORITY'S APPOINTED EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors.

	2019/20 £'000	2020/21 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	36	70
Fees payable for non-audit services: reporting accountant for the Housing Benefit subsidy claim	13	10
Total	49	80

The fees payable for external audit services for 2020/21 includes the 2020/21 scale fee of £40,068 and also fees for additional audit services for 2019/20 of £14,877 and estimated fees of £14,877 for 2020/21.

The fees payable for non-audit services: reporting accountant for the Housing Benefit subsidy claim for 2020/21 includes £3,000 of additional fees relating to the 2019/20 Housing Benefit subsidy claim.

35. GRANT INCOME RECOGNISED IN THE COST OF SERVICES

The Authority credited the following **capital** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	2019/20 £'000	2020/21 £'000
Disabled Facilities Grant	2	82
Developer Contribution	160	93
Total	162	175

The Authority credited the following **revenue** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	2019/20 £'000	2020/21 £'000
Benefits Administration and Fraud Initiative Grants	757	792
Housing and Council Tax Benefit Subsidy	26,921	27,188
Waste minimisation – Herts County Council contribution	577	572
Waste Service Transport Subsidy	3	5
National Non-Domestic Rates Administration Grant	176	186
Refugees Syrian Project	339	194
Community Safety Grant	2	0
Homelessness Prevention Grant	212	549
Individual Electronic Registration Grant	18	11
Planning Control Grants – MHCLG	133	12
MHCLG Neighbourhood Plans	40	20
Public Health Grant	2	7
Get Active Grant	23	1
Spring In Your Step Grant	7	4
MHCLG Waste Grants for Flats Recycling	33	0
Hertfordshire Museums – Lottery Fund	23	8
Brexit Preparations	35	0
Flu Pandemic - MHCLG	48	0
Healthy Hub	13	42
Council Tax Hardship New Burdens	0	14
Business Support Grant New Burdens	0	337
Discretionary Fund MHCLG	0	1,449

Notes to the Core Financial Statements

	2019/20 £'000	2020/21 £'000
Self Isolation Fund MHCLG	0	133
Self Isolation Fund HCC	0	23
Additional Restrictions Grant BEIS	0	1,391
Tier 2 Open Business MHCLG	0	384
Corona Virus Community Support HCC	0	10
Reopening High Streets Safely MHCLG	0	20
Winter Support Grant HCC	0	2
Leisure Centre Support Grant	0	236
Environmental Health Covid Support HCC	0	50
Total	29,362	33,640

36. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties, bodies or individuals that have potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government

Central Government has significant influence over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are detailed in Note 35.

Members

Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 31.

During 2020/21, the Authority made grants payments totalling £263k under Memorandum of Understanding (MOU) agreements to organisations in which 9 members are Trustees, board members or otherwise involved. The support provided by these grants helps maintain the wellbeing and resilience of the District's communities. The most significant MOU grant payments were £223k to Citizens Advice North Herts, £20k to North Herts CVS and £10k to North Herts Minority Ethnic Forum.

Grant payments totalling £34k were paid from the Coronavirus Support Fund to organisations in which 10 members declared an involvement. These grants provide support in the provision of food and essentials, mental health and domestic abuse.

Other grants totalling £196k were paid to organisations in which 6 members declared an involvement. This includes a payment of £75k to the Black Squirrel Credit Union from grant funding received from the Ministry of Housing, Communities and Local Government for homelessness prevention and £90k Community Facilities Refurbishment grants paid to three organisations.

Works and services to the value of £64k were commissioned from organisations in which 10 members had an interest.

Two members are also elected members of Royston Town Council. Payments recorded under a Service Level Agreement between the Authority and Royston Town Council totalled £32k (2019/20: £55k). Six members are also members of Hertfordshire County Council.

Details of all these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire.

Officers

Officers are obliged under the code of conduct in the Council's constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers are required to complete an annual return disclosing the details of any interest of themselves or close family members which may have an impact on their activities on behalf of the Council. No payments have been made to any entities in which Officers disclosed an interest during 2020/21.

Notes to the Core Financial Statements

Hertfordshire Building Control Limited

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. NHDC's share of the profit (or loss) generated for the year ended 31 March 2021 is £TBC (2019/20: £13.2k loss restated in line with audited financial statements). In August 2016 the council made a loan to the company of £107k, which is held in Long Term Debtors (other loans) on the balance sheet.

Hertfordshire CCTV Partnership

The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmeire Borough Council. Each member of the partnership arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2020/21 total payments to the Partnership of £104k (£105k 2019/20) were charged to the Council's Comprehensive Income and Expenditure Statement. In 2020/21 the Partnership reported a deficit of which NHDC share is £5k.

Hertfordshire CCTV Partnership Limited

In 2013/14 all partner authorities within the Hertfordshire CCTV Partnership agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. The new limited company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council holds 27% of the share capital (£27) and is represented on the board. NHDC's share of the **loss** generated for the year ended 31 March 2021 is **£7.5k** (2019/20: £2.1k loss). In 2020/21 £16k (£19k 2019/20) was paid by the Council for services provided by Hertfordshire CCTV Partnership Limited and charged to the CIES.

37. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Of the total expenditure of £1.883million, only £1.466million has been financed immediately, resulting in an increase of £0.417million in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR remains negative (£5.2million at 31 March 2021) because the Authority has set aside capital receipts that exceed the amount of outstanding loans and borrowings.

	2019/20 £'000	2020/21 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	112	484
Vehicles, Plant & Equipment	331	537
Community Assets	0	2
Non-Operational Assets		
Assets Under Construction	141	263
Intangible Assets - Software	401	101
Revenue Expenditure Funded from Capital under Statute	488	496
Total Capital Investment	1,473	1,883
Sources of Finance:		
Capital Receipts	639	1,224
Government Grants and Other Contributions	429	242
Sums set aside from Revenue	8	0
Total Finance Sources	1,076	1,466
Increase / (Decrease) in CFR	397	417

Capital expenditure and income is accounted for on an accruals basis and is financed in the year the accrual appears in the accounts.

Notes to the Core Financial Statements

38. ASSETS HELD UNDER LEASE AND FOR LEASE

Assets held under lease

Operating Leases

Vehicles, Plant and Equipment

The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2020/21 was £33,614 (2019/20 £50,292).

Property

The Authority paid £58,142 in rent / leasing charges for properties in 2020/21. The most significant amount of £30,846 was paid for the King James Way Car Park, which included backdated rent due from 2019. This agreement is due to expire in January 2024.

Commitments under operating leases

The Authority was committed at 31 March 2020 to making payments of £1.249 million under operating leases over the following periods:

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	89	90
Later than one year and not later than five years	191	127
Later than five years	969	957
	1,249	1,174

Finance leases

The Authority leases the Letchworth multi-storey car park from the Letchworth Garden City Heritage Foundation. The lease term is 60 years from 19 April 1977.

The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease. This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven year contract commenced in May 2018 and the vehicles had an initial value of £3.178 million.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2020 £'000	31 March 2021 £'000
Land and Buildings	10	13
Vehicles, Plant & Equipment	2,270	1,816
	2,280	1,829

The Council is committed to making minimum payments under these leases, comprising settlement of the long term liability for the interest and the finance costs payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2020 £'000	31 March 2021 £'000
Finance Lease Liabilities	2,750	2,388
Finance costs in future years	1,792	1,281
Minimum Lease Payments	4,542	3,669

The minimum lease payments will be payable over the following periods:

Notes to the Core Financial Statements

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Not later than one year	874	874	362	431
Later than one year and not later than five years	3,496	2,636	2,282	1,856
Later than five years	173	158	106	100
	4,543	3,668	2,750	2,387

Assets held for lease

Operating Leases

The Authority has granted various leases to community, commercial and industrial organisations under terms of an operating lease. The future minimum lease payments (rental income) expected from contractual obligations are:

	2019/20 £'000	2020/21 £'000
Not later than one year	(1,282)	(1,287)
Later than one year and not later than five years	(4,860)	(4,772)
Later than five years	(63,363)	(61,978)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 no material contingent rents were receivable by the Council.

39. PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme; the Local Government Pension Scheme (LGPS), administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Further information concerning the scheme can be found in Hertfordshire County Council Pension Fund's Annual Report, which is available upon request from Herts Finance Service, Hertfordshire County Council, County Hall, Hertford, Herts. SG13 8DQ.

The Authority recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme	2019/20	2020/21
Comprehensive Income and Expenditure Account:	£'000	£'000
Cost of Services:		
Service cost comprising:		
Current Service Cost *	3,965	3,094
Past Service Costs	(113)	52
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,251	709
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,103	3,855

Notes to the Core Financial Statements

Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:

Re-measurement of the net defined liability comprising:

Return on Plan Assets	2,320	(24,126)
Actuarial (gains) and losses arising on changes in demographic assumptions	(4,005)	2,317
Actuarial (gains) and losses arising on changes in financial assumptions	(12,911)	37,745
Other	(8,358)	(1,729)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(17,851)	18,062

* The service cost figures include an allowance for administration expenses of 0.5% of payroll.

Movement in Reserves Statement:	2019/20	2020/21
	£'000	£'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,103)	(3,855)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	2,907	2,777
Net chargeable amount against the General Fund balance	2,907	2,777

** The figure of £2.777million for employer's contributions are the actual contributions paid for 2020/21.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Present value of the defined benefit obligation	(156,375)	(197,431)
Fair Value of plan assets	125,684	151,455
Sub-total	(30,691)	(45,976)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	(30,691)	(45,976)

Reconciliation of the Movements in the Fair Value of Scheme Assets:

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Opening fair value of scheme assets	126,580	125,684
Interest Income	3,025	2,875
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(2,320)	24,126
Other		
The effect of changes in foreign exchange rates		
Contributions from employer	2,907	2,777
Contributions from employees into the scheme	610	643
Benefits paid	(5,118)	(4,650)
Closing fair value of scheme assets	125,684	151,455

Notes to the Core Financial Statements

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Opening balance at 1 April	178,029	156,375
Current service cost	3,965	3,094
Interest cost	4,276	3,584
Contributions from scheme participants	610	643
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(4,005)	2,317
Actuarial (gains) / losses arising from changes in financial assumptions	(12,911)	37,745
Other	(8,358)	(1,729)
Past Service Cost	(113)	52
Benefits paid	(5,118)	(4,650)
Closing balance at 31 March	156,375	197,431

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices)					
	31 March 2020			31 March 2021		
	Active Markets £'000	Not in Active Markets £000	% of total assets	Active Markets £'000	Not in Active Markets £000	% of total assets
Cash and cash equivalents	2,714	0	2%	4,263.9	0	3%
Equity instruments:						
Consumer	2,399	0	2%	1,345.7	0	1%
Manufacturing	1,916	0	2%	1,187.1	0	1%
Energy and utilities	0	0	0%	0	0	0%
Financial Institutions	1,841	0	1%	970.5	0	1%
Health and care	1,131	0	1%	599.5	0	0%
Information technology	4,306	0	3%	3,453.4	0	2%
Other	206	0	0%	134.9	0	0%
Sub-total equity	11,799	0	9%	7,691.1	0	5%
Bonds:	0	3,257	3%	7,760.0	3,455.7	7%
Private equity:						
All	0	6,724	5%	0	9,104	6%
Real Estate:						
UK Property	0	3,800	3%	0	8,381	6%
Overseas Property	0	7,500	6%	0	6,979.5	5%
Sub-total real estate	0	11,300	9%	0	15,360.5	11%
Investment funds and Unit Trusts:						
Equities	39,099	0	31%	69,674.9	0	46%
Bonds	41,206	0	33%	24,491.7	0	16%
Commodities	0	0	0%	0	0	0%
Infrastructure	0	115	0%	0	63.1	0%
Other	1,060	8,542	8%	1,401.7	8,248.2	6%
Sub-total other investment funds	81,365	8,657	72%	95,568.3	8,311.3	68%
Derivatives:						
Forward foreign exchange contracts	0	(132)	0%	0	(59.8)	0%
Total assets	95,878	29,806		115,283.3	36,171.7	

Notes to the Core Financial Statements

All scheme assets have fair values based on quoted prices. Some of these assets are in active markets and some are in non-active markets. An active market has a high volume and frequency of transactions which provides better pricing information and means that the asset is more liquid.

The scheme history is as follows:

	31 March 2017 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2021 £'000
Present Value of Liabilities	(165,071)	(165,274)	(178,029)	(156,375)	(197,431)
Fair Value of Assets	115,748	120,245	126,580	125,684	151,455
Deficit in the scheme	(49,323)	(45,029)	(51,449)	(30,691)	(45,976)

The liabilities show the underlying commitments that the Authority has in the long run to pay for post employment (retirement) benefits. The total liability of £197.431million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £45,976million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions paid by the Authority are set by the Fund following an actuarial valuation. Further details on the approach adopted to set contribution rates for the Authority are available in the latest formal valuation report and Funding Strategy Statement.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2022 is £2,805,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The significant assumptions used in their calculations are:

	31 March 2020 %	31 March 2021 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	21.9	22.1
Women	24.1	24.5
Longevity at 65 for future pensioners**		
Men	22.8	23.2
Women	25.5	26.2
Rate of increase in salaries	2.3	3.25
Rate of increase in pensions	1.9	2.85
Rate for discounting scheme liabilities	2.3	2.0
Proportion of Employees opting to take a commuted sum		
- pre April 2008 service	50.0	50.0
- post April 2008 service	75.0	75.0

* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2018 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions the average future life expectancies at age 65 are as shown.

** Figures assume members aged 45 as at the last formal valuation date.

Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, is on an actuarial basis using the projected unit credit method.

	Impact on the Defined Benefit Obligation in the scheme	
	% Increase to Liability	Monetary amount
	£'000	£'000
Real Discount Rate (decrease by 0.1%)	2%	3,513
Member Life Expectancy (increase by 1yr)	4%	7,897
Rate of increase in salaries (increase by 0.1%)	0%	316
Rate of increase in pensions (increase by 0.1%)	2%	3,159

40. CONTINGENT ASSETS

There are no contingent assets for 2020/21.

41. CONTINGENT LIABILITIES

Contractor Pension Fund Contributions

The Council has transferred the management of its waste collection service, leisure centres and grounds maintenance services to Urbaser, Stevenage Leisure Ltd and John O'Connor Ltd, respectively. All of these bodies administer contributions to the Hertfordshire Local Government Pension Fund. In order for these bodies to be admitted to the Pension Fund the Council has given a commitment to be ultimately liable for payments to the fund. In the event that the Contractor fails to make payment and there is no bond in place to cover the default, the Council would seek to offset the amount due from the contract price in the first instance. With regards to the contract with John O'Connor Ltd there is a bond in place with a value of £182,000 and that value is due for reassessment after 31 March 2022. The Council is liable only for the existing staff at the time of transfer of services to these bodies and as at the 31 March 2021 the Council has not been called upon to make any such payments.

Municipal Mutual Insurance Ltd Scheme of Arrangement

The Council has paid a 25% levy for the claw-back of claims under the MMI Scheme of Arrangement. The Council will still be liable to pay a levy on any future claims and could also be required to pay an increased levy on the claims settled so far. As at 31st March 2021 the council had one outstanding liability claim with MMI with a value of £3,257.

Notes to the Core Financial Statements

42. TRUST FUNDS AND THIRD PARTY FUNDS

Trust Funds

The Authority acts as the sole managing trustee for the following trusts:

- Hitchin Town Hall Gymnasium and Workman's Hall Trust
- King George V Playing Fields Trust.
- Smithson Recreation Ground Trust

Without the annual contribution from the Council, the Trusts would not have had adequate resources to manage the facilities during the year. The Trust's accounts reflect the fixed assets and the in-year expenditure and income incurred in running the facilities. The net balance of these transactions, as at the 31 March 2021, is included in the Authority's accounts. A summary of the value of assets held by the trusts and the amounts administered by the authority is provided in the table below;

	Fixed Assets Closing Net Book Value £'000	Directly Attributable Expenditure £'000	Externally Generated Income £'000
Hitchin Town Hall Gymnasium and Workman's Hall Trust	2,736	111	10
King George V Playing Fields Trust	101	35	-
Smithson Recreation Ground Trust	21	3	-

Third Party Funds

The Authority holds income received for S106 legal agreements or unilateral undertakings relating to the submission of planning applications. This income is 'ring-fenced' to different types of capital expenditure/locations within the district. The funds will be used to finance the Council's capital programme, when schemes meet the funding criteria. Until then the funds are treated as a receipt in advance in the Balance Sheet, under current liabilities.

The total value of all S106 contributions, as at the 31 March 2021, available to fund capital and revenue activities is £4,241,948 (2019/20 £3,740,972).

The accounts have been prepared on an accruals basis.

2019/20			2020/21			
Council Tax £'000	Business Rates £'000	Total £'000	Note	Council Tax £'000	Business Rates £'000	Total £'000
Income						
(89,309)		(89,309)	Council Tax Receivable	2	(92,109)	(92,109)
			Council Tax Hardship Scheme		(679)	(679)
	(39,096)	(39,096)	Business Rates Receivable	1		(18,727)
Contribution towards previous year deficit:						
0	(14)	(14)	Hertfordshire County Council	3	(320)	152
0		0	Hertfordshire Police Authority	3	(43)	
	(72)	(72)	MHCLG	3		(503)
0	(58)	(58)	North Hertfordshire District Council	3	(59)	(294)
(89,309)	(39,240)	(128,549)	Total Income		(93,210)	(19,372)
Expenditure						
Precepts, Demands and Shares			4			
67,315	15,037	82,352	Hertfordshire County Council		70,681	3,944
9,306		9,306	Hertfordshire Police Authority		9,896	
11,391	13,157	24,548	North Hertfordshire District Council		11,752	15,778
1,160		1,160	Parishes, Town & Community Councils		1,200	
	9,398	9,398	Central Government			19,722
Distribution of previous years Surplus						
162		162	Hertfordshire County Council		0	0
20		20	Hertfordshire Police Authority		0	0
301		301	North Hertfordshire District Council		0	0
Charges to Collection Fund						
0	176	176	Cost of Collection Allowance	1	0	175
	(216)	(216)	Transitional relief Payable			(27)
	33	33	Energy Payments			35
651	379	1,030	Write off uncollectible amounts	1/2	460	176
	(1,344)	(1,344)	Increase / (decrease) in provision for appeals	1		4,443
(85)	(127)	(212)	Increase / (decrease) in bad debt provision	1/2	890	2,102
90,221	36,493	126,714	Total Expenditure		94,879	46,348
912	(2,747)	(1,835)	Movement on Fund Balance		1,669	26,976
(325)	1,509	1,184	Balance at beginning of year		587	(1,238)
587	(1,238)	(651)	Balance at end of year		2,256	25,738
Share of Balance:						
445	(905)	(460)	Hertfordshire County Council		1,705	2,009
60		60	Hertfordshire Police Authority		238	
82	(365)	(283)	North Hertfordshire District Council		313	10,389
	32	32	Central Government			13,340
587	(1,238)	(651)			2,256	25,738

Collection Fund Accounts

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from business across the District based on local rateable values provided by the Valuation Office Agency (VOA) and multiplied by a uniform rate set nationally by Central Government. The total non-domestic rateable value for North Hertfordshire District Council is £102.7 million, (£103.3 million 2019/2020). The NNDR multiplier is 51.2p in the pound (50.4p in the pound in 2019/2020). The small business non-domestic rating multiplier is 49.9p in the pound (49.1p in the pound in 2019/2020).

The business rates retention scheme was introduced in 2013/14. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

The business rates retention scheme allows the Council to retain a proportion of the total NNDR collected. In 2020/21, North Herts share was 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%). In 2019/20 North Herts was part of the Business Rates Pilot, which allowed Hertfordshire Local Authorities to retain a total of 75% of business rates income recorded for the year. The design of the Pilot scheme changed the income proportions retained in 2019/20; North Herts (35%), Hertfordshire County Council (40%) and Central Government (25%).

The business rate shares payable for 2020/21 were estimated before the start of the financial year as £19.722 million to Central Government, £3.944 million to Hertfordshire County Council and £15.778 million to North Hertfordshire District Council. These sums have been paid in 2020/21 and charged to the Collection Fund.

When the scheme was introduced, Central Government set a baseline level for each Authority, identifying the expected level of retained business rates, and a top up or tariff amount to ensure that all authorities receive the set baseline amount. In addition, the requirement of the retention scheme was that the Council must pay a levy of 50% to Central Government for income recorded above the baseline. A corresponding 'safety net' built into the scheme means that the Council would be reimbursed by Government up to 92.5% of the set baseline for the year should rates income fall below this.

North Hertfordshire paid a tariff of £12.974 million to Central Government from the General Fund in 2020/21. In 2020/21 the authority was part of the Hertfordshire Business Rates Pool, which has reduced the levy amount payable. If North Herts was not in the business rates pool, the levy due to MHCLG would have been £77k. The Council's contribution required to the Business Rates Pool to meet the cost of the levy in 20/21, as calculated by the pool lead authority Hertfordshire County Council, is £23k. The financial benefit to the Authority from membership of the Pool, known as the 'pooling gain', is therefore £54k. As part of a Business Rates Pilot in 2019/20, the Council benefitted from the removal of the requirement to pay any levy to Central Government for income recorded above baseline.

The total net amount of NNDR income collectable in 2020/21, after all reliefs and deductions, was £18.727 million. This is significantly less than the estimated income of £39.444 million declared to Government in January 2020, which has resulted in a deficit of £25.738 million. To help businesses during the Coronavirus pandemic, many businesses were entitled to 100% business rates relief, which reduced the income to the Council. Central Government has paid Local Authorities Section 31 grants to compensate for the lost income. The additional amount of Section 31 grant North Herts received in the year for the additional reliefs introduced due to the pandemic was £7.818million. The grants have been transferred to an earmarked reserve and will finance the repayment of the deficit for 2020/21 amount payable in 2021/22. The government have also legislated for Local Authorities to spread the proportion of the deficit for 2020/21 that does not relate to reliefs (£1.247 million for North Herts), as estimated in January 2021, over the next three financial years to 2023/24, rather than total repayment in the following financial year, as had been required under existing legislation.

Collection Fund Accounts

As a further response to the financial impact of Covid-19 on Local Government finances, the Government also introduced a Local Tax Income Guarantee scheme, where Local Authorities will be compensated for 75% of their Council Tax and NNDR Collection Fund deficits recorded for 2020/21. The income guarantee amount receivable in respect of Business Rates is after deducting the element of the deficit that relates to Business Rate reliefs. The calculated value for North Herts is £1.2million.

Total provision for outstanding amounts that are not subsequently paid (bad debts) was £2.579 million at 31 March 2021 (£476k at 31 March 2020). A total of £176k of outstanding business rates were written off during 2020/21. The increase in the provision is primarily due to a more prudent approach taken to the calculation methodology, while the level of accumulated outstanding debt also increased significantly due to the impact of Covid-19.

The business rates retention scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself, the major preceptor Hertfordshire County Council, and Central Government. Based on the number of outstanding appeals and check/challenges with the Valuation Office Agency as at 31 March 2021, the provision for lodged appeals has increased by £0.9million to a total of £2.6 million. In addition an increase of £3.5 million was made to the provision for appeals not yet lodged against the 2017 ratings list, with further appeals expected to be submitted in the coming years, bringing the total movement in provision for appeals (both lodged and not yet lodged) to £4.44 million for 2020/21.

2. COUNCIL TAX

The amounts credited to the Collection Fund can be analysed as follows:

	2019/20		2020/21	
	£'000	£'000	£'000	£'000
Original Debt	105,540		110,139	
Additional Debt	10,394		9,623	
		115,934		119,762
Less:				
Council Tax Reductions		6,926		8,566
Transitional Relief		0		0
Discounts		8,061		8,502
Amounts Written-off, Exemptions & Allowances		11,638		10,585
		89,309		92,109

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, The Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £1,847.33, (£1,778.07 2019/2020) is multiplied by the proportion specified for a particular band to give an individual amount due.

Collection Fund Accounts

Council tax bills were based on the following proportions for Bands A to H:

Proportion of Band D charge

Band	Property Numbers	Proportion	Basic Amount £
A	3,374	0.67	1,231.55
B	9,009	0.78	1,436.81
C	19,940	0.89	1,642.07
D	10,094	1.00	1,847.33
E	7,198	1.22	2,257.85
F	4,558	1.44	2,668.36
G	3,346	1.67	3,078.88
H	344	2.00	3,694.66
Total	57,863		

An increase of £1.350 million has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £2.43million as at 31 March 2021. A total of £460k of outstanding council tax was written off during 2020/21. Due to the pandemic a review of the bad debt provision was carried out, and a more prudent approach has been taken, resulting in the increase to the provision.

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2021 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement. Due to the Coronavirus pandemic the deficit on the collection fund has worsen. The total deficit reported in 2020/21 is £2.26million, North Herts share is £313k. Central Government have allowed an element of the estimated deficit as at 15th January 2021 to be spread over three years to 2023/24 rather than just one year. North Herts deficit to be spread is £162k. Central Government have also introduced a taxation income guarantee scheme, where LA's will be compensated for 75% of their deficits.. The value for North Herts is £141k.

4. PRECEPTS

	2019/20 £'000	2020/21 £'000
Hertfordshire County Council	67,315	70,681
Hertfordshire Police	9,306	9,896
North Hertfordshire District Council and Local Town and Parish Councils	12,551	12,952
	89,172	93,529

Following the introduction of Council Tax on 1 April 1993, parish precepts are payable from the Council's General Fund and not the Collection Fund.

