

NORTH HERTFORDSHIRE DISTRICT COUNCIL



10 February 2023

Our Ref Council/23 February 2023
Contact. Committee Services
Direct Dial. (01462) 474655
Email. Committee.Services@north-herts.gov.uk

To: The Chair and Members of North Hertfordshire District Council

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE COUNCIL

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON
ROAD, LETCHWORTH**

on

THURSDAY, 23 FEBRUARY 2023

at

7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda

Part I

Item		Page
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES - 19 JANUARY 2023 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 19 January 2023.	5 - 20
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 <u>Climate Emergency</u> The Council has declared a climate emergency and is committed to achieving a target of zero carbon emissions by 2030 and helping local people and businesses to reduce their own carbon emissions. A Cabinet Panel on the Environment has been established to engage with local people on matters relating to the climate emergency and advise the council on how to achieve these climate change objectives. A Climate Change Implementation group of councillors and council officers meets regularly to produce plans and monitor progress. Actions taken or currently underway include switching to green energy, incentives for low emission taxis, expanding tree planting and working to cut food waste. In addition the council is a member of the Hertfordshire Climate Change and Sustainability Partnership, working with other councils across Hertfordshire to reduce the county's carbon emissions and climate impact. The Council's dedicated webpage on Climate Change includes details of the council's climate change strategy, the work of the Cabinet Panel on the Environment and a monthly briefing on progress. <u>Declarations of Interest</u> Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking	

Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.

5. PUBLIC PARTICIPATION

To receive petitions, comments and questions from the public.

6. QUESTIONS FROM MEMBERS

To consider any questions submitted by Members of the Council, in accordance with Standing Order 4.8.11 (b).

7. NOTICE OF MOTIONS

To consider any motions, due notice of which have been given in accordance with Standing Order 4.8.12.

8. ITEMS REFERRED FROM OTHER COMMITTEES

21 - 28

Any items referred from other committees will be circulated as soon as possible.

9. PAY POLICY STATEMENT

29 - 38

REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider and approve the Pay Policy Statement 2023/24

10. REVENUE BUDGET 2023/24

39 - 68

REPORT OF THE SERVICE DIRECTOR – RESOURCES

To note and adopt the Revenue Budget 2023/24

11. INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)

69 - 126

REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the adoption of the Investment Strategy and clauses in relation to the Code of Practice on Treasury Management

This page is intentionally left blank

Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

MINUTES

Meeting of the Council held in the Council Chamber, District Council Offices, Gernon Road,
Letchworth
on Thursday, 19th January, 2023 at 7.30 pm

PRESENT: Councillors: Councillor Sam North (Chair), Councillor Daniel Allen (Vice-Chair), Ian Albert, Amy Allen, Clare Billing, Simon Bloxham, Ruth Brown, Val Bryant, Sam Collins, Adam Compton, George Davies, Elizabeth Dennis-Harburg, James Denselow, Morgan Derbyshire, Faye Frost, Chris Hinchliff, Terry Hone, Keith Hoskins, Tony Hunter, Steve Jarvis, David Levett, Chris Lucas, Ian Mantle, Gerald Morris, Ralph Muncer, Michael Muir, Sean Nolan, Tom Plater, Sean Prendergast, Adem Ruggiero-Cakir, Claire Strong, Mandi Tandi, Richard Thake, Tom Tyson, Phil Weeder and Alistair Willoughby

IN ATTENDANCE: Anthony Roche (Managing Director), Jeanette Thompson (Service Director - Legal and Community), Ian Couper (Service Director - Resources), Steve Crowley (Service Director - Commercial), Jo Dufficy (Service Director - Customers), Melanie Stimpson (Democratic Services Manager), James Lovegrove (Committee, Member and Scrutiny Manager), Eleanor Hopcraft (Committee, Member & Scrutiny Officer), Tom Marsh (Electoral Services Manager), Christopher Robson (Senior Estates Surveyor), Mark Scanes (Systems and Technical Manager) and Anne Banner (Benefits Manager), James Lovegrove (Committee, Member and Scrutiny Manager), David Airey (Council Tax Consultant)

ALSO PRESENT: At the commencement of the meeting there were no members of the public in attendance.

163 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 50 seconds

Apologies for absence were received from Councillors Kay Tart, Nigel Mason, Tamsin Thomas, Terry Tyler, Carol Stanier, Ian Moody, Raj Bhakar, Lisa Nash, Juan Cowell, Michael Weeks, Jean Green, David Barnard.

164 MINUTES - 22 SEPTEMBER, 8 NOVEMBER AND 19 DECEMBER 2022

Audio Recording – 2 minutes 27 seconds

RESOLVED: That the Part 1 Minutes of the Meetings of the Committee held on 22 September, 8 November and 19 December 2022 be approved as a true record of the proceedings and be signed by the Chair.

165 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minutes 22 seconds

There was no other business notified.

166 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 30 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded.
- (2) Members were reminded that this Council had declared a Climate Emergency. This was a serious decision and meant that, as this was an emergency, all of us, officers and Members had that in mind as we carried out our various roles and tasks for the benefit of our District.
- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (4) The Chair clarified the rules of debate for Members.
- (5) The Chair advised that a comfort break would be taken at a suitable time in the proceedings, if required.
- (6) The Chair noted that the date of this Civic Reception had been moved to Sunday 19 March 2023.

167 PUBLIC PARTICIPATION

Audio recording – 5 minutes 15 seconds

There was no public participation at this meeting.

168 QUESTIONS FROM MEMBERS

Audio recording – 5 minutes 27 seconds

(A) NHDC Providing Homeless Prevention Grant Funding to Keystage Housing

Councillor Claire Strong to Councillor Sean Prendergast (Executive Member for Housing and Environmental Health):

“I attended the last Cabinet meeting on Tuesday 13th December where Cabinet approved to award £150k of the Councils Homeless Prevention Grant to Keystone Housing (sic) to offset the department of work and pensions housing benefit subsidy loss as the council cannot recoup the full cost of the housing benefit. At the meeting Cllr Prendergast said that he would look at options to mitigate / reduce the loss. What ideas / options has Cllr Prendergast found and how much will this reduce the loss?”

Councillor Sean Prendergast gave a response as follows:

“One of the Council’s responsibilities is the management of Housing Benefit and subsidy loss. For costs that remain within the Local Authority this is a technical and financial challenge, for all Local Authorities and is widely recognised that the system is in need of government reform. Even though staff seek to maximise the amount of claim from the DWP, it is worth explaining that we as a Council already incur a subsidy loss where we have to place people in hotels. It appears this has cost the Council over £500k in the last two years, however after consultation with subsidy auditors we are able to use a higher rate, which will increase the amount reclaimable from the DWP and this is currently being reassessed. Thankfully, the overall cost has also been reduced slightly by the use of some government Homelessness Grants, but in terms of reducing this in general terms, and as you would expect from a Council that puts

homeless prevention at the forefront of its housing objectives, the Housing Team will only ever turn to hotel use as a last resort and where possible, we aim to place people in supported and stable accommodation that provides a platform for eventual resettlement into independent accommodation.

With this in mind, the subsidy loss amount for Keystage to the end of December 2022 was around £40k. Hence the proposal to cover this DWP shortfall via the use of Homeless Prevention Grant. This will increase further to the end of March 2023, however the amount is influenced by the number of residents. You will note that subsidy loss from housing benefit claims for Keystage residents is less than those placed in hotels, and of course this has the additional benefit that residents are provided with the support service they need to help get their life back on track.

We are in regular dialogue with Keystage and I can confirm that they are looking at their corporate structure, with a view to examining the possibility of obtaining the status of a private registered social housing provider and they will be reviewing this with the regulator of social housing, which may eliminate subsidy loss going forward.”

N.B. At 19.40 Councillor Morgan Derbyshire entered the Council Chamber.

Councillor Strong asked a supplementary question:

“The question was particularly aimed at the investment that had gone to Keystage. A £200k grant was given to Keystage for providing homeless accommodation and in the report to Scrutiny it did state that there was a risk to Council investments that it might not deliver on expected benefits. I would like to know that, at the point Keystage was commissioned to provide the homeless accommodation, was it known that it was likely that there would be this subsidy loss? And if so, was this possible ongoing issue addressed in papers?”

Councillor Prendergast responded:

“Firstly, it is not unusual. As alluded to in the previous answer this is a problem a lot of Local Authorities face and it is something the government needs to tackle to ensure Local Authorities do not have to rely on grants to cover this loss. At the time Keystage took on the building we were in urgent need of this type of accommodation and to be perfectly frank we still are. It is worth explaining that Keystage are a Community Interest Company, who are experienced in providing intensive support for people with complex needs and currently deliver similar schemes in Luton and Northampton. Having spoken directly to residents myself, who are now living in the accommodation, I can tell you first hand how crucial these types of schemes are, and if we have any hope of ending homelessness crisis then we need to have these schemes.

I would invite Councillor Strong to come and visit the scheme and speak with the hardworking staff and also residents who live there, it will give a great insight to the support provided to some of the most vulnerable in our society.

We have adjusted all of our hotel claims for this financial year and therefore the subsidy loss will significantly decrease, but as I've said the real key is going to be with Keystage amending their corporate structure to look at becoming a registered social provider. That would all but eliminate the subsidy loss, but you can see the benefits this type of accommodation provides to our residents, who are North Herts residents.”

(B) Local Plan Reviews

In the absence of Councillor Ian Moody, Councillor David Levett asked the following question to Councillor Ruth Brown (Executive Member for Planning and Transport).

“Now that the council has approved our local plan when does Cllr Brown expect to start the review of the plan and what is the timetable?”

Councillor Brown gave a response as follows:

“As was agreed when we adopted the Local Plan on 8 November, it commits the plan to a review by the end of this year, 2023. That does not mean the review would be completed by then, but has to start by then. There are three possible outcomes of the review; one that it remains up to date and no further action required, one that it requires a partial update and the third that it requires a comprehensive review. We’re expecting it to be the latter, but we shouldn’t prejudge the process. Detailed review and updating evidence would follow that. So there won’t be a new Plan by the end of the year, but the review will be commenced by the end of the year and we are committed to that. Officers will be scoping out the scope of that review in the second half of this year.

In the meantime our priority is to draft and adopt the Supplementary Planning Documents (SPD). You’ll notice that the Draft Developer one has gone through consultation ready for adoption and the next Cabinet on the 31 January, under Strategic Planning Matters, will be reporting on the timetable for all those SPDs.”

Councillor Levett asked a supplementary question:

“With relation to the Local Plan, there was a period where we were subject to a Judicial Review, are we now past that Review period and has there been a challenge within that period?”

Councillor Brown responded:

“Yes we have passed the Judicial Review, it was the 22 December I believe. It is not going to be Judicially Reviewed and we have had this confirmed by the Planning Inspectorate as well.”

169 NOTICE OF MOTIONS

Audio recording – 14 minutes 49 seconds

There were two motions submitted in accordance with Standing Order 4.8.12.

(A) Motion on Proportional Representation

Councillor Chris Lucas proposed the amended submitted motion as follows:

“Council notes that:

1. The electoral system used for local elections in England and Wales, First Past the Post (FPTP), is not a fair system, because it means that votes do not have equal weight and many votes are wasted.
2. The alternative to FPTP is a system of Proportional Representation (PR), where votes cast for parties translates more or less directly into seats won. There are many variants of PR. The Single Transferable Vote System (STV) variant of PR is already in use for local elections in Scotland and Northern Ireland. With this system, voters rank candidates in order of preference and those who receive the most backing (including second and subsequent choices) are elected to serve in multi-member wards.
3. The introduction of PR for local elections in Scotland has led to an increase in turn-out, which was 44.8% at the last elections held in 2022. The average turnout in the May 2022 local elections in England was 33.6% which was broadly consistent with previous comparable elections. Whilst the turnout in the May 2022 local elections in North Hertfordshire District Council was slightly higher than the national average (39%) this still falls short of the successes in Scotland and elsewhere.

4. When the Electoral Commission surveyed eligible voters who did not vote in the May 2022 local election, 9% cited the reason for not voting as “there is in point in voting because... my vote doesn’t count”. This suggests that the improved representation offered by PR encourages greater engagement in local democracy. Council believes that there should be a move to the use of a system of proportional representation for local elections as soon as is practicably possible as this would boost turnout and elect a council which is more representative of the range of political views of North Hertfordshire District Council’s residents.

Council resolves to:

1. Call upon the UK Government to commit to changing electoral law to permit the introduction of a PR system of voting in any reforms to local government presented to Parliament.
2. Instruct the Managing Director to write to North Hertfordshire District Council's three MPs to ask them to call for a change to electoral law to permit a PR system of voting and promote the matter for debate in Parliament.”

Councillor Ruth Brown seconded the motion.

The following Members took part in the debate:

- Councillor Simon Bloxham
- Councillor Elizabeth Dennis-Harburg
- Councillor Ian Albert
- Councillor Gerald Morris
- Councillor Sam Collins
- Councillor Richard Thake
- Councillor Steve Jarvis
- Councillor George Davies
- Councillor Daniel Allen
- Councillor Ralph Muncer
- Councillor Michael Muir
- Councillor Alistair Willoughby
- Councillor Ruth Brown

Councillor Chris Lucas summarised that there had been an interesting array of responses to this matter. The current system was not known and loved by people but had rather propped up Conservative governments. This was an important issue to people and because a Councillor does not see the importance, it should not be written off. Other Local Authorities had submitted motions and the letter to government had been sent by an Officer, as it was felt that it would represent the voice of the Council better than a political leader.

As part of the debate, it was suggested that the motion be amended to request the Leader of the Council write to government, not the Managing Director as submitted. This was accepted and proposed as an amendment by Councillor Lucas and seconded by Councillor Brown.

Having been proposed and seconded and, following a vote, the motion, as amended, was:

RESOLVED: That Council:

- (1) Call upon the UK Government to commit to changing electoral law to permit the introduction of a PR system of voting in any reforms to local government presented to Parliament.

- (2) Instruct the Leader of the Council to write to North Hertfordshire District Council's three MPs to ask them to call for a change to electoral law to permit a PR system of voting and promote the matter for debate in Parliament.

(B) Motion on Urgent unlocking the potential of local High Streets

N.B. At the start of this item Councillors David Levett and Simon Bloxham advised that they were business rates payers in North Herts and would therefore not vote but would remain to take part in the debate. Councillor Richard Thake advised the same also applied as he was Director of a family business that was a business rates payer.

Councillor Tom Plater proposed the motion as follows:

“This Council believes that healthy high streets are essential for employment, shopping and leisure but many shops and businesses were struggling even before the Covid pandemic: high street retail employment fell in more than three-quarters of local authorities between 2015 and 2018 according to the Office of National Statistics and more than half of all UK consumers were shopping online before the pandemic. This Council notes retail is among the sectors most affected by the coronavirus pandemic; the almost complete shutdown of non-essential shops between March and June 2020 and subsequent local and national lockdowns and ongoing restrictions has hit businesses hard, and the need for social distancing has changed the way many businesses operate reducing footfall.

The pandemic has accelerated what in many cases has been a longer trend of lower footfall and changing shopping habits: as the Portas Review a decade ago acknowledged, the form and function of many high streets needs to adapt if they are to survive.

This Council welcomes the willingness of Government to acknowledge the problems and come forward with initiatives in response to these challenges such as the furlough scheme, the Covid support business loans, and the High Street Taskforce. However, as the Treasury Select Committee stated in 2019, the current system of Business Rates places an unfair burden on “bricks and mortar” businesses compared to online retailers, and the Business Rate system needs radical overhaul.

The announcements in the Budget, though welcome, fall short of what is required: small changes to revaluation cycles and temporary discounts simply tinker around the edges, and will not deliver the support that local high streets need and deserve.

This Council resolves to:

1. Write to the Government to urge it to scrap business rates and replace them with a system which is fit for purpose and which levels the playing field between bricks and mortar businesses and online retail giants.
2. Campaign to devolve funds like the Towns Fund, Levelling Up Fund, UK Shared Prosperity Fund and other national funding pots, to give local communities, councils and regions the ultimate say in how it is spent in their area.
3. Continue to take local action to revive our high streets, including:
 - Make any data held by the council on ownership of high street properties public and in an accessible format, so that community groups seeking to buy empty shops through a community share offer have the information they need to do so.
 - Proactively contact landlords of vacant premises (and work with Chambers of Commerce, Landlord Associations and BID managers) to explore ‘meanwhile use’ options and/or encourage alternative rental models (e.g. turnover rather

than market rent) to enable new co-operatives, SMEs, social enterprises and 'community owned' businesses to open their doors on the high street."

Councillor Keith Hoskins seconded the motion.

Following the amendment to the previous motion, the Chair asked Councillor Plater to confirm who he wished to write to the government.

Councillor Plater confirmed that he would amend this to request the Leader of the Council write to government and this amendment was seconded by Councillor Hoskins.

The following Members took part in the debate:

- Councillor Chris Hinchliff
- Councillor Ralph Muncer
- Councillor Ian Albert
- Councillor David Levett
- Councillor Ruth Brown
- Councillor Elizabeth Dennis-Harburg
- Councillor Claire Strong
- Councillor Alistair Willoughby
- Councillor Adam Compton
- Councillor Keith Hoskins

In response to a point raised by Councillor Compton, the Monitoring Officer advised that there would be some difficulties in presenting ownership information, but generalised data releases could be explored. The Council publishes its own data regarding ownership of land on its own website but was unsure of the case for private information and would need to confirm.

The Chair suggested to reword the motion to 'Make any data that the Council can lawfully make public on ownership...' This was accepted by Councillor Plater, who proposed making this amendment, which was seconded by Councillor Hoskins.

Councillor Plater summarised that parking charges had been affected by decisions of central government over the past 10 years and could have been reduced were it not for these actions. Only 8 of 151 authorities in England had seen their funding increased over the last decade. A fit for purpose tax system would ensure that the burden was carried by those companies who could afford it and not local businesses. The most recent funding announcements had been late and devolving these powers would allow the Council to work with friends across Hertfordshire to provide funds to the places that need it, not just those with support in government.

Having been proposed and seconded and, following a vote, the motion, as amended, was:

RESOLVED: That Council will:

- (1) Write to the Government to urge it to scrap business rates and replace them with a system which is fit for purpose and which levels the playing field between bricks and mortar businesses and online retail giants.
- (2) Campaign to devolve funds like the Towns Fund, Levelling Up Fund, UK Shared Prosperity Fund and other national funding pots, to give local communities, councils and regions the ultimate say in how it is spent in their area.
- (3) Continue to take local action to revive our high streets, including:

- a. Make any data that the Council can lawfully make public on ownership of high street properties public and in an accessible format, so that community groups seeking to buy empty shops through a community share offer have the information they need to do so.
- b. Proactively contact landlords of vacant premises (and work with Chambers of Commerce, Landlord Associations and BID managers) to explore 'meanwhile use' options and/or encourage alternative rental models (e.g. turnover rather than market rent) to enable new co-operatives, SMEs, social enterprises and 'community owned' businesses to open their doors on the high street.

170 ITEMS REFERRED FROM OTHER COMMITTEES

Audio Recording – 80 minutes 20 seconds

8a) Referral from Finance, Audit and Risk Committee on 7 December 2022 – Annual Review of the Contract Procurement Rules

The Service Director – Resources presented the referral and advised of the following:

- The Committee had considered the changes in December and were happy to recommend to Council.
- This report detailed four sets of minor changes to the rules.
- There was expected to be a new procurement Bill later this year or into 2024, which would see major changes introduced around this time next year.
- There were no significant changes to rules or policies in this report, but were rather about making it clearer.

The following Members asked questions:

- Councillor Adam Compton
- Councillor Claire Strong

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

- Where procurement was already underway, the current rules would be followed, rather than risk losing contracts by delaying.
- There was regular overview of procurement from Officers and they would ensure that this practice was maintained.
- The Council had a "go local" policy on contracts under £100k. He could not provide current statistics, but the number of contracts to local businesses was growing.
- It was difficult with larger contracts to find suppliers or contractors locally.

Councillor Ian Albert proposed and Councillor Adam Compton seconded and, following a vote, it was:

RESOLVED: That Council considered and adopted the proposed changes to the Contract Procurement Rules.

REASON FOR DECISION: The Contract Procurement Rules (CPR's) are part of the Constitution (under Section 20) and must be regularly reviewed and updated as part of the Council's governance and procurement review processes, contributing to the Council's system of effective internal control.

8b) Referral from Cabinet on 13 December 2022 – Second Quarter Investment Strategy (Capital and Treasury) Review 2022/23

Councillor Ian Albert presented the referral from Cabinet and advised of the following:

- The referral was specifically about the treasury management work for 2022/23.
- The Council invests its surplus cash, which can come from capital funding balances, revenue general and reserve, provision balances and variations in cash.
- In first 6 months, the Council had an average balance of £59m and this was invested in line with measure set out in treasury management strategy.
- Grant funding had been received and efforts had been made to distribute these as quickly as possible, but some delays had occurred.
- In first six months the council had generated around £0.3m in interest. The average interest rate at 30 September 2022 was 2.16%, at June 2022 it was 0.77%.

Councillor Ian Albert proposed and Councillor Elizabeth Dennis-Harburg seconded and, following a vote, it was:

RESOLVED: That Council noted the position of Treasury Management activity as at the end of September 2022.

REASON FOR DECISION: 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.

8c) Referral from Cabinet on 13 December 2022 – Council Tax Reduction Scheme 2023/2024

The Chair advised that this item would be taken with Agenda Item 9.

N.B. Following this item at 21.02 there was a break in proceedings and the meeting reconvened at 21.12. Councillor Sam Collins left the meeting during the break and did not return to the meeting.

171 COUNCIL TAX REDUCTION SCHEME 2023/2024

Audio recording – 102 minutes 26 seconds

N.B. At the start of this item Councillors Amy Allen, Daniel Allen and Phil Weeder notified the Chair of conflict due to their receipt of the Council Tax Reduction Scheme and would therefore not take part in the debate and left the Chamber for the duration of the item.

Councillor Michael Muir raised a Point of Order and noted that Members who were more than two months behind on Council Tax could not take part in this debate or vote. The Monitoring Officer noted that this was the case when setting the budget. The Monitoring Officer confirmed, having sought advice from the Service Director – Resources, that Members could vote on this item, even if in Council Tax arrears. However, would not be able to vote if this was the case when setting the Council's budget.

Councillor Ian Albert presented the report and advised of the following:

- There was a requirement to approve a scheme for the year ahead annually, and previously annual updates had remained largely the same.
- A full review had now taken place and a banded scheme had been suggested, with work on this conducted over the last year supported by a consultant, David Airey.
- It would remove the burden caused by the introduction of Universal Credit.

- He thanked the consultant and Officers who had worked to produce the proposed scheme.

David Airey, a consultant working with North Herts Council on the Scheme, advised Members of the following:

- His consultancy office had supported over 250 Local Authorities with their Council Tax Reduction schemes.
- The North Herts scheme to date had served well, but the introduction of Universal Credit had made current reduction schemes unsustainable.
- These proposals would apply to working age taxpayers, the pension age scheme was run by central government.
- This proposed scheme would increase support for the lowest income bands, simplify the scheme, be fit for the future and put the process in the right direction.
- This scheme would be robust enough to last for a good number of years.

Councillor Ian Albert proposed and this was seconded by Councillor Elizabeth Dennis-Harburg.

Councillor Ruth Brown commented that she was supportive of the scheme, which had been made simpler to administer and therefore more cost effective. It was also simpler for residents to understand and targeted those most at need residents. Previously everyone had paid some Council Tax, but this scheme would mean some, means tested, residents would pay nothing. The proposed transition period would ensure that those who were to lose from the changes would be supported across to the new scheme.

Councillor George Davies noted that the figures from public consultation on the scheme detailed that 74% were not currently in receipt of Council Tax reduction, but 67% of respondents were in favour of the scheme. This could be that those in receipt do not support the scheme and it would be useful for future to see a breakdown between those respondents in receipt of the reduction scheme currently and those not.

Councillor Ian Albert summarised that this was a commendable report which would be providing discretionary support to those residents facing individual hardship and these instances would be advised on a case-by-case basis. The scheme had been consulted on with Citizens Advice and they were supportive of the scheme.

