

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



25 November 2022

Our Ref Finance, Audit and Risk Committee/ 7  
December 2022  
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To: Members of the Committee: Terry Tyler (Chair), Clare Billing (Vice-Chair), George Davies, Morgan Derbyshire, Phil Weeder, Sean Nolan, Terry Hone and John Cannon

Substitutes: Councillors Steve Jarvis, Nigel Mason, Adam Compton, Simon Bloxham and Chris Hinchliff

**NOTICE IS HEREBY GIVEN OF A**

**MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE**

to be held in the

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

On

**WEDNESDAY, 7TH DECEMBER, 2022 AT 7.30 PM**

Yours sincerely,

Jeanette Thompson  
Service Director – Legal and Community

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

## **Agenda**

### **Part I**

<b>Item</b>		<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	Members are required to notify any substitutions by midday on the day of the meeting.  Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
<b>2. MINUTES - 7 SEPTEMBER 2022</b>	To take as read and approve as a true record the minutes of the meeting of the Committee held on 7 September 2022	(Pages 5 - 20)
<b>3. NOTIFICATION OF OTHER BUSINESS</b>	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.	
<b>4. CHAIR'S ANNOUNCEMENTS</b>	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.	
<b>5. PUBLIC PARTICIPATION</b>	To receive petitions, comments and questions from the public.	
<b>6. EY AUDIT PLANNING FOR YEAR ENDED 31 MARCH 2022 REPORT OF ERNST &amp; YOUNG</b>	To consider the Audit Planning Report for 2021/22	(Pages 21 - 66)
<b>7. SAFS UPDATE ON ANTI-FRAUD PLAN 2022/23 REPORT OF THE SHARED ANTI-FRAUD SERVICE</b>		(Pages 67 - 86)

To note the work of Council Officers and the Shared Anti-Fraud Service in delivering the 2022/23 Anti-Fraud Plan

8. **SIAS PROGRESS UPDATE 2022/23** (Pages  
REPORT OF THE SHARED INTERNAL AUDIT SERVICE 87 - 100)

To note the SIAS Progress Report and approve the plan amendments to the 2022/23 Annual Internal Audit Plan

9. **ANNUAL GOVERNANCE STATEMENT 2021/22** (Pages  
REPORT OF THE POLICY & COMMUNITY MANAGER 101 -  
116)

To review the draft Annual Governance Statement (AGS) 2021/22 including Action Plan for the year 2022/23.

10. **COUNCIL TAX REDUCTION SCHEME 2023/24** (Pages  
REPORT OF THE SERVICE DIRECTOR - CUSTOMERS 117 -  
164)

To provide an updated on the proposed Council Tax Reduction Scheme for 2023/2024

11. **ANNUAL REVIEW OF THE CONTRACT PROCUREMENT RULES** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 165 -  
204)

A review of section 20 of the Constitution relating to Contracts and Procurement

12. **HALF YEARLY UPDATE ON RISK MANAGEMENT** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 205 -  
248)

An update on the governance of Risk Management at North Herts Council

13. **SECOND QUARTER REVENUE BUDGET MONITORING 2022/23** (Pages  
REPORT OF THE SERVICE DIRECTOR - RESOURCES 249 -  
260)

To consider the Second Quarter Revenue Budget Monitoring report 2022/23.

14. **SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 261 -  
290)

To update Cabinet on progress with delivering the capital and treasury strategy for 2022/23, as at the end of September 2022.

15. **DRAFT BUDGET 2023/24** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 291 -  
316)

To consider the Draft Budget for 2023/24

16. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**  
The Chair to lead a discussion regarding possible agenda items for future meetings.





# Public Document Pack Agenda Item 2

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,  
LETCHWORTH GARDEN CITY

ON WEDNESDAY, 7TH SEPTEMBER, 2022 AT 7.30 PM

#### MINUTES

**Present:** *Councillors: Councillor Terry Tyler (Chair), Councillor Clare Billing (Vice-Chair), George Davies, Phil Weeder, Sean Nolan, Terry Hone and Simon Bloxham (In place of Morgan Derbyshire)*

**In Attendance:** *Councillor Ian Albert (Executive Member for Finance & IT), Abigail Hamilton (Member and Scrutiny Officer), Ian Couper (Service Director – Resources), (Committee, Member and Scrutiny Officer), John Cannon (Independent Member), Nick Jennings, Debbie Hanson, Rachel Merez*

**Also Present:**

*There were no members of the public present.*

#### 41 APOLOGIES FOR ABSENCE

*Audio recording – 2:10*

Apologies for absence were received from Councillor Morgan Derbyshire who was substituted by Councillor Simon Bloxham.

#### 42 MINUTES - 15 June 2022

*Audio Recording – 2:32*

Councillor Terry Tyler, as chair, proposed and Councillor Phil Weeder seconded and, following a vote, it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 15 June 2022 be approved as a true record of the proceedings and be signed by the Chair.

#### 43 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 3:16*

There was no other business notified.

#### 44 CHAIR'S ANNOUNCEMENTS

*Audio recording – 3:26*

- (1) The Chair welcomed those present at the meeting, especially John Cannon who is now the independent member for FAR

- (2) 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.

#### **45 PUBLIC PARTICIPATION**

*Audio recording – 3:49*

There was no public participation at this meeting.

#### **46 External Auditors Annual Report 20-21**

*Audio recording – 4:02*

Debbie Hanson, Ernst & Young, presented the External Auditors Annual Report 2020/21 and highlighted points including:

- This report replaces what is previously known as the audit annual letter. It pulls together the finding of the audit work completed during the year. The key change within this report is that when the original audit results report was presented in March and June, there was no commentary on our value for money work. Now the only place you will find this is in this AAR report.
- We still haven't been able to issue the certificates on the audit. The NAO instructions have been issued on Whole of Government Accounts, but they are now requiring some additional procedures to be undertaken on a sample of local authorities below the threshold. Until these have been selected by the NAO we cannot say we have concluded all of our responsibilities. This has no significant impact on North Herts
- Our value for money work was in three key areas: financial stability, governance, and the Councils arrangements for improving economy efficiency and effectiveness. We have concluded that all of the Councils arrangement for these areas was adequate and there was an unmodified report with no commentary in relation to any weaknesses
- In relation to financial stability, the Council has a robust process to identify significant financial pressures both in the current year and future years. The Council has identified you'll need to achieve savings to balance the budget by 2026/2027 and this means the Council may have to make some difficult decisions. We note that there is an established budget challenge process which will help the Council address those challenges
- In relation to governance there is a risk management group that is well established in the Council. There is also an integrated budget setting process and the Council undertakes regular budget monitoring throughout the year
- In relation to the Councils arrangements for improving economy efficiency and effectiveness, the budget challenge process is a key element. The Council also has a transformation programme which will be very important in delivering savings and improving the three E's. The Council has performance indicators that it monitors that has been slightly impacted by covid-19 but these are still used. The Council had a peer review back in 2020 and an action plan is being developed to address the issues identified in that. The Council does work with a number of different partners and that is part of its strategy to improve economy efficiency and effectiveness

Councillor Terry Hone commented that he was pleased to see the unqualified opinion of the financial statements is there as there is a great concern that we are doing the right thing at North Herts Council, so he is happy the audit reflected positive results.

The following Independent Persons asked questions:

- John Cannon

In response to questions, Debbie Hanson advised:

- When undertaking work on financial statements, we engaged our own specialist valuer to look at a sample of assets in order to gain assurance that those assets were materially accurately valued. Overall our valuers concluded that the valuations provided by the Councils own valuers were within an acceptable range. However, we did note in terms of the land values, the Councils valuer used a value of 9,500 per acre, but our specialists concluded that it was quite a lot lower than the values we'd expect to see which would be somewhere in the range of 150,000-200,000. We did note that the building valuations were overstated due to different assumptions, therefore overall the asset values were within a reasonable range. We did calculate the potential impact of differences in land values on the financial statements and concluded that the maximum potential impact could be £1.1M difference on the land values. Therefore we were satisfied that there was no material impact, but we recommend that the Council does look at their evaluation approach to determine that they're using the appropriate valuations for land and buildings. Overall there is no material impact and it is a judgemental difference rather than factual.
- The pension deficit is not unusual, all local authorities will generally have a pension deficit.

Ian Couper also responded to questions:

- We are required to have a triennial valuation of the pension deficit and we have one ongoing at the moment. This sets a contribution rate for us which is made up of a percentage of payroll to cover the accrued benefits of current staff and there is also a lump sum which is currently at around £1M to pay for the deficit on people who have retired. These numbers are set based on a 20 year time horizon to get back to being fully funded. In addition we are required to have an annual interim valuation from the actuaries to go in to the Statement of Accounts. At the moment it is possible that the actual percentage amount we contribute will maybe go down slightly based on previous performance and it is possible that the lump sum will stay the same. Based on this there is a long term plan to get us back to being fully funded, but there are huge ups and downs between the years.
- We had a number of actions coming out of the peer review. A number of these were put in place and some were longer term actions. We will go back and have a look at the plan and make sure we have an update on it.

Debbie Hanson also introduced Rachel Merez who is taking over as the Audit Manager for the current year audits.

The Chair thanked Debbie Hanson for presenting and welcomed Rachel Merez

It was:

**RESOLVED:** That the Committee note the Auditors Annual Report presented by Ernst & Young

#### 47 **SAFS Annual Report 2021/22 - SAFS**

*Audio recording – 17:14*

Nick Jennings, Shared Anti-Fraud Service, presented the SAFS Annual Report 2021/22 and highlighted points including:

- This report is to reflect on the previous year activity looking at anti-fraud arrangements at the Council and working with SAFS.

- This report is based on the delivery of the 21/22 anti-fraud plan which was approved by this Committee in March 2021.
- The report looks at how we structure the plan in line with current best practice, especially the guidance provided by the Fighting Fraud and Corruption Locally Strategy that was developed in partnership with the LGA and a number of other organisations. This is focused on how local authorities can deal with the risk and threat of fraud
- We look at SAFS performance and KPIs and how we have done against KPIs agreed with officers and the anti-fraud activity for the current year
- We have included transparency code data. This is data the authority is required to provide around its anti-fraud arrangements and the outcome of that activity and how much money has been spent on it
- This report is based on recommendations from the Fighting Fraud and Corruption Locally Strategy, particularly the five pillars: protect, govern, acknowledge, prevent, and pursue. It was also based on the Council's policies on anti-fraud and corruption and very closely reflects the guidance on best practice for local authorities including the use of checklists and identifying responsibility for particular activity across the authority by officers
- We deployed one officer to the Council in 21/22. They were supported by the SAFS support team including data analysts, financial investigators, and intelligence officer.
- The officer is the first point of contact for any officers working with the authority on undertaking any initial investigations that arise
- The Council has a place on its website for people to report fraud, this is linked into the SAFS website. This allows us to collate all the information and can report back to the Council on the volume type of fraud that is seen to be affecting the North Herts Council
- The e-learning that is provided via the Council's e-learning platform is currently being updated and a new version will be released soon. The version officers are using at present is still valid and covers fraud, corruption, bribery and money laundering. We provide additional training for officers to support the e-learning training
- The ongoing impact in 21/22 from covid-19 has changed how we deliver our service slightly, particularly the use of sanctions and financial penalties. We are looking at prevention work at the front end and the impact on some of the investigations of conducting where we work with partners such as the Department for Work and Pensions
- We are continuing to assist officers with grants and provide additional support around data cleansing and we work closely with the National Anti-Fraud Network, Cifas, and the Cabinet Office to ensure there is pre and post payment checks against all the grants that the Council paid under the various schemes the government introduced during the pandemic
- We provided more frequent and enhanced alerts. This network provides the authority with a huge access to organisations and information about new and emerging fraud threats
- We detail the number of allegations we have received via the authority and how they are broken down by service areas and who is reporting these to the authorities. Not every allegation is correct or needs to be investigated fully, so how we have dealt with these individual allegations is broken down in the report
- The outcomes of some of the cases and investigations and financial savings and prevention work is detailed and the value of this has been identified for the authority.
- There is also detail of outstanding work that is being carried forward into this year
- The report shows the volume of referrals and how this reflects back on previous years. This can vary year to year as it follows trends and we saw a spike in 2020.
- We have broken down the work officers done around the National Anti-Fraud Initiative. Worked with officers from the authority to ensure the matches were resolved in accordance with the requirements for the Council to comply with the National Fraud Initiative. The outcome of the financial value in savings to the Council is tiny but it is work that needs to be undertaken every two years

- All the KPIs for last year were met or exceeded with the exception of one. We didn't manage to achieve 10 training events that were promised in the KPIs, however in the North Herts plan we offered 5 training events and we provided this but didn't amend the KPIs.
- The work we are currently undertaking shows we have a significant number of cases being investigated at the moment, but the fraud losses identified are not significant.
- We work with settle Housing. This is important work for the Council as the Council doesn't have its own housing stock and settle Housing manages the majority of the social housing across the district.
- Working with settle Housing allows us to undertake fraud investigations on their behalf where there are suspicions of tenancy fraud. The advantage for the authority is we are able to bring properties back into stock and the Council is able to allocate people from its housing waiting list.
- This relationship with settle Housing only started in the fourth quarter of last year, and we have recovered three properties so far

The following Members asked questions:

- Councillor Clare Billing
- Councillor Terry Hone

In response to these questions, Nick Jennings advised:

- The training that SAFS provide is part of the mandatory training for all officers.
- We have many Councils as part of the partnership and the types of fraud we see across them is similar. It is often linked to housing, housing applications, benefits and council tax. During the pandemic we saw more direct fraud attempts, both opportunists and more organised crime. We worked with officers during the pandemic to ensure there were measures, processes and checks in place to reduce the level of fraud around the grants that were issued. Some got through, but only small numbers compared to other authorities. The fraud is comparable in types and numbers between other Councils.

Ian Couper also responded to questions:

- I will have to check how many people have completed it but think it is and check that it is mandatory.

Ian Couper suggested providing more training in advance of the FAR meetings. Nick would come before the meeting in December to offer some training to Members on fraud.

Councillor Terry Tyler agreed this would be helpful and there was a general consensus that Members agreed to this training offer.

Councillor Terry Hone proposed and Councillor Clare Billing seconded and, following a vote it was:

**RESOLVED:** That the Committee:

- (1) Note the Councils work to combat fraud in 2021/22
- (2) Note the performance of SAFS in meeting its KPIs in 2021/22
- (3) Note the progress with delivering the Anti-Fraud Plan for 2022/23

*Audio recording – 33:36*

Chris Wood, Shared Internal Audit Service, presented the SIAS Annual Report 2021/22 and highlighted points including:

- This reports looks back at the service and activities during 21/22
- It gives Members a chance to receive information beyond the North Herts internal audit plan
- Some of this reports primary readers have been candidates for recruitment. They often find this helpful to learn more about the service

The following Members and Independent Persons asked questions:

- Councillor Terry Hone
- John Cannon

In response to these questions, Chris Wood advised:

- There was the same level of assurance in this audit despite the impacts of covid-19. It was a different way of working. For part of the year, we were able to audit in person, in the second half of 21/22 where it was necessary. Overall, its been quite beneficial as there is less travel and there is still a good level of interaction and support with staff. There has been a lot of information which is easier to share digitally through secure portals. The only part that was more difficult was looking at the Council systems themselves, however this hasn't affected the first half of 21/22 and were able to do that in person in the second half. Overall, its been helpful in learning about how we can audit and how we can be more effective and we have continued the way we have been working into 22/23.
- Many questions asked by John Cannon will be answered within the next report
- There is 15% plan days delivered. We are slightly behind and would have liked to have issued draft reports for things like the careline operations audit and be further on with the compliance contract audit. We have carried a few vacancies through the first part of the year and assigned a number of audits to our external delivery partners and this takes some start-up time but we have good traction on audits.
- Cyber risk is high risk to a number of organisations and is constantly evolving.

Ian Couper also responded questions:

- The audit of the compliance contract relates to property compliance. We have contracts around gas safety of our buildings, electrical safety, and other property checks. We've been given notice to terminate this contract so this audit is around the arrangements we are putting in place for the new contract from February next year.
- The cyber security audit doesn't fit in the categories like other audits. We are doing three IT audits a year which have their own category. They could be medium or high priority.

It was:

**RESOLVED:** That the Committee note the SIAS Annual Report 2021/22

## **49 SIAS Progress Report 2022-23**

*Audio recording – 38:43*

Chris Wood, Shared Internal Audit Service, presented the SIAS Progress Report 2022/23 and highlighted points including:

- There is a slight error in the report. On page 97 15% plan days is stated, but on a table further down it is reported that it is 16% and both should read 16%. Looking at the performance figures from last week it has moved to 21% since this report was written a few weeks ago.
- There is a table showing when the audits are due to start and quite a few are due to start in quarter 2 and 3.
- There have been three final audit reports issued which FAR Committee Members have received
- There is a health and safety of lone workers audit that is still at a draft report stage
- There are only three high priority recommendations. They haven't been followed up yet and have implementation dates in March 2023. Hopefully these will be followed up by the next meeting
- There have been 6 audit plan changes. Most of these are a reallocation and reprioritisation of days and times rather than any new audits.

There were no further questions from Members.

Councillor Terry Tyler proposed and Councillor Terry Hone seconded and, following a vote, it was:

**RESOLVED:** That the Committee:

- (1) Note the SIAS Progress Report for the period of August 2022
- (2) Note the plan amendments to the 2022/23 Annual Internal Audit Plan

## 50 Council Tax Reduction Scheme 2023/24

*Audio recording – 47:00*

Ian Couper, Service Director – Resources, presented the report entitled Council Tax Reduction Scheme 2023/24.

- Every year the Council is required to review its Council Tax Reduction Scheme. This year the Council has done a more fundamental review since there has been no major changes since the scheme was introduced.
- This report is to notify Cabinet what is going on but presented to FAR to comment on due to the financial implications.
- The proposal is that it will move to a banded scheme. This means that instead of each person or property being assessed a rate of council tax discount, they'll fall into bands meaning that small changes will have less of an impact and therefore they'll be less administration and less confusion for the residents.
- This scheme will only apply to working age claimants. Anyone who is an older claimant falls under the mandatory scheme and the Council doesn't have the ability to change the council tax reduction for those.
- The consultation will run from the 14<sup>th</sup> September 2022, which is after the Cabinet meeting next week, not from the 5<sup>th</sup> September 2022 as detailed in the report.
- The consultation will be with the public, Herts County Council and the Police and Crime Commissioner.

- The current estimate of impact is that it will reduce the number of properties in which we can charge council tax on. Those that are eligible for Council Tax Reduction count as less than one property, therefore means there is a lower council tax base.
- The overall cost is low and the revenues team has forecast that the costs will go down as well
- Overall it provides a better experience for residents. People will stay in one band rather than keep moving around, especially those on universal credit
- There is a discretionary element for those who might lose out to aid transition so they will not be as badly affected initially

Ian Couper noted that Councillor Ian Albert has been very involved within this scheme and can also help with any questions Members may have.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Terry Tyler
- Councillor Clare Billing

In response to questions Ian Couper advised:

- North Hertfordshire District Council are the first district in Hertfordshire to make these changes to the Council Tax Reduction Scheme, based on information from Herts County Council

Also in response to questions, Councillor Albert responded:

- This scheme will be put in place initially for one year, but will look at how it can progress further
- The scheme had been remodelled many times and it is predicted that less than 100 people will be negatively affected. However, there should still be a discretionary scheme.
- The discretionary scheme is aimed at those who might not be entitled. We will identify who is in that situation and proactively contact them and propose the discretionary element of the scheme
- Since we will know their circumstances, we will work through it with them and decide on the discretionary element
- They won't need to fill in loads of forms as they will have completed an application to be on the scheme

Councillor Tyler suggested that we hear more about the scheme in the next session.

**RESOLVED:** That the Committee note and comment on the Council Tax Reduction Scheme 2023/24

**RECOMMENDED TO CABINET:** That Cabinet:

- (1) Note a full review is well underway and consultation with the public and Major Precepting Authorities will run for six weeks from 05 September 2022
- (2) Note progress made so far on the review and the intention is to introduce a new banded scheme for working age applicants from 01 April 2023



- (3) Note intention of review is to introduce a new scheme that will enable us to increase overall level of support for lowest income families and reduce administrative burden on Council, as well as making the scheme easier for our customers to understand and calculate entitlement
- (4) Note that modelling the new scheme may increase the costs from those of the current scheme

**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.

## 51 **FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23**

*Audio recording – 57:02*

Ian Couper, Service Director – Resources, presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

- This report shows the investment strategy which is the combination of our capital programme and our treasury investments.
- The history of our capital budget since it was set in February 2022 and the changes that have happened since then. It takes us to a starting budget for this year £12.252M
- Some schemes are detailed within the report as being delayed, the biggest one being John Barker Place. An amount was agreed a couple years back however it is clear now that we will not get to the right point of the construction phase to give that grant to them this year. Building work has made good progress but the grant is linked to the delivery of new affordable social housing in that area.
- IFRS is an international financial reporting standard that was supposed to be implemented within local authorities this year which would require us to put leased vehicles onto our balance sheet and so we need a capital provision to do that. This delay is to make it easier for Councils and particularly auditors. This has been delayed again so we won't do the adjustments this year and the impact will be felt next year
- There are schemes around the Newark Close Road in Royston and the Lairage Car Park both of which have been delayed.
- There are new spends in relation to the capital projects.
- The Park Homes insulation spend which will be £341,000 and is fully funded from a grant. This helps with the Councils green agenda and also those living in the houses.
- As we get Section 106 projects that are eligible, we bring the project and funding into the capital budget. We have identified £169,000 of that fund that will be used in the current year
- There are some projects with overspends and we are looking for Cabinet approval to continue with those in line with financial regulations.
- In playground renovations there was some carry forward from last year in relation to interactive play and whilst that has progressed to being finalised and was within the available budget initially, it was more than had been budgeted for and

combined with the other planned works for the playgrounds, it means the variance will be higher the allowable tolerance in the financial regulations

- It has been identified that we can apply £81,000 of Section 106 funding here
- The Royston Leisure Centre solar thermal is also an overspend. We got some quotes and they were £20,000 more than budget, which is outside tolerance so it has been put on hold until Cabinet decision
- The outdoor pool boilers in Hitchin and Letchworth had initial quotes that were above budget but within tolerances, but as work progressed they found a few extra things that pushed it over budget. However, it made no sense to abort the work at that stage. The tolerance is outside financial regulations but for good reason.
- The acquisition of Churchgate has been completed in terms of due diligence process and purchase and the final price we paid was lower than the budget
- The forecast of additions to capital receipts from the year is 5.5M and a couple have already progressed this year. We continue to fund all of our capital programme from capital reserves.
- Capital is a big factor of how much cash we have, but all the other revenue reserves and provisions we have contribute to that
- We need to invest that surplus money somewhere to make sure it's safe and diversified, but also to generate return
- At the moment, government are giving good returns in terms of short term cash deposits and this is why we have 45% of our money with government at the moment
- Last year returns were 0.1% but now we're looking at returns 1.5% or above.
- There are some old treasury deals, which is why there are some lower returns, but when it gets put back in it'll be reinvested at a higher rate
- The maturity structure of our investment is quite short which is deliberate due to the interest rates going up. This will change in the future and we will look at putting out money for a longer period

The following Independent Persons asked questions:

- John Cannon

In response to questions, Ian Couper advised:

- The funding is from government and therefore is linked to grants we are already aware of and are pretty certain of
- The plan for Churchgate is to spend capital but we are working through a plan currently to set out a strategy and undertake public consultation around the site. Until we have something certain it won't be in the capital programme, we are looking at holding it for at least 2/3 years

Councillor Tyler commented that Churchgate would require some investment in the future.

**RESOLVED:** That the Committee note and comment on the First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

**RECOMMENDED TO CABINET:** That Cabinet:

- (5) Notes forecast expenditure of £12.252M in 2022/23 on the capital programme
- (6) Approves the adjustments to the capital programme for 2022/23 onwards, increasing the estimated spend in 2023/24 by £2.048M
- (7) Notes the position of the availability of capital resources and requirement to keep the capital programme under review for affordability

(8) Note the position of Treasury Management activity as at the end of June 2022

**REASON FOR DECISIONS:**

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk

**52 FIRST QUARTER REVENUE BUDGET MONITORING 2022/23**

*Audio recording – 1:11:45*

Ian Couper, Service Director – Resources, presented the report entitled First Quarter Revenue Budget Monitoring 2022/23.

- This report is on revenue budget and is what we spend on the day-to-day things, such as staffing and services
- Following the end of year position, we did notice one adjustment that needed to be made. This was put through the statement of accounts and affects the closing balance at the end of the year.
- Another thing to highlight is the amount of transfers to and from earmarked reserves wasn't quite there yet as we were still waiting for the final decision on the collection fund account
- The current plan from our external auditors is that they'll commence the audit of the 21/22 financial statements in November
- Our draft accounts have been published in line with the requirements and they are on our website.
- We have now gone through the public inspection of accounts period and we've had no feedback to directly to us and we will check with auditors if there has been any feedback with them. This process gives members of the public and residents a chance to ask questions and seek out documents we hold in relation to the statement of accounts
- In relation to table 3 of the report, the impact of these numbers is much lower than it could've been. Overall the variances are moving in the right direction in terms of reducing our spend or increasing our income.
- This most significant item relates to our treasury investment income, we have a current forecast of an underspend of £589,000. This is predicted to have a continuing impact of half a million in future years
- A big provision was set within the budget at the start of the year in relation to the impact of covid-19 continuing. The amount we set aside seems to be right and a lot of variances within this relate to the provisions set aside to balance this
- Recycled materials is an area where the budget is moving in the right direction. At the moment, the value is very high compared to what we forecast it would be, but these vary. Although there has been a £341,000 underspend this year, there's nothing in the forecast for next year as it may move by then
- Many areas of overspend are covered by the amount set aside for the impact of covid-19
- The only one that isn't, is in relation to staff costs. This forecast is based on the current employer offer to the unions which is a £1925 increase for all pay grades. This is being considered by unions at the moment, two have gone out with no recommendations, one is recommending employees don't take the offer. This is due back in September/October.

- For a number of years we have reported on a number of indicators relating to significant areas of income for the Council. This has changed from last year, for example land charge has been taken out and income sources that generate more income have been put in.
- There are colour targets, red being if they will miss the forecast, amber they are uncertain if it will reach forecast and green when they are on track to meet or exceed forecasts. These significant areas include garden waste charging, planning fees, and car parking
- We also have some activity linked to the areas which will give them context, for example number of bin subscribers for the garden waste charge.
- We have recently received an email from the Department of Levelling Up Housing and Community about interest in business rate pooling.
- We collect business rates and are able to retain a small portion of them. If there is any growth, we get to retain some of this. Business rate pooling allows the authorities in an area to join together to retain a higher amount of business rates growth. In order to do this, you must have the County Council and then usually four or five districts.
- In previous years it's been definite however this year it is more uncertain if it will happen. However, we are looking at doing it with Hertfordshire County Council. We are seeking delegation from Cabinet to commit to a pool if it looks beneficial for us.
- We have already commissioned some work as a joint group of chief finance officers across the county to look at if it makes sense and if we will be part of the pool.
- Our general fund is the Councils core pot of money, and the current projection is that we will be slightly ahead of where we were forecast to be. This is good news in relation to planning for the future.

The following Members asked questions:

- Councillor Clare Billing
- Councillor Terry Hone

In response to questions, Ian Couper advised:

- None of our estates income are in the income indicators in the report. Our estates portfolio generates income around £1M a year. We would expect that the income we used to get from Churchgate which was around £140,000 from the head lease will go up to reflect that we will be getting income directly from the tenants. In future we will look at putting estates income in to the indicators. Although there is a lot of income to be generated from Churchgate, there is also a lot of risk, especially in the medium term. We may need to set some aside in reserves to mitigate the impacts that may be coming down the line.
- I think the gas expenditure is realistic this year. On the Medium Term Plan Strategy, which is the next item, there is a further increase within that report.
- Yes we have benefitted from business rate pooling in the past. It can vary between pooling gains between £300,000 up to about £600,000 on year.
- We account for AFM in arrears, so this is the number from last year so this would have been confirmed by now. Not sure what it is for this year as we will get it next year. It is a slow gradual rate of recovery, but it isn't back to where it used to be yet.

**RESOLVED:** That the Committee note and comment on the First Quarter Revenue Budget Monitoring 2022/23

**RECOMMENDED TO CABINET:** That Cabinet:

- (9) Note this report

- (10) Approves the changes to the 2022/23 General Fund budget, a £559k decrease in net expenditure
- (11) Notes the changes to the 2023/24 General Fund budget, a £414k increase in net expenditure
- (12) Delegates to the Service Director: Resources authority to enter in to a Business Rate Pooling arrangement (if available).

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

## 53 Medium Term Financial Strategy

*Audio recording – 1:27:32*

Ian Couper, Service Director – Resources, presented the report entitled Medium Term Financial Strategy.

- This report will go to Cabinet next week and will be recommended to full Council.
- The purpose of this report is to set out forecasts of where the budget will be in future years. This is used to set a strategy of how we will manage that.
- We now have the double impact of covid-19, which we still haven't recovered from, and now high inflation as well.
- A positive in the report is that we start out with a high general fund balance. We also have some other reserves which are safe to release into the general fund. This gives some mobility to smooth some bumps that may come along the way
- Page 176 of the report covers the covid-19 impacts and we're still going to set an amount aside in 23/24 to help with the continued recovery of covid-19. This will be roughly half the amount of the 22/23 amount.
- Some areas are recovering well. Short stay car parks have recovered, but season tickets and long stay car parks have taken a hit in ongoing income. Leisure has recovered well but may decrease with the cost of living crisis. Recycled materials has been doing well as mentioned in the last report and there has been some provisions made for future years as it is highly varied
- There is a section looking at the impacts of inflation. We have costs of providing our contractor services, pay inflation for staff, policies around fees and charges, eligibility for Council Tax Reduction Scheme (CTRS), and the interest rate increases.
- We are looking at just under 10% increase in waste contracts moving into this current year – May 2022. There has been a forecast of a similar increase for next year. The increase this year has been driven primarily by fuel inflation. We are expecting this to go back to normal levels from May 2024 and settling around 2%.
- Pay inflation is the offer from employers to the unions. There is a forecast of another 4% increase in 23/24. This could be a fixed rate for all rates or it could be more evened out. By 24/25 we may get back to more normal rates at around 2% inflation.
- With the inflation, our old policies around fees and charges no longer work. We are looking at what to model here. This is linked to staff costs in terms of the cost of providing those services. We are looking at increases of around 4%. It is fair to continue with a cost recovery basis for our fees and charges and therefore modelling a 4% increase on those.
- In some areas we have previously made decisions to keep those fees and charges at a different rate, this is for parking and the garden waste charges which is

currently paid at a 2% increase per year so the modelling assumes this will continue

- We think that the market can bear a 10% increase in line with the increase in our contract costs on trade waste. We are proposing in the modelling that's what will happen moving into the next year
- We have talked about the new CTRS scheme coming into place. There is a risk of increase due to the amount of people eligible rising due to the recession.
- In terms of waste cost, there is expected to be some government changes to the way waste is collected in terms of what bins districts are required to put out and collect. Additionally a deposit returns scheme where people would take things like glass bottles and cans back to shops rather than putting them in waste bins. These are uncertain changes as of now. We are looking at our waste contract retendering and making sure it is fit for purpose in terms of what may come out of the government. There is risks here at what the costs may be for this.
- Page 180 looks at our various projects in the Council Delivery Plan. This sets out where these stand, which ones will continue in future years, where we stand resources wise, and some risks highlighted in terms of budgeting being set aside for things to continue.
- There is future funding from the government which is direct funding and rules around how we raise funding. We are expecting constraint from government around council tax to be around 1.99%. Council tax makes around 70% of our funding, this adds to our pressures as it's not changing with inflation
- There is uncertainty around the amount of money we will get from government in the medium term. There is a prospect of a new funding formula, possibly around 25/26. The impact of a new funding formula could be a cut of around £1M which we have used in future forecasts.
- In terms of future funding and future plans, we have healthy levels of general reserves and the plan will be to use that to mitigate the early impacts
- If we get to the stage where we have to cut services, they must be discretionary services.
- There will be a need in the current forecasts of substantial annual savings in the order of £2.6M currently over the next 5 years. Over the last ten years we have probably saved around £11M against our services in that time. We are looking at redesigning how we do this, income generation and potentially some service cuts to deliver that level of savings. We are trying to use our reserves to delay the point at which we would have to cut service levels. The aim is that we would make the big decisions when we have more funding certainty, and also hopefully our residents to be in a better place to deal with any changes to our services and also time to plan what those will look like and do some public consultations on this.
- The scope for cost increases and investments on new service initiatives is limited.
- This mainly focuses on the revenue budget, capital budgets are a key component of our budgets and do have revenue impact. At the moment we managed to fund all our capital programme from capital receipts, but there is a cost of this and it is less money sitting in our investments so we will lost the interest on that money as we spend. Additionally when we run out of capital receipts, we will have to charge a minimum revenue provision which is a minimum amount we will have to charge the revenue account each year to reflect we're in a borrowing position. In the long term we have to start funding money from external borrowing and this comes at an interest cost. Last year it was around 2.5% but now it is around 4% and is continuing to go upwards.

The following Members and Independent Persons asked questions:

- Councillor Terry Hone
- John Cannon

In response to questions, Ian Couper advised:

- There isn't anything currently included for the budgetary impact of refugees (e.g. from Ukraine). This will be considered in the budget. There is an emerging impact on the housing team around where we are in placement breakdowns under the Homes for Ukraine schemes.
- The amount given to Parish Councils is a historic arrangement and was first introduced to offset the impact they had from localisation of Council Tax reduction. It isn't directly subsidising a service they're required to provide, it's providing funding that was taken away from them. If there is a new funding formula and it does lead to significant reductions in our funding we will look to withdraw the support to Parishes.
- Yes we are allowing enough time to identify and deliver savings. We should get notified by the government at some point next year about what our future funding will look like. This will allow us to start the process of significant work with service managers and service directors around looking at the spend of the Council and where we could make savings if we had to. This will lead to public consultation around areas residents value and how they think we can make savings and then bring that together into a plan of what it looks like. This will allow us time to deliver those savings. We do still have our enterprise team which look at commercial opportunities. Our transformation work still continues looking at our processes, particularly AI and automation and how this can manage levels of staffing and take away admin work
- Current forecasts of Churchgate are that we would expect income surplus. We've funded the capital from capital receipts and will now get the income from the shopping centre rather than just from the head lease income so this will go up slightly. The current centre as it is has some costs associated with it, such as minor works, but these aren't forecast to be significant or excessive. This may change and it will be necessary that we regenerate the centre before maintenance and repairs become significant costs. The longer term is that we will borrow money, as a Council we can borrow from the government. There isn't a detailed plan yet but we are looking for a plan that will work for the area and the finances. It's worth highlighting in the report that there is a risk there, but it is a risk we will have some control of.

**RESOLVED:** That the Committee note and comment on the Medium Term Financial Strategy, including the recommendations that will be made to Cabinet.

**RECOMMENDED TO CABINET:** That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2023-28

**REASON FOR DECISIONS:** Adoption of a MTFs and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2023/24 to 2027/28. This will support the Council in setting a budget that is affordable and aligned to Council priorities.

## 54 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

*Audio recording – 1:50:22*

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

Councillor Terry Tyler reminded Members about the anti-fraud training that was suggested by Ian Couper. He also suggested that it would be good to have a case study about how the internal audit service works.

Councillor Clare Billing asked if it was too early to have a discussion or report from officers on the financial implications of Churchgate, both income and expenditure, major and minor.

Ian Couper responded to this saying it is too early to get the report as we are still in the process of putting a project plan in place. There will be reports detailing financial information over the next few years regarding the next steps but right now it is too early.

Councillor Terry Hone asked if there could be something around the success of the lottery to give us some idea about how much is being spent and gained. Also to look at the process and if it's working or what we can do to make it better in terms of finance.

Ian Couper responded to this and agreed to put this in the revenue monitoring reports to look at the impact of this.

The meeting closed at 9:25pm

Chair





# North Hertfordshire District Council Audit planning report

Year ended 31 March 2022

7 December 2022



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

7 December 2022

Dear Finance, Audit and Risk Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Finance, Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd., auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures are largely complete but subject to review; we will inform the Finance, Audit and Risk Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Finance, Audit and Risk Committee Members and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 7 December 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson  
For and on behalf of Ernst & Young LLP



# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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





# 01

## Overview of our 2021/22 audit strategy





## Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finance, Audit and Risk Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

### Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Page 25 Inappropriate capitalisation of revenue expenditure	Fraud Risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements. The Authority has a material additions of £1.1 million for 2021/22 and the increased pressure on the Authority's overall finances increases the fraud risk.
Valuation of investment properties	Significant Risk	No change in risk or focus	Investment properties represent a significant balance in the Council's accounts and are subject to valuation changes, market volatility and impairment reviews. Material judgmental inputs and estimation techniques are required to calculate the year-end investment property valuations held in the balance sheet.  Considering that the level of estimation uncertainty and complexity is higher for assets valued using market information, we retained the significant risk on this account for 2021/22. As of 31 March 2022, the Council's investment properties are valued at £26.379 million.

# Overview of our 2021/22 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Valuation of property, plant and equipment and assets held for sale	Inherent Risk	No change in risk or focus	<p>The fair value of property, plant and equipment (PPE) and assets held for sale (AHFS) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>As of 31 March 2022, the Council had the following capital asset values valued at fair value (excluding investment properties):</p> <ul style="list-style-type: none"> <li>▸ Land &amp; buildings - £83.883 million</li> <li>▸ Surplus assets - £7.155 million</li> <li>▸ Assets held for sale - £3.227 million</li> </ul> <p>The majority of this balance (£72.815 million from £94.265 million or 77%) was valued on the basis of depreciated replacement cost.</p>
Pension liability valuation	Inherent Risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement. Small changes in assumptions when valuing the assets and liabilities can have a material impact on the financial statements.</p> <p>Pension liability balance as at 31 March 2022 was £30.210 million.</p>
Going concern disclosure	Area of Focus	Reduction in risk from inherent risk to area of audit focus	<p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that the Council may not appropriately disclose the impact of these issues on its going concern assessment. The disclosure should be underpinned by the management's assessment based on the Council's forecast year end financial position for the going concern period of 12 months from the auditor's report date.</p>

# Overview of our 2021/22 audit strategy

## Materiality

Planning  
materiality

£1.4m

Materiality has been set at £1.4 million, which represents 2% of gross revenue expenditure of the Council. The use of 2% of gross revenue expenditure is in line with the prior year.

Performance  
materiality

£1.05m

Performance materiality has been set at £1.05 million, which represents 75% of materiality.

Audit  
differences

£0.071m

We will report all uncorrected misstatements relating to the group financial statements over £0.071 million. We will communicate other misstatements identified to the extent that they merit the attention of the Finance, Audit and Risk Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £1k where they impact on the bandings use in the disclosure.
- Member allowances - we will agree Members allowances to the agreed and approved amounts and report any differences above £1k.
- Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence. We will apply a materiality of £1k to this work.

# Overview of our 2021/22 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of North Hertfordshire Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Page 28
- Strategic, operational and financial risks relevant to the financial statements;
  - Developments in financial reporting and auditing standards;
  - The quality of systems and processes;
  - Changes in the business and regulatory environment; and,
  - Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of North Hertfordshire Council's audit, we will discuss these with management as to the impact on the scale fee.

### Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.



# Overview of our 2021/22 audit strategy

## Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
  - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
  - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
  - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on VFM arrangements will be included in the Auditor's Annual Report.

## Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22. This change was confirmed in The Accounts and Audit (Amendment) Regulations 2022 issued in June 2022.

The year end audit of 2021/22 has started in November 2022 and we are aiming to complete the audit in time to report to the March 2023 Finance, Audit and Risk Committee. In Section 07 we include a provisional timeline for the audit.

## Audit team changes

Rachel Merez will be the manager of the engagement for 2021/22, taking over from Ghulam Hussain. Rachel is also the manager for a number of other District Councils.



## 02

## Audit risks





## Audit risks

### Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error

#### What is the risk?

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

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

#### What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including;
  - testing of journal entries and other adjustments in the preparation of the financial statements;
  - reviewing accounting estimates for evidence of management bias; and
  - evaluating the business rationale for significant unusual transactions;



## Audit risks

### Our response to significant risks (continued)

#### Risk of fraud in revenue and expenditure recognition\*

#### Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.

Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment (PPE) additions in the financial statements.

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to incorrectly capitalise revenue expenditure to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of the Council's annual capital programme, which is significantly higher than our materiality level. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants or borrowing.

#### What will we do?

To address this risk, we will:

- Obtain a general ledger breakdown of capital additions in the year, reconcile this to the Fixed Assets Register and review the general ledger descriptions to identify whether there are any potential transactional items that could be revenue in nature;
- Sample test additions to property, plant and equipment at a lower testing threshold to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We review the sample selected against the definition of capital expenditure in IAS 16; and
- As part of our journals testing strategy, we will review unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.



## Our response to significant risks (continued)

### Valuation of investment properties

#### What is the risk?

Investment properties represent a significant balance in the Council's accounts and are subject to valuation changes, market volatility and impairment reviews.

Material judgmental inputs and estimation techniques are required to calculate the year-end investment property valuations held in the balance sheet.

Considering that the level of estimation uncertainty and complexity is higher for assets valued using market information, we retained the significant risk on this account for 2021/22. As of 31 March 2022, investment properties are valued at £26.379 million.

#### What will we do?

To address this risk, we will:

- Consider the work performed by the Council's external and internal valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Use our own valuation experts to review the methodology and assumptions used by the valuer;
- Select a sample of investment property assets and test the inputs, assumptions and methodologies employed by the Council's valuers and consider the reasonableness of the estimation techniques employed. We will send assets with higher degree of complexity in valuation for review by our valuation experts;
- Assesses the accuracy of the classification of assets and the valuation basis that is assigned as a result;
- Identify and corroborate any material increases or impairments that arise during the year;
- Review the annual cycle of valuations to ensure that assets have been valued annually;
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Test accounting entries, ensuring these have been correctly processed in the financial statements; and
- Review appropriateness of the relevant accounting policies and disclosures.

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What will we do?
<p><b>Valuation of property, plant and equipment and assets held for sale</b></p> <p>The fair value of property, plant and equipment (PPE) and assets held for sale (AHFS) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>As of 31 March 2022, the Council held the following capital asset values valued at fair value (excluding investment properties):</p> <ul style="list-style-type: none"> <li>▪ Land &amp; buildings - £83.883 million</li> <li>▪ Surplus assets - £7.155 million</li> <li>▪ Assets held for sale - £3.227 million</li> </ul> <p>The majority of this balance (£72.815 million from £94.265 million or 77%) was valued on the basis of depreciated replacement cost.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>➤ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>➤ Analyse the Council's asset base, disaggregating it based on the nature of the asset and valuation method used.</li> <li>➤ Select a sample of assets for detailed testing, ensuring that all significant asset groups are represented in our sample. For the sample selected we will test key assumptions and methodologies and consider the reasonableness of the estimation techniques employed and key asset information used by the valuer;</li> <li>➤ For specialist assets such as leisure facilities, which typically are valued on the basis of depreciated replacement cost (DRC), we will challenge the Council on key assumptions and test base data such as floor and land areas back to source documentation;</li> <li>➤ For non-specialist assets such as offices, which are typically valued on an existing use value (EUV) basis, we will challenge the Council on key inputs such as yield rates, income, lease periods and reversion rent;</li> <li>➤ We will consider engaging our own valuation expert depending on the extent of subjectivity and professional judgement in the valuations and the robustness of evidence we can obtain to support the valuations;</li> <li>➤ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.</li> <li>➤ Consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer;</li> <li>➤ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;</li> <li>➤ Consider changes to useful economic lives as a result of the most recent valuation;</li> <li>➤ Test accounting entries have been correctly processed in the financial statements; and</li> <li>➤ Review the disclosures to ensure they are adequate in relation to estimation uncertainty.</li> </ul>



## Audit risks

### Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b>Pension liability valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by North Hertfordshire Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £30.210 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.</p> <p>ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> <li>➤ Liaise with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the council;</li> <li>➤ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and consider reviews of this by the EY actuarial team;</li> <li>➤ Engage our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; and</li> <li>➤ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul>



## Audit risks

### Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><b>Going concern disclosure</b></p> <p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the market due to the ongoing impact of Covid as well as the Ukraine-Russia conflict are issues we would expect this assessment to consider, particularly in terms of the impact on the Council's day to day finances, its annual budget, cashflow and medium term financial strategy,</p> <p>The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>The disclosure should be based on the Council's actual year end financial position for the current year as well as projections for the going concern period of 12 months from the auditor's report date.</p>	<p>We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none"> <li>➤ Challenging management's identification of events or conditions impacting going concern.</li> <li>➤ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).</li> <li>➤ Reviewing the Authority's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.</li> <li>➤ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.</li> <li>➤ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.</li> </ul>





# 03

## Value for Money Risks





# Value for Money

## Council's responsibilities for value for money

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

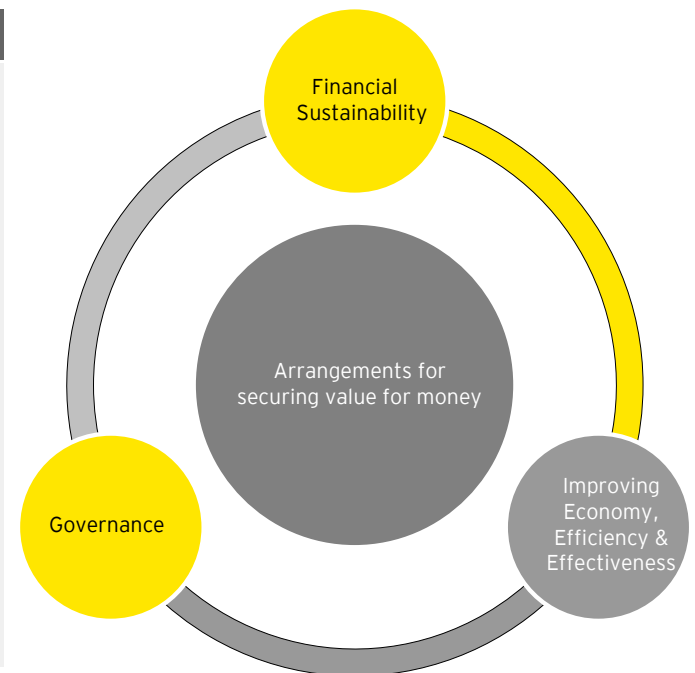
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its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

## Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

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





# Value for Money

## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Page 39
- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
  - Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
  - Leads to - or could reasonably be expected to lead to - unlawful actions; or
  - Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Finance, Audit and Risk Committee.

## Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

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

## Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

The medium term financial strategy for 2023/24 to 2027/28 shows a projected general fund balance at the end of 2027/28 of £8.545 million, which is a 2 million decrease from the balance as at 31 March 2022 (per the draft statement of accounts) of £10.607 million. Included within the forecast were savings required from 2023/24 to 2027/28 of £2.600 million.

We will update the next Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.





04

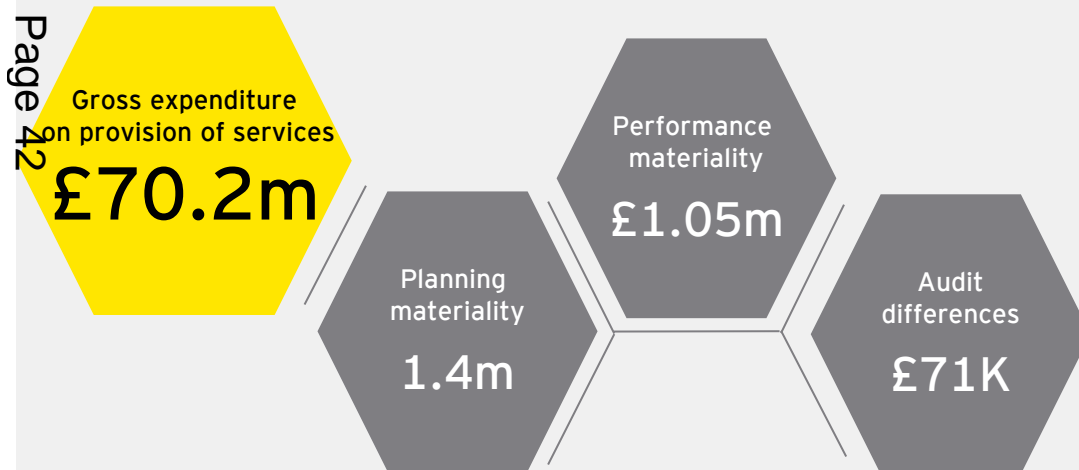
## Audit materiality



## Materiality

### Materiality

For planning purposes, materiality for 2021/22 has been set at £1.4 million. This represents 2% of the Council's current year gross revenue expenditure on provision of services. We will reassess materiality throughout the audit process. We consider that the focus from interested parties will be on how income is spent and therefore our judgement is that gross expenditure is considered to be the most appropriate measurement basis for materiality. We have provided supplemental information about audit materiality in Appendix C.



We request that the Finance, Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

### Key definitions

**Planning materiality** - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Performance materiality** - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.05 million which represents 75% of planning materiality. This reflects the low level of error detected in our 2020/21 financial statements audit

**Audit difference threshold** - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Finance, Audit and Risk Committee, or are important from a qualitative perspective.

## Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £1k where they impact on the bandings use in the disclosure.
- ▶ Member allowances - we will agree Members allowances to the agreed and approved amounts and report any differences above £1k.
- ▶ Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence. We will apply a materiality of £1k to this work





05

## Scope of our audit





## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

##### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

##### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

#### Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

#### Internal audit:

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



06

## Audit team



## Audit team

### Audit team structure:

#### EY Team

Debbie will continue as the engagement lead for 2021/22 which will be her second year of working with the Authority.

Rachel is new to the audit team for 2021/22. Rachel has experience managing audits of councils within the Hertfordshire and Essex area.

Ciarán continues as the audit senior for another year to bring continuity.

Debbie Hanson  
Lead Audit Partner

Rachel Merez  
Manager

Ciarán Tumulty  
Senior

#### Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

EY Real Estates  
(EYRE)

PwC (consulting  
actuary) and EY  
Pensions

\* Key Audit Partner

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, plant and equipment, assets held for sale and investment Properties	EY Real Estate The Council's own internal valuer along with an external valuation expert for investment properties.
Pensions disclosure	EY pensions advisory, PwC (Consulting Actuary) Hymans Robertson - Actuary to the Hertfordshire Pension Fund
IndR Appeals Provision	LG Futures

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



# Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

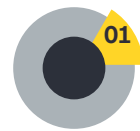


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

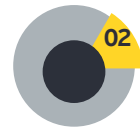
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
  - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
  - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
  - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

## 3. The six pillars of **Sustainable Audit Quality** are implemented.



### Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



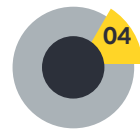
### Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



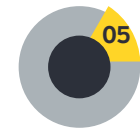
### Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



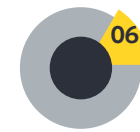
### Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



### Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



### Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

### 2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

### We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

*"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."*

Sir John Thompson  
Chief Executive of the FRC





07

## Audit timeline







## Audit timeline

# [OPTION 2]

## Timetable of communication and deliverables

### Timeline

Below is a proposed timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Finance, Audit and Risk Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Finance, Audit and Risk Committee Meeting timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
Walkthrough of key systems and processes	November		
Year end audit	December	Finance, Audit and Risk Committee Meeting	Audit Planning Report
Year end audit	January		
	February		
Audit completion procedures	March	Finance, Audit and Risk Committee Meeting	Audit Results Report Annual Auditor's Report including commentary on VFM





08

# Independence



# Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

Planning stage	Final stage
<div> <div>Page 54</div> <ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul> </div>	<ul style="list-style-type: none"> <li>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit/additional services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</li> <li>▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner</li> <li>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</li> <li>▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and where we do so, we will comply with the policies that you have approved, and the Financial Reporting Council's Ethical Standards, and the National Audit Office's Auditor Guidance Note 01. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, our non-audit work on behalf of the council is within this ratio. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## Other communications

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### EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK 2022 Transparency Report](#) | [EY UK](#)





# 09

## Appendices



## Appendix A

### Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£	£	£
Scale fee - Code work (Note 1)	40,068	40,068	40,068
Additional fees (Note 2)			
Covid 19	TBC		8,750
Increased FRC challenge	4,000 to 5,000		3,500
ISA 540	3,500 to 5,000		3,490
Pension valuation	4,000 to 5,000		2,625
PPE valuation	4,000 to 5,000		2,875
VFM commentary	6,000 to 11,000		6,000
Work of an internal expert	TBC		5,500
Other	TBC		2,455
<b>Total audit fee</b>	<b>TBC</b>	<b>40,068</b>	<b>75,263</b>
Other non-audit services not covered above (Housing Benefits) - note 2020/21 work not yet complete	6,000 to 11,000		6,000 to 11,000
<b>Total other non-audit services</b>	<b>TBC</b>	<b>0</b>	<b>See above</b>
<b>Total fees</b>	<b>TBC</b>	<b>40,068</b>	<b>See above</b>

*All fees exclude VAT*

#### Note 1:

The scale fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

#### Note 2:

We proposed an additional fee of £42,325 in relation to the 2020/21 audit. This relates to uplifts to the base scale fee due to increased regulatory requirements, as well as additional work in respect of risks identified and outlined in the 2020/21 Audit Plan and Audit Results Report, new NAO Code of Audit Practice and ISA requirements including VFM and accounting estimates. PSAA have now determined our submission and have approved an additional fee of £35,195. The breakdown of this is detailed in the table.

For 2021/22, the scale fee will again be impacted by the increased regulatory requirements as well as a range of other factors which will result in additional work, including some of those that were present in the prior year. We have included our current estimate of the likely fee range for these areas in the table, where it is possible to estimate at this stage. We will confirm our final proposed fee once the audit is complete.






## Appendix B

# Required communications with the Audit Committee

We have detailed the communications that we must provide to the Finance, Audit and Risk Committee.




Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - December 2022
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report - March 2023 Auditor's Annual Report - March 2023

## Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report - March 2023
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report - March 2023
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements</li> </ul>	Audit results report - March 2023
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Finance, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Finance, Audit and Risk Committee responsibility</li> </ul>	Audit results report - March 2023




## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> <li>▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report - March 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - December 2022</p> <p>Audit results report - March 2023</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report - March 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Finance, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Risk Committee may be aware of</li> </ul>	Audit results report - March 2023

## Appendix B

# Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Internal controls	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report - March 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - March 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - March 2023
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - March 2023 Auditor's Annual Report - March 2023
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit Plan - December 2022 Audit results report - March 2023
Value for Money	<ul style="list-style-type: none"> <li>Risks of significant weakness identified in planning work</li> <li>Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Audit Plan - December 2022 Audit results report - March 2023 Auditor's Annual Report - March 2023

## Additional audit information

### Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

### Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

#### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Finance, Audit and Risk Committee reporting appropriately addresses matters communicated by us to the Finance, Audit and Risk Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

## Additional audit information (continued)

### Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> <li>▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.</li> <li>▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period</li> </ul>
Other procedures	<ul style="list-style-type: none"> <li>▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice</li> </ul>

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

### Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



## EY | Assurance | Tax | Transactions | Advisory

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ED None

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## North Herts Council

### Progress with delivery of the 2022/23 Anti-Fraud Plan

### Recommendation

Members are recommended to:

Note the work of Council Officers and the Shared Anti-Fraud Service in delivering the **2022/23 Anti-Fraud Plan**

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3 Background

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8 SAFS KPIs 2022/2023

9 Further Reading

Appendices     A. NHC Anti-Fraud Plan 2022/23  
                      B. SAFS KPI performance

## Introduction

1. This report provides details of the work undertaken to protect the Council against the threat of fraud and the delivery of the Council's 2022/23 Anti-Fraud plan. The Committee are asked to note this work.
2. Recent reports on fraud and corruption have been shared with Council officers and are used by SAFS to ensure that the Council is aware of its fraud risks and develops plans to mitigate or manage these effectively.
3. Some of the most significant recent reports include:
  - ***Fighting Fraud and Corruption Locally a Strategy for the 2020's***. This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.
  - ***Tackling Fraud in the Public Sector 2020***. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA and MHCLG.
  - ***COVID-19 Counter Fraud Measures Toolkit***. The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.
  - ***Calculating Losses from Tenancy Fraud***. Since the closure of the Audit Commission in 2012 there has been little effort to put a value on the cost to local authorities of tenancy fraud. This paper, published by the Fraud Advisory Panel & Charity Commission in partnership with LBFIG in 2021, estimates that the cost to local government for each social property that is being sub-let is at least £42,000.

## Background

4. The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS, and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.

### **Anti-Fraud Activity 2022/23**

#### Staffing & Resources

5. In March 2022 (this Committee approved the 2022/23 Anti-Fraud Plan for the Council and KPIs for the SAFS. See **Appendix A** for details of the Plan and **Appendix B** for progress with delivery and KPI Performance- all KPIs are being met or on target to be met.
6. The SAFS Team this year is composed of 20 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Hertford.
7. Each SAFS Partner receives dedicated support and response. This is achieved by allocating officers to work in each Partner, but also allowing all officers to work with different Partners from time to time. Providing the Service in this manner allows officers to develop working relationships with Council staff, and also provides improved resilience and flexibility across the Partnership as a whole. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.
8. The SAFS has deployed one Counter Fraud Officer to work exclusively for the Council, this officer is supported by SAFS Management and the SAFS Intelligence Team, which includes expertise in open-source investigations, data-matching, data-analytics and financial investigations.

#### Fraud Awareness and Prevention

9. A key objective for the Council is to develop the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Councils stance on fraud and corruption.
10. The Council has in place a Fraud Prevention Policy which was updated earlier this year and is available on the Councils webpage <https://www.north-herts.gov.uk/fraud-prevention-policy> and this incorporates the latest best practice in counter fraud prevention from across the sector.
11. The Council took part in *International Fraud Awareness Week* in November 2022 with planned activity utilising social media and national/international resources. Campaigns such as this encourage residents to report fraud and provide assurance that the Council takes fraud seriously and acts on those reports.



12. The SAFS webpage – [www.hertfordshire.gov.uk/reportfraud](http://www.hertfordshire.gov.uk/reportfraud) includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – [fraud.team@hertfordshire.gov.uk](mailto:fraud.team@hertfordshire.gov.uk). These contact details are also available via the Councils own website <https://www.north-herts.gov.uk/report-fraud> and on the Councils intranet for staff. None of these functions replace the Council's own Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or contact SAFS officers working at the Council offices.
13. Working with the Councils HR team SAFS maintains the delivery of its e-training package for staff to raise awareness of fraud, bribery, and money laundering. Additional training for front line staff includes training for Housing Services on fraud risks in the housing allocation process as well as anti-money laundering for staff in legal, procurement and finance teams. Training and awareness, on fraud-corruption-bribery, is also planned for Elected Members and the Councils wider management team in December 2022.

#### Counter Fraud Activity & Reported Fraud

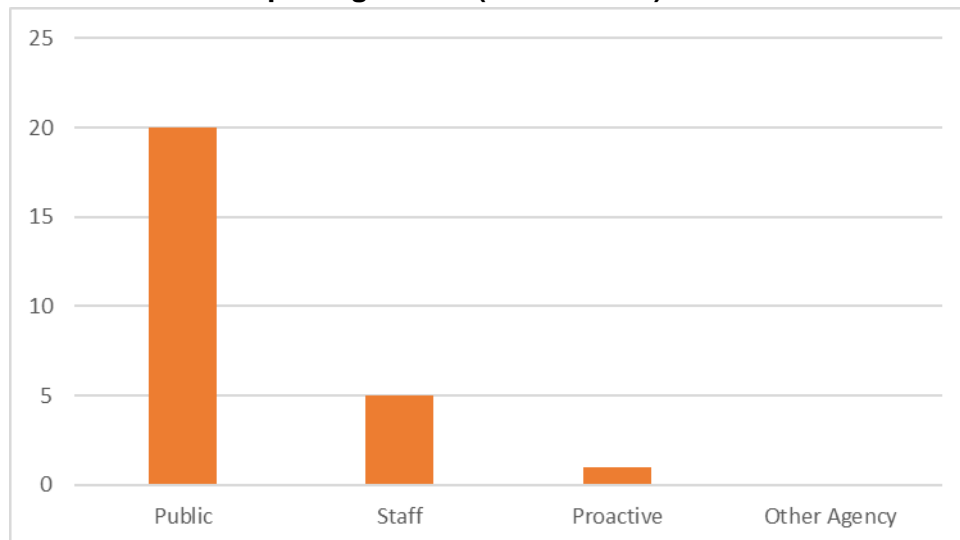
14. Between April and October SAFS received 26 allegations of fraud affecting Council services. Allegations of fraud have decreased compared to the same period in 2021/22 (63 allegations had been received at this point in 2021). We are working with officers to better understand the reason for this reduction in fraud reporting.

**Table 1. Types of fraud being reported- (26 Referrals)**



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

**Table 2. Who is reporting Fraud- (26 Referrals)**



*'Proactive' - includes all data matching/ analytics activity*

15. It should be emphasised that not every referral/allegation will need to be investigated and some allegations can be false/misleading or simply incorrect. All referrals are risk assessed/sifted by the SAFS Intelligence Team to determine what further action should be taken with each.
16. SAFS carried forward 40 live cases from 2021/22. Many cases raised for investigation are still in the early stages and of 29 cases still under investigation, or at referral stage, at the end of September the estimated fraud loss/savings for these cases exceeds £109k.
17. Of 16 investigations closed so far this year fraud was identified/prevented on 12 occasions and fraud losses/savings of just over £79k have been reported to date.

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

18. The largest volume of alleged fraud concerns claims for housing benefit and council tax discounts and a number of cases continue to be delayed where SAFS works with other agencies, in particular the Department for Work and Pension (DWP) where staff are still being redeployed or recruited to fill significant vacancies in the Fraud and Error Teams post pandemic.

19. The report from the Fraud Advisory Panel in 2022 estimates that the cost of social housing fraud to local councils could exceed £42k for each property that is being illegally sub-let. Although the Council does not hold social housing stock it has a duty to prevent homelessness and provide housing. SAFS response to this fraud threat is our work with Registered Providers across the County, including Settle Housing, to assist in the investigation and recovery of social housing due to illegal sub-letting or 'key-selling'. A number of cases are currently being investigated within the Councils boundaries with the intention that, once recovered, these properties will be made available to families from the Councils Housing Register, including those in temporary accommodation.
20. The SAFS Fraud Investigator is based at the Council offices several days each month and spends part of their time with the Housing Needs Team and this has helped to encourage staff working in the team to report suspicions of fraud directly. A number of cases of potential fraud have been investigated already in 2022/23.
21. SAFS works with the Councils parking enforcement team dealing with the misuse of disabled persons 'Blue Badges' in the Councils pay and display car parks across the borough as well as fraudulent applications for badges and the theft of badges from vehicles and subsequent misuse across the UK.
22. SAFS have been working with Council officers and legal team to bring several serious cases of fraud to court and, working with the County Councils litigation team and specialist Counsel, we anticipate a number of these cases will see summons issued in early 2023.

*Proactive and Prevention Activity*

23. SAFS provides alerts around mandate / phishing frauds targeting staff working from home from bodies including Cabinet Office, CIFAS, CIPFA, National Fraud Intelligence Bureau (NFIB), Herts Police- OWL, and the National Cyber Security Centre (NCSC).
24. SAFS has worked with officers across the Council to encourage the use of the various, often free, services provided by the National Anti-Fraud Network (NAFN) to prevent fraud occurring in Housing, Licensing, Revenues, Legal, Planning and Environmental Services. And, the provision of debt recovery and tracing services as well as the specialist anti-fraud services to assist SAFS investigations.
25. The Head of SAFS sits on the Hertfordshire Fraud and Cyber Steering Group which is hosted by Hertfordshire Constabulary and includes stakeholders from a wide range of enforcement partners.

26. SAFS continues to work nationally and regionally with other counter fraud services and to share best practice and initiatives as well as calling on support and guidance from the South-East Counter Fraud Group, London Fraud Forum (LFF), London Borough Fraud Investigators Group (LBFIG) and the Home Counties Tenancy Fraud Forum (TFF).
27. SAFS has worked with the 'District Revenues Manager Group' to develop a framework contract for all borough/district councils in Hertfordshire to conduct reviews of council tax discounts and exemptions, improving data quality, collection rates and preventing fraud. This service is fully funded by the County Council, with the district and borough councils undertaking the work with selected contractors, who can also supply a fully managed service to councils. The Council has made use of the Empty Property Review module which has resulted in 194 properties, that were registered as empty, being identified as in occupation raising around £360k in New Homes Bonus for the Council in 2022/23- these figures are yet to be finalised but show a significant value for the Council from this Framework.
28. SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job Seekers Allowance or Universal Credit. But, as mentioned already many cases are delayed due to DWP staff still being redeployed/recruited.
29. SAFS has ensured the Councils compliance with the National Fraud Initiative (NFI) by providing training and a user guide for staff involved in the upload of data that took place in October 2022 and the output from the exercise that the Council will receive between February and March 2023.
30. The Council subscribes to the Hertfordshire FraudHub. This project operates using the same legal framework as main NFI exercise but allows data to be matched more frequently helping to prevent fraud or detecting it sooner. We are confident that this work will not only assist in preventing/identifying fraud earlier, but also help to reduce the volume of work received from the main exercise taking place between October 2022 and February 2023.

### **SAFS KPI Performance 2022/23**

31. As part of the Councils Anti-Fraud Plan for 2022/23 a number of KPIs were agreed with SAFS to measure its performance, and the return on investment from this shared service. The performance for all KPIs are provided in **Appendix B**.

**List of Background Papers - Local Government Act 1972, Section 100D**

32.    (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*  
      (b) *Fighting Fraud and Corruption Locally a Strategy for the 2020's*  
          (CIPFA/CIFAS/LGA)  
      (c) *Tackling Fraud in the Public Sector (CIPFA 2020)*  
      (d) *Guide to Understanding the Total Impact of Fraud (International Public*  
          *Sector Fraud Forum 2020)*  
      (e) *Fraud in Emergency Management and Recovery (International Public*  
          *Sector Fraud Forum 2020)*  
      (f) *COVID-19 Counter Fraud Measures Toolkit (Cabinet Office 2020)*  
      (g) *Local Authority Covid-19 Business Support Grants Fact Sheet (Government*  
          *Counter Fraud Function 2020)*  
      (h) *Fraud and Corruption Tracker 2020 (CIPFA)*  
      (i) *United Kingdom Anti-Corruption Strategy 2017-2022 (HMG 2017)*  
      (j) *Code of Practice – Managing the Risk of Fraud and Corruption (CIPFA*  
          *2014)*  
      (k) *CALCULATING LOSSES FROM HOUSING TENANCY FRAUD (Tenancy*  
          *Fraud Forum 2021)*  
      (l) *A Guide to the European Union AML/CFT Framework*  
          *(ComplyAdvantage.com 2022)*

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**North Hertfordshire District Council  
Anti-Fraud Plan 2022/23**

**in partnership with**

**The Shared Anti-Fraud Service**



**North  
Herts  
Council**



**SAFS**

*Shared Anti-Fraud Service  
Fighting Fraud in Partnership*

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## **Introduction**

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

The Council's Fraud Prevention Policy applies to all staff, elected members, agency staff, temporary staff, volunteers, consultants, contractors and partners and states;

### **You must:**

- **Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include**
- **Not commit any of the offences detailed**
- **Report any suspicions of these offences being committed**
- **Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed**
- **Disclose any gifts and hospitality that you receive, in line with other policies**

This plan includes objectives and key performance indicators that support the Councils strategy and follows the latest best practice/guidance/directives from the National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

## **National Context.**

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors. A copy of the Strategy can be found at <https://bit.ly/3p5Rr98>

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding ‘Pillars’ of **Governance, Acknowledge, Prevent & Pursue** with an overarching **Protect**:

**Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top.**

**Protect: Against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.**

**For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.**



### **Anti-Fraud Plan 2022-2023**

The Councils Anti-Fraud Plan will be over-seen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services in particular, by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2022/23 follows the guidelines and checklist contained in the Fighting Fraud and Corruption Locally Strategy and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A full breakdown of planned activity to protect the Council can be found at **page 7**.

### **SAFS Resources 2022-2023**

#### **Anti-Fraud Arrangements**

North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won the '*Outstanding Partnership*' award at the Tackling Economic Crime Awards (TECAs) and in 2020 the TECAs award for '*Outstanding Professional in Counter Fraud*' was won by a member of the SAFS team

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

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

#### **Budget**

In December 2021 the SAFS Board agreed to increase the fees for all Partners by 2.5% to meet increased service costs from April 2022. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

North Hertfordshire District Council fees for 2022/23 are £86,165. This sum is payable quarterly.

#### **Staffing**

The full complement of SAFS in 2022/23 will be 21.6 FTE.

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

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services provided by Hertfordshire County Council Legal Service.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy

(CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel and the National Anti-Fraud Network (NAFN). SAFS has officers on the various Board for CIFAS & NAFN.

### Workplans & Projects 2022-2023

As well as an agreed programme of work (see **page 7**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
<b>Central Services / Finance</b>	<p>General Support and advice on fraud matters.</p> <p>3 Reports to Finance Audit &amp; Risk Committee.</p> <p>Regular meetings with officers to consider any new and emerging fraud risks and performance against SAFS KPIs</p> <p>SAFS attendance at Corporate Governance/Enforcement Groups.</p> <p>Assisting with the development/review of the Councils anti-fraud policies.</p> <p>Money Laundering Reporting Officer (MLRO) role and Policy review, ML Risk Assessment and training for relevant staff.</p> <p>5 fraud training/awareness events for staff/members in year.</p> <p>Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering - hosted on the Councils Learning Pool.</p> <p>Roll out of NAFN training and registration for appropriate services/officers across the Council.</p>
<b>Revenues and Benefits</b>	<p>Close liaison with the Revs and Bens services.</p> <p>Proactive training and awareness for leadership and front-line staff.</p> <p>Reactive investigations for HB/CTRS including working with the DWP FES, where appropriate.</p> <p>Identify systems/processes/new developments to assist in recovery of debt created by fraud.</p> <p>Assist with potential fraud resulting from Covid Grant Schemes administered by the Council.</p> <p>Post payment assurance of grant schemes.</p>
<b>Housing Services</b>	<p>Reactive investigations for Housing Application, Tenancy fraud</p> <p>Provide a focus on fraud risks affecting temporary accommodation costs.</p> <p>Review housing register to identify fraudulent applications and, where appropriate, investigate these.</p> <p>Continue to work with Private Registered Providers (including Clarion/Catalyst/B3L) across all aspects of tenancy fraud to assist in the recovery of properties which can be prioritised for local residents from the Councils Housing Register.</p>
<b>Data- Analytics</b>	<p>Use of data and technology to prevent or identify fraud.</p> <p>Assist with NFI 2022/23 Data uploads (Oct 2022) and Output (February 2023).</p> <p>FraudHub.</p> <p>Further developing the effective use of the Cabinet Office FraudHub.</p> <p>Support for SAFS sponsored county wide Council Tax Review Framework for SPD and EHR.</p> <p>Use of data-analytics to identify fraud as result of Covid-19 and other grants schemes.</p> <p>Review extension of NFI Powers to 'other' crime and debt collection.</p>
<b>Other / Contingency</b>	<p>Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes &amp; contract management.</p>



## **SAFS KPIs & Standards of Service.**

SAFS will work to a set of KPIs agreed with senior officers and the KPIs will assist in delivering the Anti-Fraud Plan. The KPI's can be found at **page 8** and will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
  - The FraudHub will be funded by the Council
  - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
  - Data will be collected and loaded in a secure manner.
  - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
  - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
  - SAFS will work with Council officers to determine the most appropriate data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, UK GDPR, PACE, CPIA, HRA, RIPA, IPA\* and relevant Council policies
9. Reactive fraud investigations.
  - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
  - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3<sup>rd</sup> parties including police, DWP, Action Fraud.
  - The Council will be informed of all reported fraud affecting its services.
  - SAFS will allocate an officer to each case.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
  - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
  - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

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

## NHDC / SAFS Action Plan 2022/2023

FFCL Pillars	Objectives	Activities	Responsible Officer
<b>Governance</b>	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Managing Director / Monitoring Officer/ S.151 Officer
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	S. 151 Officer/ Head of SAFS
		Audit and Governance Committee and its Chair, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chair/ S. 151 Officer
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to fraud-proof systems, and/or reported to senior managers or Internal Audit to review outcomes.	Head of SAFS/ SIAS Client Audit Manager/ S.151 Officer
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	S.151 Officer
<b>ACKNOWLEDGE</b>	Accessing and understanding fraud risks.  Committing the right support and tackling fraud and corruption.  Demonstrating that it has a robust anti-fraud response.  Communicating the risks to those charged with Governance .	Review of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	S.151 Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Manager
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	HR Services Manager/ Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Service Director: Resources will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	S.151 Officer
		Audits conducted by the Shared Internal Audit Service (SIAS) will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior manager and SAFS to review and act upon.	SIAS Client Audit Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
<b>PREVENT</b>	Making the best use of information and technology.  Enhancing fraud controls and processes.  Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and Deliver the NFI 2022/2023 Exercise	Head of SAFS/ s.151 Officer
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ s.151 Officer
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer / Data Protection Officer
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession.	Head of SAFS
<b>PURSUE</b>	Prioritising fraud recovery and use of civil sanctions.  Developing capability and capacity to punish offenders.  Collaborating across geographical and sectoral boundaries.  Learning lessons and closing the gaps.	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service a HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Head of SAFS /Monitoring Officer/ s.151 Officer
		SAFS and the Councils Shared R&B Service will continue to work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Service Director: Customers
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	SAFS Manager
<b>PROTECT</b>	Recognising the harm that fraud can cause in the community.  Protecting itself and its' residents from fraud.	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		SAFS will review and share fraud trends and new threats	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / s.151 Officer
		The Council has in place other measure to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure with training for staff and members	Information Communications Technology Manager
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

### SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Finance Audit & Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-NHDC referrals to 3 <sup>rd</sup> parties within 2 working days (Police/HMRC/DWP/NCSC)	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for NHDC.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

# SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Performance to October 2022
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Report to SAFS Board in June & September 2022, further reports included in Fwd Plan for in December 2022 & March 2023. The Councils S.151 sits on the SAFS Board and meets with SAFS Mgt regularly to review the effectiveness of SAFS and CF work across Council services.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to FAR Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 FTE Accredited CFO in place, supported by SAFS Intel/Mgt Teams. B. Reports to FAR Committee in September and December 2022 and third report planned for March 2023. C. SAFS have close working with relationship with R&B, attend the Corporate Enforcement Forum and North Herts JAG.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-NHC referrals to 3 <sup>rd</sup> parties within 2 working days (Police/HMRC/DWP/NCSC)	A. All urgent cases are being met within 24 hours B. Non-urgent referrals are also being resolved within 24 hours on average. C. Fraud alerts are issued within 24 hrs at present. D. All Referrals are reviewed and disseminated to 3 <sup>rd</sup> parties within 48 Hrs on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	A. SAFS have procured licenses to NAFN and PNLD for Council staff. B. SAFS Mgt are members of the CIPFA CF Centre. C. HCC has membership of CIFAS with alerts shared with all SAFS Partners. D. Council staff have access to NAFN training & support. E. Training events are still being developed with HR. F. The MLRO is in place with a Policy and training on AML for relevant staff. There is a reporting line/email for staff. G. SAFS continues to provide support for post 'assurance' work on Covid Grants.
5	Allegations of fraud received & Outcomes recorded.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation	A. This is happening daily as referrals received B. This is being monitored and will be included in SAFS year-end report. C. The SAFS CMS allows the reporting, and granular detail, of each referral received, all cases investigated, and the MI from this is used to manage workflow and workloads.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for NHC.	A. Council officers, supported by SAFS, have completed NFI upload of data in October 2022. B. The Council is taking part in the Countywide Council Tax Framework in 2023/24 C. The Council is making more use of the FraudHub with data from R&B and Housing being uploaded, but more work is required to included data from other service areas to make this more effective.

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# INTERNAL AUDIT PROGRESS REPORT

## NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE  
7 DECEMBER 2022

### RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 18 November 2022
- Approve the plan amendments to the 2022/23 Annual Internal Audit Plan

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
- 2 Internal Audit Plan Update
  - 2.1 Delivery of Internal Audit Plan and Key Findings
  - 2.6 High Priority Recommendations
  - 2.9 Proposed Amendments
  - 2.10 Performance Management
  - 2.15 Service Update and Current Delivery Position

## Appendices

- A Progress against the 2022/23 Internal Audit Plan
- B 2022/23 Internal Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2022/23

# 1. Introduction and Background

## Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2022/23 as at 18 November 2022.
- b) In-Year Audit Plan review and proposed Plan amendments.
- c) An update on performance indicators as at 18 November 2022.

## Background

- 1.2 The 2022/23 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 16 March 2022.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the third report giving an update on the delivery of the 2022/23 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

# 2. Audit Plan Update

## Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As at 18 November 2022, 40% of the 2022/23 Internal Audit Plan days had been delivered.
- 2.2 There have been three final audit reports issued since the September 2022 Audit Committee. One was a carry forward audit from the 2021/22 Internal Audit Plan and two are 2022/23 internal audits:

Audit Title	Assurance Opinion	Recommendations
Green Homes Grant (Park Homes) – LAD1B	Unqualified	Advisory notes
Health and Safety of Lone Workers - EH and Housing (2021/22)	Reasonable	Two Medium priority

Careline Operations	Reasonable	One High priority
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- 2.3 The status of the remaining 2021/22 audit carried forward for completion as part of the 2022/23 Internal Audit Plan is as follows:

Audit Title	Status
Future Ways of Working	Fieldwork commenced in w/c 24 October 2022 as rescheduled with Council officers.

- 2.4 SIAS aim to deliver all audits prioritised as 'High' in the 2022/23 Internal Audit Plan and will deliver at least eight projects prioritised as 'Medium'. In addition, all IT audits will be completed. The outcomes of these projects will support the Chief Audit Executive in forming their overall opinion.
- 2.5 The medium priority projects that will be undertaken (see Appendix B) were approved by the FAR Committee in the meeting prior to the quarter commencing, i.e., Q1 and Q2 were approved in March 2022, with the June FAR Committee approving four further audits for completion in Q3 and Q4.

#### High Priority Recommendations

- 2.6 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.7 There are no outstanding high priority recommendations, although Members will be aware that three new high priority recommendations were made in the 'Resilience in the Revenues and Benefits Systems and Technical Team' internal audit report issued in April 2022. These have implementation dates in March 2023.
- 2.8 One new high priority recommendation has been raised in 'Careline Operations' internal audit report issued in November 2022. This relates to not complying with governance arrangements as per contract requirements. This has an implementation date of December 2022.

#### Proposed Amendments

- 2.9 The following Plan amendments have been agreed with management within this reporting period:

<b>Audit</b>	<b>Previous Billable Days</b>	<b>Revised Billable Days</b>
Green Homes Grant (Park Homes) – LAD1B (new grants audit request)	0	2
Contingency	9	7

### Performance Management: Reporting of Audit Plan Delivery Progress

- 2.10 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits</b>	<b>Estimated profile to 18 November 2022</b>
Draft / Final Report Issued	8	30%	(11/27)
In Fieldwork / Quality Review	6	22%	(9/27)
Terms of Reference Issued / In Planning	6	22%	(4/27)
Not Yet Started / Allocated	7	26%	(4/27)

- 2.11 Annual performance indicators and associated targets were approved by the SIAS Board in March 2022. As at 18 November 2022, actual performance for North Herts Council against the targets that can be monitored in year is shown in the table below:

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 18 November 2022</b>	<b>Actual to 18 November 2022</b>
<b>1. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	50% (131.5 / 263 days)	40% (105.5 / 263 days)
<b>2. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	41% (11 / 27 projects)	30% (8 / 27 projects)

<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	67% for those returned (3 returned from 8 issued)
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2.12 In respect of delivery of Planned Days, performance is behind the profiled target as it was anticipated that:

- a) Fieldwork would have been further advanced or completed on the Revenues Discounts and Exemptions, Leisure Services, Business Continuity and Future Ways of Working audits, as well as the MSU Ways of Working consultancy work. All were originally scheduled for commencement in quarter two at the start of the year, however all work only commenced in quarter three.
- b) Fieldwork would have completed on the Waste Contract audit being conducted in conjunction with East Herts Council, however a long-term sickness absence has delayed this audit.

2.12 In terms of delivery of Planned Projects, it was further anticipated that at least three of the five audits listed at paragraph 2.11 would be at draft report stage.

2.13 The client satisfaction survey returned since the September Audit Committee, scored in the highest 'very good / excellent' overall category.

2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2022/23 Chief Audit Executive's Annual Report:

- **4. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
- **5. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

#### Service Update and Current Plan Delivery Position

2.15 As reported above, SIAS are currently behind profile for both billable days and projects delivered to draft report status. In respect of the above, 2022/23 has been a significantly challenging year for SIAS in relation to recruitment and retention, with as many as 6 FTE vacancies (36% of the establishment) during earlier periods of the financial year. Whilst this has now reduced to 4.5 FTE (25% of the establishment), the specialist nature of Internal Audit means that SIAS are competing with the private sector to recruit to our higher-level roles, and this has proved challenging given the pay constraints Local Authorities operate under. In respect of the remaining vacancies, a further recruitment campaign is currently in progress. The internal audit market remains challenging across all sectors, and SIAS's experience has been replicated elsewhere. Our recruitment of trainee auditors has been successful, however



our 'grow your own' strategy is a medium to long term solution and does not resolve immediate capacity challenges.

- 2.16 As Committee Members will be aware, SIAS operates as a partnership. The current resource gap within the partnership is 200 days. Whilst this would normally be allocated to SIAS's external delivery partner (currently BDO), they have now reached their delivery and resourcing capacity for the financial year. SIAS have therefore recently started a procurement process to commission an additional external delivery partner for quarter four to assist in completion of the remaining projects.
- 2.17 It is also important to note that the delivery profile is not straight line, with the profile often impacted not only by delivery capacity, but also by the required timing of some audits, or where council departments at both North Herts and / or other SIAS partners have requested later start dates for audits. This is outside the control of SIAS. When considering the current delivery position, it is important to note that any projects that have had specific key deadlines, such as grant certifications, advice, or support for projects, have been prioritised and agreed deadlines met.
- 2.18 Based on current resource availability (including our external partner) and subject to the successful procurement of an additional partner, we would be able to provide assurance to the Committee that all audits within the 2022/23 have been allocated for completion before the end of the financial year. However, should the above procurement process be unsuccessful, additional vacancies occur, SIAS experience significant staff sickness, or there are client engagement issues in relation to the timing (or supporting the delivery) of audits, there would be a risk to the overall delivery of the 2022/23 audit plan.
- 2.19 The above position is subject to continual monitoring, and we are currently satisfied that all available mitigating actions have been taken forward to manage the above risks, and that any uncompleted projects could be concluded during April 2023 to support the Annual Assurance Opinion if required. However, regular updates will be provided to both the Committee and the Council's Section 151 Officer as the remainder of the financial year progresses.

## APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 18 NOVEMBER 2022

### 2022/23 SIAS Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits (81 days)									
Climate Emergency						12	BDO	2	ToR Issued
Waste Contract						6	SIAS	4.5	In Fieldwork
Careline Operations	Reasonable	0	1	0	0	12	BDO	12	Final Report Issued
Procurement						12	SIAS	0	Allocated
Risk and Performance Management						12	Other external provider	0	Allocated
Business Continuity Planning						15	BDO	3.5	In Fieldwork
Centros Financial System						12	BDO	1	In Planning
Medium Priority Audits (72 days) – 8 audits nominated to date; minimum 8 to be delivered									
Handling Difficult Customers Policy	Substantial	0	0	0	0	10	SIAS	10	Final Report Issued
Compliance Contract						11	BDO	10.5	Draft Report Issued
Revenues Discounts and Exemptions						8	SIAS	6.5	In Fieldwork
Leisure Services						11	BDO	2	ToR Issued
Project Management						8	SIAS	0	Allocated
Temporary Accommodation						8	Other external provider	0	Allocated
Safeguarding						8	SIAS	0	Allocated
Parking Strategy						8	SIAS	0	Allocated
IT Audits (35 days)									
Cyber Risk						15	BDO	3	In Fieldwork

## APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 18 NOVEMBER 2022

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Phishing						10	BDO	9.5	Draft Report Issued
IT Hardware						10	BDO	2	ToR Issued
<b>Consultancy and Advisory (15 days)</b>									
Strategic Planning (Local Plan)						10	Other external provider	0	Allocated
MSU Impact of Ways of Working						5	BDO	3	In Fieldwork
<b>Shared Learning and Joint Reviews (4 days)</b>									
Shared Learning						2	SIAS	1	Ongoing through year
Joint Reviews						2	BDO	1	In Fieldwork
<b>Grant Claims / Charity Certification (7 days)</b>									
King George V Playing Fields						1	SIAS	0	In Planning
Workman's Hall						1	SIAS	0	In Planning
COMF Response	Unqualified	0	0	0	0	1	SIAS	1	Final Report Issued
Test and Trace Payment Support	Unqualified	0	0	0	0	2	SIAS	2	Final Report Issued
Green Homes Grant (Park Homes) – LAD1B	Unqualified	0	0	0	0	2	SIAS	2	Final Report Issued
<b>Contingency (7 days)</b>									
Contingency						7			
<b>Client Management - Strategic Support (38 days)</b>									
CAE Internal Audit Opinion 2021/22						3	SIAS	3	Complete
Audit Committee						6	SIAS	4	Through Year
Client Meetings						8	SIAS	5	Through Year

# **APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 18 NOVEMBER 2022**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Progress Monitoring						8	SIAS	5	Through Year
SIAS Development						5	SIAS	5	Through Year
2023/24 Audit Planning						8	SIAS	0.5	Q3/Q4
<b>2021/22 Carry Forward - (11 days)</b>									
Completion of outstanding 2021/22 projects						2		2	Complete
Future Ways of Working						9	BDO	4.5	In Fieldwork
Grants Administration	Reasonable	0	0	0	0				Final Report Issued
Shaping our Future	N/A - Consultancy	0	0	2	1				Final Report Issued
Financial Resilience of Suppliers Follow-up	Substantial	0	0	0	0				Final Report Issued
HMRC Tax Guidance	N/A - Consultancy	0	0	0	0				Final Report Issued
Non-UK Purchases	Substantial	0	0	0	0				Final Report Issued
Resilience in the Revenues and Benefits Systems and Technical Team	Limited	0	3	0	0				Final Report Issued
Community Capital Grants Applications	Reasonable	0	0	1	1				Final Report Issued
Integra Automation	N/A - Consultancy	0	0	0	0				Final Report Issued
Health and Safety of Lone Workers - EH and Housing	Reasonable	0	0	2	0				Final Report Issued
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>270</b>		<b>105.5</b>	

## **APPENDIX A – PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN AS AT 18 NOVEMBER 2022**

### **Key / Notes**

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

N/a = Not Applicable

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2022/23 Internal Audit Plan.

## APPENDIX B – 2022/23 INTERNAL AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	<b>Careline Operations</b> (Final Report Issued)	<b>Waste Contract</b> (In Fieldwork)	<b>Climate Emergency</b> (ToR Issued)	<b>Procurement</b> (Allocated)
		<b>Business Continuity Planning</b> (In Fieldwork)	<b>Risk and Performance Management</b> (Allocated)	<b>Centros Financial System</b> (In Planning)
M	<b>A minimum of 8 medium priority audits from the following (please see paragraphs 2.4 and 2.5):</b>			
	<b>Safeguarding*</b> (Allocated)	Community Lottery	Prudential Code Compliance	Apprenticeship Levy
	Annual Governance Statement	Green Space Strategy	Licensing Enforcement	<b>Project Management*</b> (Allocated)
	<b>Compliance Contract</b> (Draft Report Issued)	<b>Leisure Services</b> (ToR Issued)	<b>Temporary Accommodation*</b> (Allocated)	Payroll – Contract Management
	<b>Handling Difficult Customers Policy</b> (Final Report Issued)	<b>Revenues Discounts / Exemptions</b> (In Fieldwork)	Covid-19 Recovery	HTH Museum and Operations
			<b>Parking Strategy*</b> (Allocated)	
IT		<b>Phishing</b> (Draft Report Issued)	<b>Cyber Risk</b> (ToR Issued)	<b>IT Hardware</b> (ToR Issued)
C		<b>Impact of Ways of Working for MSU</b> (In Fieldwork)	<b>Strategic Planning (Local Plan)</b> (Allocated)	
G/C		<b>COMF Response</b> (Final Report Issued)	<b>Green Homes Grant (Park Homes) – LAD1B</b> (Final Report Issued)	<b>King George V Playing Fields</b> (In Planning)
		<b>Test and Trace Payment Support</b> (Final Report Issued)		<b>Workman's Hall</b> (In Planning)
O	<b>2021/22 Carry Forward – Future Ways of Working</b> (In Fieldwork)			



## APPENDIX B – 2022/23 INTERNAL AUDIT PLAN START DATES AGREED WITH MANAGEMENT

O	2021/22 Carry Forward – Health and Safety of Lone Workers - EH and Housing (Final Report Issued)			
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### Key:

H – High Priority: 100% of audits will be delivered

M – Medium Priority: Eight of these audits will be delivered, FAR Committee to approve which audits will be delivered from this list.

IT – IT Audits: 100% of IT audits will be delivered

C – Consultancy: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

O - Other

\* - Approved at June FAR Committee

Those highlighted in light blue have not been approved for delivery.

## APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2022/23

Audit Opinions		
Assurance Level		Definition
Assurance Opinions	<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	<b>Not Assessed</b>	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	<b>Unqualified</b>	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	<b>Qualified</b>	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	<b>Disclaimer Opinion</b>	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	<b>Adverse Opinion</b>	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Finding Priority Levels		
Priority Level		Definition
Corporate	<b>Critical</b>	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	<b>High</b>	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	<b>Medium</b>	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	<b>Low</b>	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

<b>FINANCE, AUDIT &amp; RISK COMMITTEE</b> <b>7 December 2022</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2021/22**

REPORT OF: POLICY AND COMMUNITY ENGAGEMENT MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: PEOPLE FIRST/SUSTAINABILITY/A BRIGHTER FUTURE TOGETHER

**1. EXECUTIVE SUMMARY**

- 1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) 2021/22 including Action Plan for the year 2022/23.

**2. RECOMMENDATIONS**

- 2.1 That the Committee is recommended to review and comment on the draft AGS Action Plan for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval after the External Audit has been completed.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options to be considered.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 No prior consultation has taken place, although a copy of the draft AGS will be sent to the Shared Internal Audit Service (SIAS), Ernst & Young (External Auditors) and the Shared Anti-Fraud Service. Account will be taken of any comments made by them and this Committee on the draft AGS before it is finalised for the January Committee approval process.

**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 Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance<sup>1</sup>.
- 7.3 The draft AGS has been prepared following an in-depth review/ input and scoring of arrangements by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance<sup>2</sup>). The Leadership Team reviews and provides details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
  - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
  - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
  - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
  - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.
- 7.5 Members will note at this stage, that a key element of the review of effectiveness, detailed in the draft AGS, includes the Head of Internal Audit's Annual report/ Opinion on arrangements. The 2022 SIAS Annual Assurance Statement report was presented to the June meeting and has been incorporated into the AGS.
- 7.6 Members are reminded that the AGS must be approved before the Statement of Accounts, and it must be published alongside them. The Council will include the 2021/22 AGS with the Statement of Accounts (as it has in previous years).

## 8. RELEVANT CONSIDERATIONS

- 8.1 The Leadership AGS self-assessment, external organisation and Committee's review of the draft AGS (in preparation for finalising the AGS) provides the Council with an

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

<sup>2</sup> As above (*ibid*)

opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further reinforced.

- 8.2 The draft AGS for 2021/22 is attached as Appendix A for review and comment. The Leadership Team AGS self-assessment will be available on the Corporate Governance webpage after all comments have been received as per paragraph 5.2 and 8.4 as detailed under background documents.
- 8.3 At the time of writing the Leadership Team are to follow the process as outlined at 7.3. The self-assessment document proposes an assurance level as assessed against the 2016 Principles as Substantial. Any further comments will be incorporated prior to January Committee meeting. Actions were included to address any perceived weaknesses, and these have been detailed in the draft AGS Action Plan (final page to Appendix A). The detailed (114 pages) self-assessment document has not been appended. It will, however, following comments from SIAS and advice from CIPFA be loaded on the Council's Corporate Governance internet pages.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Amendment Regulations 2021) the 2020/21 AGS should be approved by this Committee by 30 September, alongside the approval of the Statement of Accounts. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay. The Council's External Auditors will consider the AGS when conducting their audit, so it is good practice to approve the AGS at the same time as the Statement of Accounts, even if it is ready before the Statement of Accounts have been audited and are ready for approval. Other legal implications are set out under section 7 above.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" This review of the draft AGS therefore falls within the Committee's remit.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The final AGS is to be approved and accompany the Statement of Accounts. By presenting the draft AGS to this Committee before the audit of the accounts is concluded, the Committee has time to raise any points that may need to be addressed. The Council has been notified by Ernst and Young that the audit of the Council's Statement of Accounts is expected to be available in January 2023. This is due to resourcing issues at Ernst and Young, relating both to Covid-19 and general Public Sector audit issues. In accordance with paragraph 9.1 above the Council will publish a notice (when required) to state and explain the delay. The Statement of Accounts and AGS will be approved by this Committee as soon as possible after the Audit has been completed. Other than this there are no financial implications arising from this report.

## **11. RISK IMPLICATIONS**

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council. Delays to the process do not and have not enabled the identifications of any weaknesses in governance

## **12. EQUALITIES IMPLICATIONS**

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

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 For the employees of the Council the Organisational Values and Behaviours and Employee Handbook provide further advice on the standards we expect from our staff.

## **16. APPENDICES**

- 16.1 Appendix A - draft Annual Governance Statement (AGS) for 2021/22.

## **17. CONTACT OFFICERS**

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- 17.6 Georgina Chapman, 01462 474121 Corporate Policy Team Leader  
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## **18. BACKGROUND PAPERS**

- 18.1 The Leadership AGS self-assessment will be placed on the Corporate Governance Page following the process in 8.4: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contain links to relevant background documents, reports, Policies and Guidance. The draft AGS also contains links to relevant documents.

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# NHDC ANNUAL GOVERNANCE STATEMENT 2021-22

## Introduction

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

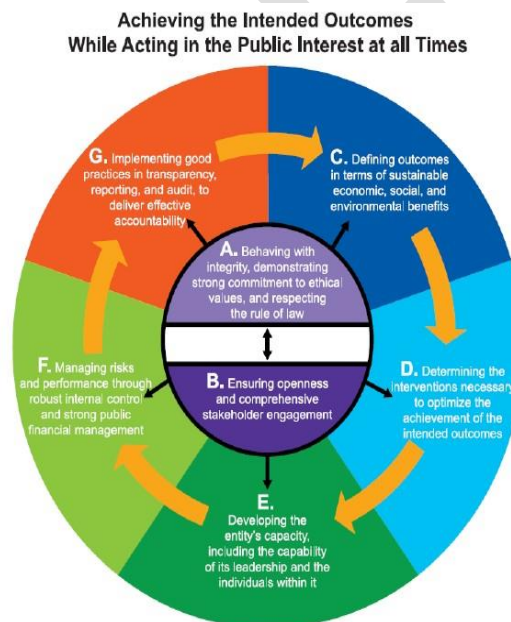
NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required<sup>1</sup> to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

## Delivering good governance:

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

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



[www.cipfa.org/services/networks/better-governance-forum](http://www.cipfa.org/services/networks/better-governance-forum)

## Key Elements of the Governance Framework:

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

## How NHDC complies with the 2016 Governance Framework

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2022 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance.

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

<sup>1</sup> Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015.

## NHDC ANNUAL GOVERNANCE STATEMENT 2021-22

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

#### **What NHDC has or does:**

❖ Operates Codes of Conduct for Members (refreshed LGA model adopted in April 2021 and effective after the 2021 election) and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training usually takes place following elections and training was compulsory for members during the 2021-22 municipal year. Training was delivered via three online sessions after the 2021 election and is available for district councillors to access via the council's YouTube account. This was noted in the Standards Committee meeting in October 2020 and March 2021 (and subsequent annual report to Council).

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

❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed 12 Councillors and 2 non-voting co-opted Parish Councillors. The 3 Independent Persons (IP) are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure, which was reviewed in October 2021 and June 2022.). The Chair of Standards Committee provides an annual report to Full Council in July. This is designed to promote shared values with Members, employees, the community and partners.

❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the

Council's Committees, and decision-making practices are outlined. The Council's Constitution is typically reviewed annually but has of recent been reviewed more frequently due to the pandemic. In 2021, an annual review report was presented to Full Council at the July meeting, with various sections undergoing review throughout 2021-22

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

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

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

Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

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

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

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

### **Principle B: Ensuring openness and comprehensive stakeholder engagement.**

#### **What NHDC has or does:**

❖ The Council's vision and relevant documents are made available on the Council's website with

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

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Council Delivery Plan that show how the Objectives will be delivered in practical terms [[Council Plan page](#)].

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

❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities. We are awaiting the 2021-22 report. [[Annual Monitoring Report 2020-21](#)].

❖ NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region Air Quality Annual Status Report [[Air Quality Annual Status report 2021](#)].

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

❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements<sup>3</sup> apply. Report authors consider such matters with the designated Constitutional “Proper Officer”. Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions,

Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website [[Public Registers and Delegated Decisions](#)] and Planning applications/ decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions<sup>4</sup> are on the Council’s website [[Delegated Decisions](#)].

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

❖ The Council’s Consultation Strategy 2016-2020 [[Consultation Strategy 2016-2020](#)] for the review period was updated in 2022. It will set out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation. A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement – Adopted July 2020](#)]. The SCI was adopted in July 2020 following a public consultation.

❖ The Council conducts a District Wide Survey every two years, though the 2021 Survey was delayed due to the pandemic. A 2022 survey is therefore currently underway and the most recent survey results can be accessed here: [[2019 District Wide Survey - Key Findings Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council’s Citizens Panel, which is used for consultation.

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

❖ The Council convened a Inclusion Officer Group, which is designed to bring together staff and Councillors to input into the future direction of the organisation with regards to inclusion and diversity.

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

❖ The Council’s Customer Care Standards aims to put people first [[Customer Care Standards](#)]. The Communications Strategy 2019-23 and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on-line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

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

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

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



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

❖ In response to the COVID-19 pandemic, North Hertfordshire District actively supported the most impacted/vulnerable by the outbreak of the virus. When the country went into full scale lockdown on the 24<sup>th</sup> March, the council quickly set out its support by signposting residents and businesses to the Council's and central Government's package of guidance and support measures including grant funding awards. The Council's website established multiple pages with information and links and these have also been heavily publicised on various social media platforms.

❖ Since the pandemic, Committee meetings are streamed live to YouTube from the Council chamber, and remain on the Council's YouTube channel afterwards which has increased accessibility to members of the public

❖ As a result of the pandemic, Councillor Surgeries, Town Talks, Area Committees and Environment Panel meetings were held virtually via Zoom. We have since trialled a hybrid town talk meeting, and have retained virtual Environment Panel meetings due to the environmental benefits. Monitoring reports of viewing figures of council meetings have tracked the wider engagement. <https://democracy.north-herts.gov.uk/documents/s15625/Virtual%20and%20Physical%20Meeting%20Attendance%20by%20members%20of%20the%20public%202019%20to%202021.pdf>

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

#### ***What NHDC has or does:***

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

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council's vision of equality and diversity [[Corporate Equality page](#)]. This Strategy is being reviewed. These issues are monitored through the report / decision making process and [Annual Cumulative Equality Impact Assessment 2021/22](#).

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

#### ***What NHDC has or does:***

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

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

❖ The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk Management Framework - Strategy](#) These are recorded on the Risk Register and monitored through

the Council's Pentana performance/risk management system available to Councillors and staff. Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet. The corporate and individual risks are reported to the [Finance Audit and Risk Committee](#) on a quarterly basis.

❖ The Council's Financial Regulations [[Constitution PART B Section 19 Financial Regulations](#)] are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium-Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5 year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan/business planning process. Budget workshops are provided to Political groups prior to budget setting/budget approval, and this helps to optimise achievements.

❖ From 2019, the Investment Strategy replaced the Capital Programme and Treasury Strategy, and was considered by Finance, Audit, and Risk on 17th January 2021 and approved by Full Council on 10th February 2021.

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

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

❖ In 2020, the Council awarded grants to food banks and food provision services, and to groups



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

❖ The Council has also awarded money from the Health Protection Board Covid Community Grant to aid organisations whose funding has been adversely impacted by the pandemic.

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

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

- The Council secured central government funding from the Next Steps Accommodation Programme (NSAP) to assist local authorities provide ongoing accommodation and support for rough sleepers housed during the current pandemic.
- The Council also received Homelessness Prevention Grant funding. The funding is ringfenced for use in managing homelessness pressures and supporting those who are at risk of homelessness and rough sleeping.
- emic. See [Financial Impacts of Covid 19](#).

❖ In January 2022 The Council awarded [Household Support Fund](#) grants to a number of organisations to provide direct support for households in urgent need to cover costs of utilities and items to keep them warm during the winter.

The Council We have also awarded money from the Health Protection Board Covid Community Grant to aid and assist the community to recover from the effects of the Covid pandemic. <https://www.north-herts.gov.uk/delegated-decisions-2022>

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

**What NHDC has or does:**

❖ The Council recognises the importance of employees, planning recruitment and development. The People Strategy 2015-20 incorporates the Workforce Development Plan ; Workforce profile (from the intranet), referenced externally through the [JSCC](#) and was developed with the Corporate Objectives (Priorities as was), Corporate Projects and workforce demands anticipated. The plan for a new People Strategy for 2020 – 2026 was postponed due to the impact of the pandemic and as an alternative a People Recovery plan has been developed to reflect recovery from the pandemic. A Recruitment Process form has replaced the Vacancy Control process [Recruitment information for managers | Intranet \(north-herts.gov.uk\)](#) to ensure compliance with proper recruitment

practices. The Council promotes ILM Leadership & Management qualifications.

❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.

❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control, and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter, during the pandemic (currently dormant).

❖ The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing director/ Leader Briefings. Political Liaison Board (PLB) meetings are held, and opposition Member/ shadow Member briefings provided by the Managing Director / Service Directors and other senior officers.

❖ Weekly Leadership meetings are held where ongoing issues are discussed and during monthly business meetings, Policy, Projects, Performance and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.

❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service directors convene monthly briefings with relevant Executive Members

❖ Following an [LGA Corporate Peer Challenge assessment, an Action Plan](#) has been developed to

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ensure the benefits of the CPS process are realised through thorough Organisational Development. This has been further developed to provide peer support to the Overview & Scrutiny and Finance and Audit Committee.

❖ The Council has a Transformation Project which seeks to improve our services to residents through the use of Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.

❖ The Shaping Our Future Programme contributes towards the development of the organisation, by considering how the Council can change and adapt in order to continue to achieve its priorities. It includes (but is not limited to) staff and leadership development; work on equality, diversity and inclusion; moving towards a more commercial culture; digital transformation.

❖ The Inclusion Group considers staff experiences and looks to drive forward the equality, diversity, and inclusion agenda within the Council. It also receives feedback from HR on the gender pay gap. HR look to monitor and implement recommendations around the pay gap following the 2021 report.

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

❖ In response to Covid-19, the Council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where

appropriate, with other public and private sector recovery plans. They meet regularly to respond to changing and current circumstances.

❖ The Values of the organisation were revised in 2022. The new values shape how we aim to act as an organisation. They are:

*TOGETHER: We work together and support each other to deliver the best we can*

*LISTENING: We listen to and consider the views of each other, our partners and our customers*

*LEARNING: We learn from others and are open to change*

*ADAPTABLE: We are adaptable in finding solutions for each other, our partners and our customers*

*INCLUSIVE: We are inclusive and value diversity*

❖ The [Recruitment & Selection Policy](#) was last reviewed and updated in 2020/21 as part of the policy review process. This is currently under review.

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

#### ***What NHDC has or does:***

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

❖ [SIAS' reviews of Risk Management and Financial systems during 2020/21](#) provided overall Satisfactory level of assurance. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance in their June 2021 report.

❖ The [COVID-19](#) emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers, as well as to services including leisure management. This has been reflected in some of the most recent Risk Management Updates presented to Finance, Audit, and Risk; as has the potential impact of the ongoing crisis in [Ukraine](#).

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

#### ***What NHDC has or does:***

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

❖ SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each year outlining the work undertaken in the previous civic year. On an annual basis SIAS is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). [Annual Assurance Statement and Annual Report 2020-21 presented in June 2021](#). An external review is required at least once *every five years* and this last took place in

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June 2021 and was reported at the December FAR meeting. [SIAS 2021/22 PROGRESS REPORT PDF 721 KB](#)

❖ In [June 2022](#), SIAS' Head of Assurance reported to FAR committee that The SIAS annual self-assessment against the Public Sector Internal Audit Standards and Quality Assurance and Improvement Programme found that SIAS generally conformed to the required standards; and that the external quality assurance assessors also held that SIAS conforms with the standards. In terms of performance SIAS narrowly missed targets on plan days and plan projects at 91 and 92% respectively; this was nevertheless a good outcome in view of an organisational restructure that impacted auditors.

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

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

### Review of Effectiveness

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

#### Assurance from Internal and External Audit

❖ One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken.

From 1 April 2021, SIAS have adopted the CIPFA assurance definitions (previously SIAS have used their own definitions). During [21/22 SIAS](#) reported on 24 areas of which 5 received a Substantial assurance, 6 a Reasonable assurance, 1 a limited assurance, 8 not assessed and 4 not finalised. The limited assurance opinion related to Resilience in Revs and Bens Systems and Technical Team and there were three high priority recommendations made and are implemented. All key financial/ risk systems/ contract management were also reviewed and a Reasonable assurance opinion overall on financial systems was concluded. Recommendations are detailed in the [June 2022 SIAS Annual Assurance Statement](#). SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Recommendations are in the process of being actioned and outstanding ones will be taken forward and monitored through reports to FAR Committee. A review of FAR committee was not undertaken in 2021/22.

❖ The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Following the national impact of Covid-19, Ernst & Young added all new Covid related risks for all councils. The last Annual Audit Letter was presented to the FAR Committee in January 2021 and was generally very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources. This did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion. [\[NHDC Annual Audit Letter 2019-20\]](#). The External Audit Update report issued in June 2020 [\[External Audit plan for year ending 31/3/20\]](#) indicated the addition of

new risks – all Covid-19 related and in line with other local authorities. The Audit Letter issued in December 2020 proposed to issue an unqualified opinion on its value for money conclusion. We are still awaiting a 2022 Annual Audit Letter.

#### Assurance from self-assessment

❖ The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director was responsible for producing their own assurance statements and an improvement action plan to rectify any identified governance weaknesses, as part of the Service Planning process. [The Council Delivery Plan](#) highlights key projects to support achievement of our Council Plan.

❖ Leadership Team is chaired by the Managing Director respectively, includes the MO, CFO and key senior managers. It follows the CIPFA/ SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/ sub-principles guidance examples. This is usually undertaken during March-June and so as Leadership can confirm satisfaction that appropriate and overall Substantial 2016 Framework governance arrangements are in place. The detailed AGS self-assessment is available on the Corporate Governance page<sup>5</sup>.

#### Assurance from Risk Management

❖ The top risks (scoring a 9 on the risk matrix) for the Council, as reported to the FAR Committee in March 2022 [\(Risk Management Update report March 2022\)](#), are: The Local Plan; Managing the Council's Finances; Covid-19 Recovery; and Covid-19 – Leisure Management Contracts.

❖ Other risk scoring highly on the matrix (8s and 7s) are: **Cyber Risks; Delivery of Waste Collection**

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



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**and Street Cleansing Services Contract; Sustainable Development** – Neighbouring Authorities; Income Generation; Increased Homelessness; and National and Regional Planning Issues. External factors affecting the future provision of waste services scores a 6 on the matrix. Brexit - EU Transition risk score has subsequently been reduced to 5 (medium in terms of impact and likelihood).

❖ From March 2019 **Brexit** had been a top risk, but has subsequently been downgraded to a score of 5 on the matrix (medium in terms of impact and likelihood).

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

❖ Delivery of the **Local Plan** has been and remains a top risk. The Planning Inspector published the Main Modifications arising from the Local Plan examination process in November 2018. These were reported to Cabinet in December 2018, when approval was granted for consultation on the proposals. The Council concluded consultation on the Main Modifications in April 2019. Following the consultation on the Main modifications in January 2020, the Inspector arranged for further hearing sessions for March 2020. During 2020-21 consultation upon the Inspector's proposed Further Main Modifications to the Plan and documentation produced under delegated authority was undertaken. Following receipt of the Inspectors report and consideration this was recently adopted by Full Council on 8 November 2022.

❖ **Managing the Council's Finances** is an ongoing top risk which is reported through the FAR Committee and Cabinet process. The MTFS, budgets

and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

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

### **Assurance from Complaints outcomes Local Government Ombudsman (LGO):**

❖ The Council reports complaints to Leadership and O&S. The summary for the full period 2020/2021, was presented at the [July 2021 Overview and Scrutiny](#) meeting the summary indicated that the number of complaints received decreased from 764 in 2019/20 to 527 in 2020/21. 57% of complaints received in 2020/2021 were related to services delivered by key contractors. We are awaiting the updated 2021/22 report.

### **Standards complaints involving Councillors**

❖ A detailed update on Member complaints was given to the Standards Committee in a report delivered by the Service Director for Legal and Community on the 19<sup>th</sup> October 2021 and June 2022. During the 2020 and 2021 calendar years 6 complaints (involving 12 Councillors) and 52 complaints were received. All of the 2020 complaints were formal and against District Councillors. Of 2021 49 were formal (involving 66 Councillors, with some duplication). Of these, 29 of the formal complaints related to district Councillors, with one complaint being related to two district councillors and nine complaints being related to three district councillors.

### **Whistle Blowing Complaints**

❖ In line with the published Whistle Blowing Policy, we note that the Council received only 1 complaint since 1<sup>st</sup> April 2021.

### **Information Commissioner's office (ICO)**

❖ The Review time limit supplements the statutory one for handling requests (20 working days) and during 2021 calendar year, the Council only failed to handle 2.84% of the 635 FOIs/EIRs requests within that period. There were 9 reviews, 3 of which were successful, and the information released, 1 of which was partially successful, and 5 which were unsuccessful.

❖ In respect to requests for information under the Data Protection Act - 180 Data Protection cases (including 19 Subject Access Requests) were received in the 2021 calendar year, of which 98.31% were successfully answered within the 40-calendar day deadline.

There was 1 complaint lodged at the ICO. No action was taken against us and the ICO closed the case once we had provided further clarification and an apology to the Data Protection Subject.

### **Conclusion**

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2021/22 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan. Implementation will be monitored through the Finance Audit and Risk Committee.

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**Cllr Elizabeth Dennis-Harburg Leader of the Council**

**Anthony Roche Managing Director**

Action Plan 2022/2023

- |   |
|---|
| 1. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module. (Learning & Development)   |
| 2. Implement recommendations of Inclusion Group for 2022/23, where practical. (HR Manager, Inclusion Group and Learning and Development)  |
| 3. Targeted peer support for Overview & Scrutiny and Finance Audit and Risk committee from the Local Government Association (LGA): identify areas for development and from an action plan from recommendations. [Leadership Management Team]. |

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**CABINET  
13 DECEMBER 2022**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2023/2024**

**REPORT OF: SERVICE DIRECTOR CUSTOMERS**

**EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT**

**COUNCIL PRIORITY: PEOPLE FIRST**

**1. EXECUTIVE SUMMARY**

- 1.1 Each year the Council is required to review its Council Tax Reduction Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.
- 1.2 The Council had committed to a full review of its Council Tax Reduction Scheme to meet the objectives as set out in 2.3. The review is one of the Councils key projects for 2022/23 included in the Council Delivery Plan.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet note that a full review of the Council Tax Reduction Scheme has taken place and that consultation with the public and Major Precepting Authorities has taken place.
- 2.2 That Cabinet note the aim of the review has 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.
- 2.3 That Cabinet recommend to Council that a new banded scheme for working age applicants is adopted from 01 April 2023.
- 2.4 That Cabinet recommend to Council 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.
- 2.5 That Cabinet note 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%.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1. 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.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. Consideration has been given to a range of alternatives, listed below:
- a) Retain the current scheme as-is with no change in levels of support
  - b) Retain the current scheme with increased levels of financial support
  - c) To introduce 'fixed periods' or 'tolerances' to the current scheme
  - d) To implement a simplified discount-based scheme for UC claimants only
  - e) To implement a simplified discount-based scheme for all working age claimants

Options (a) to (d) have been discounted as they would not address all the issues with the current scheme. Option (e) addresses all the issues and is the option that has been progressed for further data modelling.




- 4.2 If the proposed scheme is not adopted then the scheme for 2023/24 will remain the same as the scheme for 2022/23.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 The Executive Member and Deputy Executive Member for Finance and IT have been consulted throughout the review and are in support of the proposed changes to the scheme.
- 5.2 The Shadow Executive Member for Finance and IT has been consulted on this proposal.
- 5.3 A full consultation has been undertaken in line with the statutory requirement with:
- The County Council (including Fire & Rescue)
  - The Hertfordshire Police and Crime Commissioner (PCC)
  - The Public
- 5.4 The public consultation ran for six weeks and closed on the 30 October 2022. The consultation was regularly promoted via our website, social media channels and in the local press and Council email bulletins. Details of the consultation were included on all emails sent from customer services and we also notified partners such as Citizens Advice, settle and other registered housing providers. Parish Clerks were also notified of the consultation.
- 5.5 No comments were received from the County Council or PCC.

- 5.6 The public consultation received 481 responses, 100% of respondents stated they live in North Herts. Just under 74% of respondents are not in receipt of CTR support and the majority of respondents (69%) were aged 55 and above with 40% being above 65. 68% of those who answered the question below agreed with introducing an income based banded scheme.

A summary of the full consultation results are attached at Appendix B.

2. Do you agree with introducing an income-based banded discount scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		67.78%	223
2	No		18.54%	61
3	Don't Know		13.68%	45
			answered	329
			skipped	152

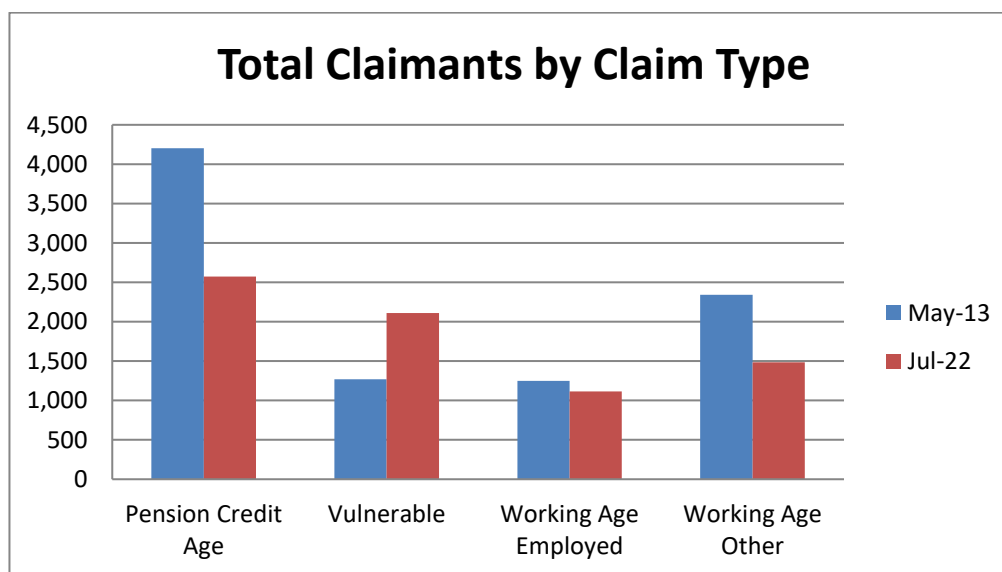
## 6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 29 July 2022.

## 7. BACKGROUND

- 7.1 Council Tax Reduction (CTR) was introduced by Central Government in April 2013 as a replacement for the Council Tax Benefit scheme administered on behalf of the Department for Work and Pensions (DWP)  
As part of the introduction, the Government;
- placed the duty to create a local scheme for **working age** applicants with billing authorities.
  - reduced initial funding by the equivalent of ten per cent from the levels paid through benefit subsidy to authorities under the previous Council Tax Benefit scheme; and
  - prescribed that anyone of **pension age** would be dealt with under regulations set by Central Government and not the authorities' local scheme.
- 7.2 Since that time, funding for the Council Tax Reduction Scheme has been amalgamated into other Central Government grants paid to Local Authorities (where in receipt of Revenue Support Grant) and also within the Business Rates Retention regime. It is now generally accepted that it is not possible to identify the amount of funding actually provided from Central Government sources.
- 7.3 The current Council Tax Reduction Scheme administered by the Council is divided into two schemes, with pension age applicants receiving support under the rules prescribed by Central Government, and the scheme for working age applicants being determined solely by the local authority.

- 7.4 Pensioners, subject to their income, can receive up to 100 per cent support towards their Council Tax. The Council has no power to change the level of support provided to pensioners and therefore any changes to the level of Council Tax Reduction can only be made to the working age scheme.
- 7.5 When Council Tax Reduction was introduced in 2013, for working age applicants, the Council broadly adopted the previous means tested Council Tax Benefit scheme as the basis of awarding support. Due to the reduction in funding from Central Government, the Council also required all working age applicants, even those on the lowest income, to pay an amount towards their Council Tax. This was achieved by applying a standard deduction from any award granted (with certain protected groups where the household would be considered disabled). The standard deduction is currently up to 25%.
- 7.6 Since its introduction, the working age scheme has only been amended slightly, primarily to adjust the standard deduction, to introduce a tolerance and to align it with Housing Benefit and Universal Credit where possible.
- 7.7 CTR claimants are split into four categories as follows:
- Pensioners - meaning they have reached Pension Credit age
  - Vulnerable - meaning that a member of the household is in receipt of a disability benefit such as Personal Independence Payment (PIP) or Disability Living Allowance (DLA)
  - Working age employed - of working age and in employment
  - Working age other - of working age and not in employment.
- 7.8 The chart below shows how the claimant numbers are made up and shows that since 2013 the numbers of claimants in each group have declined, except the vulnerable group which has increased as additional medical conditions have been included.



## **8. RELEVANT CONSIDERATIONS**

8.1 There are several issues with the current scheme that need addressing if the system is to continue to provide effective support to low-income taxpayers and if the Council is to be able to provide the service in an efficient manner. The main issues are as follows:

- the need to assist low-income households and assist in the collection of Council Tax.
- the introduction of Universal Credit for working age applicants; and
- the need for a simplification of the scheme.

These issues are examined in more detail throughout this section of the report.

### **8.2 The need to assist low-income households and assist in the collection of Council Tax**

8.2.1 Since 2013 and the introduction of Council Tax Reduction, the majority of authorities, including the Council have required all working age applicants to pay a minimum payment. Under the previous scheme (Council Tax Benefit) almost 75% of working age applicants would not have been required to pay any Council Tax and would have received full (100%) support.

8.2.2 As with many authorities, there is a strong view that there should be an increase in the level of support to those households on the lowest of incomes. This view has gained momentum over the past few years but has been reinforced since the COVID-19 crisis which had a major impact on household incomes generally and more recently with the cost-of-living crisis.

8.2.3 Whilst the principle of all working age households paying ‘something’ was initially thought to be an approach that would be central to the design of Council Tax Reduction, the reality is that, since its introduction, low-income taxpayers, the poorest households, have been unable to pay the balance leading to additional costs, court and enforcement action which compounds the debt and in some cases the amounts demanded have been written off as uncollectable.

8.2.4 The costs of administration of these cases by the Council has increased significantly over the years. These costs are borne solely by the Council. With the difficulties experienced, the relatively low level of payment and the high administration costs incurred, it no longer makes the amounts economically viable to collect. Notwithstanding the negative effects to those poorest households. The proposed scheme (set out in 8.5) would address these issues by an increase in entitlement of up to 100% for those on the lowest income.

### **8.3 Council Tax Reduction and the roll out of Universal Credit**

8.3.1 The introduction of Universal Credit within the district has, as experienced in all other areas, brought a number of significant challenges to both the administration of Council Tax Reduction and also the collection of Council Tax generally. All Councils have experienced the following:

- the reluctance of Universal Credit claimants to make a prompt claim for Council Tax Reduction leading to a loss in entitlement.

- a high number of changes to UC cases received from the Department for Work and Pensions (DWP) requiring a change to Council Tax Reduction entitlement. On average 40% of UC claimants have between eight and twelve changes in entitlement per annum. These changes result in amendments to Council Tax liability, the re-calculation of instalments, delays, and the demonstrable loss in collection.
- increased costs of administration through multiple changes with significant additional staff and staff time being needed. It is estimated that on average the Council receives around 39,000 notifications per year of change from the DWP for claimants on UC, that is a significant administrative burden that is likely to increase.

8.3.2 The number of Universal Credit claimants at present who are within the Council Tax Reduction Scheme is approximately 2884 which represents 60% of the working age caseload. The number of UC claimants will increase year on year and the majority of work within the working age cohort will revolve around these cases.

8.3.3 It is clear that the existing means tested Council Tax Reduction Scheme, which is too reactive to change, will not be viable in the longer term as UC continues to be rolled out fully within the area and with the massive increase in UC claimants due to the COVID-19 crisis. The move to a more efficient scheme from 2023 is now imperative.

#### **8.4 The need for a simplified approach to the Council Tax Reduction Scheme**

8.4.1 Notwithstanding the introduction of UC, the existing scheme is based on an old-fashioned means tested benefit scheme, which now has major defects namely:

- it is complex for customers to understand and is based on a complex calculation of entitlement.
- customers are not easily able to calculate their entitlement
- the administration for staff is complex, with staff having to request significant amounts of information from applicants.
- staff have to undergo significant training to be proficient in processing claims.
- the timescales for processing applications are lengthy, mainly due to the complexity and evidence required to support the applications.
- the administration of the scheme is costly when compared to other discounts for Council Tax.

8.4.2 Clearly there is now a need to simplify the scheme, not only to mitigate the effects of UC, but also make it easier for customers to make a claim and to significantly reduce the costs of administration. Our Customer Service Strategy commits to making it easier for customers to access our services and a simplified scheme would support that objective.

#### **8.5 The proposed approach for the 2023/24 Council Tax Reduction Scheme**

8.5.1 With the simplicity of the proposed new scheme and by taking a more Council Tax discount approach, it will address the problems associated with the increased administration of the current scheme as follows:



- **The scheme will require a simplified claiming process.** All applicants will see a significant reduction in the claiming process and, where possible, Council Tax Reduction will be awarded automatically. In line with our People First priority the scheme will be easier for our customers to understand and available for them to access and calculate their entitlement at any time.
- For Universal Credit applicants any UC data received from the DWP will be treated as a claim for Council Tax Reduction. Where information is received from DWP, the entitlement to Council Tax Reduction will be processed automatically without the need to request further information from the customer. These changes will have the following distinct advantages namely:
  - **Speed of processing** – all claims will be able to be calculated promptly and largely automatically without the need to request further information which inevitably leads to delays.
  - **Maximising entitlement to every applicant.** As there will no requirement for Universal Credit applicants to apply separately for Council Tax Reduction, and for all other applicants, the claiming process will be simplified significantly. Entitlement to Council Tax Reduction will be maximised with a reduced risk of loss of discount or the need for backdating.
  - **Maintenance of collection rates** – the new scheme will avoid constant changes in discount, the need for multiple changes in instalments and therefore assist in maintaining the high collection rates currently achieved. The increased level of discount will assist all those applicants on the lowest levels of income, again improving the overall collection rate.

8.5.2 In view of the issues now experienced with the current scheme, it is proposed that an alternative approach be taken from 2023/24. The approach has been to fundamentally redesign the scheme to address all the issues mentioned and in particular;

- (a) the level of support available to the lowest income households;
- (b) the problems with the introduction of full-service Universal Credit; and
- (c) the significant increase in administration costs due to the high level of changes received in respect of Universal Credit.

8.5.3 Work has been ongoing since early this year on modelling and developing a new scheme which is now complete. Consultation with the public and our Major Preceptors has been carried out. A summary of the full results of the consultation are included at Appendix B.

8.5.4 The proposed new scheme has a number of features as follows:

- more support shall be given to those households on the lowest of incomes than in the current scheme.
- the changes can **only be made to the working age schemes** as the current schemes for pensioners is prescribed by Central Government.
- the current means tested calculations will be replaced by a simple income grid model that will be accessible on our website, the income bands are based on a weekly net income amount as shown below.

Band	Discount	Single Person	Single Person with one child	Single Person with two children	Single Person with three or more children	Couple with no children	Couple with one child	Couple with two children	Couple with three or more children
1	100%	£0 to £100.00	£0 to £165.00	£0 to £220.00	£0 to £330.00	£0 to £140.00	£0 to £205.00	£0 to £260.00	£0 to £340.00
2	75%	£100.01 to £180.00	£165.01 to £245.00	£220.01 to £300.00	£330.01 to £385.00	£140.01 to £220.00	£205.01 to £285.00	£260.01 to £340.00	£340.01 to £395.00
3	45%	£180.01 to £240.00	£245.01 to £305.00	£300.01 to £360.00	£385.01 to £445.00	£220.01 to £280.00	£285.01 to £345.00	£340.01 to £400.00	£395.01 to £455.00
4	25%	£240.01 to £300.00	£305.01 to £365.00	£360.01 to £420.00	£445.01 to £505.00	£280.01 to £340.00	£345.01 to £405.00	£400.01 to £460.00	£455.01 to £515.00
5	0%	Over £300.01	Over £365.01	Over £420.01	Over £505.01	Over £340.01	Over £405.01	Over £460.01	Over £515.01

8.5.5 It is proposed that the highest level of discount will be at 100% of the Council tax liability (Band 1) meaning, someone with 100% discount will not be expected to make a contribution towards their Council Tax bill. All current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive this maximum discount.

8.5.6 All other discount levels are based on the applicant's and partner's (where they have one) net income.

8.5.7 The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants. There will be no charges made where an applicant has non-dependants living with them. This is a significant change and means that the administration of the scheme will be more straightforward whilst also protecting low-income families where adult sons and daughters for example remain at home.

8.5.8 To encourage work, a standard £50 per week disregard will be provided against all earnings. This will take the place of the current standard disregards and additional earnings disregards. Where a family also receives a childcare disregard (for childcare costs not paid for by Central Government schemes), the income levels in the 'grid scheme' are set at a higher rate. Further disregards are listed below:

- disability benefits such as Disability Living Allowance and Personal Independence Payment will continue to be disregarded.
- where any applicant, their partner or dependent child(ren) are in receipt of a disability benefits such as PIP or DLA, a further disregard of £50 per week will be given, thereby supporting those with disabilities.

- Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded.
- Child benefit and Child Maintenance will be disregarded.
- an amount in respect of the housing element, within Universal credit will be disregarded.
- the total disregard on war pensions and war disablement pensions will continue.
- extended payments will be removed; and the capital limit of £16,000 with no tariff (or assumed income) being applied

## **8.6 How the new scheme will address the issues with the current scheme**

8.6.1 With the simplicity of the proposed new scheme and by taking a more 'Council Tax discount approach', it will address the problems associated with the increased administration caused by issues with the current scheme and Universal Credit:

8.6.2 The income bands of the proposed scheme are sufficiently wide to avoid constant changes in discount. The current Council Tax Reduction Scheme is very reactive and will alter even if the overall change to the person's liability is small. This is leading to constant changes in Council Tax liability, the need to recalculate monthly instalments and the requirement to issue a large number of Council Tax demands. The effect of this is that Council Tax collection is reduced. The new scheme, with its simplified income banding approach will have the following advantages.

- Only significant changes in income will affect the level of discount awarded
- Council Taxpayers who receive Council Tax Reduction will not receive multiple Council Tax demands and adjustments to their instalments; and
- The new scheme is designed to reflect a more modern approach, where any discount changes will be effective from the day of the change rather than the Monday of the following week.

## **8.7 Analysis of the Impact of changes.**

8.7.1 Analysis of the impact, based on comparing the current caseload entitlement with the proposed entitlement, shows that 81% of working age claimants will receive no change or an increase (this figure does not include pensioners who are unaffected by the proposal), 6.8 % will receive a decrease in entitlement and 11 % will no longer be entitled to council tax reduction.

8.7.2 The majority of changes in entitlement that will see a reduction will be because of one of the following reasons, which are explained in more detail:

- Changes to the vulnerable element of the scheme
- Removal of the Better Buy and 2AR element of the scheme

### **8.7.3 Changes to the vulnerable element of the scheme**

Under the current scheme if anyone in the household is in receipt of a disability benefit such as personal independence payment (PIP) or disability living allowance (DLA) then they are 'passported' into the vulnerable category and automatically entitled to 100% reduction, regardless of household income. Under the proposed scheme there will no longer be an automatic 100% reduction applied and the percentage reduction will be based on the income band that the household is in, once the relevant disregards have been applied.

It is important to note that the income assessed for the purposes of CTR will have already disregarded disability benefits (such as PIP and DLA) and an additional £50 disability disregard will be applied, a further £50 disregard will also be applied if the claimant is working. There are some examples calculations shown in Appendix A

### **8.7.5 Removal of the Better Buy and 2AR element of the scheme**

Under the current scheme Second Adult rebate (2AR) replaces the single persons discount of the liable person if they have a second adult move into their home who is on a low income. Unlike any other UK state benefit, 2AR is not based on the income and capital of the applicant or partner but that of another adult.

Where an applicant is not entitled to CTR but resides with a second adult, another calculation assesses entitlement to 2AR by ignoring the financial circumstances of the claimant and taking those of the second adult into account. The discount applied depends on the income of the second adult and could be 7.5%, 15% or 25%. This can also result in entitlement to 2AR being awarded even where the applicant has more than £16000 assessed capital.

Where an applicant has entitlement to both main CTR and 2AR, the amount of CTR to which they are entitled is the higher of the two, this is commonly known as a 'better buy' calculation.

### **8.7.6 Increase in entitlement**

The majority of changes in entitlement that will see an increase in entitlement will be because currently all working age other and working age employed claimants are required to pay 25% of their council tax regardless of their income. As an example, under the current scheme a claimant whose only income is Universal Credit at £77 per week is required to pay 25% of their council tax. In many cases it is not affordable and will not be paid, leading to debt and potentially further costs added for recovery action. Some further examples of these calculations are included in Appendix A.

- 8.7.7 The changes in the proposed scheme make the scheme much fairer by assessing all working age claimants on their assessable income once any relevant disregards have been excluded.

## **8.8 Transition to the new scheme and the Exceptional Hardship Scheme**

- 8.8.1 The Council must be mindful that any change in scheme or a transition to a new scheme may result in a change to the entitlement of some applicants.

- 8.8.2 Inevitably, with any change in scheme, there will be some who will not benefit from the changes and will see a reduction in entitlement or entitlement end altogether, whilst we have tried to minimise this, any changes in entitlement will be based on income levels.
- 8.8.3 The proposed scheme has been designed to support the most financially vulnerable. It is proposed that the new scheme will contain additional discretionary provisions to support individuals who experience exceptional hardship. Where any applicant is likely to experience exceptional hardship, they will be encouraged to apply for a CTR hardship award for a specified period of time. The Council will consider all applications for exceptional hardship on an individual basis, taking into account available income and essential outgoings. Where appropriate, further support will be given to the applicant.
- 8.8.4 This approach will enable individual applicants to be dealt with in a fair and equitable manner. The CTR Hardship Scheme will form part of the Council Tax Reduction Scheme and fall to be borne by the Council.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Council is required to maintain and annually review its Council Tax Reduction Scheme in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).
- 9.2 Schedule 1A to the Local Government Finance Act 1992 requires the Council to make any revision to its scheme or any replace scheme no later than 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 9.3 Full Council's terms of reference include at 4.4.1 (z) "approving the Council Tax Reduction Scheme". Cabinet's terms of reference include at 5.6.44 recommending to Full Council "The Council Tax Reduction Scheme".
- 9.4 Section 3(1) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council to consult on any changes to its scheme as follows:
- Consult any Major Precepting Authority which has power to issue a precept to it,
  - Publish a draft scheme in such manner as it thinks fit, and
  - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The current Council Tax Reduction Scheme costs approximately £7.77m which is borne by the Council's Collection Fund. Costs are shared between the Council and the Major Precepting Authorities in the following proportions for (2023/23):
- County Council (including Fire and Rescue Service) (76.4%)
  - Police and Crime Commissioner (11.1%)
  - District Council (12.5%)

These proportions are based on the overall share of Council Tax income and will change over time in line with decisions made by each Authority on levels of Council Tax increase.

Recently, these have mainly been affected by the levels of increase (without a local referendum) that have been allowed by Government.

The costs of Council Tax Reduction are not funded by the Precepting Authorities directly. Instead, the estimated level of eligibility is converted into a number of band D equivalent properties. That then reduces the overall tax base (i.e., the number of priorities expected to pay Council Tax), and therefore the amount of income that each Precepting Authority should expect to receive. Differences between what was expected, and the amount actually collected are managed through a Collection Fund. The precepting Authorities will share any surpluses or shortfalls in the following year.

- 10.2 The approach and shape of the scheme is changing, and the overall approach will be to provide additional support to those households on the very lowest incomes. Based on current modelling, were the new scheme to be in place at the current time, the costs would be £7.89m the increase in cost that would be apportioned to North Herts is approximately £15,000.
- 10.3 The projected cost increase is the maximum expected. Modelling adjustments are continuing to be made to see if the increase can be reduced without having a significant adverse impact.
- 10.4 Whilst the expected costs of the scheme for 2023/24 will be slightly higher, the overall level of Council Tax Reduction as a proportion of the Council Tax Base has reduced year on year since 2013 as shown below at 10.6 and 10.7. The only exception was in the COVID-19 period (2020/21 and 2021/22) but the trend has started to show that the costs are falling again and the number of claimants reducing. Of course, since Covid we now face the cost-of-living crisis. We don't expect the cost-of-living crisis to automatically increase the numbers of claimants, unless it leads to job losses in which case we will see an increase in claimants, as would be the case under the present scheme.
- 10.5 Whilst the overall Council Tax liability has increased year on year the value of Council Tax Reduction claims as a percentage of overall liability had continued to decrease prior to the pandemic.