Glossary of Financial Terms

Term	Definition
Accruals	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial Gains and Losses	<p>For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:</p> <ul style="list-style-type: none"> Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses). The actuarial assumptions have changed.
Accumulated Absences	Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.
Agency Arrangements	Services which are performed by or for another Council or public body, where the agent is reimbursed for the cost of the work done.
Asset	Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.
Balances	The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.
Capital Expenditure	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
Capital Financing Requirement	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Investment Strategy (Integrated Capital and Treasury Strategy) and Medium Term Financial Strategies.
Capital Receipts	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as prescribed by Central Government, but they cannot be used to finance day-to-day spending.

Glossary of Financial Terms

Term	Definition
Cash Equivalents	Cash investments which are held on deposit and are repayable on demand without financial penalty.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance
Collection Fund	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements.
Collection Fund Adjustment Account	This account holds the difference between the income (including accruals) held in the Comprehensive Income and Expenditure Statement and the amount required by statutory regulation to be credited to the Collection Fund.
Community Assets	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Assets	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Contingent Liability	A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Council Tax	This is a local tax set by local Councils to help pay for local services.
Creditor	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.

Glossary of Financial Terms

Term	Definition
Current Assets	Assets which can be classified as cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	<p>For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:</p> <ul style="list-style-type: none"> • Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business. • Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.
Deficit	An excess of expenditure over income (or liabilities over assets)
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.
Defined Benefits Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.
MHCLG (DCLG)	Ministry for Housing, Communities and Local Government, successor to Department for Communities & Local Government (DCLG).

Glossary of Financial Terms

Term	Definition
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service or type of expenditure.
Employee Benefits	Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay and payments as a result of their employment being terminated before normal retirement age.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Extraordinary Items	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.
Finance and Operating Lease	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.
Financial Instruments	Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.
General Fund	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.
Government Grants	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.

Glossary of Financial Terms

Term	Definition
Heritage Asset	An asset which is held solely for its cultural, environmental or historic associations. This encompasses such things as civic regalia, historical buildings and monuments, museum collections and works of art. Any asset which is used for operational purposes would not be classified as a Heritage Asset.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
Impairment	A reduction in the value of a non current asset below its carrying amount on the balance sheet.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Intangible Assets	An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	<p>The amount of unused or unconsumed inventories (stock) held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:</p> <ul style="list-style-type: none"> • Goods or other assets purchased for resale; • Consumable stores; • Raw materials and components purchased for incorporation into products for sale; • Products and services in intermediate stages of completion • Long term contract balances; and • Finished goods.

Glossary of Financial Terms

Term	Definition
Investments (Non-Pension Fund)	A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.
Investments (Pension Fund)	The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than Town Parish and Community Councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
Investment Property	Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.
Levy	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council's income exceeds a threshold set by Central Government, a levy is payable to Central Government, but the Council may retain a proportion of the surplus.
Liabilities	Money owed to somebody else.
Minimum Revenue Provision	A charge made to the General Fund to repay borrowing taken out for capital expenditure, effectively replacing depreciation (which is reversed out in the MiRS). Authorities determine their own prudent MRP charge.
Net Book Value	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
Net current replacement cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.

Glossary of Financial Terms

Term	Definition
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non operational assets), less the expenses to be incurred in realising the asset.
NNDR (National Non Domestic Rates)	These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.
Non-current assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Non-operational assets	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.
Obligating Event	An event which creates a legal or constructive obligation that results in the Council having no realistic alternative to settling that obligation.
Operational assets	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Post balance sheet events	Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
Precepts	The levy made by one Council on another. Hertfordshire County Council and Police and Crime Commissioner, who do not administer the council tax system, each levy an amount on North Herts, which collects the required income from local taxpayers on their behalf.
Prior year adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Glossary of Financial Terms

Term	Definition
Provisions	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown in the Statement of Accounts.
Related Parties	<p>Two or more parties are related parties when at any time during the financial period:</p> <ul style="list-style-type: none"> • One party has direct or indirect control of the other party. • The parties are subject to common control from the same source. • One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests. • The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.
Related Party Transaction	<p>A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include:</p> <ul style="list-style-type: none"> • The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund. • The provision of a guarantee to a third party in relation to a liability or obligation of a related party. • The provision of services to a related party, including the provision of pension fund administration services. • Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits. • The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Glossary of Financial Terms

Term	Definition
Rent Allowances	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.
Rent Rebates	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
Reserves	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Retirement Benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of non current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Expenditure Funded from Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
Scheme Liabilities	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
Surplus	An excess of income over expenditure (or assets over liabilities)

Glossary of Financial Terms

Term	Definition
Usable Capital Receipts	This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.
Useful Life	The period over which the authority will derive benefits from the use of a non current asset.



North Hertfordshire District Council

Anti-Fraud Plan 2022/23 & Anti-Fraud Activity update 2021/22

Recommendation

Members are recommended to:

1. Approve the Anti-Fraud Plan 2022/23; and
2. Note the activity to protect the Council against fraud and corruption in 2021/22

Contents

- 1 Purpose
- 2 Background
- 3 Anti-Fraud Plan 2022/23
- 4 Current Anti-Fraud Activity (2021/22)
- 5 Further Reading

Appendices

- A. SAFS KPI performance to December 2021
- B. Proposed Anti-Fraud Plan 2022/23

1 Purpose

- 1.1 This report provides details of the Council's anti-fraud and corruption arrangements for the current year, 2021/22, and the proposed Anti-Fraud Plan for 2022/23. The Plan for 2022/23 ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

2 Background

- 2.1 Recent reports have been provided to officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible. Details of these reports and other recommend reding for Committee members can be found **at Section 5** of this report.
- 2.2 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this. Fraud is now the most commonly reported crime in the UK and poses a particular risk to organisation with statutory duties to provide public services.
- 2.3 The Cabinet Office, The Department for Levelling Up, Housing and Communities (DLUHC) (formerly the Ministry for Housing, Communities and Local Government), National Audit Office, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.
- 2.4 It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 2.5 North Hertfordshire District Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution, working with services and Council staff at all levels.

3 Anti-Fraud Plan 2022/23

- 3.1 The reports and papers mentioned previously and guidance recommend that organisations have effective and robust counter fraud and corruption measures. These measures must include the acknowledgement of fraud and corruption as a tangible risk, policies and procedures to deter and prevent fraud and resources to

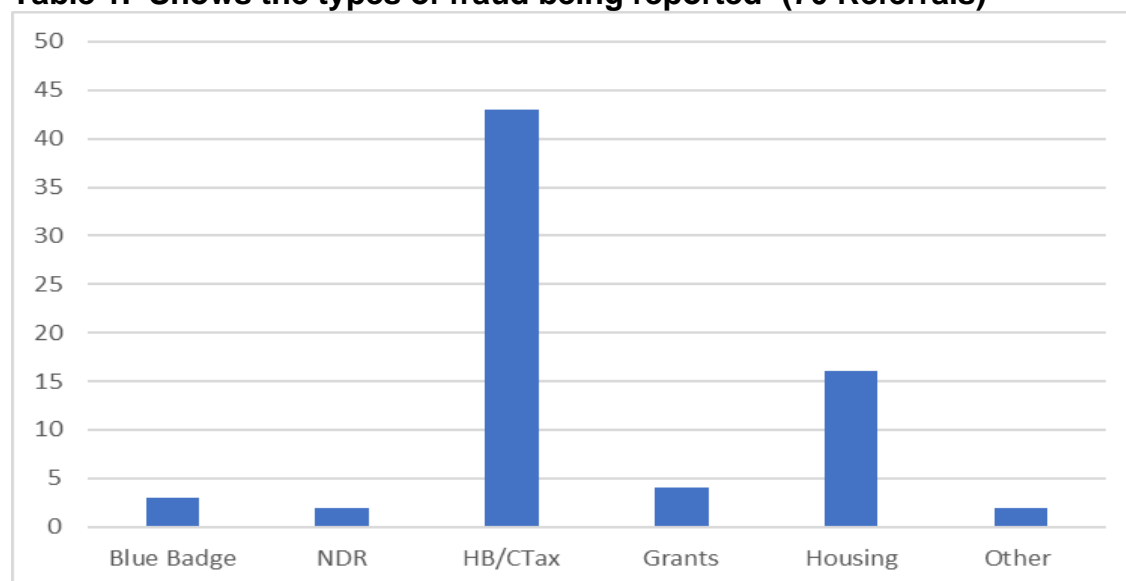
investigate fraud and recover losses. Above all an organisation should have a plan to protect itself against fraud and corruption.

- 3.2 Council officers and SAFS develop an anti-fraud plan each year and the proposed plan for 2022/23 is attached for approval by this Committee.
- 3.3 The Anti-Fraud Plan for 2022/23 has been designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) by adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. A copy of the Anti-Fraud Plan is attached at **Appendix A**.
- 3.4 In 2021 we adopted the FFCL checklist as a 'To-do' list and we will continue to use this to track responsibility for action/objectives to demonstrate how the Council is doing, rating each are in the checklist and providing evidence to support this.

4. Anti-Fraud Activity 2021/22

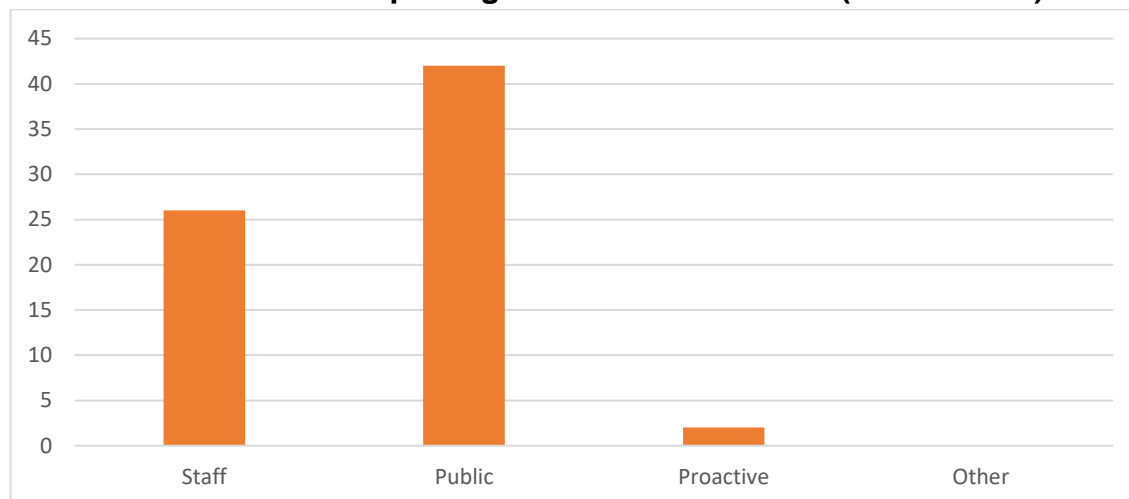
- 4.1 Between April and December 2021 SAFS received 70 allegations (referrals) of fraud affecting Council services – this is down somewhat on the same period last year (88). It should be noted that these are only allegations at this stage and not all will need to be investigated. However, every referral received will be reviewed, risk-assessed and appropriate action taken.
- 4.2 Table 1 shows the number of allegations of fraud received by the Council and which services these relate to. The majority of matters, 43, relate to council tax and/or housing benefit. Four referrals classified as 'Grant' fraud include Covid business grants. Two cases recorded as 'other' did not relate to the Council directly.

Table 1. Shows the types of fraud being reported- (70 Referrals)



- 4.3 Table 2 shows who is reporting suspicions of fraud to the Council. Of the 70 matters reported the majority, 42, were reported by the general public, 26 by staff and 2 from proactive work including data-analytics.

Table 2. Shows who is reporting Fraud to the Council- (70 Referrals)



'Proactive'; includes the use of data-analytics where fraud identified.

- 4.4 SAFS carried forward 37 live cases from 2020/21 and currently 39 cases are open and under investigation with estimated fraud losses/savings of £147k.
- 4.5 At the time of this report many cases raised for investigation are still in the early stages, however, of the 26 investigations closed in year fraud loss/savings in excess of £155k have been reported.

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

- 4.6 A significant number of cases have been delayed or suspended due to the restrictions with face-to-face interviews resulting from social distancing and some cases where SAFS works with other agencies, in particular the Department for Work and Pension (DWP), have been delayed as staff have been redeployed during the Covid crisis.
- 4.7 Fraud awareness training has been delivered to Council Officers during 2021/22 via virtual training events and team meetings that have been very well attended. SAFS have worked with the National Anti-Fraud Network (NAFN) to roll out further staff training in maximising the use of the fraud/error/debt recovery services provided by NAFN. SAFS have also supported Council officers using the various National Fraud Initiative (NFI) programmes in 2021/22 and continue to do so.
- 4.8 Since early 2021, a focus of SAFS work has been to work with Council officers to ensure that the Council has been able to deal with the output from the National Fraud Initiative (NFI). The Council received a number of reports in February 2021 and 1,202 individual data matches to review. The NFI matches data between bodies that is collected in October and shared with participants the following

February, this results in numerous 'false-positive' matches and many matches which just need administrative action as opposed to fraud investigation.

- The Council received 1,202 matches as part of the main exercise. These matches covered areas such as Housing Benefit/ Council Tax/ Housing/ Creditors/ Payroll- 618 of these were highlighted as 'priority' matches. By the end of December 2021 395 priority matches had been fully reviewed but, a significant number are still under review at present. The vast majority of Housing/Creditors/Payroll matches have been cleared and £11,634 of fraud prevented so far.
- The Council received a report with 1,195 matches in a separate NFI exercise focused entirely on council tax discounts. As mentioned above this can create a large number of false positives and needs intervention to resolve to ensure that council tax data is accurate both to improve collection rates and ensuring the Council Tax Base assessment is correct. SAFS staff are currently reviewing these matches and reporting outcomes to the Revenue Team.
- The final report from NFI in 2021 was used to review the Council's data for the payment of grants to businesses as part of the Covid response between 2020 and 2021. All of the data held by the Council about those grants was reviewed as part of this report by the Cabinet Officer and matches to grant data held by every other Council in England & Wales, HMRC, Banks and Companies House. The Council received a report in 2021 indicating that 99 Grant awards needed further review although, as with other SAFS Partners who have already completed this work, we do not anticipate that this will reveal any fraud due to high levels of pre-payment checking that the Council put in place.
- As we are now in a position to start using Council data in the Herts-FraudHub we tested this successfully in 2021 with some basic date-sets. We are now loading data from housing benefit/ council tax/ electoral roll /payroll/ housing register. on an agreed schedule. To the end of January 2022 matches for review were identified in housing benefit/ council tax/ and payroll and these are under review by the relevant service areas at present.

4.9 As part of the Government and Council's ongoing response to the Covid-19 pandemic, SAFS continues to provide the following additional services:

- Support with those ongoing Business Grant schemes.
- Assistance and support on new schemes to support residents who are required to self-isolate.
- Review of new grant schemes that the Council may need to operate during local/national lock-downs that may happen in the future as a result of increased infection rates. SAFS are offering support to Council officers to review the various grant applications related to the OMICRON variant where this is required.

- Enhanced provision of alerts around mandate and phishing frauds from national bodies including National Fraud Intelligence Bureau, National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service and CIPFA (Chartered Institute of Public Finance and Accountancy).
- 4.10 Council Officers are reviewing the current Fraud Prevention Policy and other related policies.
- 4.11 A detailed report of all counter fraud activity undertaken in 2021/22 will be provided to this Committee in the early summer 2022.

5. Further Reading

- *Councillors Workbook on Bribery & Fraud Prevention*
- *Fighting Fraud and Corruption Locally a Strategy for the 2020's.*
- *Tackling Fraud in the Public Sector.*
- *COVID-19 Counter Fraud Measures Toolkit.*
- *UK Annual Fraud Indicator 2017.*
- *Fraud and Corruption Tracker 2019.*
- *United Kingdom Anti-Corruption Strategy 2017-2022.*
- *Local Government Transparency Code.*
- *The National Fraud Strategy: Fighting Fraud Together.*
- *CIPFA Red Book 2 – Managing the Risk of Fraud – Actions to Counter Fraud and Corruption.*

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SAFS KPIs - 2021/ 2022

KPI	Measure	Target 2021/22	Performance to December 2021
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Report to SAFS Board in June/Sep/Dec 2021 (planned reports March 2022). Head of Strategic Finance and Property sits on the SAFS Board, has access to and meets (along with other managers) SAFS Mgt regularly.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Finance Audit & Risk Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. FTE in place since April 2021. B. Reports to FARC in May 2021 and September 2021 and third report planned for March 2022. C. SAFS has close working with relationship with R&B and sit on the Corporate Governance Group.
3	Action on reported fraud.	A. All urgent/ high risk cases 1 Day. B. All other cases 2 Days on Average.	A. All urgent cases are being met within 24 hours at present B. Non-urgent referrals are taking 2 days at present.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 10 Training events for staff/Members in year.	A. SAFS has access to both, and Council staff can access NAFN B. SAFS Mgt are members of the CF Centre. C. See A above. D. Training events are still being developed with HR.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	A. This is happening daily as referrals received B. This is being monitored and will be included in SAFS year-end report. The SAFS CMS allows the reporting of granular detail on every referral received and each case investigated and the MI from this is used to manage workflow and workloads.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2020/21 Output and reports across services. B. Support the implementation of the Herts FraudHub at NHDC. C. Consider other areas where the better use of data will benefit the Council financially.	A. SAFS and Council officers are working on the output from NFI 2020/21 at present. B. We are now loading live data into the FraudHub and working in the output from this. C. SAFS continues to use data analytics to assist with assurance on the covid grant schemes and respond to new fraud threats.

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**North Hertfordshire District Council
Anti-Fraud Plan 2022/23**

in partnership with

The Shared Anti-Fraud Service



**North
Herts
Council**



SAFS

*Shared Anti-Fraud Service
Fighting Fraud in Partnership*

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Introduction

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

The Council's Fraud Prevention Policy applies to all staff, elected members, agency staff, temporary staff, volunteers, consultants, contractors and partners and states;

You must:

- **Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include**
- **Not commit any of the offences detailed**
- **Report any suspicions of these offences being committed**
- **Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed**
- **Disclose any gifts and hospitality that you receive, in line with other policies**

This plan includes objectives and key performance indicators that support the Councils strategy and follows the latest best practice/guidance/directives from the National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors. A copy of the Strategy can be found at <https://bit.ly/3p5Rr98>

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding ‘Pillars’ of **Governance, Acknowledge, Prevent & Pursue** with an overarching **Protect**:

Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top.

Protect: Against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



Anti-Fraud Plan 2022-2023

The Councils Anti-Fraud Plan will be over-seen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services in particular, by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2022/23 follows the guidelines and checklist contained in the Fighting Fraud and Corruption Locally Strategy and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A full breakdown of planned activity to protect the Council can be found at **page 7**.

SAFS Resources 2022-2023

Anti-Fraud Arrangements

North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won the '*Outstanding Partnership*' award at the Tackling Economic Crime Awards (TECAs) and in 2020 the TECAs award for '*Outstanding Professional in Counter Fraud*' was won by a member of the SAFS team

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

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

Budget

In December 2021 the SAFS Board agreed to increase the fees for all Partners by 2.5% to meet increased service costs from April 2022. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

North Hertfordshire District Council fees for 2022/23 are £86,165. This sum is payable quarterly.

Staffing

The full complement of SAFS in 2022/23 will be 21.6 FTE.

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

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services provided by Hertfordshire County Council Legal Service.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy

(CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel and the National Anti-Fraud Network (NAFN). SAFS has officers on the various Board for CIFAS & NAFN.

Workplans & Projects 2022-2023

As well as an agreed programme of work (see **page 7**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Central Services / Finance	<p>General Support and advice on fraud matters.</p> <p>3 Reports to Finance Audit & Risk Committee.</p> <p>Regular meetings with officers to consider any new and emerging fraud risks and performance against SAFS KPIs</p> <p>SAFS attendance at Corporate Governance/Enforcement Groups.</p> <p>Assisting with the development/review of the Councils anti-fraud policies.</p> <p>Money Laundering Reporting Officer (MLRO) role and Policy review, ML Risk Assessment and training for relevant staff.</p> <p>5 fraud training/awareness events for staff/members in year.</p> <p>Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering - hosted on the Councils Learning Pool.</p> <p>Roll out of NAFN training and registration for appropriate services/officers across the Council.</p>
Revenues and Benefits	<p>Close liaison with the Revs and Bens services.</p> <p>Proactive training and awareness for leadership and front-line staff.</p> <p>Reactive investigations for HB/CTRS including working with the DWP FES, where appropriate.</p> <p>Identify systems/processes/new developments to assist in recovery of debt created by fraud.</p> <p>Assist with potential fraud resulting from Covid Grant Schemes administered by the Council.</p> <p>Post payment assurance of grant schemes.</p>
Housing Services	<p>Reactive investigations for Housing Application, Tenancy fraud</p> <p>Provide a focus on fraud risks affecting temporary accommodation costs.</p> <p>Review housing register to identify fraudulent applications and, where appropriate, investigate these.</p> <p>Continue to work with Private Registered Providers (including Clarion/Catalyst/B3L) across all aspects of tenancy fraud to assist in the recovery of properties which can be prioritised for local residents from the Councils Housing Register.</p>
Data- Analytics	<p>Use of data and technology to prevent or identify fraud.</p> <p>Assist with NFI 2022/23 Data uploads (Oct 2022) and Output (February 2023).</p> <p>FraudHub.</p> <p>Further developing the effective use of the Cabinet Office FraudHub.</p> <p>Support for SAFS sponsored county wide Council Tax Review Framework for SPD and EHR.</p> <p>Use of data-analytics to identify fraud as result of Covid-19 and other grants schemes.</p> <p>Review extension of NFI Powers to 'other' crime and debt collection.</p>
Other / Contingency	<p>Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management.</p>

SAFS KPIs & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and the KPIs will assist in delivering the Anti-Fraud Plan. The KPI's can be found at **page 8** and will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, UK GDPR, PACE, CPIA, HRA, RIPA, IPA* and relevant Council policies
9. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

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

NHDC / SAFS Action Plan 2022/2023

FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Managing Director / Monitoring Officer/ S.151 Officer
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	S. 151 Officer/ Head of SAFS
		Audit and Governance Committee and its Chair, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chair/ S. 151 Officer
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to fraud-proof systems, and/or reported to senior managers or Internal Audit to review outcomes.	Head of SAFS/ SIAS Client Audit Manager/ S.151 Officer
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	S.151 Officer
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance .	Review of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	S.151 Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Manager
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	HR Services Manager/ Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Service Director: Resources will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	S.151 Officer
		Audits conducted by the Shared Internal Audit Service (SIAS) will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior manager and SAFS to review and act upon.	SIAS Client Audit Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and Deliver the NFI 2022/2023 Exercise	Head of SAFS/ s.151 Officer
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ s.151 Officer
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer / Data Protection Officer
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession.	Head of SAFS
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service a HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Head of SAFS /Monitoring Officer/ s.151 Officer
		SAFS and the Councils Shared R&B Service will continue to work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Service Director: Customers
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	SAFS Manager
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		SAFS will review and share fraud trends and new threats	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / s.151 Officer
		The Council has in place other measure to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure with training for staff and members	Information Communications Technology Manager
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Finance Audit & Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-NHDC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC)	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for NHDC.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

FINANCE, AUDIT AND RISK COMMITTEE 16 MARCH 2022
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*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FRAUD PREVENTION POLICY

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

The over-arching Fraud Prevention Policy (attached at Appendix A) has been updated to reflect that the Shared Anti-Fraud Service (SAFS) have taken on the role of the Council's Money Laundering Reporting Officer (MLRO). The rest of the Policy has also been reviewed to make sure it is still relevant, but no significant changes have been made.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee approve the amended Fraud Prevention Policy, as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1. *The policy is kept under regular review. As explained in section 8 it is beneficial for SAFS to take on the MLRO role for the Council.*

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. *The proposed change benefits the Council, the only alternative would be to continue with the current arrangements.*

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. *SAFS have been consulted on, and agreed to, take on the role of MLRO for all Partner Authorities.*

6. FORWARD PLAN

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

7. BACKGROUND

7.1. *The Fraud Prevention Policy was adopted in September 2019, and brought together a number of linked policies in to a single document.*

7.2. The policy has been kept under review since then, but to date no changes have been considered necessary.

8. RELEVANT CONSIDERATIONS

8.1. *The Service Director: Resources previously acted as the Council's Money Laundering Reporting Officer (MLRO). The Service Director: Customers acted as the Deputy MLRO.*

8.2. *If an Officer is suspicious that any Council transaction could involve money laundering, then this is reported to the MLRO via the form contained within the Fraud Policy. The MLRO then determines what action to take, in line with the money laundering legislation.*

8.3. *The chances of a Council transaction raising suspicions of money laundering are extremely low, and there have been no suspicions raised at the Council since the legislation was introduced. The legislation is also complicated. SAFS have obtained legal advice that they can act as MLRO on behalf of other Councils and have agreed to act as MLRO for all their partner Authorities. There will be no additional charge for this service.*

8.4. *The fraud policy has therefore been updated to show that any money laundering referrals should be sent to SAFS.*

9. LEGAL IMPLICATIONS

9.1 The Finance, Audit and Risk Committee "review and comment on the development of anti-fraud and anti-corruption strategies" (Constitution paragraph 10.1.5 (n)).