Having been proposed by Councillor Albert and seconded by Councillor Dennis-Harburg, following a vote, it was:

RESOLVED: That council:

- (1) Noted that a full review of the Council Tax Reduction Scheme had taken place and that consultation with the public and Major Precepting Authorities had taken place.
- (2) Noted the aim of the review had been to introduce a new scheme that will:
 - enable us to increase the overall level of support for the lowest income households;
 - reduce the administrative burden placed on the Council following the introduction of Universal Credit and;
 - make the scheme easier for our customers to understand and calculate entitlement.
- (3) Approved the adoption of a new banded scheme for working age applicants from 01 April 2023.
- (4) Approved the use of the Council Tax Hardship Grant to fund a discretionary scheme to provide additional transitional support where appropriate and that decisions regarding Discretionary support are delegated to the Service Director Customers in consultation with the Executive Member for Finance and IT.

- (5) Noted that the new scheme may increase the costs from those of the current scheme, any increase will be split between the Council and its Major Precepting Authorities. The Council's share is expected to be around 12.5%.

REASON FOR DECISIONS: To ensure that the Council has a fit for purpose Council Tax Reduction Scheme that:

- Provides the greatest support to the lowest income households.
- Reduces the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC).
- Is simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

For the purposes of clarification, the Chair reminded Members that the referrals from Cabinet had been incorporated into the recommendations that had just been approved.

172 REVIEW OF MEMBERS' ALLOWANCES SCHEME

Audio recording – 114 minutes 49 seconds

The Democratic Services Manager presented the report and advised of the following:

- The report detailed the updated annual scheme to be approved for the following financial year, considering the recommendations of the Independent Remuneration Panel (IRP).
- The main recommendation was to increase the Basic Allowance by 6%.
- This increase had also been applied to the non-voting Independent Member of Finance, Audit and Risk Committee, as well as the Independent Person and Reserves of the Standards Committee.
- It had also been applied to the Chair and Vice Chair of Council.
- The IRP had advised that the Special Responsibility Allowance should be capped to one per Member.
- There had not been an increase in the Members Basic Allowance for two years and it was preferred by the IRP to make smaller, more frequent increases rather than one-off large increases.

Councillor Elizabeth Dennis-Harburg proposed and noted:

- The report was self explanatory and the Appendix A sets out the questions which were considered by the Independent Remuneration Panel in producing these proposals.
- There was a need to do everything to promote equality and get better representation of the communities in the District.
- This authority had consistently held back on raising allowances previously.

This was seconded by Councillor Ruth Brown.

Councillor Tom Tyson proposed an amendment to the motion - to remove the restriction on the Special Responsibility Allowances to only one per Member and highlighted:

- This was a solution in search of a problem, as there was no demonstrable evidence of Members hoarding responsibilities.
- Refusing to pay SRAs for the role conducted was ethically wrong and would punish Members for taking on additional responsibilities.
- It could lead to a situation where a Member was Chair of two Committees, but would effectively only be paid for one of these roles.

This amendment was seconded by Councillor Steve Jarvis, and following a vote, the amendment was agreed.

The Democratic Services Manager noted an error in the appendix and the Leader of the Council payment should be £15,137, not £154,137 as it might appear.

Having been proposed by Councillor Dennis-Harburg and seconded by Councillor Brown, following a vote, the motion, as amended, was:

RESOLVED: That Council:

- (1) Considered the report and recommendations of the IRP, as attached as Appendix A of the submitted report.
- (2) Agreed the Members' Allowances Scheme for 2023/2024 as set out in Appendix B of the submitted report, subject to the removal to restrict to only one Special Responsibility Allowance.
- (3) Agreed the increase to the Independent Person and Reserve Independent Persons allowances as detailed in 4.9 of Appendix A and 8.11 of this report.
- (4) Agreed the allowance to the Independent Non-Voting Member on the Finance, Audit and Risk Committee as detailed in 4.7 of Appendix A and 8.12 of this report.
- (5) Expressed appreciation to the IRP for their work over the last 4 years.

REASON FOR DECISIONS: To ensure that the Council meets its statutory requirements of an annual review and adoption of the scheme.

173 ELECTORAL SERVICES - SCALE OF FEES 2023/2024

Audio Recording – 128 minutes 55 seconds

N.B. The Monitoring Officer and Democratic Service Manager noted that they were unable to remain for this item due to their conflict as Deputy Returning Officer and Returning Officer respectively. They left the Chamber for the remainder of the item.

The Service Director – Resources presented the report entitled 'Electoral Services – Scale of Fees 2023/24' and highlighted:

- The Scale of Fees proposed had been influenced by those set by the Department of Levelling Up, Housing and Communities, which were not yet publicly available.
- Proposed that Poll Clerks and Presiding Officers would be paid hourly going forward, with the amounts paid to these roles increasing.
- There would be a decrease in pay to count staff.
- Changes in the way canvassing was conducted meant that the return of forms was reducing, and it was felt the proposed changes were a fairer way of reimbursing canvass staff.
- The Returning Officer fees would be based on the number of elections, rather than based on number of electors as this was more realistic. There had been a percentage increase proposed, as this role had not received an increase in a long time.

The following Members asked questions:

- Councillor Michel Muir
- Councillor Tom Plater

- Councillor Adam Compton

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

- The fees for Polling Stations were outside of the scope of this scheme, as this is part of the Electoral Services team workload. This team will source and negotiate a fair fee for Polling Station venues.
- The reduction in count staff pay was based on the recommendations from DLUHC, and this rate still represented the top of the band for this role. It was expected that most count staff would be retained, and the roles would be paid more in line with Poll Clerk roles.
- The Count Staff car parking reimbursement was for those staff working at the District Council Offices for postal vote verification and had to pay for parking during this time.

Councillor Elizabeth Dennis-Harburg proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED: That the Council agreed the Scale of Fees for 2023/2024 as set out in Appendix A.

REASON FOR DECISION: To enable the Council to remunerate the Returning Officer and the staff employed to carry out tasks during electoral events and to be open and transparent regarding other payments.

N.B. The Returning Officer and Deputy returned to the Chamber following the conclusion of this item.

174 CONSTITUTIONAL AMENDMENT REPORT

Audio Recording – 139 minutes 12 seconds

The Monitoring Officer presented the report entitled 'Constitutional Amendment Report' and highlighted:

- The proposed amendments to Standing Order 4.8.23 (a), as discussed at Council in September, were detailed in 8.1 to 8.4 of the report.
- There was an amendment proposed to the 6-month rule on revisiting decisions at Cabinet Sub-Committees, detailed at 8.5.
- Following comments received, the proposed amendments to Section 8 Planning Control Committee, as detailed at 8.6 and 8.7 of the report, were removed from this update and would be presented for consideration at a future meeting.

Councillor Elizabeth Dennis-Harburg noted that the proposed amendment to 4.8.23 (a) had previously been discussed at length and the advice included in Appendix B would be of assistance to the Chair's, as well as support wellbeing. Cllr Dennis-Harburg was also supportive of the amendment to the 6 month rule regarding the Sub-Committees and for amendments to Section 8 to be considered at a future meeting.

Councillor Elizabeth Dennis-Harburg proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED:

- (1) That Council approved the amendments detailed in Appendix A, subject to the removal of proposed changes to Section 8 of the Constitution regarding the Planning Control Committee.

- (2) That Council noted that guidance to Chairs in relation to 4.8.23(a) as attached at Appendix B. This may be amended as required by the Service Director: Legal & Community.

REASON FOR DECISION: To reflect good decision making practice and keep the Constitution up to date.

N.B. At this point in the meeting Councillor Val Bryant left the Chamber at 21.55 and did not return to the meeting.

175 PENSION POOLING WITH ORPHANED BODIES

Audio Recording – 144 minutes 47 seconds

The Service Director – Resources presented the report entitled 'Pension Pooling with Orphaned Bodies' and advised of the following:

- Where there were no remaining active Local Government Pension Scheme members of a body, these could be taken on by the Council.
- This report detailed three bodies who had no active members and were therefore Orphaned Employers.
- The proposals were to pool with Letchworth Garden City Town Council, Veolia ES Services team and Hitchin Market.

N.B. Councillor Terry Hone declared an interest in his capacity as a Hertfordshire County Councillor as a substitute Member of the Hertfordshire County Council Local Government Pension Scheme Local Pension Board and would not vote on this item.

Councillor Ian Albert proposed and Councillor Elizabeth Dennis-Harburg seconded and, following a vote, it was:

RESOLVED: That Council approved that North Hertfordshire District Council (as the relevant Admitted Body) be pooled with the following Orphaned Employers: Letchworth Garden City Town Council, Veolia ES Services team and Hitchin Markets.

REASONS FOR DECISION:

- (1) All of the Orphaned Employers (based on the 2019 valuation) have over 100% funding, which is better than the Council's funding position. Therefore, it is probably in the Council's best interest to be pooled with them.
- (2) In the case of Letchworth Garden City Town Council, Hertfordshire County Council (HCC) (as the Hertfordshire LGPS administrator) have legal advice that we are required to be pooled with LGCTC.

N.B. At this point in the meeting Councillor Faye Frost left the Chamber at 21.59 and did not return to the meeting.

176 CHURCHGATE UPDATE - PART 1

Audio Recording – 148 minutes 24 seconds

Councillor Keith Hoskins, Executive Member for Enterprise and Arts, presented the report entitled 'Churchgate Update' and advised:

- The Part 2 report provided operational details to date.
- There had been 1562 responses to date to the public consultation, with 197 of these signed up to receive regular updates on the project.

- There was an ongoing update provided at each meeting to the Overview and Scrutiny Committee as part of the Enterprise Update.
- Further updates would be provided to Full Council at a suitable time.

The following Members asked questions:

- Councillor David Levett
- Councillor Gerald Morris
- Councillor Adam Compton
- Councillor James Denselow

Councillor Ralph Muncer noted that there had previously been concerns raised about spending millions without a clear plan, but he welcomed the plan presented at the meeting and would await the outcome of the consultation, the long term proposals for the site and the overall cost to taxpayers.

Councillor Ian Albert noted that this had been a good discussion of the project and it was important that Churchgate work was aligned with other work going on across Hitchin. He noted that consultation with residents and business was vital to ensure the benefit was felt across the town.

In response to questions, Councillor Hoskins advised:

- The Chartered Surveyors employed had been asked to consider meanwhile use and alternative rental models as part of their appointment, as it was felt important that no consideration or idea was off limit.
- Longer term plans would depend on what came from the consultations, and nothing had been ruled in or out.
- Details of the results of the consultation would be shared in March 2023, before establishing a full advisory board and estimated completion dates would be applied to programme, which would be reported to Council and Overview and Scrutiny.

In response to questions, the Service Director – Enterprise advised:

- Appendix A detailed the key tasks to be completed but did not include dates past August 2023. By June 2023, there should be a clearer plan, with consultants on board, and further dates could be added at this stage.
- No detail had been confirmed for the town centre strategy as part of this, but would be reported back on when able to do so.

Councillor Keith Hoskins proposed and Councillor Ian Albert seconded and, following a vote, it was:

RESOLVED: That Members noted the report.

REASON FOR DECISION: To ensure Members a kept updated on the progression of Churchgate.

N.B. At this point of the meeting Councillor James Denselow left the Chamber at 22.11 and did not return to the meeting.

177 EXCLUSION OF PRESS AND PUBLIC

Audio Recording – 160 minutes 30 seconds

RESOLVED: That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the

likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Section 200A(4) of the said Act (as amended).

178 CHURCHGATE UPDATE - PART 2

Councillor Keith Hoskins, Executive Member for Enterprise and Arts, presented the Part 2 report entitled 'Churchgate Update' noted that there had been an increase in operational income, but this had also seen an increase in responsibility of the Council. He advised that the Part 2 report detailed some of the issues which had arisen to date.

The following Members asked questions:

- Councillor Ralph Muncer
- Councillor Adam Compton
- Councillor Gerald Morris

In response to questions, the Senior Estates Surveyor and Service Director – Enterprise advised:

- The urgent, shorter-term tasks were covered within the service charges as a whole and had been budgeted for this year.
- Brown and Lee were to undertake several surveys to get a clearer idea of costings.
- The timescales for these surveys were still being confirmed with Brown and Lee. The risk profile assigned by BNP Paribas had identified a number of urgently required repairs, as well as those less urgent.
- It was expected the urgent work would be conducted in March or April 2023, but this would need to be clarified and reported back to Full Council.
- 8.2.13 of the report detailed the income and was so far ahead of projections.

Councillor Hoskins confirmed that, at this stage, all options remained under consideration for the Churchgate site going forward.

Councillor Keith Hoskins proposed and Councillor Ian Albert seconded and, following a vote, it was:

RESOLVED: That Members noted the report.

REASON FOR DECISION: To ensure Members are kept updated on the progression of Churchgate.

179 PART 2 MINUTES - 22 SEPTEMBER 2022

Councillor Sam North, as Chair, proposed and Councillor Daniel Allen seconded and, following a vote, it was:

RESOLVED: That the Part 2 Minutes of the Council Meeting held on 22 September 2022 be approved as a true record of proceedings and signed by the Chair.

The meeting closed at 10.22 pm

Chair

8A REFERRAL FROM CABINET: 31 JANUARY 2023 – FINAL REVENUE BUDGET 2023/24

RECOMMENDED TO COUNCIL: That Council

- (1) Notes the position on the Collection fund and how it will be funded.
- (2) Notes the position relating to the General Fund balance and that due to the risk identified a minimum balance of £2.5million was recommended.
- (3) Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.
- (4) Approves the revenue savings and investments as detailed in Appendix B.
- (5) Approves a net expenditure budget of £18.123m, as detailed in Appendix C.
- (6) Approves a Council Tax increase of 2.99%, which was in line with the provisions in the Medium term Financial Strategy.
- (7) Approves that the revenue investment for leisure centre condition surveys (as detailed in Appendix B, reference R13) was brought forward so that it can be spent in 2022/23.
- (8) Approves an additional revenue investment (for 2023/24 only) to create a Community Wealth Fund of £100k to support the local community in delivering projects that have wider community benefits.

REASON FOR REFERRALS:

- (1) To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24 as set out in the Council Plan.

Councillor Ian Albert, the Executive Member for Finance and IT, presented the report entitled Final Revenue Budget 2023/24, including:

- The report covered various elements of setting the budget for 2023/24.
- Overall, the Government settlement was better than forecast but was less than inflation, which would have an impact on the Council and its residents.
- Paragraph 8.24 advised that the medium and short term positions were better than forecasts, so less reserves will be used.
- Based on current forecasts, the Council could afford to be slower with the delivery of savings so that they could hopefully be delivered when the Cost-of-Living crisis had subsided, but overall needed to deliver annual savings of £2.5million in future.
- Paragraph 8.27 detailed uncertainties that may affect saving levels and timings.
- Paragraph 8.22 advised that it was sensible to set aside a central budget for the ongoing impacts of COVID, which would need to be reviewed.
- The report advised a Council Tax increase of 2.99%, which would help to try and maintain services in the medium term.
- The Capital Programme would be reviewed as there was significant revenue impacts arising from the forecasted capital spends.

- Overall, the Revenue Budget for 2023-2024 was prudent and affordable.
- The Executive Member proposed an additional recommendation which would create a Community Wealth Fund for one year, totalling £100k.

The following Members and participants asked questions:

- Councillor Ian Albert
- Councillor Steve Jarvis

In response to the Member's question, the Service Director – Resources advised:

- He was made aware of the Mausoleum item after the two reports were written.
- The Mausoleum item had three knock-on impacts: reduce the savings in future years, remove the capital line in relation to the building of the new Mausoleum and release the Mausoleum specific reserve back into the General Fund reserve.

The Chair confirmed the recommendations to Members.

Councillor Ian Albert proposed and Councillor Elizabeth Dennis-Harburg seconded and after a vote it was:

RECOMMENDED TO COUNCIL: That Council

- (1) Notes the position on the Collection fund and how it will be funded.
- (2) Notes the position relating to the General Fund balance and that due to the risk identified a minimum balance of £2.5million was recommended.
- (3) Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.
- (4) Approves the revenue savings and investments as detailed in Appendix B.
- (5) Approves a net expenditure budget of £18.123m, as detailed in Appendix C.
- (6) Approves a Council Tax increase of 2.99%, which was in line with the provisions in the Medium term Financial Strategy.
- (7) Approves that the revenue investment for leisure centre condition surveys (as detailed in Appendix B, reference R13) was brought forward so that it can be spent in 2022/23.
- (8) Approves an additional revenue investment (for 2023/24 only) to create a Community Wealth Fund of £100k to support the local community in delivering projects that have wider community benefits.

REASON FOR REFERRALS:

- (1) To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24 as set out in the Council Plan.

The report considered by Cabinet at the meeting held on 31 January 2023 can be viewed at Minute 54 here: [Agenda for Cabinet on Tuesday, 31st January, 2023, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/agenda-for-cabinet-on-tuesday-31st-january-2023-7-30-pm)

This page is intentionally left blank

8B REFERRAL FROM CABINET: 31 JANUARY 2023 – INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)

RECOMMENDED TO COUNCIL: That Council:

- (1) Approves the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- (2) Approves the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in Paragraphs 8.11 to 8.16).

REASON FOR REFERRALS:

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

Councillor Ian Albert, the Executive Member for Finance and IT, presented the report entitled Investment Strategy (Integrated Capital and Treasury), including:

- The report detailed the Capital Programme and Treasury Management.
- The Executive Member highlighted an error in paragraph 5.1 in relation to CCTV cameras. The figure was £0.15million, not £0.015million, but that numbers were correct in the workings and appendix.
- The Capital Spend had a revenue impact in terms of minimum revenue provision and had lost investment interest.
- The Capital Programme needed to be kept under review.
- It was proposed to change the sovereign (country) rating of investments in non-UK banks from AAA to A- to allow more countries to pass and to diversify investments.
- The Council were looking to make investments that meet green and ESG criteria, where these are available.
- Following the discussion around LHAF, if the Council was planning to pass funding straight through to another party, it should be added to the capital programme.
- It is likely that the capital programme will need amending to accommodate this.
- In relation to the error identity by FAR, the Service Director confirmed that the presentational difference had no material impact on the report and the appendix will be updated to reflect this before the Council meeting.

There were no questions from Members.

The Chair confirmed the recommendations to Members.

Councillor Ian Albert proposed and Councillor Amy Allen seconded and after a vote, it was:

RECOMMENDED TO COUNCIL: That Council

- (1) Approves the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- (2) Approves the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in Paragraphs 8.11 to 8.16).

REASON FOR REFERRALS:

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

The report considered by Cabinet at the meeting held on 31 January 2023 can be viewed at Minute 65 here: [Agenda for Cabinet on Tuesday, 31st January, 2023, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

**8C REFERRAL FROM OVERVIEW AND SCRUTINY COMMITTEE: 24 JANUARY 2023
– RESOLUTIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

RECOMMENDED TO COUNCIL: That Council continues to support the work of Community Safety Partnerships and other partner agencies and work on the delivery of a Women’s Safety Charter alongside these agencies.

REASON FOR RECOMMENDATION: To highlight and enable Full Council to consider the important work of the Community Safety Partnerships and other partner agencies as well as the delivery of a Women’s Safety Charter alongside these agencies.

Audio recording – 75 minutes 27 seconds

The Committee, Member and Scrutiny Manager presented the report entitled ‘Resolutions of the Overview and Scrutiny Committee’ and advised of the following updates:

- An email had been sent to Group Leaders to request nominations to be appointed to the Task and Finish Group. No responses had yet been received.
- An update on the timescales for the SPDs had been provided to Cabinet in January, which detailed the Sustainability SPD would be drafted by March 2023 and the Design Code SPD was scheduled for Autumn 2023.
- The glossary as part of the Equality, Diversity and Inclusion Strategy had been removed following consideration at Cabinet.
- The new Peer Review document would be shared with Members when confirmed with the LGA and Officers.

In response to a question from Councillor Claire Strong, the Committee, Member and Scrutiny Manager advised that following final confirmation of the updated Peer Review document, it could be presented as an agenda item at a future meeting of the Committee.

Councillor David Levett, as Chair, proposed and Councillor Val Bryant seconded and, following a vote, it was:

RECOMMENDED TO COUNCIL: That Council continues to support the work of Community Safety Partnerships and other partner agencies and work on the delivery of a Women’s Safety Charter alongside these agencies.

REASON FOR RECOMMENDATION: To highlight and enable Full Council to consider the important work of the Community Safety Partnerships and other partner agencies as well as the delivery of a Women’s Safety Charter alongside these agencies.

Councillor David Levett, as Chair, proposed and Councillor Val Bryant seconded and, following a vote, it was:

RESOLVED: That the document entitled Resolutions of the Overview and Scrutiny Committee was noted.

REASON FOR DECISION: To enable the Overview and Scrutiny Committee to review and comment on actions and feedback received regarding resolutions previously made.

The report considered by Overview and Scrutiny Committee at the meeting held on 24 January 2023 can be viewed here: [Agenda for Overview and Scrutiny Committee on Tuesday, 24th January, 2023, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

COUNCIL
23 February 2023

***PART 1 – PUBLIC DOCUMENT**

PAY POLICY STATEMENT 2023/24

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: LEADER OF THE COUNCIL

COUNCIL PRIORITY: PEOPLE FIRST

1. EXECUTIVE SUMMARY

- 1.1 This report sets out a draft Pay Policy Statement 2023/24 (Appendix 1) for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015 and any other relevant legislation. The Statement incorporates elements of existing policy and practice and is required to be agreed annually.

2. RECOMMENDATIONS

- 2.1. That Council approves the 2023/24 Pay Policy Statement attached at Appendix 1.
- 2.2. That Council delegates authority for revisions made in year to the Pay Policy Statement, to the Service Director - Resources, in consultation with the Leader of the Council. Revisions which might arise in the year include changes in structure, changes to employment benefits, subsequent pay awards agreed nationally and new legislative requirements.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To comply with the requirements of Section 38 of the Localism Act 2011, Statutory Guidance issued under s40 and the Local Government Transparency Code 2015.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. The Pay Policy Statement reflects current adopted policies and associated statutory reporting arrangements.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There is no consultation required.

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 Localism Act 2011 requires Council to approve, on an annual basis, a Pay Policy Statement. The suggested contents of the statement are set out in guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015 and the Enterprise Act 2016.

8. RELEVANT CONSIDERATIONS

- 8.1 The format and general contents of the Pay Policy Statement are unchanged from previous years. The main updates to note are:

- Details of the pay agreement for 2022/23 and that the 2023/24 pay claim recently been received from the Unions (Appendix 1 Paras 2.1 and 2.2).
- Updated pay rates and multiples. As these will be subject to further update when the 2023/24 claim is agreed, this emphasises the need for recommendation 2.2.
- A summary of the legislation relating to Special Severance Payments (Appendix 1, Para 3.10)

9. LEGAL IMPLICATIONS

- 9.1 Under Section 38 (1) of the Localism Act 2011, the Council must prepare a Pay Policy Statement for each financial year and policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest-paid employees and the relationship between the remuneration of its chief officers and its employees who are not chief officers.

- 9.2 Section 38 (4) of the Localism Act 2011 sets out what the Pay Policy Statement must include:

- (a) the level and elements of remuneration for each chief officer,
- (b) remuneration of chief officers on recruitment,
- (c) increases and additions to remuneration for each chief officer,
- (d) the use of performance-related pay for chief officers,
- (e) the use of bonuses for chief officers,
- (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
- (g) the publication of and access to information relating to remuneration of chief officers.

- 9.3 The Act defines remuneration widely, which will include not just pay but also charges, fees, allowances, benefits in kind, increases in or enhancements in entitlements such as pension entitlements and termination payments.

- 9.4 The 2011 Act also confirms that the Pay Policy Statement:

- must be approved formally by the Council meeting before it comes into force,
- must be prepared and approved each year,
- as soon as reasonably practicable after approving or amending a Pay Policy Statement, the Council must publish the Statement in such manner as it thinks fit which must include on the authority's website.

9.5 The Council must have regard to any guidance issued or approved by the Secretary of State under Section 40 of the Act.

9.6 Under Section 39 of the Localism Act, the Council's Pay Policy Statement must be approved by resolution of the authority, before it comes into force.

9.7 Section 4.4 (aa) of the Constitution states that Full Council will "agree any award which would exceed the financial limits set out in the Council's Pay Policy Statement". Therefore, the Pay Policy Statement needs to set what this level will be.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

11.1 There are no direct risk implications arising from this report.

12. EQUALITIES IMPLICATIONS

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

12.2 The Pay Policy Statement reflects the practical arrangements that are in place to ensure all employees are remunerated in accordance with the requirements of the Equality Act and Public Sector Equality Duty and, in particular, through the application of a universal grading, flexible retirement scheme, and salary structure for all staff. The pay policy ensures consistency in regard to pay and remuneration in regard to individual roles, and therefore with no direct adverse impact on any single group with protected characteristics.