#### 10.6 Council Tax Reduction as a Percentage of Gross Council Tax Liability

Financial Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross CT Liability £	83,774,520	84,591,594	86,434,938	89,845,133	94,684,222	100,685,225	105,302,251	110,123,753	115,611,353
CTR £	6,998,498	6,902,064	6,693,360	6,761,037	6,770,869	6,863,664	6,771,613	7,208,969	8,218,400
%	8.35%	8.16%	7.74%	7.53%	7.15%	6.82%	6.43%	6.55%	7.11%

#### 10.7 Council Tax Reduction - Caseload Reductions

Financial Year Commencing	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Working Age	4797	4718	4537	4327	4187	4058	3980	4355	5151	4823
Pension Age	4214	4065	3831	3608	3404	3120	2981	2874	2746	2636



Total	9011	8783	8368	7935	7591	7178	6961	7229	7897	7459
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## **11. RISK IMPLICATIONS**

- 11.1. In transitioning from the old to the new scheme, there is a risk that there could be some initial confusion amongst applicants. If not managed well, this could lead to customers not receiving discounts that may be due to them. By simplifying the current scheme and ensuring that we publicise the new scheme effectively, it will become easier for customers to make a claim and administrative costs will also be reduced.
- 11.2. There be some who will not benefit from the changes and will see a reduction in entitlement or entitlement end altogether and there is a risk that they may experience financial hardship. By introducing new discretionary provisions to the scheme, the Council will be able to encourage applicants to apply for an exceptional hardship award, and where appropriate, support will be given.
- 11.3 There is a risk that the new scheme will increase costs to the Council, work that has been undertaken to assess the potential impact of this so that it can be incorporated into the decision on whether to adopt the new scheme.

## **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 It should be noted that this scheme only applies to and impacts a specific age group: working-age claimants. Changes suggested within this report aim to improve accessibility to the scheme for all claimants through a simplified process; and improve the support available to those that are on the lowest incomes. As noted at 8.7.2, there will be some who will inevitably not benefit from the changes and will see a reduction in entitlement or entitlement end altogether. Efforts have been made to minimise negative impacts.
- 12.3 By conducting extensive consultation, the Council has sought to collect information from those who may be potentially affected by these proposals.
- 12.4 An equalities impact assessment has been completed and is attached at Appendix C.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct Human Resources implications in this report, however the changes proposed would make the Council Tax Reduction Scheme significantly easier to administer and therefore this would reduce the additional burden that has been placed on the service because of Universal Credit.

## **16. APPENDICES**

- 16.1 Appendix A – Impact of changes
- 16.2 Appendix B – Consultation feedback.
- 16.3 Appendix C – Equalities Impact Assessment

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

- 18.1 None

## Council Tax Reduction Scheme 2023/2024 - APPENDIX A

The table below shows how the proposed scheme will impact those in receipt of council tax reduction. Based on current claimants, under the new proposal 40.3% would receive an increase in entitlement, further detail on those impacted is shown further on.

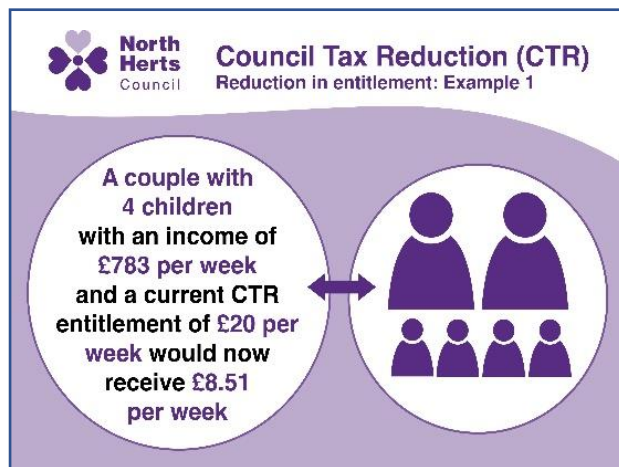
	Number (excluding pensioners)	percentage
No change in entitlement	1619	41%
Increase in entitlement	1565	40.3%
Reduction in entitlement	267	6.8%
No longer entitled	427	11%

The table below shows where the increases occur, which are mostly in the lower income brackets.

Increases			
Weekly Income Bands			
Single person with no children		Couple with no children	
£0-£100	372	£0-£140	27
£100.01-£180	53	£140.01-£220	14
£180.01-£240	3	£220.01-£280	1
£240.01-£300	0	£280.01-£340	0
over £301.01	0	over £340.01	0
Single person with 1 child		Couple with 1 child	
£0-£165	237	£0-£205	24
£165.01-£245	36	£205.01-£285	4
£245.01-£305	4	£285.01-£345	0
£305.01-£365	1	£345.01-£405	0
over £365.01	0	over £405.01	0
Single person with 2 children		Couple with 2 children	
£0-£220	193	£0-£260	41
£220.01-£300	131	£260.01-£340	15
£300.01-£360	38	£340.01-£400	2
£360.01-£420	2	£400.01-£460	2
over £420.01		over £460.01	0
Single person with 3 children		Couple with 3 children	
£0-£330	153	£0-£340	40
£330.01-£385	4	£340.01-£395	11
£385.01-£445	0	£395.01-£455	2
£445.01-£505	0	£455.01-£515	1
over £505.01	0	over £515.01	

Examples of calculations are shown below:

### Example 1 – reduction in entitlement



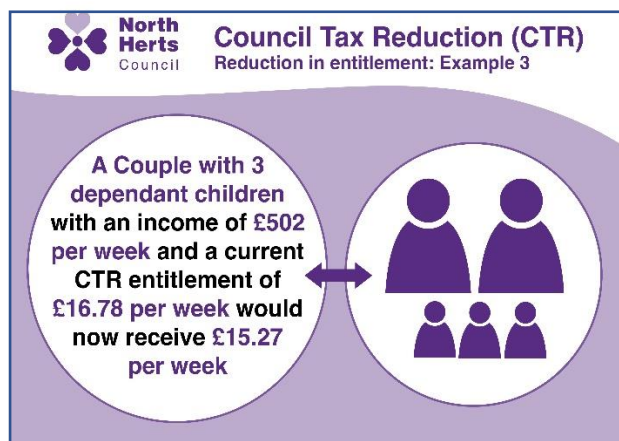
Child benefit x 4	£65.15 per week	<b>Total weekly income</b> <b>£783.26</b>
Universal Credit	£531.56 per week	
Carers Allowance	£69.70	
DLA for child	£116.85	
Less disregarded income of £251.70 Less disabled disregard of £50		<b>Assessable Income</b> <b>£481.56</b>
Assessable income of £481.56 = Band 4 – 25% reduction Council tax liability is £34.05 per week Award of 25% = £8.51 reduction		

### Example 2 - reduction in entitlement



Wages per week	£273.50	<b>Total weekly income</b> <b>£426.25</b>
Universal Credit per week	£152.75	
Less earnings disregard of £50		<b>Assessable Income</b> <b>£376.25</b>
Assessable income of £376.25 = Band 5 – 0% reduction Council tax liability is £34.05 per week Award of £0		

### Example 3 - reduction in entitlement



Wages	£234.99	<b>Total weekly income</b> <b>£502.38</b>
Child Tax Credit per week	£179.84	
Working Tax Credit per week	£36.85	
Child Benefit x 3	£50.70	
Less earnings disregard of £50 Less child benefit disregard		<b>Assessable Income</b> <b>£401.68</b>
Assessable income of £401.68 = Band 3 – 45% reduction Council tax liability is £33.95 per week Award of 45% = £15.27 reduction		

The table below shows the income bands where the reductions occur.

<b>Reductions</b>			
<b>Weekly Income Bands</b>			
Single person with no children		Couple with no children	
£0-£100	0	£0-£140	0
£100.01-£180	9	£140.01-£220	26
£180.01-£240	0	£220.01-£280	8
£240.01-£300	0	£280.01-£340	2
over £301.01	0	over £340.01	0
Single person with 1 child		Couple with 1 child	
£0-£165	0	£0-£205	0
£165.01-£245	18	£205.01-£285	23
£245.01-£305	1	£285.01-£345	6
£305.01-£365	1	£345.01-£405	4
over £365.01	0	over £405.01	0
Single person with 2 children		Couple with 2 children	
£0-£220	0	£0-£260	0
£220.01-£300	20	£260.01-£340	24
£300.01-£360	29	£340.01-£400	11
£360.01-£420	5	£400.01-£460	0
over £420.01	0	over £460.01	0
Single person with 3 children		Couple with 3 children	
£0-£330	6	£0-£340	0
£330.01-£385	30	£340.01-£395	14
£385.01-£445	8	£395.01-£455	7
£445.01-£505	9	£455.01-£515	6
over £505.01	0	over £515.01	0

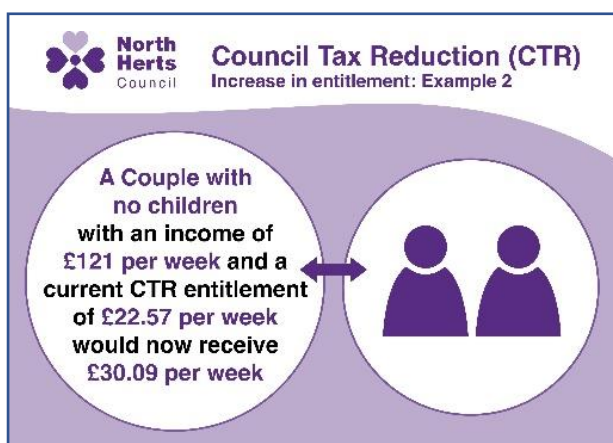
Examples of calculations are shown below:

#### Example 4 – Increase in entitlement



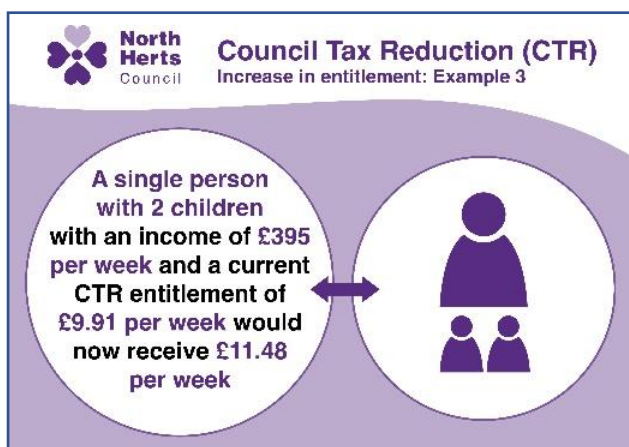
Wages £136.45	<b>Total weekly income £136.45</b>
Less earnings disregard of £50	<b>Assessable Income £86.45</b>
Assessable income of £86.45 = Band 1– 100% reduction Council tax liability is £38.30 per week Award of 100% = £38.30 reduction	

#### Example 5 – Increase in entitlement



Universal Credit    £121.32	<b>Total weekly income £121.32</b>
Assessable income of £121.32 = Band 1– 100% reduction Council tax liability is £30.09 per week Award of 100% = £30.09 reduction	

#### Example 6 – Increase in entitlement



Wages                    £180.32 Universal Credit       £178.82 Child Benefit x 2       £36.25	<b>Total weekly income £395.39</b>
Less earnings disregard of £50 Less disregarded income of £36.25	<b>Assessable Income £309.14</b>
Assessable income of £309.14 = Band 3– 45% reduction Council tax liability is £25.53 per week (after SPD) Award of 45% = £11.48 reduction	



# North Herts Council - Council Tax Reduction Scheme 2023/24 Consultation

## 1. Background information

1. I have read the background information.				
Answer Choices			Response Percent	Response Total
1	Yes	<div></div>	94.39%	454
2	No	<div></div>	5.61%	27
			answered	481
			skipped	0

## 2. Part 1 – The introduction of an Income Grid scheme to replace the current scheme for all applicants of working age

2. Do you agree with introducing an income-based banded discount scheme?				
Answer Choices			Response Percent	Response Total
1	Yes	<div></div>	67.78%	223
2	No	<div></div>	18.54%	61
3	Don't Know	<div></div>	13.68%	45
			answered	329
			skipped	152

3. If you disagree with introducing an income-banded scheme please explain why and what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Results of open-Ended Question		100.00%	73
17	Answer relates to Pensions/Single Persons Allowance.			
11	Leave current system as it is.			
10	Concern over already high Council Tax charges and want the Council Tax reduced, smaller homes to pay less			
2	Banded scheme is unfair, all benefits except for state pensions should be means tested.			
13	Those in receipt of benefit already receive the greatest deductions, this could de-incentivise these households not to work.			

**3. If you disagree with introducing an income-banded scheme please explain why and what alternative would you propose?**

5	All residents should make some contribution to services provided.		
1	Child maintenance should be included in income calculation.		
8	No comment – unable to understand table of income/discount. Need a clearer explanation.		
3	Concerns over the income brackets and cost of implementing the scheme		
1	Remove the discount at Band 3.		
2	Concern over fluctuation wages and zero-hour contracts		
		<b>answered</b>	<b>73</b>
		skipped	408

3. Part 2 - To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of three for all applicants

4. Do you agree with this change to the scheme?

Answer Choices			Response Percent	Response Total
1	Yes	<div><div></div></div>	74.28%	231
2	No	<div><div></div></div>	15.76%	49
3	Don't Know	<div><div></div></div>	9.97%	31
			answered	311
			skipped	170

**5. If you disagree please explain why and what alternative would you propose?**




Answer Choices		Response Percent	Response Total
1	Results of Open-Ended Question	100.00%	47
10	Large Families disproportionately penalised, children shouldn't be included		
3	Keep current system.		
18	Limit on the number of children used in the assessment		
1	Equal low contribution for all.		
1	Higher discount for non-working families		
1	Couples are not assisted		
3	System is too complex		
5	Comments not relevant to the proposed scheme		
1	Sliding scale with no 100% deduction		

#### 5. If you disagree please explain why and what alternative would you propose?

	3	Could de-incentivise working families.		
	1	Reduction should be means tested		
			answered	47
			skipped	434

#### 4. Part 3 – Removing the requirement for any non-dependant deductions

#### 6. Do you agree with this change to the scheme?




Answer Choices			Response Percent	Response Total
1	Yes		61.02%	180
2	No		20.00%	59
3	Don't Know		18.98%	56
			answered	295
			skipped	186

#### 7. If you disagree please explain why and what alternative would you propose?

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	57
17	Discounts should be based on total household income everyone should contribute		
5	Council Tax should be based as with income tax, individually.		
12	Keep the current system.		
2	Potential to encourage household overcrowding.		
9	The new scheme has the potential to be open to misuse.		
1	Deductions should be based on how much individuals contribute.		
6	Non-Dependants should not pay towards Council Tax when they are unable to afford to move out and buy/rent their own house/flat. Parents should not be penalised for supporting young adults.		
4	New scheme should be rejected if it increases costs.		
1	Proposal favours administrative convenience over control of public funds.		
		answered	57
		skipped	424

#### 5. Part 4 – Disregarding the housing element of Universal Credit

### 8. Do you agree with this change to the scheme?


Answer Choices			Response Percent	Response Total
1	Yes		74.22%	213
2	No		13.59%	39
3	Don't Know		12.20%	35
			answered	287
			skipped	194



### 9. If you disagree please explain why and what alternative would you propose?

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	37
18	All income should be included. Universal Credit should count as income. All benefits should be included when it comes to council tax calculations.		
2	Reject if the costs of the scheme will increase.		
4	An income-based system is expensive and time consuming to run and intrusive when assessing households. Open to fraud also by those who may wish to exploit the system.		
1	This disadvantages people on low incomes who are not in receipt of benefits.		
1	The housing benefit proportion of Universal Credit is disproportionately rent, rents are very high		
2	People change jobs often so how would it remain up to date? Administration costs would escalate for the council to keep a track of incomes. Unenforceable long term and expensive to maintain.		
1	Question, proposal not clear – no comment.		
6	Leave system as it is.		
2	Hard work and success are penalised – this will not encourage low-income benefit households to return to work.		
		answered	37
		skipped	444

6. Part 5 – Removing the current earnings disregards and replacing them with a standard £50 per week disregard for all working applicants




### 10. Do you agree with this change to the scheme?

Answer Choices			Response Percent	Response Total
1	Yes		72.46%	200

10. Do you agree with this change to the scheme?				
2	No		10.51%	29
3	Don't Know		17.03%	47
			answered	276
			skipped	205

11. If you disagree please explain why and what alternative would you propose?				
Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	33
4	Disproportionately unfair to large families with higher Child Care Costs.			
3	The scheme should be as generous as possible and help those most in need. Its an excellent idea!			
4	All income should be taken into account.			
9	It is important to help those that need help without encouraging welfare dependency. Incentivise getting people back to work. £50 per week is too high and acts as a disincentive to work. Should not be subsidising low paying employers			
2	Question is not clear – no comment.			
3	Concerns for low paid households who do not receive benefits			
4	Keep current system.			
2	System could be open to be misuse and be abused.			
2	Query over the cost of the scheme			
			answered	33
			skipped	448

## 7. Part 6 – Removing the Extended Payment provision




12. Do you agree with this change to the scheme?				
Answer Choices			Response Percent	Response Total
1	Yes		69.40%	186
2	No		13.81%	37
3	Don't know		16.79%	45
			answered	268
			skipped	213

### 13. If you disagree, please explain why and what alternative would you propose?

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	32
23	Need to encourage people into work and the extended payment is a buffer before they get their first month's wages		
3	Leave the system as it is.		
1	Collection of council tax should also be phased.		
1	Focus more direct help to genuine hardship cases.		
2	Some households will take advantage of the scheme when they are not actually a low-income household and abuse the system.		
1	Lack of education and government is responsible for all council problems.		
1	Comment not relevant to the proposed scheme		
		answered	32
		skipped	449

8. Part 7 – Any new claim or change in circumstances which changes Council Tax Reduction entitlement will be made from the date on which the change occurs, (rather than on a weekly basis as at present)

### 14. Do you agree with this change to the scheme?

Answer Choices		Response Percent	Response Total
1	Yes 	90.00%	234
2	No 	3.08%	8
3	Don't Know 	6.92%	18
		answered	260
		skipped	221

### 15. If you disagree, please explain why and what alternative would you propose?

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	7
4	Concerns that this is more difficult to maintain and more of an administrative burden.		
1	Some households will take advantage of the scheme when they are not actually a low-income household.		
1	Comment not relevant to the proposed scheme		






### 15. If you disagree, please explain why and what alternative would you propose?

1	Leave system as it is.		
		answered	7
		skipped	474

9. Part 8 – Protecting disabled persons by disregarding Personal Independence Payments or Disability Living Allowance and providing a further disregard of £50 per week where the applicant, partner or dependant is in receipt of the disability benefit.

### 16. Do you agree with this change to the scheme?




Answer Choices			Response Percent	Response Total
1	Yes		87.55%	225
2	No		5.84%	15
3	Don't Know		6.61%	17
			answered	257
			skipped	224

### 17. If you disagree please explain why and what alternative would you propose?

Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	14
1	Concerns on the level of support given.			
4	Having a disability doesn't automatically mean that the disabled person is less well-off/more in need of financial support than a lot of other people on low incomes for various reasons. Depends on the nature/impact of the disability.			
6	All benefits should be added into the calculation			
1	Concerns over fraud and abuse of the scheme			
1	Concerns about the cost to the taxpayer.			
1	Happy that PIP and DLA are disregarded but does not feel an additional disregard is required			
			answered	14
			skipped	467

10. Part 9 – Disregarding Carer's Allowance and the Support Component of the Employment and Support Allowance

### 18. Do you agree with this change to the scheme?




Answer Choices			Response Percent	Response Total
1	Yes		83.27%	214
2	No		8.17%	21
3	Don't Know		8.56%	22
			answered	257
			skipped	224

### 19. If you disagree please explain why and what alternative would you propose?

Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	19
2	Don't know enough to hold an opinion. No Comment.			
6	All benefits should be added into the calculation.			
5	Disagree with anything that is going to increase the overall cost of the scheme because it is unfair and discriminatory practice. Keep the system simple			
1	Concerns of fraud and system abuse			
1	Income and family expenses are not always the same.			
3	Leave system as it is.			
1	Carers must be included in all decisions made.			
			answered	19
			skipped	462

11. Part 10 – Continuing to protect War Pensioners by disregarding War Pensions or War Disablement pensions in full and by enabling up to 100% support to be granted in some cases

### 20. Do you agree with this proposal?

Answer Choices			Response Percent	Response Total
1	Yes		86.33%	221
2	No		4.69%	12
3	Don't know		8.98%	23
			answered	256
			skipped	225

## 21. If you disagree please explain why and what alternative would you propose?

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	12
1	Don't know enough to hold an opinion. No comment.		
3	Only age-related income should be disregarded not just war pensions		
5	Keep the system simple		
1	Concern of abuse and fraud of the system		
2	Answer relates to Pensions/Single Persons Allowance		
		answered	12
		skipped	469

## 12. Alternatives to changing the Council Tax Reduction Scheme

## 22. Please use this space to make any other comments on the proposed scheme.

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	69
8	Agree with the new CTR scheme proposal as it make sense to help those on the lowest income.		
20	In favour of the scheme as aware that is helps the lowest income households and supports carers and those with disabilities.		
4	Against new CTR scheme proposal. Leave as is		
13	Feeling that it is a disincentive to work and unfair to families that are working but not on benefits.		
7	Answer relates to Pensions/Single Persons Allowance		
4	Comment not relevant to proposal.		
4	Request for examples and different scenarios to enable people to visualise the changes		
7	Streamline administration to provide a cost reduction. Letters/statements for Council Tax to be clearer.		
1	The whole of UC payment should be disregarded in calculating Council Tax Reduction.		
1	ALL benefits whether financial or in kind should be given a monetary value and based on the total household income then any discount should be assessed.		
		answered	69
		skipped	412

**23. Please use the space below if you would like the Council to consider any other options (please state).**



Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	30
6	No comment or comment not relevant to proposal		
7	Answer relates to pensions/single person's allowance.		
1	Tax people individually as is the case with income tax.		
1	No 0% band. Any income received by the individual (including benefits, etc) should be calculated into the grid.		
1	A band reduction tax should be considered because people that live in houses from band A to D are not rich people and have different problems and should be supported.		
1	It would make sense to follow on the lines of universal credit when it comes to the self-employed income fluctuations.		
1	Remove smaller homes from council tax bands and introduce smaller essential services levy based on adults in house. Then reduce banding on other homes (so most in band A would have been removed - allowing band B to become a new band A) Council tax would then be payable as an essential services levy plus banding charge. Simpler to administer and fairer to all.		
1	Total means testing, including access to personal bank and savings accounts, and HMRC records to confirm whether the claimant is receiving additional income from personal pensions, and whether they have in fact declared them. It is too easy to abuse systems.		
1	Increase council tax by a sliding scale of higher percentages for the higher bands, lower percentages for lower bands.		
3	<b>Options/comments regarding care/disability.</b> More support for those on disability.  I think you should take into consideration some people use care component in DLA or PIP to contribute towards their care. Care costs for people in the community are extortionate! People with Alzheimer's Disease are facing enormous care bills. Something equitable needs to be organised - and this has been ignored in your survey - and these are genuine hardship cases. The people that have skimmed and scraped to save and buy their own property are hammered if they or a relative are diagnosed with Alzheimer's Disease. There is iniquitous inequality here!		
7	<b>Other options/comments.</b> Consider all people not just people claiming benefits.  Any households with extremely high mortgage payments should be eligible if their income is barely able to cover getting work, food, bills and mortgage. All proven by providing evidence of bank statements etc  Monitor more carefully those abusing the benefit payments system.  If a family is affected by the benefit cap, then they should get a 100% discount.  Foster carer shouldn't pay council tax for their homes especially if they are council owned.  The council should look to reduce the waste in current council expenditure and reduce council tax accordingly.  The earnings disregard element still seems overly complicated. Why bother with disregards? Why not just increase the grid amounts accordingly, or have a two-tier grid, where the second-tier amounts include the current disregard situations.		
		answered	30
		skipped	451

**24. If you have any further comments or questions to make regarding the Council Tax Reduction Scheme that you haven't had opportunity to raise elsewhere, please use the space below.**

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	27
4	No comment.		
6	Answer relates to pensions/single person's allowance.		
8	Comments mentioned on previous question/comment not relevant to proposal.		
9	<p><b>Other comments/considerations raised.</b></p> <p>Any reductions that could help those on a low income and those who receive Benefits, including PIP, would be greatly appreciated.</p> <p>Unless I have misunderstood the content, the reductions provided to those in need are financed by the remaining Council Taxpayers at District or County level. To ensure fairness the cost should be financed from Central Government funds.</p> <p>Consideration should be taken if a person is privately renting or council/housing association as rent charges differ greatly.</p> <p>As a recipient of CTR I strongly welcome a change to the existing calculations, however I am not in favour of making anyone worse off while we are in the midst of high inflation and stagnant wages. I'd urge you to commit to a scheme where those currently in receipt will all be better off or at the same rate of discount as they are currently, funded by the money saved through lower administrative costs.</p> <p>I would be interested to know whether these changes would result in the Council's overall income going up or down. In general, cuts in local government tax receipts result in cuts in local public facilities and services.</p> <p>How will this work for a self-employed individual, with their own Company, who does not earn a fixed hourly rate, or work a fixed number of hours, but has a fluctuating income week to week or month to month?</p> <p>Why isn't the system based upon disposable income after housing costs etc. You could well have a couple in mid or later years with an income of £300 per week, but no mortgage or rental costs, who have a high disposable income. On the other hand you could have a couple on £300 per week with high mortgage or rent costs with a very low disposable income. Doesn't make sense for both to receive the same financial benefits.</p> <p>I do not think that young couples / people / families who are clawing together modest savings to try and purchase a home etc should be penalised, within reason, perhaps there could be a threshold of savings allowed. Trying to provide a little security for a future where you're invested in your community / country shouldn't be punished by crippling household expenses. I think it will be quite complex, but a case-by-case review system might be beneficial.</p> <p>It is not entirely clear if this will affect other discount schemes or increase council tax for paying members to pay for the scheme or be taken from reduced cost efficiencies.</p>		
		answered	27
		skipped	454

### 13. About You

### 25. Are you completing this form on behalf of an organisation or group?


Answer Choices			Response Percent	Response Total
1	Yes		1.20%	3
2	No		98.80%	246
			answered	249
			skipped	232

If yes, please tell us the name of the organisation/group and add any other comments you wish to make.



Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	1
	1	None		
			answered	1
			skipped	480

## 14. Questions for Individuals

### 26. Do you live in the North Herts Council area?



Answer Choices			Response Percent	Response Total
1	Yes		100.00%	247
2	No		0.00%	0
			answered	247
			skipped	234

### 27. Are you currently receiving Council Tax Reduction?



Answer Choices			Response Percent	Response Total
1	Yes		26.03%	63
2	No		73.97%	179
			answered	242
			skipped	239





### 28. Are you or your partner in work or self-employed?

Answer Choices			Response Percent	Response Total
1	Yes		47.52%	115
2	No		52.48%	127
			answered	242
			skipped	239




### 29. Are you liable to pay Council Tax?

Answer Choices			Response Percent	Response Total
1	Yes		98.37%	241
2	No		1.63%	4
			answered	245
			skipped	236

### 30. Are you currently serving in the Armed Forces?

Answer Choices			Response Percent	Response Total
1	Yes		0.41%	1
2	No		99.59%	245
			answered	246
			skipped	235

### 31. What is your gender?

Answer Choices			Response Percent	Response Total
1	Male		45.12%	111
2	Female		50.41%	124
3	Non-Binary		0.00%	0
4	Prefer not to say		4.47%	11
			answered	246
			skipped	235

### 32. What is your age?

Answer Choices			Response Percent	Response Total
1	18-24		0.41%	1
2	25-34		4.08%	10
3	35-44		8.57%	21
4	45-54		14.29%	35
5	55-64		28.16%	69
6	65-74		27.76%	68
7	75-84		10.20%	25
8	85+		2.45%	6
9	Prefer not to say		4.08%	10
			answered	245
			skipped	236

### 33. Disability: Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

Answer Choices			Response Percent	Response Total
1	Yes		19.11%	47
2	No		72.76%	179
3	Don't know		1.63%	4
4	Prefer not to say		6.50%	16
			answered	246
			skipped	235

### 34. Ethnic Origin: What is your ethnic group?

Answer Choices			Response Percent	Response Total
1	White British		83.20%	203
2	White Irish		1.64%	4
3	White Gypsy or Irish Traveller		0.00%	0
4	Any other White background		5.33%	13

### 34. Ethnic Origin: What is your ethnic group?

5	Mixed/Multiple ethnic groups - White & Black African		0.00%	0
6	Mixed/Multiple ethnic groups - White & Black Caribbean		0.41%	1
7	Mixed/Multiple ethnic groups - White & Asian		0.00%	0
8	Any other multi mixed background		0.00%	0
9	Asian or Asian British Pakistani		0.00%	0
10	Asian or Asian British Indian		0.00%	0
11	Asian or Asian British Bangladeshi		0.00%	0
12	Asian or Asian British Chinese		0.00%	0
13	Any other Asian background		0.00%	0
14	Black African		0.00%	0
15	British Caribbean		0.00%	0
16	Black British		0.00%	0
17	Any other Black background		0.00%	0
18	Prefer not to say		9.84%	24
			answered	244
			skipped	237

### 35. Other ethnic group?

Answer Choices			Response Percent	Response Total
1	Open-Ended Question		100.00%	4
	1	White ENGLISH		
	2	None		
	3	English		
	4	No		
			answered	4
			skipped	477

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# Equality Guidance – Equalities Act 2010

## BACKGROUND INFORMATION

What is the legal requirement?

The Equality Act 2010 was implemented on October 1st 2010. The Act creates a new Public Sector Equality Duty. This means there is a General duty that local authorities must meet and specific duties which are designed to help meet them.

NHDC, as a public authority must, in the exercise of its functions, give **due regard** to the need to:

1. Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
2. Advance equality of opportunity between people who share a protected characteristic(*these are identified in the 'specific duty' paragraph below*) and those who do not (this can mean removing or minimising disadvantage; meeting people's needs; taking account of disabilities; encouraging participation in public life).
3. Foster good relations between those people who share a protected characteristic and those who do not (such as tackling prejudice and promoting understanding).

To show **due regard** for advancing equalities involves:

Removing or minimising disadvantages suffered by people due to their protected characteristics.

Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.

Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

### The Specific Duty:

The Specific Duty which underpins the General Duty includes assessing local authority activities in the exercise of their functions, such as proposals, policies and procedures, for impact on people in relation to the protected characteristics listed below.

The new Specific Duty covers the following eight protected characteristics:

Age	Race
Disability	Religion or belief
Gender reassignment	Sex
Pregnancy and Maternity	Sexual orientation

(The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnerships in relation to employment issues only ),

A public authority that is covered by the specific duties is required to publish sufficient information to demonstrate its compliance with the general equality duty across its functions. This must be done by **31<sup>st</sup> July 2012** and at least annually after that, from the first date of publication.

This information must include:

Information on the effect that its policies and practices have had on people who share a relevant protected characteristic

### **What is Equality Analysis?**

Equality analysis is a way of considering the effect of an organisation's services on different groups that are protected from discrimination by the Equality Act. By doing this analysis, NHDC need to consider if there are any unintended consequences for some groups and to consider if the policy/decision will be fully effective for all target groups.

By law, NHDC must conduct equality analysis which:

- Contains sufficient information to enable a public authority to show it has given due regard to the equality duty in its decision making.
- Identifies methods for mitigating or avoiding adverse impact (either disproportionate disadvantage and unlawful discrimination).

Failure to meet the duties may result in authorities being exposed to legal challenges.



## **Step by Step guide to undertaking Equality Analysis**

These principles apply to existing as well as new and proposed policies.

In order to be most effective, equality analysis should start prior to policy development or at the early stages of a policy review, considering its possible effects well in advance of implementation.

Outlined below is a suggested staged approach;

### **Identifying who is responsible for the equality analysis**

### **Establishing relevance to equality**

### **Scoping your equality analysis**

### **Analysing your equality information**

### **Monitoring and review**

### **Decision-making and publication**

## **1.0 Identifying who is responsible for the equality analysis**

The person identified to undertake the equality analysis should be the person with whom responsibility for evidencing need to change a policy or service decision rests, in this respect it is advisable that analysis should only be taken by council officers in their relevant policy/service areas. This will ensure that proper ownership of the analysis is maintained, that there is sufficient knowledge of the service itself, and any results of the analysis inform future service development and improvement

## **2.0 Establishing relevance to equality**

The Equality Act 2010 guidance states that all policies must be analysed for their impact on equality, whether these are current and proposed policies or whether they are informal customs or practices. NHDC are responsible for making a wide range of decisions, including decisions about overarching policies and setting budgets, to day-to-day decisions, which affect specific individuals or specific groups. NHDC propose that the following areas are targeted for Equality Analysis:

- Key decisions - i.e. those over £50,000.00 value or which have a considerable potential impact on the community and across the 'protected characteristics'. (NB. Contractual arrangements, such as contracts for energy, will be exempt from review as whilst they are of sufficient monetary value, the 'equality' impact on the community is nil).
- Major budget implications - i.e. efficiencies and investments such as those proposed within the corporate business planning process
- Major service provision revision - i.e. restructure proposals, changes to working practices and especially those with greatest impact on external customers.

Relevant policies which may be subject to review may include:

**grant-making programmes**  
**budgetary decisions**  
**changes to service delivery** (including withdrawal or reduction of services)  
and **recruitment or pay policies**

Where it is clear from initial consideration that a policy will not have any effect on equality for any of the protected characteristics, no further analysis or action is necessary. There will be some policies which are not specifically relevant to equality e.g. a policy on when to check the temperature of fridges in a hospital. Some policies may be more difficult to judge and certainly, at the outset, advice should be sought from the corporate Policy team.

**This is particularly important, as if you decide that a policy is not relevant to equality, you will need to document this decision along with the reasons and the information that you used to reach this conclusion.** *This evidence is subject to review by the Equality and Human Rights Commission and could be used as evidence in any challenge regarding decisions this Council has made*

**A simple statement of 'no relevance to equality' without any supporting information is not sufficient, nor is a statement that no information is available.**

The following questions may help in deciding whether a policy is relevant to equality (this is not an exhaustive list but intended to provide a steer when making decisions, particularly in the early stages of implementation):

Does the policy affect service users, employees or the wider community, and therefore potentially have a significant effect in terms of equality? Remember that relevance of a policy will depend not only on the number of those affected but also by the significance of the effect on them.

Is it a major policy change, significantly affecting how functions are delivered in terms of equality?

Will it have a significant effect on how other organisations operate in terms of equality? (for example, a government strategy, an inspection or a grant).

Does the policy relate to functions that previous engagement has identified as being important to particular 'protected' groups?

Does or could the policy affect different protected groups differently?

Does it relate to an area with known inequalities (for example, access to public transport for disabled people)?

### 3.0 Conducting your equality analysis

#### 3.1 How do the aims of the policy relate to equality?

To do this you will need to have a clear understanding of the policy/decision that is being developed or reviewed. Consider:

What is the purpose of the policy/decision?  
In what context will it operate?  
Who is it intended to benefit?  
What results are intended?

At this early stage you can consider the potential effects, both negative and positive, on protected groups.

### **3.2 What aspects are relevant to equality?**

Consider which aspects of the policy are most relevant to equality. This will help you to focus your attention on the most important areas.

### **3.3 What equality information is available?**

It is important that you have appropriate and reliable information about the different protected groups that the policy is likely to affect. Of course, this will vary according to the nature of the policy being analysed but information gathered from service users should tell you who is using your services, what their experiences are and what their outcomes are.

The following information may also be useful:

- Comparisons with similar policies in other departments or other authorities
- Analysis of enquiries, comments or complaints from the public
- Recommendations from inspections or internal audits
- Information about the local community, including Census and general demographics to establish the numbers of protected groups in your area.
- Results of engagement activities or surveys
- Information from protected groups and other agencies, such as equality organisations and voluntary or community organisations providing services to the public to help you understand the needs or experiences of different groups.

### **3.4 What are the information gaps?**

If you do not have equality information about a particular policy or about some protected groups, consider whether you need to fill these information gaps by surveys or other engagement or stakeholder meetings. This may include, in the longer term, questions included in the District Wide or Citizens Panel surveys, for example, or by making use of community events to test agreement with a policy decision.

### **3.5 Which groups could usefully be engaged?**

Depending on the policy that is being analysed, consider engaging with employees, service users and/or equality organisations. Recent engagement activities that have been undertaken for related policies or strategies may prove useful as a starting place. See the EHRC guide on *Engagement and the equality duty* for further guidance.

## **4.0 Analysing your equality information**

Local authorities should ask one simple question when delivering services to the public:

**What will happen, or not happen, if we do things a certain way?**

**Remember that equality analysis is not simply about identifying and removing negative effects or discrimination – it is also an opportunity to identify ways to advance equality of opportunity and to foster good relations.**

### **4.1 Using your information to understand the effect on equality**

Once you have gathered all the relevant equality information together, you will be able to make a judgement about what the likely effect of the policy will be on equality.

Be wary of general conclusions – it is not acceptable to simply conclude that a policy will universally benefit all service users, and therefore the protected groups will automatically benefit, without having evidence to support that in any conclusion.

Understanding the effect on equality will be easier for existing policies. For new policies, you will need to evaluate the proposal against all the information assembled and make a reasonable and informed judgement about whether the policy is likely to have positive or negative consequences for particular groups.

The following questions and answers provide a check to determine whether you consider that your analysis is robust enough to rely on:

- **Is the purpose of the policy change/new policy clearly set out?**

Robust analysis will set out the reasons for the change; how this change can impact on equality groups, as well as whom it is intended to benefit; and the intended outcome. You should also consider how policies might relate to one another. This is because a series of changes to different or interrelated policies or services could have a severe and consolidated impact on particular equality groups.

- **Has the analysis considered the available evidence?**

The assessment should use the most up-to-date and reliable information about the different groups the proposal is likely to affect. A lack of data is not a sufficient reason to conclude that there is no impact.

- **Have those likely to be affected by the policy been consulted and involved?**

Involvement and consultation are crucial to the equality analysis process and this will certainly be the case for larger policy discussions/decisions, such as that relating to housing provision, town centre enhancements etc, when it would be more than justified to seek the views of those most directly affected, i.e. disabled people.

- **Have potential positive and negative impacts been identified?**

It is not enough to state simply that a policy will affect everyone equally – it is rare that it would! There should be consideration of available evidence to see if particular equality groups are more likely to be affected than others are. Equal treatment does not always produce equal outcomes; sometimes authorities will have to take specific steps for particular groups to address an existing disadvantage or to meet differing needs.

- **What course of action does the analysis suggest I take? Is it justifiable?**

Your analysis should clearly identify the potential equality impacts, the decisions that you have arrived at and the reasons for this decision. All must be documented and retained for subsequent review.

The following questions may be useful to understand the effect of the policy on service users:

- Could the policy outcomes differ between protected groups?
- What are the key findings of your engagement?
- Is there different take-up of services by different groups?
- Could the policy affect different groups disproportionately?
- If there is a greater effect on one group and is that consistent with the policy aims?
- Has the policy delivered practical benefits for protected groups?
- Does the policy miss opportunities to advance equality and foster good relations, including, for example, participation in public life?
- Could the policy disadvantage people from a particular group?
- Could any part of the policy discriminate unlawfully?
- Are there other policies that need to change to support the effectiveness of the policy under consideration?

### The findings of your analysis

Having reviewed potential users, and what you know of our local population etc, there are four main steps that you can take with regard to any proposal you are making:

**No major change** – The analysis demonstrates that the policy is robust and the evidence shows no potential for discrimination or adverse impact.

**Adjust the policy** – This involves taking steps to remove barriers or to better promote equality. It can mean introducing measures to mitigate the potential effect.

**Continue the policy** – This means adopting your proposals, despite any adverse effect or missed opportunities to advance equality, provided you have satisfied yourself that it does not unlawfully discriminate.

**Stop and remove the policy** – If there are adverse effects that are not justified and cannot be mitigated, you will want to consider stopping the policy altogether. If a policy shows unlawful discrimination it *must* be removed or changed.

### Documenting your analysis

Documenting your analysis is important to ensure that the general and specific duties are being met

You may want to document some or all of the following areas. There is no legal requirement to put this information into one document, but for ease of reference and in order to establish a corporate standard, we request that it is put into a standard format to improve communication and transparency. That information, collected on the template attached at the end of this report must contain the following;

The person responsible for the policy

The aims of the policy

The key people that are involved, for example decision-makers, staff implementing it

Relevance of the policy to the different arms of the duty and the different protected groups

What equality information is available, including any evidence from your engagement?

What information gaps exist?

What engagement has been done regarding this policy, and the results of this?

What the actual or likely effect of the policy is, regarding the aims of the general equality duty and the protected groups?

What steps you will take in response to the findings of your analysis?

How you will review the actual effect of the policy after implementation?

The timescale for implementation

Sign off of the equality analysis - by a responsible officer for the service and the Head of Policy, Partnerships and Community Development

As part of the internal governance arrangements, completed equality analysis will be quality checked by the Corporate Diversity Group. Part of the remit of this group is to monitor progress on the equality duty, including equality analysis.

A template has been provided to ensure that uniform information is collected at Annex A.

## 5. Monitoring and review

**Equality analysis is an ongoing process that does not end once a policy has been agreed or implemented.** Service provision need to change in line with the needs of the service users - demographics can change, leading to different needs, alternative provision can become available or new options to reduce an adverse effect could become apparent. This does not mean repeating the equality analysis, but using the experience gained through implementation to check the findings and to make any necessary adjustments.

Consider:

How you will measure the effects of the policy?

When the policy will be reviewed and what could trigger an early revision?

Who will be responsible for monitoring and review?

What type of information is needed for monitoring and how often it will be analysed?

How to engage stakeholders in implementation, monitoring and review?

## 6. Decision-making and publication

In order to have due regard to the equality aims in the general equality duty, your decision-making should be based on a clear understanding of the effects on equality. This means that the person who ultimately decides on the policy has to be fully aware of the findings and have due regard of them in making decisions.

### Publication

Under the specific duties, equality information published by listed bodies must include evidence of analysis undertaken to establish whether their policies and practices would further or have furthered, the aims of the general equality duty. It is recommended that the Council should publish information on equality analysis alongside the policy or decision that it refers to; arrangements have been made to ensure that reference to equality analysis appears in all formal committee reports on the corporate template and that EIAs are filed alongside those reports to evidence equality compliance.



## Glossary

### What are the Protected Characteristics?

**Age:** A person of a particular age (e.g. 32 year old) or a range of ages (e.g. 18 - 30 year olds). NB age is not currently protected under goods and services (this is unlikely until 2012). When considering disadvantage, take into account impacts on children and young people as well as adults, and cross-cutting impacts such as parents and carers (of younger, disabled and older people).

**Disability:** A person has a disability if s/he has, or has had, a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities. Carers are covered by association.

**Gender reassignment:** A person who is proposing to undergo, is undergoing or has undergone gender reassignment (the process of changing physiological or other attributes of sex, therefore changing from male to female, or female to male).

**Pregnancy and maternity:** Maternity refers to the period of 26 weeks after the birth (including still births), which reflects the period of a woman's Ordinary Maternity Leave entitlement in the employment context. In employment, it also covers (where eligible) the period up to the end of her Additional Maternity Leave.

**Race:** A person's colour, nationality, ethnic or national origin.

**Religion and belief:** Religious and philosophical beliefs including lack of belief. Generally, a belief should affect your life choices or the way you live for it to be included in the definition.

**Sex:** A man or a woman.

**Sexual orientation:** A person's sexual orientation towards the same sex (lesbian or gay), the opposite sex (heterosexual) or to both sexes (bisexual). NB does not currently apply to the General Duty.

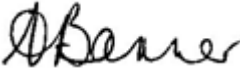

**Marriage and civil partnership:** Marriage is defined as a 'union between a man and a woman'. Same-sex couples can have their relationships legally recognised as 'civil partnerships'. Civil partners must be treated the same as married couples on a wide range of legal matters.