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications arising from this report.

11. RISK IMPLICATIONS

11.1. *The change to SAFS taking on the MLRO role reduces the risk to the Council. SAFS are better placed (as a central team) to keep up to date with any updates to the money laundering regulations, or interpretation thereof.*

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 equalities implications arising from this report.*

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 *The change to SAFS taking on the MLRO role means that the Service Director: Resources does not need to do regular MLRO training. This allows the Service Director to concentrate on other tasks.*

16. APPENDICES

- 16.1 *Appendix A- updated Fraud Prevention Policy*

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources, ian.couper@north-herts.gov.uk; ext 4243
- 17.2 Yvette Roberts, Legal Officer, Yvette.roberts@north-herts.gov.uk, ext 4310

18. BACKGROUND PAPERS

- 18.1 *None*

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Fraud Prevention Policy (including fraud, corruption, money-laundering, bribery and tax evasion)

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes, including some specific additional requirements as detailed within the policy
Others	Agency staff, temporary staff, volunteers, consultants, contractors and partners

You must:

- Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include
- Not commit any of the offences detailed
- Report any suspicions of these offences being committed
- Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed
- Disclose any gifts and hospitality that you receive, in line with other policies

Policy author and further advice from: Ian Couper, Service Director- Resources

Contents:

1. Definitions
2. Reporting
3. Practical Considerations
4. Implications of non-compliance
5. Toolkit A- Potential signs of control weaknesses
6. Toolkit B- Specific requirements in relation to Money Laundering risks
7. Appendix A- Disclosure Report to the Money Laundering Reporting Officer
8. Appendix B- Role of the Money Laundering Reporting Officer (MLRO)

1. Definitions

Fraud encompasses an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or to cause a loss, or to expose another to a risk of loss. It can be perpetrated for the benefit of or to the detriment of North Hertfordshire District Council and by persons outside as well as inside the Council.

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of a Member or Officer of the Council.

Money laundering is the term used to describe a number of offences involving the proceeds of crime or terrorist funds. It is a criminal offence to:

- Conceal, disguise, convert, transfer or remove criminal property from the United Kingdom
- Enter into or become concerned in an arrangement which an individual knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquire, use, or possess criminal property
- Fail to disclose one of the principal offences listed above, where there are reasonable grounds for knowing or suspecting the money was a proceed of crime
- Tell someone that you are going to make a report or tell someone that they are being investigated (tipping-off)
- Falsify, destroy, dispose of, conceal any document which is relevant to an investigation, or allow this to happen

Bribery is an inducement or reward offered, promised, received, or provided to gain personal, commercial, regulatory or contractual advantage and such advantage leads to the improper performance of a relevant function or activity. It is a criminal offence to:

- Give, promise to give, or offer payment, gifts or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer payment, gifts or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- Accept payment from a third party that is offered with the expectation that it will obtain business advantage for them, whether known or suspected
- Accept a gift or hospitality from a third party if it is offered or provided with an expectation that a business advantage will be provided by the Council in return, whether known or suspected
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.

It is also an offence for the Council to fail to prevent bribery, or to fail to put in place adequate measures to prevent bribery.

Tax evasion is criminal conduct which involves individuals or businesses paying too little tax or wrongly claiming tax repayments by acting dishonestly. It is an offence to dishonestly “take steps with a view to” or “be knowingly concerned in” the evasion of the tax. For these offences to be committed it is not necessary that any tax actually be successfully evaded. It is now also an offence for the Council to fail to take appropriate steps to prevent an associated person (e.g. employees and contractors) criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country. Examples include:

- Knowingly entering false or misleading information in relation to the employment of an individual to facilitate the underpayment of income tax
- Knowingly processing invoice payments or raise debt to facilitate the underpayment of tax
- Knowingly processing documents for services supplied to the Council as being outside the scope of VAT, when they should be in scope
- Knowingly helping an overseas contractor to avoid overseas tax on payments they make to the Council

- Knowingly processing a payment to an employee / contractor as an expense rather than another type of payment which would be subject to tax.

2. Reporting

The Council will promote an environment where everyone feels able to report any concerns that they have, including anything related to this policy. With the exception of Money Laundering (see below), any suspicions that you have can be reported to:

- Your immediate Manager or Supervisor
- Your Service Director
- The Monitoring Officer (see the [Whistleblowing policy](#))

Suspicious of fraud against the Council can also be reported to the Shared Anti-Fraud Service (<https://www.hertfordshire.gov.uk/services/Business/Consumer-advice/safs.aspx>). Suspicious of benefit fraud (including housing benefit fraud) should be reported to the Department for Work and Pensions (online at <https://www.gov.uk/report-benefit-fraud>, by phone 0800 854 440 or text phone 0800 328 0512).

Suspicious of Money Laundering must be reported directly to the Money Laundering Reporting Officer (MLRO) (Head of Shared Anti-Fraud Service) or the Deputy MLRO (Asst Manager- Shared Anti-Fraud Service) using the form at Appendix A. The form guides you through the information that you need to provide, and you should provide as much information as possible, including any supporting information. You should avoid talking to anyone else about any suspicions, due to the criminal offence of tipping-off.

The referral should take place before any payment is taken (where applicable) and must not then be taken until clearance is received from the MLRO. The MLRO will consider all reports in a timely manner and follow the process described in Appendix B.

The Council will investigate all suspicions, and where deemed appropriate the matter raised may be:

- Referred to the Shared Internal Audit Service (SIAS)
- Referred to the Shared Anti-Fraud Service (SAFS)
- Referred to the Police
- Subject to an HR investigation undertaken by management, in line with the Council's Managing Misconduct Policy
- Referred to the Council's External Auditor
- Subject to an Independent Inquiry
- Reported to National Crime Agency (Money Laundering only)

Individuals may be worried about repercussions from failing to engage in what they believe is a criminal activity or reporting that activity. The Council encourages openness and will support anyone who raises genuine concerns under this Policy and/ or our Whistleblowing Policy, even if they turn out to be mistaken. This is because reporting such concerns has been identified as one of the most effective tools to counter fraud and related offences.

The Council is committed to ensuring no one suffers any detrimental treatment as a result of acting in good faith. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the Monitoring Officer immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Complaints Resolution Policy.

You should also note that failing to report suspicions of money laundering is, in itself, a criminal offence.

3. Practical considerations

The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces. This section highlights some of the more detailed requirements.

The role of the Finance, Audit and Risk Committee includes reviewing and developing antifraud and anti-corruption strategies, as well as reviewing the effectiveness of SAFS.

Risk Assessment and Proportionate Action

Management is responsible for putting in place processes and controls that help to prevent fraud, corruption and bribery. For higher risk areas (e.g. payments and income) this should limit the responsibility that is placed on one person, involve effective separation of duties and be fully compliant with the Financial Regulations and Contract and Procurement Rules. This should include that full records are maintained. These controls should be kept under review to ensure they are operating effectively, and that staff have received appropriate training. SIAS can support in this through operational audits.

If a SIAS audit or a fraud incident highlights an opportunity for controls to be improved, then the Council is committed to taking proportionate action to address this. The responsible manager is expected to determine and implement any improvements.

The Council has an overarching “Fraud, Corruption and Bribery” risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside. It also covers financial and other (e.g. reputational) risks.

In relation to Money Laundering, the Council has determined those activities that are most susceptible to money laundering. From this it has developed some specific requirements that are detailed in Toolkit B. If you are involved in financial transactions, treasury management, Council Tax, NNDR or sale of land and property then you must be fully aware of the requirements in this toolkit.

Linked Policies and Procedures

Everyone is required to adhere to all Council policies, procedures and processes. There are a number of policies/ Codes that specifically relate to this area, i.e:-

- Employee Code of Conduct (Officers)
- Councillor’s Code of Conduct (Members)
- Employee Handbook (Officers)
- Financial Regulations (Officers and Members)
- Contract and Procurement Rules (Officers and Members)
- Conflicts of Interest Policy (Officers)

- Management of Organisational Conflicts in Council roles and duties Guidance (Officers and Members)
- Whistleblowing Policy (Officers and Members)
- Employee Gifts and Hospitality Policy (Officers)
- Members Protocol for Gifts and Hospitality (Members)
- Protocol for Member/ Officer Working Arrangements
- Information Security Policy (Officers and Members)

General management controls

Effective management also helps to ensure that controls are operating effectively. Toolkit A at the end of this policy provides some areas to look out for.

Managers are required to comply with HR checks during the recruitment process. This requires that written references are obtained for all employees (including temporary and agency staff). Also, where appointment is dependent on the holding of specific qualifications, HR manages the process for ensuring that stated qualifications are verified, and copies of certificates retained on the individual's personal file. This helps to ensure the integrity of all staff working for the Council.

The [Council's Scheme of Delegation, Financial Regulations and Contract Procurement Rules](#) contain checks and balances on decision-making and ensure that decisions are taken at the right level with appropriate transparency.

Working with third parties and contractual terms

It is appreciated that the Council has less control when it contracts with others to undertake services or works on its behalf. However, it takes a risk based approach, based on the need to acquire specialist skills, seek economies of scale or obtain additional capacity. There are additional requirements when working with contactors and third parties.

The terms of the Council's contracts require that contractors take all reasonable steps, in accordance with good industry practice, to prevent any bribery and fraudulent activity by the Staff, the Contractor (including its shareholders, members, directors) and/or any of the Contractor's suppliers, in connection with the receipt of monies from the Council. The Contractor must notify the Council immediately if it has reason to suspect that any fraud has occurred, is occurring or is likely to occur. In response to this information, the Council will decide how to respond.

The Council's zero tolerance approach to bribery and corruption must be communicated to all suppliers, contractors, and partners at the outset of our business relationship with them and as appropriate thereafter.

The contact manager, or partnership lead, will be responsible for communicating and ensuring adherence to these requirements. Where a Selection Questionnaire is used, the standard version ensures understanding and acceptance of these requirements at an early stage, and therefore this must be used as a template.

A company is automatically and perpetually barred from competing for public contracts where it is convicted of a corruption offence. Although this can be lifted where the company

has demonstrated that they have taken sufficient action to change their behaviour (known as self-cleaning). Organisations that are convicted of failing to prevent bribery are not automatically barred. The Council has the discretion to exclude organisations convicted of this offence, and (unless exceptional circumstances apply) will exercise this discretion. The Council will also reserve the right to continue to exclude organisations where it is felt that evidence of 'self-cleaning' is insufficient.

Toolkit A at the end of this policy provides some further areas to look out for.

Communication and Training

The Council is committed to making training available to everyone. This will range from general training (e.g. e-learning) through to specific training for certain roles. Some of this training will be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All officers should also request training on any areas that they are uncertain about.

4. Implications of non-compliance

In all cases the Council will seek to make use of the strongest available sanctions for engagement in these illegal activities and/ or non-compliance with this policy. Whilst this is primarily focused on behaviour against the Council or where purporting to be acting on behalf of the Council, it is likely that it will also be applied to more general engagement in these activities. As a deterrent and to make public its position with regard to these acts, the Council seeks to publicise its successful sanctions in the local press

For Members, this will include prosecution and civil proceedings. The Council will also utilise its own Standards Committee to the fullest extent to promote high standards and regulate the conduct of Members.

For employees (including agency and temporary staff), this will include disciplinary action, prosecution and civil proceedings. Employees found to have committed guilty of gross misconduct for offences of fraud, theft, serious financial malpractice, using their position for personal gain or for the gain of others, will be subject to immediate dismissal (as per the Managing Misconduct Policy). As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis. The decision to refer the matter on for further action, such as Police prosecution or for a Shared Anti-Fraud Service (SAFS) investigation, will be taken by the Service Director- Resources and the investigating officer, in conjunction with the Council's Monitoring Officer.

It should also be noted that failure to undertake any mandatory training will also result in disciplinary action being taken against employees and Members.

Where others commit, or attempt to commit, fraud (or related acts) against the Council, then the Council will seek to apply sanctions whenever possible. This will range from official warnings to criminal prosecution. In all cases, the Council will seek to recover any

fraudulently obtained amounts, and where necessary and appropriate its costs incurred in doing so, and will utilise all means available to recover these amounts. This will include freezing assets, confiscation orders, civil litigation and general debt recovery.

5. TOOLKIT A- Potential signs of control weaknesses

The following are potential signs of concern in relation to staff and processes.

- Staff not taking annual leave
- Staff only ever taking very short periods of leave
- Due to sickness or vacancies, processes are not being followed in full (e.g. where checks are required, they are not taking place)
- Complaints (or an increase in complaints) from customers or other stakeholders
- Decision making records are missing, or rationale is missing or not sufficiently justified
- Authorisation processes are not followed correctly, and those responsible for monitoring those processes are hindered from doing so
- Staff are secretive about certain matters or relationships
- Staff make trips out at short notice without explanation
- Staff have a more lavish lifestyle than you would expect
- Staff or a contractor/ consultant is accused of engaging in improper business practices

The following are risk factors in relation to suppliers.

- Requests for stage payments that are not in accordance with the contract or seem unusual
- Requests for payment in a different way to usual (e.g. a new bank account)
- Requests for payment in a different currency or via a different country, especially where there is no known connection to the business
- A supplier or potential supplier has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials
- A potential supplier/ supplier requests payment in cash and/or refuses to sign a formal agreement, or to provide an invoice or receipt for a payment made
- A supplier or potential supplier requests an unexpected additional fee or commission to "facilitate" a service
- A supplier or potential supplier demands entertainment or gifts before commencing or continuing contractual negotiations or provision of services
- A supplier or potential supplier requests that you provide employment or some other advantage to a friend or relative
- The Council receives an invoice from a supplier or potential supplier that appears to be non-standard or customised
- A supplier or potential supplier insists on the use of side letters or refuses to put terms agreed in writing
- A supplier or potential supplier requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to the Council
- Those who work for the Council or on its behalf are offered an unusually generous gift or lavish hospitality by a supplier or potential supplier
- Requests for charitable support or donations in lieu of, or in addition to, contractual payments

6. TOOLKIT B- Specific requirements in relation to Money Laundering risks

General

The Council will not accept cash payments that are greater than £3,000. Anyone who wishes to make a cash payment in excess of this limit will need to make advance arrangements for acceptance with the Service Director- Resources.

The Council will also not accept £50 notes due to the increased risk of fraudulent notes.

For all transactions it is important to think about if anything feels wrong, e.g.:

- Is it plausible that the person can pay the amount they are paying by the means that they are paying it?
- Does the name of the person involved match the source of the funds (e.g. name on cheque book, credit card)?
- Is the payment being broken down into a number of small transactions?
- Refunds where the money is going to a different place than the original source
- Does the transaction make sense?

Treasury Management

The Service Director- Resources is responsible for detailing the procedures it has in place for establishing the identity / authenticity of lenders, and ensuring that these are followed. The Council does not accept loans from individuals, and loans will only be obtained from the Public Works Loan Board (PWLB), authorised institutions under the Banking Act 2009 and other Local Authorities.

Council Tax and NNDR

Refunds that exceed £500 for Council Tax or £5,000 for NNDR Tax will be subject to a Money Laundering check. This involves the Senior Officer/Manager checking the validity of the refund and confirming that the refund is being paid to the correct party (i.e. the party responsible for the payment).

Sale of Land and Property

Where the Council is proposing to sell either land or property with a value in excess of £10,000, client identification must be sought before business is conducted. If the client has legal representation, then the responsibility for confirmation of identity rests with their legal representative, otherwise it rests with the Council's Legal Services Team.

Evidence of the identity of the prospective client should be obtained as soon as practicable after instructions are received unless evidence of the client has already been obtained. This requirement applies to both new and existing clients.

Evidence obtained from an individual should confirm proof of identity and proof of their current address. Evidence obtained with regard to an organisation should allow the company to be fully identified in terms of registered office, registration number etc. If satisfactory evidence of identity is not obtained, then the transaction must not be progressed.

Evidence should be annotated 'Evidence re Money Laundering', placed on the Council's client file and retained for at least five years from the end of the business relationship or one-off transaction(s). This is to ensure that it could be used in a future investigation into money laundering. Care must be taken to ensure compliance with the General Data Protection Regulations when storing individuals' personal data.

Records should be maintained in such a way as to provide an audit trail during any subsequent investigation. In practice, records of work carried out for clients in the normal course of Council business should suffice in this regard.

Where evidence of identity is required, the Council officer dealing with the transaction, must require individuals to provide evidence of identity in the form of at least one of the following documents:

- Current passport
- Current full UK photocard driving licence (both sections)
- Current UK provisional photocard driving licence (both sections)
- Birth or Marriage certificate

Additionally, an individual must prove their current address by providing at least one item from the following list:

- Current full UK photocard driving licence (if not already used as evidence of identity)
- Current UK provisional photocard driving licence (if not already used as evidence of identity)
- Bank, building society or credit union statement or passbook (with printed address) (less than 3 months old)
- Recent utility bill (i.e. dated within the last twelve months), i.e. gas, electric, water (not a mobile phone bill)
- Mortgage statement (less than 12 months old)
- Insurance document (less than 12 months old)
- Credit card statement (less than 3 months old)

Original documents should be photocopied, and the client requested to sign them thus confirming that the photocopies are an authentic copy of the original documents presented.

If a client is unable to visit in person, the client should be asked to provide documents 'certified as a true copy' by a notary public. Checks should then be made to ensure that the notary is registered with the Law Society. Once this has been confirmed, the notary should be contacted to confirm that they did indeed certify the documents.

Where the client is a company, identity should be established by means of:

- The company's full name and registration number;
- Details of the registered office address; and
- Any separate trading address relevant to the contract concerned

A company search should then be carried out to verify the details given and check the location of any relevant trading address.

In the event that one or a few individuals effectively own the company, the personal identity of the key contact should also be checked. This should include obtaining the evidence

described above in relation to individuals, as well as evidence of their position within the organisation.

APPENDIX A- Disclosure Report to the Money Laundering Reporting Officer

CONFIDENTIAL

FOR COMPLETION BY THE OFFICER REPORTING THE SUSPECTED OFFENCE

To: Nick Jennings, Head of Shared Anti-Fraud Service

Email: Nick.jennings@hertfordshire.gov.uk

Tel: 01438 844705

Address; Shared Anti-Fraud Service. Hertfordshire County Council. Robertson House, SROB 112, Six Hills Way, Stevenage, SG1 2FQ

From:

Service Directorate:Tel:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

(Please also include date of birth, nationality, national insurance numbers- if possible)

(If a company please include details of nature of business, type of organisation, registered office address, company registration number, VAT registration number)

Nature, value and timing of activity involved:

(Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)

Nature of suspicions regarding such activity:
(Please continue on a separate sheet if necessary)
(as far as you are aware)? **Has any investigation been undertaken**

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)

Yes No

If yes, please specify below:

Do you feel you have reasonable grounds for not disclosing the matter to the FCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under the Proceeds of Crime Act and which requires appropriate consent from NCA?

Yes

No

If yes, please enclose details below:

Please detail below any other information you feel is relevant:

S i g n e d .__

D a t e d .__

Do not discuss the content of this report with anyone, especially the person you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence.

FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER

Date report received:

Date receipt of report acknowledged:

Consideration of Disclosure

Action plan:

Outcome of Consideration of Disclosure

Are there reasonable grounds for suspecting money-laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA?

Yes No

If yes, please confirm date of report to NCA:

Details of liaison with NCA regarding the report:

Is consent required from the SOCA for any ongoing or imminent transactions that would otherwise be prohibited acts?

Yes No

If yes, please confirm full details:

Date consent received from SOCA:

Date consent given by you to employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

Date consent given by you to employee for any prohibited act transactions to proceed:

.....

Other relevant information:

S i g n e d .____

D a t e d .__

THIS REPORT MUST BE RETAINED FOR FIVE YEARS

APPENDIX B- Role of the Money Laundering Reporting Officer (MLRO)

Upon receiving a disclosure report, the MLRO will date it and formally acknowledge its receipt. The acknowledgement will also advise of the timescale within which response should be expected.

The MLRO will consider the disclosure report and any other relevant internal information available to them. This might include:

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held.

The MLRO may undertake other reasonable inquiries to ensure that all available information is taken into account when deciding whether a report to NCA is required. The MLRO may need to discuss his report with the reporting individual.

Once the MLRO has evaluated the disclosure report and any other relevant information, they must determine in a timely manner whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that this is the case; and
- there is a need to seek consent from NCA for a particular transaction to proceed.

Where the MLRO concludes that there are no reasonable grounds to suspect or confirm money laundering, the disclosure report is annotated accordingly. All information known to the Council at the time is recorded and the reasons why the information obtained did not give rise to knowledge or suspicion of money laundering detailed. Consent can then be given for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO will liaise with the Service Director- Legal and Community to decide whether there are reasonable grounds for not reporting the matter to the NCA.

Where the MLRO concludes that actual or suspected money laundering is taking place this will be disclosed as soon as practicable to NCA via the SAR Online system.

Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until this consent has been received.

The MLRO will act as the link between NCA and the relevant Council officers to ensure that the appropriate action is taken in these circumstances.



INTERNAL AUDIT PLAN 2022/23

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

14 MARCH 2022

RECOMMENDATION

Members are recommended to approve the proposed North Herts Council
Internal Audit Plan for 2022/23

Contents

1. Introduction and Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
 - 2.11 Planning Context
 - 2.14 Internal Audit Plan 2022/23

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

A Proposed North Herts Council Audit Plan 2022/23

B Audit Start Dates Agreed with Management

1. Introduction and Background

1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The SIAS Board has approved the SIAS Internal Audit Strategy in December 2021 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.

1.2 The PSIAS set out how we must approach audit planning. The specific standards that we must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and internal audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

1.3 The Council’s Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive’s Annual Opinion Report.

1.4 The Shared Internal Audit Service’s (SIAS) Audit Charter which was presented to the December 2021 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2022 FAR Committee meeting for Member approval.

1.5 Section 2 of this report details how SIAS complies with these requirements.

2. Audit Planning Process

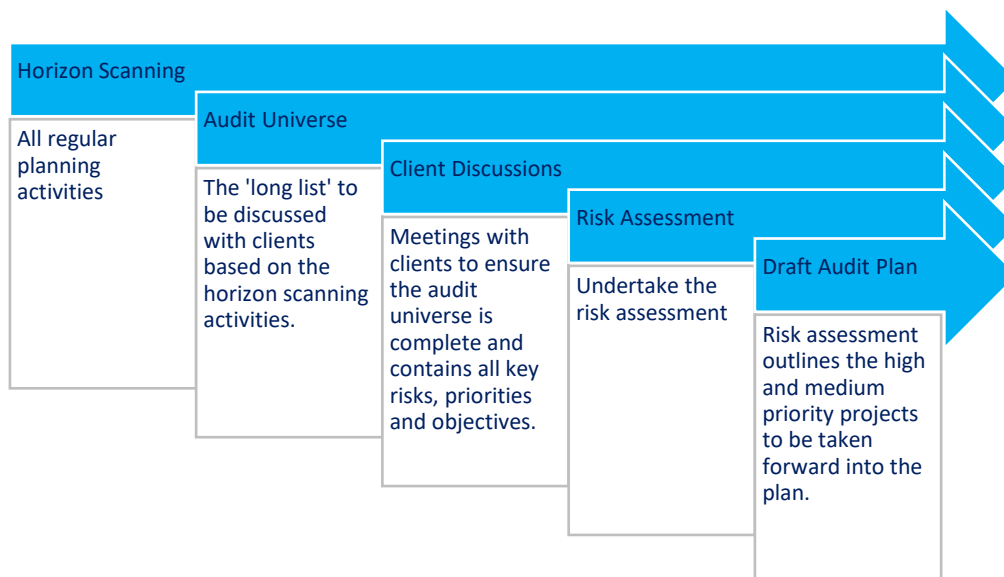
Planning Principles

2.1 SIAS audit planning is underpinned by the following principles:

- a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

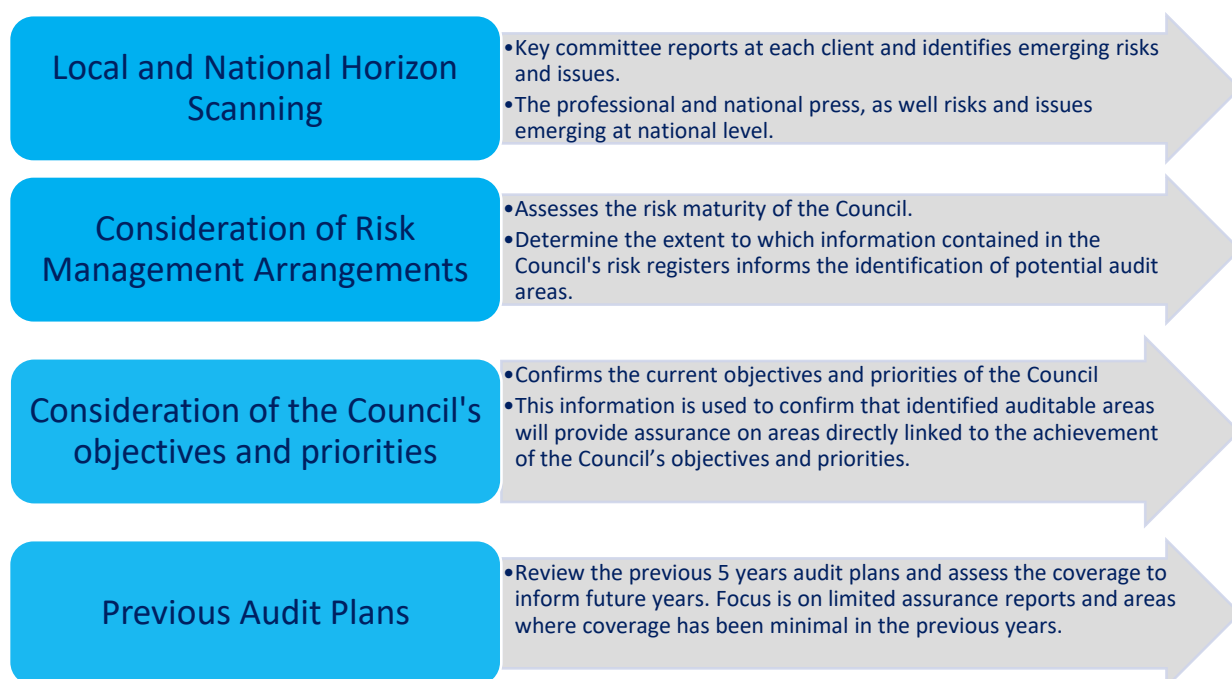
Approach to Planning

- 2.2 In June 2021, SIAS was subject an External Quality Assessment (EQA) and this provided observations relating to our approach to planning. As a result, SIAS has developed an updated approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at all its partners:



Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

Client Discussions

- 2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 To assess the priority level of the proposed assignments is to be decided using a methodology that allocates a score of 1-4 (1 = Low, 4 = High) to each of the following areas:
1. **Financial Materiality** – the relative significance of the system, process or service, in financial terms, to the Council.
 2. **Corporate Significance** – the extent to which the system, process or service impacts on the Council’s objectives, priorities or risks (including legal or regulatory requirements).
 3. **Vulnerability and Change** – the extent to which the system, process or service is liable to breakdown, fraud, loss or error or changes that have taken place or due to take place.
 4. **Management Concerns** – the management assessment of risk to the organisation
- 2.8 The following aspects will reduce the overall score:
1. **First line assurance** (e.g. Management) – assurance received from management through AGS processes, implementation of recommendations, etc.
 2. **Second line assurance** (e.g. compliance, regulator, ombudsman, etc.) – assurance provided by other sources.
 3. **Third line assurance** (e.g. Internal Audit) – previous assurance reviews completed in the specified service area, process or system.
- 2.9 Each element that affects the overall score is weighted to demonstrate the significance of the area when drawing an opinion or the quality of the assurance that has previously been received. This will provide an overall risk score and therefore determine if the project is deemed to be high, medium or low risk.