13. SOCIAL VALUE IMPLICATIONS

13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at Paragraph 12.

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 Pay Statement meets the requirements of the Localism Act 2011.

16. APPENDICES

16.1 Appendix 1 - North Herts Council Draft Pay Policy Statement 2023/24

17. CONTACT OFFICERS

17.1 Rebecca Webb
Human Resources Service Manager
Rebecca.webb@north-herts.gov.uk
Tel: 01462 474481

17.2 Ian Couper
Service Director Resources
ian.couper@north-herts.gov.uk
Tel: 01462 474243

North Herts Council - Pay Policy Statement 2023/24

INTRODUCTION

- 1.1 Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and view it alongside the Local Government Transparency Code 2015. This statement outlines our current policy and matters required by the Act and the Transparency Codes relating to the pay of staff, particularly senior staff and the lowest paid employees.
- 1.2 This annual statement covers the financial year 1 April 2023 to 31 March 2024 and is approved by full Council. It will be subject to review annually and in accordance with new or proposed legislation to ensure that it remains relevant and effective.

BACKGROUND

- 2.1 The pay awards for 2022/23 were agreed in November 2022. The pay awards were as follows:
 - With effect from 1 April 2022, an increase of £1,925 on all spinal points
 - An additional day of paid annual leave
 - Deletion of the bottom spinal point
- 2.2 The pay claim for 2023/24 was submitted by the Unions at the end of January 2023. In general, the claim is seeking a pay increase of 12.7% (based on RPI + 2% as at November 2022). This is alongside other changes to working hours and benefits, including an additional day of holiday and a reduction in the working week by 2 hours.
- 2.3 All the pay amounts in this document are at 2022/23 rates.

GRADING

- 3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points with the exception of Grade 16 and grade 1, which both contains 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through an analytical job evaluation process. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system. Grades 13 & 15 are not currently used.
- 3.2 The lowest grade is Grade 1. Following the 2022/23 pay increase, and the deletion of spinal point 1.1, the bottom of the Grade 1 pay band is £20,777, the top is £21,653 and the median £21,185.
- 3.3 The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer's pay bill. The Enterprise Act 2016 also set out that public sector bodies should employ apprentices and may be set targets to increase Apprenticeships and the Levy is now used for the Apprenticeship training.
- 3.4 The Council employs several temporary Apprentices each year. The scheme supports young people and others gain paid meaningful work experience which assists progress to permanent employment. Those employed as Business Administration Apprentices will be paid at the bottom of Grade 1, £20,777.

- 3.5 The Accounts and Audit Regulations 2011 require councils to publish the number of employees who are paid over £50,000. This would apply to all full time managers at grade 12 and some managers at grade 11 (depending on the scale point within the grade). Following the April 2022 pay award, the salary (including car allowance) for grade 11 scale point 3 is £50,501. The Council's 2021/22 draft accounts disclosed 30 employees who earned over £50,000. Due to progression through the pay scales and inflation, the number in 2023/24 will be higher. The exact number will be subject to the April 2023 pay award.
- 3.6 The table below shows the current positions for Chief Officers on Grades 14 to 16. At 2022/23 pay rates, excluding car allowance.

Table 1

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Service Director Commercial	14	68,465	80,189
Service Director Customers	14	68,465	80,189
Service Director Legal & Community	14	68,465	80,189
Service Director Place	14	Pro-rata of 68,465	Pro-rata of 80,189
Service Director Regulatory	14	68,465	80,189
Service Director Resources	14	68,465	80,189
Managing Director	16	115,853	127,265

- 3.7 The values of the pay points within these pay grades are up rated by the pay awards notified by the National Joint Council for Local Government Services. For the Managing Director the up-rate is usually determined via the Joint Negotiating Committee for Chief Executives of Local Authorities and for Service Director grades are usually up-rated by the Joint Negotiating Committee for Chief Officers of Local Authorities, as the JNC conditions of service apply to these posts.
- 3.8 4.4 (aa) of the Council's constitution states that Council will agree any award that exceeds the financial limits set out in this Pay Policy Statement. A salary package includes salary and fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment. It is proposed that that the limit is retained at £100,000, and therefore will apply to the Managing Director post only, as no other posts are expected to reach this threshold.
- 3.9 The same limit (£100,000) is currently applied to discretionary severance compensation payment award, which includes:
- Salary paid in Lieu of Notice
 - Outstanding Holiday Pay
 - Redundancy/Compensation under the Discretionary Compensation Regulations 2006
 - Pension strain costs to the Employer

This limit could apply to a much greater range of people, due to pension strain costs being dependant on length of service, current and recent salary amounts and time until standard retirement date.

- 3.10 The Statutory guidance on the making and disclosure of Special Severance Payments (SSP) by Local Authorities in England was published in May 2022. This sets out what is considered to be a SSP (generally where there is discretion as to whether it is paid) and the approval process required. In line with paragraph 3.9 above, any payment over £100k (including those which would not actually be a SSP) are approved by Council. The Council will ensure that all SSPs meet the requirements set out in the regulations.
- 3.11 Returning Officer/counting officer fees are paid by the parish, North Herts Council or the Government and are payable to the Returning Officer in respect of Elections and referendums. In setting a scale of fees and charges for local elections (district, town and parish elections) the Council is complying with The Representation of The People Act 1983, (section 36). These fees are approved by Full Council.

4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS

- 4.1 If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs, pension contributions, national insurance, paid leave etc. However, where necessary a higher “market rate” will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external independent advice and dialogue with peer authorities.
- 4.2 Engaging senior people on a temporary basis as a self-employed worker, a consultant or via an agency occurs in isolated instances only. This form of employment is a last resort when it is in the economic or operational interests of the Council.
- 4.3 The use of severance agreements and “off payroll” arrangements were the subject of Guidance issued for local authorities in March 2015, known as IR35. From 6 April 2017, responsibility for assessing IR35 status and for deducting and accounting for Pay as You Earn (PAYE) and National Insurance Contributions (NIC) became the responsibility of the public sector body engaging them. The Council implemented the processes to ensure that this legislation is adhered to.

5 PAY MULTIPLES

- 5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in Local Authorities. The Council is not required to publish details of these pay multiples but has decided to do so in the interests of transparency.
- 5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority’s workforce. The highest paid salary including allowances is £131,265. The median salary of the whole of the Local Authority’s workforce is £28,685 and the multiple is 4.58.

Position/ Grade	Pay Range (including Car Allowances for Grade 12,14, & 16)	Median in pay range (inc allowances for Grades 12,14 & 16)	Multiple of Grade 1 Median
Grade 1	£20,453-£21,653	£21,053	1
Managing Director - Grade 16	£119,853-£131,265	£125,559	5.96
Service Directors - Grade 14	£71,965-£83,689	£77,827	3.70
Service Managers - Grade 12	£52,649-£61,061	£56,855	2.70

All at 2022/23 pay rates

The Council is satisfied that the multiples shown above are justifiable and equitable and our rates are set by our Job Evaluation scheme and apply to all the Council's posts.

6. CAR ALLOWANCES

6.1 Employees who need to use their cars on a frequent basis for work related travel get a car user allowance of £1,239. For these car users the mileage is paid at of 45p per mile (up to 10,000 miles per year). If passengers are carried and extra 5p can be claimed per mile. The mileage rates are set in line with the HMRC approved mileage rates.

6.2 Senior car allowances are provided to Grades 11 and above as part of the overall reward package to attract and retain staff.

6.3 Senior Car Allowance

Grade 11 -12 £3,000 p.a.

Grade 13 -14 £3,500 p.a.

Grade 15 -16 £4,000 p.a.

Senior Car Allowances are not subject to inflationary increases.

The Senior Car Allowance Mileage Rate is 12.03p per mile and increases in line with any percentage increases in the HMRC Approved Mileage Rate.

7. OTHER PAYMENTS

7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as payments for taking on additional responsibility, covering absences or vacancies are calculated using the same formulas regardless of grade, current pay rates are set out in the Employee Handbook.

7.2 Any severance payments should be made in accordance with the Council's Early Severance Policy and prevailing legislative requirements.

8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

8.1 The Local Government Pension Scheme is one of the largest public sector pension

schemes in the UK and is a valuable part of the pay and reward package for employees working in local government For North Herts Council, the scheme is administered by Hertfordshire County Council via a contract with the South East fund, the London Pensions Partnership.

- 8.2 The current Employer contribution rate (up to 31st March 2023) is 18.6% for all grades. This will increase to 19.5% from 1st April 2023 (based on 2022 triennial valuation. The increase to the percentage rate was accompanied by a decrease to the element of the contribution rate that is expressed as a monetary amount (from £1.090million in 22/23 to £0.965million in 23/24).
- 8.3 There has been a significant number of changes to the scheme that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1 April 2014. The Employee Contribution bands for 2019/20 are set out in the table below.

LGPS 2014	
Basis of Pension	Career average revaluated earnings CARE
Revaluation Rate	Based on CPI
Accrual Rate	1/49 th
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff
Employee Contribution Rates	Up to £14,600 5.5% £14,601 - £22,800 5.8% £22,801 - £37,100 6.5% £37,101 - £46,900 6.8% £46,901 - £65,600 8.5% £65,601 - £93,000 9.9% £93,001 - £109,500 10.5% £109,500 - £164,200 11.4%

- 8.4 The Council allows flexible retirement under its pension discretions. This is where an employee draws their pension and carries on working at a lower grade and/or on reduced hours. It is available to LGPS members who are aged 55 or over, and who, with the Council's consent, permanently significantly reduce their hours and/or reduce their grade. The employee's pension is actuarially reduced if paid before age 65. This policy applies to all grades, but applications would be at the Council's discretion giving due regard to the business implications and succession planning.

9. PUBLICATION

- 9.1 This annual statement applies to the financial year, beginning 1 April 2023 to 31 March 2024. This statement was approved by a meeting of full Council on 23 February 2023. The statement is updated and approved annually by full Council. Where required, Council also delegates authority to update the statement during the year.

- 9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts. The draft and final Accounts are published on the Council's website. The Council also makes further pay related disclosures on the Open Data page of the website.

COUNCIL
23 February 2023

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE BUDGET 2023/24

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. Cabinet have recommended a budget for 2023/24 for consideration and approval by Council. The budget considers the following:

- The funding that the Council should expect to receive in 2023/24 and an estimate of future years funding
- The forecast net spend required to enable the continued delivery of the Council services in 2023/24 and beyond
- The estimation of lost income and additional spend in relation to the continuing recovery from Covid-19
- The other risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.

There have been some changes to the version of the report that was considered by Cabinet and these changes are detailed in paragraph 7.3.

2. RECOMMENDATIONS

That Council:

- 2.1. Notes the position on the Collection Fund and how it will be funded.
- 2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.5 million is recommended.
- 2.3. Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.
- 2.4. Approves the revenue savings and investments as detailed in Appendix B.
- 2.5. Approves a net expenditure budget of £18.539m, as detailed in Appendix C.
- 2.6. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

- 2.7. Approves that the revenue investment for leisure centre condition surveys (as detailed in Appendix B, reference R13) and £10k of the consultancy and legal support for the leisure contract (as detailed in Appendix B, reference R37) is brought forward so that it can be spent in 2022/23.
- 2.8. Approves an additional revenue investment (for 2023/24 only) to create a Community Wealth Fund of £100k to support the local community in delivering projects that have wider community benefits.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24. To ensure that the budget is aligned to Council priorities for 2023/24 as set out in the Council Plan.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. In seeking to address the funding gap detailed in the Council's Medium Term Financial Strategy for 2023-28, Political Groups and Officers have been asked for savings ideas and these are presented in appendix A to this report.
- 4.2. The proposed investments are a combination of cost pressures to deliver existing services and new spend that is linked to the delivery of priorities identified within the Council Plan.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops. There have been some changes to these proposals since the budget workshops, and these changes are highlighted in this report.
- 5.2. Business Ratepayers will be consulted on the proposals within this report (once it has been published) before the budget is discussed at Full Council on 10 February. Any feedback will be made available at that meeting. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, which is the method that has now been established.
- 5.3. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Area Committee(s) during January. It is however considered that this does not apply to any of the savings proposals that have been included.

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 Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Council in September following recommendation by Cabinet (and review by the Finance, Audit and Risk Committee). The budget estimates set out in the MTFS included a number of assumptions.

These have been updated as better information has become available. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.

7.2. Political groups were given the opportunity to comment on the initial budget proposals (put forward by Officers and Executive Members) in early November. The feedback from those discussions was presented to Cabinet in December, which has resulted in the proposals contained within this report.

7.3. Cabinet considered a version of this budget report at their meeting in January. The following changes have been made to reflect discussions at that Cabinet meeting, and other necessary changes that have come to light since that meeting:

- The creation of a £100k Community Wealth-building fund for one year in 2023/24. This will allow funding to be provided to the community to enable it to invest in itself. This was proposed by Cabinet as recommendation 2.8.
- The transfer of the mausoleum reserve back to the General Fund, as there is no longer the demand to justify building new niches. The previously budgeted income from the sale of those niches has also been removed from future forecasts. This change was confirmed by Cabinet.
- Additional expenditure in 2023/24 arising from a contractual commitment within the leisure contract. The contract requires that the Council provides additional funding where the cost of utilities goes above a baseline level. This will be paid based on actual usage but the contractor has very recently provided an estimated cost of £240k. This mainly reflects the very high rate that they have had to purchase electricity at, due to the timing of when their contract came to an end and market conditions. There is currently no Government support to businesses beyond the end of March. This has come to light since the Cabinet meeting, but it is necessary to reflect in the budget.
- A small increase in the amount of Services Grant (table 1) that the Council will receive (from £106k to £110k). This was announced as part of the final Local Government funding settlement (i.e. a change from the draft position). This was announced after the Cabinet meeting.
- Recommendation 2.7 has been updated to also bring forward some of the additional investment relating to consultancy/ legal support to prepare for the leisure contract procurement. This allows the process to start earlier, if required.
- Minor consequential impacts from changes to the Investment Strategy (table 8).

8. RELEVANT CONSIDERATIONS

Decisions made to balance the budget and deliver Council priorities

8.1 The Council's Medium Term Financial Strategy set a target of identifying £200k of net savings as part of this budget process. At its meeting in December, Cabinet considered the feedback from the Budget Workshops. Cabinet agreed to all the savings and investments that were presented to the budget workshops. They also considered the following:

- That the Overview and Scrutiny Committee will require additional Officer support to help it to be more effective. The current expectation is that this can be afforded from previous savings identified from a restructure in a different part of the Legal and Community directorate.
- That the outdoor pool season at Letchworth Outdoor pool be extended by 4 weeks (2 weeks at the beginning and end of the season) in 2023. A timed wrist band system will be introduced during the school holidays to reduce queuing and maximise

income. Season ticket pricing will also be reviewed. The net impact is a budget pressure of up to £25k in 2023/24, but could be lower.

- Noted that Hertfordshire County Council (HCC) are looking to withdraw the support that they provide to Districts and Boroughs to minimise residual (i.e. non-recyclable) waste. This funding was provided through a mechanism known as the Alternative Financial Model (AFM). The amount that we will receive will reduce in 2023/24 (which is a payment based on performance in 2022/23), although it is expected that it will be broadly in line with the budget, after adjusting for the potential ongoing impacts of COVID-19. It will then reduce to zero in 2024/25, which will be a budget pressure of around £400k.

- 8.6 Excluding the decision by HCC to end AFM support, at that time it was expected that the adopted proposals would result in medium-term net revenue savings of £284k per year. The impact with the HCC decision was expected to be a net pressure of £116k per year. There have been some additional pressures that have been identified since then, as well as changes to the expected level of some of the savings and investments. This includes changes resulting from the Investment Strategy, which were known would not be finalised until this report, as they would be linked to levels of capital spend and investment return forecasts. These changes are detailed in paragraph 8.24.

General Funding

- 8.7. The Government provided a policy statement on Local Government funding on 12th December 2023. This was followed by the draft Local Government Finance Settlement on 19th December 2023. The policy statement provided some earlier warning of the principles that were detailed in the draft settlement for 2023/24, as well as some information on funding from 2024/25 onwards. The relevant points for future funding are:

- The baseline amount of Business Rates that Councils can retain will now increase in line with CPI (rather than RPI which is usually higher). Councils will continue to be reimbursed for this inflation even when Government make policy decisions to not increase the amounts that are charged to businesses.
- “Negative Revenue Support Grant” (which would reduce the amount of Business Rates that can be retained) will continue to be eliminated. This is assumed to be for the period until a new funding formula is introduced.
- A new funding formula will not be introduced before 2025/26, and could be later given the work involved.
- District Councils will be able to increase Council Tax by up to 2.99% without the requirement for a local referendum in 2023/24 and 2024/25. It is assumed it will then revert back to 1.99% thereafter.
- Business rate pooling will continue to be available in 2024/25.
- The future of New Homes Bonus will be set out in advance of the 2024/25 settlement, although no detail of how far in advance.
- That all Council’s would see at least a 3% increase in their Core Spending Power, before they made a decision on Council Tax increases (but the 3% would be after assumed increases in the Council Tax base).
- Council’s should start to receive funding from Extended Producer Responsibility (EPR) from 2024/25. This additional funding will be incorporated into future reviews of Council funding.

- 8.8. Overall the draft settlement is more positive than the forecasts in the Medium Term Financial Strategy. This is mainly down to the level of New Homes Bonus that we will receive, although the 3% guarantee on Core Spending Power would still have resulted in an increase. However it is necessary to note that the level of funding increases is still far less than inflation over the last two years. Growth in the Council tax base and a 2.99% increase in the rate of Council Tax (which is what will be recommended) also have a

positive impact on funding compared with the MTFS position. The table below (table 1) shows a comparison between 2022/23 funding, the MTFS forecast for 2023/24 and the latest 2023/24 forecast. Table 2 provides estimates for future years.

Table 1 – Estimated General Funding comparison (2023/24)

£000 Funding	2022/23 Budget Estimate	2023/24 MTFS Forecast	2023/24 Latest Forecast	Difference between MTFS and latest forecast	Comments
Council Tax	12,248	12,560	12,791	231	Increase due to: (1) recommended 2.99% tax rate increase, rather than £5 for a band D (2) increase in Council Tax base by 1.4% rather than 0.5%.
Council Tax Collection Fund Surplus / (Deficit)	(2)	(54)	138	192	Forecast in-year surplus at January 2023 exceeds required repayment of 20/21 deficit spread amount of £54k. MTFS made no assumption as to in-year surplus / deficit position.
RSG	0	0	152	152	Two specific grants received in this year included in general funding for 2023/24. Confirmed that negative RSG delayed until at least 2025/26
Business Rates baseline	2,726	2,868	2,828	144	Whilst the inflationary increase is lower due to using CPI rather than RPI, we had been even more prudent in the level of inflation that would be applied. The split between these two lines is irrelevant in this context.
Compensation for not increasing the Business Rates multiplier	279	298	482		
New Homes Bonus	295	150	932	782	Forecast in the MTFS was low due to uncertainty over New Homes Bonus. Bonus for 2023/24 is based on growth of 807 band D equivalent properties (of which 332 are empty homes brought back in to use)
Lower Tier Services Grant	125	0	0	0	
Services Grant	188	100	110	10	
3% guaranteed increase in CSP	n/a	0	0	0	The level of New Homes Bonus means that our funding is above the 3% increase, without the need for additional grant
Less: grant funding for Council Tax Support administration grant now within base funding	n/a	0	(132)	(132)	This grant was previously a specific grant not contained with general funding. Amount is what we forecast we would receive as a specific grant.
Less: Council Tax support to Parishes	(39)	(39)	(39)	0	
	15,820	15,883	17,262	1,379	

Table 2 – Estimated General Funding forecasts

£000 Funding	2024/25	2025/26	2026/27	2027/28	Comments
Council Tax	13,239	13,570	13,909	14,257	Assumed 2.99% increase in rate in 2024/25, 1.99% thereafter. Net 0.5% increase in tax base
Negative RSG (or equivalent)	0	(500)	(1,000)	(1,000)	Confirmed that new funding formula delayed until at least 2025/26. Assume net decrease of £1m, with half the impact in the first year.
Business Rates income (including compensation for not indexing the multiplier)	3,543	3,614	3,686	3,759	Assume 2% inflation
Other funding	350	350	350	350	New Homes Bonus will not continue at the 2023/24 level, but to provide the same impact as the promised one-off 3% Core Spending Power there would need to be ongoing funding of £250k per year. Also add in Services Grant at £100k.
Less: grant funding for Council Tax administration grant now within base funding	(132)	(132)	(132)	(132)	This grant was previously a specific grant not contained with general funding
Less: Council Tax support to Parishes	(39)	(33)	(28)	(28)	Reduces to reflect introduction of negative RSG (or equivalent)
	16,950	16,858	16,774	17,195	
% Change on previous year	-1.81%	-0.54%	-0.50%	+2.51%	

8.9. The numbers in the table above are just estimates, and we will not get any certainty until at least 2025/26. These will be used for modelling future budget positions and therefore savings requirements, as they provide a realistic scenario. However overall, we will need to be ready to adapt to changes in funding levels.

Specific Funding

8.12 The Council also receives grants and contributions for specific purposes. Generally, these are built in to service budgets and have therefore already been taken in to account when determining spend forecasts, so cannot be used towards funding the base budget. These amounts can be uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. These have been reviewed and the main risks and opportunities are detailed in table 3 below, noting that this is not an exhaustive list:

Table 3 – Forecasts in relation to grants and other contributions

Grant/ Contribution	Amount in 2022/23 (£000)	Risk/ Opportunity
Healthy Hub funding	35	HCC have confirmed funding for the Healthy Hub Service in 2023/24 of £35k. Funding for future years however has not been confirmed, so there could be a budget pressure if the service were to continue in its current form.
Homelessness Prevention Grant	340	Funding has been confirmed from DLUHC for the next two years of Homelessness Prevention grant. £364k in 2023/24 and £382k in 2024/25. Confirmation of two year funding gives the opportunity of planning and committing to schemes/projects.
Rough Sleeping Initiative Grant	203	DLUHC have confirmed amounts awarded for 2023/24 of £189k and 2024/25 of £157k for projects to address rough sleeping. Confirmation of two year funding provides the opportunity of planning and committing to schemes/projects.
Alternative Financial Model (AFM)	125	See paragraph 8.1. The last payment will be in 2023/24 (for performance up to the end of Q1 in 2022/23). The budget for this income will be completely removed from the service budget from 2024/25 onwards.
Housing Benefit Administration Grant	268	Notification has been received of the provisional Housing Benefit Administration grant for 2023/24 of £248k. The £20k reduction in grant reflects the reduction in case load due to working age clients transferring to universal credit. As there is no corresponding reduction anticipated in administering Housing Benefits in the next financial year, the budget pressure from this grant reduction is included in the budget estimates at Appendix C.
Council Tax Administration Grant	132	As referenced in tables 1 and 2, this funding has been incorporated into general funding, so will no longer be received as a separate grant. This creates a budget pressure which is reflected in the table 1 and 2. The service budget will be adjusted to remove this income.

Business Rates and Council Tax Collection Funds

- 8.13 North Herts Council is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the North Herts Council General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the North Herts Council General Fund and other precepting bodies. For Business Rates, most of the deficits relate to reliefs introduced by Government. The Council receives funding for these which it holds in a specific reserve. This reserve is then released back to the General Fund as required. The net impact is forecast to be relatively low, and is included in the budget summary in Appendix C.
- 8.14 A Business Rates Pool application for 2023/24 had been accepted for Hertfordshire County Council and five other Districts (including North Hertfordshire). The Pool had been formed with the expectation that this will reduce the business rates levy amount otherwise payable at the end of next year, as has been the case in prior years. The achievement of a pooling gain next year is however not guaranteed and will be dependent on the actual value of business rates collected in the year. As the levy payable will be funded from grant held in reserve, any pooling gain that does materialise next year will not increase the General Fund balance, but instead reduce the drawdown on the grant held in reserve. The Council (and other Local Authorities in the Pool) had until mid-January to determine if they want to continue with the planned pooling arrangement. The budget makes the prudent assumption that the pooling gain will be zero. At the time of writing the report, it had been decided not to go ahead with the Pool. This is due to Business Rates revaluation that has taken place which has seen significant increases in

rateable value for certain properties, particularly warehouses and film studios. This affects the levy rate that will be applied to the pool and also could make it more likely that there will be rates appeals. The response provided to Government in relation to the Pool detailed the reasons why it could not go ahead, and that the Business Rates revaluation was not revenue neutral (which was supposed to be the case). The response left it open for the Government to put in place a levy rate that was revenue neutral. In that case, we would then reconsider a Business Rate Pool for 2023/24, although would still need to consider the risk around potential appeals.