## Equality Analysis Template

1. Name of activity:	Council Tax Reduction Scheme			
2. Main purpose of activity:	To provide a discount on council tax to those on a low income			
3. List the information, data or evidence used in this assessment:	Council tax reduction claimant data			
<b>4. Assessment</b>				
<b>Characteristics</b>	<b>Neutral</b> (x)	<b>Negative</b> (x)	<b>Positive</b> (x)	Describe the person you are assessing the impact on, including identifying: community member or employee, details of the characteristic if relevant, e.g. mobility problems/particular religion and why and how they might be <b>negatively or positively</b> affected.  <b>Negative: What are the risks?</b> <b>Positive: What are the benefits?</b>
<b>Community considerations</b> (i.e. applying across communities or associated with rural living or Human Rights)	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<div><b>Negative</b></div> <div></div> <div><b>Positive</b></div> <div></div>
A person living with a disability	<input type="checkbox"/>	x <input type="checkbox"/>	<input type="checkbox"/>	<div><b>Negative</b></div> <div>Currently any household where a member of the household is in receipt of personal Independence payment (PIP) or disability living allowance (DLA) will automatically receive 100% discount on their council tax bill, regardless of income. Under the proposed scheme the amount of discount awarded will depend on the assessable income, meaning a household that currently gets 100% discount may be required to make a contribution towards their council tax in future if their household income reaches certain thresholds However, it should be noted that when income is assessed, PIP and DLA benefits received by the applicant, their partner, or any dependents, will be excluded from the calculations. This is known as a 'disregard'. An extra disregard of £50 (weekly) will also apply to all households where the applicant/partner/dependents are in receipt of PIP/DLA. A standard £50 per week disregard will also be provided against all earnings. Carer's allowance will also be disregarded. Other disregards include Child Benefit, and an amount in respect of the housing element of Universal Credit. The combination of these disregards will provide a level of protection for those losing the automatic 100% discount. The aim is to ensure that applicants impacted by disability are not penalised for income designed to</div>

				<p>help them cope with costs incurred in association with this disability, and therefore that this income can continue to be used to support their living with disability. In addition, a limited time Exceptional Hardship Scheme will run to assist those who are struggling to pay and those who have had their entitlement reduced. This scheme will take into account income against essential outgoings (for example, costs associated with living with a disability).</p> <p><b>Positive</b></p> <p>The positive impact is on all CTR applicants by making the scheme fairer and based on the household income. The current scheme makes an assumption that someone in receipt of disability benefits (for themselves or a household member) needs financial assistance with their council tax which of course may not be the case.</p>
A person of a particular race	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p> <p></p>
A person of a gay, lesbian or bisexual sexual orientation	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p> <p></p>
A person of a particular sex, male or female, including issues around pregnancy and maternity	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p> <p></p>
A person of a particular religion or belief	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p> <p></p>
A person of a particular age	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p> <p>There is no change as far as pensioners are concerned as they are subject to a prescribed scheme that means they are unaffected by the proposed changes to the working age scheme.</p>
Transgender	x <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<p><b>Negative</b></p> <p></p> <p><b>Positive</b></p>

5 Results				
	Yes	No		
Were positive impacts identified?	x <input type="checkbox"/>	<input type="checkbox"/>	Positive impact – the new system will help those on the lowest-incomes, many of whom already struggle to pay their council tax bill, and who may struggle more during the cost of living crisis. Pensioners remain unaffected by the proposed changes.	
Are some people benefiting more than others? If so explain who and why.	X <input type="checkbox"/>	<input type="checkbox"/>	<p>Those on lower incomes stand to benefit the most from this scheme. Many on lower incomes under the current scheme are unable to pay, which may lead to wider issues of debt, and stress or mental health crises. The proposals look to simplify the scheme and ensure those on the lowest incomes receive support, particularly in the context of the current cost-of-living crisis. Providing this support may in the long-run help to prevent further strain on other services provided by the local authority and community groups.</p> <p>It should be noted that the proposals do not impact the Single Persons Discount of 25%, as this is set nationally and only affects a person's liability for council tax, rather than the rate of reduction they are due under the Council Tax Reduction Scheme.</p>	
Were negative impacts identified (what actions were taken)	X <input type="checkbox"/>	<input type="checkbox"/>	<p>Those who are in receipt of Disability benefits, or who live with a partner or dependant in receipt of these benefits (PIP and DLA), will no longer be automatically entitled to council tax reduction, as the system will be based on income. However, it should be noted that when income is assessed, PIP and DLA benefits received by the applicant, their partner, or any dependents, will be excluded from the calculations. This is known as a 'disregard'. An extra disregard of £50 (weekly) will also apply to all households where the applicant/partner/dependents are in receipt of PIP/DLA. A standard £50 per week disregard will also be provided against all earnings. Carer's allowance will also be disregarded. Other disregards include Child Benefit, and an amount in respect of the housing element of Universal Credit. The combination of these disregards will provide a level of protection for those losing the automatic 100% discount. The aim is to ensure that applicants impacted by disability are not penalised for income designed to help them cope with costs incurred in association with this disability, and therefore that this income can continue to be used to support their living with disability. In addition, a limited time Exceptional Hardship Scheme will run to assist those who are struggling to pay and those who have had their entitlement reduced. This scheme will take into account</p>	

			income against essential outgoings (for example, costs associated with living with a disability), in order to further support people in these circumstances.
<b>6. Consultation, decisions and actions</b>			
If High or very high range results were identified who was consulted and what recommendations were given?			
<p>Consultation has taken place with the public and partners regarding the proposed changes – 67.78% of respondents were in favour of the proposed changes.</p> <p>Consultation has taken place with Executive member for Finance and IT and with PLB.</p> <p>The proposal will go to Cabinet in December for onward recommendation to Council in January for implementation on April 2023.</p>			
Describe the decision on this activity			
<p>We will have a discretionary scheme to provide some temporary assistance to anyone who will suffer hardship if their entitlement reduces under the proposed scheme (when implemented)</p> <p>We will write to those who will see the biggest reduction and advise them that they can apply for discretionary support.</p>			
List all actions identified to address/mitigate negative impact or promote positively			
Action	Responsible person	Completion due date	
<p>Providing various 'disregards' (DLA/PIP; Carers allowance) ectto support those in the Vulnerable Category.</p> <p>Discretionary Exceptional Hardship Scheme to support those who will see the largest reductions. The council will write to these people to advise them that they can apply for this support.</p>	Anne Banner – Benefits Manager	With effect once the new scheme commences.	
When, how and by whom will these actions be monitored?			
Anne Banner and Jo Dufficy – monitoring throughout the year to assess the need for adjustments, and broader scheme review in September 2023.			
<b>7. Signatures</b>			
Assessor			
Name: <b>Anne Banner</b>	Signature** 		
Validated by			
Name: <b>Jo Dufficy</b>	Signature** 		
<b>Forward to the Corporate Policy Team</b>			
Signature**			
Assessment date:		Review date:	

**\*\* Please type your name to allow forms to be sent electronically.**

***A copy of this form should be forwarded to the corporate policy team and duplicate filed on the council's report system alongside any report proposing a decision on policy or service change.***

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<b>FINANCE, AUDIT &amp; RISK COMMITTEE</b> <b>13 December 2022</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: UPDATED CONTRACT PROCUREMENT RULES FOR 2023/2024**

REPORT OF THE CONTROLS, RISK AND PERFORMANCE MANAGER

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL

**1. EXECUTIVE SUMMARY**

1.1 This report sets out the proposed changes to the Contract Procurement Rules for review and referral that, in summary, seeks to make the following changes:

- ☐ Updates to reflect the Procurement Function moving from Legal to the Resources Directorate
- ☐ Update to section 3 to add guidance relating to the treatment of below threshold Concession Contracts.
- ☐ Clarifying Officer responsibilities with regard to posting award notices and retaining signed contracts on the E-Sourcing system
- ☐ Adding guidance on TUPE requirements.

**2. RECOMMENDATIONS**

2.1 That Committee considers the proposed changes and recommends their adoption to Full Council.

**3. REASONS FOR RECOMMENDATIONS**

3.1 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.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 Not updating the CPRs would increase the risk of non-compliant Procurement at the Council which could lead to procurement challenges and increased costs.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

5.1 This report and appendices are being presented to FAR Committee for consideration, prior to recommendation to Council. The proposed changes have been approved by the Council's Contract and Procurement Group, chaired by the Service Director, Resources, and attended by the Executive Member for Finance and IT, who has responsibility for Procurement.



## **6. FORWARD PLAN**

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

## **7. BACKGROUND**

- 7.1 The CPRs are reviewed on a periodic basis to ensure they remain relevant and appropriate for the Council's needs. This review has been undertaken by the Contract and Procurement Group, led by the Service Director, Resources and the Controls, Risk and Performance Manager.
- 7.2 This is a light touch review to update on changes to the management of the Procurement function and other guidance for Officers to ensure that procurement requirements are met.
- 7.3 Next year, if the new Procurement Bill is published (which will have implications for these Rules and the Procurement Strategy) there may be a requirement for greater changes, as we will need to update our internal guidance to match the new Regulations in force. If the Bill is passed into law, we will have a six-month period in which to implement the changes.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The changes to the Contract Procurement Rules are provided at Appendix A, detailing the proposed tracked changes. A summary of these proposed key changes is outlined below.
- 8.2 **Management of the Procurement Function**  
Procurement previously sat under the Legal and Community Directorate from 2019 to 2022. In July 2022, the management of the procurement function transferred back to the Resources Directorate. A full-time procurement officer was appointed at the same time. Any reference to guidance on the procurement process, the procurement documents and interpretation of the rules has been updated to show that these functions now sit under Procurement.
- 8.3 **Concession Contracts below Regulated Threshold**  
Section 3.10 of the rules currently states that the rules do not apply to Concession Contracts. It sets out the regulations to be followed for Concession Contracts above the regulated amount (currently £5,336,937.00), however, it does not mention what rules should be followed for Concession Contracts below this value as legislation is silent on below threshold Concession Contracts. This change seeks to address the gap in guidance for Officers.
- 8.4 **Posting Award Notices**  
The current CPRs do not specify that Contract award notices need to be posted even when contracts have not been advertised. Suggested changes make it clear that even if a Framework agreement, Single Tender or Waiver route is taken, our transparency obligations mean that an award notice must be posted for Contracts over £25k in value.
- 8.5 **Clarification on the Standstill Period**  
A standstill period must be observed between notifying suppliers of the outcome of a procurement and the contract award for all procurements over £100k. The proposed additional guidance gives Officers more detail on how this period should be calculated.
- 8.6 **Requirement to upload a signed copy of Contracts over £25k into E-Sourcing**

The suggested change means that the current requirement for Officers to retain a signed copy of the contract is set out in the rules as part of the Table A guidance.

## **8.7 TUPE requirements**

There are specific rules which must be followed regarding contracts which may have TUPE implications. The rules have been updated to ensure that Officers know they will need to consult with Legal and HR, if they believe their contract will involve this.

## **8.8 Follow Up**

At the last review of the CPRs Members requested that the impact of increasing the threshold for Go Local (from £50k to £100K) should be monitored and reported back. At the time of writing this report, our spend data shows that spend with Local Suppliers is currently at 12% of overall spend, which is slightly down on the previous year's figures. However as spend has increased on some of our larger contracts, the local spend will unfortunately reduce as a percentage of the whole. As of October 2022, out of a total of 1015 active suppliers, 233 of the suppliers were within the North Hertfordshire postcodes. This equates to 22.96% of our supplier base. We will continue to monitor and report on spend with local suppliers via the Contract and Procurement Group.

# **9. LEGAL IMPLICATIONS**

- 9.1 Under section 10.1.5 (g) of the Finance, Audit and Risk Committee's Terms of Reference it has remit "to maintain an overview of the council's constitution in respect of Contract Procurement Rules and Financial Regulations, consider any major changes and make recommendations to Council for approval". Full Council adopts and changes the Constitution and documents such as the Contract Procurement Rules that are part of the Constitution.
- 9.2 The Council must comply with the Public Contracts Regulations 2015 for all procurements above the relevant thresholds. Below the thresholds, the Council's own rules will apply. The 2015 Regulations introduced some limited controls on procurements below threshold, as well as the authority for the Cabinet Office to introduce statutory guidance for below threshold procurements.
- 9.3 The overriding principles of transparency, non-discrimination, mutual recognition, and equal treatment applies to all procurements, where there is evidence of cross-border interest, irrespective of their value. Having a robust set of Contract Procurement Rules should ensure compliance with these obligations and reduce the risk of successful legal challenge to a procurement exercise.
- 9.4 Section 135 of the Local Government Act 1972 requires the Council to make standing orders with respect to the making of contracts for the supply of goods or services or for the execution of works. Section 37 of the Local Government Act 2000 confirms that a Council's Constitution must contain its Standing Orders.

# **10. FINANCIAL IMPLICATIONS**

- 10.1 These are procedural matters that have no direct financial impact upon the Council's revenue or capital budgets.

# **11. RISK IMPLICATIONS**

- 11.1 The process of assessing the Council's governance arrangement enables any areas of

weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

- 11.2 Adoption of the proposed amendments will contribute to the Council's internal control environment and the management of risk, as well as enhancing the effectiveness of the procurement process.

## **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, victimization, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The Contract Procurement Rules in themselves do not generate equalities implications, however, their application when considering specific procurements of goods and services, or works, must take full account of this legislation.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not, in themselves, constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied. However, the application of the Contract Procurement Rules must take full account of this requirement when procuring a public service contract within specified parameters as laid out in the Social Value Act. Social Value is one of several factors to be considered when purchasing goods and services, or entering a works contract.

## **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 structural change has already taken place moving Procurement to Finance. There may be a requirement for knowledge transfer between managers in the 2 Directorates and associated documents to be updated, such as Job Descriptions.

## **16. APPENDICES**

- 16.1 Appendix A – Contract Procurement Rules .

## **17. CONTACT OFFICERS**

Ian Couper, Service Director, Resources, [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk) x4243

Rachel Cooper, Controls, Risk & Performance Manager, [Rachel.cooper@north-herts.gov.uk](mailto:Rachel.cooper@north-herts.gov.uk) x 4606

Rizwan Sarwar, Procurement Officer, [Rizwan.sarwar@north-herts.gov.uk](mailto:Rizwan.sarwar@north-herts.gov.uk) x4392

Isabelle Alajooz, Legal Commercial Team Manager & Deputy Monitoring Officer, [Isabelle.alajooz@north-herts.gov.uk](mailto:Isabelle.alajooz@north-herts.gov.uk) x 4346

Tim Everitt, Performance & Risk Officer, [tim.everitt@north-herts.gov.uk](mailto:tim.everitt@north-herts.gov.uk) x4646

Reuben Ayavoo, Policy & Communities Manager, [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk) x 4212

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## **18. BACKGROUND PAPERS**

18.1 Constitution section 20: [[CLICK HERE](#)]



## **PART B**

### **SECTION 20**

#### **CONTRACT PROCUREMENT RULES**

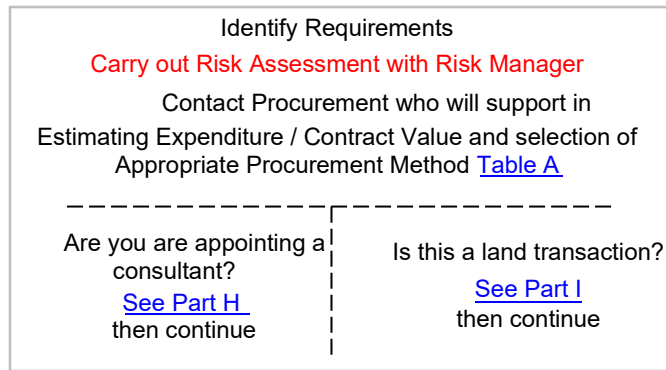
**NORTH HERTFORDSHIRE DISTRICT COUNCIL**  
**CONTRACT PROCUREMENT RULES s20**

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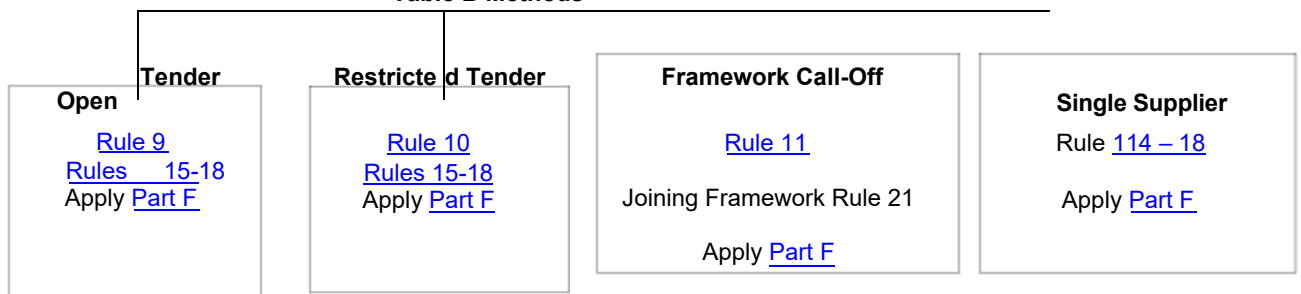


## Part A Flowchart to show tendering options

### New Contracts

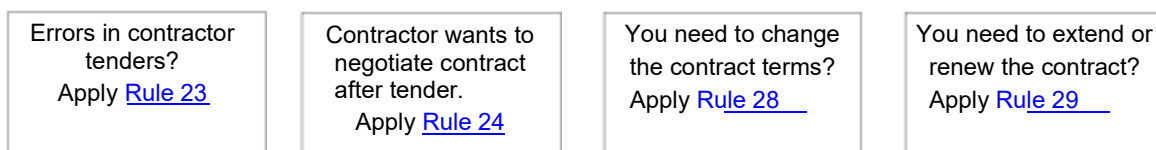


### Table B Methods



### Ongoing Contracts / Problems

Have you spoken to Legal?



## Part B Background

### 2 Introduction

- 2.1 These Contract Procurement Rules (the **Rules**) provide a structure for the procurement of works, goods and services. Following them will ensure value for money, propriety and the proper expenditure of public funds. Officers must remember that their budgets are made up of public money and must ensure that they are spent correctly, fairly and transparently.
- 2.2 These Rules have been split into a number of Parts which you must comply with:
- (a) Part C Procurement Methods – relates to new procurements; and
  - (b) Part F Specific Rules of Contract – which details the terms and conditions of contract that should apply; and
  - (c) Part G Ongoing Requirements – which details the procedures that must be followed if you need to vary, extend or terminate your contract; and
  - (d) Part H Appointment of Consultants – which details the special procedures that should be followed regarding the appointment of consultants; and
  - (e) Part I Land Transactions – which details the special procedures that should be followed regarding the acquisition or disposal of any interest in land.
- 2.3 Procurement decisions are amongst the most important decisions an Officer will make because the money involved is public money. Efficient use of scarce resources is therefore vital. Equally as important is the Council's reputation, which should be safeguarded from any suspicion of dishonesty or corruption. Officers must ensure that they are able to account for all the actions and decisions they take, and that all processes are transparent and can be audited. Following these Rules will ensure that Officers meet these requirements.
- 2.4 Failure to comply with the Rules will result in Officers conduct being examined and may be a breach under the [Council's Managing Misconduct Policy](#). It is a potential disciplinary offence to fail to comply with these Rules when letting contracts and employees have a duty to report breaches of these Rules to the Service Director: Legal and Community, who is also the Council's Monitoring Officer ([monitoring.officer@north-herts.gov.uk](mailto:monitoring.officer@north-herts.gov.uk)). The Monitoring Officer will then report the matter to the relevant officer's line manager and may consult with the Service Director: Resources.
- 2.5 The Rules have been adopted in accordance with the requirements of Section 135(2) of the Local Government Act 1972.
- 2.6 The Council's Contracts and Procurement Group is responsible for reviewing and providing guidance on all procurement and contractual matters.
- 2.7 You should ask for advice from Procurement as per the contacts list at the end of these Rules, if any aspect of these rules is unclear. You should also seek Procurement and Legal advice at the indicated stages of any procurement process, and at any other time should you wish to do so.
- 2.8 Officers have a responsibility to read and be familiar with these Rules.
- 2.9 Capitalised words usually have a particular defined meaning which is either explained elsewhere within these rules or else defined in another document. Common contract and procurement defined words are defined in the Contract Procurement Rules Jargon Busting Guide. Please contact Procurement if the meaning of any of these Rules is unclear.
- 2.10 In these Rules, unless otherwise stated, references to a Service Director are to the Service Director of the department responsible for the contract in question or such senior officer of that department to whom the Service Director has delegated in writing the powers in question.

### 3 Scope

- 3.1 These Rules apply to all contracts for works or the supply of goods or services to North Hertfordshire District Council save as set out in rule 3.4.
- 3.2 You must not enter into any contract until all necessary approvals, sanctions and consents have been obtained and ensured these Rules have been followed.
- 3.3 No tender or quotation may be accepted unless the necessary approval, sanction and consent have been obtained.
- 3.4 These Rules apply to all contracts with third parties and all sub-contracts where the Council nominates a sub-contractor or supplier, or where we appoint a consultant (refer to Part H) to act on behalf of the Council. They also apply, in appropriate circumstances, to the sale of assets, goods or services by the Council. They do not apply to:
- contracts of employment
  - purchases made at public auction
  - contracts with other local authorities or Central Government (this can refer to collaborative working such as consortia arrangements, where the Procurement rules of the lead authority apply)
  - contracts which are exempt under the Public Contracts Regulations 2015
- 3.5 There are particular requirements in relation to the appointment of consultants, (Part H Appointment of Consultants) and transactions involving land, (
- 3.6 Part I Land Transactions).
- 3.7 These Rules are made up of two intersecting sets of rules: WTO GPA and UK public procurement law; and competition law; and the Council Constitution. The Council Constitution applies to procurements of any value and has four levels depending on the Contract Value. UK public procurement law applies in addition to the Council Constitution in relation to procurements above the WTO GPA Threshold<sup>1</sup>.
- 3.8 The principles of the Public Services (Social Value) Act 2012 will be applied to all relevant procurements and contract management required by the legislation and in any event will be applied to all procurement contracts above the WTO GPA threshold including capital works and goods supply. Additionally a “go local” policy applies to all contracts valued below £100,000, to first attempt to locate those goods, services or works from a supplier located within the North Herts Council geographical area. Advice on these policies and the toolkits available to assist you should be sought from Legal.
- 3.9 These Rules will be reviewed regularly. Responsibility for this lies with the Service Director: Resources (or relevant delegated officer) in consultation with the Monitoring Officer and the Contracts and Procurement Group.
- 3.10 These Rules do not apply to Concession Contracts (*see Glossary of Terms in section 34*). For Concession Contracts equal to or greater than the sum specified in Article 8(1) of the Concessions Directive, please follow the processes set out in the Concession Contracts Regulations 2016. For Concession Contracts below the thresholds specified in Article 8(1) of the Concession Contracts Regulations 2016 you must use a fair tendering process ensuring the key treaty principles of Equal Treatment and Transparency are adhered to.
- Always Seek advice from Legal and Procurement if you think this applies to your contract
- 3.11 For all relevant procurements (see Table A), you must consider the extent to which environmental protection and the following principles of locality could be incorporated and promoted in both the contract award criteria and performance of contract.

- Increase local spend to invest in the local economy
- Co-ordinate services at a neighbourhood level
- Think about the whole system not individual service silos
- Focus on early intervention now to save costs tomorrow
- Commit to your community and proactively support local organisations
- Commission services simply and collaboratively so they are “local by default”
- Physical environmental impacts

## Part C Procurement Methods

### 4 Introduction

- 4.1 The nature of the Council's activities often calls for a close working relationship with commercial organisations and without making any implication of improper conduct by either Officers or contractors, it is in your interests to ensure that there cannot even be a suspicion of a conflict of interest.
- 4.2 This Rule is of particular importance to staff who are in close contact with commercial firms seeking the opportunity to tender for the Council's services. It is important that the actions of such staff should be manifestly above suspicion of bias in favour of a particular firm and every care must be taken not to disclose 'in confidence' information e.g. tender prices.

#### Personal Interests

- 4.3 No contract may be awarded to an Officer of the Council, or to any partnership of which they, or any member of their family are a member (except for a corporation in which they are a shareholder) or to any company of which they or any member of their family are a director unless a relevant conflict of interest form has been completed and authorisation obtained from the officer's Appropriate Officer<sup>3</sup> for the award of the contract to proceed.
- 4.4 No Officer may accept a directorship in any company unless approved under the Employee Conflicts of Interest Policy. Permission should be sought from their Appropriate Officer, as detailed in the Employee Conflicts of Interest Policy<sup>4</sup>. All Officers are expected to be aware of and comply with the requirements of the Council's policy.
- 4.5 The exception to this rule is if two Officers of the Council put in an expression of interest to supply a service through the Community Right of Challenge Act 2012. Information on this Community Right is available on the Council's website<sup>5</sup>. Any Officers that have put in an expression of interest cannot take part in the tendering process from a Council perspective, e.g. they cannot participate in tender evaluation.

#### Prevention of Corruption

- 4.6 All contracts should ensure that suppliers are under a contractual obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti – Bribery Policy.

<sup>3</sup> Officers to review Conflicts of Interest Policy and complete form 3 : <http://intranet.north-herts.gov.uk/home/about-me/hr-policies/conflicts-interest> <sup>4</sup>

*Ibid*

<sup>5</sup> <https://www.north-herts.gov.uk/home/community/community-right-challenge>

- 4.7 No Officer may purchase goods from or use the services of a contractor on preferential terms for private purposes if these terms are given either directly or indirectly because of the potential or actual contractual or other official business relationship between the contractor and the Council.

#### Hospitality

- 4.8 The utmost discretion must be exercised if offers of hospitality, gifts etc. are received from contractors with whom staff deal in the course of their official duties. Dealings must be kept strictly on a business footing and the highest standard of watchfulness and integrity must be maintained at all times. See also the Council Employee Gift's and Hospitality Policy:

<http://intranet.north-herts.gov.uk/home/about-me/hr-policies/gifts-and-hospitality>

Councillors who exercise their functions under these rules are also obliged to following their Code of Conduct, the NHDC Member Protocol for Gifts & Hospitality and declare any relevant interests.

<https://www.north-herts.gov.uk/home/council-and-democracy/councillors/councillors-code-conduct-and-declaration-interests>

#### Record of Interests

- 4.9 All interests in contracts must also be declared in writing in register (Interests in Contracts form 3) held by the Service Director: Legal and Community and all interests registered are open to inspection by members and the public:

<http://intranet.north-herts.gov.uk/home/about-me/hr-policies/conflicts-interest>

#### Whistleblowing

- 4.10 When a Member, employee or a contractor raises concerns about the activities of the Council which are ethically questionable, this is known as whistleblowing and is covered by the Councils' "Whistleblowing Policy". The Policy applies to all employees and those contractors working for the Council on Council premises, for example, agency staff. It also covers suppliers and those providing services under a contract with the Council on their own premises. Further information is available at:

<http://intranet.north-herts.gov.uk/home/finance-and-procurement/corporate-governance/whistleblowing-policy>

### **5 Contract values**

- 5.1 The estimated annual and total aggregate values of any contract (whether for works, goods or services – see below and Table A) should be established prior to going to the market and should be recorded in writing.

The aggregate value of any contract is calculated on the basis of the total value of the consideration including any options for extensions or renewals (usually the cost payable but may include any benefit in kind or other benefit to the contractor) estimated to be payable over the entire contract period. Where the contract provides for an option to renew or extend, then the estimate should be based on the assumption that the option is exercised.

Some contracts might be indefinite in length. In relation to services, the value shall be the total expenditure incurred over a four year period. In relation to supply of goods the value shall be the total expenditure incurred over a twelve month period. Note works contracts cannot be indefinite as they end when the works are complete.

- 5.1.1 The aggregate value of any works contract shall include not only the value of the works themselves over the entire estimated length but also all the related services, equipment and materials which the contractor will be expected to provide under the contract, so it is vital that the specification of the contract is comprehensive. If other contractors are providing separate services, i.e. Quantity Surveyors or Architecture Consultancy in relation to works contracts, these are not included and are treated as separate contracts to the main contract.

- 5.1.2 (a) "Works Contract" means a contract which has as its object construction, demolition of buildings, civil engineering, earthworks and associated requirements such as re-roofing, re-surfacing, design services etc.
- (b) "Services Contract" means a contract which has as its object a service of some sort, e.g. courier services, street cleansing, training etc.
- (c) "Goods Contract" means a contract which has as its object the supply of some tangible items e.g. photocopiers, refuse bins, consumables etc.
- (d) "Consultancy Services" (see Part H) means a contract to provide specialist advice or support to the Council. This does not cover training providers.
- 5.2 The estimate is in Pounds Sterling inclusive of Value Added Tax. This value does not include any saving to the Council. This estimate is the Contract Value.
- 5.3 Contract Values must not be artificially under or overestimated or divided where the effect is to avoid the Rules.
- 5.4 The Contract Value determines which of the four levels of the Rules are applicable. However, if the preliminary estimate is within 10% of a higher category value, then the provisions for the higher level should be applied. This allows for any potential overspend on the Contract which would otherwise have meant that the final value of the contract was above the threshold for the type of procurement used.
- 5.5 In all cases a procedure applicable to a higher value contract may be used if it is considered to be in the Council's best interests or is considered to be best practice.
- 5.6 If there is any conflict or if it is unclear which procedure should apply, you should as a default method, apply the rules as if your procurement was a tender, i.e. Rule 8 (Tender). Please ask Procurement for advice.
- 5.7 If there is an intention to use indices for calculating any contract uplift, please ask Finance (Resources Directorate) for advice.

## 5 – Summary of Requirements for Contract Values – Table A

*Procurement now sits under Finance – please contact the Procurement Officer for advice and guidance					
PROCUREMENT – TABLE OF REQUIREMENTS – GOODS AND SERVICES (all of these are NET VAT figures)					
UNDER 10K	£10K-£24,999K	£25K - £49,999K	£50K - £99,999K	£100K – REGULATED <sup>1</sup>	REGULATED PROCUREMENTS <sup>2</sup>
1 Quote	2 Quotes	3 Quotes	Open Advert	Open Advert	Restricted, Open or Negotiated Procedure
Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy		Consider use of a PIN
Must provide details for Contract Register for over £5k in value	Keep records of offers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers.	- Discussion with Procurement before starting procurement including discussion on incorporating environmental protection and locality	Discussion with Procurement before starting procurement including discussion on incorporating environmental protection and locality	- Initial procurement meeting held with Procurement before starting the procurement including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Procurement and Legal before starting the procurement including discussion on incorporating environmental protection and locality.
-	Must provide details for Contract Register	Standard Quotation Documents	Standard Quotation Documents	Standard Tender Documents	Standard Tender Documents
-	-	Must use e – sourcing	Must use e-sourcing	Must use e- sourcing	Must use e - sourcing
-	-	-Must provide details for Contract Register	Carry out Risk Assessment	Carry out Risk Assessment	Carry out Risk Assessment
-	-	Must consider setting up Google alerts/ Creditsafe alerts.	Consider Social Value	-Must Consider Social Value	Must consider Social Value
-	-	Must post award notice to contract finder even if advert not posted (e.g restricted / framework call off / single tender / waiver	Standard decision letter templates	Standard decision letter templates.	Standard decision letter templates
-	-	-	-	Detailed Feedback	Detailed Feedback
			Standard evaluation templates	Standard Evaluation Templates	Standard Evaluation Templates

<sup>1</sup> (as at 01.01.2022 for goods and services this is £213,477 including VAT). If this threshold increases or decreases, it will be at that revised set level.

<sup>2</sup> (as at 01.01.2022 for goods and services this is £213,477 including VAT). If this threshold increases or decreases, it will be at that revised set level.



**\*Procurement now sits under Finance – please contact the Procurement Officer for advice and guidance**

**PROCUREMENT – TABLE OF REQUIREMENTS – GOODS AND SERVICES (all of these are NET VAT figures)**

UNDER 10K	£10K-£24,999K	£25K - £49,999K	£50K - £99,999K	£100K – REGULATED <sup>1</sup>	REGULATED PROCUREMENTS <sup>2</sup>
-	-	-	-	Observe 10 day Standstill	Observe 10 day Standstill.
			Standard Award letters.	Standard Award letters.	Standard Award letters.
-	-	-	Contracts must be completed and signed by both parties prior to commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.	Contracts must be completed and signed by both parties prior to contract commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.. Consider if contract should be sealed as a deed.	Contracts must be completed and signed by both parties prior to contract commencement where practical. Where this is unlikely to take place, notification should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing. Consider if contract should be sealed as a deed.
-	-	-	Must complete Decision Notice	Must complete Decision notice	Must complete Decision Notice
-	.		Must provide details for Contract Register.	Must provide details for Contract Register.	Must provide details for Contract Register.
-	-	-	Must post award notice within 30 days of Contract Award	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.
-	-		Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google Alerts. Mandatory Creditsafe alerts.

*Procurement now sits under Finance – Please contact the Procurement Officer for advice and guidance					
PROCUREMENT – TABLE OF REQUIREMENTS – WORKS (all of these are NET VAT figures)					
EMERGENCY UP TO £2.5K	UNDER £25k	£25K - £50K	£50K - £250K	£250K - REGULATED <sup>3</sup>	REGULATED PROCUREMENTS <sup>4</sup>
1 Verbal Quote	1 Written Quote	3 Quotes	3 Quotes	Restricted Procedure or Open Advert	Restricted, Open or Negotiated Procedure
Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy	Apply Go Local Policy for values up to £100k	-	-
-	Must keep records of offers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers.	Must keep records of suppliers invited, method of inviting offers, basis of selecting contractors, staff authorised to accept offers, correspondence with suppliers, evaluation record sheets.	- Discussion with Procurement before starting procurement including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Procurement before starting the procurement. including discussion on incorporating environmental protection and locality.	Initial procurement meeting held with Procurement before starting the procurement. including discussion on incorporating environmental protection and locality.
-	- Must provide details for Contract Register if over £5k.	Standard Quotation Documents	Standard Quotation Documents	Standard Tender Documents	Standard Tender Documents
-	-	Consider e - sourcing	Must use e- sourcing	Must use e- sourcing	Must use e - sourcing
-	-	- Must provide details for Contract Register	Carry out Risk Assessment	Carry out Risk Assessment	Carry out Risk Assessment
-	-	- Must consider setting up Google alerts/ Creditsafe alerts.	Consider Social Value	Must Consider Social Value	Must consider Social Value
-	-		Standard decision letter templates	Standard decision letter templates.	Standard decision letter templates
-	-	-	-	Detailed Feedback	Detailed Feedback
				Standard evaluation templates	Standard evaluation templates
-	-	-	-	Observe 10 day Standstill	Observe 10 day Standstill.
			Standard Award letters.	Standard Award letters.	Standard Award letters.

<sup>3</sup> (as at 01.01.2022 for works this is £5,336,937 including VAT). If this threshold increases or decreases, it will be at that revised set level.

<sup>4</sup> (as at 01.01.2022 for works this is £5,336,937 including VAT). If this threshold increases or decreases, it will be at that revised set level.

*Procurement now sits under Finance – Please contact the Procurement Officer for advice and guidance					
PROCUREMENT – TABLE OF REQUIREMENTS – WORKS (all of these are NET VAT figures)					
EMERGENCY UP TO £2.5K	UNDER £25k	£25K - £50K	£50K - £250K	£250K - REGULATED <sup>3</sup>	REGULATED PROCUREMENTS <sup>4</sup>
-	-	-	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a waiver should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing.	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a waiver should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing. Consider if contract should be sealed as a deed.	Contracts must be completed and signed by both parties prior to any works commencing. Where this is unlikely to take place, notification and a waiver should be provided to the Service Director: Legal and Community prior to the start date with a plan to achieve contract signing. Consider if contract should be sealed as a deed.
-	-	-	Must complete Decision Notice	Must complete Decision notice	Must complete Decision Notice
-	-	-	Must provide details for Contract Register	Must provide details for Contract Register	Must provide details for Contract Register
-	-	-	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.	Must post award notice within 30 days of Contract Award.
-	-	-	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google alerts/ Creditsafe alerts.	Must consider setting up Google Alerts. Mandatory Creditsafe alerts.

<sup>7</sup> (as at 01.01.2022 for goods and services this is £ 177,897 excluding VAT). If this threshold increases or decreases, it will be at that revised set level.

<sup>8</sup> (as at 01.01.2022 for goods and services this is £ 177,897 excluding VAT). If this threshold increases or decreases, it will be at that revised set level.

## **6 Estimates – (Below £25,000)**

- 6.1 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money.
- 6.2 The Council has adopted a Go Local Policy for all procurements below £100,000. Officers should always seek to obtain local quotes where available. A record should be kept of the decision making process, as this may be required for audit purposes. (See Glossary of Terms for description of Go Local and link to Cabinet report)
- 6.3 Officers should demonstrate that value for money has been obtained and should maintain records accordingly, in line with the Document Retention Schedule.
  - 6.3.1 Such records should contain, as a minimum:
    - (a) the number of estimates or offers invited; and
    - (b) the method of inviting estimates or offers; and
    - (c) the basis of selecting suppliers/contractors; and
    - (d) the staff authorised to accept estimates or offers.
- 6.4 Official Purchase Orders must be raised through the Council's electronic ordering system in accordance with Financial Regulations.
- 6.5 You must follow Rule 20 (Contracts).

## **7 Quotation (Goods and Services £25,000 to £100,000 / Works £50,000 to £250,000)**

- 7.1 All Quotations should take place using the Council's E – sourcing system. Contact Procurement for assistance.
- 7.2 Prior to starting your quotation you should contact Procurement to discuss you planned procurement.
- 7.3 Once a quotation process has started, there must be no contact with any of the bidders unless it is through a clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Procurement and must be made using the Councils E-sourcing system
- 7.4 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money, that any selection process used is fair and equitable, and that no positive or negative favouritism is shown to any contractor.
- 7.5 Please see Table A under Rule 5 for contract notice requirements. In addition, the project manager may also place an advert in a trade publication (please be aware that some publications charge for adverts).
- 7.6 You must have a specification of requirements. See
- 7.7 Part F Specific Rules of Contract, in particular Rule 26 (Specification).
  - 7.7.1 You must not change the specification after requesting quotations.
- 7.8 You must follow the procedures in Rule 17 (Evaluation Criteria for Quotations and Tenders).
  - 7.8.1 You must not change the scoring method after requesting quotations.
- 7.9 You may approach only a single supplier if the conditions in Rule 14 (Single Tender) are met. This process may only be used where there are compelling reasons for it being required and must not be applied solely because it is convenient to do so. Otherwise, you should invite a minimum of three formal quotations. (Please check with Procurement before proceeding).
  - 7.9.1 Where you can demonstrate that there are insufficient suitably qualified contractors or suppliers to meet the requirements for a minimum of three quotations, both suitably qualified candidates must be invited, and this approach agreed under Rule 22 (Waivers).
  - 7.9.2 At least two satisfactory responses (i.e. responses which meet a minimum quality standard under which

the Council could award the contract) must be received. If the Council receives only one satisfactory response, the Officer must obtain an additional quote or tender or obtain a waiver under Rule 22 (Waivers).

7.10 You must follow the procedures outlined in:

- (a) Rule 15 (Receipt of Quotations / Tenders); and
- (b) Rule 16 (Opening Quotations and Tenders); and
- (c) Rule 20 (Contracts).

7.11 The Council has adopted a Go Local Policy for all procurements below £100,000. Officers should always seek to obtain local quotes where available. A record should be kept of the decision making process, as this may be required for audit purposes. (See the Glossary of Terms for a description of Go Local and link to Cabinet Report).

7.12 For Contracts over £25,000 you must post an award notice to Contract Finder using the Councils E-sourcing system, even if the procurement was not advertised. This is a Government requirement for Transparency purposes.

7.13 For contracts above £50,000 you must publish an official NHDC Decision Notice on the Councils' website. The Decision Notice template is available on the following page on the Intranet.  
<http://intranet.north-herts.gov.uk/home/doing-business/procurement/standard-procurement-templates>

## **8 Tenders (Goods and Services above £100,000 and Works above £250,000)**

8.1 Service Directors must ensure that appropriate mechanisms are in place within their Directorate to ensure value for money, that any selection process used is fair and equitable, and that no positive or negative favouritism is shown to any contractor.

8.2 Prior to starting your quotation you should contact Procurement to discuss your planned procurement.

8.3 You must have a specification of requirements. See

8.4 Part F Specific Rules of Contract, in particular Rule 26 (Specification).

8.4.1 It is important that all documentation and specifications are completed before proceeding to advert. If this is not done in the initial stages, officers may find that they have placed themselves under unnecessary pressure to meet the timescales they have set. In addition, please ensure that all Project meetings (e.g. evaluation and moderation) are timetabled well in advance to ensure resource availability at key points, and no diary clashes).

8.4.2 For all procurements which require Member input, you must consult on the specification with the Executive Member prior to going out to quotation or tender.

8.4.3 You must not change the specification once the Invitation to Tender (ITT) has been sent to interested bidders.

8.5 You must follow the procedures in Rule 17 (Evaluation Criteria for Quotations and Tenders).

8.5.1 For all procurements which require Executive Member input, you must consult on the scoring method with the Executive Member prior to going out to quotation or tender.

8.5.2 You must not change the scoring method once Selection Questionnaire or Invitations to Tender (ITT) have been sent to interested bidders.

8.6 You must have a contract prepared in advance in a form approved by the Service Director: Legal and Community. See

8.7 Part F Specific Rules of Contract.

8.7.1 Contact Legal for advice if you need to negotiate or amend the contract during the tender process.

- 8.8 If you are unable, or if your Service Director decides that it is not feasible to meet these requirements you must obtain a waiver under Rule 22 (Waivers).

Tendering Options

- 8.9 Service Directors should select one of the tendering methods described in Table B. Alternative methods of tendering may be used with approval of Cabinet in advance. Contact Procurement for advice.

<b>Table B</b>	
<b>Tender option</b>	<b>Description</b>
Open Tender – Rule 9	This process should be used when there are only a small number of suppliers competing for the business. There is no pre-qualification, any interested supplier may tender.
Restricted Tender – Rule 10	<p>This process should be used if there are a large number of suppliers competing for the business. It can only be used for procurements over the WTO GPA threshold.</p> <p>Suppliers are pre-qualified as to their suitability as contracting partners. They are assessed as to whether they have the capability to provide the works, goods or services.</p> <p>Qualified suppliers are invited to tender and are assessed as to how they will prove the works, goods or services.</p>
Framework Agreement – Rule 11	This process may be used if we are named or named via a link (e.g. Supply Herts) as a member of an appropriate Framework Agreement, or if it is an Open Framework. The procedure is that defined by the Framework Agreement but generally invites supplier members to tender prices against a specification. There is not normally any negotiation on terms or conditions
Competitive Procedure with Negotiation and Competitive Dialogue – Rule 12	These processes can be used when it is not possible to adapt readily available solutions or design /innovation may be required. Rules 29 and 30 of the Public Contract Regulations set out the requirements
Innovation Partnership – Rule 13	<p>These processes can be used when it is not possible to adapt readily available solutions or design / innovation may be required.</p> <p>Rule 31 of the Public Contract Regulations sets out the requirements</p>
Single Tender – Rule 14	<p>You approach only a single supplier for their tender.</p> <p>This process may only be used where there are compelling reasons for it being required and must not be applied solely because it is convenient to do so.</p> <p>(Contact Procurement for advice)</p>

## Part D Tendering Methods

Rule 40 of The Public Contract Regulations 2015 expressly allows opportunities for Pre Tender market consultation. Please consult with Legal and Procurement on its use as the rules must be carefully followed.

### 9. Open Tender

Once a tender process has started, there must be no contact with any of the bidders unless it is through a clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Procurement,

9.1 All adverts and contract award notices must be published as per Table A requirements.

9.1.1 See Rule 34 (Glossary of Terms) for the meaning of “WTO GPA Threshold” and “Find a Tender”.

#### Invitation to Tender (ITT)

9.2 The Council has a standard ITT template which will be tailored for each procurement. Please contact Procurement for the current version.

9.2.1 The ITT is a document that details the goods or services we require, in sufficient detail for the interested contractors to give us an accurate quotation of price and how they will meet our minimum expected service levels. The ITT incorporates the form of contract that we intend to contract under, as well as the detailed specification which is probably the most important element. The ITT for every specific procurement must be “owned” by the Project or Service Manager leading the procurement exercise. See also Rules 23 (Contractual Terms) and 24 (Specification).

9.3 You must send all interested suppliers a copy of the ITT. You should seek advice from Procurement in creating your ITT. Your ITT should contain questions that assess the supplier’s ability to provide the services and their suitability to be contracting partners to the Council. This is done by assessing (where relevant):

- a) the suppliers ability to perform their obligations against the specification; and
- b) financial standing; and
- c) technical standards; and
- d) insurance; and
- e) health and safety; and
  
- f) environmental and economic (e.g. employment) factors: and
- g) social value, and
- h) compliance with any other relevant statutory obligation; (including equalities) and
- i) references.

9.4 You must follow the procedures outlined in:

- a) Rule 15 (Receipt of Quotations / Tenders); and
- b) Rule 16 (Opening Quotations and Tenders); and
- c) Rule 17 (Evaluation Criteria for Quotations and Tenders); and
- d) Rule 18 (Contract Award); and
- e) Rule 19 (Standstill Period) it is highly recommended that this is observed for all tenders unless timescales are prohibitive.