Draft Audit Plan

- 2.10 The results of the risk assessment and discussions with Senior Mangers provides a draft Internal Audit Plan. SIAS has presented this draft plan to the

Senior Leadership Team to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plan 2022/23.

The Planning Context

2.11 The context within which local authorities provide their services remains challenging:

- The full impact of Covid-19 may not be known and will continue to have significant impact on the Council's operations in future years. Whilst the longer-term impacts of the pandemic remain speculative, the current challenges and risks relate to economic impacts, growth, public health and equality for local authorities.
- From 1 January 2021, the UK entered into new trading arrangements with the EU ending 11 months of transition arrangements. The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK.
- Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact, including the potential reduction in business rates and increasing unemployment, on their local economies and services and any direct investments of their own.
- Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
- Cyber security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful attacks recently. Continued vigilance and awareness remain key to protecting the information assets of local authorities.
- Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
- Major national programmes in areas like changes to the retention of business rates, public health and housing mean the overall financial environment remains relatively unstable.

- There have been high profile governance issues, conflicts of interest, probity and procurement, at both national and local levels creating a culture of mis-trust in all tiers of government.
 - Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become a concern in short term.
- 2.12 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.13 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses, this is particularly key given the current challenges and risks of COVID-19 and the impact this has had on audit activity.

Internal Audit Plan 2022/23

- 2.14 The draft plan for 2022/23 is included at Appendix A and contains a high-level proposed outline scope for each audit; Appendix B details the agreed start months. The number of days purchased in 2022/23 remains the same as 2021/22 at 270 days.
- 2.15 The table shows the estimated allocation of the total annual number of purchased audit days for the year.

	2022/23 Days	%
High Priority Audits**	81	30
Medium Priority Audits**	70	26
IT Audits	35	13
Consultancy Assignments	15	5.5
Grants or Charity Certification	5	2
Joint Reviews and Shared Learning	4	1.5
Strategic Support*	38	14
Contingency	5	2
Completion of 2021/22 Projects	17	6
Total allocated days	270	100%

* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2023/24

** See paragraph 2.7 for the explanation of these audits.

- 2.16 SIAS will deliver all audits prioritised as 'High' in 2022/23 and will deliver at least eight projects prioritised as 'Medium'. In addition, all IT audits will be completed. The outcomes of these projects will support the Chief Audit Executive to form their overall opinion.
- 2.17 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle. The postponement or cancellation of any high priority audits will require approval from the Chair of the Finance, Audit and Risk Committee.
- 2.18 The medium priority projects that will be undertaken will be approved by the Finance, Audit and Risk Committee in the meeting prior to the quarter commencing (e.g. Q1 and Q2 will be approved in March 2022, Q3 will be approved in June 2022 and Q4 will be approved in September 2022).
- 2.19 Members will note the inclusion of a provision for the completion of projects that relate to 2021/22. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers

during a period where there are competing demands on their time, e.g. year-end closure procedures.

- 2.20 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

Resources

- 2.21 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.22 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.23 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.24 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has three team members studying towards their professional qualifications.
- 2.25 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by North Herts Council. There are currently no limitations on the adequacy of resources in place to deliver the North Herts Council Internal Audit Plan 2022/23.
- 2.26 During 2022/23, SIAS is undertaking a number of service development activities designed to drive efficiency in our methodology. More details on this are provided to SIAS Board Members through the SIAS Service Plan updates and through the Annual Report provided to this Committee in September 2022.

3. Performance Management

Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed plan for 2022/23 and any proposed changes will be reported to this Committee four times in the 2022/23 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2022/23 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
1. Public Sector Internal Audit Standards – the service conforms with the standards	Yes	Annually
2. Internal Audit Annual Plan Report – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
3. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
4. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
5. Client Satisfaction* – percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	TBC*	TBC*
6. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit Committee meeting of the financial year	Yes	Annually

*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise.

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

High Priority Audits (81 days)

<u>Audit Title</u>	<u>Purpose of the Audit</u>	<u>Audit Sponsor</u>
Climate Emergency	To provide assurance that actions taken have been monitored and measured to assess their impact and outcome. This is limited to actions that the Council has control over (e.g., direct delivery).	Service Director (Legal and Communities)
Waste Contract (Risk ref: CR66)	To provide assurance that the contract management arrangements are robust and that contract performance is monitored and managed effectively.	Service Director (Place)
Careline Operations	To provide assurance that there is effective governance arrangements in place to support service expansion and partnership working.	Service Director (Customers)
Procurement	To provide assurance the Contract Procedure Rules have been consistently applied in relation to exemptions and off-contract spending.	Service Director (Legal and Communities)
Risk and Performance Management	To provide assurance that the revised performance and risk management approach (Council Delivery Plan) is supporting the Council to manage risks in relation to performance objectives.	Service Director (Resources)
Business Continuity Planning (Risk ref: RR553)	To provide assurance that the change in approach to Business Continuity Planning has delivered an effective plan for managing business disruption.	Service Director (Place)
Centros Financial System	To provide assurance that the key controls within the Centros system are operating effectively in practice.	Service Director (Resources)

IT Audits (35 days)

<u>Audit Title</u>	<u>Purpose of the Audit</u>	<u>Audit Sponsor</u>
Cyber Risk (Risk ref: CR62)	To provide assurance that effective controls are in place to mitigate against cyber risks. This may include management of cyber security, awareness, network security and privileged accounts.	Service Director (Customers)

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

Phishing	To provide assurance that adequate anti-phishing arrangements are in place, tested, training has been provided and mechanisms are in place to record instances.	Service Director (Customers)
IT Hardware	To provide assurance that procurement and assignment of IT hardware was adequately controlled and meets business needs within the IT strategy and Council Ways of Working.	Service Director (Customers)

Medium Priority Audits (70 days)

<u>Audit</u>	<u>Purpose of the Audit</u>	<u>Quarter</u>	<u>Audit Sponsor</u>
Safeguarding	To provide assurance that there is sufficient awareness through training across the Council and that intervention activities are robust and in line with policies.	1	Service Director (Legal and Communities)
Annual Governance Statement	To provide assurance that the changes highlighted in the CIPFA Practice Note February 2021 have been considered and implemented.	1	Service Director (Legal and Communities) / Service Director (Resources)
Handling Difficult Customers Policy	To provide assurance that the policy is applied in practice, identification procedures exist and there are sufficient monitoring and enforcement activities in place.	1	Service Director (Customers)
Compliance Contract	To provide assurance that suitable alternative arrangements exist to ensure service provision is retained following the impending termination of the current contract.	1	Service Director (Resources)
Revenues Discounts and Exemptions	To provide assurance that discounts and exemptions on Council Tax and Business Rates have been correctly applied and, where appropriate, removed.	2	Service Director (Customers)
Community Lottery	To provide assurance that the governance arrangements for the partnership with Gatherwell are appropriate,	2	Service Director (Commercial)

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

	including the partnership agreement and suitable policies being in place.		
Green Space Strategy	To provide assurance that suitable monitoring arrangements exist to assess the alignment of the principles of the strategy to the actions taken and that contractor works align to the contractual agreement and the current strategy.	2	Service Director (Place)
Leisure Services (Risk ref: CR68.1)	To provide assurance that contract management activities are robust and manage the SLL contract adequately. Focus to be on the ongoing recovery of Leisure Services and the reporting of contractor performance.	2	Service Director (Place)
Covid-19 Recovery (Risk ref: CR68)	To provide assurance that the Council is on track in relation to implementing the recovery plan set and that actions completed to date have achieved the expected outputs and outcomes.	3	Service Director (Resources)
Parking Strategy (Risk ref: RR571)	To provide assurance over the implementation of the Parking Strategy including action monitoring and reporting.	3	Service Director (Regulatory Services)
Licensing Enforcement	To provide assurance that policies and procedures are in place and operate in practice to actively management licences granted by the Council.	3	Service Director (Legal and Communities)
Temporary Accommodation (Risk ref: CR60)	To provide assurance over the monitoring of usage and budget management of temporary accommodation.	3	Service Director (Regulatory Services)
Prudential Code Compliance	To provide assurance that the Council is compliant with the Prudential Code.	3	Service Director (Resources)
HTH Museum and Operations (Risk ref: RR554)	To provide assurance that the commercial interests of the Town Hall and Museum are appropriately managed including budget monitoring and planning, risk management and staffing.	4	Service Director (Commercial)

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

Project Management	To provide assurance that adequate corporate frameworks and guidance exists to support officers managing projects. To include access to template, guidance and training as well as project reporting consistency.	4	Service Director (Resources)
Fees and Charges	To provide assurance that robust procedures are in place and operational in terms of setting and communicating changes to fees and charges (e.g. inflationary increases).	4	Service Director (Resources)
Apprenticeships	To provide assurance that the apprenticeship levy is fully utilised and that the apprentice policy maximises benefits for the Council and the apprentices. I.	4	Service Director (Resources)

Consultancy Assignments (15 days)

<u>Assignment Title</u>	<u>Assignment Purpose</u>	<u>Assignment Sponsor</u>
Strategic Planning (Local Plan)	To critically assess the decision-making process following the outcome of the Local Plan.	Service Director (Regulatory Services)
MSU Impact of Ways of Working	To assess the impact of the new ways of working on the Management Support Unit, to include digitalisation, home working and ongoing workload.	Service Director (Customers)

Grant Claims / Charity Certification (5 days)

<u>Grant / Charity Title</u>	<u>Purpose</u>
King George V Playing Fields	To certify the accounts relating to the King George V Playing Fields.
Workman's Hall	To certify the accounts relating to the Workman's Hall.
Miscellaneous Grants	To certify any grant claims required during the year

APPENDIX A – PROPOSED NORTH HERTS COUNCIL AUDIT PLAN 2022/23

Joint Review and Shared Learning (4 days)

Joint Review to be determined by the SIAS Board.
Shared learning activities undertaken across the year.

Contingency (5 days)

Available time for ad hoc as required.

Strategic Support (38 days)

<u>Title</u>	<u>Purpose</u>
Chief Audit Executive Annual Opinion Report	To prepare the Chief Audit Executive Opinion 2021/22.
Audit Committee	To provide services linked with the preparation, agreement and presentation at the Finance, Audit and Risk Committee reports.
Performance Monitoring	Audit plan monitoring against agree KPIs.
Client Liaison	Meetings with the S151 Officer, preparation and attendance at the Risk Group and other groups or meetings as required.
Audit Planning 2023/24	Provision of services to prepare, agree and report the 2023/24 Annual Audit Plan.
SIAS Development	Included to reflect the Council's contribution to developing the partnership.

2021/22 Carry Forward (17 days)

Available time for completion of 2021/22 projects.

APPENDIX B – AUDIT START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Careline Operations	Waste Contract	Climate Emergency	Procurement
		Business Continuity Planning	Risk and Performance Management	Cosmos Financial System
M	A minimum of 8 medium priority audits from the following (please see paragraph 2.16):			
	Safeguarding	Community Lottery	Prudential Code Compliance	Apprenticeship Levy
	Annual Governance Statement	Green Space Strategy	Licensing Enforcement	Project Management
	Compliance Contract	Leisure Services	Temporary Accommodation	Payroll – Contract Management
	Handling Difficult Customers Policy	Revenues Discounts / Exemptions	Covid-19 Recovery	HTH Museum and Operations
			Parking Strategy	
IT	Phishing	Cyber Risk	IT Hardware	
C		Impact of Ways of Working for MSU	Strategic Planning (Local Plan)	
G/C				King George V Playing Fields
				Workman's Hall
O	2021/22 Carry Forward			

Key:

H – High Priority: 100% of audits will be delivered

M – Medium Priority: Eight of these audits will be delivered, FAR Committee to approve which audits will be delivered from this list

IT – IT Audits: 100% of IT audits will be delivered

C – Consultancy: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

O - Other



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

14 MARCH 2022

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 18 February 2022;
- Note the plan amendments to the 2021/22 Annual Audit Plan

Contents

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

Appendices

- A Progress against the 2021/22 Audit Plan
- B 2021/22 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2021/22

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2021/22 as at 18 February 2022.
- b) In-Year Audit Plan review and proposed plan amendments
- c) An update on performance indicators as at 18 February 2022.

Background

- 1.2 The 2021/22 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 8 March 2021.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the final report giving an update on the delivery of the 2021/22 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 18 February 2022, 81% of the 2021/22 Audit Plan days had been delivered.
- 2.2 There have been no final reports that have been issued since the last FAR Committee report on 15 December 2021, although two charity certifications were completed and reported. In addition, there have been three draft reports issued to management since the last FAR Committee.

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

2.4 There are no outstanding high priority recommendations.

Proposed Amendments

2.5 The following plan amendments have been agreed with management within this reporting period:

- a) **Trade Waste Whitespace Integration** – Cancelled – this audit has been removed from the plan as the timeline for implementation has been amended and therefore assurance is not required at this time.
- b) **Covid-19 Recovery Phase 2** – Cancelled – this audit was cancelled as the Omicron variant shifted the Council back to response during the period that this work was due be undertaken. The days (8 days) were re-allocated to the Covid-19 Response audit.
- c) **Integra Automation** – An additional allocation of 9 days has been assigned to this project to provide addition advice relating to the IT implementation activities related to this project.

Performance Management: Reporting of Audit Plan Delivery Progress

2.6 To help the Committee assess the current situation in terms of progress against the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits (28)	Profile to 14 March 2022
Draft / Final Report Issued	16	62%	(22/26)
In Fieldwork / Quality Review	5	19%	(1/26)
Terms of Reference Issued / In Planning	4	15%	(2/26)
Not Yet Started	1	4%	(1/26)

2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2020. As at 18 February 2022, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 14 March 2022	Actual to 18 February 2022
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	89% (240 / 270 days)	81% (220 / 270 days)
2. Planned Projects – percentage of actual completed projects to draft	95%	85%	62% (16 / 26 projects)

report stage against planned completed projects		(22 / 26 projects)	
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% for those returned (6 returned from 12 issued)
4. Number of High Priority Audit Recommendations agreed	95%	95%	No high priority recommendations have currently been made in 2021/22

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2021/22 Head of Assurance's Annual Report:

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

APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 18 FEBRUARY 2022

2021/22 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Financial Systems Audits									
Grant Administration						10	SIAS	9	Quality Review
Discretionary Housing Payments	Reasonable	0	0	1	0	8	SIAS	8	Final Report Issued
Resilience in Revs and Bens						8	SIAS	7.5	Draft Report Issued
Integra Automation						17	SIAS	5	In Fieldwork
Non-UK Purchases						6	SIAS	5	Quality Review
Tax						6	SIAS	5	Quality Review
Corporate Audits									
Covid-19 Response						23	SIAS	22.5	Draft Report Issued
Covid-19 Recovery – Phase 1	Reasonable	0	0	1	2	10	SIAS	10	Final Report Issued
Covid-19 Recovery – Phase 2						0		0	Cancelled
Shaping Our Future						10	SIAS	6	In Fieldwork
Climate Emergency						0		0	Cancelled
Operational Audits									
Health and Safety of Lone Workers (EH and Housing)						10	SIAS	0.5	In Planning
Trade Waste – Whitespace Integration						0.5		0.5	Cancelled
Anti-Social Behaviour						0		0	Cancelled
Partnerships						0		0	Cancelled
Community Engagement						3	BDO	3	Draft Report Issued
Financial Resilience of Suppliers Follow Up						2	SIAS	0	In Planning

APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 18 FEBRUARY 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Development Management Follow Up	Reasonable	0	0	3	2	5	SIAS	5	Final Report Issued
LA Track and Trace Grant						2	SIAS	0.5	In Planning
Energy Improvement to Park Homes Grant						2	SIAS	0.5	In Planning
Review of FAR	Not Assessed	0	0	0	0	6	SIAS	6	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	SIAS	1	Final Report Issued
Workman's Hall	Not Assessed	0	0	0	0	1	SIAS	1	Final Report Issued
Contract Audits									
Leisure Contract	Substantial	0	0	0	1	15	SIAS	15	Final Report Issued
Corporate Governance									
Ways of Working						15	SIAS	0	Allocated
IT Audits									
Data Breaches	Substantial	0	0	0	2	10	BDO	10	Final Report Issued
Cloud Computing	Reasonable	0	0	1	1	10	BDO	10	Final Report Issued
Freedom of Information and Subject Access Requests	Substantial	0	0	0	1	10	BDO	10	Final Report Issued
Consultancy and Advisory									
Breathing Space (Debt Recovery)	Not Assessed	0	0	0	0	10	SIAS	10	Final Report Issued
Customer Services Strategy	Not Assessed	0	0	0	0	12	SIAS	12	Final Report Issued
Income Generation (Selling our Services)	Not Assessed	0	0	0	0	10	SIAS	10	Final Report Issued
Shared Learning and Joint Reviews									
Joint Reviews						3	N/A	3	Through Year

APPENDIX A – PROGRESS AGAINST THE 2021/22 AUDIT PLAN AS AT 18 FEBRUARY 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Shared Learning						2	N/A	2	Through Year
Contingency									
Contingency						0	N/A	0	Through Year
Client Management - Strategic Support									
Head of Internal Audit Opinion 2020/21						3	SIAS	3	Complete
Audit Committee						6	SIAS	6	Through Year
Client Meetings						6	SIAS	6	Through Year
Progress Monitoring						10	SIAS	10	Through Year
SIAS Development						5	SIAS	5	Through Year
2022/23 Audit Planning						10	SIAS	10	Through Year
Completion of outstanding 2020/21 projects						2.5	SIAS	2	In Progress
Total - North Herts D.C.		0	0	6	9	270		220	

Key

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/a = Not Applicable

APPENDIX B – 2021/22 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Discretionary Housing Payments Final Report Issued	Resilience in Revenues and Benefits Draft Report Issued	Trade Waste – Whitespace Integration (Added) Cancelled	Investments Tax (Moved from Q3) Quality Review
Income Generation (Selling our Services) Final Report Issued	Freedom of Information and Subject Access Requests Final Report Issued	Non-UK Purchases Quality Review	Workman's Hall and King George V Playing Fields Final Report Issued
Customer Services Strategy Final Report Issued	COVID-19 Response Draft Report Issued	Grant Administration Quality Review	COVID-19 Recovery Cancelled
Cloud Computing Final Report Issued	Development Management F/U Final Report Issued	Data Breaches Final Report Issued	Health and Safety of Lone Workers (Added) In Planning
COVID-19 Recovery Planning Final Report Issued	Breathing Space (Debt Recovery) Final Report Issued	Shaping Our Future In Fieldwork	Ways of Working (Added) Allocated
Leisure Contract Final Report Issued	LA Track and Trace Grant (Added) In Planning	Community Engagement (Added) Draft Report Issued	Financial Resilience of Suppliers F/U (Moved from Q2) In Planning
Review of the Finance, Audit and Risk Committee Final Report Issued	Energy Improvement in Park Homes Grant (Added) In Planning		Integra Automation (Moved from Q3) In Fieldwork
2020/21 Projects Requiring Completion			

The above table does not show cancelled audits as part of the interim planning cycle (reported to the September FAR Committee).

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2021/22

Audit Opinions		
Assurance Level		Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Finding Priority Levels		
Priority Level		Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

FINANCE AUDIT AND RISK COMMITTEE 16 March 2022

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: RISK MANAGEMENT UPDATE

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

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

1. EXECUTIVE SUMMARY

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

2. RECOMMENDATIONS

2.1. That the Committee notes the following

- That there were no changes to Corporate Risk scores in this quarter.

3. REASONS FOR RECOMMENDATIONS

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

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

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 14 January 2022.

7. BACKGROUND

- 7.1 At the September meeting, the Committee noted
- The review of the Covid-19 Leisure Management Contract Corporate risk with an unchanged risk score of 9 and a Target risk score of 6.
 - The review of the Novel Coronavirus (Covid-19) Recovery Corporate risk with a current risk score of 9 and a target risk score of 6.
 - The review of the Managing the Councils Finances Corporate risk with an unchanged current risk score of 9, and a target risk score of 3
 - The proposal to downgrade the Impact of Anti-Social Behaviour on Council Facilities Corporate risk to a service risk.
 - The annual review of the Risk Management Framework.
- 7.2 The FARC recommended the changes, and these were referred on to Cabinet and approved.

8. RELEVANT CONSIDERATIONS

- 8.1 The Corporate risks summarised in Table 1 have been reviewed and agreed by the Leadership Team. Members can view the current risk descriptions on Pentana, the Council's performance and risk management software. Guest Login details will be provided to members of this committee.

Table 1: Draft Risk and Opportunities Matrix

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

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

Likelihood	3 High	4	7 • Income Generation (07.10.21) • Increased Homelessness (12.12.21) ↔ • National and Regional Planning Issues (22.12.21) ↔	9 • Local Plan (22.12.21) ↔ • Managing the Council's Finances (09.09.21) • Novel Coronavirus (Covid-19) – Recovery (01.11.21) • Covid-19 - Leisure Management Contracts (11.11.21)
	2 Medium	2	5 • Brexit (EU Transition) (08.10.21)	8 • Cyber Risks (20.10.21) • Delivery of the Waste Collection and Street Cleansing Services Contract (11.11.21) • Sustainable Development - Neighbouring Authorities (22.12.21) ↔
	1 Low	1	3	6 • External Factors Affecting the Future Provision of Waste Services (23.07.21)
		1 Low	2 Medium	3 High
		Impact		

8.2 The Group did not discuss any Corporate risks reviewed since the last meeting, as there is currently nothing further to report on the Local Plan or National and Regional Planning issues, pending receipt of the Planning Inspector's report, and the risk score for Increased Homelessness remains unchanged.

8.3 The Risk Management Group (RMG) reviewed the Corporate Risk Matrix As many of the risks have been on the Risk Register for some time, they reflect risks that have materialized and become issues. Discussion focused on the fact that most of the Risks would be recaptured by the new Council Delivery Plan process, but some may not, such

as the Cyber Risks, EU Transition, and Delivery of the Waste Collection and Street Cleansing Services Contract.

- 8.4 There was some concern expressed that NHDC needs to retain oversight of cyber risks, especially in view of all services dependence on IT and how many local authorities have been hit by cyber-attacks. After discussion, it was agreed that the Council Delivery Plan templates will provide the mechanism to pull out common themes, and it is likely that Cyber Security will remain for that reason. For the new approach, it could be that high-level service risks are escalated to a corporate level if they have a wider impact on the authority.

9.0 UPDATE ON THE COUNCIL DELIVERY PLAN

- 9.1 The RMG received an update on the progress of the Council Delivery Plan which will be covered as a separate item on this Committee's agenda.