Review of balances and reserves

- 8.15 In setting its budget, the Council needs to consider the level of its reserves. This determines the extent to which the current budget can be supported by the use of reserves or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, the Council has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.
- 8.16 In the policy statement (12th December) reference was made to reviewing the level of Council reserves and gaining a better understanding of what they are being held for. The table below (table 4) demonstrate the reasons why reserves are being held, as well as forecasts of future balances. Apart from the MHCLG Grants reserve, all the balances are held for a specific purpose. The table below already notes that the MHCLG Grants reserve will mainly be used to smooth the impact of funding which has not kept pace with the level of inflation.

Table 4 – Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2022	Estimated Balance at 31 March 2023	Estimated Balance at 31 March 2024
Cemetery Mausoleum Reserve	This was being held to fund the building of new mausoleum niches. However there is no longer the same level of demand for these niches, so the funding will be released back to the General Fund.	175	0	0
Childrens Services Reserve	Used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Drawdown is expected over the next few years to support the continued operation of the Healthy Hub service.	46	6	0
Churchgate Development Reserve	Additional income over and above that necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre freehold will be set aside in a reserve to support the planning and delivery of Churchgate regeneration project. The money will provide necessary professional advice via consultants, architects, quantity surveyors etc.	0	164	Unknown
Climate Change Grant Reserve	Grant awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy.	21	18	15
Growth Area Fund Reserve	Holds the revenue grant awarded. With the Local Plan now in place, this reserve is anticipated to be drawn down to fund relevant projects and activities.	32	20	0
Homelessness Grants Reserve	To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources.	502	542	351

Name of Reserve	Purpose of Reserve	Balance at 1 April 2022	Estimated Balance at 31 March 2023	Estimated Balance at 31 March 2024
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services. Future balances will depend on timing of spend and fees received in relation to the 20% increase.	1,016	906	727
Information Technology Reserve	To ensure the Authority has adequate resources to purchase hardware and software items when they are required.	23	23	Unknown
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial management practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years has been used for additional administration costs and software upgrades.	36	24	Unknown
Leisure Management Maintenance Reserve	To cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	68	Unknown	Unknown
Leased Vehicles and Equipment Reserve	The incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2023, will mean that both the vehicles and machinery used to deliver the Council's greenspace maintenance contract, as well as the Council's cars provided to staff on operations, will be considered for accounting purposes to have transferred to the Council and will be recorded on the Council's balance sheet at the end of 2023/24. The saving on the revenue account from these arrangements will be transferred to this reserve and ultimately used to finance the capital costs of replacement vehicles.	0	0	50
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. As detailed and explained in the MTFs, a total of £3m will be released into the General Fund to help bridge the forecast funding gaps in the coming years, as shown in Appendix C..	9,367	6,357	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	14	Unknown	Unknown
Neighbourhood Plan Reserve	Funds received from MLUHC to support neighbourhood planning have been transferred to reserve. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required.	120	115	95
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	6	Unknown
Special Reserve	This reserve is maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation, support the response to and reduce the impact of major incidents and other financial pressures. As originally detailed in the Covid-19 Financial Impacts report (on the Council agenda in September 2020) the Special Reserve will be released in to General Fund balances at the end of this financial year.	640	0	0

Name of Reserve	Purpose of Reserve	Balance at 1 April 2022	Estimated Balance at 31 March 2023	Estimated Balance at 31 March 2024
Street Name Plates	To fund Street Name Plates as and when required. To maintain until Local Plan is adopted and then review.	16	Unknown	Unknown
Syrian Refugee Project	The Council has agreed to house Syrian Refugees 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.	566	575	Unknown
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.	7	7	Unknown
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	69	77	Unknown
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. Amounts will be drawn down as and when the work is done.	381	376	371
Waste Reserve	AFM monies are transferred to help mitigate any potential risk to the waste service and support future service developments. To be spent on various projects., including developing options around a new waste depot.	836	836	Unknown
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.	1,341	1,850	2,456
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The balance in reserve will be used to develop the service and drawn down when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	614	547	Unknown

8.17 As at the 31 March 2022 there was a total of £2.493m held as long-term provisions. These are comprised of:

- Business Rates appeals - £2.463m - the Council's estimated share of outstanding business rates appeals
- Insurance - £30k - covers the uninsured aspect of outstanding insurance claims.

8.18 We do not want to be in a position where we are holding such a high level of provision in relation to Business Rates appeals, but it reflects the number of outstanding appeals which need to be dealt with by the Valuation Office Agency (VOA). Until those appeals are resolved, the Council can not use these amounts for another purpose, nor can they go back to businesses.

8.19 North Herts Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £18.5million, this means a minimum balance of about £900k. As the Council has become more reliant on generating income to set a balanced budget, an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) will also be included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £13.9m and therefore an additional allowance of £400k will be added.

8.20 An assessment of the risks has been compiled for the coming year based on risks identified by each Service Director and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 5 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix A. This list excludes certain Covid-19 risks which are detailed in paragraph 8.22 below.

Table 5- Budget Risks in 2023/24

Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	14	3,634	0
Medium	14	1,238	310
High	10	1,810	905
Total	38	6,682	1,215

8.21 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.5million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

Covid-19 financial risk

8.22 A central contingency budget was created in 2022/23 to cover the estimated costs (including lost income) of Covid-19. An amount was set aside for 2022/23, with a lower amount set aside in 2023/24, and then reducing back to zero impact in 2024/25. Table 6 below details the amounts that were set aside in the MTFS, with comments against these and any further adjustments:

Table 6- Covid-19 central contingency

Type of spend/income	Normal budget (£000)	Basis of contingency for 2023/24 (MTFS)	Amount of contingency budget in 2023/24 as per MTFS (£000)	Comments	Revised contingency budget 2023/24 (£000)
Leisure Centre management fee income	820	20% of management fee	160	Based on the performance in 2022/23, the contract may return to paying a full management fee in 2023/24, but seems prudent to retain a provision of 10%	80
Pay as you use parking income	2,020	5% of annual income	100	Forecast shortfall in 2022/23 of around £200k, so maintain a 5% allowance	100
Hitchin Town Hall	230	20% of annual income	40	Performance to date in 2022/23 indicates a faster recovery in demand following the pandemic than anticipated. Contingency in 23/24 can therefore be removed.	0
Trade Waste income	1,010	5% of annual income	50	Based on current monitoring expected to be at normal levels in 2022/23	0

Type of spend/ income	Normal budget (£000)	Basis of contingency for 2023/24 (MTFS)	Amount of contingency budget in 2023/24 as per MTFS (£000)	Comments	Revised contingency budget 2023/24 (£000)
Homeless costs	80	50% increase	40	Temporary accommodation costs have returned to pre-pandemic levels over the last few months and no additional government requirements remain. While costs may increase in 23/24, no longer linked to Covid-19 so should be removed.	0
Car park season tickets	320	20% of annual income	60	Continuing shortfall believed to be due to changes to working patterns, so retain contingency at previous estimate	60
Recyclable materials	290	50% increase	150	High variability but no longer linked to Covid-19 so should be removed.	0
AFM income	420	50% of annual income	210	As HCC will ending payment of AFM, this is expected to cover the majority gap between the budget and what will be received in 2023/24. The shortfall is still mainly due to Covid-19 impacts.	210
			810		450

Expenditure Forecasts

- 8.23 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2022. This is then adjusted (where necessary) through the Quarterly budget monitoring reports, which highlight both in-year and ongoing impacts. An additional budget review is carried out at the end of November (month 8). The results of this are detailed in table 7 below. The budgets requested to be carried forward and the ongoing impacts are included in the budget estimates detailed in Appendix C, while the forecast General Fund outturn of £17.28m for 2022/23 informs the opening general fund reserve balance shown in Appendix C.

Table 7- Summary of forecast variances (amounts £000)

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2023/24 Budget impact
Social Care Levy Central Contingency	88	0	(88)	The Local Government Finance Settlement for 2022/23 included £188k Services Grant. This grant was to cover the increased employee costs that the Council faced from the introduction of the Social Care levy from April 2022 (1.25% increase in the employer NI contribution rate), which was estimated to result in an additional cost of approximately £100k in 2022/23. The balance of £88k was set aside as a central contingency should a contribution from the Council towards additional contractor costs be required as a result of the levy. With the measure now reversed from 6th November 2022, the Council does not anticipate a need to drawdown on this contingency in 2022/23.	0	0
Legal & Community Directorate Staffing Costs	1,815	1,774	(41)	Forecast underspend is largely due to vacant posts in Democratic Services and Community Safety.	0	0
Electric Vehicle Charging Points	73	10	(63)	Officers are currently seeking a private sector partner to participate in the provision of EV chargers within the Council's car parks. The future direction of spend for this budget is dependent upon the outcome of this procurement and a Government grant application in the new year. A carry forward of the unspent budget is requested to fund any ongoing and associated work requirements associated with this project.	63	0
Supplementary Planning Documents (SPDs)	167	0	(167)	The new Local Plan was subject to significant delays before being adopted in November 2022. A programme of work for the supporting SPDs is now being prepared. The programme will include the procurement of external consultancy support, hence substantive costs are now unlikely to be incurred before the start of the 2023/24 financial year.	167	0
Town Centre Strategies	80	0	(80)	Town centre strategy reviews form part of the documents supporting the Local Plan. Following the adoption of the Local Plan in November 2022, a programme of work for the Town Centre Strategy reviews is now being prepared. This will require the procurement of external consultancy support, meaning that substantive costs are unlikely to be incurred until 2023/24.	80	0

Budget Area	Current Working Budget	Forecast Outturn	Variance	Explanation for variance	Carry-Forward requested	2023/24 Budget impact
Transport User Group Forum	47	1	(46)	This budget was originally set up for the costs of facilitating the User Forum, such as venue costs and consultant advice. The Forum has recently been amalgamated with the Transport Cabinet Panel meetings, which is now embarking on a new programme of work. It is therefore unlikely that this budget will be spent in the current financial year and it is requested that the budget is carried forward to fund future projects to be discussed at future meetings that may require consultancy/expert input.	46	0
Local Plan Post Adoption Review	35	13	(22)	Revenue investment was approved by Full Council in February 2022 to support work on an early review of the adopted Local Plan. The narrative supporting the budget bid identified that any year-on-year underspend would help mitigate or reduce further growth bids as the Plan reaches key points (e.g. pre-submission and examination) which require significant financial resource in terms of full, up-to-date evidence bases, legal support and inspection costs. Due to the delay in the adoption of the local plan, the majority of work originally identified for 2022/23 will not commence until 2023/24.	22	0
Brexit Grant Funded Expenditure	12	1	(11)	A carry forward of the balance of the Brexit grant expenditure budget is requested to contribute to the cost of a Social Value Portal in the next financial year.	11	0
Total of Explained Variances	2,317	1,799	(518)		389	0
Other Minor Variances	15,469	15,481	+12		0	(1)
Total General Fund	17,786	17,280	(506)		389	(1)

8.24 Budget proposals were put forward for discussion at Group workshops in November. Comments on the proposals made by the Groups were outlined in the draft budget report presented at the December meeting of Cabinet. Since then, the following changes have been made, including new proposals:

- The revenue efficiency (reference E9) relating to treasury income receipts has been updated in line with the Investment Strategy (see paragraphs 8.25 and 8.26 below).
- The revenue efficiency (reference E10) relating to the Local Government Pension Scheme contribution rate has been significantly reduced. It had been understood that the Council's percentage contribution rate would drop by 1% and the lump-sum would remain fixed. However the final actuary position is a much smaller reduction in the total contribution that the Council will need to pay.
- The revenue investment (reference R14) relating to waste related telephone payments has been updated to include the expected costs, previously these had been TBC.

- The inclusion of those budget pressures considered at the Cabinet meeting in December in relation to AFM monies from HCC and outdoor pool opening (references R35 and R36).
- Additional consultancy support for leisure contract procurement (reference R37). Expected to be in 2023/24 only. To support this, recommendation 2.7 proposes that the condition survey work is brought forward so that it can be delivered at the end of 2022/23.
- Ongoing additional funding for the toilet cleaning contract which arises from the prices submitted to a recent tender process. The decision on contract award will need to be made by Cabinet in March.
- Inclusion of the additional pressure (reference R39) for the Minimum Revenue Provision required (see paragraphs 8.25 and 8.26 below).
- Ongoing additional funding for maintenance support for the AV equipment in the Council Chamber (reference R40). This will help with the recent issues that have occurred during committee meetings.

The complete final list of savings and investments is included at Appendix B. The cumulative impact of the changes in the list above is an increase in projected spend, and will therefore affect the savings that need to be delivered in future years.

Revenue effects of capital

8.25 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. If the Council was to take out new borrowing for capital purposes, then it would incur revenue costs in relation to interest costs and Minimum Revenue Provision (MRP). MRP is explained in the Investment Strategy report. In line with the Prudential Code (and as set out in the Investment Strategy), the Council plan to borrow internally against revenue balances first, and only when those balances are insufficient would we borrow externally. Borrowing internally is generally cheaper as the interest cost is the lost interest that would have been earned, rather than the external borrowing cost. MRP still needs to be applied.

8.26 As identified in the Investment Strategy report, the Council will need to borrow in the medium-term. The revenue costs of that borrowing, alongside the impact of using reserves to fund revenue expenditure (i.e. lost investment interest), need to be reflected in the revenue budget. Table 8 shows the amounts that need to be incorporated in to revenue spend forecasts:

Table 8- Revenue impacts from the Investment Strategy

£000	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast external borrowing costs (existing borrowing)	37	36	35	33	32
Forecast interest income from investments	(1,602)	(1,021)	(533)	(490)	(471)
Forecast MRP requirement	0	31	191	224	240
Net budget requirement	(1,565)	(954)	(307)	(233)	(199)
Current allocated budget*	(594)	(668)	(673)	(617)	(617)
Change in budget required	(971)	(286)	366	384	418

* The current budget includes an adjustment at Quarter 1 (and in the Medium Term Financial Strategy) which increased the ongoing investment income budget by £500k on an ongoing basis. This was a prudent estimate for 2024/25 and 2025/26, but further analysis has shown that it was an over-estimate in later years (as available balances reduce and interest rates are expected to move back to around 2%)

Reliability of estimates

- 8.27 As part of the budget setting process, the Chief Finance Officer is required to comment on the reliability of the estimates made. A prudent approach has generally been adopted, especially in relation to income where it is only included where there is a high degree of certainty over it being achieved. There are no in-year unidentified savings required.
- 8.28 There are still significant uncertainties in relation to the following:
- Pay Inflation
 - Other inflation
 - Covid-19 recovery
 - Future funding
 - Contract renewal
 - Waste policy changes
- 8.29 The forecast included for the 2023/24 pay award is an average increase of 4%, and then 2% each year thereafter. Due to the delay in agreeing the 2022/23 pay award, the Unions have not yet announced their position on the 2023/24 pay award. In turn this means that the employers (Councils) have not yet considered their response to any proposal. An average 4% pay award (as with the 2022/23 pay award) could mean that the lower paid get a greater percentage increase, and the higher paid a smaller percentage increase. Every additional 1% pay award is an additional ongoing cost of around £200k per year.
- 8.30 Inflation on our contracted services has been estimated for 2023/24 based on the terms of each contract and current/ forecast inflation rates (depending on the date each year that inflation is determined). For 2024/25 onwards it is assumed that inflation will return to around 2% and therefore contract inflation is estimated at this level going forward. The cost of inflation for 2023/24 is around £1.3million.
- 8.31 The impact of Covid-19 remains a significant uncertainty, as detailed in paragraph 8.22 above. It is felt that setting aside a central contingency in 2023/24 is a prudent response to this uncertainty. There remains uncertainty as to whether certain income sources (e.g. parking, especially long-stay) will ever fully recover. Given that there is general improvement towards normal levels of cost/ income, it is considered a return to normal is a feasible outcome. Therefore at this time a permanent adjustment is not included. This will kept under review through budget monitoring reports and in setting future budgets.
- 8.32 Whilst the ministerial statement provided some indication of what funding to expect in 2024/25, the further delay to a new funding formula means that there is no certainty for 2025/26 onwards. In the medium-term we have to work on the prudent assumption that a new funding formula would have a similar impact to 'negative RSG', even if the financial impact transpires in a different way. The 2023/24 Local Government settlement provided a 3% guaranteed increase in Core Spending Power (essentially the main sources of funding). As we got a large amount of New Homes Bonus it is uncertain how this will affect future allocations if (as is most likely) our allocation from New Homes Bonus (or a replacement funding mechanism) drops next year. As the 3% related to inflation that has an ongoing impact, it would seem unfair to let that fully reduce without a partial compensatory increase in another grant. So that is what has been assumed in the forecasts in table 2.
- 8.33 The Council has two large contracts that will be retendered over the next few years, i.e. the waste and street cleansing contract, and the leisure contract. The waste contract will also be subject to Government policy changes in relation to waste collection (see next paragraph). The leisure contract has been affected by Covid-19 but is recovering

well. The Council has also invested in a soft-play facility at North Herts Leisure Centre which should help boost income generated. Whilst there is risk in assuming that net income will stay at the same level, it is considered to be a reasonable assumption.

8.34 Government have consulted on a series of proposals in relation to waste collection. These include:

- Introducing consistent waste collection across all areas of the country (e.g. same materials in the same types of bins) and being stopped from charging for garden waste collections.
- Introduction of a Deposit Return Scheme (DRS), which would have an impact on what we collect at the kerbside. It is likely to mean that higher value recycling materials would be taken to deposit return locations, leaving us to collect the remainder. This would negatively affect the net costs of disposal for recycling materials.
- Extended Producer Responsibility (EPR), which places the financial burden for waste on those that are producing it at source.

The full details of what will be adopted (and when) is still not yet known. Income generated from EPR should come to Councils. It has been said that Council funding will be reviewed in the light of ERP, with the implication being that Government are assuming that if left unchanged the additional income would be more than the additional costs incurred. It is assumed that the Council will be fully compensated for any financial impacts from service changes, DRS and EPR. This budget includes a proposal to change garden waste charges which in the medium term will increase our annual income. This budgeted increase has been set aside to off-set future additional costs of the waste service. A similar approach has been taken in respect of the Cabinet decision to move to 3-weekly residual waste collection. Whilst it will reduce costs, this saving has also prudently been assumed to off-set future additional costs.

8.35 Each year, CIPFA publish a financial resilience index for all Local Authorities. The index provides an analysis of various measures (e.g. level of reserves, use of reserves) that are considered to be indicators of resilience. Each measure is shown as an index (i.e. a comparison against other similar Councils) so performance that is worse than average could be perceived as poor, even though all Councils might be considered to be performing adequately. The full analysis of the resilience index is included as Appendix D. The overall conclusion is that it does not highlight any new financial risks or concerns that have not already been highlighted (e.g. through the Medium Term Financial Strategy).

8.36 Overall it is considered by the Chief Finance Officer that the estimates made are as reliable as they reasonably can be. They will be subject to risk and this is the reason for setting a minimum General Fund balance and carrying out budget monitoring throughout the year.

Cumulative impact

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

8.38 Appendix C also includes a forecast of the remaining savings that the Council still needs to deliver by 2027/28 (i.e. £2.5m in total, with £100k to be delivered in 2024/25, a further £1m in 2025/26, a further £1m in 2026/27 and a further £400k in 2027/28). The better than forecast position on funding for 2023/24 needs to be tempered by the need to make prudent assumptions around funding in later years. Also the changes detailed in

paragraph 8.24 off-set the increase in the medium-term, noting that treasury and capital negative impacts are greater in later years. It is therefore recommended that the capital programme is further reviewed and challenged during 2023/24.

- 8.39 The improved position on funding does mean that over the next couple of years the drawdown on reserves will be lower. This supports the approach that the Council can choose to deliver the majority of its savings (which are likely to involve service change and reduction) after the impacts of high inflation have hopefully subsided, and when there is some greater certainty over future funding (i.e. 2025/26 onwards)
- 8.40 This level of savings still required to be identified assumes that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level would further increase the savings required to balance the budget over the period and require greater drawdown on reserves. The proposal is therefore that Council Tax should be increased by the maximum allowed. It is expected that future Government forecasts of our required funding will assume that we have increased our Council Tax by the maximum amount allowed (without a local referendum).
- 8.41 The profile of savings set out in appendix C (and paragraph 8.38) is forecast to require a reduction in specific reserves of £3m (i.e. use of the MHCLG grants reserve). This means that the General Fund balance is expected to be retained at around £10m. Whilst this is substantially in excess of the minimum recommended level, a failure to deliver the target savings would see a forecast general fund balance at the end of 2027/28 of just over £4m, and a remaining annual budget gap of over £2.5m. The General Fund balance also provides some mitigation against the impact of future risks relating to contract retenders.

9 LEGAL IMPLICATIONS

- 9.1 Council will exercise the following function in accordance with TOR 4.4.1 *“approving or adopting the budget.”*
- 9.2 Section 16 of the Council’s Constitution sets out the Budget and Policy Framework Procedure Rules. TOR 16.1 confirms that the Council will be responsible for the adoption of its budget and that once a budget is in place; *“it will be the responsibility of Cabinet to implement it.”*
- 9.3 Members are reminded of the duty to set a balanced budget and to maintain prudent general fund and reserve balances
- 9.4 Local authorities are required by virtue of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year.
- 9.5 The provisions of section 25 Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (s.151 officer) as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

10 FINANCIAL IMPLICATIONS

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

11 RISK IMPLICATIONS

11.1 As outlined in the body of the report.

11.2 There are significant uncertainties and risks with regard to the funding of the Council over the medium term. This uncertainty is reflected in a corporate risk of 'managing the Council's finances'.

12 EQUALITIES IMPLICATIONS

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

12.2 For any individual proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this has either taken place or will take place following agreement of efficiencies or growth.

13 SOCIAL VALUE IMPLICATIONS

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

14 ENVIRONMENTAL IMPLICATIONS

14.1 Some of the savings and investments identified in Appendix B could have an environmental impact. For some of these (e.g. Green Space maintenance contract savings) the description in the Appendix provides details of the specific implications. For others there may be indirect implications (e.g. recruiting additional staff could require increased travel), and for these the impacts will be managed as much as possible. Overall the Council still plans to deliver the commitments contained within its Climate Change Strategy. Some of the specific actions contained within the Climate Strategy will be dependent on opportunities and funding being available. They may not therefore be in this budget, but could be incorporated in future years.

15 HUMAN RESOURCE IMPLICATIONS

15.1 Care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication, consultation and support is provided in line with HR policy.