### 10. Restricted Tender

Once a tender process has started, there must be no contact with any of the bidders unless it is through a



clarification process. Clarification questions usually relate to the contract or the specification and responses are time sensitive. Clarification responses are the responsibility of the Project Manager and Procurement and must take place using the Councils E-Sourcing system.

10.1.1 All adverts and contract award notices must be published as per the requirements in Table A.

10.2 The restricted tender procedure splits the procurement process into two stages: the SSQ and then the ITT. **This process can only be used for procurements above the WTO GPA threshold for services.**

10.2.1 See Rule 34 (Glossary of Terms) for the meaning of “SSQ” and “ITT”.

#### Standard Selection Questionnaire (SSQ)

10.3 You should use the approved starting point SSQ. Contact Procurement for the current version.

10.4 You must send all interested suppliers a copy of the SSQ. You should seek advice from Procurement when creating your SSQ.

10.5 The SSQ stage involves assessing the general capability of a company as a contracting party to provide the services. This is done by assessing:

- a) financial standing; and
- b) technical standards; and
- c) environmental and economic (e.g. employment) factors; and
- d) compliance with any other relevant statutory obligation; and
- e) references; and
- f) and other matters that do not relate to the quality of their services, just their ability to provide the service.
- g) The following may be assessed at SSQ or ITT stage – Social Value and Equalities impacts.

10.6 This assessment is designed to fail those companies that we could not contract with and allow to ITT all companies we could contract with.

10.7 It is important not to assess aspects of quality at SSQ otherwise you cannot ask the same question at ITT. A supplier's quality of service should only be assessed by their tender (following ITT).

10.8 The process for selecting and short listing contractors must be transparent, fair and auditable.

#### Invitation to Tender (ITT)

10.9 You should use the approved starting point ITT. Contact Procurement for the current version.

10.9.1 The ITT is a document that details the goods or services we require in sufficient detail for the interested contractors to give us an accurate quotation of price and how they will meet our minimum expected service levels. The ITT incorporates the form of contract that we intend to contract under as well as the detailed specification which is probably the most important element. The Evaluation Criteria must also be included in this document. See also Rules 25 (Contractual Terms) and 26 (Specification).

10.10 You must send all short listed suppliers a copy of the ITT. You should seek advice from Procurement when creating your ITT.

10.11 Your ITT should contain questions that assess the supplier's ability to provide the services and their suitability to be contracting partners to the Council. This is done by assessing the supplier's ability to perform their obligations against the specification. You should not include any question you have assessed in your SSQ.

10.12 You must follow the procedures outlined in:

- a) Rule 15 (Receipt of Quotations / Tenders); and
- b) Rule 16 (Opening Quotations and Tenders); and
- c) Rule 17 (Evaluation of Quotations / Tenders ); and
- d) Rule 18 (Contract Award); and
- e) Rule 19 (Standstill Period) - it is highly recommended that this is observed for all tenders unless timescales are prohibitive.

## **11. Call-Off Further Competition under a Framework Agreement**

- 11.1 The full tendering procedures within the Rules will not apply to a contract where Procurement, advises it is appropriate to purchase from suppliers through an approved external Framework Agreement.
- 11.2 See Rule 34 (Glossary of Terms) for the meaning of “Framework Agreement”.
- 11.3 This Rule only applies if the Council is already named or named via a link (e.g. Supply Herts) unless using a consortium framework. i.e. ESPO (Eastern Shires Purchasing Organisation) or it is an Open Framework. If there is no appropriate Framework Agreement in place see Rule 21 (Joining a Framework Agreement).
- 11.4 Each Framework Agreement has its own procedures in relation to purchasing from a Supplier under the agreement. These must be followed exactly. See Procurement for advice. These procedures may be quicker and more straightforward than full procurements. As with all Frameworks, it is important to consider whether it provides the best Value for Money outcome.
- 11.5 Framework call-offs above £25,000 must have an award notice posted to Contract Finder in order to satisfy our Transparency requirements.

### **11A Dynamic Purchasing System**

- 11A.1 The tendering procedures in these Rules will not apply to a contract if Procurement advises it is appropriate to purchase from suppliers through a Dynamic Purchasing System.
- 11A.2 See Rule 34 (Glossary of Terms) for the meaning of “Dynamic Purchasing System”
- 11A.3 Dynamic Purchasing Systems (“DPS”) can provide all the benefits of a Framework Agreement but are more flexible. The key benefits compared to a Framework Agreement are no limits on duration and suppliers can join and leave at any time.
- 11A.4 A DPS is generally appropriate for purchasing simple and commoditised goods. Please seek advice from Procurement.
- 11A.5 Calls offs from a DPS above £25k must have an award notice posted to Contract Finder in order to satisfy our Transparency requirements.

## **12. Competitive Procedure with Negotiation**

- 12.1 All adverts and contract award notices must be published as per the requirements in Table A.
- 12.2 The Competitive Procedure with Negotiation splits the procurement process into initial receipt of ITTs, a negotiation stage and final submission of bids from Suppliers.
- 12.3 Competitive Procedure with Negotiation is subject to detailed rules and Legal must be consulted if this option is selected.
- 12.4 As in 8.6 the approval of Cabinet must be obtained in advance if this method is selected.

### **13. Innovative Partnership procedure.**

- 13.1 All adverts and contract award notices must be published as per the requirements in Table A.
- 13.2 This procedure may only be used where it has been identified that there is a need for innovative goods, services or works which cannot be met by the existing market.
- 13.3 The Innovative Partnership procedure is subject to detailed rules, and Procurement and Legal must be consulted if this option is selected.
- 13.4 As in 8.6 the approval of Cabinet must be obtained in advance if this method is selected.

### **14. Single Tender**

Please liaise with Procurement in the first instance, as pre-authorisation for this approach is required as per Rule 14.2.

#### Below WTO GPA Threshold<sup>13</sup>

- 14.1 A single tender may be obtained when:
  - a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available; or
  - b) The works, goods, or services to be supplied consist of repairs to or the supply of parts or upgrading of existing proprietary machinery, equipment, software, hardware or plant and the repairs or the supply cannot be carried out practicably by alternative contractors; or
  - c) Specialist consultants, suppliers, agents or professional advisors are required and:
    - (i) Evidence that there is no satisfactory alternative; or
    - (ii) evidence indicates that there is likely to be no genuine competition; or
    - (iii) it is in the Council's best interest to engage a particular consultant, supplier, agent or advisor; (Contact Legal for advice) or
  - d) Products are sold at a fixed price and market conditions make genuine competition impossible.
- 14.2 You must have prior written approval of the Service Director responsible, the Service Director: Legal and Community and the Service Director: Resources. Contact Procurement for advice on preparing your Single Tender Option report.
- 14.3 In the event that approval has not been obtained for a single tender in accordance with section 14.2, and a contract has been awarded, the Service Director: Resources and the Service Director: Legal and Community may grant retrospective approval provided the following conditions are met:
  - (i) Expenditure is within approved budgets or overspend has been reported
  - (ii) Contract award was approved under Section 14 of the Council's Constitution  
(Responsibility for Functions)
  - (iii) The Service Director: Resources and the Service Director: Legal and Community are satisfied that an application for a single tender would have been approved under section 14.2.
  - (iv) The commissioning officer completes an application for retrospective approval to the Service Director: Resources and the Service Director: Legal and Community.

#### Above WTO GPA Threshold<sup>14</sup>

Please liaise with Legal and Procurement in the first instance.

- 14.4 A single tender may only be obtained if:

- a) No tenders or no appropriate tenders were received in response to a previous tender; or
- b) The contract involved is purely for the purpose of research, experiment, study or development under specific conditions; or
- c) The works/goods/services can be provided only by a particular tenderer for reasons that are:
  - (i) Technical; or
  - (ii) Artistic; or
  - (iii) Connected with the protection of exclusive rights; or
- d) Because of extreme urgency brought about by events unforeseeable by the contracting authority and in accordance with strict conditions; or
- e) Additional works/deliveries/services are ordered under strict conditions; or
- f) New works/services, constituting a repetition of existing works/services are ordered in accordance with strict conditions; or
- g) Service contract awarded to the successful candidate or one of them after a design contest; or
- h) For supplies quoted and purchased on a commodity market; or
- i) For the purchase of supplies on particularly advantageous terms:
  - (i) From a supplier which is definitely winding up its business activities; or
  - ii) From the receivers or liquidators of a bankruptcy, an arrangement with creditors or a similar procedure; or
- j) All tenders submitted in reply to an open procedure, or a restricted procedure were irregular or unacceptable. Only those tenderers who satisfied the qualitative selection criteria (i.e. PQQ) may be included in the negotiations.

14.5 You must have prior written approval of the Service Director responsible, the Service Director: Legal and Community and the Service Director: Resources. Contact Legal for advice on preparing your Single Tender Option report.

14.6 A “voluntary transparency notice” (VTN) must be published on Find a Tender giving reasons for negotiating with a single supplier. This takes the place of the “contract award notice” described by Rule 18 (Contract Award).

14.7 You must follow Rule 19 (Standstill Period).

14.8 In the event that approval has not been obtained for a single tender, in accordance with section 14.5, and a contract has been awarded, the Service Director: Resources and the Service Director: Legal and Community may grant retrospective approval provided the following conditions are met:

- (i) Contract award was compliant with all relevant procurement law
- (ii) Expenditure is within approved budgets or overspend has been reported
- (iii) Contract award was approved under Section 14 of the Council's Constitution  
(Responsibility for Functions)
- (iv) The Service Director: Resources and the Service Director: Legal and Community are satisfied that an application for a single tender would have been approved under section 14.5
- (v) The commissioning officer completes an application for retrospective approval to the Service Director: Resources and the Service Director: Legal and Community.

14.9 In respect of both retrospective approvals detailed under 14.3 and 14.8, you must also remember to publish a delegated decision for any contract award with a total value of £50,000 and above exclusive of options to extend.

## 15. Receipt of Quotations / Tenders

15.1 All quotations and tenders should be received electronically via the Councils E-sourcing system. The

documents cannot be accessed until the closing date and time has passed.

- 15.2 Where the circumstances so warrant, a Service Director may postpone for a reasonable period the closing time and date for the receipt of quotations and tenders, provided that all persons from whom tenders have been invited are notified by the same method, and given the same information and that no quotations or tenders have been opened. Bidders must be notified in reasonable time through the E-sourcing System.
- 15.3 Contact Legal for advice if there are any problems with receiving quotations or tenders.

## **16. Opening Quotations and Tenders**

- 16.1 Quotations and Tenders must be submitted through the Councils' e-sourcing system. It will automatically record the receipt of the quotation or tender for audit purposes. Each document submitted will be deposited securely in the system to which only the project team and Legal will have access. Once the quotation or tender has been awarded, the documents will be kept securely until the expiry of the retention period.

## **17. Evaluation Criteria for Quotations and Tenders**

- 17.1 The appropriate Service Director, or delegated officer, shall evaluate all the tenders or quotations received in accordance with the evaluation criteria set out in the bid documentation (either the invitation to quote or ITT). The Project/ Service manager leading the procurement is responsible for organising all the project meetings necessary to complete the procurement process.
- 17.2 The risk of the contract (e.g. in terms of value, length of contract and the impact of the service being provided) will determine the level of financial and viability checks undertaken on the tenderers (as distinct from the financial evaluation of the tender). Where these findings raise significant concerns then they will be discussed by the Contract Manager, Procurement and Finance, who will jointly determine the course of action to take. This decision will consider procurement legislation and the balance of risk. The decision can still be made that the risk will be tolerated.
- 17.3 You must clearly explain your evaluation scheme to suppliers in your bid documentation.
- 17.4 You should contact Legal who will advise on the appropriate criteria for your procurement.
- Price alone
- 17.5 This assesses the price and not the quality (subject only to minimum levels of quality as defined in your specification) of quotations or tenders. This method is appropriate for supply of goods or simple services and is not normally appropriate for complex services or works. A Price only evaluation must not be used for above WTO GPA<sup>15</sup> tenders.
- 17.6 The Council will accept the quotation or tender that offers the best price (either the cheapest where the Council pays money or the highest when the Council receives money).
- 17.7 Tenders or quotations exceeding the approved budget may only be accepted once the budget holder has liaised with the Accountancy Manager to determine whether, and how, the budget can be increased.
- 17.8 The acceptance of a tender or quotation that is not the lowest priced tender or quotation shall only be accepted if:
- a) the Cabinet has considered a written report from the appropriate Service Director; or
  - b) in cases of urgency, the Managing Director may use Urgency powers as set out in the Constitution. The appropriate Service Director shall report tenders or quotations accepted in this way to the next meeting of the Cabinet.
- 17.9 Where post tender negotiations have been undertaken in accordance with Rule 24 (Post Tender Negotiation), the appropriate Service Director shall only accept the lowest priced tender received. A tender other than the lowest must not be accepted until the Cabinet has considered a written report from the appropriate Service Director and recommended acceptance of a tender other than the lowest.

Most economically advantageous tender

17.10 This Rule does not provide comprehensive or exhaustive procedures for the application and evaluation of tenders using most economically advantageous tender criteria. It aims to provide officers with practical advice on suggested evaluation methods to ensure that the aims of NHC can be achieved and demonstrated taking into account value for money.

17.11 The approved starting point ITT includes most economically advantageous tender criteria. Contact Procurement for advice on using most economically advantageous tender criteria.

17.12 In its simplest form, the most economically advantageous tender criteria includes a balance between the price and quality aspects of your procurement so that the Council achieves the best product for the best price. Common balances are between 70–30 to 60–40 with the weighting towards either price or quality depending on whether price or quality is more important. The weighting decision is made by the Project/Service Manager leading the procurement, and shall be duly justified, particularly in instances where previous requirements tendered have resulted in significantly different weightings. Where feasible, qualitative, environmental and/or social aspects will be incorporated in the tender criteria if they are linked to the subject-matter of the public contract in question and the 'best price quality ratio' shall be used.

17.13 Most economically advantageous tender criteria must be set before the tender process commences and should include the following elements:

- a) a point scoring system for individual quality / best value considerations set at the commencement of the procurement process with weightings applied to quality / best value issues in accordance with their importance to the contract; and
- b) a 'quality threshold' which sets the minimum standards expected. Tenders which fall below this will be excluded from consideration; and
- c) an assessment of the price using either of the Council's "standard" price assessment methods.

## **18. Contract Award**

18.1 Following assessment and the selection of the winning tender each of the losing tenderers must be:

- a) informed of the identity of the successful tenderer; and
- b) informed of the reasons why the Council selected that winning tender; and
- c) provided with a brief summary of the relative advantages of that tender compared with their own.

18.2 You should contact Procurement for assistance in preparing these letters to failed tenderers.

18.3 All letters and documents must be uploaded through the Councils' e-sourcing system and advice is available from Procurement.

18.4 A "contract award notice" must be published in Find a Tender, Contract Finder (and on the NHC website) following procurements where the Contract Value is over the WTO GPA Threshold<sup>16</sup>. All contract award notices should be published via the Councils' e-sourcing system within 30 days of contract award. Again, Procurement can assist with this.

18.5 An official NHC Decision notice must be prepared by the Project Manager and sent to Member Services to be published on the Councils website. Templates are available on the Procurement resource pages of the Intranet

18.6 You should contact Procurement for advice on whether there are any additional reporting and documentation requirements in line with Regulation 84 of the Public Contracts Regulations 2015.

18.7 The Service Director: Legal and Community maintains a Contract Register showing all contracts entered into by the Council. Once awarded, all new contracts over £5,000 must be confirmed to Procurement so they can be recorded on the Contracts Register. A standard template which captures contract details can be found on the procurement resource pages of the intranet

## **19. Standstill Period (for WTO GPA Threshold<sup>17</sup> only)**

- 19.1 Before a contract for value above the WTO GPA threshold can be signed, the Council must wait a minimum of 10 calendar days. This “standstill period” allows a losing supplier to challenge the award decision.
- 19.2 The standstill period must be built into the procurement timetable. The standstill period commences as follows
- (i) Where the Council sends to all the relevant economic operators by facsimile or electronic means, the standstill period ends at midnight at the end of the 10th day after the relevant sending date.
  - (ii) Where the Council sends to all the relevant economic operators only by other means, the standstill period ends at whichever of the following occurs first: (a) midnight at the end of the 15th day after the relevant sending date; (b) midnight at the end of 10th day after the date on which the last of the economic operators to receive such a notice receives it.
- 19.3 You must inform Legal if any failed potential contractor challenges a contract award as soon as possible.
- 19.4 You must not sign a contract during the standstill period or after any challenge without specific advice in writing from the Service Director: Legal and Community.

## **20. Contracts**

- 20.1 All contracts must be in writing and follow the requirements of
- 20.2 Part F Specific Rules of Contract.
- 20.2.1 Contracts under £10,000 must, as a minimum, be in the form of an official order, issued and approved by an authorised officer in accordance with the Council's Financial Regulations.
- 20.2.2 Contracts in excess of £10,000, or in any other case where the responsible Service Director decides it is necessary or desirable, must be drawn up in a form approved by the Service Director: Legal and Community.
- 20.3 For all works contracts over £50,000, documents must be completed and signed by both parties prior to any works commencing.
- 20.4 For goods and services contracts over £50,000, contracts should be executed before commencement where practical. As soon as you become aware that this is not feasible, notification should be provided to the Service Director: Legal and Community with the reasons why this shall not take place and likely timescale and plan for any delays in execution.
- 20.5 Where the contract value exceeds £100,000 you should consider whether the contract should be sealed as a deed. Sealing as a deed offers a number of technical advantages over contracts under hand (i.e. just signed by an appropriate person). The main relevant advantage for the Council is that it can sue under the contract for 12 years (against the normal 6 years). This is most relevant for works or significant services contracts where latent defects or incorrect advice may only cause problems years later. Please contact Legal for advice if you are unsure.
- 20.6 A contract of any value may be sealed if requested by the responsible Service Director or the Service Director: Legal and Community. Please contact Legal for advice.
- 20.7 For all Procurements above £25k, a copy of the completed (signed and dated) contract must be uploaded to the Council's e-sourcing system. / See table A for requirements



## 21. Joining a Framework Agreement

In some instances, a Framework Agreement can offer the most cost effective and appropriate means by which to procure. However, this may not necessarily be the case and so should be regarded as one potential means by which to proceed and should be compared to the alternatives. Procurement will research framework agreements to ensure that they are available for use by NHC and Legal will check the terms and conditions of the call off agreement, if one exists. The Project manager should ensure that it is fit for purpose for their needs.

- 21.1 A Framework Agreement is “an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged”.
- 21.2 This means that the Framework Agreement is a pre-agreed set of terms and conditions that establishes the terms and conditions that will apply to subsequent contracts (a **Call-Off** contract) created under the Framework Agreement but it does not itself do anything except explain how Call-Off contracts are made.
- 21.3 Frameworks can cover supply of works, goods or services. They are useful because once a Framework Agreement has been set up to cover a particular type of works, goods or service you do not need to carry out a full procurement exercise each time you need that supply. Dependant on how the framework has been set up, you can either purchase directly from a supplier, or carry out a mini competition amongst the suppliers. Some consortia require an access agreement to be completed. If there is no appropriate Framework Agreement in place, you can consider whether your procurement is suitable to be a Framework Agreement with other authorities. Procuring supply through a Framework Agreement may lead to price efficiencies due to increased purchasing power.
- 21.4 The maximum duration of a Framework Agreement is four years. The term of a framework agreement may not exceed four years, save in exceptional cases, duly justified. Contact Legal who will provide advice and guidance.
- 21.5 Call-Off contracts may extend beyond the life of the Framework Agreement. The terms of the Framework and the maximum length of call off will need to be considered on a case by case basis.
- 21.6 Useful Framework Agreements include Eastern Shires Purchasing Organisation (ESPO), the Crown Commercial Service (CCS), Hertfordshire Business Services, Supply Hertfordshire, Yorkshire Purchasing Organisation (YPO) North East Purchasing Organisation (NEPO Pro 5 or through any consortia of Local Authorities.
- 21.7 For contracts awarded through a Framework above £25k you must publish an award notice to Contract Finder or Find a Tender.

## Part E Procurement Issues

### 22. Waivers

In certain circumstances, it may be necessary to request a variation to these Contract Procurement Rules. Such a request is referred to as a waiver. You must seek advice from Legal in the first instance.

- 22.1 Waivers are not to be used as an alternative to a lack of forward planning. Where a waiver is needed due to unforeseen circumstances, it will be expected that the waiver will be for a short period of time to allow for a tender/quotation process to be carried out. Waivers which have been submitted to extend contracts or for reasons of extreme urgency must have a timetable attached to highlight when the procurement process is going to be undertaken within the framework of the Contract Procurement Rules.
- 22.2 In relation to procurements above the WTO GPA Threshold<sup>18</sup>, few elements of these Rules may be waived. Please contact Legal for advice as the general law of public procurement is more complicated than can be summarised in these Rules. Approval must be obtained from the Service Director: Legal and Community and the Service Director: Resources but they may refer the matter to Cabinet for approval.
- 22.3 In relation to procurements below the WTO GPA Threshold<sup>19</sup> only, any individual provision in these

Rules may be waived. The waiver has to be agreed by:

- a) a Service Director, in consultation with the Service Director: Resources and the Service Director: Legal and Community, if the Contract Value is £100,000 or less (whether for goods, services or works); or
- b) the Service Director: Legal and Community and the Service Director: Resources in consultation with the appropriate Executive Member for contracts over £100,000 however they may refer the matter to Cabinet for approval; or
- c) the Managing Director activating the Council's 'Major Incident Plan' or a business recovery plan (as outlined in the business continuity management strategy).

22.4 All waivers other than a major incident, require a written report being submitted in advance by the authorised officer explaining that the waiver is justified because either:

- a) the nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of Contract Procurement Rules is justifiable; or
- b) the contract is for supplies, works or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen; or
- c) the circumstances of the proposed contract are covered by legislative exemptions; or
- d) where it is in the Council's overall interest; or
- e) there are other circumstances which are genuinely exceptional.

22.5 A record of the decision and the reasons for it must be kept by the Service Director: Legal and Community.

22.6 For contracts with a value above £25k, a contract award notice must be published to Contracts Finder or Find a Tender.

## **23. Arithmetic Errors**

23.1 Contractors can alter their tenders or quotations after the date specified for their receipt, but before the acceptance of the tender or quotation, where examination by officers of the tender or quotation reveals arithmetic errors or discrepancies which affect the tender or quotation figure.

23.2 The contractor should be given details in writing of all such errors or discrepancies and afforded an opportunity of confirming, amending or withdrawing their offer in writing.

## **24. Post Tender Negotiation**

24.1 In evaluating tenders, the appropriate Service Director, or delegated officer, may invite one or more contractors who have submitted a tender to submit a revised offer following post-tender negotiations.

24.2 All post-tender negotiations shall:

- a) only be undertaken where permitted by law and where the appropriate Service Director, together with the Service Director: Legal and Community and the Service Director: Resources consider additional financial or other benefits may be obtained which over the period of the contract shall exceed the cost of the post-tender negotiation process; and
- b) be conducted by a team of officers approved in writing by the appropriate Service Director, Service Director: Legal and Community and Service Director: Resources; and
- c) be conducted in accordance with guidance issued by Legal and in compliance with current legislation; and
- d) not disclose commercially sensitive information supplied by other bidders for the contract.

- 24.3 Post tender negotiations shall not be used to degrade the original specification unless the capital or revenue budget is exceeded, or the appropriate Service Director considers other special circumstances exist. This process must not put other tenderers at a disadvantage, distort competition or affect adversely trust in the competitive tendering process.
- 24.4 The appropriate Service Director or delegated officer shall ensure that minutes of all post-tender negotiation meetings are properly taken with all savings and benefits offered clearly costed. Following negotiations, but before the letting of the contract, amendments to the original tender submitted shall be put in writing by the contractor and shall be signed by them.

## **Part F Specific Rules of Contract**

### **25. Contractual Terms**

- 25.1 The Council has a number of different standard contractual terms and conditions depending on the nature of the goods, services or type of works you require. These may require additional elements depending on the complexity, risk and importance of the contract. You should ask Legal for advice on the appropriate terms and conditions as early as possible.
- 25.2 If your contractor requests or demands that the Council contracts on their standard terms and conditions, you should contact Legal who will advise you in relation to these terms. In many cases a Suppliers' terms can be acceptable but sometimes negotiation is required.
- 25.3 If your procurement is a Call-Off under a framework agreement there is usually no scope for negotiation on the terms and conditions of that contract. The terms were pre-agreed when the framework agreement was signed. Under a Call-Off contract the only terms that are negotiated are: when and where the work will start; how much will be paid; and when the work will be completed.
- 25.4 If you believe that TUPE may apply to your contract, you should seek advice from Legal and HR. Legal will ensure that the terms and conditions relating to TUPE are included in the contract, however it is the responsibility of the Project Manager and Procurement to ensure that the ITT and the selection questionnaire include references to TUPE where appropriate.

### **26. Specification**

- 26.1 A specification is a description of what the Council requires in as much detail as possible. This description should include all the supply that the contractor will provide and it should list all our requirements so that any quotation / tender prices reflect as fully as possible what the Council requires. Contact Legal for assistance with preparing your specification.
- 26.2 Contracts must be consistent with the delivery of the Council's approved policies, service plans and budgets. If for any reason a proposed contract appears likely to require a change to any policy, service plan and/or budget approval of those changes must be obtained in accordance with the Constitution prior to procurement being initiated.
- 26.3 Specifications should have regard to all of the Council's priorities and policies, as well as any legislative requirements. In the specification (and/or award criteria) consideration should be given to factors such as the method of working or production, sourcing of materials, packaging, or type of fuel employed, whole life costing including disposal and environmental issues, which may impact on those wider policies and priorities. These factors should not be applied as a means to stifle competition and be commensurate with potential costs.
- 26.4 Whenever a contract is re-let, the opportunity should be taken to revise the specification to achieve better value, where necessary, seeking approvals as above.

### **27. Payment**

- 27.1 Payment to contractors on account of works contracts should only be made on receipt of a payment certificate, or equivalent under the JCT, NEC, ICE or other industry standard form contract (whether of

staged or complete works).

- 27.2 Payment terms applied to all contracts will be within 30 days of receipt of goods or satisfactory completion of services and will be made by BACS, unless there are exceptional circumstances such as stage payments, or there is a benefit to the council to reduce the payment terms.
- 27.3 Contracts which involve the use of subcontractors shall contain a contract clause ensuring payment throughout the supply chain of 30 days payment terms.
- 27.4 Service Directors shall be responsible for ensuring appropriate systems are in place for carrying out checks on contractors' final accounts. These checks should include a suitably qualified officer who has had no previous involvement in the contract.

## **Part G Ongoing Requirements**

### **28. Variations**

**You should seek advice from Legal before negotiating / agreeing any variation.**

**This Rule 28 may apply in addition to the Rule 14 Single Tender Option.**

- 28.1 There are two variation procedures: where the contract has provision and procedures relating to variations; and where the contract has no provision for variation.
- 28.2 Any contract may be varied through the use of a deed of variation. You should seek advice from Legal before agreeing any variation.
- 28.3 All variations must be in writing and conform to the appropriate Financial Regulations.
- 28.4 The Service Director: Resources and Service Director: Legal and Community must be informed in writing of any variation.
- 28.5 Any variation under this section does not require reassessment of the original procurement process as a result of a change in the overall value of the contract.

#### Contractual variation

- 28.6 A Service Director may authorise variations to a contract where the variation procedure and the resulting change in price is determined in accordance with the contract terms – this may be through the use of agreed formula or through serving and agreeing change notices.

#### Non-contractual variation

- 28.7 A Service Director may authorise variations to a contract where:
- a) delay would incur substantial cost penalties to the Council; or
  - b) the proposed variations are unavoidable and/or essential for the project to proceed or continue; or c) circumstances arise during the performance of the contract which make it necessary to amend the specification or method of carrying out the works or services or purchase of goods;  
in each case provided that:
    - (i) the cost to the Council of the variation is less than or equal to 20% of the value of the contract, for contracts up to £250,000 for works and £100,000 for services or goods; or
    - (ii) the cost to the Council of the variation is less than or equal to 10% of the value of the contract, for contracts above £250,000 subject to a maximum value of £50,000k in respect of the variation; or
  - d) in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope. In this instance the

Service Director must report this action to the Executive Member as soon as possible;

and, if relevant, that the variation is within the scope of the original contract notice or any applicable limits as set out in the Public Contracts Regulations 2015 or the overall value of the contract remains below the applicable WTO/GPA threshold<sup>20</sup>.

- 28.8 Subject to the availability of budget funding, an Executive Member may authorise variations to a contract which:
- a) adds more than 20% to the value of the contract for contracts up to £250,000; or
  - b) adds more than 10% to the estimated value of the contract for contracts above £250,000 subject to a maximum value of £50,000 in respect of the variation; or
  - c) in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope;
  - d) results in minor changes to the contract terms or specification;
- in each case provided that any additional cost does not take the total costs of the contract over the limits permissible by the Public Contracts Regulations 2015 or, if relevant, that the variation is within the scope of the original contract notice.
- 28.9 Any other variation must be agreed by Cabinet or under delegated authority from Cabinet.

## **29. Extensions**

**You should seek advice from Legal before negotiating / agreeing any extension, including Framework Agreements.**

- 29.1 All extensions must be in writing in a form approved by the Service Director: Legal and Community and conform to the appropriate Financial Regulations.
- 29.2 If the terms of a contract allow for an extension (or the law otherwise permits), then a Service Director may, following consultation with the Service Director: Resources and the relevant Executive Member authorise an extension of a contract by up to twenty four months, up to a value of £200,000.
- 29.3 The appropriate Executive Member may authorise an extension of more than twenty four months OR in excess of £200,000 with the approval of the Service Director: Resources following consultation with the Finance & IT Executive Member.
- 29.4 In all cases, officers must demonstrate that any extension complies with all applicable laws and statutory guidance; that a detailed and robust cost/benefit analysis has been undertaken and that sufficient budget is available. The relevant Service Director must also consider whether any extension would have a detrimental impact on the Council's strategies and plans. Where applicable, evidence of the decision making process must be formally recorded in a delegated decision which (in addition to the normal process) is filed on the relevant contract file and a copy sent to the Service Director: Legal and Community.
- 29.5 Any extension under this section does not require reassessment of the original procurement process so long as the value of the extended contract:
- (i) does not exceed any applicable limits as set out in the Public Contracts Regulations 2015; or
  - (ii) is within the limits as set out in the original contract notice; or
  - (iii) is below the applicable WTO GPA threshold<sup>21</sup>

## **30. Contract Management**

- 30.1 Once a contract has been awarded it must be monitored with regular review meetings to raise concerns and issues from both parties.
- 30.2 You should take minutes of any review meeting for the benefit of the Council and the contractor.
- 30.3 Contracts identified as Core contracts should be set up with Creditsafe and /or Google Alerts in order to monitor the financial status of the Company. Please contact Accountancy to set up Creditsafe alerts

once the contract has been awarded.

- 30.4 A Contract & Relationship Management guide is available on the Procurement Resource pages of the intranet

## **Part H Appointment of Consultants**

### **31. Consultants**

Before the appointment of any Consultants, Officers must contact Procurement in the first instance, who will provide advice and guidance on the process.

- 31.1 It is important that best value is obtained when employing consultants. Therefore, for all instances where the Contract Value of a consultancy appointment is over £10,000, the commissioning officer must provide a report to the Service Director responsible containing as a minimum the details listed in Rule 32 (Project Details).
- 31.2 This requirement at 31.1 applies to the appointment of management or other advisory consultancy work (to replace, advise or bolster in-house staff resources in “business as usual” activities) The process outlined in 31.1 does not apply to technical or specialist contracts for services (employed for specific projects and included in approved overall project budget) e.g. specialist engineers, architects, surveyors, barristers etc. However, proper procurement procedures must be followed when appointing in all circumstances and parties must enter into a written contract in the form approved by Legal.
- 31.3 All consultants (of any type) must provide evidence of adequate professional indemnity insurance as determined by the HCC Insurance Manager prior to their appointment. The requirement for insurance and the levels required should be advised in the specification of works. This insurance must be maintained for a minimum of 6 years after the contract ends.
- 31.4 It should be a condition of contract with any consultant, agent or professional advisor who is to be responsible to the Council for the award or supervision of a contract on its behalf, that in relation to that contract they shall:
- a) comply with these Procurement Rules as though they were an employee of the Council; and confirm their acknowledgement of this requirement, (this will be particularly relevant if a consultant sub-contracts on behalf of the Council);
  - b) engage in skills transfer activities where required and appropriate;
  - c) produce on request all the records maintained by them in relation to the contract and award of contract; and
  - d) on completion of the contract, transmit all records that they have produced or received that relate to the contract to the appropriate Service Director.
- 31.5 Any contract must set out the consultants legal obligations to the Council. Further internal guidance on the use of consultants can be found on the Legal procurement pages of the Intranet at:
- <http://intranet.north-herts.gov.uk/home/doing-business/procurement/procurement-guides>.

### **32. Project Details**

- 32.1 For consultant appointments over £10,000, the Service Director shall be responsible for ensuring that the consultant's work is properly monitored on an ongoing basis. This includes:
- a) appointing a named project officer or group; and
  - b) specifying key tasks and dates for consultants; and
  - c) monitoring costs against budgets; and
  - d) arranging regular progress meetings with consultants.
- 32.2 The project officer shall report immediately to the Service Director any material technical or financial deviation by the consultant from the specified agreement.
- 32.3 The project officer shall provide a Projects Details report to the appropriate Service Director which:
- a) identifies the project objectives; and

- b) documents the reasons for the employment of consultants including the benefits of employing consultants against in-house staff or agency staff; and
  - c) documents the residual in-house costs to support the consultant and ensure that sufficient budget is available to meet all identified costs; and
  - d) includes a project brief, detailing:
    - (i) background; and
    - (ii) objectives; and
    - (iii) timetable; and
    - (iv) costs; and
    - (v) monitoring arrangements; and
    - (vi) documentation standards; and
    - (vii) contact names and numbers for enquiries.
- 32.4 For consultancy appointments over £10,000, at the end of the appointment, an assessment of the consultant's performance should be carried out. This assessment should be documented in the Consultant's Performance Appraisal form and Lessons Learnt Log. Copies of these completed forms should be sent to the relevant stakeholders, with copies to the Procurement Officer.
- 32.5 The Procurement Officer in conjunction with the Contract Procurement Group (CPG) will review the lessons learned and recommend if any should be entered into the Corporate Lessons Learnt Log
- Further information can be found:
- <http://intranet.north-herts.gov.uk/home/finance-and-procurement/corporate-governance/project-management/project-management-overview>
- Templates for the Performance Appraisal form and Lessons Learnt Log for internal use can be found here:
- <http://intranet.north-herts.gov.uk/home/doing-business/procurement/procurement-guides>

## Part I Land Transactions

### 33. Land Transactions

- 33.1 These Rules shall apply to purchases and sales of property and land and to leases for a fixed term of more than twenty years.
- 33.2 All valuations and negotiations in respect of transactions shall be carried out by or under the supervision of a properly qualified Member of the Royal Institution of Chartered Surveyors or equivalent. **In no circumstances shall Members of the Council conduct them.**
- 33.3 These Rules apply to all valuations of land carried out by a qualified and independent Chartered Surveyor appointed to act on behalf of, or to advise, the Council.
- 33.4 At least two officers of the Council or an officer of the Council and a duly appointed Chartered Surveyor or other agent shall be involved in all negotiations relating to land transactions which engage Section 14 of the Council Constitution (Scheme of Delegation) and any other applicable Section with Terms of Reference for a relevant Committee.
- 33.5 It shall be the duty of the Council's Chartered Surveyor whether employed or appointed to report on any transaction authorised by the Council to the relevant Committee or Group at appropriate times. Which Committee or Group depends on the particular transaction and the authorisation for that transaction. Please contact Legal for advice.
- 33.6 All valuations prepared for the purpose of a transaction or balance sheet estimate shall be supported by evidence of the values of comparable properties in the locality where information and relevant comparators are available.
- 33.7 No property or land owned or leased by the Council shall be disposed of to a third party until it has been

established that no other directorates of the Council have a need for the property or land, and that the current service area confirms no other requirement for the site.

33.8 No property or land owned or leased by the Council, other than land held for investment purposes or previously declared surplus to requirements shall be disposed of until a report has been prepared by the Service Director: Resources and presented to Cabinet containing:

- a) a description of the property or land, its title, physical characteristics and development constraints; and
- b) any information from the Council's records or those of statutory undertakers which would affect the property or land's value or development potential; and
- c) an assessment of the development potential of the property or land; and
- d) evidence that the property or land has been offered to all directorates and that the Council has no operational use for the property or land; and
- e) recommendations on the following:
  - (i) the title to be transferred; and
  - (ii) the method of disposal; and
  - (iii) whether negotiations must proceed with a special purchaser; and
  - (iv) the estimated price the Council may receive ( in a Part 2 report)
- f) In arriving at the recommendation, other factors that officers need to take into consideration are:
  - (i) issues that need to be resolved before marketing of the property or land can proceed; and
  - (ii) whether legal and other costs must be recovered from the prospective purchaser and if so an estimate of their amount; and
  - (iii) whether the appointment of external advisors or agents is required

33.9 All disposals of property or land owned or leased by the Council shall be by one of the following methods: Private Treaty, Public Auction, Formal Tender, Informal Tender, statutory offer back to the former owner, or long lease. Costs of marketing and disposal will be charged to the recipient<sup>22</sup>.

33.10 In the event that it is decided to dispose of property or land by way of a tender then so far as it is practicable the procedures laid down in the Rules shall apply, subject to a waiver under Rule 22 (Waivers) where it is not practicable to follow the procedures laid down in the Procurement Rules.

33.11 The authorisation required for a land transaction depends on its value and is set out within the Constitution. The following are able to authorise transactions, subject to the value set out in their terms of reference:-

- Service Directors: Resources & Commercial
- Cabinet
- Full Council.

## Part J Other Information

### 34. Glossary of Terms

Concession Contract	A contract which allows a Contractor to exploit the works or services for financial gain whilst assuming the usual market risks.
Concessions Directive	Means Directive 2014/23/EU of the European Parliament and of the Council
Dynamic Purchasing System	Is a procedure available for contracts for works, services and goods commonly available on the market. It operates in a similar way to framework agreements but is processed and managed electronically
Framework Agreements	This is an agreement where the procurement has been done in such a way as to allow other local authorities to join the contract for particular goods or



	<p>services. Usually there is some form of “further competition” where we simply say what work or goods we want and the Framework Agreement suppliers give us a quotation price for that work, but it might be that prices are fixed. There are many different sorts of these Framework Agreements and it is worth asking whether there is a Framework Agreement that might suit your requirements. Ask Procurement for advice.</p>
GPA (WTO)	The World Trade Organisation Government Procurement Agreement.
GPA (WTO) Threshold	For year commencing 1 January 2022 – Services and supplies - £213,477 / Works £5,336,937 incl vat. The current figures can be found at <a href="#">WTO Government procurement - plurilaterals - thresholds</a>
Go Local Policy	<p>The Go Local Policy requires any officer seeking to acquire goods or services for council use, with an aggregate contract value below £100,000, to first attempt to locate them from a supplier located within the North Herts Geographical area. The method of acquisition would be in accordance with the current NHC Contract Procurement Rules. If the Go Local Policy cannot be applied, because for instance, there is no suitable supplier (e.g prices may be too high) within the area, then Go Local can be considered not appropriate, and should be explained within the usual procurement process. The overarching principle of this policy would be that, for appropriate procurements, NHC will aim to use local suppliers for the provision of goods, services and works, having full regard for the principles of Best Consideration.</p> <p>The Go Local policy and guidance can be found on the Procurement pages of the Intranet.</p>
Invitation to Tender (ITT)	The ITT is a document that details the goods or services we require in sufficient detail for the interested bidders to give us an accurate quotation of price and how they will meet our minimum expected service levels. The ITT will also contain a form of contract that we will require the winning bidder to use. There are also a number of certificates we expect the winning bidder to return. There is a standard “starting point” ITT template which contains all the legal requirements you will be required to complete. This can be tailored to your needs with assistance from Procurement.
Find A Tender	This is the website where Local Authorities publish details of their procurements to the Public. This was previously called the Official Journal of the European Union.(OJEU) Interested Contractors can search the website and find details of contracts that they may want to tender for. If a Procurement is over the GPA(WTO) threshold, it must be published to Find a Tender. Procurement will assist you with this.
Prior Information Notice (PIN)	A Published Notice which advertises a procurement in advance. Use of a PIN allows timescales to be shortened. In some circumstances it can be used instead of a Contract Notice.
Price or Value	The total cost or value of a Contract or transaction, net of any tax or incidental fees. Note – a decision can be made up to the price or value, as set out in these rules or otherwise as set out in the Council Constitution, notwithstanding that additional tax (e.g VAT or SDLT) or fees, (e.g Land registration) may apply.
Social Value	<p>The Public Services (Social Values) Act 2012 imposes an active duty on relevant Contracting Authorities to consider economic, environmental and social benefits that can be achieved through commissioning. It does so by requiring consideration of the following</p> <p>- how to improve through procurement, the social, economic and</p>

	<p>environmental wellbeing of the area served by the Contracting Authority and</p> <p>- How to undertake a procurement process with a view to securing that improvement.</p> <p>You will need to consider Social value in line with the Table A requirements. Guidance on the Social Value Act and its application can be found on the Procurement pages of the intranet.</p>
Standard Selection Questionnaire	<p>Used to shortlist bidders where there is likely to be a large number of suppliers expressing an interest in the procurement. It works by splitting the procurement process into 2 stages. The first (SSQ) stage involves assessing the Company's general competence as a contracting party to supply the services, but not the way that they would actually supply the services. This is done by assessing their Financial Standing and other matters not relating to the quality of their services, just their ability to provide the service over the contract lifetime, which is assessed in the second stage (the ITT). The SSQ assessment is normally quicker and easier than the full assessment which would be carried out by the ITT and is therefore useful to shortlist suppliers.</p> <p>If there is no SSQ stage, the ITT will contain these questions. There is a starting point SSQ document which contains all the legal requirements. Procurement will assist you with this. This will be tailored to suit your requirements.</p>
Transparency Requirements	<p>The Local Government Transparency code sets out the minimum data that Local Authorities are required to publish, the frequency it should be published and how it should be published. This goes over and above the Procurement Regulations.</p> <p><a href="#">Local transparency guidance   Local Government Association</a></p>

35. Key Contacts	Name	Extension
Legal	Service Director, Legal and Community	4370
	Legal Commercial Team Manager	4346
Procurement	Service Director, Resources	4343
	Controls, Risk & Performance Manager	4606
	Procurement Officer	4392
Shared Internal Audit Services	Audit Manager	01438 845508
Committee Services	Democratic Services Manager	4208
	Committee, Member and Scrutiny Services Mgt	4305
Finance/ Financial Appraisals	Service Director, Resources	4243
	Accountancy Manager	4470
Insurance	HCC Insurance Manager	01438 843565
Risk	Controls, Risk & Performance Manager	4606
Health and Safety	Health and Safety Officer	4600
Equalities/ Environmental	Policy & Communities Manager	4212
Freedom of Information / Data Protection	Information & Records Manager	4563
Safeguarding	Community Health & Wellbeing Team Leader	4367

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<b>FINANCE AUDIT AND RISK COMMITTEE</b> <b>13 December 2022</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: HALF YEARLY REPORT ON RISK MANAGEMENT GOVERNANCE**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: ALL

**1. EXECUTIVE SUMMARY**

To provide the Committee with an update on the effectiveness of the Risk Management Governance arrangements at North Herts Council

**2. RECOMMENDATIONS**

- 2.1. That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on the Half Yearly Risk Management update
- 2.2. That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on the review of the Risk Management Framework.
- 2.3. That Finance, Audit and Risk Committee comment on the type of Risk Management Training they would like to see going forward.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2. This Committee has responsibility to monitor the effective development and operation of Risk Management.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. There are no alternative options that are applicable.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

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

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key Executive decision first notified on the Forward Plan on the 7 October 2022.

## **7. BACKGROUND**

- 7.1 Under the new process for the monitoring of the Council Delivery Plan, the Overview and Scrutiny Committee have taken on the monitoring of those risks affecting the delivery of the Plan. This Committee will focus on its role (as set out in the Constitution) of “monitor[ing] the effective development and operation of risk management”. To achieve this, the Committee will receive a mid-year (in December) and end of year (in June) report. The June report will focus on the Annual Report of Risk Management.
- 7.2 The intention is for the six-monthly report to provide an update on broader risks and mitigations, and to provide assurance that risk governance arrangements are working and that effective risk management processes are in place. Detailed review of specific risks can be requested on an ad hoc basis and provide the opportunity to bring the risk owner’s expertise into the room.