10.0 LEGAL IMPLICATIONS

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

11. FINANCIAL IMPLICATIONS

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

12. RISK IMPLICATIONS

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

13. EQUALITIES IMPLICATIONS

- 13.1 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.
- 13.2 Reporting on the management of risk provides a means to monitor whether the Council are meeting the stated outcomes of the district priorities, its targets or delivering

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

14. SOCIAL VALUE IMPLICATIONS

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

15. ENVIRONMENTAL IMPLICATIONS

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

16. HUMAN RESOURCE IMPLICATIONS

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

17. APPENDICES

- 17.1 None

18. CONTACT OFFICERS

- 18.1 Rachel Cooper, Controls, Risk & Performance Manager
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19. BACKGROUND PAPERS

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

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CABINET 22 March 2022
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PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: THIRD QUARTER REVENUE BUDGET MONITORING 2021/22

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2021/22, as at the end of the third quarter. The forecast variance is a £510k decrease on the net working budget of £17.994million, with an ongoing impact in future years of a £42k increase and requests to carry forward budget totalling £196k to fund specific projects in 2022/23. The significant component variances are detailed and explained in table 3.

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a £510k decrease in net expenditure.
- 2.3. That Cabinet approves the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a total £238k increase in net expenditure.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 14th January 2022.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2021/22 of £18.441million in February 2021. As at the end of Quarter Three, the working budget has decreased to £17.994million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2021/22 approved by Full Council	18,441
Quarter 3 2020/21 Revenue Budget Monitoring report – 2021/22 budget changes approved by Cabinet (March 2021)	(17)
2020/21 Revenue Budget Outturn Report – 2021/22 budget changes approved by Cabinet (June 2021)	377
Quarter 1 2021/22 Revenue Monitoring report - 2021/22 variances approved by Cabinet (September 2021)	560
Quarter 2 2021/22 Revenue Monitoring report - 2021/22 variances approved by Cabinet (December 2021)	(1,256)
Month 8 revenue monitoring included within 2022/23 budget report – 2021/22 variances approved by Cabinet (January 2022)	(111)
Current Working Budget	17,994

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

Table 2 – Service Directorate Budget Allocations

	Net Direct Working Budget at Q2	Changes approved at Q2	Changes approved at Month 8	Other Budget Changes during Q3	Net Direct Working Budget at end of Q3
Service Directorate	£k	£k	£k	£k	£k
Managing Director	2,221	11	0	(143)	2,089
Commercialisation	(222)	(64)	42	20	(224)
Customers	4,113	(281)	39	1	3,872
Legal & Community	2,274	(107)	(19)	39	2,187
Place	7,042	(1,263)	(59)	112	5,832
Regulatory Services	1,324	460	(114)	9	1,679
Resources	2,609	(12)	0	(38)	2,559
TOTAL	19,361	(1,256)	(111)	0	17,994

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2022/23) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Strategic Priorities Fund	131	27	(104)	The Strategic Priorities Fund is a pot of money, which was initially funded from underspends, that Leadership Team allocate to short-term projects. This includes testing out new ideas. The forecast is that £104k will remain unspent at year end. A number of uses for the funding have been identified in 2022/23 that contribute towards Council Priorities and therefore it is requested that the unspent amount is carried forward. Those uses include continued consultancy support for the Boundary Review work, funding of Artificial Intelligence software to aid process automation, investment to allow automation of financial processes in the waste team, and trying out tools to enhance community engagement.	104	0
Hitchin Town Hall Net Direct Expenditure	201	234	+33	The emergence and spread of the Omicron variant of Covid-19 and subsequent tightening of restrictions during quarter 3, whilst not preventing events from going ahead, led to event cancellations and low attendances due to the associated apprehension surrounding indoor events, especially in the run up to the Christmas period. The forecast variance also includes the estimated impact of the Town Hall being closed during the final quarter for the flooring works to take place, which has prevented the vast majority of events from taking place in February. The ongoing impact relates to a reduction in anticipated business rates following a review undertaken by an external surveyor and the resulting merger of several component hereditaments.	0	(4)
Sales Income Ledger Bad Debt Provision	30	70	+40	The increase in the estimated contribution required to the bad debt provision in 21/22 is due to the calculation containing a higher level of commercial rents income debt that is now over twelve months old. The government introduced restrictions in the recovery of commercial debt to help businesses struggling due to the pandemic.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Legal & Community Directorate Staffing Costs	1,665	1,624	(41)	The underspend variance is a result of both holding a number of vacancies and some staff temporarily working reduced hours. The estimated impact in 2022/23 relates to temporary cover required for anticipated maternity leave in Legal Services. Following an unsuccessful attempt at recruitment on a temporary contract, the staffing cover will now have to be provided through an agency at a significantly higher cost than the budget provision for the existing post. The additional salary budget is therefore requested to recognise the temporary budget pressure in 2022/23.	0	50
Leisure Centre management – additional finance support to Stevenage Leisure Limited (SLL)	82	5	(77)	The further reduction in forecast financial support required is indicative of the continued recovery in activity at the Leisure Centres, with actual usage in quarter three exceeding the recovery target for the quarter. This budget is in addition to the management fee that the Council is not expecting to receive this year.	0	0
Burial Services – Income from the sale of graves	(130)	(160)	(30)	Overachievement of income is primarily due to a significant increase in the sale of burial plots for those deceased that had resided outside of the District, for which a quadruple fee applies. This is likely to be due to a shortage of burial plot availability in other authority areas and religious requirements for the funeral to take place as soon as possible.	0	0
Regulatory Directorate Staffing Costs	3,738	3,570	(168)	Underspend is due to a combination of retirements and resignations, as well as several posts being held vacant due to the delay in the Local Plan and, in the case of Parking Services, the reduction in parking activity associated with Covid-19.	0	0
Electric Vehicles Charging Strategy	54	11	(43)	While work is ongoing, the development of the Electric Vehicle charging strategy and action plan has been delayed due to the focus on high street recovery and other priorities. The associated grant application will require specialist input and therefore a carry forward of the unspent budget is requested to finance the progress of the project in 2022/23.	43	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2022/23 £k
Repairs & Maintenance Expenditure	260	179	(81)	The underspend in this year is due to both delays in delivery of works and works being completed at lower cost. Some of the works completed at lower cost is due to them being delivered in-house rather than through an external contractor. Overall, there is a forecast saving of £32k against planned maintenance jobs completed in this financial year, with a carry forward of £49k requested to complete works that have been delayed to 2022/23.	49	0
Total of explained variances	6,031	5,560	(471)		196	46
Other minor balances	11,963	11,924	(39)		0	(4)
Overall Total	17,994	17,484	(510)		196	42

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £510k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to approve the total estimated impact on the 2022/23 budget of a £238k increase, which includes the request to carry forward £196k of budget from 2021/22 to 2022/23 (recommendation 2.3).
- 8.3. The original approved budget for 2021/22 (and therefore working budget) included efficiencies totalling £286k, which were agreed by Council in February 2021. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The forecast at the end of Quarter Two was that £286k of efficiencies will be achieved in 2021/22 and this forecast remains unchanged at Quarter Three.
- 8.4. At the start of the financial year, the working budget for 2021/22 included budgets totalling £719k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2020/21 but was delayed into 2021/22. At Quarter Two, it was forecast that £195k of the total carried forward will not be spent in 2021/22. At Quarter Three it is forecast that £318k of the budget carried forward will not be spent in the current financial year. The £123k increase in forecast unspent budget comprises:
- £27k - Single Issue Local Plan – the remaining £27k of the £40k budget carried forward is forecast to be unspent. As noted at Quarter Two, this carry forward budget was reallocated to fund the preparation of updated supplementary planning documents (SPDs). It was highlighted in the Month 8 revenue monitoring included within the 2022/23 Revenue Budget Report that the budget for SPDs would be unspent in this year, with the unspent budget requested to be carried forward.
 - £7k – Transport User Forum - the remaining £7k of the £47k budget carried forward is forecast to be unspent, as highlighted in the Month 8 revenue monitoring included within the 2022/23 Revenue Budget Report, with the unspent budget requested to be carried forward again to 2022/23.

- £54k – Strategic Priorities Fund - £54k of the £81k budget carried forward will not be spent in this financial year and has been requested to be carried forward in to 2022/23, as highlighted in table 3 above.
- £35k – Electric Vehicle Charging strategy – the £35k budget carried forward will not be spent in this financial year and has been requested to be carried forward in to 2022/23, as explained in table 3 above.

- 8.5. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. At the end of Quarter Two, two of the indicators were green and two of the indicators were red. At the end of Quarter Three, one of the indicators is green and three of the indicators are red.
- 8.6. The additional red indicator at Quarter Three relates to land charges income. The projected outturn was adjusted in the revenue monitoring estimates prepared at month 8, with actual search numbers in this year lower than the estimate used for the calculation of search fees and the corresponding income budget assumption. This is attributed to the Government phasing out in this year the temporarily reduced stamp duty rates applicable from July 2020.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Variance
		£k	£k	£k	£k
Planning Application Fees (including fees for pre-application advice)	Red	(953)	(971)	(853)	100
Land Charges	Red	(164)	(113)	(156)	8
Car Parking Fees	Red	(1,975)	(1,217)	(1,585)	390
Parking Penalty Charge Notices	Green	(573)	(453)	(573)	0

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.7. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2021 of the amount of New Homes Bonus, Lower Tier Services Grant, and Covid-19 Emergency Grant Funding it could also expect to receive in 2021/22 and planned accordingly.
- 8.8. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. In 2021/22 the Council must make a contribution from the General Fund of £77k to the Council Tax Collection Fund and £7.9m to the Business Rates Collection Fund. Both amounts are included in the calculation of the projected General Fund balance in table 6 below (the £77k Council Tax contribution is included in the estimated 'Funding' total). These amounts follow from the estimated deficits for 2020/21 declared to government in January 2021. As initially highlighted in the 2021/22 Revenue Budget Report,

government legislation introduced in response to the impact of the Covid-19 pandemic on local government finances required the repayment of the estimated 20/21 Collection Fund deficits (after adjusting for certain elements), as estimated in January 2021, to be spread in equal instalments over the following three financial years.

- 8.9. An overall deficit of £56k is forecast on the Council Tax Collection Fund at the end of the year. £54k of this deficit total is the spreading amount of the deficit for 2020/21, as estimated in January 2021, and will be charged in 2023/24 accordingly. Therefore, a contribution from the General Fund of only the remaining £2k will be required in 2022/23, as was indicated in Appendix C to the Revenue Budget 2022/23 report. The £2k contribution results from a forecast in-year surplus of £178k, which almost entirely mitigates the impact of both the £54k 20/21 deficit spreading amount payable in 2022/23 and the increase (from the January 2021 estimate) in the 2020/21 deficit reported at Outturn 2020/21. The in-year surplus is indicative of the reality in the year comparing positively to the assumptions made in the calculation of the Council Tax base for 2021/22.
- 8.10. As declared in the NNDR1 return submitted to Central Government in January 2022, there is forecast to be a deficit on the Business Rates Collection Fund at the end of this financial year of £5.76million. This total includes the third and final 2020/21 deficit spreading amount of £416k that will be included in the surplus/deficit calculation for 2022/23 and repaid in 2023/24. The contribution to the Collection Fund required from the General Fund in the next financial year 2022/23 will therefore be £5.344m. Around £3.4m of this deficit is due to the impact in the current financial year of the application of business rate reliefs introduced in response to the Covid-19 pandemic, for which the Council receives equivalent compensating grant from government. Of the remainder, £416k is the second 20/21 deficit instalment and £1.65m is the adverse movement in the position between the January 2021 estimate and the outturn position recorded, as detailed and explained in the 2020/21 Revenue Outturn report. These amounts have been slightly offset by the level of collectable business rates being higher than anticipated when the estimate for 2021/22 was prepared in January. Any movement in the deficit position for 2021/22 between that estimated now and the outturn position at the end of the year will not change the £5.344million contribution required next year and will instead impact the funding position for 2023/24.
- 8.11. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. NHDC expects to receive a grant allocation of £1.794m for non-Covid related reliefs in 2021/22, which includes an estimated amount of £142k received as compensation for the Government's decision to freeze the business rates multiplier for 2021/22, as well as a further £3.4m as compensation for temporary rate reliefs introduced by government in response to the Covid-19 pandemic. The multiplier compensation is included in the funding total in table 6 below. The rest of the grant received will be held in reserve to fund the repayment of business rate collection fund deficits recorded. Some of the amount held in reserve will therefore be used to fund the £7.9m deficit repayment required in this year.
- 8.12. The Council is also subject to a business rates levy from Central Government as NHDC collects more in business rates than the baseline need determined by Central Government. In 2021/22 NHDC is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. In 2020/21 the Council benefited from a 'pooling gain' (reduction to levy contribution) of £54k. There are however a range of potential outcomes for the current year, with the final outcome depending on the actual level of rates collected by both North Herts as well as the other collection authorities in the Pool. The Council's

contribution to the pool levy in 2021/22 will, in any case, be funded from the grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.

- 8.13. The Council has received from government non-ringfenced emergency grant funding in 2021/22 of £558k and a Council Tax Support Grant of £230k to help mitigate the financial impact of the Covid-19 pandemic. In addition, the MHCLG (now DLUHC) scheme inviting Local Authorities to apply for compensation for loss of sales, fees and charges income due to the impact of Covid-19 affecting demand was extended to cover to the end of the first quarter of 2021/22. The eligible income compensation for North Herts Council relating to 2021/22 is estimated at around £300k, as denoted in table 6 below. With all payments made under the scheme currently subject to a reconciliation process (including those reported in the last financial year), at the time of writing confirmation from DLUHC of the final compensation payment to the Council is outstanding.
- 8.14. The most significant financial impact of the pandemic in 2021/22 relates to the financial support required for SLL to maintain operations at the Council's Leisure Centres during the year. Estimated support was determined and approved by Council in January 2021, with additional budget provision of £2m included in the original revenue budget for 2021/22, which included the waiver of £817k of management fee income due to the Council. Based on the experience of the first three quarters of the financial year, the additional support required is now forecast to reduce from the budgeted total of £2m to a revised total of £822k.
- 8.15. The original revenue budget was however not adjusted for ongoing financial impacts in other service areas, with the risk instead reflected in the calculation of the minimum General Fund balance required at the start of the year. Table 5 below itemises those other service areas where the impact of Covid-19 in 2021/22 is significant.

Table 5 – COVID-19 Financial Impact on General Fund

Budget Area	Revenue Budget Impact reported at Q1	Revenue Budget Impact reported at Q2	Revenue Budget Impact reported at Q3	Total Working Budget Adjustment 2021/22	Eligible for Income guarantee *	Estimated Sales, Fees and Charges (SFC) Contribution	Balance not covered by SFC contribution
	£k	£k	£k	£k		£k	£k
Homeless Accommodation	160	72	0	232	No	0	232
Hitchin Town Hall	25	0	33	58	Yes	17	41
Car Parking Fees Income	102	288	0	390	Yes	78	312
Car Park Season Ticket Income	61	91	0	152	Yes	43	109
Trade Waste and Recycling	32	0	0	32	Yes	14	18
Total	380	451	33	864		152	712

* Support from Government covers 75% of relevant losses incurred up to the end of June 2021 that are in excess of 5% of the original budget for the first quarter.

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

Table 6 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2021)	(8,865)	(8,865)	-
Net Expenditure	17,994	17,484	(510)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant)	(15,135)	(15,135)	0
Contribution from Funding Equalisation Reserve	(398)	(398)	0
Contribution to Business Rates Collection Fund	7,911	7,911	0
Funding from Reserves (including Business Rate Relief Grant)	(9,904)	(9,904)	0
Covid-19 un-ringfenced government grant funding	(558)	(558)	0
Covid-19 related income losses compensation to June 2021	(308)	(308)	0
Covid-19 Council Tax Support Grant	(230)	(230)	0
Carried Forward balance (31st March 2022)	(9,493)	(10,003)	(510)

- 8.17. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £2,101k, and at the end of the third quarter a total of £567k has come to fruition. The identified risk realised in the third quarter relates to;

- Lower income generated from Hitchin Town Hall as the demand for bookings takes time to fully recover following the lifting of Covid-19 pandemic restrictions (as highlighted in table 3 above) - £33k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	2,101
Known financial risks realised in Quarter 1	(217)
Known financial risks realised in Quarter 2	(317)
Known financial risks realised in Quarter 3	(33)
Remaining allowance for known financial risks	1,534

9. LEGAL IMPLICATIONS

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

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

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

16. APPENDICES

- 16.1. None.

17. CONTACT OFFICERS

- 17.1. Antonio Ciampa, Accountancy Manager
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18. BACKGROUND PAPERS

- 18.1. None.

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CABINET
22 March 2022

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2021/22

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2021/22, as at the end of December 2021.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2021/22 – 2031/32. The current estimate is a decrease in spend in 2021/22 of £0.621M and an increase in spend in 2022/23 of £0.821M. The most significant individual changes relate to £0.195M Parking Charging Payments Management System, £0.100M Match Funding for Electric Vehicle Charging and £0.100M Community Facilities Refurbishments. These are being reprofiled into 2022/23.
- 1.3 To inform Cabinet of the Treasury Management activities in the first nine months of 2021/22. The current forecast is that the amount of investment interest expected to be generated during the year is £0.066M. This is an increase of £0.016M on the working estimate reported at 2nd quarter.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of £2.424M in 2021/22 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2021/22 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2022/23 by £0.821M.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 Cabinet is asked to note the position of Treasury Management activity as at the end of December 2021.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 14th January 2022.

7. BACKGROUND

- 7.1 In February 2021, Council approved the Integrated Capital and Treasury Strategy for 2021/22 to 2031/32. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.
- 7.2 The Medium Term Financial Strategy for 2021 to 2026 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

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

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

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £129.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set. The main changes will be sales of surplus land for capital receipts as referenced in table 4.

Capital Programme 2021/22

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2021/22 to 2031/32 and the funding source for each capital scheme.
- 8.3 Capital expenditure for 2021/22 is estimated to be **£2.424M**. This is a reduction of **£0.621M** on the forecast in the 2nd quarter report (reported to Cabinet on 21st December 2021). The decrease in spend in 2021/22 is largely due to reprofiling of projects into 2022/23. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2021/22 £M	2022/23 £M	2023/24 to 2031/32 £M
Original Estimates approved by Full Council February 2021	14.718	7.919	21.114
Changes approved by Cabinet in 3rd Qrt 2020/21	1.102	0.537	0
Changes approved by Cabinet in 2020/21 Capital Outturn report	0.473	0	0
Revised Capital estimates at start of 2021/22	16.293	8.456	21.114
Executive Member – Finance and I.T. approved additional Expenditure – Financial System upgrade	0.082	0	0
Executive Member – Finance and I.T. approved additional Expenditure – Installation of high-definition cameras in the Council Chamber	0.018	0	0
Changes at Q1	-0.224	0.312	0

	2021/22 £M	2022/23 £M	2023/24 to 2031/32 £M
Executive Member – Finance and I.T. approved additional Expenditure on Careline Servers	0.015	0	0
Changes at Q2	-13.139	-2.661	-8.000
Full Council 22/23 Budget	0.150	1.439	9.719
Changes at Q3	-0.771	0.821	0
Current Capital Estimates	2.424	8.367	22.833

- 8.4 Table 2 lists the schemes in the 2021/22 Capital Programme that will start or continue in 2022/23:

Table 2: Scheme Timetable Revision:

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

Scheme	2021/22 Working Budget £'000	2021/22 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2022/23 onwards £'000
Parking Charging Payments Management System	235	40	-195	Tenders have been received and are currently being assessed.	195
Community Facilities Refurbishment	265	165	-100	This budget is demand led and the pandemic has severely impacted on the ability of community and voluntary sector organisations to consider small or large scale capital projects. Their usual activity has been diverted to supporting those vulnerable individuals in the community so has affected their capacity to apply at the present time.	100
Match Funding Electric Vehicle charging Points	100	0	-100	In the process of working up a Government grant application which will take the next couple of months, including finding out whether we have been successful.	100

Scheme	2021/22 Working Budget £'000	2021/22 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2022/23 onwards £'000
Mrs Howard Hall Boiler/windows	63	0	-63	Whilst negotiations to agree and complete a full repairing lease with the current tenant of Mrs Howard Memorial Hall have progressed well in 2021, those negotiations continue. Until the lease is completed and NHDC has some certainty as to the property's precise future use, it is not considered prudent to spend the capital as this may result in the money not being put to its optimum use. The lease is anticipated to be agreed and completed in Quarter 3 or Quarter 4 of 2022-23, although this timescale is an estimate and cannot be guaranteed at this point in time.	63
Replacement Floodlights St Marys	60	0	-60	Due to having to prioritise other works this project has been delayed in to 2022/23.	60
Leisure Condition Survey- Letchworth Outdoor Pool	82	24	-58	The Letchworth Outdoor Pool re-roofing project has been delayed by Covid. The works is now scheduled to take place in Sept/Oct 2022	58
Icknield Way Cemetery Paths	50	0	-50	Initial procurement exercises did not result in a suitable contractor being identified for the works – therefore this exercise will have to be repeated with the view of potentially undertaking the works in the summer when weather conditions are more favourable	50
Install On Street Charging	50	0	-50	This project has been put on hold while we are undertaking a feasibility study on alternative methods of payment which links in with the Parking Charging Payments Management System	50

Scheme	2021/22 Working Budget £'000	2021/22 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2022/23 onwards £'000
Royston Leisure Centre Solar Thermal Installation	50	0	-50	Project delayed due to pre investigation works required which include detailed feasibility and specification of the system to ensure compatibility with existing system.	50
Museums Services Development- Canopy over the terrace	48	0	-48	Structural issues with the design of the building mean this is proving difficult to achieve, with no obvious anchor points for a canopy type structure. We await investigations into the cause of a recent leak in the terrace area to see whether this might present an opportunity for this to be achieved through a slight redesign of the kitchen roof and terrace area.	48
North Herts Museum Platform Lift	40	0	-40	The providers of the original lift have tried a number of changes to the lift which appear to have worked for now and averted the need for this spend, but this has not been tested for long enough to conclusively state that a replacement lift is not needed.	40
Other minor changes			-7		7
Total Revision to Budget Profile			-821		821

8.5 There are also changes to the overall costs of schemes in 2021/22. These changes total a net increase of £0.050million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2021/22:

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

Scheme	2021/22 Working Budget £'000	2021/22 Forecast Spend £'000	Difference £'000	Comments
North Herts Leisure Centre Sauna Refurbishment	0	150	150	The Sauna has been closed since January. Full Council approved the reprofiling of this budget into 21/22 from 22/23 to enable a full refurbishment to be undertaken.

Scheme	2021/22 Working Budget £'000	2021/22 Forecast Spend £'000	Difference £'000	Comments
S106 Projects	75	115	+40	To date, a total of £114k of S106 funds have been released for community schemes.
Other minor changes			+10	
Total revision to scheme spend			+200	

8.6 Table 4 below shows how the Council will fund the 2020/21 capital programme.

Table 4: Funding the Capital Programme:

	2021/22 Balance at start of year £M	2021/22 Forecast Additions £M	2021/22 Forecast Funding Used £M	2021/22 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	6.229	2.910	(2.203)	6.936
S106 receipts			(0.150)	
Other third party grants and contributions			(0.036)	
IT Reserve / Revenue			(0.035)	
Planned Borrowing			0	
Total			(2.424)	

8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2021 was negative £5.18M. Based on current forecasts it will remain negative during 2021/22

Treasury Management 2020/21

8.9 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve and provisions balances and variations in cash due to the timing of receipts and payments. During the first nine months, the Council had an average investment balance of £58.5M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices. However, the £5M limit on the Council's Current Account was exceeded on 9th December for one day. The balance was £15M. This happened because the whole of the Council's IT systems were down for the majority of the day. When the systems were operational in the afternoon, the cut off times for placing investments had passed. As we

thought that the unavailability would only be for a short period, we did not look at alternative options for moving the funds.

- 8.10 During the quarter the Council has had higher than usual cash balances due to the various grant funding that it has been given by Government to pass on to businesses. Even though every effort has been made to pass the money on to businesses as quickly as possible, there has inevitably been a delay between receipt and payment. There have also been tranches of grant where the amount received has exceeded the amounts eligible for payment. Balances have also been higher due to the delays in capital spend in 2021/22. These have both been partially off-set by revenue costs and reduced income related to Covid-19. It has been necessary to keep the business grant funding very liquid, and therefore the level in short-term investments with the Debt Management Office has remained high.
- 8.11 The Council generated £0.036M of interest during the nine months of 2021/22. The average interest rate on all outstanding investments at the 31st December was 0.12%. Interest rates have continued to remain low so consequently any new investments are yielding significantly less than the average interest rate on all outstanding investments at the 31st March which was 0.41%. Based on current investments and forecasts of interest rates (which have started to rise) and cash balances for the remainder of the year, it is forecast that the Council will generate £0.066M of interest over the whole of 2021/22.
- 8.12 As at 31st December 2021 the split of investments was as shown in the table below. There were no investments with non-UK banks during the quarter due to the high Country rating that we have set for international investments.