16 APPENDICES

16.1 Appendix A – Financial Risks 2022/23

16.2 Appendix B – Revenue Budget Savings and Investments

16.3 Appendix C – Budget Summary 2022 – 2027

16.4 Appendix D- Resilience Index

17 CONTACT OFFICERS

17.1 Ian Couper, Service Director – Resources
ian.couper@north-herts.gov.uk; ext 4243

- 17.2 Antonio Ciampa, Accountancy Manager
antonio.ciampa@north-herts.gov.uk; ext 4566
- 17.3 Rebecca Webb, Human Resources Services Manager
rebecca.webb@north-herts.gov.uk; ext 4481
- 17.4 Isabelle Alajooz, Legal Commercial Team Manager and Deputy Monitoring Officer
isabelle.alajooz@north-herts.gov.uk; ext 4346
- 17.5 Reuben Ayavoo, Policy and Community Engagement Manager
reuben.ayavoo@north-herts.gov.uk; ext 4212

18 **BACKGROUND PAPERS**

- 18.1 Medium Term Financial Strategy <https://democracy.north-herts.gov.uk/documents/s17416/APPENDIX%20B%20-%20MTFS%202022-27%20updated.pdf>

Appendix A- Financial Risks 2023/24

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
Bad Debt Provision may need to increase in light of the roll-out of Universal Credit and in particular the managed migration of working age housing benefit clients to Universal Credit.	L	70,000	0%	0
Ransomware attack results in the write-off of some IT hardware and infrastructure.	L	200,000	0%	0
Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	M	50,000	25%	12,500
Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	L	35,000	0%	0
Reduction in income generated from Hitchin Town Hall due to the impact of the ongoing 'cost of living crisis' on the level of demand for events held at the venue.	M	40,000	25%	10,000
District by-election	M	8,000	25%	2,000
Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	H	100,000	50%	50,000
Legal expertise related to employment cases	M	50,000	25%	12,500
The Council is required to meet the cost of any award from new or ongoing judicial reviews.	M	100,000	25%	25,000

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
Domestic Homicide Review – requirement for additional resources to respond	H	15,000	50%	7,500
The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	L	300,000	0%	0
Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	H	500,000	50%	250,000
Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	L	50,000	0%	0
Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	50,000	0%	0
Cost of felling and destroying trees as a result of pests and tree disease.	L	75,000	0%	0
Cost of maintaining service provision in the event of major contract failure.	L	1,000,000	0%	0
Income from Trade Refuse is adversely affected by economic downturn.	M	300,000	25%	75,000
Lack of resilience in delivering key statutory services, such as Environmental Health, Planning including Enforcement, and Parking, when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, redeployment to other duties etc, increases expenditure on agency staff and / or consultancy advice or other method to maintain service provision.	H	100,000	50%	50,000

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Increase in net cost of measures to address homelessness/rough sleeping and meeting obligations/projects as a result of for example: absence of government funding / reduced government funding, national and local situations such as with the current pandemic and 'everyone in' approach from Central Government etc.	M	250,000	25%	62,500
Dangerous structures - where the Council is unable to recover either or both of; the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered; the costs involved in seeking to recover the expenditure incurred.	L	50,000	0%	0
Specialist advice required with regard to planning applications, e.g. town centre schemes and "hostile applications"	M	100,000	25%	25,000
Costs associated with a challenge to a forthcoming decision of the Council or one that has been made, for example: legal challenges, tribunals, contracts, grant schemes, an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction.	H	500,000	50%	250,000
Enforcement – costs in relation to enforcement for example: investigations to enable consideration of enforcement action, specialist legal or other advice, direct action / appeal processes, recovery of illegal earnings.	M	100,000	25%	25,000
New duties and obligations associated with government policy leads to requiring additional training or additional and/or specialist staff or consultancy support to deliver.	M	50,000	25%	12,500
Local Plan: additional costs associated with progressing the Local Plan or associated processes, such as a review.	M	50,000	25%	12,500
Local Plan: costs associated with a challenge to the Local Plan either from the Council or another stakeholder/authority	H	450,000	50%	225,000
Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000
Disabled Adaptations: Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs. Increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control.	H	15,000	50%	7,500
Unfunded Environmental Health costs associated with the Covid-19 pandemic and other infections diseases including staffing, protective or specialist equipment, target campaigns etc	M	50,000	25%	12,500

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Assumed vacancy saving within staffing payroll budgets does not materialise as a slim staffing structure, and / or an increase in the level of demand for services, reduces the capacity to hold posts vacant for any significant period of time.	L	350,000	0%	0
Breach of partial-exemption calculation for VAT	L	300,000	0%	0
Increases in construction inflation increase the cost of property repairs and maintenance required.	H	20,000	50%	10,000
Localisation of Business Rates – The council is directly exposed to a range of risks including; business rates levy, safety net.	L	225,000	0%	0
Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
Further payments are required under MMI scheme of arrangement	L	20,000	0%	0
Reduced staffing capacity means that the delivery of Council projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	H	100,000	50%	50,000
Relates to an environmental warranty that was provided to North Herts Homes on the transfer of the Housing stock.	L	209,000	0%	0
Increase to the annual external audit fee negotiated between the Council's External Auditor and Public Sector Audit Appointments exceeds the amount of additional related grant funding received from government.	M	20,000	25%	5,000
Cost of annual Housing Benefit Subsidy Certification is higher than budgeted due to additional audit fieldwork required.	H	10,000	50%	5,000

6,682,000

1,214,500

REVENUE BUDGET SAVINGS AND INVESTMENTS

New Revenue Efficiency Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Net Efficiency				
				2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
E1	Customers	Expenditure on printing and photocopying. The contract for the rental of Multi Functional Devices (MFD's) has recently expired and we have taken the opportunity to review usage and current requirements. This has resulted in a reduction in the number of devices and therefore a reduction in the ongoing total rental cost.	Expenditure Reduction	(2)	(2)	(2)	(2)	(2)
E2	Customers	IT Software Costs. Following the upgrade of Microsoft licences earlier this year we have been able to eliminate some of the peripheral software costs, as they are now included within the Microsoft Agreement.	Expenditure Reduction	(9)	(9)	(9)	(9)	(9)
E3	Customers	IT Network costs. Following a review of our Public Services Network (PSN) security we have been able to eliminate the use of a dedicated PSN line supplied by Vodafone as this is no longer required.	Expenditure Reduction	(4)	(4)	(4)	(4)	(4)
E4	Customers	Careline equipment maintenance for non-complex clients. This service was provided by an external company. When Careline took on additional clients from HCC the cost of the additional maintenance was unknown, so the budget was estimated and potential higher costs were built in. Now the maintenance and installation is to be provided inhouse (Caretech) this has led to a reduction in estimated costs on the maintenance side, which has resulted in a saving on the maintenance budget.	Expenditure Reduction	(161)	(161)	(161)	(161)	(161)
E5	Customers	Careline equipment maintenance for clients with complex needs. Installation and maintenance is currently provided by an external company under a contract to the end of March 2023. The estimated saving would be from bringing this service in-house from April 2023, subject to approval from Cabinet. The saving relates to maintenance costs only, as installation costs are funded by Herts County Council.	Expenditure Reduction	(51)	(51)	(51)	(51)	(51)
E6	Enterprise	Net income from the acquisition of Churchgate Shopping Centre. Following the acquisition of the head leasehold interest the Council will receive additional income (i.e. the income from the tenants, less associated management costs and previous income levels). This saving reflects the additional income that is necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre. This is estimated at 2% of the total capital acquisition cost. The intention is that the remaining income will be set aside in a reserve to support the planning and delivery of Churchgate regeneration project. The money will provide necessary professional advice via consultants, architects, quantity surveyors etc. The amount required is very uncertain, and will be kept under review. As plans develop further it will become possible to capitalise any costs (subject to a future capital bid) that relate to a final scheme, when that scheme moves in to construction. Based on advice during the acquisition it is estimated that the available funding could be around £750k by the end of 2025/26.	Additional Income	(84)	(84)	(84)	(84)	(84)
E7	Enterprise	Additional net income from appointment to a new Assistant Operations and Events Manager position at Hitchin Town Hall for a fixed term of two years. The new post, whilst supporting and adding resilience to the overall Hitchin Town Hall service, would be primarily responsible for scheduling and planning a range of internally organised public events. Recently the team have begun running such events in small numbers, which have generated good returns for the Council, but without further staff capacity, the team lack the time to program in more of these events over and above the general day to day private hire requests. This new role will allow the service to generate greater income through running more internally organised public events and being able to match increasing demand with more staffing capability. The proposal would also facilitate the requested temporary reduction in hours from 37hpw to 30hpw of the current Operations and Events Manager (saving included in efficiency value).	Additional Income	(8)	(8)	-	-	-
E8	Enterprise	Net direct surplus from the creation of a café kiosk in Bancroft Pavilion, which will enable the council to offer food and refreshments at one of its green spaces. The corresponding capital investment in 2023/24 required to renovate a disused wing of Bancroft Pavilion for this purpose is requested within the Investment Strategy 2023-2033.	Additional Income	(9)	(9)	(9)	(9)	(9)
E9	Managing Director	Interest income return from treasury investments. As noted below, the ongoing budget was increased at Quarter One 2022/23 following the increases to the Bank of England base rate during the calendar year 2022. The base rate was subsequently increased by a further 0.5% to 2.25% on the 22nd September and may rise further in the coming months. The estimated interest income return is also dependent on the anticipated level of cash balances available for investment. These estimates are based on the proposed Investment Strategy (Integrated Capital and Treasury) 2023-2033.	Additional Income	(971)	(317)	175	212	231
E10	Managing Director	Reduction in the contribution rate to the Local Government pension scheme following the triennial revaluation of the scheme. The draft outcome of the revaluation exercise was received in January and, due to an improvement in the Council's position over the three years, the actuary has indicated that a 1% reduction in the overall contribution rate (which includes the amount paid as a lump sum) should be sufficient to maintain a stable position going forward.	Expenditure Reduction	(20)	(20)	(20)	(20)	(20)
E11	Place	Garden waste subscriptions income. We have received feedback from residents that the subscription period should start in spring, rather than autumn. This change would require an 18 month subscription period from October 2023 to March 2025. This length of subscription should be over £60, but using reserves to keep the price at £49, as we know the impact the cost of living crisis is having on residents. We will have a new waste contract from May 2025 and unfortunately we expect our costs to go up. Garden waste charging from April 2025 will reflect the full cost of the service, which includes the administration costs (including in relation to providing concessionary pricing) and providing bin stickers. The current estimate is that this would be around £49 per year. As the current budget assumption is an annual increase of 2% efficiency value represents the difference between that and the newly estimated income. See also R33 which shows the assumed additional costs from 2025/26 that will be covered by the additional income.	Additional Income	121	253	(168)	(145)	(121)
E12	Place	Waste awareness and minimisation expenditure. Expenditure budget for this purpose in previous years has been directly linked to the value of the AFM receipt received from Herts County Council. It is proposed to adjust the base expenditure budget to reflect expected spend, which will include the joint financing of a Waste Awareness Officer post from 2024/25 with East Herts District Council.	Expenditure Reduction	(93)	(83)	(73)	(73)	(73)
E13	Resources	Provision of safety barriers and man safe systems to various premises to improve safety of roof access for roof maintenance, gutter and outlet maintenance. Estimate includes additional cost of provision of man safe systems to three sites with the ongoing saving from a reduction in access equipment required to access the roofs year on year.	Expenditure Reduction	1	1	(3)	(3)	(3)
E14	Resources	Revenue efficiency associated with capital proposal for the provision of remote testing Emergency Lights and Water Temperature Monitoring at at least four small pavilion and cemetery sites. The equipment will reduce the number of physical inspections / compliance visits required.	Expenditure Reduction	-	(1)	(4)	(4)	(4)
Total Net Budget Reduction from new efficiency proposals			Total Expenditure Reduction	(339)	(330)	(327)	(327)	(327)
			Total Additional Income	(951)	(165)	(86)	(26)	17
			Total Efficiencies	(1,290)	(495)	(413)	(353)	(310)

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment				
				2023/24	2024/25	2025/26	2026/27	2027/28
				£'000	£'000	£'000	£'000	£'000
R1	Customers	IT software maintenance expenditure. Upgrades to the Public Access module of the Planning management system over a three year period from the start of April 2023. While NHC will undertake all customer installable upgrades, to avoid additional costs of £43k over the 3 years had the software provider completed the upgrades, the public access module is not customer installable and has to be upgraded by the software provider IDOX.	Additional Expenditure	7	7	7	7	7
R2	Enterprise	Economic Development Officer post. The current budget allocation for the shared post with East Herts District Council ends in March 2023. It is proposed that this continues for 2023/24.	Additional Expenditure	25	-	-	-	-
R3	Enterprise	Development of a new Enterprise Strategy. Appointment of specialists/consultants to help the Council produce a new Enterprise strategy, which will include Economic Development, Tourism and Commercial.	Additional Expenditure	15	-	-	-	-
R4	Enterprise	Appointment of Architect (Royal Institute of British Architects "RIBA" qualified) to undertake four stages of consultancy on proposed repurposing/redevelopment of Royston Town Hall Annexe, off Melbourn Street, Royston. Four stages are: (1) Strategic Definition; (2) Preparation & Brief; (3) Concept Design; and (4) Developed Design.	Additional Expenditure	20	-	-	-	-
R5	Enterprise	Purchase of Wireless Gallery Climate Monitoring Devices for North Herts Museum. These devices are important for ensuring that our museum has the correct environment for storing and displaying artwork and historical artefacts. The current devices we have are reaching the end of their life and have various technological limitations compared with modern devices. The new devices would enable us to monitor gallery conditions remotely and be alerted to emerging issues along with being able to share this data with other prospective museums considering loaning their exhibits to us. This would hopefully allow us to convincingly demonstrate the stable environment within our galleries and stores to other museums and would also allow us to take ever greater care of our exhibits.	Additional Expenditure	3	-	-	-	-
R6	Legal & Community	One off financial support to Citizens Advice for North Herts to ensure operations provided under the Memorandum of Understanding continue in the current economic climate and can accommodate the increase in need. The proposed investment for Citizens Advice will contribute to the upgrading of the IT infrastructure underlying their service delivery.	Additional Expenditure	20	-	-	-	-
R7	Legal & Community	One off financial support to North Herts Minority Ethnic Forum to ensure operations provided under the Memorandum of Understanding continue in the current economic climate and can accommodate the increase in need. The proposed investment will address the anticipated shortfall in funding to cover the core costs of their service provision.	Additional Expenditure	25	-	-	-	-
R8	Legal & Community	One off financial support to North Herts Centre for Voluntary Services to ensure operations provided under the Memorandum of Understanding continue in the current economic climate and can accommodate the increase in need. The proposed investment will help CVS to build capacity in the community through greater partnership working and the hosting of a Voluntary Sector conference.	Additional Expenditure	5	-	-	-	-
R9	Legal & Community	Annual Remembrance event in Letchworth. The event requires the closure of one road, for which an application must be submitted to the County Council. The budget requested is for the appointment of a Traffic Management Company to prepare a plan to support the application. For events beyond 2023/24, Officers are seeking to gain appropriate training and accreditation to enable the Council to successfully submit a road closure application without requiring the involvement of a traffic management company.	Additional Expenditure	5	-	-	-	-
R10	Legal & Community	Additional resource required to respond to Domestic Homicide Reviews (DHRs). This takes the total contribution up to £5k. Since 13 April 2011, there has been a statutory requirement for local areas (i.e. Community Safety Partnerships) to conduct a multi agency DHR following a domestic homicide of a person aged 16 or over which has, or appears to have, resulted from violence, abuse or neglect. If we do not contribute to the county-wide arrangement, then we would be required to fund the full cost of any DHR in our area (upwards of £12k per DHR).	Additional Expenditure	2	2	2	2	2
R11	Place	Recruitment of fixed term Sustainability Project Manager to help enable the council to meet its net zero commitments. The cost will be partially offset by temporary salary savings within the Place directorate.	Additional Expenditure	40	40	40	-	-
R12	Place	Sustainability projects expenditure budget. To support the Council and Herts Climate Change and Sustainability Partnership projects, which will assist with delivery of aspirations within the climate change strategy and to work towards shared county wide climate goals.	Additional Expenditure	25	-	-	-	-
R13	Place	Commissioning of consultants to carry out a ten year condition survey of the Council's Leisure Centre buildings. The survey will identify the level of investment required to maintain and improve the current offer over the next 10 years and will inform capital allocations required in future years. This survey will also form part of the leisure procurement documentation, with potential providers given a better understanding of the condition of the assets they will be tendering to manage and the future plan in place.	Additional Expenditure	32	-	-	-	-
R14	Place	Waste related telephone payments, including garden waste payments, are currently facilitated by Urbaser. It is intended to bring payments back in-house and this will require an upgrade to the telephone payment system to allow for immediate confirmation of payment receipt to ensure additional back office reconciliation is not required.	Additional Expenditure	43	13	13	13	13
R15	Place	Integration of waste management IT systems with CRM. Costs associated with additional part time staff resource procured to provide integration on a fixed term contract.	Additional Expenditure	20	20	10	-	-
R16	Place	Anticipated waste collection catchup costs associated with the additional bank holiday for the Coronation of King Charles III.	Additional Expenditure	20	-	-	-	-
R17	Regulatory	Hitchin Rail Station - Eastern Access options appraisal - funding required to appoint consultants to undertake a wider Strategic Sustainable transport option appraisal to improve east - west access across Hitchin including Hitchin Station, the town centre and Wilbury industrial estate. Project fee estimated at £60k - £30k required to match fund a bid being sought by HCC.	Additional Expenditure	30	-	-	-	-
R18	Regulatory	Recruitment of Planning Enforcement Officer. With the receipt of the Inspectors letter and the approval of some large scale housing sites within the District, the planning enforcement team requires additional resource to meet the expectations placed upon it. Currently the team has one manager and two junior officers (one being part time in this role). This bid seeks funding for an experienced enforcement officer to cater for the additional workload arising from the Local Plan. Investment value indicates maximum cost of proposal.	Additional Expenditure	53	53	53	53	53

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment				
				2023/24	2024/25	2025/26	2026/27	2027/28
				£'000	£'000	£'000	£'000	£'000
R19	Regulatory	Recruitment of Major Projects Development Management Officer. The receipt of The Inspectors letter and the adoption of the master planning process has identified a need to recruit a qualified major projects officer. Planning is a hard to recruit to service and, as such, often the most suitable candidates only wish to work part time. In addition staff often request flexible working arrangements, such as following maternity leave. As such, the additional cost of this post can be offset by the salary lag generated from where full time posts within the service have been recruited to at part time hours. The investment bid is therefore for the remaining funding to seek a full time officer. Investment value indicates maximum cost of proposal.	Additional Expenditure	17	17	17	17	17
R20	Regulatory	Recruitment of Housing Improvement Officer subject to job evaluation). The new role would be to identify & facilitate energy improvements or 'green' energy grants, target & bring into use vacant residential premises including via CPO & Management Orders & help residents live longer & healthier in their homes. Investment value indicates maximum cost of proposal.	Additional Expenditure	47	47	47	47	47
R21	Regulatory	Recruitment of a Housing Register and Accommodation Officer. This post would be to focus on the resettlement of refugees and any associated asylum seeker activity, which is an increasing area of work. Given the nature of the role, the estimated additional cost of the post would be eligible to be financed from the grant monies currently held in the Syrian Refugee earmarked Reserve.	Additional Expenditure	-	-	-	-	-
R22	Regulatory	Local Plan Review - the examination of the Local Plan 2011-2031 cost ~£1m (this excludes the preparatory costs of the earlier consultation stages and evidence base) and contains a commitment to begin the next review by the end of the 2023, looking forward over the period to the 2040s. Although it is presently anticipated that the cost of the next review will not be as high (due to, inter alia, having a relatively recent plan to build upon, potential for some costs to be shared / mitigated / absorbed through joint planning arrangements etc.) there will still be a significant cost. There will be a requirement for early stage evidence studies to inform the review scheduled for late 2023 and / or 'pace' the development of the evidence base whilst any year-on-year underspend will help mitigate / reduce further growth bids as the Plan reaches key points (e.g. pre-submission and examination stages which require full, up-to-date evidence bases, legal support etc.). Proposed reforms to the planning system are currently in the early stages of progress through Parliament and may result in new or additional requirements. The 2022/23 budget included approved funding of £60k per annum over a five period (£300k in total). This bid is based upon a more defined work programme and is for a further £60k per year over the next five years which would provide a working budget of £120k per year for the next four years and a total commitment of £600k over a six year period.	Additional Expenditure	60	60	60	60	60
R23	Regulatory	Chilterns Area of Outstanding National Beauty (AONB) extension. The Council previously supported an application to extend the AONB boundary and approved an associated budget. The application failed to progress for a number of years and the budget was removed. Natural England are now in the early stages of considering the potential for such an extension of the Chilterns Area of Outstanding Natural Beauty, which lies partially within the District. Further areas within North Hertfordshire may be considered for inclusion or amendment. The process is expected to take 2-3 years to complete. The Growth Bid reflects the previous budget and would be used to secure ongoing expert support from a Landscape Consultant to advise the Council on any emerging proposals.	Additional Expenditure	10	10	10	-	-
R24	Regulatory	Local Cycling Walking Infrastructure Plan (LCWIP) - Rural Areas. Match funding is required in working with HCC to review the adopted Plan for the inclusion of rural areas and to prepare and undertake survey work associated with an extension to the NHC LCWIP.	Additional Expenditure	-	20	30	-	-
R25	Regulatory	Electric Vehicle (EV) charge point maintenance. Resource is required to cover existing 10 EV vehicle charge points within NHC public car parks cost at an estimated cost of £500 per socket per year. Only one year of funding has been sought as officers are seeking to extend the provision through a Government Grant and partnership with a private sector operator who will take over the existing charge points. If the bid is unsuccessful or the operator declines to take over the existing chargers, further investment bids will be required in the future.	Additional Expenditure	5	-	-	-	-
R26	Regulatory	Maintenance of existing Air Quality Monitoring Equipment within the Air Quality Management Areas. The equipment has been insitu for some time and is beginning to require an increasing degree of repair for which there is no budget. This bid seeks to rectify that need for on-going maintenance and repair.	Additional Expenditure	-	-	-	-	-
R27	Regulatory	Sustainable Travel Town. Funding is requested for North Herts Council's contribution towards the preparation of the Sustainable Travel Town Implementation Plans in Letchworth and Royston, including community engagement and promotion.	Additional Expenditure	20	10	10	-	-
R28	Resources	Lighting maintenance at Letchworth Multi Storey Car Park (LMSCP). All the current lighting was installed nearly nine years ago and the number of failures has increased recently. The budget pressure is to recognise both; the additional cost from the higher number of visits anticipated in next year to address issues with the lighting; to engage a lighting design specialist to look at Letchworth MSCP to, 1) give a view on the longevity of the existing installation at LMSCP and 2) provide an estimate for a large scale replacement, which can be used to form a future capital bid.	Additional Expenditure	25	-	-	-	-
R29	Resources	Repair of the surface water drain at District Council Offices, Letchworth.	Additional Expenditure	-	15	-	-	-
R30	Resources	Implementation and ongoing licence and support fees of a computer aided facilities management system (CAFM). This is the net additional cost after reallocation of some other linked budgets. The CAFM system will help deliver a number of benefits including: improved property compliance and resilience, better reporting on progress of fixing property issues and improved works management which will help deliver better value for money.	Additional Expenditure	10	10	10	10	10
R31	Resources	Estimated additional cost from the reprocurement of the property compliance contract. The previous contract was based on a fixed price over the contract period. So this mainly reflects the accumulated inflation on costs, which are particularly high in relation to materials. This estimate is based on Community Centres taking on monthly checks. This will be subject to a Cabinet decision in December. The additional cost would be around £15k higher, if the Council continues to provide these monthly checks.	Additional Expenditure	30	30	30	30	30
R32	Enterprise	Contribution to Better Business for All. This service provided through the Local Enterprise Partnership supports works to boost business productivity and growth by making it easier for businesses to access the regulatory support they need from Local Authorities such as Trading Standards, Environmental Health, Licensing and others. BBFA also works with regulators to help them better understand the challenges faced by businesses.	Additional Expenditure	3	6	-	-	-
R33	Place	Additional garden waste collection costs that are covered by increased income. Note the additional costs will be only be known when the new contract is awarded in early 2024.	Additional Expenditure	-	-	168	145	121
R34	Enterprise	Repairs to the riverside footpath near Jill Grey Place in Hitchin that will be required when it is taken on by the Council. This is part of the overall project to provide a link from Bridge Street to Biggin Lane.	Additional Expenditure	26	-	-	-	-

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment				
				2023/24	2024/25	2025/26	2026/27	2027/28
				£'000	£'000	£'000	£'000	£'000
R35	Place	AFM Income. Hertfordshire County Council are looking to withdraw the support that they provide to Districts and Boroughs to minimise residual (i.e. non-recyclable) waste. This funding was provided through a mechanism known as the Alternative Financial Model (AFM). The amount that we will receive will reduce in 2023/24 (which is a payment based on performance in 2022/23), although it is expected that it will be broadly in line with the budget, after adjusting for the potential ongoing impacts of COVID-19 (as detailed in the Medium-Term Financial Strategy). It will then reduce to zero in 2024/25.	Income Reduction	-	395	395	395	395
R36	Place	Extension of the outdoor pool season at Letchworth Outdoor pool by 4 weeks (2 weeks at the beginning and end of the season) in 2023. Based on experience of usage and to minimise the financial impact to the council, the opening hours will be restricted to peak periods. A timed session wrist band system is also being introduced during the school holidays to reduce queuing and maximise income. A review of season ticket pricing will also be undertaken prior to the new season.	Additional Expenditure	25	-	-	-	-
R37	Place	Additional consultancy support for the leisure contract procurement. As resource in the Leisure team is extremely stretched, the appointment of consultants to provide pre procurement support, draft the documentation for, and project manage, the procurement process and the production of the leisure contract, draft tender documents and support the tender process. Investment value also includes an allowance for external legal advice where this cannot be provided in-house.	Additional Expenditure	52	-	-	-	-
R38	Place	Public conveniences cleaning contract expenditure. Increase in estimated cost follows the outcome of the recent contract tender exercise.	Additional Expenditure	52	52	52	52	52
R39	Managing Director	Revenue cost of internal borrowing required to finance the proposed capital programme 2023-2033. Value only reflects Minimum Revenue Provision, as additional impact of lost interest income is included in the interest income projection above.	Additional Expenditure	-	31	191	172	188
R40	Legal & Community	Council chamber audio visual equipment maintenance support costs. Recent issues with the Council Chambers AV equipment have highlighted the need for a support contract with the equipment provider.	Additional Expenditure	6	6	6	6	6
R41	Legal & Community	The creation of a Community Wealth-building fund for one year in 2023/24. This will allow funding to be provided to the community to enable it to invest in itself.	Additional Expenditure	100	-	-	-	-
R42	Place	Reduction in anticipated mausoleum income following the removal of the proposed construction of a new mausoleum from the Council's Investment Strategy 2023 - 2033. There is no longer the demand to justify building new niches. All existing mausoleum niches are currently either occupied or reserved. A deposit of 50% of the sale price is required to reserve a niche with the remaining 50% payable upon occupation. The revised income estimate removes the previously budgeted additional income from the sale of new niches and is based on an assumption of two existing niches becoming occupied annually, with an allowance included for associated costs.	Income Reduction	17	17	17	17	17
R43	Place	Additional expenditure in 2023/24 arising from a contractual commitment within the leisure contract. The contract requires that the Council provides additional funding where the cost of utilities goes above a baseline level. This will be paid based on actual usage but the contractor has very recently provided an estimated cost of £240k. This mainly reflects the very high rate that they have had to purchase electricity at, due to the timing of when their contract came to an end and market conditions. There is currently no Government support to businesses beyond the end of March.	Additional Expenditure	240	-	-	-	-
Total Net Budget Increase from new pressures and investment proposals			Total Additional Expenditure	1,118	449	756	614	606
			Total Income Reduction	17	412	412	412	412
			Total Investments	1,135	861	1,168	1,026	1,018

Appendix C - General Fund Estimates for 2023/24 to 2027/28

Flat £1,925 pay award in 2022/23, 4% Pay Award in 2023/24, Annual Council Tax increase higher of £5 or 2.99% in 2023/24 and 2024/25 and 0.5% growth in Council Tax Base in years beyond 2023/24.