## **8. RELEVANT CONSIDERATIONS**

### **8.1 RISK MANAGEMENT GOVERNANCE**

- 8.1.1 The Councils Risk Management Framework (RMF) requires us to

- Identify and document key risks in all areas of our business, understand them and seek to proactively manage them.
- Assess each risk, identify existing controls, and further actions required to reduce the risk.
- Have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- Develop capacity and skills in identifying, understanding, and managing the risks facing the Council.
- Regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

### **8.2 Risk Identification and Assessment**

- 8.2.1 A full list of Corporate Risks linked to the Council Delivery Plan is provided in Appendix A. 28 new risks were created to form the original Council Delivery Plan, reported to this committee in March 2022, and a further 3 risks have been added since that date, namely Churchgate, Resourcing and Shared Prosperity Fund. Reporting on the Council Delivery

Plan, has allowed us to streamline the risk records, highlighting the actions the Council needs to take to manage the risk. Each risk has been assessed and shows an initial risk score, current risk score and a target risk score. The controls and mitigating actions column, sets out how officers are proposing to either reach the target risk score, or maintain the existing risk score, if it has been decided the risk cannot be managed any lower.

- 8.2.2 All risks can be viewed on Pentana, the Council's Risk and Performance software. Guest login details and guidance on navigating the system can be found on the intranet at the link below.

[Pentana Risk | Intranet \(north-herts.gov.uk\)](http://north-herts.gov.uk)

The analysis of Risk data is shown in Table 1

<b>Table 1</b>	<b>Council Delivery Plan Risks</b>	<b>Service Risks</b>
Green Risks (1-3)	11	14
Amber Risks (4-6)	13	19
Red Risks (7-9)	7	9
Risks with reduced risk scores	4	17
Risks with increased risk scores	0	6
Risks with unchanged risk scores	27	19
New Risks	31	3
Deleted Risks	5	9

- 8.2.3 Risk reviews are scheduled within Pentana Risk, (our performance and risk software) and automated reminders are sent to service areas when risks are due to be reviewed, in line with the RMF requirements. Service areas are assisted by the Performance and Risk Officer to ensure that information is captured in line with the RMF.

For the period from April 22 to date,

- 79 Corporate risk reviews were carried out in line with the RMF requirements, out of a possible 80 ( 99%). The remaining risk review which should have taken place in September is being scheduled in with the relevant Service area.

- 72 service risk reviews were carried out in line with the RMF requirements, out of a possible 79 (91%)

All the late service reviews have now been completed. It should be noted that reviews over the summer months may take place later than usual due to staff holidays.

- 8.2.4 A report on progress made against the Council Delivery Plan was taken to Overview and Scrutiny on 6 September 2022. Members commented on the report content and requested that project milestones be included in subsequent reports and this request has been actioned. The report was subsequently taken to Cabinet. As per the new

Performance Management Framework, this ensures that Cabinet have oversight of both risk and performance.

- 8.2.5 New and archived risks for the half year are included as Appendices B and C. Archived risks are risks which have been managed down to business as usual, as per the RMF, or have been replaced by more relevant risks. 28 New Risks were set up for the Council Delivery Plan, replacing many out-of-date risks on Pentana. Since the CDP was set up, further new Risks have been introduced, which reflect the current projects and or potential threats to service delivery, such as the Resourcing Risk, which is not linked to any one project in the CDP but remains an over-arching risk to the delivery of all Council projects.

### 8.3 **Review of the Risk Management Framework**

- 8.3.1 At the RMG meeting in November, the group reviewed the proposed changes to the Risk Management Framework, included as Appendix D. This is a light touch update with relatively minor changes, such as changes to names and reporting lines, which have also been reflected in the updated terms of reference for Risk Management Group. The Risk Management Strategy provides tools to keep the Risk descriptions succinct, rather than setting out a mandated approach. Even if target risk scores are reached, if the risk is still assessed to be at an unacceptable level, further mitigating actions should be considered.
- The Group were happy with the amendments, apart from suggesting a couple of formatting changes which have been implemented.

### 8.4 **Business Continuity**

This year the Resilience Team have been focused on a full review of business continuity arrangements.

The Business Impact Analysis (BIA) process allows NHC to have a clear picture of all the functions it delivers and identifies those critical areas that must be prioritised in the event of any business disruption.

All services agreed as critical following the 'BIA 1' analysis, and approved by Leadership Team, were required to complete a 'BIA 2'. The purpose of this form is to identify the most appropriate way of controlling the risks, looking at the maximum amount of time that the function could remain undelivered without leading to significant consequences, resource requirements, and any control measures that are in place. Once finalised, each critical service will be provided with a Service Continuity Plan template for completion.

Work has also been underway in response to the risk of power outages, examining the power back-up generator capability for the DCO. Reception centres were also examined and, although these would not have back up power, there is resilience in the varied locations of our main sites around the district. Mutual aid arrangements across Hertfordshire are also in place for emergencies.

It has been suggested that a planned power shut down test should be considered for Careline to identify any problems in advance of an actual outage.

## **8.5 Developing Capacity and Skills**

The Performance and Risk Officer has always worked closely with Officers giving advice and guidance when each risk review is completed, but there is more work to undertake in this area to ensure Officer and Member skills are developed.

In 2021 an E-Learning module for Risk Management was set up on Grow Zone for completion by Officers. As at 31/10/2022 102 officers had completed the learning. Now that the Risk and Performance Frameworks have been embedded, the team are inviting suggestions from Officers and Members on the type of Risk Management training they would like to see going forward.

## **9. LEGAL IMPLICATIONS**

- 9.1. The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet" (Constitution 10.1.5 (u)).

## **10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report. However, it should be noted that there are issues linked to the Resourcing risk (e.g., Cost of Living and inflation) that will affect the Council's financial situation.

## **11. RISK IMPLICATIONS**

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

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. Reporting on the management of risk provides a means to monitor whether the Council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.



### **13. SOCIAL VALUE IMPLICATIONS**

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

### **14. ENVIRONMENTAL IMPLICATIONS**

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

### **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1.1 The proposed Resourcing risk highlights the potential impact on staff of taking on new tasks.

### **16. APPENDICES**

- 16.1. Appendix A –Corporate Risks  
Appendix B – Archived Corporate Risks  
Appendix C – New Corporate risks  
Appendix D – Risk Management Framework documents

### **17. CONTACT OFFICERS**

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### **18. BACKGROUND PAPERS**

- 18.1. None

# FAR Committee Report













Generated on: 04 November 2022



























Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Museum/HTH Recovery	1. All related milestones carry the risk of new emerging variants or a worsening Covid picture; separately, the booking of Hitchin Town Hall and income levels may be impacted by the rising cost of living and the reduced levels of disposable income. 2. Lack of interest in the facilities following extended period of closure and restrictions. 3. Inability to generate income as well as hoped and to the levels targeted.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	- Increased use of advertising and new website (implemented and ongoing).
Tourism Strategy	1. Risk of delay in procuring consultants and subsequent delay to production of strategy.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	- Ensure specification for procurement is sufficiently robust and written in a timely manner (Due date to be confirmed). - Regular meetings to be set up with consultants (Due date to be confirmed).
Business Recovery: Grants	1. Lack of resources available to deliver grant schemes.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
Town Centre Recovery	1. Resourcing the project – limited budget available. 2. Town Strategy not yet in place.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	- Look for external grants. - Planning applications to be taken through master planning route.




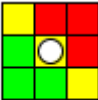







Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Health Inequalities	1. Inability to achieve funding. 2. Delays in achieving funding affects delivery of outcomes. 3. Terms of any funding affects what can be delivered. 4. Staff shortages/competing priorities limit progress.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Apply for funding and then determine what is deliverable. - Recruitment campaigns to fill vacant posts.
Economic Development Strategy	1. Uncertainty over focus of the strategy. 2. Determination of level of priority and the funding to be allocated from 2023/24.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Develop strategy options and then seek a steer on desired focus. - Secure resource beyond 2022/23 to deliver any strategy.
Resident/Public Charging in Car Parks	1. Not successful in obtaining grant funding. 2. Unable to identify/procure a private sector partner.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Look at alternative methods of delivery e.g., offer land with no Council involvement (should the initial procurement of a private sector partner prove unsuccessful).
Cycling Network	1. Resourcing for NHC and HCC. 2. Timing and adoption of LCWIP by HCC transport panel. 3. Limits to what can be achieved in this financial year.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Regular communication with HCC (ongoing).
EV Charging for Council Vehicles	1. Lead-in time from supplier could cause delays. 2. Number of options available makes it difficult to determine optimal option. (No longer a risk - option selected and contract awarded.)	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	
Royston Leisure Centre Solar Thermal	1. Tender returns over budget. 2. Delays to project plan.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Working with consultant on the procurement exercise. - Regular project meetings to be held with contractor (ongoing throughout project).

Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Town Centre Strategies	1. Lack of available resource to produce and deliver identified strategies.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Ensure resource is available to deliver strategies (currently appointing to new Project Officer post).</li> <li>- Look for external funding.</li> <li>- Take applications through master planning process.</li> </ul>
Finalise Pay on Exit Parking Review	1. Budget implications of selected scheme.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ol style="list-style-type: none"> <li>1. Produce detailed business case and go through approval process.</li> <li>2. Retain/replace existing machines and software.</li> </ol>
Replacement of Reyston Town Hall Annexe	<ol style="list-style-type: none"> <li>1. Cost and time in acquiring rights or addressing restrictions are prohibitive.</li> <li>2. Planning permission refused or subject to unviable conditions.</li> <li>3. Desire to retain partial community use impinges on viability.</li> <li>4. Build cost inflation impinges on viability.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Exploring options following unsolicited solid interest in site (30 November 2022).</li> <li>- Proactive and frequent discussion with key site stakeholders.</li> <li>- Engage reputable local and national agents to garner wide audience for marketing and generate maximum interest.</li> <li>- Frequent communication with Town and NHC Ward Councillors.</li> <li>- Consider adopting modern methods of construction.</li> </ul>
Customer Portal	1. Additional modules are not forthcoming.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Utilise suppliers experience with other Councils (in progress and ongoing).</li> <li>- Discussions with service areas to investigate options.</li> <li>- Progress implementation of Waste into MyAccount (dependent on decisions relating to the new waste contract).</li> </ul>
Help Residents Make Payments at Convenient Locations	<ol style="list-style-type: none"> <li>1. Resourcing issues delay progress.</li> <li>2. Unexpected costs affect viability of business case.</li> <li>3. Residents fail to use the service provided.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Ongoing communication with residents.</li> </ul>

Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Supplier Self-Service	<ol style="list-style-type: none"> <li>1. Failure to find viable solution.</li> <li>2. Resource issues delay progress.</li> <li>3. Suppliers do not submit invoices via the portal, fail to achieve efficiencies.</li> <li>4. Data security issues.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Carry out data impact assessment (January 2023).</li> <li>- Set up regular project meetings to advance project (February 2023).</li> <li>- Communication plan to make suppliers aware of benefits (April 2023).</li> </ul>
Empty Homes Strategy	<ol style="list-style-type: none"> <li>1. Resourcing further actions following adoption of the Strategy.</li> <li>2. Availability of empty homes that we can take forward under the Strategy.</li> <li>3. Cost to Council of maintaining empty properties.</li> <li>4. Potential reputational risk.</li> <li>5. Staff shortages/competing priorities limit progress with developing Strategy.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Funding bids for additional resource to be part of 2023/24 budget process (linked to general improvement of housing).</li> <li>- Strategy considered by Executive Member and Deputy in September 2022, with outcomes and delivery linked directly to the resources available.</li> <li>- Audit of current empty homes being undertaken by Revenues, initially online until the end of September 2022.</li> </ul>
New Ways of Delivering Housing on Council Land	<ol style="list-style-type: none"> <li>1. Being able to develop a viable project.</li> <li>2. Housing development subject to planning.</li> <li>3. Working with the right supplier for the Council.</li> <li>4. Demand to provide more homes across the District.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Work closely with the Finance team and selected supplier to try to develop a viable project; factor in borrowing costs.</li> <li>- Work closely with relevant service areas and selected supplier to ensure the proposed developments are in line with expectations.</li> <li>- Work with the Procurement and Legal team to run a successful tender that will allow us to work with the right supplier.</li> <li>- Align relevant policies and company values when selecting supplier.</li> </ul>
Increased Homelessness	<ol style="list-style-type: none"> <li>1. An excessive demand from the public for housing services.</li> <li>2. A lack of alternative housing options.</li> <li>3. An increase in the levels of homelessness.</li> <li>4. An increased use of hotel accommodation for homeless households.</li> <li>5. Major difficulties for some members of the public to access the private rented sector.</li> <li>6. High levels of support are required for some clients/families.</li> </ol>	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Increase the provision of specialist supported accommodation for homeless single people.</li> <li>- Pursue opportunities for government grant funding to facilitate new sites and specialist support services.</li> <li>- Review opportunities to increase the number of temporary accommodation units for homeless families.</li> </ul>

Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Local Plan Implementation	1. Delay in inspectors report on the new Local Plan, resulting in a longer period without appropriate guidance. 2. Increased uncertainty of planning policy base. 3. Delay or failure to adoption/implementation of the new Local Plan. 4. Legal challenge to Local Plan. 5. Intervention by the Secretary of State i.e., issuing a holding direction. 6. 'Hostile' applications in areas not designated within the Local Plan.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Ongoing advice sought from PAS, Counsel and DLUC. - Regular Project Board meetings. - Ongoing recruitment to vacant Planning Officer posts.
Master Planning	1. Failure to secure funding to resource the process. 2. Inspector's report modifies master planning policy. 3. Non-adoption of the Local Plan. 4. Reduction in pre-application income and delay to income from planning applications.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Inspector's report recommending modifications. - Adoption of Local Plan by Full Council. - Secure funding for resources through Planning Performance Agreements.
Financial Sustainability/Balancing our Budget	1. Funding reductions as a result of new funding formula. 2. Loss of sales, fees, and charges income due to continuing impact of COVID-19. 3. Not able to make the required decisions to deliver budget savings required. 4. Increases in costs (reductions in income) when contracts are renewed and as a result of inflationary increases.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	- Revise funding projections as a result of formula changes and insight of future direction. - MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions will need to be made (30 September 2022). - Regular budget monitoring to highlight any issues, including extent and speed of COVID recovery, and impact of inflation (31 March 2023).
Full Review of Council Tax Reduction Scheme	1. Lack of resources and specific skills to deliver. 2. Impact on the project of consultation outcomes.	01-Apr-2022	Likelihood  Impact	Likelihood  Impact	Likelihood  Impact	

Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Response to Government Resources and Waste Strategy	1. Delays in confirmation of government strategy or legislation. 2. Protracted decision making. 3. Lack of interest from suppliers. 4. Increased cost uncertainty. 5. Reduced income from chargeable services. 6. Protracted contract negotiations. 7. Confusion by residents over new services. 8. Reduction in resident satisfaction due to requirements to recycle more etc. 9. Impact on Council reputation due to difficult service change mobilisation. 10. Failure by Government to honour 'New Burdens' doctrine.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Development of plans and service design based on most likely outcomes, best practice, and financial sustainability.</li> <li>- Regular cross party Member engagement.</li> <li>- Early negotiations with Urbaser and parallel soft market testing.</li> </ul>
Green Space Management Strategy	1. Tenders received are not within budget.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
Charnwood House	1. Covenant restriction on use. 2. Statute restriction on use. 3. Viability of Listed Building consent conditions. 4. Demand for community hub. 5. Delays due to Asset of Community Value (ACV) listing.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Proactive and frequent discussion of community hub proposals with covenant beneficiary and local interest groups.</li> <li>- Public communication (possibly including further open days) to market research intricacies of demand for community hub.</li> <li>- Selection of architect with verifiable Listed Building experience.</li> <li>- Review ACV legislation and timelines.</li> </ul>
Museum Storage	1. Funding the project. 2. Unforeseen issues with the development. 3. Lower utilisation of the commercial storage opportunity than expected. 4. Until the project is completed, risk of damage to items stored at the current facility (mainly reputational, but potentially financial).	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Approval for the project, along with progress in line with potential grant bid submissions.</li> <li>- Ensuring preliminary reports and surveys are carried out and that the main developer is accepting of certain risks.</li> <li>- Scrutinising Business Plans and consultants reports and ensuring all reasonable due diligence around forecasting and modelling has been carried out.</li> </ul>

Risk Title	Risk Description	First Assessed	Original Assessment	Current Assessment	Target Assessment	Controls/Mitigating Actions
Local Government Boundary Review	1. Failure to meet set deadlines. 2. Failure to agree NHC consultation submission.	01-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>- Continued use of AEA consultant; ensuring that sufficient information and responses to consultation provided to LGBCE (ongoing).</li> <li>- Continuing use and oversight via Project Board (meetings scheduled for second consultation phase).</li> </ul>
Shared Prosperity Fund	1. Lack of general resources to deliver these projects as they are on top of those in service plans. 2. Failure to spend the money in the correct year, especially if there are delays in Government approval. 3. Lack of expertise in providing the required returns to Government on use of the grant. 4. Long lead times for capital elements means that items are unavailable until beyond the end of the funding period.	15-Aug-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>1. As the general "Resourcing" risk, a need to prioritise and drop the delivery of lower priority projects.</li> <li>2. Undertake preparation work where no/minimal cost impact. Respond promptly to requests from Government to get plan approved asap.</li> <li>3. Use admin element of the grant to buy-in support for monitoring and returns.</li> <li>4. Investigate the availability of required kit/materials and source at the earliest opportunity.</li> </ul>
Churchgate	1. The regeneration will not meet expectations of stakeholders. 2. Regeneration of the Centre and surrounding area is not cost effective/not affordable. Including impacts of high inflation and likely recession.	17-Aug-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>1. Controls:             <ul style="list-style-type: none"> <li>- Communications and consultation plan in place, which is kept updated.</li> <li>- Decisions explained, including that there will need to be compromises.</li> </ul> </li> <li>2. Controls:             <ul style="list-style-type: none"> <li>- Financial and consultancy support (as needed) is in place.</li> <li>- Cost effectiveness/value for money is a key part of developing options.</li> </ul> </li> </ul>
Resourcing	Vital additional actions require resources (e.g., staff and financial) to be redirected to enable them to be provided, which affects the delivery of other projects within the Council Delivery Plan. In the short-term, this is likely to include supporting the Homes for Ukraine scheme and providing financial hardship support. Also now includes bidding for Shared Prosperity Fund.	29-Apr-2022	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	<ul style="list-style-type: none"> <li>Risk mitigations:             <ul style="list-style-type: none"> <li>- Consider getting in additional staffing resource (especially where New Burdens funding available).</li> <li>- Signposting to external resources and support.</li> <li>- Process automation.</li> </ul> </li> </ul>



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## Archived Risks

### Corporate Risks - 5





Risk Code	CR08	Year Identified	2003
Risk Title	Managing the Council's Finances		
Original Matrix		Final Matrix	
Latest Note	19-Jul-2022 Risk entry archived, as it has now been superseded by the new "Financial Sustainability/Balancing our Budget" Council Delivery Plan risk entry, which has the reference number CDP22. This was reported as part of the approval process for the revised Performance Management Measures for 2022/23, which align with the Council Delivery Plan (FAR, O&S and Cabinet - March 2022).		

Risk Code	CR54	Year Identified	2006
Risk Title	Local Plan		
Original Matrix		Final Matrix	
Latest Note	01-Jul-2022 Risk entry archived, as it has now been superseded by the new "Local Plan Implementation" Council Delivery Plan risk entry, which has the reference number CDP20.		

Risk Code	CR60	Year Identified	2011
Risk Title	Increased Homelessness		
Original Matrix		Final Matrix	
Latest Note	07-Jul-2022 Risk entry archived, as it has been superseded by the new risk entry related to the "Work with Stakeholders to Increase Accommodation for Single Homeless People" Council Delivery Plan project.		

Risk Code	RR585	Year Identified	2020
Risk Title	Novel Coronavirus (Covid-19) - Recovery		
Original Matrix		Final Matrix	
Latest Note	05-Oct-2022 Lessons learnt exercise commenced, which once complete, will be fed back to the Covid Board. This will then allow the Covid Board to be formally closed (December 2022). As reported to FAR/O&S/Cabinet in March, residual risks now subsumed elsewhere e.g., "Financial Sustainability/Balancing our Budget", "Covid-19 - Leisure Management Contracts". Risk level now assessed as low impact/high likelihood, with any higher impacts covered by other risks. New risk entry created to cover future flu/pandemic risks and the proposal is to archive this Covid		

# Archived Risks

	specific risk entry.		
<b>Risk Code</b>	CR64	<b>Year Identified</b>	2018
<b>Risk Title</b>	Brexit (EU Transition)		
<b>Original Matrix</b>		<b>Final Matrix</b>	
<b>Latest Notes</b>	<p>21-Apr-2022 In view of the latest update (19 April 2022), the risk entry will now be archived. The risk was originally created in 2018 to highlight and manage the general uncertainty pre-Brexit and in this respect, it has served its purpose. Although some related risks/issues remain, these are no longer solely linked to the EU transition, but linked to other emerging international issues. This approach aligns with the new Council Delivery Plan reporting arrangements, which confirmed that the risk entry will no longer be considered a Corporate Risk. Relevant service areas will consider if associated residual risks should be added to the risk register in their own right, and if this is the case, these will be managed at service level.</p>		
	<p>19-Apr-2022 This was handed over to the Response and Recovery Board last year to manage as part of the business as usual of the Council. In the context of other international issues that have arisen (ongoing covid and war in Ukraine specifically - and associated issues in relation to energy and food), this is not something that can be independently reviewed or managed by the Council.</p>		



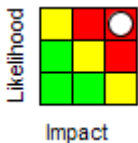

## New Risks – Council Delivery Plan - 31

<b>Risk Code</b>	RR578	<b>Risk Title</b>	Resourcing
<b>Risk Owner</b>	Ian Couper	<b>Updated By</b>	
<b>Year Identified</b>	2022	<b>Council Objective</b>	People First
<b>Risk Description</b>	Vital additional actions require resources (e.g., staff and financial) to be redirected to enable them to be provided, which affects the delivery of other projects within the Council Delivery Plan. In the short-term, this is likely to include supporting the Homes for Ukraine scheme and providing financial hardship support.		
<b>Ongoing Work</b>	Risk mitigations: - Consider getting in additional staffing resource (especially where New Burdens funding available). - Signposting to external resources and support. - Process automation.		
<b>Current Overall Risk Score</b>	8		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	
<b>Date Reviewed</b>	29-Apr-2022	<b>Next Review Date</b>	29-Jul-2022

## New Risks

### List of Approved Council Delivery Plan Risks

Code	Title	Current Score	Target Score
CDP01	Museum/HTH Recovery	5	1
CDP02	Tourism Strategy	1	1
CDP03	Business Recovery: Grants	1	1
CDP04	Town Centre Recovery	3	1
CDP05	Health Inequalities	7	3
CDP06	Economic Development Strategy	5	3
CDP07	Resident/Public EV Charging in our Car Parks	5	1
CDP08	Cycling Network	3	1
CDP09	EV Charging for Council Vehicles	5	1
CDP10	Royston Leisure Centre Solar Thermal	5	5
CDP11	Town Centre Strategies	5	1
CDP12	Finalise Pay on Exit Parking Review	1	1
CDP13	Replacement of Royston Town Hall Annexe	5	2
CDP14	Customer Portal	5	5
CDP15	Help Residents Make Payments at Convenient Locations	5	3
CDP16	Supplier Self-Service	5	3
CDP17	Empty Homes Strategy	4	3
CDP18	New Ways of Delivering Housing on Council Land	5	5
CDP19	Work with Stakeholders to Increase Accommodation for Single Homeless People	8	5
CDP20	Local Plan Implementation	9	5
CDP21	Master Planning	5	3
CDP22	Financial Sustainability/Balancing our Budget	9	5
CDP23	Full Review of Council Tax Reduction Scheme	5	3
CDP24	Response to Government Resources and Waste Strategy	9	5
CDP25	Green Space Management Strategy	1	1
CDP26	Charnwood House	5	1
CDP27	Museum Storage	5	3
CDP28	Local Government Boundary Review	3	1

Risk Title	Churchgate	Directorate	Enterprise
Risk Description	1. The regeneration will not meet expectations of stakeholders. 2. Regeneration of the Centre and surrounding area is not cost effective/not affordable. Including impacts of high inflation and likely recession.		
Current Risk Level		Target Risk Level	
Date Reviewed	17-Aug-2022	Next Review Date	17-Nov-2022

## New Risks

<b>Mitigating Actions Completed</b>	
<b>Ongoing Controls / Mitigations</b>	1. Controls: - Communications and consultation plan in place, which is kept updated. - Decisions explained, including that there will need to be compromises. 2. Controls: - Financial and consultancy support (as needed) is in place. - Cost effectiveness/value for money is a key part of developing options.
<b>Notes</b>	

<b>Risk Title</b>	Shared Prosperity Fund	<b>Directorate</b>	Resources
<b>Risk Description</b>	1. Lack of general resources to deliver these projects as they are on top of those in service plans. 2. Failure to spend the money in the correct year, especially if there are delays in Government approval. 3. Lack of expertise in providing the required returns to Government on use of the grant. 4. Long lead times for capital elements means that items are unavailable until beyond the end of the funding period.		
<b>Current Risk Level</b>		<b>Target Risk Level</b>	
<b>Date Reviewed</b>	15-Aug-2022	<b>Next Review Date</b>	15-Feb-2023
<b>Mitigating Actions Completed</b>			
<b>Ongoing Controls / Mitigations</b>	1. As the general "Resourcing" risk, a need to prioritise and drop the delivery of lower priority projects. 2. Undertake preparation work where no/minimal cost impact. Respond promptly to requests from Government to get plan approved asap. 3. Use admin element of the grant to buy-in support for monitoring and returns. 4. Investigate the availability of required kit/materials and source at the earliest opportunity.		
<b>Notes</b>			

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

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes

### Officers / Managers - You Must:

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

### Risk Owners – You Must:

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

### Members – You Must:

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

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

### Contents:

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



## 1. Definitions

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

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

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

## 2. Purpose of Policy

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

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

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

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

## 3. Identification and Assessment of Risk

3.1 It is the responsibility of all Managers and Officers to identify and document key Risks within their service areas, which may affect the achievement of the Council's objectives. This should be done as part of the Service Planning process [and updates to the Council Delivery Plan](#), but also continuously throughout the year.

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

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

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

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

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

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

#### **4. Monitoring and Reviewing Risks**

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

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

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

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

#### **5. Promotion and Scrutiny of the Risk Management Process**

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

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

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

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

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

5.6 All new and proposed archiving/closure of Operational Risks, must be reviewed by the Risk **and Performance** Management Group (R**P**MG) and LT prior to the changes to Pentana Risk being accepted.

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

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

## **6. Linked Policies and Procedures**

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

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

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

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

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

## **7. Communication and Training**

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

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

Risk Management E – Learning is available on Growzone at the link below.

<https://northhertfordshire.learningpool.com/course/index.php?categoryid=22>

Risk Management page on the Intranet

<https://intranet.north-herts.gov.uk/home/doing-business/performance-and-risk-management/risk-management>

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**NORTH HERTS COUNCIL****RISK MANAGEMENT FRAMEWORK****PART 3 – STRATEGY (How we will do it)**

North Herts Risk Management Framework is outlined within four key documents.

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

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

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

**1 – Maintenance of a robust and consistent Risk Management approach**

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

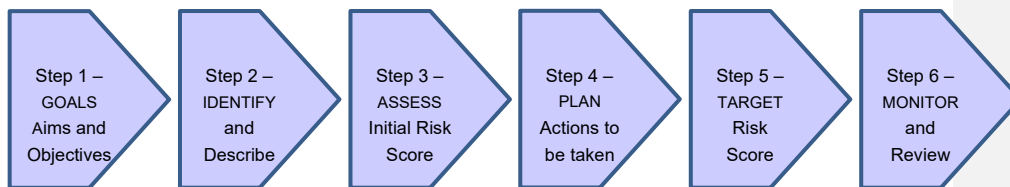
- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These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

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- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- We will challenge the Risk Management Process through the use of the Risk Management Group and the Finance, Audit and Risk Committee.
- We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

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

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



#### Step 1 – Identify Council Aims and Objectives

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

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

~~As part of the Service Planning process, Service Directors are asked to complete a Risk Questionnaire, detailing the top 5 risks which would prevent them from achieving the Service action plans, linked to the Council Priorities. They are also asked to list the controls we will need to put in place to mitigate those risks.~~

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

There are many different types of risks that we should consider. There are some examples in the table below. It is not necessary to detail all relevant risks, but, the main ones should be selected/considered.

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

~~Describing the risk is vital for ensuring that risks are fully understood. The~~ It may help to consider the **cause and effect** of each risk. ~~For example, by using the following: must be detailed. To ensure consistency, the terminology below is used.~~

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

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

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

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects. The following five general approaches are used by the Council when determining relevant actions to be taken.

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

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

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

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

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

Once the actions have been identified, the risk will be assessed again, using the same Matrix in Step 3, this time, taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **Target Risk Score** and reflects the position where the risk is deemed to be **managed to an acceptable level**. If the actions in Step 4 do not manage a risk to an acceptable level, then it will be necessary to reconsider what mitigating actions should be carried out.

**The Council uses the Target Risk Score to ensure that:**

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

#### **Step 6 – Monitor and Review Risks**

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

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

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

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

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

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

Regular reporting of Corporate Risks, through Risk and Performance Management Group, Leadership Team (LT), and Finance, Audit and Risk Committee (FARC) Overview and Scrutiny (O&S) and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.

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

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

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

These opportunities may take the following forms:

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

Opportunities cannot be managed unless they are identified. When looking at risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to mitigate risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

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

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

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## Roles in the Risk Management Process

<b>All Employees</b>	<ul style="list-style-type: none"> <li>• Manage day-to-day risks and opportunities and report risk management concerns to their line managers.</li> <li>• Identify any new risks relating to their service area.</li> <li>• Undertake risk management e – learning.</li> <li>• Attend training and awareness sessions, as appropriate.</li> </ul>
<b>All Members</b>	<ul style="list-style-type: none"> <li>• Support and promote an effective risk management culture.</li> <li>• Constructively review and scrutinise the risks involved in delivering the Councils objectives.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Risk manage the Council in delivering its objectives.</li> <li>• Approve the risk management Policy and Strategy.</li> <li>• Consider and challenge the risks involved in making any “key decisions”.</li> <li>• Responsible for oversight of Corporate Risks (with <u>SMT Leadership Team</u>).</li> </ul>
<b>Finance, Audit and Risk Committee (FARC)</b>	<ul style="list-style-type: none"> <li>• Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including review of proposed amendments to the Policy and Strategy prior to its presentation to Cabinet.</li> <li>• <del>Review of changes to Corporate Risks.</del></li> </ul>
<b><u>Overview and Scrutiny Committee (O&amp;S)</u></b>	<ul style="list-style-type: none"> <li>• <u>Review of changes to Corporate Risk, and ensure that they are considered in relation to Council performance and the Council Delivery Plan.</u></li> </ul>
<b>Shared Internal Audit Service (SIAS)</b>	<ul style="list-style-type: none"> <li>• Provide assurance that risks are being effectively assessed and managed.</li> <li>• During all relevant audits, challenge the content of risk registers.</li> <li>• Periodically undertake specific audits of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.</li> </ul>
<b>Leadership Team (LT)</b>	<ul style="list-style-type: none"> <li>• Champion an effective Council wide risk management culture.</li> <li>• Ensure all reports contain sufficient risk implications.</li> <li>• Ensure Members receive relevant risk information.</li> <li>• Responsible for oversight of Corporate Risks (with Cabinet).</li> <li>• <u>Ensure Risks are considered and are part of updates to the Council Delivery Plan.</u></li> <li>• <del>Ensure Risk Questionnaires are completed as part of Service Planning process.</del></li> <li>• Ensure that Business Continuity Plans are in place for each service area.</li> </ul>
<b>Service Directors</b>	<ul style="list-style-type: none"> <li>• Risk manage their Directorates in delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process.</li> </ul>

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

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

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

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

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

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

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

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- Insurance – the HCC Insurance team manages NHC's insurable risks and self-insurance arrangements. The Manager presents a regular update to the R<sup>PMG</sup>.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the R<sup>PMG</sup>.

#### **Corporate Governance**

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

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

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

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

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

### **5 – Communicating Risk information effectively through a clear reporting framework**

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

#### **The Risk Register**

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

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

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

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

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

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

#### **Corporate Risks**

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

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

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

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

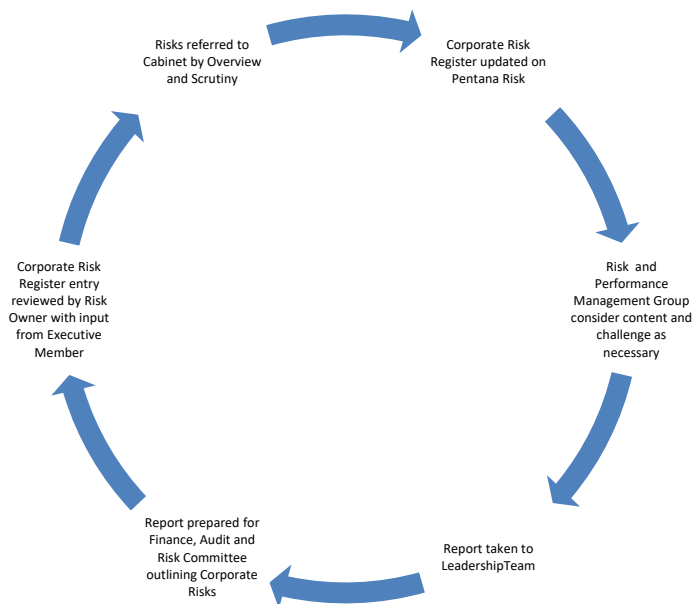
The Finance, Audit and Risk Committee refer any amendments to ~~Corporate Risks and changes to~~ the Risk Management Framework Policy Statement, Policy and Strategy to Cabinet.

The Overview and Scrutiny Committee refer any changes to Corporate Risks to Cabinet, as part of considering updates to the Council Delivery Plan.

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

Approved by Cabinet 21.12.21

**Diagram representing the review of Corporate Risks**



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

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

NHC uses a range of training methods to meet the needs of the organisation but primarily relies on intranet based e-awareness training. The E- Learning Module can be found on the GrowZone at the link below.

<https://northhertfordshire.learningpool.com/course/index.php?categoryid=22>

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

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

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#### Appendix A - Review Timetable

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

#### Appendix B – Responsibilities / Oversight

Task	Corporate Risks	Service Risks	Project Risks
<b>Risks identified by:</b>	<a href="#">LMT Leadership Team</a> Service Directors	Service Managers	Project Team Key Stakeholders
<b>Risks owned by:</b>	Service Directors	Service Managers	As appropriate
<b>Risks reviewed by:</b>	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
<b>Risks scrutinised by:</b>	Risk <a href="#">and Performance</a> Management Group <a href="#">LMT Leadership Team</a> <a href="#">Overview and Scrutiny</a> <a href="#">Committee</a> Finance Audit and Risk Committee	Service Directors	Project Team
<b>Risk Register (Pentana Risk) updated by:</b>	Risk Owners with support from Performance and Risk Officer if required.		

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<b>Review of Risk Management Framework by:</b>	Service Director - Resources Controls, Risk and Performance Team Risk <u>and Performance</u> Management Group
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## **RISK MANAGEMENT FRAMEWORK – PART 1 – POLICY STATEMENT (The Key Principles)**

North Herts Council will be a risk aware Council that understands the risks that it is taking on. It appreciates that there are going to be risks in everything it does, but these are increased when undertaking projects, changing the way it delivers services and acting more commercially. It will address the risks it faces by adopting a risk aware culture and having strong risk management processes.

The Council will develop processes that allow it to focus on the significant risks it faces and ensure that undue time is not spent on low level risks and risks that have been effectively managed.

This leads to the following key principles:

### **Principles**

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

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<b>CABINET</b> <b>13 December 2022</b>
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<b>PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2022/23**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2022/23, as at the end of the second quarter. The forecast variance is a £270k decrease in the net working budget of £18.056 million, with an ongoing impact in future years of a £49k increase and a request to carry forward a budget of £20k to fund a specific project in 2023/24. Within these summary totals there are a number of budget areas with more significant variances, which are detailed and explained in table 3.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a £270k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a total £69k increase in net expenditure. These will be incorporated in the draft revenue budget for 2023/24.

**3. REASONS FOR RECOMMENDATIONS**

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

**4. ALTERNATIVE OPTIONS CONSIDERED**

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

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

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



## 6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 9<sup>th</sup> May 2022.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2022/23 of £18.198million in February 2022. As at the end of Quarter One, the working budget has increased to £18.615million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	£k
Original Revenue Budget for 2022/23 approved by Full Council	18,198
Quarter 3 2021/22 Revenue Budget Monitoring report – 2022/23 budget changes approved by Cabinet (March 2022)	238
2021/22 Revenue Budget Outturn Report – 2022/23 budget changes approved by Cabinet (June 2022)	179
Quarter 1 2022/23 Revenue Monitoring report - 2022/23 variances approved by Cabinet (September 2022)	(559)
<b>Current Working Budget</b>	<b>18,056</b>

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

**Table 2 – Service Directorate Budget Allocations**

	Working Budget at Quarter One	Changes approved at Quarter One	Other Budget Transfers during Q1	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k
Managing Director	3,661	(2,201)	(208)	1,252
Customers	3,928	371	90	4,389
Enterprise	(152)	(113)	32	(233)
Legal & Community	2,322	61	52	2,435
Place	4,752	747	11	5,510
Regulatory Services	1,502	535	(56)	1,981
Resources	2,602	41	79	2,722
<b>TOTAL</b>	<b>18,615</b>	<b>(559)</b>	<b>0</b>	<b>18,056</b>

- 7.3. The Council's accounts for the last financial year remain subject to External Audit examination. The 2021/22 Final Accounts audit is currently ongoing. Changes required to the opening General Fund balance may therefore arise as a result of the audit.

## 8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2023/24) budget:

**Table 3 - Summary of significant variances**

<b>Budget Area</b>	<b>Working Budget £k</b>	<b>Forecast Outturn £k</b>	<b>Variance £k</b>	<b>Reason for difference</b>	<b>Carry Forward Request £k</b>	<b>Estimated Impact on 2023/24 £k</b>
Treasury Investments Interest Income	(708)	(1,126)	(418)	Increase in estimated interest income receivable follows the recent increases to the Bank of England base rate and the consequent increase in the interest returns available on the investment of surplus cash balances. In addition, reprofiling of capital spend has increased the cash balances available for investment. The estimated ongoing impact will be updated when the Investment Strategy for 2023 – 2033 is finalised in January 2023.	0	0
Careline Service Income from Herts County Council	(2,189)	(2,261)	(72)	Additional income received from HCC to cover the cost of pay inflation for 2022/23. Staffing budgets were adjusted at Quarter One for the employer pay offer for 2022/23 and for the Careline Service the cost was significantly higher than the 2% assumed in the original budget. This income receipt covers the additional cost of the pay award.	0	(72)
North Herts Lottery						
Running Costs	0	1	+1	Forecast outturn indicates the performance of the lottery to date. Forecast ticket sales in 2022/23 of 36,000 exceeds the 28,000 anticipated in the original business case proposal for the lottery. The Council retains 10% of the revenue generated from sales, with 50% (projected to be £18,000) going to fund good causes. Estimated impact in next year reflects the anticipated growth in sales, as detailed in the original business case.	0	1
Ticket Sales Income retained by North Herts Council	0	(4)	(4)		0	(6)
District Elections expenditure	121	164	+43	Majority of the overspend is attributable to two main areas of spend: postage and staffing. Due to the Covid-19 pandemic postal voting has been encouraged to reduce the number of in-person voters at polling stations, which has meant a significant increase in the number of postal voters, with a 38% increase since 2018. Over the same period, Royal Mail postage prices have increased by significantly more than the inflation assumption within the budget estimates. An increase in poll clerk costs is partly due to a higher than budgeted increase in their fee but is also due to increasing the number of poll clerks to comply with the Electoral Commission's recommendations on staffing ratios. These recommendations were implemented to ensure both the smooth running of the election in May and to ensure we have a pool of experienced staff to meet the demands of the next elections when voter ID requirements will be implemented.	0	37

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Leisure Centre Management Contract Fee Income	(404)	(671)	(267)	Forecast variance is indicative of the continuing recovery at the Council's Leisure Centres during quarter two, with usage of the Council's swimming pools now exceeding pre-pandemic levels. Figures also include the additional cost of extending outdoor pool opening, which at £16k was £9k less than the £25k investment budget approved when the budget for 2022/23 was set in February.	0	0
Income from charging for replacement purple residual waste bins	(48)	0	+48	To introduce charging for replacement bins it is necessary to develop fully integrated online forms to prevent adverse impacts, and additional costs, for customer services. Further project development has identified that the Council does not currently have the technical expertise/capacity to integrate online forms with back office payment and waste management systems. In addition, the Council also has no compliant way of taking telephone payments that would allow for a call handling operative to be able to confirm a payment has been received before processing a bin delivery. The project will therefore be delayed until 2024/25.	0	48
Building Control – Disabled Facilities Applications	53	77	+24	The number of applications relating to works for disabled persons has significantly increased this year in comparison to prior years. This corresponds to a high level of demand for Disabled Facilities Grants, processed by the Home Improvement Agency for the District, with adaptations sought to enable people to stay in their own home.	0	0
Planning Control – Funding from Earmarked Reserve	(16)	0	+16	S106 Monitoring & Planning Compliance Officer post has previously been partly funded from income held in the S106 Monitoring earmarked reserve. This reserve has however now all been transferred to the General Fund so the budgeted contribution should be removed. Due to changes in the S106 process some time ago, monitoring fees are no longer received.	0	16
Planning Income				As foreseen and explained in the Strategic Planning Matters report presented to Cabinet in June 2022, the introduction of masterplanning procedures has displaced considerable pre-application income on large schemes in this year. This combined with the general slowdown in the construction sector as a result of economic uncertainty has led to a material drop in fee income relating to all applications.		
Pre-Application advice	(66)	(36)	+30		0	0
Planning Applications	(940)	(690)	+250		0	0
<b>Net Total</b>	<b>(1,006)</b>	<b>(726)</b>	<b>+280</b>		<b>0</b>	<b>0</b>

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2023/24 £k
Housing Stock Condition Survey	20	0	(20)	Due to both a lack of staffing capacity, because of vacancies and sickness absence, and other priorities, namely managing the arrival of Ukrainian refugees, the stock condition survey will now be undertaken in 2023/24. It is therefore requested that the unspent expenditure budget is carried forward to 2023/24.	20	0
<b>Total of explained variances</b>	<b>(4,177)</b>	<b>(4,546)</b>	<b>(369)</b>		<b>20</b>	<b>24</b>
Other minor balances	22,233	22,332	+99		0	25
<b>Overall Total</b>	<b>18,056</b>	<b>17,786</b>	<b>(270)</b>		<b>20</b>	<b>49</b>

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £270k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to note the estimated impact on the 2023/24 budget (£69k increase in budget, which includes the request to carry forward £20k of budget from 2022/23 to 2023/24), which will be incorporated in to the 2023/24 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2022/23 (and therefore working budget) included efficiencies totalling £606k, which were agreed by Council in February 2022. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The forecast at Quarter One was an overachievement of £589k. The current forecast at the end of Quarter Two is a net overachievement of £881k. The increase of £292k since Quarter One relates to:

- Increase of £418k in the overachievement of forecast interest income from investment of surplus cash balances, as itemised in table three above.
- £50k underachievement of the additional planning income anticipated from the adoption and implementation of the Local Plan, with instead a projected income shortfall reported in table 3 above.
- £48k underachievement of the planned efficiency from the charging for replacement purple residual waste bins, as highlighted and explained in table three above.
- £10k underachievement of the planned efficiency from the charging for replacement garden waste bins. This will not go ahead this year for the same reasons as explained for the purple bin scheme in table 3. The revenue impact has been absorbed by other off-setting variances.
- £16k underachievement of the saving on peripheral software license costs anticipated from the purchase of new Microsoft licenses. This saving primarily related to the cost of Citrix licenses. The project to transition away from Citrix remains ongoing and the overlap is now expected to extend to the end of this financial year. The financial impact has been absorbed by other off-setting variances.
- £2k underachievement of the saving relating to Independent Remuneration Panel expenses. In making its recommendations for 2022/23 the Panel concluded that an annual review was required and therefore an Independent Remuneration Panel has convened again this year to consider and report recommendations for 2023/24.