Banks	21%
Building Societies	21%
Government	26%
Local Authorities	27%
Money Market Fund (MMF)	5%

- 8.13 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 December 2021. The most risky investment has a historic risk of default of 0.074%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 31 Dec	Historic Risk of Default %
Public Sector Deposit Fund (MMF)	3.0	0.04	AAAmf	Call	0
Principality Building Society	2.0	0.07	BBB+	18	0.007

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 31 Dec	Historic Risk of Default %
Leeds Building Society	2.0	0.07	A-	18	0.002
Bank of Scotland	2.0	0.03	A+	18	0.004
North Lanarkshire Council	2.0	0.03	AA-	19	0.001
Nationwide Building Society	1.0	0.07	A	19	0.002
Principality Building Society	1.0	0.08	BBB+	28	0.011
DMO (Government)	3.0	0.06	AA-	28	0.002
Suffolk County Council	5.0	0.03	AA-	32	0.002
Santander UK	1.0	0.08	A+	47	0.006
Barclays	2.0	0.02	A+	52	0.007
Santander UK	1.0	0.08	A+	52	0.007
DMO (Government)	11.0	0.05	AA-	54	0.003
DMO (Government)	3.0	0.05	AA-	56	0.004
Leeds Building Society	1.0	0.06	A-	59	0.008
Newcastle Building Society	1.0	0.11	*	59	0.023
Slough Borough Council	2.0	0.1	AA-	60	0.004
Slough Borough Council	1.0	0.1	AA-	60	0.004
Nationwide Building Society	1.5	0.05	A	76	0.010
Lloyds	3.0	0.05	A+	80	0.012
Barclays	1.0	0.29	A+	118	0.015
Santander UK	1.0	0.34	A+	119	0.015
Nat West	2.0	0.46	A	151	0.020
Yorkshire Building Society	3.0	0.22	A-	152	0.020
West Dunbartonshire Council	5.0	0.05	AA-	168	0.011
Marsden Building Society	1.5	0.25	*	192	0.074
Moray Council	3.0	0.2	AA-	234	0.015
Nat West	1.0	0.39	A	258	0.033
	66.0	0.12			

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

DMO and Local Authority credit ratings are the UK credit rating.

9. LEGAL IMPLICATIONS

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

9.2 Section 151 of the Local Government Act 1972 states that:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

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

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 8 of the report.

10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £3.8M higher than the budgeted £33.6M.

10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £1k per year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2021 was negative £5.18M.

10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software). Some of the major capital projects have been included in the Council's Corporate Risks (such as the new North Hertfordshire Museum). The Corporate Risks are monitored by the Finance, Audit and Risk Committee and Cabinet.

11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications.

16. APPENDICES

- 16.1 Appendix A, Capital Programme Detail including Funding 2021/22 onwards.
16.2 Appendix B, Treasury Management Update.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)
<https://democracy.north-herts.gov.uk/documents/b8344/Items%20Referred%20from%20Other%20Committees%20-%206b%20-%20Investment%20Strategy%20Capital%20and%20Treasury%2011th-Feb-202.pdf?T=9>

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		Spend / Forecast Spend						Funding				
		2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 - 2031/32 Funding £					
Project	Service Directorate							Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	15,000	0	12,000	0	14,000	16,000	0	0	0	0	57,000
Access Burymean Road	Commercial	5,300	0	0	0	0	0	0	0	0	0	5,300
Alteration & improvement to underground drainage at Coombes Community Centre, Royston	Commercial	50,000	0	0	0	0	0	0	0	0	0	50,000
Alternative to safeword tokens for staff/members working remotely	Customers	1,900	5,000	0	3,000	0	22,000	0	0	0	0	31,900
Avenue Park Floodlights	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Avenue Park Splash Park	Place	0	0	70,000	0	0	0	0	0	0	0	70,000
Back-up Diesel 40 KVA Generator (DCO)	Customers	0	0	25,000	0	0	0	0	0	0	0	25,000
Baldock Town Hall project	Legal and Community	17,600	0	0	0	0	0	0	0	0	0	17,600
Bancroft Lighting	Place	0	0	45,000	0	0	0	0	0	0	0	45,000
Bancroft & Priory Splash Pads	Place	0	0	0	35,000	0	0	0	0	0	0	35,000
Bury Mead Road Transfer Facility	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Cabinet Switches - 4 Floors	Customers	18,000	0	0	18,000	0	18,000	0	0	0	0	54,000
Cadcorp Local Knowledge & Notice Board Software	Customers	5,400	0	0	0	0	0	0	0	0	200	5,200
Careline Servers	Customers	15,000	0	0	0	0	0	0	0	0	0	15,000
CCTV at DCO & Hitchin Town Hall	Customers	15,000	5,000	0	0	0	0	0	0	0	0	20,000
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	Customers	35,000	0	0	0	0	0	0	0	0	0	35,000
Council Chamber - upgrade to the cameras / software	Customers	18,300	0	0	0	0	0	0	0	0	0	18,300
Council Property improvements following condition surveys	Resources	122,000	554,700	0	0	0	0	0	0	0	0	676,700
Cyber Attacks - Events Monitoring Software Solution	Customers	24,300	0	0	0	0	0	0	0	0	0	24,300
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	0	0	278,000	0	0	0
Data Switch Upgrade	Customers	0	15,000	0	18,000	0	41,000	0	0	0	0	74,000
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	0	0	0	55,000	0	0	0	0	0	55,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Customers	22,700	0	0	0	0	0	0	0	0	0	22,700
Email Encryption Software Solution	Customers	40,400	0	0	0	0	0	0	0	0	0	40,400
Energy efficiency measures	Resources	5,500	0	0	0	0	0	0	0	0	0	5,500
Environmental Improvements	Place	0	115,000	0	0	0	0	0	0	0	0	115,000
Former Public Convenience Portmull Lane	Commercial		25,000	0	0	0	0	0	0	0	0	25,000
Great Ashby District Park safety and security	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Place	0	315,000	0	0	0	0	0	0	0	0	315,000
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	0	75,000	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Boiler Replacement	Place	0	0	0	200,000	0	0	0	0	0	0	200,000
Hitchin Swim Centre Archers Member Change and Relaxation Area Refurbishment	Place	0	0	0	0	300,000	0	0	0	0	0	300,000
Hitchin Swim Centre Changing Village Refurbishment	Place	0	0	0	0	0	225,000	0	0	0	0	225,000
Hitchin Swim Centre Fitness Equipment Replacement	Place	0	0	0	0	0	300,000	0	0	0	0	300,000
Hitchin Swim Centre Fitness Facility Refurbishment	Place	0	0	0	0	0	50,000	0	0	0	0	50,000
Hitchin Swim Centre Outdoor Pool Cover Replacement	Place	0	0	0	0	0	30,000	0	0	0	0	30,000
Hitchin Swim Centre Outdoor Pool Boiler Replacement	Place	40,000	0	40,000	0	0	0	0	0	0	0	80,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	30,000

		Spend / Forecast Spend						Funding				
		2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 - 2031/32 Funding £					
Project	Service Directorate							Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Hitchin Swim Centre Replacement of Domestic Hot Water Calorifer	Place	25,000	0	0	0	0	0	0	0	0	0	25,000
Hitchin Town Hall Additional Bar & Glassware Infrastructure	Commercial	9,300	0	0	0	0	0	0	0	0	0	9,300
Hitchin Town Hall Sprung Floor Replacement	Commercial	75,000	0	0	0	0	0	0	0	0	0	75,000
Howard Gardens Splashpad	Place	0	35,000	0	0	0	0	0	0	0	0	35,000
Ickneild Way Cemetery Footpaths	Place	0	50,000	0	0	0	0	0	0	0	0	50,000
Infrastructure Hardware	Customers	2,200	28,000	0	278,000	0	167,000	0	0	0	0	475,200
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	0	0	50,000	0	0	0
Integra - Centros Upgrade	Resources	81,900	0	0	0	0	0	0	0	0	0	81,900
Ivel Springs Footpaths	Place	0	10,000	0	0	0	0	0	0	0	0	10,000
John Barker Place, Hitchin	Regulatory	0	1,096,000	0	0	0	0	0	0	270,400	0	825,600
Lairage Multi-Storey Car Par - Structural wall repairs	Resources	10,000	107,200	0	0	0	0	0	0	0	0	117,200
Laptop Purchases for Officers	Customers	90,000	0	0	0	0	0	0	0	0	35,000	55,000
Laptops - Refresh Programme	Customers	46,900	15,000	10,000	15,000	294,000	0	0	0	0	0	380,900
Leased Vehicles	Resources	0	141,000	0	0	0	0	0	0	0	0	141,000
Leisure Condition Survey Enhancements	Place	24,000	58,000	80,000	0	0	0	0	0	0	0	162,000
Letchworth Multi-storey Car Park - parapet walls, soffit & decoration	Resources	0	129,000	0	0	0	0	0	0	0	0	129,000
Letchworth multi-storey car park - lighting	Resources	1,800	0	0	0	0	0	0	0	0	0	1,800
Letchworth Outdoor Pool Boiler Replacement	Place	40,000	0	40,000	0	0	0	0	0	0	0	80,000
Match funding for Electric Vehicle charging	Regulatory	0	100,000	0	0	0	0	0	50,000	0	0	50,000
Members Laptops Refresh Programme	Customers	0	0	30,000	0	0	60,000	0	0	0	0	90,000
Microsoft Enterprise Software Assurance	Customers	0	617,000	0	0	679,000	747,000	0	0	0	0	2,043,000
Mrs Howard Hall Replacement Boiler & Windows	Resources	0	63,000	0	0	0	0	0	0	0	0	63,000
Museum and Commercial Storage Facility at Burymead Hitchin	Commercial	0	2,000,000	2,000,000	0	0	0	0	0	0	0	4,000,000
New Mausoleum	Place	0	250,000	0	0	0	0	0	0	0	170,000	80,000
Newmarket Road Royston Skatepark & Access	Place	0	0	90,000	0	0	0	0	0	0	0	90,000
NH Museum & Community Facility	Commercial	0	48,300	0	0	0	0	48,300	0	0	0	0
NH Museum Platform Lift Solutions	Commercial	0	40,000	0	0	0	0	0	0	0	0	40,000
NHLC Boiler Replacement	Place	0	0	200,000	0	0	0	0	0	0	0	200,000
NHLC Dryside Changing Area	Place	0	0	100,000	0	0	0	0	0	0	0	100,000
NHLC Interactive Water Feature	Place	0	0	0	0	0	120,000	0	0	0	0	120,000
NHLC Pool Flume Replacement	Place	0	0	0	0	0	150,000	0	0	0	0	150,000
NHLC Refurbish Gym Floor	Place	2,700	0	0	0	0	0	0	0	0	0	2,700
NHLC Replacement of Sport Hall heating system	Place	31,100	0	0	0	0	0	0	0	0	0	31,100
NHLC Sauna Steam Refurbishment	Place	150,000	0	0	0	0	0	0	0	0	0	150,000
Northern Transfer Station	Place	0	0	0	3,000,000	3,000,000	0	0	0	0	0	6,000,000
Norton Common Footpaths	Place	0	0	10,000	0	0	0	0	0	0	0	10,000
Off Street Car Parks resurfacing and enhancement	Resources	50,000	185,500	8,000	0	0	0	0	0	0	0	243,500
Oughtonhead Common Footpaths	Place	0	0	20,000	0	0	0	0	0	0	0	20,000
Oughtonhead Signage & Interpretation	Place	0	10,000	0	0	0	0	0	0	0	0	10,000
Park Recycling Litter Bins	Place	13,400	0	0	0	0	0	0	0	0	0	13,400
Parking Charging, Payments & Management	Regulatory	40,000	195,000	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	0	0	0	0	150,000	150,000	0	0	0	0	300,000
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	36,000	20,000	0	0	0	0	0	43,000	0	0	13,000
PC's - Refresh Programme	Customers	13,000	8,000	7,000	13,000	7,000	34,000	0	0	0	0	82,000
Playground Renovation District Wide	Place	180,000	180,000	180,000	180,000	180,000	900,000	0	0	34,800	0	1,765,200
Polling Booths for Elections	Legal and Community	31,100	0	0	0	0	0	0	0	0	0	31,100
Private Sector Grants	Regulatory	90,600	60,000	60,000	60,000	60,000	300,000	0	0	0	0	630,600
Provide housing at market rents.	Commercial	103,200	0	0	0	0	0	0	0	0	0	103,200
Ransoms Rec Footpaths, Gates and Railing	Place	0	10,000	20,000	0	0	0	0	0	0	0	30,000

Project	Service Directorate	Spend / Forecast Spend						Funding				
		2021/22 Funding £	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 - 2031/32 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Refurbishment and improvement of community facilities	Legal and Community	165,300	100,000	0	0	0	0	0	0	0	0	265,300
Refurbishment of lifts at Lairage Car Park	Resources	375,000	0	0	0	0	0	0	0	0	0	375,000
Refuse & Recycling Bins	Place	0	90,000	90,000	90,000	90,000	540,000	0	0	0	0	900,000
Renovate play area Howard Park, Letchworth	Place	75,000	0	0	0	0	0	0	0	0	0	75,000
Renovate skate park at KGV Hitchin	Place	0	0	250,000	0	0	0	0	0	0	0	250,000
Replace and enhance lighting at St Mary's Car Park	Resources	0	60,000	0	0	0	0	0	0	0	0	60,000
Replace items of play equipment Holroyd Cres, Baldock	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
Replacement of Newark Close, Royston	Commercial	0	65,000	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Place	0	75,000	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	0	350,000	0	0	0	0	0	0	0	0	350,000
Riverside walkway, Biggin Lane Hitchin	Commercial	0	53,000	0	0	0	0	0	0	0	0	53,000
Royston Leisure Centre Boiler Replacement	Place	0	0	0	0	0	100,000	0	0	0	0	100,000
Royston Leisure Centre extension	Place	0	0	1,000,000	0	0	0	0	0	0	0	1,000,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	225,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	0	0	30,000	0	0	0	0	0	30,000
Royston Leisure Centre Fitness Equipment Replacement	Place	0	0	0	0	0	150,000	0	0	0	0	150,000
Royston Leisure Centre Fitness Facility Refurbishment	Place	0	0	0	0	0	50,000	0	0	0	0	50,000
Royston Leisure Centre Members Changing Refurbishment	Place	0	0	0	150,000	0	0	0	0	0	0	150,000
Royston Leisure Centre Solar Thermal Installation	Place	0	50,000	0	0	0	0	0	0	0	0	50,000
S106 Projects	Various	115,000	0	0	0	0	0	0	0	115,000	0	0
Security - Firewalls	Customers	10,800	14,000	0	16,000	0	36,000	0	0	0	0	76,800
Solar PV installation at Hitchin Swim Centre	Place	0	0	115,000	0	0	0	0	0	0	0	115,000
Solar PV installation at North Herts Leisure Centre	Place	0	0	260,000	0	0	0	0	0	0	0	260,000
Solar PV installation at Royston Leisure Centre	Place	0	0	185,000	0	0	0	0	0	0	0	185,000
St Johns Cemetery Footpath	Place	0	0	0	40,000	0	0	0	0	0	0	40,000
Tablets - Android Devices	Customers	18,900	15,000	10,000	10,000	10,000	30,000	0	0	0	0	93,900
Telephony system	Customers	10,600	0	0	0	0	0	0	0	0	0	10,600
Thomas Bellamy House, Hitchin	Commercial	0	65,000	0	0	0	0	0	0	0	0	65,000
Town Centre Parks Play Provision	Place	0	15,000	0	0	0	0	0	0	0	0	15,000
Transport Plans Implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	250,000	0	0	0
Voice Recorders Careline	Customers	6,600	0	0	0	0	0	0	0	0	0	6,600
Walsworth Common Pavilion - contribution to scheme	Place	0		300,000	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	0	0	0	4,000,000	0	0	0	0	3,200,000	800,000
Weston Hills LNR Footpath Renovation	Place	0	20,000	0	0	0	0	0	0	0	0	20,000
Wilbury Hills Cemetery Footpaths	Place	7,800	6,600	10,000	10,000	0	30,000	0	0	0	0	64,400
WiFi Upgrade	Customers	0	0	0	0	40,000	0	0	0	0	0	40,000
		2,423,600	8,367,300	5,522,000	4,136,000	8,909,000	4,266,000	298,300	856,000	457,200	3,405,200	28,607,200

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Treasury Management Update

Quarterly report
31st December 2021

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December 2021	155

Treasury Management Update

Quarter Ended 31st December 2021

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

1. Economics update

MPC meeting 16th December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to **raise Bank Rate by 0.15% from 0.10% to 0.25%** and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over **the end of the furlough scheme on 30th September** without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme ended on 30th September, (about one million people were still on furlough), was smaller and shorter than the Bank of England had feared: unemployment did not increase hugely in October. Indeed, vacancies rose to a record 1.219m in the three months to November showing there were acute shortages of labour.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron in late November potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues have reduced during the second half of 2021 and are likely to clear during 2022 when prices would be expected to subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- The Government has stepped in with some **fiscal support for the economy**, targeted mainly at the hospitality sector. Due to the huge cost of such support to date, it is likely to remain being limited and targeted on narrow sectors. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned

that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high. The MPC commented that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.

- On the other hand, it did also comment that **“the Omicron variant is likely to weigh on near-term activity”**. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references in December to inflation being expected to be below the **2% target in two years’ time**, which at November’s meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a **“modest tightening”** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times in 2022 to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November’s statement that Bank Rate would be raised “in the coming months”. That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC’s forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
 1. Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which had enormously boosted confidence that **life in the UK could largely return to normal during the second half of 2021** after a third wave of the virus threatened to overwhelm hospitals in the spring. The bursting onto the scene of **the Omicron mutation** at the end of November had threatened to cancel the Christmas holidays, but the Government decided not to impose more severe restrictions in the hope that this mild, but highly contagious variant, would not overwhelm hospitals. The big question is whether further mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The ECB joined with the Fed by also announcing on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases during the first half of 2022. Although headline inflation reached 4.9% in November, over half of that was due to energy but oil

and gas prices are expected to fall sharply after the winter. As overall inflation will fall back sharply during 2022, it is likely that the ECB will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below its target rate of 2% despite all the ECB's major programmes of monetary easing by cutting rates into negative territory and providing QE support.

China. The pace of economic growth has now fallen back after the initial surge of recovery from the pandemic and China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. However, with Omicron having now spread to China and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future; this strategy poses a potential renewed threat to world supply chains. The People's Bank of China made a start in December 2021 on cutting its key interest rate to encourage flagging economic growth.

Japan. 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated, and new virus cases have plunged. However, Omicron could reverse the success of 2021 in combating Covid. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 20th December is compared below to the last forecast (29th September) in the previous quarter. A comparison of these forecasts shows that PWLB rates have fallen, more so in the longer maturities, and show a speed up in the rate of increase in Bank Rate as inflation is now posing a greater risk. Some of the fall in PWLB rates during December was probably due to window dressing by pension and investment funds preparing their finances for the year and quarter end position for 2021 on 31st December: it was therefore expected that part of those falls would be unwound in the new year.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View 29.9.21		Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE		0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings		0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings		0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings		0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB		1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB		1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB		2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB		2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until it raised it from 0.10% to 0.25% at the MPC meeting of 16th December 2021.

A summary overview of the future path of Bank Rate

- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak between 5 and 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- However, rising gas and electricity prices last October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflationary pressures.
- On the other hand, consumers are sitting on around £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next downturn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid mutations remain a major potential downside threat in all three years as we ARE likely to get further mutations. How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?

- Purchases of gilts under QE ended in December 2021. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with whatever the new news is.

Forecasts for PWLB rates and gilt and treasury yields

The current PWLB rates are set as margins over gilt yields as follows: -.

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. Our forecasts show a steady, but slow, rise in both Bank Rate and PWLB rates during the forecast period to March 2025 but there will doubtless be a lot of unpredictable volatility during this forecast period.

Upside risk to gilt yield forecasts. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields.** This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

US treasury yields. During 2020, US President Biden and the Democratic party pushed through a huge programme of fiscal stimulus and are still trying to get another major package approved – the American Families Plan; this is still caught up in political haggling. Financial markets were alarmed that all this stimulus was happening at a time when:-

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its recent December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period, all other things being equal. It also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

Downside risk to gilt yield forecasts. There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.

- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks - on-going global power influence struggles between Russia/China/US/Iran.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 11th February 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council’s investment priorities as being:

- Security of capital
- Liquidity
- Yield

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

As shown by the interest rate forecasts in section 2, it is currently impossible to earn the level of interest rates commonly seen in previous decades. However, rates have improved during quarter 3 of 21/22 and are expected to improve further as Bank Rate continues to increase over the next two years.

Creditworthiness.

Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

Investment counterparty criteria

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

CDS prices

Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. **However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

Investment balances

The average level of funds available for investment purposes during the quarter was **£64.6m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds **£20m** core cash balances for investment purposes (i.e. funds available for more than one year).

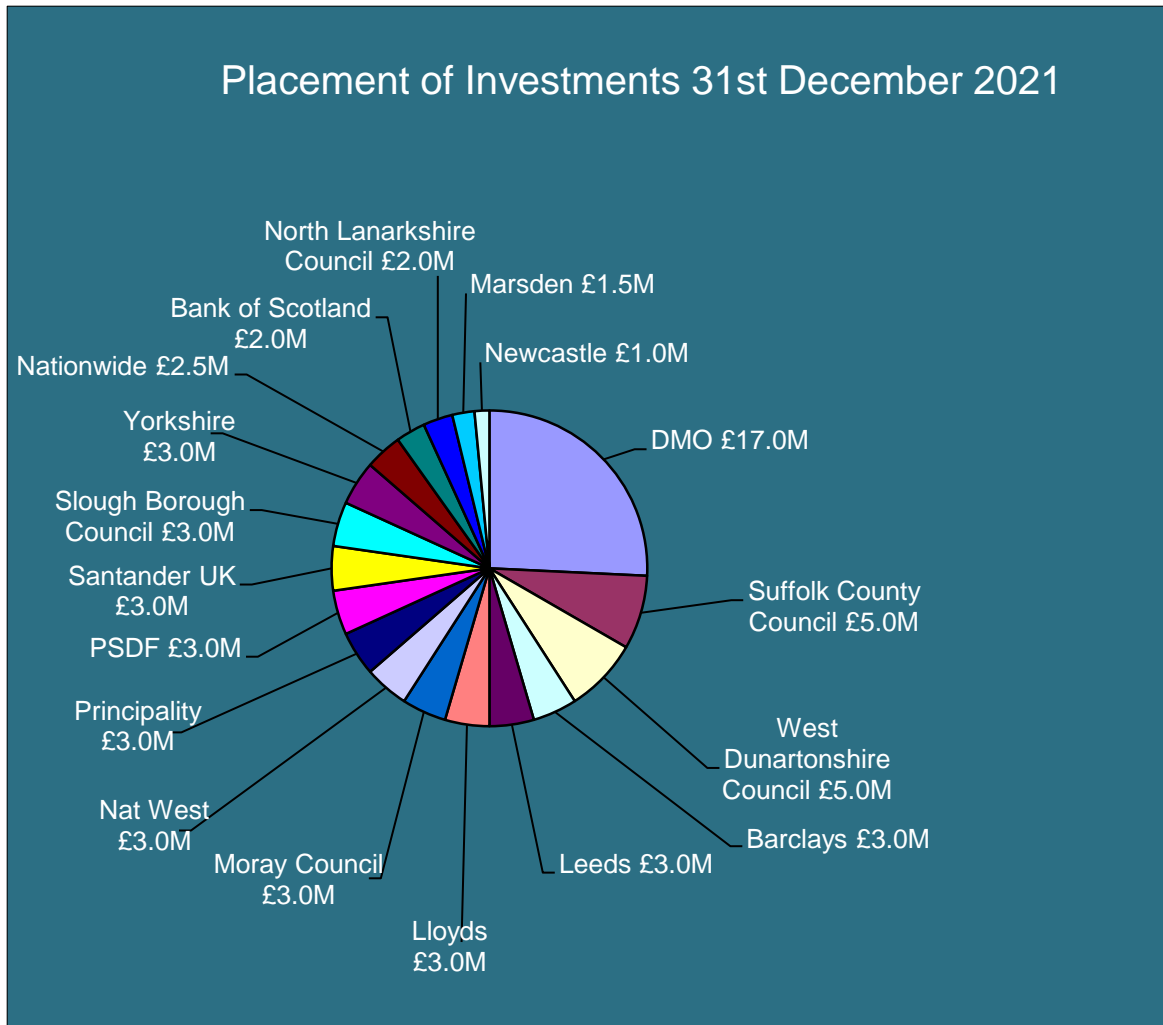
	Amount	Average
	£	Interest Rate %
Managed By NHDC		
Banks	14,000,000	0.17
Building Societies	11,500,000	0.13
Local Authorities	18,000,000	0.09
Money Market Fund	3,000,000	0.10
Government	17,000,000	0.05
NHDC Total	63,500,000	0.11
Managed by Tradition		
Building Societies	2,500,000	0.21
Tradition Total	2,500,000	0.21
TOTAL	66,000,000	0.12

In percentage terms, this equates to:

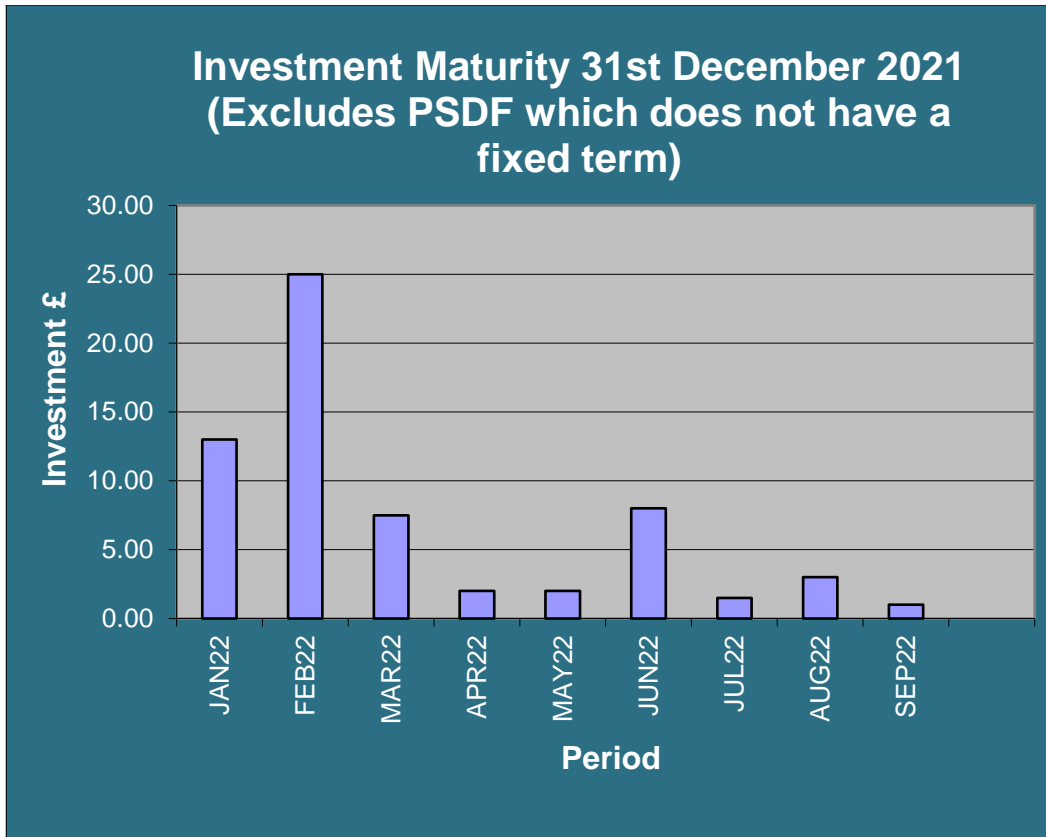
	Percentage
Money Market Fund	5
Government	26
Banks	21
Building Societies	21
Local Authorities	27

The approved 21/22 strategy is that no more than 60% of investments should be placed with Building Societies and Property Funds with a maximum value of £17M. The value at 31 December was £14.0M.