All amounts £000	2023/24	2024/25	2025/26	2026/27	2027/28
Net expenditure brought forward	17,593	18,539	18,333	17,960	17,345
Planned delivery of savings previously identified	-94	-141	-203	-22	-25
Planned Investments previously approved	74	-42	-30	52	0
Other previously identified adjustments in future years	19	-19	16	-19	17
Savings and Cost Reductions reported in year	-690	0	0	0	0
Investments and Pressures reported in year	1,170	-48	-37	0	0
Phased reduction in Covid-19 Recovery Provision	-1,290	-450	0	0	0
New savings proposals	-1,290	795	82	60	43
New investment proposals	1,135	-274	307	-142	-8
Health & Social Care Levy Reversal	-100	0	0	0	0
Health & Social Care Levy Contingency	-88	0	0	0	0
Local Council Tax Support Administration Grant Roll-in	132	0	0	0	0
Net pay increments	77	50	50	50	50
Pay inflation	630	300	300	300	300
Pension contribution inflation	0	31	32	0	0
Forecast Contractual Inflation	1,273	300	325	325	325
Forecast Income Inflation	-422	-198	-215	-219	-224
2022/23 Budgets Carried Forward	409	-409	0	0	0
Further savings tbc	0	-100	-1,000	-1,000	-400
Total Net Expenditure	18,539	18,333	17,960	17,345	17,424
Council Tax Income	-12,791	-13,239	-13,570	-13,909	-14,257
Council Tax Collection Fund (Surplus) / Deficit	-138	0	0	0	0
Negative Revenue Support Grant	0	0	500	1,000	1,000
Business Rates	-2,980	-3,040	-3,101	-3,163	-3,226
Business Rates - Under-indexing of multiplier compensation	-482	-492	-502	-512	-522
New Homes Bonus / Other Funding	-932	-350	-350	-350	-350
Services Grant	-110	0	0	0	0
Other	39	39	33	28	28
Total Funding	-17,395	-17,082	-16,990	-16,906	-17,327
Net funding position (use of reserves)	1,144	1,251	970	439	97
General Fund b/f	10,504	10,504	10,504	10,139	9,700
MHCLG Grants Transfer	-1,144	-1,251	-605	0	0
General Fund c/f	10,504	10,504	10,139	9,700	9,603

This page is intentionally left blank

CABINET
31 January 2023

***PART 1 – PUBLIC DOCUMENT**

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

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Investment Strategy provides the following key information:

- A capital programme of £8.516m in 2023/24 and £19.144m for the period 2024/25 to 2027/28.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2023/24)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy
- The scope of treasury investments where the Council will invest any surplus cash.

2. RECOMMENDATIONS

- 2.1. That Council approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators. This incorporates the changes referenced in paragraph 5.4.
- 2.2. That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.11 to 8.16).

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes
- 3.2 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Department of Levelling Up, Housing and Communities (DLUHC) and the CIPFA Prudential Code.

As well as determining and managing the Councils risk appetite in respect of investments.

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2022. Notes of the comments raised at the workshops were provided to Cabinet in December. There has been two additional schemes added to the capital programme since the budget workshop:
- £0.150m in 2023/24 re CCTV camera replacement. This was mentioned at the budget workshop, but a value was not provided.
 - £0.400m across 2023/24 and 2024/25 for Charnwood House, Hitchin. This is the estimated contribution required by the Council to refurbish and update the building for community use. It is also likely to require a community organisation being able to access further funding. This project was included in last year's capital proposals but did not include a financial value.
- 5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.3 There is ongoing dialogue with the Authority's Treasury advisors (Link).
- 5.4 As a result of discussions at the Cabinet meeting in January and matters that have come to light since that meeting, the following changes have been made:
- The planned expenditure to build a new mausoleum has been removed, as a reduction in demand has meant that it is no longer viable.
 - The spend on new household bins is now forecast to be £45k higher (£135k rather than £90k) in 22/23 and 23/24.
 - Moving forward of capital spend for new car park payment machines. This is to enable the delivery of a pay on exit option to improve the user experience. This will be a phased implementation that will commence in 2023/24. The allocations of £150k in 2025/26 and £150k in 2026/27, are therefore shifted to 2023/24 and 2024/25.

- Add a new capital project relating to Government funding for a Local Authority Housing Fund. The aim of the fund is to increase the supply of housing, with a focus on supporting Ukrainians and Afghans. The fund requires substantial match funding (either 50% or 60%), which significantly affects the viability when the aim would be to provide housing at social rent levels. There is also a requirement to deliver by the housing by the end of November. Following work with local Registered Providers, the Council plans to be able to deliver at least 3 properties but hopes further discussions will allow more to be delivered. The Registered Providers will provide the match funding. The current capital allocation reflects the 3 properties and the resultant Government funding for those of £543k.
- Changes to the revenue budget also have consequential impacts on the various tables in the Investment Strategy as they affect the levels of surplus cash available for investment.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Corporate Business Planning Process begins each year with consideration of policy priorities and the Council's Priorities for the District and a review of the Medium Term Financial Strategy. Finance and other resources are aligned to the strategic priorities as set out in the Council Plan.
- 7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2022/23. The report advised that total expenditure of £37.457m would be required to deliver the current capital programme for 2022-2032, with £9.815m forecast to be spent in 2022/23. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2022. It also includes additional spend on bin purchases in 2022/23 (as referenced in paragraph 5.4).

Table 1

	2022/23 £M	2023/24 £M	2024/25 to 2031/32 £M
Original Estimates approved by Full Council February 2022	7.546	5.522	17.311
Changes approved by Cabinet in 3rd Qrt 2021/22	0.821	0	0
Changes approved by Cabinet in 2021/22 Capital Outturn report	0.980	0	0
Revised Capital estimates at start of 2022/23	9.347	5.522	17.311
Full Council approved additional Expenditure – Acquisition of Churchgate	4.350	0	0

	2022/23 £M	2023/24 £M	2024/25 to 2031/32 £M
Executive Member – Finance and I.T. approved additional Expenditure – Installation of Electric Charging Points at DCO	0.015	0	0
Executive Member – Finance and I.T. approved additional Expenditure – Shared Prosperity Fund Interventions (two separate projects at £50k and £10k each)	0.060	0	0
Changes at Q1	-1.520	2.048	0
Full Council approved additional Expenditure – NHLC Soft Play	0.250	-0.100	0
Executive Member – Finance and I.T. approved additional Expenditure - Gum Gun	0.038		
Changes at Q2	-2.725	0.861	2.000
Additional spend on bin purchases	0.045	0	0
Current Capital Estimates	9.860	8.331	19.311

7.3 The Treasury Strategy Statement for 2022/23 was approved by Council in February 2022. A mid year review of the Treasury Strategy will be provided to Council in January 2023. There have been no changes made to the Strategy during the course of 2022/23.

8. RELEVANT CONSIDERATIONS

- 8.1 The proposed Investment Strategy is attached at Appendix A. Council are asked to approve this strategy, which includes the following:
- New capital investment proposals totalling £2.244m
 - A total capital programme for the period of 2023/24 to 2027/28 of £27.660m.
 - Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators
- 8.2 The following are provided as appendices to Investment Strategy, and are also appendices to this report:
- Appendix A1- A list of new capital schemes and schemes planned to commence from 2023/24.
- 8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.
- 8.4 In general the capital programme detailed in tables 6 and 7 on pages 13 and 15 is what was presented to the budget workshops (as referenced in paragraph 5.1).

- 8.5 Table 8 (on page 16) provide an assessment of the Security, Liquidity and Yield of the projected spend on these assets. Table 9 (on page 17) details that the assessment of the expected risk of loss will be carried out as part of individual business cases.
- 8.6 Table 10 (on page 17) provides a forecast of the capital receipts that the Council will generate over the next few years. The preceding paragraph provides a description of the factors that will affect the timing and amount of expected capital receipts. Any significant changes would require a change to the Investment Strategy and could also affect the revenue budget in the medium-term.
- 8.7 As detailed in table 11 (on page 18) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £1.241m of borrowing in 2024/25, an additional £6.416m in 2025/26, and a further £5.840m between 2026-2033. As detailed on page 19, the Council can consider whether to borrow internally or externally. However as detailed on page 20, changes to the Prudential Code requires Councils to initially consider internal borrowing as it is considered to be cheaper and lower risk. Therefore, it is assumed that the Council will borrow internally.
- 8.8 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). On page 26 it is detailed that the Council will charge MRP on an equal instalment basis. This reflects that the majority of capital spend is related to service provision and therefore the assets are expected to provide consistent benefits over their life.
- 8.9 Table 17 on page 30 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following changes are proposed compared to last year:
- Various changes to investment limits measured in £m (by type of investment, institution and groups of investments) to reflect the forecast year end balances. The percentages that these are based on are unchanged.
 - Reduce the sovereign rating for non-UK banks from AAA to AA- following discussion with our Treasury Consultants. An additional control will be added for the Service Director: Resources to exclude any countries with concerns over Governmental, Social and Human Rights issues.
- 8.10 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.
- 8.11 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.

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

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

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

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

8.14 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

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

9. LEGAL IMPLICATIONS

- 9.1 TOR 4.4.1 (b) of the Constitution provides that Full Council will exercise the function of approving or adopting the capital budget (Constitution 4.3) and approve the treasury management strategy statement (Constitution 4.4.1 (cc)).
- 9.2 Cabinet will recommend to Full Council the annual capital budget (Constitution 5.6.39) and treasury management strategy statement (Constitution 5.6.40).
- 9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).
- 9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Service Director- Resources.
- 9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

10. FINANCIAL IMPLICATIONS

- 10.1 These are covered in section 8.

11. RISK IMPLICATIONS

- 11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed.

The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.

- 11.2 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2023/24 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.
- 12.3 As referenced in paragraph 8.9, the inclusion of banks on our counter-party list will consider the Country that they are in and an objective analysis of the approach to equalities in that Country. This will be in addition to any sovereign (Country) and institution credit rating.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

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

16. APPENDICES

- 16.1 Appendix A- Investment Strategy
- 16.2 Appendix A1- A list of new capital schemes and schemes planned to commence from 2023/24

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director- Resources, Ext: 4243, E-mail: ian.couper@north-herts.gov.uk

17.2 Dean Fury, Corporate Support Accountant, Ext 4509, dean.fury@north-herts.gov.uk

17.3 Reuben Ayavoo, Policy and Community Manager, Ext 4212, reuben.ayavoo@north-herts.gov.uk

18. BACKGROUND PAPERS

18.1 None

This page is intentionally left blank

Appendix A

Investment Strategy (Integrated Capital and Treasury Strategy)

Part 1- Overview

Introduction

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

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

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

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

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

The format of this strategy is as follows:

Part 2- Capital Spend

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

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

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

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

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

Part 5- Investment Strategy

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

Part 6- Overall Risk considerations

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

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

Reporting requirements

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

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

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

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

Basis of Estimates

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

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

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

Treasury Management Policy and Treasury Management Practices

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

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

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

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

TMP1 has been amended to include our policy and practices relating to ESG investment considerations.

Treasury Consultant

The Council renewed its contracted with Link Asset Services to provide treasury management advice for the three year period October 2019 – September 2022 and extended for 6 months until end of March 2023. A tender will be undertaken in the new calendar for our Treasury Advisors to be in place for the beginning of April. It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure that undue reliance is not placed upon Link. However, there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

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

Skills and culture

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

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	<p>Required to formally adopt this Strategy.</p> <p>Required to approve any capital purchase over £2.5m.</p>	<p>Annual training that provides an introduction to Local Authority funding and accounting was provided in June 2022. All Councillors were invited to attend, with a particular focus on Cabinet members and Finance, Audit and Risk Committee members.</p>
Finance, Audit and Risk Committee	<p>To review the Council's policies on Treasury, Capital and the Medium-Term Financial Strategy.</p> <p>To monitor the effective development and operation of risk management.</p>	<p>Members of the Committee (and substitutes) are encouraged to consider their skills and there is a standing item for future agenda items, which includes training ideas. This allows the targeting of specific training.</p> <p>Where relevant (particularly early in the civic year) the presenter of reports provides a more detailed introduction to ensure the key information and context is fully understood.</p> <p>Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.</p>
Chief Finance Officer and Finance Team	<p>Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management.</p> <p>Responsible for reviewing and amending the financial implications sections of reports.</p>	<p>Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.</p>
Leadership Team (LT)	<p>Individual Service Directors will be responsible for putting forward proposals.</p> <p>Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process.</p> <p>Members of SMT are likely to be involved in negotiating commercial deals.</p>	<p>Previous training session on risk, risk appetite and assessing risk.</p> <p>Regular updates on the Council's funding and finances, including significant changes in regulations.</p> <p>Updates on the core principles of the prudential framework.</p> <p>Training on finance and the Local Government context provided over the summer. This was made available to Leadership Team and the Senior Management Group.</p>
Political Liaison Board (Joint Member and Officer Leadership Team)	<p>Cabinet makes recommendations to Council on the policy direction and budget for the Council.</p> <p>Approves capital spend up to £2.5m.</p>	<p>Previous presentations on the implications of the CIPFA Financial Management Code to help ensure effective financial governance and sustainability.</p> <p>Regular updates on key financial issues.</p>

Part 2- Capital Spend

Current Capital Assets

As at 31st March 2022, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	26,437
Surplus Land and buildings	Various	Held for future sale or development	10,392
Offices and Storage	DCO	Staff offices, customer service centre and democratic facilities	4,097
Offices and Storage	Unit 3	Off-site storage, back-up IT and emergency planning	417
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	9,386
Leisure Facilities	Letchworth Outdoor Pool	Service use	3,374
Leisure Facilities	North Herts Leisure Centre	Service use	13,817
Leisure Facilities	Royston Leisure Centre	Service use	9,029
Leisure Facilities	Pavilions / Bandstands	Service use	2,457
Leisure Facilities	Recreation Grounds / Play Areas / Gardens/Allotments	Service use	5,463
Community Centres and Halls	Various	Community facilities, generally operated by third parties	13,389
Markets	Hitchin Market	To provide a market	178
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	13,035
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,808
Cemeteries	Various	Service use	1,477
Community Safety	Various CCTV cameras	Service use	0
IT	Various computer equipment and software	To enable the delivery of other services	480
Parking	Various car parks	Service use	9,757
Waste Collection	Bins	Service use	206
Waste Collection	Vehicles	Service use	1,362
Public Conveniences	Various	Subject to leases/ management arrangements	602
Other	Various	Various	763
Total			127,926

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
Cemeteries	Icknield Way	Path Enhancement	50
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS)	199
Grants	Various	Park Homes Insulation	341
Grants	Various	Private Sector Housing Grants	120
Grants	Various	S106 Grants (REFCUS)	177
Grants	Various	Shared Prosperity Fund	60
Investment Properties	Churchgate	To generate rental income/ capital appreciation	4,214
Investment Properties	Residential Housing	To enable the conversion of Harkness Court to increase housing provision in the District	42
IT	Various computer equipment and software	To maintain IT service and provision of equipment	946
Leisure Facilities	Hitchin Swim Centre	Replace Outdoor Boiler and Hot Water Calorifer	72
Leisure Facilities	Leisure Condition Survey	Improvements to various Leisure sites	246
Leisure Facilities	Letchworth Outdoor Pool	Replace Outdoor Boiler	58
Leisure Facilities	North Herts Leisure Centre	Create Soft Play Area and Sauna Refurbishment	453
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Refurbishment of play areas.	515
Leisure Facilities	Royston Leisure Centre	Thermal Installation	70
Museums and Arts	Hitchin Town Hall and District Museum	Mainly works to the Town Hall	94
Parking	Multi-storey car parks	Structural repairs, resurfacing and Lift refurbishment at Lairage, Decoration at Letchworth Multi-storey	123
Parking	Off Street	Match Funding for Electric Vehicle charging and DCO charging points	115
Parking	Off Street	Upgrade pay and display machines, resurfacing and Replacement of Floodlights	560
Parking	On Street	Instal On Street Charging	50
REFCUS	Cycle Strategy / Transport Plans / Green Infrastructure	Cycle Strategy / Transport Plans / Green Infrastructure	713
Various	Various	Capital maintenance of Council buildings/land	439
Waste	Bins	Service Use	135
Waste	Bury Mead Road Transfer Facility	Service Use	30
Waste	Gum Gun	Service Use	38
Total			9,860

Capitalisation Policy:

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

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

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£22.4m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Churchgate Shopping Centre, Hitchin- ground lease (value £1.8m)	The Council now has combined ownership of the freehold and leasehold. The Council now generates income directly from the tenants. This income will be affected by economic conditions, but overall is projected to remain fairly stable. Note that the primary reason for holding the asset is regeneration.	On the basis that it generates a reasonable rental stream, likely to be some interest as an investment. Liquidity likely to be improved now that the ownership of the freehold and leasehold are combined.	Forecasts (based on independent advice) when the leasehold was acquired, was that net income would exceed the capital costs of acquiring the asset and the existing income from the freehold interest.
Letchworth Town Hall (value £0.9m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Beverley Close Store, Royston (value £0.2m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court)	The demand for housing is considered to be greater than an office building. Therefore, it is expected that the expenditure on a conversion scheme has increased the security of the asset.	The liquidity of the asset increased with the granting of planning permission and initial building regulations approval. The final completion of the works (including snagging items) will result in having high liquidity.	Not currently generating any income. The final completion of the conversion will increase the capital value / enable generation of rental income.
Other assets valued at less than £0.1m (£0.4m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

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

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

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

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

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£22.4m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Churchgate Shopping Centre, Hitchin-ground lease (value £1.8m)	Valued on a fair value basis. The valuation is based on rental yields.	External valuations were commissioned to support the decision to acquire the leasehold interest. Whilst there are difficulties that face retail and shopping centres in particular, Hitchin is a good retail location, and this shopping centre is fairly unique in the rents that it offers. However, there is still risk in the context of current economic conditions. As part of the acquisition, the Council commissioned condition surveys and has a plan in relation to high and immediate priority works. These works are generally expected to be funded from current and forecast balances in the service charge account.
Letchworth Town Hall (value £0.9m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall, there currently is an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Beverley Close Store, Royston (value £0.2m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.
Other assets valued at less than £0.1m (£0.4m in total)	Not fully assessed	Not fully assessed

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

Use of Capital Receipts Direction:

The Capital Receipts direction was last used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2023/24– 2027/28.

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
Existing Capital Programme-schemes 2023/24 onwards							
Various	Capital maintenance based on condition surveys	304	0	0	0	0	0
Cemeteries	St Johns, Wilbury Hills Icknield Way and new Mausoleum	16	50	0	30	0	0
Computer Software & Equipment	To maintain IT services	119	396	1,124	136	62	2,317
Council Car Fleet	New accounting Standard requires the Council's leased Vehicles to be recorded on the Council's Asset Register	141	0	0	0	0	0
Former Public Convenience on Portmill Lane, Hitchin	To return the property to a lettable standard	25	0	0	0	0	0
Grounds Maintenance Vehicles	New accounting Standard requires the Council's leased Vehicles to be recorded on the Council's Asset Register	315	0	0	0	0	0
Hitchin Swim Centre	Refurbishments / Boiler Replacement	0	230	300	605	0	0
Hitchin Swim Centre / NH Leisure Centre / Royston Leisure Centre	Solar PV installation	721	0	0	0	0	0
Mrs Howard Hall	Replacement Boiler and windows	63	0	0	0	0	0
Newark Close	Road Replacement	65	0	0	0	0	0
North Herts Leisure Centre	Refurbishments / Boiler Replacement	0	200	0	0	120	150
Royston Leisure Centre	Refurbishments / Boiler Replacement	0	150	30	200	100	0
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	180
Various	Creation of and improvements to local green spaces	20	100	0	0	0	0
Various	Funding for local sports facilities,	100	100	0	0	0	0

	tournaments, teams and leagues						
Various Off-Street Car Parks	Resurfacing / Enhancements	558	0	0	0	0	0
Various Parks and Playgrounds	Enhancements	780	215	180	180	180	900
Waste and Recycling	Bin replacements	135	90	90	90	90	360
New Capital Programme							
CCTV Replacement	Replace CCTV	150	0	0	0	0	0
Cemeteries	Icknield Way path resurfacing	100	0	0	0	0	0
Hitchin Swim Centre	Enhancements	65	0	0	0	0	0
North Herts Leisure Centre	Various Enhancements	70	0	0	0	0	0
Off-Street Car Park	Resurfacing Weston Hills	20	0	0	0	0	0
Royston Leisure Centre	Various Enhancements	75	150	0	0	0	0
Various	Community Engagement Schemes	0	163	0	0	0	0
Various Parks and Playgrounds	Enhancements	465	10	0	10	10	0
Various	Testing Emergency Lights and Water Temperature Monitoring at 4 small pavilion and cemetery sites	0	13	0	0	0	0
Total		4,367	1,927	1,784	1,311	622	3,907

The totals for 2028/29 to 2032/33 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £201k per year for this purpose.

New Capital Assets

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

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
Existing Capital Programme-schemes 2023/24 onwards							
Develop housing at market rents	Increase provision of housing at market rents	10	0	0	0	0	0
NH Museum and Community Facility	Museum Storage Solution	2,000	2,000	0	0	0	0
Off-Street Parking	Parking Machines Replacement	150	150	0	0	0	0
Walsworth Common Pavilion	New pavilion	300	0	0	0	0	0
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	0	1,000	0	0	0
John Barker Place	Contribution to redevelopment	1,096	0	0	0	0	0
Waste and Recycling	Vehicles	0	0	4,000	0	0	0
Waste and Recycling	Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	0	3,000	3,000	0	0	0
Charnwood House	Refurbish and update the building for community use.	50	350	0	0	0	0
Local Authority Housing Fund	Government Grants passed to registered providers to increase housing supply	543	0	0	0	0	0
Total		4,149	5,500	8,000	0	0	0

Below is an estimate of the total capital expenditure to be incurred in the years 2023/24 to 2027/28. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2023/24 to 2027/28

Year	£m
2023/24	8.516
2024/25	7.427
2025/24	9.784
2026/27	1.311
2027/28	0.622

A list of new capital schemes and schemes planned to commence from 2022/23 is provided in Appendix A1.

Where this proposed expenditure does not relate to service delivery, the security, liquidity and yield in relation to this spend has to be considered. The capital allocations do not include any spend that is not linked to service delivery, but the Council will continue to consider opportunities in relation to residential property and investments in line with the Property Acquisition and Development Strategy. If these opportunities arise then they will be brought to Council for consideration, alongside an updated Investment Strategy. The table below (table 8) provides an analysis of security, liquidity and yield in relation to these types of investment.

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Residential Property	<p>The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. The focus on developing new properties or converting existing properties to residential will also help to ensure security due to the expected uplift in value. Individual market factors will be considered prior to acquisition.</p> <p>Where retained it is likely that the property will be held through a company, although various funding structures can be considered (e.g. loan funding, equity funding or leasing the assets to the company for onward rental). Maximum security would be achieved through loan funding (with the loan secured against the property) or an onward leasing arrangement. But there may be instances where higher levels of equity funding are considered appropriate.</p>	<p>Property is a medium to long-term asset due to the costs of buying and selling. However, it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.</p>	<p>The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.</p>
Investments in line with the Property Acquisition and Development Strategy	<p>As detailed in the Property Acquisition and Development Strategy, the security of investments will be given a high weighting in determining which ones to take forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties. Spreading the total investment over a</p>	<p>Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature. The Property Acquisition and</p>	<p>To reflect the risk of property investment a net surplus of 1-1.5% (above borrowing, administration and acquisition costs) will be targeted as a minimum. Any target surplus will</p>

	number of properties will help mitigate the second of these.	Development Strategy targets those properties that are considered to be more liquid e.g. they have a wider range of tenants and/ or uses.	be commensurate with the level of risk.
--	--	---	---

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

Table 9

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

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

Capital Funding

The Council forecasts the following additions to its capital receipts (table 10). All the planned disposals are surplus land that is being sold to generate capital receipts. The disposals will also reduce the risks and costs of holding the land. Due to the potential impact on negotiations over disposal values, individual values are not detailed. Table 8 above mentions potential opportunities for the Council to develop residential properties on existing land. If these were to be progressed, then that would require a refresh of the Investment Strategy. If the properties were then sold at the end, then that would result in a delayed (but expected to be greater) capital receipt. If some (or all of) the properties were retained, then that would swap a capital receipt for an expected revenue income stream. The valuations used are prudent for selling with limited restrictions and assuming that planning permission can be obtained. If the Council requires enhanced conditions in relation to affordable housing provision, then that could result in a reduced capital receipt. An allowance has been incorporated for higher environmental standards for new disposals, but the impact is uncertain as it will be affected by the cost of those enhanced standards (which is expected to fall over time) and any premium that the end purchaser of the property is prepared to pay. If there were changes in the receipts that could be achieved, then it may be necessary to revise the Investment Strategy. That would increase the borrowing requirement, increase borrowing costs and therefore have a greater revenue impact (due to revenue costs of capital).

Table 10

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Balance B/Fwd	3,194	2,541	4,352	0	0	0
Used in Year	6,231	6,389	4,352	0	0	0
Forecast Receipts (£000)	5,578	8,200	0	Tbc	Tbc	Tbc
Balance C/Fwd	2,541	4,352	0	0	0	0

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

Table 11

Funding Source	Brought forward (at 31/3/22)	Forecast expenditure and funding sources (£000)						
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
Capital Expenditure		9,815	8,516	7,427	9,784	1,311	622	3,907
Less: Set-aside receipts used	4,449	2,071	906	1,472	0	0	0	0
Less: Capital receipts used	3,194	6,231	6,389	4,351	0	0	0	0
Less: Grant funding used		1,206	663	363	0	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		258	308	0	168	0	0	0
Less: Funding from revenue		0	0	0	3,200	0	0	0
Less: Other Capital Contributions		49	250	0	0	0	0	0
Borrowing requirement		0	0	1,241	6,416	1,311	622	3,907
Cumulative borrowing requirement		0	0	1,241	7,657	8,968	9,590	13,497

Definitions:

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

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

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

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31 st March 2022 (actual)	-4.4
As at 31 st March 2023 (forecast)	-2.4
As at 31 st March 2024 (forecast)	-1.5
As at 31 st March 2025 (forecast)	1.2
As at 31 st March 2026 (forecast)	7.7
As at 31 st March 2027 (forecast)	9.0

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

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

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

Borrowing strategy

Definitions:

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

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

Based on Prudential Indicator 2 (page 18) the Council has a Capital Financing Requirement from 2024/25 onwards and therefore does have a need to borrow.

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

Table 12

Revenue balance	Brought forward (at 31/3/22)	Forecast balance at year end					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
General Fund ¹	10,606	10,504	10,504	10,504	10,138	9,699	9,602
Add back MRP	0	0	0	31	191	224	240
Revenue Reserves ²	15,935	16,444	16,274	15,796	10,867	11,271	11,771
S106 balances	4,171	4,488	4,181	4,181	4,013	4,013	4,013
Provisions	2,493	2,493	2,493	2,493	2,493	2,493	2,493
Outstanding Debt	387	367	347	325	305	290	275
Total	33,592	34,296	33,799	33,330	28,007	27,990	28,394

1 Based on General Fund forecasts as per 'Revenue Budget 2023/24' report.

2 Revenue Reserve balance as at 31/3/22. Then increases in line with contributions to waste vehicle reserve at an average of £454k per year for 7 years. (First year £253K final year £727K). At the end of 7 years assumed that this funding will be used to fund new waste vehicles. For simplicity this ignores some of the fluctuations in reserve balances that are detailed in the 'Revenue Budget 2023/24' report.

MRP is added back as it is not an outflow of cash and can be used for internal borrowing. The cash outflow happens when the borrowing is repaid. The Revenue budget includes forecasts of the MRP charge.

During 2021/22 CIPFA consulted on an update to the Prudential Code. One of the main resulting changes that has been incorporated is an expectation that Authorities will use cash reserves (i.e. borrow internally) before they borrow externally. The reason for this is that it reduces costs as not paying external interest. However, in the longer term it will introduce financing risk, as there will come a time when the Council will have diminished its cash reserves (except amounts held for cashflow purposes) and will need to borrow externally. This will need to be planned so that borrowing can be achieved at a reasonable rate.

Current forecasts (see tables 11 and 12) are that the Council will have revenue reserves significantly in excess of its borrowing requirement. Therefore all borrowing (except any cashflow borrowing) will be internal over the period of the Investment Strategy.

Table 13

	Brought forward (at 31/3/22)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/33)
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33	
Total borrowing requirement	387	0	0	1,241	7,675	8,968	9,590	13,497	
Made up of:									
Internal borrowing	0	0	0	1,241	7,675	8,968	9,590	13,497	13,497
External borrowing	387	(20)	(20)	(22)	(20)	(15)	(15)	(25)	250

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

Definitions:

Operational Boundary: This is the limit beyond which external debt is not normally expected to exceed. Set as £1m (rounded to the nearest £0.1m) above the forecast external debt.

Authorised Limit: This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable or required in the longer term. This is set at £5m above the operational boundary.

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities ¹ £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31 st March 2022 (Actual)	0.387	1.239	0	1.626	2.7	7.7
As at 31 st March 2023 (forecast)	0.367	0.731	0	1.098	3.0	8.0
As at 31 st March 2024 (forecast)	0.347	0.224	0	0.571	2.0	7.0
As at 31 st March 2025 (forecast)	1.566	0.106	(1.241)	0.431	2.0	7.0
As at 31 st March 2026 (forecast)	7.962	4.100	(7.657)	4.405	13.0	18.0
As at 31 st March 2027 (forecast)	9.258	3.592	(8.968)	3.882	14.0	19.0
As at 31 st March 2028 (forecast)	9.865	3.082	(9.590)	3.357	14.0	19.0

1 Comprises the finance lease relating to Letchworth Multi-storey car park, Grounds Maintenance Vehicles / Machinery, Leased Vehicles and the impact of the finance lease for waste vehicles.

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

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/23 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	08/01/49	80	Oct 2025	5,346	518	3.125	20
	16/09/49	80	Jul 2029	380	31	3.0	1
	10/05/46	80	Jan 2026	10,150	940	3.125	36
	12/11/48	80	Jul 2028	13,885	2,311	3.0	78
	28/07/64	60	Jul 2024	15,801	1,381	6.0	122
	02/03/65	60	Jan 2025	19,558	2,245	6.0	181
	01/10/65	60	Jul 2025	33,976	4,806	6.0	367
	05/07/66	60	Jan 2026	35,000	5,857	6.0	430
	02/08/66	60	Jul 2026	50,000	9,622	6.0	686
	18/03/68	60	Jan 2028	40,000	12,311	7.375	1,018
	03/01/69	60	Jul 2028	53,027	18,966	8.125	1,703
	06/03/70	60	Jan 2030	20,100	9,115	8.75	858
	24/11/70	60	Jul 2030	18,714	9,420	9.5	955
	26/01/71	60	Jan 2031	25,000	13,368	9.75	1,382
	05/03/71	60	Jan 2031	12,500	6,461	9.25	634
	05/03/71	60	Jan 2031	25,000	12,927	9.25	1,269
	31/05/46	80	Jan 2026	9,570	928	3.125	36
	28/02/47	80	Jan 2027	5,832	640	2.5	19
	18/10/46	80	Jul 2026	1,527	147	2.5	4
	20/02/48	80	Jan 2028	14,952	2,279	3.0	78
	22/09/50	80	Jul 2030	654	144	3.0	5
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	121	3.125	5
	16/09/49	80	Sep 2029	640	125	3.0	4
	20/03/53	80	Mar 2033	1,020	358	4.125	16
	23/10/53	80	Sep 2033	750	261	4.0	11
	20/11/53	80	Sep 2033	420	149	4.0	6
	25/04/52	80	Mar 2032	480	156	4.25	7
	30/01/48	80	Sep 2027	1,560	216	3.0	7
	20/09/45	80	Sep 2025	16,690	1,609	3.125	66
Total					367,412		

Definitions:

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

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set at a high level 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, all the limits have a broad range. This is particularly necessary for the 'under 12 months' limit, to allow for cash-flow borrowing (if it was required).

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

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

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

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

Definitions:

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

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

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2022/23	2.3	2.3	0.7
2023/24	1.8	1.8	0.5
2024/25	1.9	1.9	0.6
2025/26	8.9	8.9	2.7
2026/27	10.4	10.4	3.1
2027/28	10.9	10.9	3.3

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

The totals below are based on existing investment assets, plus £4m estimate spend in relation to commercial storage and £50k income generated. It also assumes income in relation to the leasing of Harkness Court to a Local Authority Trading Company. The borrowing is in accordance with the identified need to borrow, even though the borrowing will actually be for service related capital investment. The cost of borrowing is assumed at 2.5%, which reflects Minimum Revenue Provision only, as borrowing will be internal.

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Total borrowing £m	Expected annual borrowing costs for loans linked to investment assets £m
2023/24	32.635	1.521	0	0
2024/25	34.635	1.587	1.241	0
2025/26	34.635	1.599	7.657	0.056
2026/27	34.635	1.586	8.968	0.345
2027/28	34.635	1.586	9.590	0.404

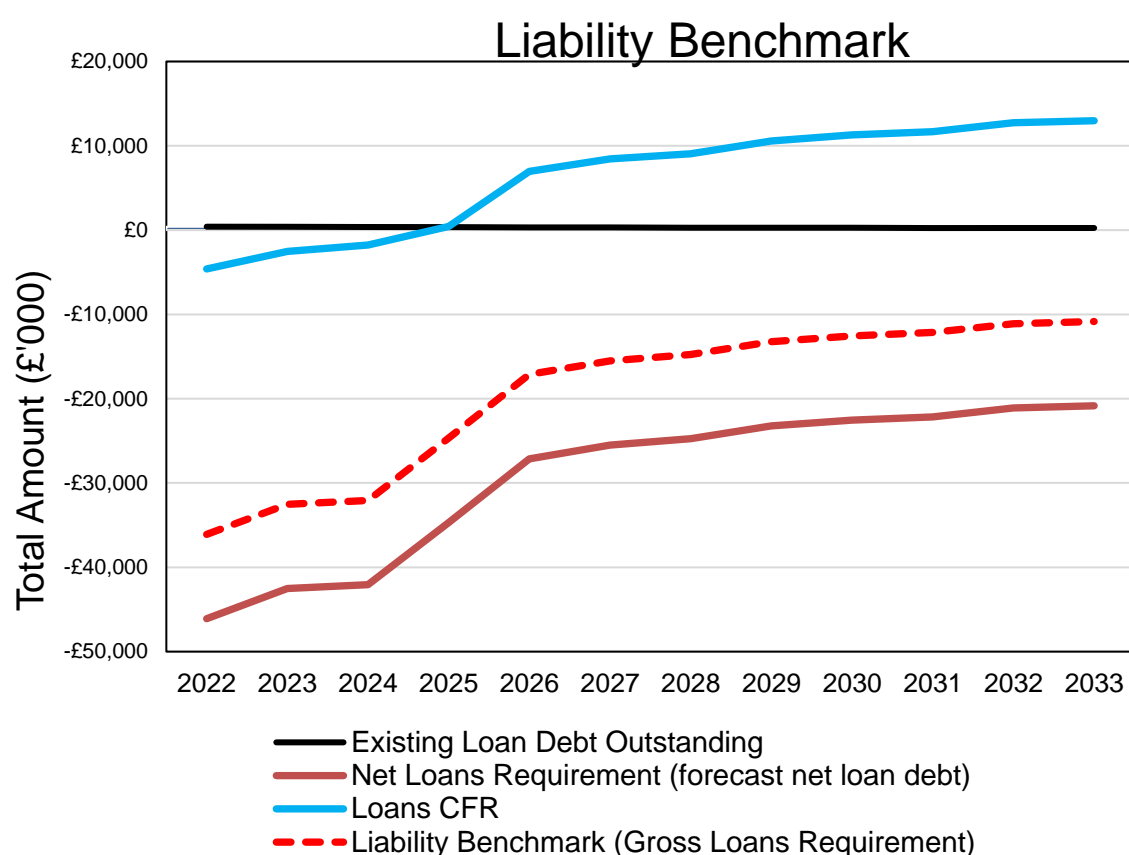
The Council would not borrow money in advance of need or at a low rate to try and reinvest that money to earn a higher interest rate, and profit from the margin between the two rates. However, the waste contract requires the use of vehicles that are provided by the contractor. The Council has taken the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

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The change to the PWLB rules also means that this borrowing cannot be accessed if there is any capital spend that is primarily to generate income, even if that spend was intended to be financed from reserves. The capital programme has been reviewed and there are no investments which have a primary purpose of generating income.

As part of the revised CIPFA Treasury Management Code and Prudential Code, Councils are required to adopt a new Liability Benchmark (LB) treasury indicator to support the financing risk management of the capital financing requirement. The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans and their repayment over time (black line).
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on forecast capital spend and MRP charges (light blue line).
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

The purpose of this indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the orange line). If the black line is below the orange line, the existing portfolio outstanding is less than the loan debt required, and the

authority will need to borrow to meet the shortfall. If the black line is above the orange line (as above), the authority will (based on current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells an authority how much it needs to borrow and when. It therefore shows that the Council does not need to take out any further external borrowing.

Minimum Revenue Provision

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

Minimum Revenue Provision:

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

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

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

The Council will have a need to borrow in 2024/25 if the Capital programme is fully spent and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is mainly spend on service provision. Therefore, it is considered appropriate to adopt an equal instalment MRP policy.

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

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2022/23 to 2026/27

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2022/23	0.039	17.593	0.222
2023/24	0.037	18.539	0.200
2024/25	0.092	18.333	0.501
2025/26	0.379	17.960	2.108
2026/27	0.437	17.345	2.517
2027/28	0.441	17.424	2.660

Part 5- Investment Strategy

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

Table 15

Balances	Brought forward (at 31/3/22)	Forecast balance at year end (£000)					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue balances (including MRP added back)	33,592	34,296	33,799	33,330	28,007	27,990	28,394
Capital Receipts	3,194	2,540	4,351	0	0	0	0
Capital Grants Unapplied	899	186	186	186	186	186	186
Add: Long-term liabilities ¹	1,482	1,023	900	418	3,770	3,123	2,474
Less: Capital Financing Requirement	-4,446	-2,375	-1,469	1,244	7,660	8,971	9,593
Less: Borrowing repayments	18	20	20	22	20	15	15
Total forecast of available for investment	43,595	40,400	40,685	32,668	24,283	22,313	21,446

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

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

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

Before considering where the Council will invest any surplus cash in treasury investments, it firstly needs to consider any loans that it may want to make for other purposes. A local authority can

choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures. These loans can relate to service provision or to promote local economic growth. These loans may not seem prudent when considered purely in relation to security and liquidity. Table 16 details current and planned loans and shows the reasons for these loans, how their value is proportionate, the risk of loss and credit control arrangements that are in place.

Table 16

Loan	Amount	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/8 th of the shares.	Insignificant in the context of overall cash balances. Under 1% of total investments.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Tbc, up to £100k	Current intention is that any loan would be for cashflow purposes to enable the company to become established. Therefore, assumed at a maximum of £100k, although expected to be significantly less. This may need to be reviewed and the Strategy updated if the company funding model changes (e.g. providing a loan to the company to purchase property itself).	As above.	Any loan could be secured against the property assets of the company. An equity investment would provide less security and increase expected credit loss. However, it may enable the company to be more profitable, and therefore increase returns. Expected credit loss would be looked at in more detail in advance of any investment being granted and linked to the planned use of those funds.
Stevenage Leisure Ltd	£315K	To purchase Technogym Equipment, which enables the provision of fitness activities at the Leisure Centres.	As above.	The Covid-19 pandemic has affected the financial performance of SLL, and a repayment holiday has been agreed. It is forecast that SLL will return to paying a full management fee during 2023/24, and when that happens they should be able to start making loan repayments. Regular meetings are held with SLL to discuss their financial position, as the contract is currently being paid for on an open-book basis.

When the Council invests its surplus cash, it seeks to find reliable counterparties to ensure that the amount invested (and the interest earned) is returned. The Council has decided that it is prepared to take on a higher level of risk than recommended by its treasury advisers in relation to unrated Building Societies and the duration of its investments. This risk is mitigated by reviewing published information in relation to unrated Building Societies (i.e. "Pillar 3" reports). Whilst the Council has in

the past been fairly highly exposed to Building Societies, it has rebalanced this exposure during the last couple of years to make greater use of other investment types.

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

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

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected balance at the end of the year (2023/24)* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. The limits are shown in table 17 below.

* This is the balance taken from table 15 above of £41.093m

Table 17

Investment Type	Maximum amount in that type of investment (£m)	Maximum amount in group (£m)	Maximum amount with any individual counterparty (£m)	Rationale and details
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	7	15% with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit	31	7	5	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 75% with banks in total
Lloyds Current Account		n/a	5	Used for cashflow purposes
Non-UK banks- includes deposits and Certificates of deposit		11	5	AA- or above Country rating and A+ or above institution rating. Maximum of 10% with any one counterparty. Maximum of 25% in non-UK banks. 75% in banks in total.
UK Building Societies- assets of £300m to £1bn	n/a	25	2	Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £2m. Maximum of 60% with UK Building Societies and Property Funds combined.
UK Building Societies- assets of over £1bn			4	As above, but £4million
Rated UK Building Societies			5	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
UK Property Funds	3		3	Due to long-term nature of investment 10% of 2027/28 year end cash balance to be invested in any one fund or combination of funds. No durational limits.
Money Market Funds	11	n/a	5	AAA rated. Maximum of 25% in MMFs and 10% with any one fund.
Ultra-Short Dated Bond Funds	5		1	AAA rated. Maximum of 10% in USDBFs and £1M with any one fund.
UK Multi-Asset Funds	3		3	Due to long-term nature of investment 10% of 2027/28 year end cash balance to be invested in any one fund or combination of funds. No durational limits.

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater than 1 year (365 days). This limit is based on 40% of total investments but is again reflected as an absolute value of **£17m**, which is based on 40% of the expected level of investments at the end of the year (rounded up to nearest £1m). Investments with a set term of greater than 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 40% of the estimated balance. No fixed investment term will exceed 5 years.

Investment funds (money market funds, multi-asset funds and property funds) do not have a set term and funds can be requested to be withdrawn at any time. Investment balances will be kept under review to ensure that they do not exceed the maximum amount set by this or subsequent treasury strategies. However, there is no time limit on the period that funds can be held invested for. For property funds there are both up-front set up and exit costs. Furthermore, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years. For multi-asset funds, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years. The expected changes to the Prudential Code in relation to internal and external borrowing have meant that investments in the multi-asset and property funds are not being taken forward, but will remain as options in this strategy. This is partly due to the potential for a capital investment in the regeneration of the Churchgate area of Hitchin, which could significantly affect our cash balances over the medium-term period.

Within the investment market, the opportunity for 'green' and ESG (environmental, social and governance) investments is starting to emerge. In some cases these can offer returns that are similar to, or the same as, non-green/ ESG alternatives for the same level of risk. Subject to these investments being compliant with other aspects of the treasury strategy, then these investments will be prioritised over non-green/ ESG alternatives. In some cases these will be with counterparties that the Council is not registered with, so it may time to register with them.

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

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

There is a link between the interest rates that the Council can expect to achieve on its investments and the Bank of England base rate. Our treasury advisors (Link) have provided the following

forecasts of base rates over the next 3 years. Using this and the investment limits above, we have estimated an average interest rate that the Council will achieve on its investments in each year.

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2023/24	4.0	3.94
2024/25	3.0	3.13
2025/26	2.5	2.19

Combining these average interest rates with expected balances, gives a forecast of the interest that will be earned in each year. Although the Council has retained the option to invest in longer term Property and Multi-asset funds, these type of investments are unlikely to happen (due to expected need to fund future investments in the Churchgate shopping centre) so have not been assumed in calculating the forecast interest returns.

Table 19

	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast of average balance available for investment (£m)- short to medium term	40.7	32.7	24.3	22.3	21.5
Forecast of interest earned (£m)*	1.602	1.021	0.533	0.490	0.471
Current interest assumed in the revenue budget.	0.631	0.704	0.708	0.702	0.702

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

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

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2022/23	0.039	1.212	-1.173	17.593	-6.667
2023/24	0.037	1.602	-1.565	18.539	-8.442
2024/25	0.092	1.021	-0.929	18.333	-5.068
2025/26	0.379	0.531	-0.152	17.960	-0.850
2026/27	0.437	0.488	-0.051	17.345	-0.297
2027/28	0.464	0.469	-0.005	17.424	-0.032

Part 6- Overall Risk Considerations

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

The Council's investments assets generally comprise of ground leases on commercial properties that are all within North Hertfordshire. A property fund generally invests in building (and land) assets that provide higher yields, and also diversifies across the United Kingdom. They also currently tend to focus on industrial, warehouses and office buildings. This means that there is limited cross-over in risk exposure, and before investing in a property fund (current investments are zero) the Council would review the current investments of the selected fund. Furthermore, this strategy limits any investment in a property fund to a maximum of £2m.

Part 7- Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Asset Management and Investment									
Replacement of Newark Close, Royston.	65	-	65	0	0	0	0	0	Newark Close is owned by North Herts Council. It is not adopted public highway. It provides vehicle and pedestrian access to several of NHDC's investment property tenants, their under-tenants, customers and the public. The road is in poor and hazardous condition with pot holes, cracks and unevenness. Wholesale replacement of the road, including surface and sub-surface, is now required to maintain safe access.
Provide housing at market rents	10	-	10	0	0	0	0	0	The budget allocation remaining is for the works to complete the conversion of Harkness Court. The opportunities for further spend were limited by the changes to the CIPFA Prudential Code, which precluded the purchase of existing residential property as generally this would be seen as investment primarily for a financial return (unless there was a clear redevelopment plan).
Sub-Total: Asset Management and Investm	75	-	75	-	-	-	-	-	
Corporate Items									
Council Car Fleet	141	-	141	0	0	0	0	0	The Council's cars, which were each procured via three-year lease contracts respectively, have to date been classified for accounting purposes as operating leases, with associated lease payments simply charged as a revenue expense. Under the new accounting standard IFRS 16: Leases, effective from April 2022, these leases will have to be recorded on the Council's balance sheet as right-of-use assets with a corresponding lease liability (representing the present value of future lease payments). The Council has elected to defer implementation to April 2023.
Sub-Total: Corporate Items	141	-	141	-	-	-	-	-	
Externally financed projects									
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	163	163	0	163	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the investment plan submitted to government.
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	120	120	20	100	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the three year investment plan submitted to government. An allocation of £10k in 2022/23 was approved by the Executive Member for Finance & IT. Capital allocations are now requested for 2023/24 and 2024/25 (years 2 and 3 of the Investment Plan).
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	200	200	100	100	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the investment plan submitted to government. An allocation of £50k in 2022/23 was approved by the Executive Member for Finance & IT. Capital allocations are now requested for 2023/24 and 2024/25 (years 2 and 3 of the Investment Plan).