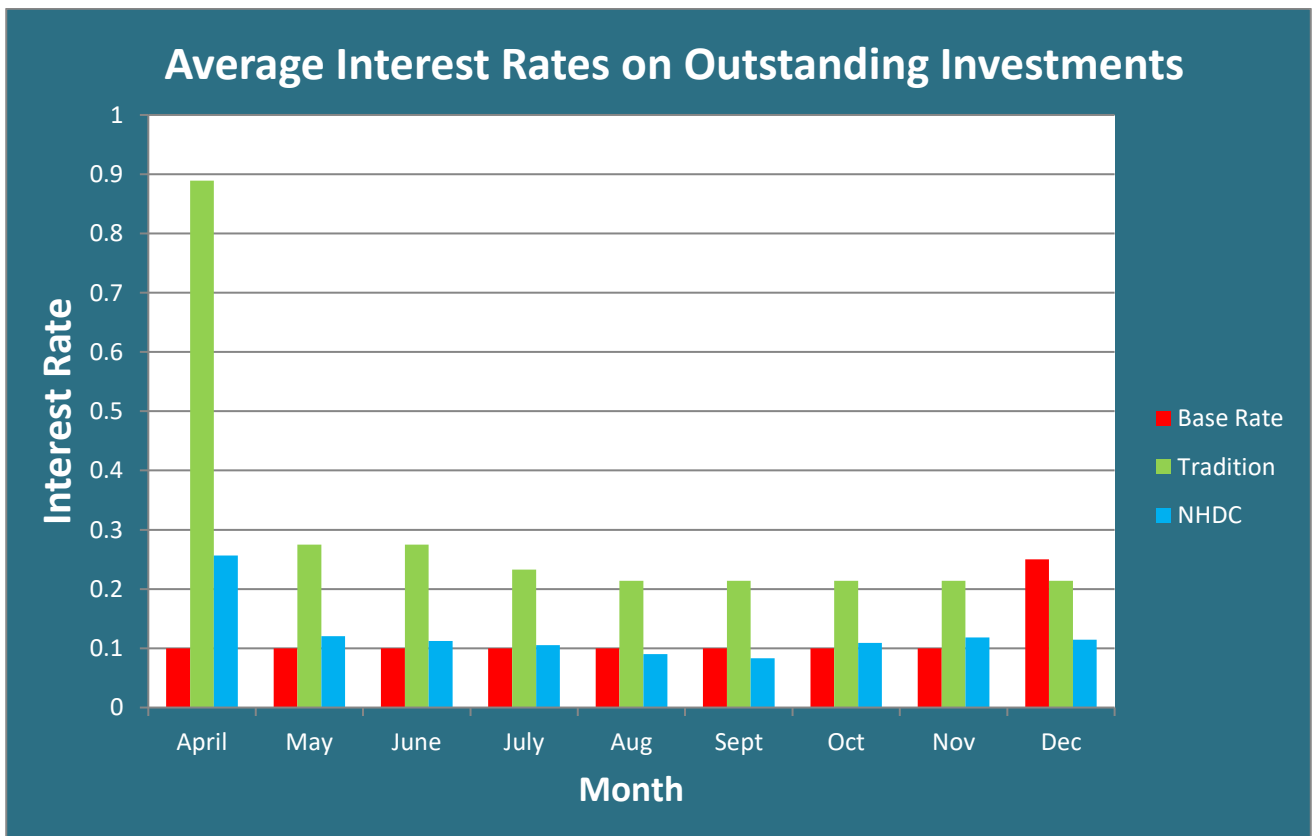
The pie chart below shows the spread of investment balances as at 31 December 2021. This is a snapshot in time that demonstrates the diversification of investments.



The chart below shows the Council's investment maturity profile. This does not include the £3.0M held in the Public Sector Deposit Fund Money Market account.



The graph below shows the average rate of interest on outstanding investments at 31 December.



The higher rates achieved through Tradition reflect that these are longer-term investments. In general, the Council can currently achieve similar rates for the same length of investment. The Council only undertakes new investments through Tradition where the rate achieved (after fees) are greater than what the Council could achieve for a similar investment. There are two Tradition deals totalling £2.5M.

Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31st December 2021. However, the £5M limit on the Council's Current Account was exceed on 9th December for one day. The balance was £15M. This happened because the whole of the Council's IT systems were down for the majority of the day. By the time the systems were operational in the afternoon, the cut off times for placing investments had passed.

4. Borrowing

No borrowing was undertaken during the quarter ended / year to 31st December 2021.)

It is anticipated that further borrowing will not be undertaken during this financial year but this is dependant on the profiled spend in the Capital Programme.

Based on 3rd quarter estimates for capital expenditure, the Council's capital financing requirement (CFR) for 2021/22 is expected to be -£4.135M (-£5.182M at the end of 20/21). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions and future forecasts.

Loans Outstanding at 31 December 2021:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£395k	10.04

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31 st March 2022 (Forecast)	0.387	1.234	0	1.621	7.9	12
31 st March 2023 (Forecast)	0.367	1.183	0	1.550	7.1	11
31 st March 2024 (Forecast)	0.347	0.603	0	0.950	7.4	12
31 st March 2025 (Forecast)	0.325	0.412	0	0.737	13.6	18
31 st March 2026 (Forecast)	2.280	0.337	1.975	0.642	14.2	19

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

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

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

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

The Prudential Indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2021/22	0.040	17.994	0.222
2022/23	0.039	18.198	0.214
2023/24	0.037	17.592	0.210
2024/25	0.035	17.390	0.201
2025/26	0.035	17.177	0.204

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

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2021/22	0.040	0.066	-0.026	17.994	-0.144
2022/23	0.039	0.119	-0.080	18.198	-0.440
2023/24	0.037	0.131	-0.094	17.592	-0.534
2024/25	0.035	0.205	-0.170	17.390	-0.978
2025/26	0.035	0.210	-0.175	17.177	-1.019

5. Debt rescheduling

No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year to date as at 31st December 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22. However, the £5M limit on the Council's Current Account was exceeded on 9th December for one day. The balance was £15M. This happened because the whole of the Council's IT systems were down for the majority of the day. By the time the systems were operational in the afternoon, the cut off times for placing investments had passed.

APPENDIX 1: Prudential and Treasury Indicators for 2021-22 as at 31st December 2021

Treasury Indicators	2021/22 Budget £'000	31.12.21 Actual £'000
Authorised limit for external debt	12,000	395
Operational boundary for external debt	7,900	395
Gross external debt	5,248	395
Investments	23,200	66,000
Net borrowing	17,952	65,605
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	18	18
12 months to 2 years	282	19
2 years to 5 years	1,291	62
5 years to 10 years	4,162	55
Upper limit for principal sums invested over 365 days	11,000 Max	0

Prudential Indicators	2021/22 Budget £'000	31.12.21 Actual £'000
Capital expenditure	16,169	1,000
Capital Financing Requirement (CFR)	5,100	-4,668
Annual change in CFR	10,282	514
In year borrowing requirement	5,248	0
Ratio of financing costs to net revenue stream	0.71%	-0.09%

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FINANCE, AUDIT AND RISK COMMITTEE 16 MARCH 2022
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*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: TAX COMPLIANCE FRAMEWORK

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE AND EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

This report sets out a Tax Compliance Framework for the Council. The purpose of the report is to seek comments from the Committee on the framework. Once finalised it will be submitted to Her Majesty's Revenue and Customs (HMRC), along with relevant detailed attachments. Having a framework will demonstrate best practice and also support the relationship that the Council has with HMRC.

2. RECOMMENDATIONS

- 2.1. That the Committee comment on and note the proposed Tax Compliance Framework.

3. REASONS FOR RECOMMENDATIONS

- 3.1. *The Council will benefit from having a Tax Compliance Framework, as it means that it will be allocated a contact at HMRC to discuss any relevant issues. This will support ongoing tax compliance. It also demonstrates best practice.*

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. *There is not a statutory requirement for the Council to have this framework in place. It is however considered to be beneficial to have one.*

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 *The Executive Member for Finance and IT has been consulted. This committee are being consulted given the subject matter concerned.*

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The Finance Act 2016 sets out that large companies and groups of companies must publish a Tax Strategy. Other organisations (including Local Authorities) can choose to publish (on their website) and submit (to HMRC) a Tax Strategy.
- 7.2. A tax strategy includes the following information:
- how your organisation manages UK tax risks
 - your organisation's attitude to tax planning
 - the level of risk your organisation is prepared to accept for UK taxation
 - how your organisation works with HMRC
 - any other relevant information relating to taxation.

8. RELEVANT CONSIDERATIONS

- 8.1 It is felt that having a tax strategy demonstrates good practice. Having a strategy also improves how the Council engages with HMRC. That would help with future tax compliance and also reduce some of the administration involved with dealing with HMRC.
- 8.2 The Finance Act refers to the document as a Tax Strategy. It is felt that it more appropriate for the Council to describe it as a compliance framework. The document describes what the Council is already doing, so the creation of this document is not setting a new strategy. From an internal control perspective it has been helpful to document what we are doing.
- 8.3 When the final framework document is submitted to HMRC it will include an appendix with detailed process information about how the Council ensures tax compliance. This is detailed as Appendix A in the framework. This has not been included for the Committee as it is still being finalised and is very operational in its content. The Service Director: Resources will ensure that the Appendix accurately details the Council's processes.
- 8.4 SIAS (Shared Internal Audit Service) will be reviewing the tax compliance framework. Any feedback will be used to update the framework before it is submitted/ published.

9. LEGAL IMPLICATIONS

- 9.1 The terms of reference on the Finance, Audit and Risk Committee include (at 10.1.5 (v)) "[t]o review any issue referred to it by the Managing Director, Statutory Officer or Service Director". The Council's section 151 Officer (following consultation with the Council's Monitoring Officer) has determined that this report is relevant to this Committee.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

- 11.1. *Having a framework in place should support tax compliance, and therefore reduce the risks faced by the Council.*

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 equalities implications arising from this report.*

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 *It is expected that in the medium term there will be some administrative benefits from having a framework in place.*

16. APPENDICES

- 16.1 *Appendix A- Tax compliance framework*

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 *None*

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North Herts Council

Tax Compliance Framework 2022/23

Introduction

This framework sets out our approach to managing North Herts Council's (The Council's) tax affairs. This strategy, along with our operational governance regarding tax, is approved by our Chief Finance Officer and subject to periodic review by the Leadership Team.

North Herts Council is a Local Authority regulated by statute – largely the Local Government Act 1972 as amended. As a Local Authority, the Council's ability to generate income in competition with the Private Sector is limited. therefore our taxable activities are relatively few.

As a designated 'relevant body' under the Criminal Finances Act 2017, we the Council, acknowledge our responsibilities under this legislation, requiring us to prepare a Tax Strategy that demonstrates:

- 1) Our tax objectives
- 2) Our compliance with all legal requirements in respect of our tax activities and general approach to our tax activities.
- 3) Our commitment to minimising opportunities for tax evasion within our activities

1) North Herts Tax Objectives

As we are a non profit- making organisation, our tax objectives, are to account for the right amount of tax, at the right time, for all taxable activities. This is consistent with our primary responsibility, to ensure the wellbeing of our Community. The Council is accountable through our elected Councillors, and is committed to transparency responsibilities under the Freedom of Information (FOI) Act, transparency regulations and public inspection of our accounts. We will always seek to minimise the tax cost of conducting our business for the benefit of the community, while ensuring our actions are not contradictory to the intent of legislation.

Our Commitment

- Our guiding principles and codes of conduct govern how we manage our tax affairs. These are supported by both underlying detailed governance and risk management frameworks.
- When dealing with tax affairs, we will do so based on sound commercial purposes and will never act in a way that could be considered inconsistent with our understanding of the intention of Parliament, or which could be contrary to any anti abuse legislation.
- Our internal controls and reporting lines aim to ensure that any part of the council intending to undertake a transaction or activity outside the normal course of our business model must always consider the tax implications and consult with the Accountancy Team.
- The Council will not enter into artificial transactions designed to evade tax consequences.

2) Our Compliance with all legal requirements in respect of our tax activities

The Council applies professional care and diligence in the management of our tax risk, and appropriate levels of diligence to the activities of staff, partners, and contractors. We operate in an accurate, timely and transparent manner, in respect of tax activities, and manage our contact with HMRC in an open and collaborative manner.

We engage openly and constructively with HMRC on matters relating to our tax affairs. We share information about our commercial developments or transactions, especially where there are complex tax treatments. Where necessary, we will seek recognised tax advice where we are not certain of the correct approach.

We provide prompt responses to all requests for information from HMRC, including the timely submission of tax returns.

The responsibility for our tax affairs rests with our Chief Finance Officer (“CFO”) who is a member of the Leadership Team.

We are committed to being a responsible and compliant taxpayer, and we do this in two ways:

- We maintain robust internal processes and controls, designed to minimise the risk of errors that could impact the amount of tax we pay. The controls are documented in Appendix A - How we ensure Tax Compliance. These processes and controls are regularly monitored, reviewed, and tested, and underpin the submission of returns prepared for the Council, including in our role as an employer, and the returns we make for our staff.
- Where we contract with suppliers, we ensure that we correctly deal with our tax obligations in respect of payments to them.

In respect of our responsibilities under the Legislation in Criminal Finances Act 2017, we are committed to minimising the opportunity for tax fraud by the Council, our staff, partners, and contractors:

- ☐ whether that fraud be by way of evasion, false accounting, fraudulent charging, or recovery of tax - whether corporate or personal.
- ☐ in a manner proportional to its level of tax risk and impact.

We believe we have implemented reasonable prevention measures to avoid tax errors and evasion and will review this Tax Strategy annually to demonstrate our commitment.

3) Our commitment to minimising opportunities for tax evasion within our activities

The Council follows six guiding principles to minimise the opportunity for tax evasion or errors within our internal operations.

- a) Risk assessment
- b) Proportionality of risk-based prevention procedures
- c) Top level commitment
- d) Due diligence
- e) Communication (including training)

f) Monitoring and review

a) Risk Assessment

As a Local Authority operating under statute, we believe there is a low level of incentive or opportunity to perpetrate or facilitate tax fraud on a corporate basis. Similarly, we believe there is little opportunity for staff to perpetrate or facilitate tax fraud on a personal basis to a significant level due to our control framework, including segregation of duties and robust internal and external audit arrangements.

Generally, there is a low level of complexity involved in the Councils' transactions, a high level of regulation and, consequently, a low level of opportunity for deliberate tax fraud.

How we Regulate

- We have developed a detailed framework of internal controls, the Financial Regulations, to provide a robust and comprehensive approach to managing risk in relation to the taxation of our activities. This framework is structured to deliver a level of governance and oversight which is consistent with the standards we adopt in all our regulatory frameworks.
- This detailed framework is based on a series of internal controls and internal quality controls.
- The framework, along with our other financial and operational systems, are subject to a rolling independent review by our shared internal audit service (SIAS) with results reported to both our Managing Director and our Finance Audit and Risk Committee.

As a Council, we are not affected by Corporation Tax, we are a net receiver of VAT and we undertake relatively few taxable activities. A few transactions may involve the application of Stamp Duty Land Tax (SDLT).

As an employer, we are involved in

- **PAYE transactions**
- **Contractor payments and**
- **Construction Industry Scheme (CIS) transactions**

But do not believe it is our responsibility to actively assess the tax compliance of other bodies/individuals.

It is unlikely that changes in Tax legislation will have any significant impact on The Councils' finances, including changes to tax rates.. We maintain tax awareness through a retained external tax consultancy helpline provided by CIPFA, regular tax updates from Price Waterhouse Coopers tax consultants, and updates from HMRC.

North Herts Council, therefore, regards itself as a 'low risk' organisation and, additionally, regards the potential impact of tax risks also as 'low'.

b) Proportionality or risk-based prevention procedures

We consider the total elimination of tax risk to be impossible. We believe the current level of risk management is reasonable and proportionate to the level of risk and scale. We operate internal procedures and systems designed to mitigate risk – in the form of published Contract Procurement Rules and Financial Regulations. Our standard forms of contract include the requirement for contractor tax compliance.

We recognise that getting VAT treatment wrong or failing to ensure we adhere to the HMRC guidelines for Partial exemption, could have a financial impact on the Council ,and monitor this as a service risk via our risk management system (Pentana). The risk is reviewed every six months and actions taken to lower the risk wherever possible.

c) Top Level (Senior Management) Commitment

Section 151 of the Local Government Act 1972 requires that “the Council makes arrangements for the proper administration of its financial affairs.”

Financial regulations demonstrate how we meet this requirement, by setting out a clear regulatory and accountability framework for the use of our resources.

Section 114 of the Local Government Act 1988 requires “the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:

- ☐ has made or is about to make a decision which involves the Council incurring expenditure which is unlawful
- ☐ has taken or is about to take an unlawful decision which has resulted or would result in a loss or deficiency to the Council; or
- ☐ is about to make an unlawful entry in the Council's accounts.

In addition, this strategy, along with our operational governance in relation to our tax affairs, has been approved by our Chief Finance Officer and is subject to periodic review by our Leadership Team.

d) Due Diligence

The Council applies due diligence procedures, taking an appropriate risk-based approach to transactions, through our internal procedures and systems, and suppliers, who perform services on behalf of the Council .

Where transactions are planned that are significant in terms of financial and tax value, additional levels of diligence and scrutiny occur. This additional diligence may take the form of external professional advice, reports to Elected Members, external and/or internal audit consultation.

e) Communication (including training)

Prevention policies and procedures are communicated, embedded, and understood throughout the Council.

Financial transactions are conducted in accordance with the Financial Regulations and Contract Procurement Rules.

The Council operates a Whistle blowing and Money Laundering policy and has a Money Laundering Reporting process.

Appropriate tax training and awareness is provided for staff

Monitoring and Review

The Tax Strategy is subject to annual review by Officers and submitted to the Finance Audit and Risk Committee (FARC) every 2 years or when a significant change in policy is proposed, if that is sooner. Regular Internal and External Audits of all systems and policies takes place. Improvements to policies and procedures are made where necessary and, if significant, will be submitted to FARC.

Roles in the Tax Management Process

All Employees	<ul style="list-style-type: none"> • Manage day-to-day income and expenditure and seek advice on VAT and tax treatment from Accountancy Services. • Identify any new income streams or projects relating to their service area, and ensure correct tax treatment • Attend training and awareness sessions, as appropriate.
All Members	<ul style="list-style-type: none"> • Comply with all tax requirements and advice.
Cabinet	<ul style="list-style-type: none"> • Approve the Tax Strategy. • Support and promote an effective tax management culture. • Constructively review and scrutinise (as appropriate) the tax implications involved in delivering the Councils objectives and making decisions. • Responsible for oversight of Tax Compliance (with Leadership Team).
Finance, Audit and Risk Committee (FARC)	<ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the Tax Strategy, including review of proposed amendments to the Strategy prior to its presentation to Cabinet.
Shared Internal Audit Service (SIAS)	<ul style="list-style-type: none"> • Provide assurance that tax is being effectively identified and managed. • During all relevant audits, challenge the approach to tax management. • Periodically undertake specific audits of the Council's tax management process and provide an independent objective opinion on its operation and effectiveness.
Leadership Team (LT)	<ul style="list-style-type: none"> • Champion an effective Council wide tax management culture. • Ensure all reports consider tax implications as part of financial implications. • Responsible for oversight of tax management within the Council
Service Directors	<ul style="list-style-type: none"> • Ensure the correct application of tax is considered in their Directorates when delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process.
Service Director - Resources	<ul style="list-style-type: none"> • Corporate champion for tax management. • Promotes the adequate and proper consideration of tax management to senior managers and more widely within the Council.

	<ul style="list-style-type: none"> Ensures the Internal Audit work plan considers tax management.
Controls, Risk and Performance Team	<ul style="list-style-type: none"> Design and facilitate the implementation of a Tax Strategy within The Council, ensuring it meets the needs of the organisation. Act as a centre of expertise, providing support and guidance as required Collate information and prepare reports on tax matters, as necessary. Develops, supports, and promotes the Council's Financial management software Integra to assist with tax compliance Facilitates tax Training where required.
Service Managers / Project Managers	<ul style="list-style-type: none"> Responsible for the effective leadership and management of tax in their area of responsibility in line with the Council's Tax Strategy. Consider tax implications as part of Project Initiation Seek tax advice from Accountancy Services to ensure compliance.

Linked documents

Financial Regulations

Contract Procurement Rules

Risk Management Framework

How we ensure Tax Compliance

Whistleblowing Policy

Fraud Policy

Purchase Card Procedure Guide

VAT Manual

Miscellaneous List (Mislist) guide to income

Fees and Charges document

[Dealing with HMRC: Tax compliance - detailed information - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

**CABINET
22 MARCH 2022**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: COUNCIL DELIVERY PLAN FOR 22-23

REPORT OF: REPORT OF THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: LEADER OF THE COUNCIL

COUNCIL PRIORITY: PEOPLE FIRST, SUSTAINABILITY, A BRIGHTER FUTURE TOGETHER

1. EXECUTIVE SUMMARY

This report presents the Council Delivery Plan for 22-23, which includes

- The setting of key Council projects
- The identification of risks relating to delivery of the projects and
- The setting of Performance Indicators (PIs) to measure progress

2. RECOMMENDATIONS

- 2.1. That Cabinet considers and formally approves the Council Delivery Plan and any associated targets, to be monitored throughout 2022/2023 by Overview & Scrutiny Committee.

3. REASONS FOR RECOMMENDATIONS

- 3.1. An approved Council Delivery Plan provides the Cabinet with assurance that progress against achievement of the Council Plan objectives, will be monitored throughout 2022/23.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None Considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. The Council Delivery Plan was compiled in consultation with Executive Members who were consulted on the elements relating to their area of responsibility.

- 5.2. The Plan is reviewed by Overview and Scrutiny Committee and Finance Audit and Risk Committee, who can make recommendations to Cabinet.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 14 January 2022.

7. BACKGROUND

- 7.1. In December 2021, Cabinet reviewed the proposal to introduce an integrated Performance Management Framework for 22-23 onwards. The proposal was approved.
- 7.2. Previously, only Performance Indicators were approved by Cabinet with no clear link to projects being undertaken or the risks being managed within the Service areas.
- 7.3. The new approach requires Cabinet approval for the projects, risks, and performance indicators to support the delivery of the Council Plan.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council Delivery Plan (Appendix A), has been compiled by the Leadership Team, in consultation with Executive Members and brings together all the elements of Integrated Performance Management (Projects, Risks and Performance indicators) into one plan.
- 8.2 The Projects outlined in the Delivery Plan are detailed in the Council Plan 2022-27, or clearly linked to the Council Plan priorities and themes. The Council will also carry out other projects, that are linked to a statutory duty or support the delivery of Council functions. These other projects have been included if they are significant in terms of impact (e.g., in relation to staff or financial resources), but the focus is on what contributes towards delivering the Council Plan. For longer term projects, milestones will be used to monitor progress achieved during the year.
- 8.3 The Risks, are those that could impact on the delivery of the Council Plan or the Projects linked to the Council Plan. They include the level of likelihood and impact, and the mitigations to be put in place to minimise the level or risk.
- 8.4 The Performance Indicators will be the means to show us how well we are doing at achieving the priorities within the Council Plan, including measures linked to the projects detailed above.
- 8.5 The existing Risk and Performance Indicator entries on Pentana (the Council's Risk and Performance Monitoring software), have been cross referenced to the Council Delivery Plan and matched where appropriate. Any entries which do not match, will no longer be included in the Committee reports, but will be monitored by Service areas. These entries are detailed in Appendix B.