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sub-Total: Externally financed projects	483	483	120	363	-	-	-	-	
Grants to Third Parties									
Private Sector Grants	480	-	60	60	60	60	60	180	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAG funding is also used to support the Warm Homes Fund project where homes without central heating are provided with gas central heating. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold. In February 2015 Council approved an increase in the level of funding from £35k to £60k per annum for 2015/16 and future years.
John Barker Place, Hitchin	1,096	270	1096	0	0	0	0	0	Cabinet agreed to the commitment to the John Barker Place regeneration scheme in January 2013, subject to the availability of funds. The Development Agreement in place for the development states that the full payment will be made on completion of all the properties in phases 1 and 2. Phase 1 is complete but phase 2 is not expected to be completed until the autumn of 2023.
Sub-Total: Grants to Third Parties	1,576	270	1,156	60	60	60	60	180	
Green Space Developments									
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	13	-	0	13	0	0	0	0	Provision of remote testing Emergency Lights and Water Temperature Monitoring at at least 4 small pavilion and cemetery sites.
Grounds Maintenance Vehicles / Machinery	315	-	315	0	0	0	0	0	The incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2022, will mean that the vehicles used to deliver the Council's greenspace maintenance contract will be considered for accounting purposes to have transferred to the Council under a lease arrangement, with the vehicles therefore recorded on the Council's balance sheet at the end of 2022/23. The change will not affect the cash value of the payments made annually to the contractor under the service contract. The Council has elected to defer implementation to April 2023.
Playground Renovation District Wide	1,800	-	180	180	180	180	180	900	Moving forward from the previous policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This ensures that each play area is renovated on an 18 year cycle, which still far exceeds manufacturer lifespan guidelines. Proposed to extend annual allocation to cover all of ten year programme.
Sub-Total: Green Space Developments	2,128	-	495	193	180	180	180	900	
Green Space Developments - Baldock									
Weston Hills Baldock	20	-	20	0	0	0	0	0	Resurface car park off Lime Kiln Lane Baldock

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Avenue Park Splash Pad	70	-	70	0	0	0	0	0	To replace the existing mains fed system with a recirculating system as found at our other splashpads. This will reduce water usage and help maintain good levels of water quality. This will also reduce the problem of algae on the surfacing.
Sub-Total: Green Space Developments - B&	90	-	90	-	-	-	-	-	
Green Space Developments - Hitchin									
Swinburne Rec Hitchin	30	-	30	0	0	0	0	0	Enlarge the car park and improve the footpaths around the site.
Oughtonhead Common Hitchin Weir	400	-	400	0	0	0	0	0	Restoration of collapsed weir in accordance with guidance received from the Environment Agency. Some of this cost may ultimately be financed by grant funding from Herts County Council and the Environment Agency but this is not currently guaranteed.
Bancroft Café Kiosk	-	-	0	0	0	0	0	0	Creation of a Café Kiosk within Bancroft Gardens. The proposed site will be a disused wing of Bancroft Pavilion. It is expected that the cost of renovating this site into a suitable food preparation and service area will be around £20k. See corresponding efficiency proposal for details of anticipated revenue impact. It is shown as zero value here as expecting to carry out the works in 2022/23 and will be added to the capital programme via Finance and IT Executive Member approval (as per the financial regulations)
Walsworth Common Pavilion - contribution to scheme	300	287	300	0	0	0	0	0	This project was originally listed as a project for 2016/17 in the Council's adopted Green Space Management Strategy 2014 - 2019. The project was slipped into 2017/18 pending the outcome of the Green Space Strategy review. In the review, the pavilion was identified as being beyond economic repair and the project was earmarked for 2020/21 in the Council's adopted Green Space Management Strategy 2017 - 2021. The project is dependent on securing section 106 contributions and/or external grants.
Renovate skate park at KGV Hitchin	250	-	250	0	0	0	0	0	The existing equipment on site is now worn out and in need of replacement. Additionally there is a significant local interest in improving the existing facility for future generations.
Bancroft Lighting	45	-	45	0	0	0	0	0	To remove the existing out of date and potentially dangerous lighting around the gardens and replace with new items. This would significantly improve personal safety of the public.
Oughtonhead Common Footpaths	20	-	20	0	0	0	0	0	To renovate the footpath around the common on a rotating program of works as per the Greenspace action plan for the site.

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Ransoms Rec Footpaths, Gates and Railing	20	-	20	0	0	0	0	0	Many of the footpaths are degrading and becoming uneven and would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. The formal gates and railings off Nightingale Road are in need of investment to ensure they remain safe, fit for purpose and of an appropriate standard for the location.
St Johns Cemetery Footpath	40	-	0	40	0	0	0	0	Previous investment options were removed from the Greenspace Strategy and the identified works have not been delivered. Planning for the renewal of the Greenspace Management Strategy in 2021. Many of the footpaths are degrading and becoming uneven. As many of the visitors to the cemetery are elderly this poses a significant risk. Additionally the aesthetic appearance of the cemetery would be greatly enhanced if the footpaths were brought up to a uniform standard throughout the site. Due to other priorities and limited staffing resources this is planned for 2024/25. In the meantime urgent repairs will be completed on an adhoc urgency basis.
Bancroft and Priory Splash Pads	35	-	0	35	0	0	0	0	These two systems were introduced 4 years ago and use the same systems to maintain water quality. Over time the systems wear and require replacement of the filter media and uv systems to ensure that they remain effective.
Sub-Total: Green Space Developments - Hi	1,140	287	1,065	75	-	-	-	-	
Green Space Developments - Letchworth									
Icknield Way Cemetery Letchworth Road and Path Resurfacing	100	-	100	0	0	0	0	0	Undertake resurfacing of whole site roadways and footpaths.
Norton Common Letchworth Tennis Courts	25	-	25	0	0	0	0	0	Resurface tennis courts. The courts are well used but the playing surface is worn out.
Howard Park Letchworth Path Resurfacing	40	-	10	10	0	10	10	0	Phased approach to resurfacing the pathways at Howard Park.
Wilbury Hills Cemetery Footpaths	50	-	10	10	0	30	0	0	Due to high volumes of visitors the existing footpath network through the site are wearing out this program will support an investment program over a period of time to maintain current standards.
Norton Common Footpaths	10	-	10	0	0	0	0	0	To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.
Sub-Total: Green Space Developments - Le	225	-	155	20	-	40	10	-	

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Green Space Developments - Royston									
Newmarket Road Royston Skatepark and Access	100	-	100	0	0	0	0	0	<p>Following the success of the new facility at Norton Common the existing item at Newmarket Road is in need of renovation and updating. At the same time, now that the site is becoming more popular, access into the skatepark requires improvement and formalising. The Service Manager for Greenspace will investigate options to fund this project from existing or future S106 contributions.</p> <p>Council approved a capital allocation of £90k for this project in February 2022. An additional £10k is requested to extend the access improvements to the whole site to facilitate the expected increase in usage.</p>
Sub-Total: Green Space Developments - Royston	100	-	100	-	-	-	-	-	
IT Schemes:									
Member Laptops - Refresh Programme	120	-	30	0	0	30	0	60	<p>Laptops were purchased for Council Members in 2020 to support the new ways of working during the pandemic. Periodic replacement will ensure that the equipment is fit for purpose and that the software is compliant with PSN regulations.</p> <p>A capital allocation of £30k is requested to be earmarked in 2032/33.</p>
Laptops - Refresh Programme	961	-	35	40	319	49	35	483	<p>As part of the Business Transformation changes, the strategy going forward will be for all officers to have a laptop instead of a PC that will be used for both Home Working and Office use.</p> <p>Update to include continuing replacement programme (previously only up to 2025/26) and additional allocation (£25k) per year for breakages/ new staff.</p>
Tablets - Android Devices	60	-	10	10	10	10	4	16	<p>As part of the IT Strategy and supporting the channel migration programme, the tablets are required to continue the roll-out to identified officers who would benefit from having mobile devices to be more efficient and productive. It is becoming increasingly important for those staff who are mobile working that they have the correct tools to view emails and documents whilst on the move. The tablets also facilitate paperless Committee Meetings.</p>
PC Refresh Programme	61	-	7	13	7	8	5	21	<p>PC's identified as having reached their end of useful life as part of the annual refresh programme. The assets have been used well past their original end of life because of the introduction of the Citrix thin client technology.</p>
Backup and Business Continuity Hardware	122	-	37	0	69	0	0	16	<p>Hardware relating to Back Up and Disaster Recovery / Business Continuity. Items previously listed separately including: DR Hardware Refresh inc UPS Battery Pack for Unit 3 (DR site) - this includes, servers, switches and UPS at Unit 3 Back Up Diesel Generator at the DCO - Renewal of hardware in 2023/24 to ensure continued generator back up. Expected to be a non-diesel alternative. 3 x 40 UPS Device or Battery replacement - lifespan of these items is 3 years therefore ongoing replacement is required to ensure the UPS continues to work effectively.</p>

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Infrastructure Hardware	540	-	0	314	0	18	18	190	Physical hardware supporting the corporate IT infrastructure which require updating at regular intervals. Includes Items previously listed separately: Dell servers - upgrade and maintenance of servers at regular intervals New Blade Enclosures - an integral part of the servers, require updating at the same time as the servers Core Backbone Switch - links the virtual servers to the Storage Area Network Data Switch Upgrade - The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly Cabinet Switches to ensure that traffic is routed immediately from the servers to the desktops / laptops
Security - Firewalls	52	-	0	16	0	18	0	18	Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure.
Alternative to safeword tokens for staff/ Members working remotely	25	-	0	3	0	3	0	19	The technology has changed considerably since we first starting using the Safeword Tokens 7-8 years ago. With the changes in personal technology such as Smart/IOS Phones there are now products on the market that are PSN approved for getting Access Keys delivered for 2 Layer Authentication such as Texts or App's on Smart Phones etc. This enables Members, Staff and Support Agencies to gain access to the remote login site from anywhere with no need to have a physical hardware device to hand.
Microsoft Enterprise Software Assurance	2,173	-	0	0	679	0	0	1494	It is essential NHDC has the correct Microsoft Licences to ensure the Council does not fall foul of F.A.S.T (Fraud Against Software Threat) regulations. An additional allocation of £747k is requested to be earmarked in 2031/32 for the renewal of the three year licenses.
WiFi Upgrade	40	-	0	0	40	0	0	0	WiFi upgrade within District Council Offices, Hitchin Town Hall/ North Hertfordshire Museum and Buntingford Depot. As part of the ongoing Transformation programme, the upgrade will ensure staff and Members will have full Internet access via their laptops when operating from these Council buildings.
Sub-Total: IT	4,154	-	119	396	1,124	136	62	2,317	
Leisure Related Proposals									
Leisure Condition Survey Enhancements	-	-	0	0	0	0	0	0	A physical condition survey was carried out at all four leisure facilities in 2018. This funding is to deliver the remainder of the works that are needed from that survey. Officers have evaluated the remaining projects identified in the condition survey with those capital needs identified subsequently and prioritised accordingly. As a result, it is proposed to remove the existing capital budget of £80k in 2023/24 and reallocate funds to finance the NHLC gym toilet and reception refurbishments and Hitchin Swim Centre Improvements projects.
Sub-Total: Leisure	-	-	-	-	-	-	-	-	
Leisure - Hitchin Swim Centre									

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Enhancements to Hitchin Swim Centre facility	65	-	65	0	0	0	0	0	Proposed enhancements comprise: - Replacement of the windows of the outdoor pool building, which are over 20 years old and are not fit for purpose, at an estimated cost of £10k. - Replacement of the carpet in the reception area and lower lobby area, which is in poor condition and requires replacement to ensure customer satisfaction -£20k. - Replacement of the Fire Exit Doors in the pool hall and lower lobby - £15k - Replacement of the perimeter security fencing - £20k
Solar PV installation at Hitchin Swim Centre	142	-	142	0	0	0	0	0	The installation of solar arrays at the leisure facility would provide significant environmental benefits. Consideration to be given to any Government funding that can contribute toward the capital cost. The resulting saving in ongoing energy costs will accrue to the Council, rather than the Leisure contractor, but this saving may not be realised until after the management contract is re-tendered and a new contract is awarded. The Ongen / Energy Hub report carried out in March 22 at HSC detailed a solar PV budget with a 9 year payback. The existing Capital budget of £115k is lower than what is stated in the report. An increase of £27k is therefore proposed to ensure sufficient budget
Hitchin Swim Centre Outdoor Pool Boiler Replacement	-	-	0	0	0	0	0	0	Hitchin outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational. A new boiler and control panel was installed in 2022. The facility is operating efficiently with one boiler, therefore it is proposed to remove the existing £40k capital budget for the second boiler until future years (+10).
Hitchin Swim Centre Reception Toilet Refurbishment	30	-	0	30	0	0	0	0	To ensure customer satisfaction is maintained, a project to fully refurbish the male, female and disabled toilets in the reception area is proposed. The current condition of the reception toilets is considered acceptable. It is therefore proposed to defer the existing investment allocation from 2023/24 to 2024/25.
HSC: Boiler Replacement	200	-	0	200	0	0	0	0	Boilers are 15+ years old and are at the end of their economic lifespan. While repair works are carried out on a regular basis there is a risk that, if they are not replaced, they may fail which could result in pool closure.
HSC: Archers Member Change and Relaxation Area Refurbishment	300	-	0	0	300	0	0	0	Refurbishment of the changing rooms and relaxation areas at Archers Health and Fitness Club to ensure customer satisfaction is maintained.
HSC: Fitness Equipment Replacement	300	-	0	0	0	300	0	0	Replacement of the cardio and resistance fitness equipment to maintain membership levels and ensure customer satisfaction.
HSC: Change Village Refurbishment	225	-	0	0	0	225	0	0	Full refurbishment of the change village, which has not been refurbished since 2005.

Page 12 of 11

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
HSC: Fitness Facility Refurbishment	50	-	0	0	0	50	0	0	Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment
HSC: Outdoor Pool Cover Replacement	30	-	0	0	0	30	0	0	The outdoor pool covers are over 20 years old and require replacement to ensure they remain efficient at reducing energy consumption and costs.
Sub-Total: Leisure - Hitchin Swim Centre	1,342	-	207	230	300	605	-	-	
Leisure - Letchworth									
NHLC Gym toilets and accessible toilet refurbishment	40	-	40	0	0	0	0	0	The gym toilets were last refurbished in 2006. To ensure customer satisfaction is maintained a project to fully refurbish the male/ female and accessible toilet is proposed.
NHLC Reconfiguration of reception area	30	-	30	0	0	0	0	0	Due to increased usage, e.g. from gymnastics and the likely impact on visitor numbers from the soft play development, a project to reconfigure the reception area is proposed to ensure customers can enter and exit the building efficiently.
Solar PV installation at North Herts Leisure Centre	338	-	338	0	0	0	0	0	The installation of solar arrays at the leisure facility would provide significant environmental benefits. Consideration to be given to any Government funding that can contribute toward the capital cost. The resulting saving in ongoing energy costs will accrue to the Council, rather than the Leisure contractor, but this saving may not be realised until after the management contract is re-tendered and a new contract is awarded. Due to increases in the prices of the panels and materials involved, an additional capital amount of £78k, equivalent to 30% of the existing capital allocation of £260k, is requested.
NHLC Boiler Replacement	200	-	0	200	0	0	0	0	The two boilers are 15+ years old and are at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk if they are not replaced they may fail which could result in a closure. The installation of a Combined Heat Power (CHP) unit in 2020 has however reduced pressure on the boilers. Officers have since reviewed the Capital replacement project on an annual basis. The CHP continues to reduce pressure on the boilers. Officers have reviewed the boiler condition and recommend the replacement to be deferred from 2023/24 to 2024/25.
NHLC Dryside Changing Area	-	-	0	0	0	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side changing areas is proposed. On 13 September Cabinet approved a £250k project to develop soft play at NHLC. On 22 September Council agreed the Cabinet recommendation to bring the £100k allocation for this project in 2023/24 forward to 2022/23 and make the necessary addition of £150k to the Capital programme in 2022/23 to fund the soft play project.

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Letchworth Outdoor Pool Boiler Replacement	-	-	0	0	0	0	0	0	Letchworth outdoor pool is currently operating with one boiler due to an irreparable fault with the second boiler. A replacement of the redundant boilers is proposed to ensure the facility remains operational. A new boiler and control panel was installed in 2022. The facility is operating efficiently with one boiler, therefore it is proposed to remove the existing £40k capital budget for a second boiler until future years (+10).
NHLC: Interactive Water Feature	120	-	0	0	0	0	120	0	To ensure continued improvements and customer satisfaction within our leisure facilities, a project to transform the small pool into a highly interactive water play area for children of all age and ability groups is proposed. The proposed features for this area allow children to explore and discover their watery environment, and teaches them how to manipulate the flow of water through channels and interactive jets.
NHLC: Pool Flume Replacement	150	-	0	0	0	0	0	150	Investment proposal earmarked for 2028/29. The pool flume was installed in 1992 and due to its age a proposal to replace the flume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool.
Sub-Total: Leisure - Letchworth	878	-	408	200	-	-	120	150	

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Leisure - Royston Leisure Centre									
RLC swim showers and change village toilet refurbishment	75	-	75	0	0	0	0	0	The swim showers and change village toilets are over 17 years old. To ensure customer satisfaction is maintained a project to fully refurbish these areas is proposed.
RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change.	150	-	0	150	0	0	0	0	The change village is over 17 years old, to ensure customer satisfaction is maintained a refurbishment is proposed.
Royston Leisure Centre extension	1,000	170	0	0	1000	0	0	0	To extend the front of the Royston Leisure Centre. This will provide a new multi functional room and increase the size of the fitness room. The gym membership at Royston Leisure Centre is close to capacity and a recent latent demand survey demonstrated there is a demand to increase the size of this facility. By undertaking the capital work the Council will renegotiate the Leisure Management contract and SLL would increase their management fee to the Council. It is requested to defer this project from 2023/24 to 2025/26. Following the procurement of the Leisure Management Contracts in 2024/25, the Council will work with the leisure contractor in determining the final design.
Royston Leisure Centre Changing Village Refurbishment	-	-	0	0	0	0	0	0	The change village is over 17 years old and has not been refurbished since opening in 2005. A full refurbishment of the change village is proposed to ensure customer satisfaction is maintained. The current condition of cubicles and lockers in the change village is acceptable, however the swim shower area and toilets no longer meet customer expectations. Therefore it is proposed that the £225k allocation in 2023/24 for this project be removed and instead split into two separate projects; Swim shower and change village toilet refurbishment (2023/24) and Change Village cubicles, lockers, vanity area and group change refurbishment (2024/25).
Solar PV installation at Royston Leisure Centre	241	-	241	0	0	0	0	0	The installation of solar arrays at the leisure facility would provide significant environmental benefits. Consideration to be given to any Government funding that can contribute toward the capital cost. The resulting saving in ongoing energy costs will accrue to the Council, rather than the Leisure contractor, but this saving may not be realised until after the management contract is re-tendered and a new contract is awarded. Due to increases in the prices of the panels and materials involved, an additional capital amount of £56k, equivalent to 30% of the existing capital allocation of £185k, is requested.
RLC: Members Change Refurbishment	150	-	0	150	0	0	0	0	The members changing room is over 17 years old and has not refurbished since opening in 2005. To ensure customer satisfaction is maintained a proposal to fully refurbish the male, female and disabled areas is proposed.
Royston Leisure Centre Dry Side Toilet Refurbishment	30	-	0	0	30	0	0	0	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.

Page 124

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
RLC: Fitness Equipment Replacement	150	-	0	0	0	150	0	0	Replacement of the cardio and resistance fitness equipment to maintain membership levels and customer satisfaction.
RLC: Fitness Facility Refurbishment	50	-	0	0	0	50	0	0	Refurbishment of the gym area in preparation for new cardio and resistance fitness equipment.
RLC: Boiler Replacement	100	-	0	0	0	0	100	0	Boilers will be 20+ years old and will be at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk that, if they are not replaced, they may fail which could result in a closure.
Sub-Total: Leisure - Royston Leisure Centr	1,946	170	316	300	1,030	200	100	-	
Museum and Arts Development									
Museum and Commercial Storage Facility at Burymead Hitchin	2,000	-	2000	0	0	0	0	0	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures which are increasingly posing a health and safety risk to our staff. This project will involve relocating parts of the museum collection whilst the previously mentioned storage units are levelled and a new purpose built storage unit is built on the site. The storage unit will comprise of space saving roller racking, climate controlled spaces for fragile items of the collection and a small amount of office space for museum staff to utilise when on site. This office space could also be used under supervision to assist with third party research such as students or historians. The completion of this work would see the former Hitchin Museum and Letchworth Museum sites be completely cleared of museum storage. The capital budget includes an allocation for building a commercial storage venture on this site alongside the museum storage facility. Officers continue to seek grant funding towards the museum element of the project but applications made to date have not been successful. There is already a basic revenue budget for the Burymead site however this may need to be reviewed and increased to cover the upkeep and operation of a new, larger facility. Total project budget is £4million, with £2million capital allocation approved for 2022/23.
Sub-Total: Museum and Arts Development	2,000	-	2,000	-	-	-	-	-	
Parking Related Proposals									
Off Street Car Parks resurfacing and enhancement	8	-	8	0	0	0	0	0	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable.

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Resurfacing of the top deck of the Lairage Car Park, Hitchin	346	-	346.3	0	0	0	0	0	The top deck of the Lairage Car Park needs resurfacing due to water ingress. Currently there is water ingress that is permeating through the surfacing and affecting two parking bays. To prevent cars being damaged the affected bays have been sectioned off. It is expected that this ingress could get worse over time, and could affect more parking spaces.
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors.	75	-	75	0	0	0	0	0	The current stair wells are aesthetically unsightly uncoated concrete, which are difficult to keep clean and stain. At least two of the four stairwells suffer anti-social behaviour, and this compounds the staining and cleaning requirements. The proposed coating will improve the appearance and make cleaning the stairwells less onerous. Replacement of windows and doors where required.
Parking Machines Replacement	300	-	0	0	150	150	0	0	Replacement of all parking machines over a 2 year period, with the roll out commencing in late 2025/26 . Please note that this is an estimated cost based on the current full replacement cost of a machine taken from the ESPO framework adjusted for inflation. The type of machine replacement would be dependent on the latest technology and this estimate may need to be reviewed nearer the time.
Sub-Total: Parking	729	-	429	-	150	150	-	-	
Waste Collection									
Refuse and Recycling Bins	810	-	90	90	90	90	90	360	Wheeled bins are considered to have on average a 10-12 year life. The bin replacement cycle for the purple residual waste bins means we are likely to see increased bin purchases over the coming years.
Waste depot facility co-located with a residual waste transfer facility	6,000	-	0	3000	3000	0	0	0	Herts County Council are planning to build a waste and recycling transfer station which could accommodate both North and East Herts Councils residual, food and garden waste. The existing NHDC depot is leased by our contractor and will not be fit for purpose within the next 5 years due to it's limited size and current buildings. The proposal is to build a purpose built depot and sub station co-located with HCC transfer facilities to provide operational efficiencies and support the aim of fleet decarbonisation. It is expected that the facility will use the latest PV technology to support the decarbonisation of the fleet.
Vehicle fleet replacement program (Waste and Recycling)	4,000	3,200	0	0	4000	0	0	0	The Council is committed to responding to the climate change emergency and will be looking at options for lower emission vehicles when the current vehicles need replacing at the start of the new contract period. At this stage it is not possible to know what will be the most appropriate options at the time and the cost of those options. Therefore the costs at this stage reflect a broadly equivalent replacement. The estimates will be updated in future years. It is anticipated that the cost of replacing the current fleet of vehicles will have increased due to inflation by the time of required purchase in 2025/26. The vehicles currently in operation are held on the Council's balance sheet under a finance lease arrangement embedded within the waste contract, with the associated charge for their use met from the Council's cash reserves rather than the General Fund. As such the annual saving to the General Fund is transferred to an earmarked reserve with the intention that this will be used to help finance the cost of the new vehicles.
Sub-Total: Waste Collection	10,810	3,200	90	3,090	7,090	90	90	360	
TOTAL	27,817	4,410	6,966	4,927	9,934	1,461	622	3,907	