- 8.6 Once approved, the Council Delivery Plan will form the basis of quarterly reporting to Overview and Scrutiny to monitor Performance for the 2022-23 year. It is expected that they will make recommendations to Cabinet throughout the year.
- 8.7 Finance Audit and Risk Committee will no longer receive regular reports on specific risks but will receive reports in relation to the effective development and operation of risk management. They have been given the opportunity to comment on the Plan at the formulation stage.
- 8.8 As this is the first year of operation of this new way of considering integrated performance, the approach may need to evolve during the year. Overview and Scrutiny and Cabinet will be able to consider any changes as part of the quarterly review reports.

9. LEGAL IMPLICATIONS

- 9.1 The constitution determines the role of Cabinet as including: “To take decisions on resources and priorities, together with other stakeholders and partners in the local community, to deliver and implement the budget and policies decided by the Full Council. To monitor performance and risk in respect of the delivery of those policies and priorities” (paragraph 5.6.3) .
- 9.2 The constitution determines the role of Overview and Scrutiny as including: “To review performance against the Council's agreed objectives/ priorities and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/ or service area. To consider risks to the achievement of those objectives/ priorities. To make recommendations to Cabinet” (paragraph 6.2.7 (s)).
- 9.3 The constitution determines the role of Finance, Audit and Risk Committee as including: “to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet” (paragraph 10.1.5 (u)).

10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial implications arising from this report. Where efficiencies or investments may make a difference to service levels these are indicated in the budget proposals so they can be taken into consideration when considering the budget for the forthcoming year.

11. RISK IMPLICATIONS

- 11.1 The Council Delivery Plan aims to support the risk management process by directly linking the risks to projects being undertaken. The aim of these proposals is to strengthen the link between performance and risk and make risks more current. This should provide an improved perspective of the risks that the Council faces. It also enables Service Managers to get value from the risk monitoring process as a useful component of service management.

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 Performance reporting provides a means to monitor whether the Council is meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriated services to the Community to meet different people's needs.

13. SOCIAL VALUE IMPLICATIONS

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

14. HUMAN RESOURCE IMPLICATIONS

14.1 There will continue to be a need to align Council and Service objectives with available people resources to be able to achieve them. The Council Delivery Plan will help to make that link clearer.

15. ENVIRONMENTAL IMPLICATIONS

15.1 There are no known Environmental impacts or requirements that apply to this report. However, a number of the projects to be monitored throughout the year are related to key environmental issues.

16. APPENDICES

Appendix A – Council Delivery Plan 22-23

Appendix B – List of Risks and PIs not reported for 22-23

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20. BACKGROUND PAPERS

None

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Risk Level – Low (1-3)	
Risk Level – Medium (4-6)	
Risk Level – High (7-9)	

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
COVID RECOVERY								
Museum/ HTH Recovery <ul style="list-style-type: none"> To rebuild visitor numbers at the museum to pre-pandemic levels. To rebuild interest in hiring Hitchin Town Hall back to pre-pandemic levels. To rebuild overall income levels at the facility to pre-pandemic levels. 	1/7/2022 1/8/2022 31/3/2023	Brighter Future Together	1 - All these milestones carry the risk of new emerging variants or a worsening covid picture; separately, the booking of Hitchin Town Hall and income levels may be impacted by the rising cost of living and the reduced levels of disposable income. 2 - lack of interest in the facilities following extended period of closure and restrictions. 3 - Inability to generate income as well as hoped and to the levels targeted.	5	1 - Increased use of advertising and new website.	1	Museum Visitor numbers HTH Booking enquiries Income generated to be measured through financial monitoring reports.	37,500 400
Tourism Strategy <ul style="list-style-type: none"> Appoint Consultants Review and approve draft strategy 	31/7/2022 31/3/2023	Brighter Future Together	1 -Risk of delay in procuring consultants and subsequent delay to production of strategy	1	1 - Ensure specification for procurement is sufficiently robust and written in a timely manner. 2 - Regular meetings to be set up with consultants.	1	n/a in this year	n/a
Business Recovery: Grants <ul style="list-style-type: none"> Continued promotion of available business support 		Brighter Future Together	1 - Lack of Resources available to deliver grant schemes.	1	1 - Utilise additional resources where possible.	1	All grant applications to be processed and paid within	100%

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
grants and business rate reliefs • Complete all Government returns for reconciliation processes	Up to 30/4/2022 31/3/2023				2 - Shadowing within the team to increase resilience		Government stipulated timescales. These differ for each grant type.	
Town Centre Recovery • completion of economic recovery study for the 4 towns • Liaise with HCC and other key stakeholders with regard the experimental traffic orders for town centres • Development of permit scheme for experimental traffic orders, sub-delegate to appropriate body, enforcement to be with NHDC	30/04/2022 ongoing 31/03/2023	Brighter Future Together	1 - Resourcing the project – limited budget available 2 - Town Strategy not yet in place	3	1 - Look for external grants 2 – Planning applications to be taken through masterplanning route	1	Monitored via achievement of project milestones	n/a
Health Inequalities • Secure funding from Herts County Council (Public Health) Other milestones dependent on funding achieved.	ASAP	People First	1 – Inability to achieve funding. 2 – Delays in achieving funding affects delivery of outcomes. 3 – Terms of any funding affects what can be delivered.	7	1 - Apply for funding and then determine what is deliverable.	3	Can only be measured on commencement of project. Likely to include: Number of Homes benefitting from 'green grants'. Number of Empty properties brought back in to use.	n/a
Economic Development Strategy • Complete on-going recovery work funded by High Street Recovery Fund • Utilise feedback from recovery work to develop an Economic Development	1/4/2022 1/8/2022	Brighter Future Together	1 – Uncertainty over focus of the strategy. 2 – Determination of level of priority and the funding to be allocated from 2023/24.	5	1 - Develop Strategy options and then seek a steer on desired focus. 2 - Secure resource beyond 22/23 to deliver any strategy	3	To be measured from 2023/24 onwards. Likely to include measures related to job creation and new business start-ups.	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
Strategy for the four towns. Consult and develop an Economic Development Strategy for the rural community. <ul style="list-style-type: none"> Develop budget bid to deliver proposed Economic Development Strategy 	1/9/2022							
CLIMATE CHANGE								
Overarching PI- not linked to any one project							Electricity and Gas Energy consumption for all Council managed buildings	2,543,620
Resident/ Public EV Charging in our Car Parks <ul style="list-style-type: none"> Identify private sector partner to assist with grant application and to provide 25% of funding not met by grant as well as being responsible for on-going maintenance and future proofing Establish detailed costings for grant application Submit grant application to OZEZ for 75% of cost, with private partner providing the remaining 25% Any remaining milestones will be dependent on grant funding awarded.	31/3/2022 31/5/2022 31/7/2022	Sustainability	1 – Not successful in obtaining grant funding. 2 - Unable to identify / procure a private sector partner.	5	1 - Look at alternative methods of delivery e.g., offer land with no Council involvement.	1	Number of charging units. Charging point usage.	TBC, depends on grant awarded
Cycling Network <ul style="list-style-type: none"> Working with HCC on the production of a draft Local Cycling & Walking Infrastructure Plan 	30/6/2022	Sustainability	1 –Resourcing for NHDC and HCC 2- Timing and adoption of LCWIP by HCC transport panel	3	1- Regular communication with HCC	1	Measured through achievement of milestones	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
(LCWIP) - for formal consultation <ul style="list-style-type: none"> Following adoption of LCWIP by Highways Transport Panel will then inform work on NHC cycle strategy Other milestones dependent on LCWIP	30/11/2022		3 – Limits to what can be achieved in this financial year					
EV Charging for Council Vehicles <ul style="list-style-type: none"> Install 2 charging points in DCO rear car park (charging for 4 vehicles) 	31/5/2022	Sustainability	1- Lead-in time from supplier could cause delays 2- number of options available makes it difficult to determine optimal option	5	1 - Analyse available options from suppliers 2 - Award contract with set delivery timeline	1	Miles driven by full electric vehicles (displacement of petrol mileage)	35,000 miles
Royston Leisure Centre Solar Thermal <ul style="list-style-type: none"> Design Specification Complete procurement and appoint Contractor Meet with contractor to programme schedule of works Installation of Solar Thermal (due date dependant on project plan from contractor) <p>The final delivery date will differ to the date in the Council Plan. To ensure solar thermal technology was compatible with the existing mechanical and electrical system at RLC specialised consultants were commissioned to carry out a detailed survey which caused a delay to the original project completion date.</p>	31/5/2022 01/8/2022 15/8/2022 31/3/2023	Sustainability	1 - Tender returns over budget 2 - Delays to project plan	5	1 - Regular project meetings to be held with contractor.	5	None for RLC this year, to develop a measure of energy use savings	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
TOWN CENTRES								
Town Centre Strategies <ul style="list-style-type: none"> Consultants appointed to prepare High Level Town centre Recovery Action Plans for each town centre Once completed a scoping report will be prepared to agree overall project and governance arrangements for progression of Town Centre Strategies Commencement of work on Letchworth Town Centre Strategy, details TBC following outcome of milestone above. 	30/4/2022 30/6/2022	Sustainability	1 – Lack of available resource to produce and deliver identified strategies	5	1 - Ensure resource is available to deliver Strategies. 2 – Look for external funding 3 – Take applications through masterplanning process.	1	Achievement of project milestones	n/a
Finalise Pay on Exit Parking Review <ul style="list-style-type: none"> Consultants appointed to produce Feasibility Study to be reported to Exec Member & Deputy Recommendations to be reported to Cabinet to agree Next Steps Milestone above to determine further milestones.	31/7/2022 30/9/2022	Brighter Future Together	1 – Budget implications of selected scheme	1	1 – Produce detailed business case and go through approval process 2- Retain / replace existing machines and software	1	Future indicator to be monitored from 23/24- Car park usage	n/a
Replacement of Royston Town Hall Annexe (project will span more than 1 year) <ul style="list-style-type: none"> Ascertain, acquire, and address rights & restrictions on the site Market test site for leasing & sale on non-committal basis. Undertake options 	30/11/2022 31/10/2022	People First	1 - Cost and time in acquiring rights or addressing restrictions are prohibitive. 2 - Planning permission refused or subject to unviable conditions. 3 - Desire to retain partial community use impinges on viability. 4 - Build cost inflation impinges on viability.	5	1 - Proactive and frequent discussion with key site stakeholders. 2 - Engage reputable local & national agents to garner wide audience for marketing and generate maximum interest. 3 - Frequent communication with	2	Range, number & geographical spread of expressions of interest. Future indicator relating to rental/ capital value.	n/a n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
appraisal. Seek Cabinet decision. Other actions relating to planning and completing a lease will be in 2023/24 onwards. The timetable shows a slight delay compared to the Council Plan					Town & NHDC Ward Councillors. 4 - Consider adopting modern methods of construction.			
IMPROVING HOW CUSTOMERS ACCESS OUR SERVICES								
Customer Portal <ul style="list-style-type: none"> Researching options for development of My Account Transformation programme considers options for development Implementation of agreed options 	31/3/2022 31/5/2022 31/3/2023	People First	1 - Additional modules are not forthcoming	5	1 - Link to transformation programme and use of Tquila to develop ideas utilise suppliers experience with other Councils	5	Future PI to be monitored - Increase in sign- ups for My Account (currently just under 4000)	n/a
Help residents make payments at convenient locations <ul style="list-style-type: none"> Complete procurement and appoint supplier obtain IIN number and update documentation Send test file and payment Go live and Communication 	31/3/2022 31/8/2022 31/10/2022 30/11/2022	People First	1 -resourcing issues delay progress 2 - unexpected costs affect viability of business case 3 - residents fail to use the service provided	5	1 - Set up regular project meetings to advance project 2 - Options allow for phased implementation if costs are an issue 3 - Communication plan to be drawn up	3	Percentage of payments collected by electronic methods Percentage of Council Tax collected in year Percentage of NNDR collected in year Percentage of Sales Ledger income collected in year	99.3% 95% 93% 97%
Supplier self-service <ul style="list-style-type: none"> Explore available options in the market and determine cost/ viability Procure system and set up project team Portal set up and testing Go live and Communication 	31/8/2022 31/12/2022 28/2/2023 31/3/2023	People First	1 - failure to find viable solution 2 - resource issues delay progress 3 - suppliers do not submit invoices via the portal, fail to achieve efficiencies 4 - data security issues	5	1 - Carry out data impact assessment 2 - Set up regular project meetings to advance project 3 - Communication plan to make suppliers aware of benefits	3	% of invoices imported through the portal	0% for 22-23 / target will be 60% by end of 23/24

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
IMPROVING THE SUPPLY AND TYPES OF HOUSING ACROSS THE DISTRICT								
Empty Homes Strategy <ul style="list-style-type: none"> Development of strategy and resources. Adoption of Strategy Implementation of Strategy 	31/5/2022 31/7/2022 1/9/2022	Sustainability	1 – Resourcing further actions following adoption of the strategy 2 – Availability of empty homes that we can take forward under the strategy 3 – Cost to council of maintaining empty properties 4 – Potential reputational risk	4	1 – Funding bids for additional resource – (linked to health inequalities) 2 – Charge over property where possible to recover costs	3	Future indicator to be monitored - Empty homeowners engaged to return to occupancy	n/a
New Ways of delivering housing on Council land <ul style="list-style-type: none"> Determine a way forward/ Partnership agreement with current provider and start to consider other options for delivery. If unsuccessful, prepare a tender exercise based on the 4 plots of land already determined. Select supplier and move forward into the planning and delivery phase. Obtain relevant approval. Move to construction phase. 	31/3/2022 01/07/2022 01/09/2022 01/12/2022	Brighter Future Together	1 - Being able to develop a viable project. 2 - Housing development subject to planning. 3 - Working with the right supplier for the Council. 4 - Demand to provide more homes across the District.	5	1 - Work closely with the Finance team and selected supplier to try to develop a viable project. Factor in borrowing costs. 2 - Work closely with relevant service areas and selected supplier to ensure the proposed developments are in line with expectations. 3 - Work with the Procurement and Legal team to run a successful tender that will allow us to work with the right supplier. 4 - Align relevant policies and company values when selecting supplier.	5	Future indicators relating to number of homes delivered and income (revenue and/or capital) achieved.	n/a
Work with stakeholders to increase accommodation for single homeless people	All tbc	People First	1 - An excessive demand from the public for housing services.	8	1 - Dedicated homelessness	5	Usage of Hotel and B&B accommodation	n/a data only

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
<ul style="list-style-type: none"> Work with Haven First to secure development of hostel accommodation in Letchworth Work with other partners to secure accommodation for those with specific support needs Work with Partners to secure general accommodation for homeless people Application and utilisation of grant funding to secure specialist provision e.g., rough sleeper outreach worker. 			2 - A lack of alternative housing options. 3 - An increase in the levels of homelessness. 4 - An increased use of hotel accommodation for homeless households 5 - Major difficulties for some members of the public to access the private rented sector 6 – High levels of support for some clients		accommodation for single persons 2 – Obtain grant funding to facilitate new sites and support mechanisms			
Local Plan Implementation <ul style="list-style-type: none"> Receipt of Inspectors letter Adoption of Plan by Full Council 	Milestones to follow - All dependent on first milestone, which is not in our control	Brighter Future Together	1 - Delay in inspectors report on the new Local Plan, resulting in a longer period without appropriate guidance 2 - Increased uncertainty of planning policy base 3 – Delay or failure to adoption / implementation of the new local plan 4- Legal challenge to Local Plan 5 - Intervention by the Secretary of State, i.e., issuing a holding direction 6 – ‘Hostile’ applications in areas not designated within the Local Plan	9	1 - Ongoing advice sought from PAS, Counsel and DLUC 2 - Regular Project Board meetings 3 - Ongoing recruitment to vacant Planning Officer posts	5	N/a	n/a
Master Planning <ul style="list-style-type: none"> Liaise with developers and identify the Council's expectations with regard master planning 	All tbc	Brighter Future Together	1 – Failure to secure funding to resource the process 2 – Inspector's report modifies master planning policy	5	1 - Inspector's report recommending modifications 2 - Adoption of Local Plan by Full Council	3	N/a	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
<ul style="list-style-type: none"> Secure funding for master planning through the development of Planning Performance Agreements to seek to cover NHDC and HCC costs as far as is practicable Present master plans to Project Board for comment and support to forward onto Full Council or Planning Committee as appropriate for approval 			3 – non adoption of the Local Plan 4 – reduction in pre-application income and delay to income from planning applications		3 – Secure funding for resources through Planning Performance Agreements			
FINANCIAL SUSTAINABILITY								
Financial Sustainability/ balancing our budget <ul style="list-style-type: none"> Respond to expected consultation on funding reform Medium Term Financial Strategy (aligned to Council Plan) approved by Council Budget for 2023/34 approved by Council 	31/7/2022 30/9/2022 28/2/2023	Sustainability	1- funding reductions as a result of new funding formula 2- loss of sales, fees, and charges income due to continuing impact of COVID-19 3- not able to make the required decisions to deliver budget savings required 4- increases in costs (reductions in income) when contracts are renewed and as a result of inflationary increases	9	1 - Revise funding projections as a result of formula changes MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions will need to be made 2 - Regular budget monitoring to highlight any issues (including extent and speed of COVID recovery, and impact of inflation)	5	Budget reporting to FAR and Cabinet-overall variances, plus income performance indicators (including parking tickets purchased , garden waste sign-ups)	n/a
Full review of Council Tax Reduction Scheme <ul style="list-style-type: none"> Engage Consultant to support the project Options appraisals conducted and consultation carried out with public and major preceptors Reports to Committees, September December, and January 	31/03/2022 31/08/2022 31/01/2023	Sustainability	1 - Lack of resources and specific skills to deliver	5	1 - Commission consultant to provide expert support to the project.	3	improvement in administration of applications	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
<ul style="list-style-type: none"> Scheme implemented 	31/03/2023							
GOVERNMENT RESOURCES AND WASTE STRATEGY								
Response to Government resources and waste strategy <ul style="list-style-type: none"> Initial member consultation and service design <p>Actions in relation to new contract and finalising service design will follow in 2023/24 onwards,</p> <p>The final delivery date will differ from the Council Plan. The delay is due to the government having not yet released the outcomes from the consultations on Extended Producer Responsibility, Deposit Return Schemes, and consistency. Officers will progress discussion in Q2 on contract design even if the outcomes are unknown. This will be based on best practice and any anticipated outcomes.</p>	01/8/2022	Sustainability	1 - Delays in confirmation of government strategy or legislation 2 - Protracted decision making 3 - Lack of interest from suppliers 4 - Increased cost uncertainty 5 - Reduced income from chargeable services 6 - Protracted Contract negotiations 7 - Confusion by residents over new services 8 - Reduction in resident satisfaction due to requirements to recycle more etc. 9 - Impact on Council reputation due to difficult service change mobilisation 10 – Failure by Government to honour 'New Burdens' doctrine	9	1 - Development of plans and service design based on most likely outcomes, best practice, and financial sustainability. 2 - Regular cross party Member engagement. 3 - Early negotiations with Urbaser and parallel soft market testing.	5	To be developed, as KPIs might change due to government strategy changes Kg Residual waste per household Percentage of household waste sent for reuse, recycling, and composting	350kg 56.50%
GREEN SPACE MANAGEMENT STRATEGY								
Green Space Management Strategy <ul style="list-style-type: none"> Installation of interactive play Wilding Project <p>Other projects (e.g., play area renovations) have not been individually included.</p>	31/8/2022 31/3/2023	People First Sustainability	1 – Tenders received are not within budget.	1	1 - Set up regular project meetings to advance project 2 - Options allow for phased implementation if costs are an issue 3 - Communication plan to be drawn up	1	n/a	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
The delivery date for the Interactive play equipment differs to the Council Plan. Project delivery has been delayed due to a number of factors beyond our control. Firstly, this type of play equipment requires a power supply and detailed site surveys had to be undertaken to identify suitable options. We have had to work with UK Network Utilities to install dedicated power provision. These works are now nearing completion which will allow for the required works to be commenced to install the interactive play equipment. Further issues have compounded the delays such as longer than expected supply periods and the impacts of Covid with the contractors' staff being ill after the New Year								
CHARNWOOD HOUSE								
Charnwood House <ul style="list-style-type: none"> • Exploration of options • Market site for leasing as community hub, on non-committal basis. Undertake options appraisal. Seek Cabinet decision. • Negotiate terms with selected tenant. Seek Cabinet decision. Complete lease. 	31/03/2022 31/10/2022 Milestone completion in 2023/24	People First	1 - Covenant restriction on use 2 - Statute restriction on use. 3 - Viability of Listed Building consent conditions 4 - Demand for community hub 5 – Delays due to Asset of Community Value (ACV) listing	5	1 - Proactive and frequent discussion of community hub proposals with covenant beneficiary and local interest groups. 2 - Public communication (possibly including further open days) to market research intricacies of demand for community hub.	1	Future indicator relating to daily visitor numbers as a proportion of seats or floor area available after period of establishment. User feedback.	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
Other actions relating to planning and building works will be in 2023/24 onwards.					3 - Selection of architect with verifiable Listed Building experience. Review ACV legislation and timelines.			
MUSEUM STORAGE								
Museum Storage <ul style="list-style-type: none"> Finalise Business Case and seek approvals. Agree the design and submit planning application along with seeking other required permissions. Meanwhile, the existing Bury mead site will be cleared to Hitchin Museum. Move to construction phase will commence in 23-24 <p>There has been a delay to the project due to sourcing consultants to complete the business case and obtaining indicative pricing from contractors.</p>	30/6/2022 30/9/2022	Brighter Future Together	1 - Funding the project. 2 - Unforeseen issues with the development. 3 - Lower utilisation of the commercial storage opportunity than expected.	5	1 - Approval for the project, along with progress in line with potential grant bid submissions. 2 - Ensuring preliminary reports and surveys are carried out and that the main developer is accepting of certain risks. 3 - Scrutinising Business Plans and consultants reports and ensuring all reasonable due diligence around forecasting and modelling has been carried out.	3	Future indicator relating to uptake of commercial storage.	n/a
LOCAL GOVERNMENT BOUNDARY REVIEW								
Local Government Boundary Review <ul style="list-style-type: none"> Provision of any additional information to LGBCE on warding patterns Consultation on warding patterns by LGBCE with Council, Political Groups & General public 	May 2022 18/10/2022 10/1/2023	Brighter Future Together	1 – Failure to meet set deadlines.	3	1 - Continued use of AEA consultant; ensuring that sufficient information and responses to consultation provided to LGBCE. 2 - Continuing use and oversight via Project Board	1	Monitored via achievement of milestones	n/a

Projects			Linked Risks				Linked Performance Indicators	
Description and milestones	Due Dates in 2022/23	Main Council Plan priority	Description	Current Risk level	Risk Mitigations	Target Risk Level	Description	Target for 22-23
<ul style="list-style-type: none"> Consultation on draft recommendations with Council, Political Groups and General public 								

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2021/22 Corporate PIs – will no longer be reported

PI Code	Title	Comments
BV 12a	Working days lost due to short-term sickness absence per FTE employee	More appropriate to monitor as a service/operational indicator
BV 12b	Working days lost due to long-term sickness absence per FTE employee	More appropriate to monitor as a service/operational indicator
REG 3	Percentage of Environmental Health programmed inspections completed	More appropriate to monitor as a service/operational indicator
DC 001a	Number of planning applications taken to appeal due to 'non-determination' within the statutory time period, which were allowed	More appropriate to monitor as a service/operational indicator
DC 002	Number of planning applications where the fee has been refunded due to the application not being determined within 26 weeks	More appropriate to monitor as a service/operational indicator
LI 032a	Number of allowed planning appeal decisions	More appropriate to monitor as a service/operational indicator
MI LI 015	Number of visits to leisure facilities	To incorporate into quarterly financial monitoring and link to the budget impact
PLA 01	Number of collections missed per 100,000 collections of domestic household waste	More appropriate to monitor as a service/operational indicator
PLA 02	Number of reported missed domestic waste collections (valid complaints)	More appropriate to monitor as a service/operational indicator
PLA 03	Total number of domestic waste collections (figures vary according to the number of collection days in the month)	More appropriate to monitor as a service/operational indicator
FW 1	Overall tonnage of food waste collected	Focus on residual and reuse, recycling, and composting tonnages
GW 1	Overall tonnage of garden waste collected	Focus on residual and reuse, recycling, and composting tonnages
REG 1	Rate of homelessness prevention	Focus on use of hotel and B&B accommodation
REG 2	Rate of homelessness relief	Focus on use of hotel and B&B accommodation

2021-22 Corporate Risks – will no longer be reported

Title	Comments
National and Regional Planning Issues	Corporate focus is on Local Plan and Master Planning
Neighbouring Authorities	Corporate focus is on Local Plan and Master Planning
Cyber Risks	Whilst not directly linked to any Council projects, this is a significant and current risk. The impact of a successful cyber-attack would affect the delivery of projects, due to the reliance on IT availability. This will be monitored as a service risk, but with a high level of focus and oversight.
Brexit (EU Transition)	Risk levels have reduced. To monitor residual risks at service level.
Covid-19 - Leisure Management Contracts	To monitor at service level, with the financial impact captured as part of the financial sustainability risk.
Novel Coronavirus (Covid-19) - Recovery	To monitor as part of specific risks and projects (Corporate and Service level).

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