- 8.4. The working budget for 2022/23 includes budgets totalling £712k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2021/22 but was delayed into 2022/23. At Quarter One, it was forecast that all the budgets carried forward will be spent in this year. At Quarter Two it is forecast that the £20k budget carried forward in respect of the Housing Stock condition survey will not be spent, as explained in table 3. All the other budgets carried forward are expected to be spent in this year.
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2022/23. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.
- 8.6. At the end of Quarter One, three of the indicators were green, one indicator was amber, and two of the indicators were red. At the end of Quarter Two, two of the indicators are green, one is amber and three are red. The additional red indicator at Quarter 2 relates to planning application fee income, as highlighted in table 3 above. The amber indicator remains for income from parking PCNs as, while activity and income receipts increased during quarter 2 and closed much of the shortfall (compared to profile budget) apparent at the end of quarter one, there remains a risk that the full year budget will not be achieved.

**Table 4 - Corporate financial health indicators**

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Variance £k
Leisure Centres Management Fee	Red	(857)	(147)	(671)	186
Garden Waste Collection Service Subscriptions	Green	(1,139)	(734)	(1,184)	(45)
Commercial Refuse & Recycling Service Income	Green	(1,113)	(637)	(1,153)	(40)
Planning Application Fees (including fees for pre-application advice)	Red	(1,006)	(739)	(726)	280
Car Parking Fees	Red	(1,999)	(868)	(1,801)	198
Parking Penalty Charge Notices (PCNs)	Amber	(573)	(290)	(573)	0

- 8.7. Table 5 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 5. Regarding the comparative reduction in the number of PCNs issued, it should be noted that activity levels in 2021/22 were above those anticipated in the original budget estimate.

**Table 5 - Corporate financial health indicators – activity drivers**

Indicator	Activity Measure	Performance First Half of 2022/23	Performance First Half of 2021/22	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	742,388	411,330	+80.5%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter 2	24,345	24,947	+2.5%	
Commercial Refuse & Recycling Service	Number of customers	949	951	-0.2%	
Car Parking Fees	Car park tickets sold / average ticket price sold	566,547 / £1.61	533,607 / £1.52	+6.2% / +5.3%	
Parking Penalty Charge Notices	Number of PCNs issued	7,001	7,364	-4.9%	

### **FUNDING, RISK AND GENERAL FUND BALANCE**

- 8.8. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2022 of the amount of New Homes Bonus, Lower Tier Services Grant and Services Grant it could expect to receive in 2022/23 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax and Business Rates Collection Fund deficits for the prior year, as estimated in January 2022. As reported previously, this means a contribution from the General Fund of £2k to the Council Tax Collection Fund and £5.345m to the Business Rates Collection Fund in 2022/23.
- 8.10. At Quarter Two the current forecast of the Council's share of the balance for 2022/23 in respect of the Business Rates Collection Fund is a surplus of around £0.5m and a surplus of £150k on the Council Tax Collection Fund. The forecast surplus on the Business Rates Collection Fund is due to lower levels of retail relief applied to rates bills this year than anticipated when estimates were prepared in January. While the position may change over the second half of the year, in any case Collection Fund surpluses achieved in 2022/23 will not affect the General Fund position at the end of 2022/23 but will affect the level of funding available in 2023/24.
- 8.11. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2022/23 the Council is a member of the Hertfordshire Business Rates Pool with five other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. At the end of 2021/22, the Council accrued a contribution to the pool levy of £300k, which represented a 'pooling gain' (reduction compared to the levy otherwise payable if outside the pool) of £700k. There are however a range of potential outcomes for the current year, which depend on the actual level of rates collected by both North Herts as well as the other collection authorities in the Pool. The contribution to the pool required for 2022/23 will therefore not be known until all the pool authorities have declared their business rates income amounts to government, via the NNDR3 return, following the end of this financial year. In any case, the Council's contribution to

the pool will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.

- 8.12. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The Council has received a total grant allocation of £4.996m for reliefs in 2022/23, which includes an amount of £279k received as compensation for the Government's decision to freeze the business rates multiplier for 2022/23. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received will be held in reserve to fund the repayment of business rate collection fund deficits recorded. Some of the amount held in reserve will therefore be used to fund the £5.345m deficit repayment required in this year and a further £3m will be used to ensure the business rates income charged to the General Fund in 2022/23 matches the estimated position declared to Government in January 2022 via the NNDR1 return, as required by statute.
- 8.13. The Council is also eligible to retain further section 31 grant funding relating to the impact of the Covid-19 Additional Relief Fund (CARF). The Council received a cash receipt of £2.6m from government in the last financial year to facilitate the scheme. The scheme has subsequently awarded reliefs against chargeable business rates amounts for 2021/22 totalling £1.24m, of which the Council's share is £495k. The cost of the reliefs awarded through the fund is included in [has reduced] the forecast net surplus position referred to in paragraph 8.10 above. The compensating grant (£495k) will be charged to the General Fund in this financial year. We would usually carry-forward the grant in a reserve to cover any future shortfalls. However, as a provision was made in the 2021/22 accounts for the non-collection of outstanding arrears, against which the CARF reliefs have now been applied, it is unlikely that there will be a future impact. This will be confirmed as part of the year end collection fund calculations, including calculating the provision for bad debt. It is reasonably likely that the impact will be an increase in the year end General Fund balance of around £495k (compared with the current forecast).
- 8.14. The Council does not expect to receive non-ringfenced emergency grant funding from government in 2022/23 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2022/23 Revenue Budget Report presented to Full Council in February, a central provision of £1.740m was included in the budget for 2022/23. At Quarter One £1.630m of this allocation was released, with £1.190m used to mitigate forecast adverse variances and a further £440k forecast to be unused. At Quarter Two only £110k of the provision in respect of Hitchin Town Hall income is not yet allocated, with the impact on demand for winter indoor events not yet known.
- 8.15. Table 6 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

**Table 6 – General Fund impact**

	<b>Working Budget</b>	<b>Projected Outturn</b>	<b>Difference</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2022)</b>	<b>(10,607)</b>	<b>(10,607)</b>	<b>-</b>
Net Expenditure	18,056	17,786	(270)
Funding (Council Tax, Business Rates, NHB, Lower Tier Services Grant, 2022/23 Services Grant)	(15,820)	(15,820)	0
Release of the balance held in the earmarked Special Reserve	(640)	(640)	0
Contribution to Collection Fund	5,345	5,345	0
Funding from Reserves (including Business Rate Relief Grant)	(5,888)	(5,888)	0
<b>Carried Forward balance (31<sup>st</sup> March 2023)</b>	<b>(9,554)</b>	<b>(9,824)</b>	<b>(270)</b>

8.16. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,808k, and at the end of the second quarter a total of £344k has come to fruition. The identified risks realised in the second quarter relate to:

- Income related to planning applications is lower than the budget expectation (as highlighted in table 3 above) - £280k
- Increase to the annual external audit fee negotiated between the Council's External Auditor and Public Sector Audit Appointments (included within the 'other minor variances total' in table 3 above) - £23k.

**Table 7 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,808</b>
Known financial risks realised in Quarter 1	(41)
Known financial risks realised in Quarter 2	(303)
<b>Remaining allowance for known financial risks</b>	<b>1,464</b>

## **9. LEGAL IMPLICATIONS**

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.6.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The recommendations contained within this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current fiscal year and into the future. Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This means there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met

## **10. FINANCIAL IMPLICATIONS**

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



## **11. RISK IMPLICATIONS**

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

## **12. EQUALITIES IMPLICATIONS**

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

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

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

## **16. APPENDICES**

- 16.1. None.

## **17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

18.1. None.

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**CABINET**  
**13 December 2022**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23**

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

**1 EXECUTIVE SUMMARY**

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2022/23, as at the end of September 2022.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2022/23 – 2031/32. The current estimate is a decrease in spend in 2022/23 of £2.437M and an increase in spend in 2023/24 of £0.861M and £2.0M in 2024/25. The most significant individual changes decreasing the spend in 2022/23 relate to £2.0M Museum and Commercial Storage, £0.3M Property Improvements and £0.25M New Mausoleum which have been reprofiled into future years.
- 1.3 To inform Cabinet of the Treasury Management activities in the first six months of 2022/23. The current forecast is that the amount of investment interest expected to be generated during the year is £1.126M. This is an increase of £0.418M on the estimate reported in the 1st quarter report.

**2 RECOMMENDATIONS**

- 2.1 That Cabinet notes the forecast expenditure of £9.815M in 2022/23 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2022/23 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2023/24 by £0.861M and £2.0M in 2024/25.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2022.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are regular updates and meetings with Treasury advisors (Link).

### **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 9th May 2022.

### **7. BACKGROUND**

- 7.1 In February 2022, Council approved the Integrated Capital and Treasury Strategy for 2022/23 to 2031/32. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.
- 7.2 The Medium Term Financial Strategy for 2022 to 2027 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

- 7.3 Link Asset Services Ltd are contracted to provide Treasury advice. The service includes:
- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
  - Information on investment counterparty creditworthiness
  - Technical updates
  - Access to a Technical Advisory Group.

## 8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £128.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set. The main changes will be sales of surplus land for capital receipts as referenced in table 4.

### Capital Programme 2022/23

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2022/23 to 2031/32 and the funding source for each capital scheme.
- 8.3 Capital expenditure for 2022/23 is estimated to be **£9.815M**. This is a decrease of **£2.437M** on the forecast in the 1st quarter report (reported to Cabinet on 13th September 2022). The decrease in spend in 2022/23 is largely due to the reprofiling of projects into 2023/24 and 2024/25. Table 1 below details changes to capital programme.

**Table 1- Current Capital Estimates**

	<b>2022/23 £M</b>	<b>2023/24 £M</b>	<b>2024/25 to 2031/32 £M</b>
<b>Original Estimates approved by Full Council February 2022</b>	<b>7.546</b>	<b>5.522</b>	<b>17.311</b>
<b>Changes approved by Cabinet in 3rd Qrt 2021/22</b>	0.821	0	0
<b>Changes approved by Cabinet in 2021/22 Capital Outturn report</b>	0.980	0	0
<b>Revised Capital estimates at start of 2022/23</b>	<b>9.347</b>	<b>5.522</b>	<b>17.311</b>
<b>Full Council approved additional Expenditure – Acquisition of Churchgate</b>	4.350	0	0
<b>Executive Member – Finance and I.T. approved additional Expenditure – Installation of Electric Charging Points at DCO</b>	0.015	0	0
<b>Executive Member – Finance and I.T. approved additional Expenditure – Shared Prosperity Fund Interventions</b> (two separate projects at £50k and £10k each)	0.060	0	0
<b>Changes at Q1</b>	-1.520	2.048	0

	2022/23 £M	2023/24 £M	2024/25 to 2031/32 £M
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
Current Capital Estimates	9.815	8.331	19.311

- 8.4 Table 2 lists the schemes in the 2022/23 Capital Programme that will start or continue in 2023/24 and onwards:

**Table 2: Scheme Timetable Revision:**

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

Scheme	2022/23 Working Budget £'000	2022/23 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2023/24 onwards £'000
Museum and Commercial Storage	2,000	0	-2,000	Further work towards identifying the best route forwards, in terms of the appointment of a consultancy team and procurement of a principal contractor, have identified that the probable start date for construction is more likely to fall within 2023/24 and therefore reprofiling the capital budget accordingly is prudent at this time. Total budget for this project is £4M. Originally £2M in 2022/23 and £2M in 2023/24. This will now be profiled as £2M in 2023/24 and £2M in 2024/25	2,000
Property Improvements	604	300	-304	Whilst it's anticipated that a number of capital projects will be delivered during 2022/23, it's clear the entire budget allocation will not be used. Works will still be progressed for all higher priority improvements. The remainder will be delivered in later years, dependent on urgency and available resources.	304

Scheme	2022/23 Working Budget £'000	2022/23 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2023/24 onwards £'000
New Mausoleum Wilbury Hills	250	0	-250	This project has been reviewed by the Executive Member for Environment and Leisure, who has considered the commercial and community benefits from this project. Increasing costs and the need to clarify future demand has interrupted the progress of the project, with completion now expected in the next financial year.	250
Letch Multi-Storey Parapet/Soffit/Decorati on	129	1	-128	The project management of these works was outsourced to Stevenage Borough Council who have struggled to recruit to posts that became vacant. As a result this project has been delayed until 2023/24 whilst alternative arrangements can be put in place.	128
Timber Access Bridge Norton Co	75	0	-75	Due to limited resources this project has not commenced but is now within the work program moving forward for 2023/24, using Countryside Management Services to project manage the project as part of their delivery program.	75
Mrs Howard Hall Boiler/Windows	63	0	-63	Ongoing lease negotiations are at a very advanced stage, with the aim of agreeing a full repairing lease with the tenant. Currently waiting for the tenant to sign the lease agreement but anticipate this won't happen until towards the end of this financial year.	63
Former Public Conveniences, Portmill Lane- works to make available for letting	25	0	-25	Due to other more pressing priorities and limited officer resource within Estates, this project has had to be placed on hold for this financial year.	25
Other minor changes			-16		16
Total Revision to Budget Profile			-2,861		2,861



8.5 There are also changes to the overall costs of schemes in 2022/23. These changes total a net increase of £0.098million and are detailed in Table 3

**Table 3: Changes to Capital Schemes Commencing in 2022/23:**

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

<b>Scheme</b>	<b>2022/23 Working Budget £'000</b>	<b>2022/23 Forecast Spend £'000</b>	<b>Difference £'000</b>	<b>Comments</b>
Environmental Improvements to Leisure Centres	115	186	+71	<p>3 projects totalling £40K within the original budget of £115K are not viable and will not proceed.</p> <p>Following a full review of the existing Building Management Systems at each leisure facility, costs to upgrade the software and move to desktop access are over the original estimated budget included in the 2020 North Herts Greenhouse Gas Reduction Report. The project remains viable due to the energy saving measures that can be realised onsite by staff following this work. An increase of £59K is required for the project to progress.</p> <p>Cavity wall insulation remains a viable project at NHLC due to the impact on loss of heat / cooling it will have on the centre. In addition it will benefit the soft play project which is located on the same wall as the insulation works. Quotations have been received for the insulation at NHLC and are over the estimated original budget of £10k, therefore an increase of £52k is required for the project to progress.</p>
North Herts Leisure Centre Soft Play	250	288	+38	<p>Following approval of the soft play project a detailed scope has been developed. This has identified additional elements not included in the original scope resulting in an increase in costs. The additional elements include: increasing the size of the soft play structure, introducing air conditioning/heating, relocating the entrance/access gate, accessible toilet/ baby change area and seating provision. In addition, there has been a general increase in build costs since the original scope was developed</p>

Scheme	2022/23 Working Budget £'000	2022/23 Forecast Spend £'000	Difference £'000	Comments
Laptop Refresh Programme	24	49	+25	The need for laptops is going through a period of growth based on new ways of working. Each user needs a device. So things like long term sick, temporary replacements, maternity cover and job share introductions lead to technology growth even though there's no staff growth.
Other minor changes			+2	
Total revision to scheme spend			+136	

8.6 Table 4 below shows how the Council will fund the 2022/23 capital programme.

**Table 4: Funding the Capital Programme:**

	2022/23 Balance at start of year £M	2022/23 Forecast Additions £M	2022/23 Forecast Funding Used £M	2022/23 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	7.643	5.578	(8.302)	4.919
S106 receipts			(0.258)	
Other third party grants and contributions			(1.255)	
IT Reserve / Revenue			0	
Planned Borrowing			0	
<b>Total</b>			<b>(9.815)</b>	

8.7 The availability of third-party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

8.8 The Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2022 was negative £4.61M. Based on current forecasts it will remain negative during 2022/23

### **Treasury Management 2022/23**

8.9 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve and provisions balances and variations in cash due to the timing of receipts and payments. During the first six months, the Council had an average investment balance of £59.0M and invested this in accordance with the

treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices.

- 8.10 During the quarter the Council has had higher than usual cash balances due to the various grant funding that it has been given by Government to pass on to businesses / individuals. Even though every effort has been made to pass the money on as quickly as possible, there has inevitably been a delay between receipt and payment. There have also been tranches of grant where the amount received has exceeded the amounts eligible for payment. Balances have also been higher due to the reprofiling of capital spend in 2021/22.
- 8.11 The Council generated £0.315M of interest during the first six months of 2022/23. The average interest rate on all outstanding investments at the 30th September was 2.16%. (30th June it was 0.77%). Interest rates have continued to rise and are expected to increase further during the year. Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £1.126M of interest over the whole of 2022/23.
- 8.12 As at 30th September 2022 the split of investments was as shown in the table below. The high level of balances with the Debt Management Office (DMO) reflects the higher rates they paid during the quarter compared to Building Societies and other Local Authorities.

Banks	26%
Building Societies	9%
Government	65%
Local Authorities	0%

- 8.13 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th September 2022. The most risky investment has a historic risk of default of 0.022%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

<b>Borrower</b>	<b>Principal Invested £M</b>	<b>Interest Rate %</b>	<b>Credit Rating</b>	<b>Days to Maturity at 30 Sept</b>	<b>Historic Risk of Default %</b>
DMO (Government)	1.0	1.97	AA-	1	0.000
DMO (Government)	5.0	1.405	AA-	18	0.001
Santander UK	1.0	1.2	A	18	0.002
DMO (Government)	2.0	1.75	AA-	19	0.001
Santander UK	1.0	1.46	A	31	0.004
DMO (Government)	8.0	2.0	AA-	35	0.002
DMO (Government)	3.0	1.81	AA-	38	0.002
DMO (Government)	6.0	1.845	AA-	47	0.003

<b>Borrower</b>	<b>Principal Invested £M</b>	<b>Interest Rate %</b>	<b>Credit Rating</b>	<b>Days to Maturity at 30 Sept</b>	<b>Historic Risk of Default %</b>
Santander UK	1.0	2.06	A	48	0.006
Santander UK	1.0	2.22	A	56	0.006
Australia & New Zealand Bank	2.0	2.11	A+	76	0.010
DMO (Government)	5.0	2.405	AA-	76	0.005
Yorkshire Bldg Soc	3.0	1.79	A-	76	0.010
DMO (Government)	2.0	2.145	AA-	77	0.005
DMO (Government)	3.0	1.95	AA-	80	0.005
Santander UK	1.0	2.48	A	81	0.010
DMO (Government)	2.0	2.33	AA-	110	0.007
Nat West	2.0	2.8	A+	112	0.014
Yorkshire Bldg Soc	2.0	2.2	A-	126	0.016
Australia & New Zealand Bank	1.0	2.72	A+	140	0.018
Nat West	2.0	3.0	A+	143	0.018
Nat West	1.0	3.2	A+	166	0.021
Australia & New Zealand Bank	2.0	3.43	A+	171	0.022
	57.0	2.16			

DMO credit rating is the UK credit rating.

## 9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Section 151 of the Local Government Act 1972 states that:  
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

## 10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £3.9M higher than the budgeted £37.5M. Indeed the current high inflation rates may make this situation worse than the

tolerance limit of around 10%, particularly with the specific inflationary pressures on construction costs. This report includes one request to approve a variance that exceeded the general tolerance limit due to construction costs.

- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £22k per year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2022 was negative £4.61M.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

## **11. RISK IMPLICATIONS**

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software).
- 11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2020/21 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct human resource implications.

## **16. APPENDICES**

- 16.1 Appendix A, Capital Programme Detail including Funding 2021/22 onwards.  
16.2 Appendix B, Treasury Management Update.

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## **18. BACKGROUND PAPERS**

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)  
<https://srvmodgov01.north-herts.gov.uk/documents/s18463/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>  
<https://srvmodgov01.north-herts.gov.uk/documents/s18464/Final2%20Cabinet%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>

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		Spend / Forecast Spend						Funding				
Project	Service Directorate	2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 - 2031/32 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	15,000	12,000	0	14,000	0	16,000	0	0	0	0	57,000
Access Burymean Road	Enterprise	500	0	0	0	0	0	0	0	0	0	500
Acquisition of Churchgate	Enterprise	4,214,000	0	0	0	0	0	0	0	0	0	4,214,000
Alternative to safeword tokens for staff/members working remotely	Customers	6,900	0	3,000	0	3,000	19,000	0	0	0	0	31,900
Avenue Park Floodlights	Place	14,000	0	0	0	0	0	0	0	0	0	14,000
Avenue Park Splash Park	Place	0	70,000	0	0	0	0	0	0	0	0	70,000
Back-up Diesel 40 KVA Generator (DCO)	Customers	0	25,000	0	0	0	0	0	0	0	0	25,000
Baldock Town Hall project	Legal and Community	5,600	0	0	0	0	0	0	0	0	0	5,600
Bancroft Lighting	Place	0	45,000	0	0	0	0	0	0	0	0	45,000
Bancroft & Priory Splash Pads	Place	0	0	35,000	0	0	0	0	0	0	0	35,000
BEIS Park Homes Insulation	Regulatory	341,100	0	0	0	0	0	0	341,100	0	0	0
Burymead Road Transfer Facility	Place	30,000	0	0	0	0	0	0	0	0	0	30,000
Cabinet Switches - 4 Floors	Customers	18,000	0	18,000	0	0	18,000	0	0	0	0	54,000
Cadcorp Local Knowledge & Notice Board Software	Customers	5,400	0	0	0	0	0	0	0	0	200	5,200
Careline Servers	Customers	3,800	0	0	0	0	0	0	0	0	0	3,800
CCTV at DCO & Hitchin Town Hall	Customers	20,000	0	0	0	0	0	0	0	0	0	20,000
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	Customers	13,000	0	0	0	0	0	0	0	0	0	13,000
Council property improvements following condition surveys	Resources	300,000	303,700	0	0	0	0	0	0	0	0	603,700
Cyber Attacks - Events Monitoring Software Solution	Customers	9,100	0	0	0	0	0	0	0	0	0	9,100
Cycle Strategy implementation (GAF)	Regulatory	278,000	0	0	0	0	0	0	278,000	0	0	0
Data Switch Upgrade	Customers	15,000	0	18,000	0	18,000	23,000	0	0	0	0	74,000
DCO Electric Vehicle Charges	Resources	15,000	0	0	0	0	0	0	0	0	0	15,000
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	0	0	55,000	0	0	0	0	0	0	55,000
Email Encryption Software Solution	Customers	40,400	0	0	0	0	0	0	0	0	0	40,400
Environmental Improvements	Place	187,500	0	0	0	0	0	0	0	0	0	187,500
Former Public Convenience Portmill Lane	Enterprise	0	25,000	0	0	0	0	0	0	0	0	25,000
Great Ashby District Park safety and security	Place	11,700	0	0	0	0	0	0	0	0	0	11,700
Green Infrastructure implementation (GAF)	Regulatory	185,000	0	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Resources	0	315,000	0	0	0	0	0	0	0	0	315,000
Gum Gun	Place	38,000	0	0	0	0	0	0	0	0	0	38,000
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	0	75,000	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Boiler Replacement	Place	0	0	200,000	0	0	0	0	0	0	0	200,000
Hitchin Swim Centre: Archers Member Change and Relaxation Area Refurbishment	Place	0	0	0	300,000	0	0	0	0	0	0	300,000
Hitchin Swim Centre: Changing Village Refurbishment	Place	0	0	0	0	225,000	0	0	0	0	0	225,000
Hitchin Swim Centre: Fitness Equipment Replacement	Place	0	0	0	0	300,000	0	0	0	0	0	300,000
Hitchin Swim Centre: Fitness Facility Refurbishment	Place	0	0	0	0	50,000	0	0	0	0	0	50,000
Hitchin Swim Centre Outdoor Pool Boiler Replacement	Place	56,200	40,000	0	0	0	0	0	0	0	0	96,200
Hitchin Swim Centre Outdoor Pool Cover Replacement	Place	0	0	0	0	30,000	0	0	0	0	0	30,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	0	30,000	0	0	0	0	0	0	0	0	30,000





Project	Service Directorate	Spend / Forecast Spend						Funding				
		2022/23 Funding £	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 - 2031/32 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Replace and enhance lighting at St Mary's Car Park	Resources	60,000	0	0	0	0	0	0	0	0	0	60,000
Replace items of play equipment Holroyd Cres, Baldock	Place	300	0	0	0	0	0	0	0	0	0	300
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	300	0	0	0	0	0	0	0	0	0	300
Replacement of Newark Close, Royston	Enterprise	0	65,000	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Place	0	75,000	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	3,700	346,300	0	0	0	0	0	0	0	0	350,000
Royston Leisure Centre extension	Place	0	1,000,000	0	0	0	0	0	0	0	0	1,000,000
Riverside walkway, Biggin Lane	Place	53,000	0	0	0	0	0	0	0	0	0	53,000
Royston Leisure Centre Changing Village Refurbishment	Place	0	225,000	0	0	0	0	0	0	0	0	225,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	0	30,000
Royston Leisure Centre Members Changing Refurbishment	Place	0	0	150,000	0	0	0	0	0	0	0	150,000
Royston Leisure Centre Boiler Replacement	Place	0	0	0	0	0	100,000	0	0	0	0	100,000
Royston Leisure Centre Fitness Equipment Replacement	Place	0	0	0	0	150,000	0	0	0	0	0	150,000
Royston Leisure Centre Fitness Facility Refurbishment	Place	0	0	0	0	50,000	0	0	0	0	0	50,000
Royston Leisure Centre Solar Thermal Installation	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
S106 Projects	Various	177,000	0	0	0	0	0	0	0	177,000	0	0
Security - Firewalls	Customers	20,500	0	16,000	0	18,000	18,000	0	0	0	0	72,500
Shared Prosperity Fund Community and Place Interventions	Resources	60,000	0	0	0	0	0	0	60,000	0	0	0
Solar PV installation at Hitchin Swim Centre	Place	0	115,000	0	0	0	0	0	0	0	0	115,000
Solar PV installation at North Herts Leisure Centre	Place	0	260,000	0	0	0	0	0	0	0	0	260,000
Solar PV installation at Royston Leisure Centre	Place	0	185,000	0	0	0	0	0	0	0	0	185,000
St Johns Cemetery Footpath	Place	0	0	40,000	0	0	0	0	0	0	0	40,000
Tablets - Android Devices	Customers	16,700	10,000	10,000	10,000	10,000	20,000	0	0	0	0	76,700
Telephony system	Customers	6,900	0	0	0	0	0	0	0	0	0	6,900
Thomas Bellamy House, Hitchin	Enterprise	65,000	0	0	0	0	0	0	0	0	0	65,000
Transport Plans implementation (GAF)	Regulatory	250,000	0	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	0	0	4,000,000	0	0	0	0	0	3,200,000	800,000
Weston Hills LNR Footpath Renovation	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Wilbury Hills Cemetery Footpaths	Place	0	16,600	10,000	0	30,000	0	0	0	0	0	56,600
WiFi Upgrade	Customers	0	0	0	40,000	0	0	0	0	0	0	40,000
		9,814,800	8,331,500	6,136,000	8,909,000	1,402,000	2,864,000	298,300	1,206,100	565,400	3,370,200	32,017,300

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# Treasury Management Strategy Statement and Annual Investment Strategy

**Mid-Year Review Report  
2022/23**

**Date of issuance: 7.10.22**

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# 1. Background

## 1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following: -

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

## 1.2 Treasury management

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

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

Accordingly, treasury management is defined as:

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

# 2. Introduction

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

The primary requirements of the Code are as follows:

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

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

- An economic update for the first half of the 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- A review of any debt rescheduling undertaken during 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23.

## 3. Economics and interest rates

### 3.1 Economics update

- The second quarter of 2022/23 saw:
  - GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
  - Signs of economic activity losing momentum as production fell due to rising energy prices;
  - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
  - The unemployment rate fell to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
  - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23<sup>rd</sup> September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
- There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
- The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.
- Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike

looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

- Since the fiscal event on 23<sup>rd</sup> September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21<sup>st</sup> June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31<sup>st</sup> October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14<sup>th</sup> October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.
- Since the Bank's announcement on 28<sup>th</sup> September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14<sup>th</sup> October or it decides to delay quantitative tightening beyond 31<sup>st</sup> October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

### 3.2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

The latest forecast on 27<sup>th</sup> September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

### 3. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2022/23 was approved by the Council on 11th February 2022.

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



## 4. The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

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

### 5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the 1st quarter.

Capital Expenditure by Service	2022/23 Working Estimate £m	Current Position £m	2022/23 Revised Estimate £m
Asset Management	5,003	3,931	4,674
Community Services	368	223	376
Computer Software and Equipment	914	198	939
Corporate Items	82	0	82
Growth Fund Projects	713	0	713
Leisure Facilities	1,536	575	1,485
Museum & Arts	2,094	14	94
Parking	961	-54	833
Renovation & Reinstatement Grant Expenditure	461	273	461
Waste	120	58	158
<b>Total capital expenditure</b>	<b>12,252</b>	<b>5,218</b>	<b>9,815</b>

### 5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2022/23 Working Estimate £m	Current Position £m	2022/23 Revised Estimate £m
<b>Total capital expenditure</b>	<b>12,252</b>	<b>5,218</b>	<b>9,815</b>
<b>Financed by:</b>			
Capital receipts and Set Aside Receipts	10,526	4,812	8,302
Other third party grants and contributions	1,306	230	1,255
S106 Receipts	250	176	258
Revenue	170	0	0
<b>Total financing</b>	<b>12,252</b>	<b>5,218</b>	<b>9,815</b>
<b>Borrowing requirement</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

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

#### Prudential Indicator – Capital Financing Requirement and the Operational Boundary for External Debt

	2022/23 Original Estimate £m	Current Position £m	2022/23 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>			
<b>Total CFR</b>	-3,183	-4,391	-2,536
<b>Prudential Indicator – the Operational Boundary for external debt</b>			
Borrowing	2,700	377	2,700

### 5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose\*. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

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

<b>Authorised limit for external debt</b>	<b>2022/23 Original Indicator</b>	<b>Current Position</b>	<b>2022/23 Revised Indicator</b>
Total	7,700	377	7,700

## 5. Borrowing

The Council's capital financing requirement (CFR) for 2022/23 is £3.183m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The CFR is negative as the Council has more cash investments than borrowing.

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

Loans Outstanding at 30 September 2022:

	Amount	Average Interest Rate
	£k	%
Public Works Loans Board	377	10.19

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

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31 <sup>st</sup> March 2023 (Forecast)	0.367	0.727	0	1.550	2.1	7.1
31 <sup>st</sup> March 2024 (Forecast)	0.347	0.675	0	0.951	1.6	6.6
31 <sup>st</sup> March 2025 (Forecast)	0.909	0.485	0.584	0.810	1.5	6.5
31 <sup>st</sup> March 2026 (Forecast)	6.569	0.408	6.264	0.713	1.5	6.5
31 <sup>st</sup> March 2026 (Forecast)	7.641	0.329	7.351	0.619	1.4	6.4

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

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

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

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

The Prudential Indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2022/23	0.039	18.067	0.216
2023/24	0.037	16.650	0.222
2024/25	0.062	15.860	0.393
2025/26	0.318	15.619	2.037
2026/27	0.379	15.529	2.442

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

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2022/23	0.039	1.126	-1.087	18.607	-5.842
2023/24	0.037	1.210	-1.173	16.650	-7.045
2024/25	0.062	1.066	-1.004	15.860	-6.330
2025/26	0.318	0.761	-0.443	15.619	-2.836
2025/26	0.379	0.736	-0.357	15.529	-2.299

## 6. Debt Rescheduling

No debt rescheduling was undertaken during the quarter

## 7. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the year to date as at 30th September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

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

## 8. Annual investment strategy

The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 11th February 2022. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

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

**Creditworthiness.**

Following the Government's fiscal event on 23<sup>rd</sup> September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

### Investment Counterparty criteria

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

### CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

### Investment balances

The average level of funds available for investment purposes during the first half of the financial year was **£59M**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds **£20M** core cash balances for investment purposes (i.e. funds available for more than one year).

	Amount £	Average Interest Rate %
<b>Managed By NHDC</b>		
Banks	15,000,000	2.54
Building Societies	5,000,000	1.97
Local Authorities	0	0
Government	37,000,000	1.94
<b>Total</b>	<b>57, 000,000</b>	<b>2.16</b>

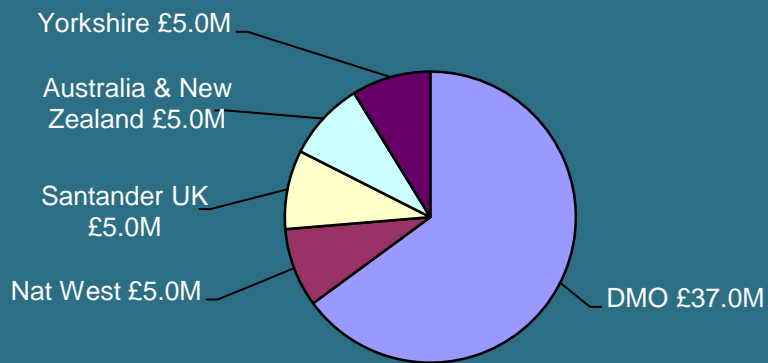
In percentage terms, this equates to:

	Percentage
Government	65
Banks	26
Local Authorities	0
Building Societies	9

The approved 22/23 strategy is that no more than 60% of investments should be placed with Building Societies and Property Funds with a maximum value of £23M. The value at 30 September was £5M.

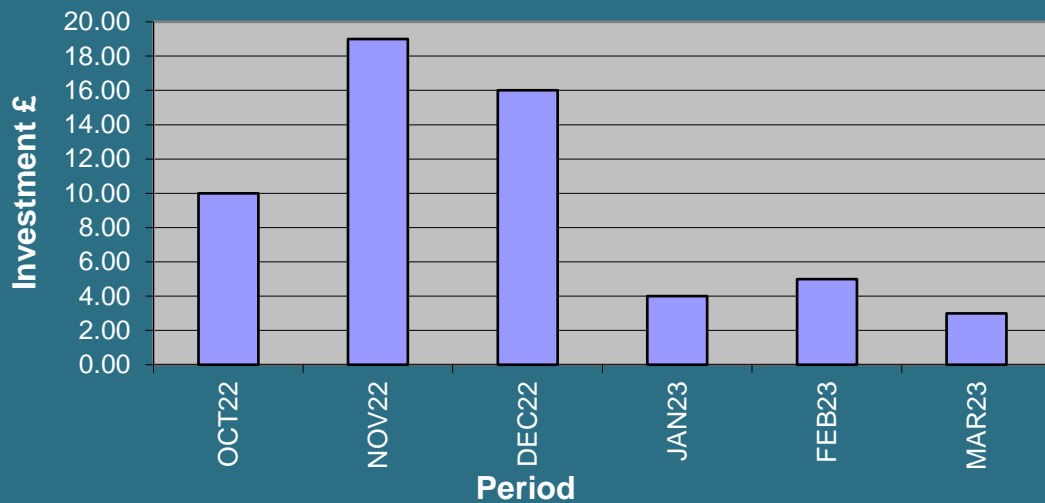
The pie chart below shows the spread of investment balances as at 30 September 2022. This is a snapshot in time that demonstrates the diversification of investments.

## Placement of Investments 30th September 2022

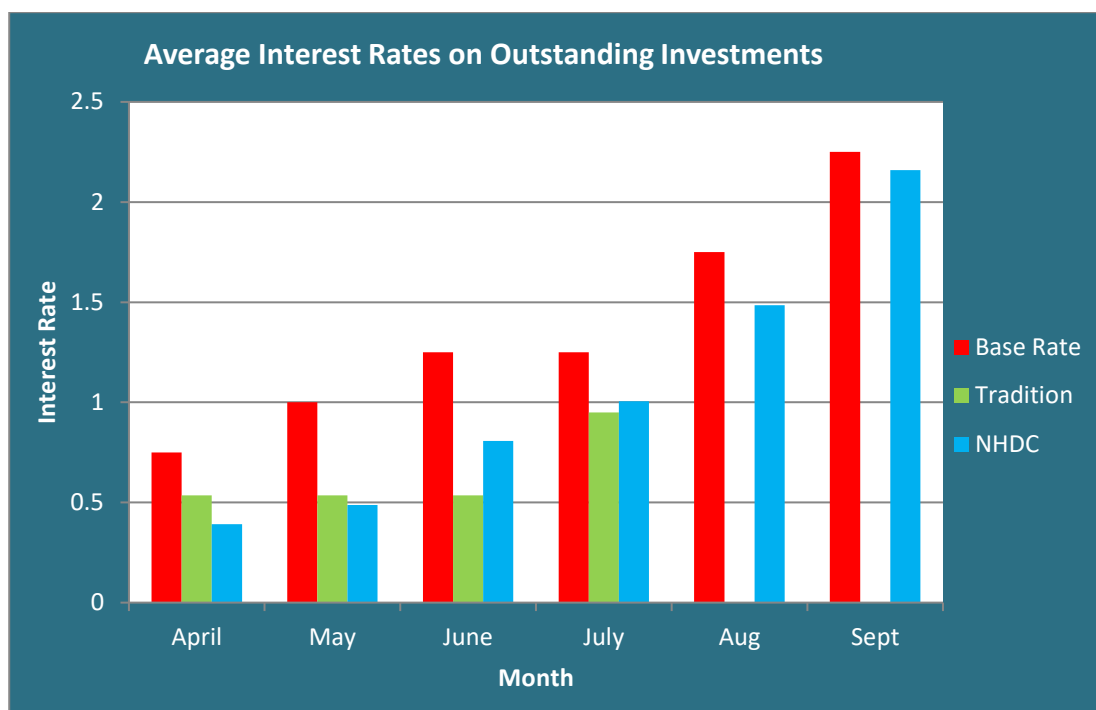


The chart below shows the Council's investment maturity profile.

## Investment Maturity 30th September 2022



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



The Council only undertakes new investments through Tradition where the rate achieved (after fees) are greater than what the Council could achieve for a similar investment. The final Tradition deal matured in August.

#### **Approved limits**

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 September 2022.



## APPENDIX 1: Prudential and Treasury Indicators for 2022-23 as at 30<sup>th</sup> September 2022

Treasury Indicators	2022/23 Budget £'000	30.09.22 Actual £'000
Authorised limit for external debt	7,100	377
Operational boundary for external debt	2,000	377
Gross external debt	387	377
Investments	47,400	57,000
Net borrowing	47,013	56,623

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	19	19
12 months to 2 years	21	21
2 years to 5 years	155	57
5 years to 10 years	1,271	40

Upper limit for principal sums invested over 365 days	18,000 Max	0
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Prudential Indicators	2022/23 Budget £'000	30.09.22 Actual £'000
Capital expenditure	12,252	5,296
Capital Financing Requirement (CFR)	-3,183	-4,391
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream	-0.442	-3.25

<b>CABINET</b> <b>13 December 2022</b>
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<b>PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: DRAFT BUDGET 2023/24**

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: Sustainability

**1. EXECUTIVE SUMMARY**

- 1.1. Cabinet is asked to consider the latest forecasts in relation to funding, income and expenditure in relation to the revenue budget for 2023/24. It is expected that an addendum report will be provided in relation to the Local Government settlement.
- 1.2. Cabinet are asked to consider the savings and investment proposals that were presented to the budget workshops, as well as any new savings and investment proposals that have emerged since those workshops. This should consider the feedback from those workshops, as well as taking appropriate measures to meet the net savings target of £200k.
- 1.3. Cabinet are asked to consider the capital project proposals that were presented to the budget workshops, as well as any other opportunities that have emerged since those workshops. This should consider the feedback from those workshops, as well as considering the forecast revenue impact of capital expenditure.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note the latest funding forecasts for 2023/24 onwards and the significant uncertainty that still remains.
- 2.2. That Cabinet confirm that it is necessary to increase Council Tax by 3% (the maximum amount now allowed without a local referendum) as this is what will be assumed by Government in determining the Business Rates that the Council can retain.
- 2.3. That Cabinet confirm that the Council should be part of a Business Rate pool in 2023/24, but delegates to the Service Director: Resources, in consultation with the Executive Member for Finance and IT, authority to withdraw from the pooling arrangement if there are significant changes that would make it likely that the Council would suffer a financial loss from pooling.
- 2.4. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the budget to be brought back for consideration in January, for referral on to Council in February.
- 2.5. That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the Investment Strategy to be brought back for consideration in January, for referral on to Council in February.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1. To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2023/24, to be considered by Full Council on 23 February 2022.

### **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.
- 4.3. The Council is required to set a balanced budget over the medium term.

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at budget workshops. The comments from these workshops are detailed in this report.
- 5.2. This report is the first draft of the budget and a further report to Cabinet will follow in January. Both reports will also be considered by the Finance, Audit and Risk (FAR) Committee.
- 5.3. Business Ratepayers will be consulted on the proposals within the January report. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, as this has worked effectively since it was introduced.
- 5.4. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Area Committee(s).

### **6. FORWARD PLAN**

- 6.1. The majority of this report relates to the Council's budget that will be considered by Council at its meeting in February. There are some aspects of the report that contain a recommendation on a key Executive decision and was therefore referred to in the Forward Plan that was first notified to the public on 7<sup>th</sup> October 2022.

### **7. BACKGROUND**

- 7.1. The Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Full Council in September following recommendation by Cabinet. The budget estimates within the MTFS included a number of assumptions. These have been updated as better information has become available and further updates will be made prior to the presentation of the budget to Cabinet in January. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.
- 7.2. The MTFS set target net savings for each of the next 5 years. This is to ensure progress is made towards balancing the Council's budget in each year, with the aim of achieving a fully balanced budget (net expenditure = funding) by 2027/28. In the shorter term the budget will be balanced through the use of reserves. The phasing of the delivery of

savings also ensures that the reserves are not diminished too much and remain above the minimum recommended level. The net savings target for 2023/24 is £200k.

- 7.3. The Council has applied, along with four other Hertfordshire District and Borough Councils and Hertfordshire County Council, to form a Business Rates Pool for 2023/24. The anticipated benefit, based on forecast rates income, from the pooling of Business Rates is a relative reduction in the business rates levy payable to Central Government next year, referred to as the 'pooling gain', meaning the Council will be able to retain more of the Business Rates income it collects. Should the forecast position change, however, each of the proposed pool members have the option to withdraw from the Pool. The deadline for any withdrawal is 28 days from the announcement of the Local Government Finance settlement. At the time of writing this report it is unknown when the Finance settlement will be announced, but it is likely to be mid-December. It is possible that the settlement announcement will be that no Councils will be allowed to Pool. If pooling is allowed then it is expected that it will be beneficial, so Cabinet are asked to confirm that the Council should be part of the Pool. Recommendation 2.3 provides a delegation to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) in case there is a change that would make it not worthwhile (e.g. too much risk of a pooling loss). As has been the practice for a number of years, a level of pooling gain is not assumed in the budget estimates.

## **8. RELEVANT CONSIDERATIONS**

### **Council Tax base**

- 8.1. The Medium Term Financial Strategy assumed that the Council's tax base (the number of Band D equivalent properties that pay Council Tax, after deducting those eligible for Council Tax Reduction, other discounts and applying a 99% collection rate) for 2023/24 would increase by 0.5% from the 2022/23 level. The Council's tax base at the end of September 2022 was 1.25% higher than the previous year. It is likely that the building of new properties will further increase the tax base before the start of, and during, 2023/24. But it is also likely that, with the cost of living crisis, eligibility for Council Tax Reduction will increase. Therefore the forecast tax base will be based on a 1.25% increase.
- 8.2. For the years after 2023/24 it was assumed that the Council Tax base would grow by a net 0.5% per year. This assumed a prudent level of growth in new properties, partly offset by an allowance for the additional costs of providing services (e.g. waste collection) to those new properties. Whilst the Council has now adopted a Local Plan for the period up to 2031, the prudent assumption of 0.5% will be retained for this budget cycle and will be reviewed as part of next year's Medium Term Financial Strategy.

### **Autumn Statement**

- 8.3. The most significant announcement from the Chancellor's Autumn Statement was a change to the rules on Council Tax increases without the need for a referendum. Previously this limit has been the higher of £5 (band D equivalent property) or 2%. The announcement in the Autumn Statement was that this will be 3% from 2023/24 for non-Social Care Authorities. At the time of writing this report it is not completely whether this is just for 2023/24, an ongoing change or subject to a different time limit (although some indications that it will be in place for 2 years). As some forecasts are that inflation will return back to around 2% by 2024, the prudent assumption is that it will just be for one year. Whilst the Council can choose to increase Council Tax by less than the limit, it must be noted that the Government are very likely to assume that Councils have increased their Council Tax by the maximum allowed when determining the remainder of their funding (in our case the level of Business Rates that can be retained). Therefore an increase of less than 3% would mean in later years that higher levels of savings would need to be found, and therefore more council services would need to be cut or reduced. Cabinet

are recommended to confirm that the draft budget should include an increase in Council Tax by 2.99% for 2023/24. In making this decision, it is worth noting that the District Council element of Council Tax is only around 12% (excluding Parish precepts, based on 2022/23) and that the County Council element (which makes up about 75%) is likely to increase by 5%. Furthermore, the proposed new Council Tax Reduction Scheme (subject to agreement by Council in January) will provide a 100% discount to the poorest households in the District.

- 8.4. The forecast impact of the increase in Council Tax Base and increasing the Council Tax rate by 3% (both in 203/24 only) is set out in the table below. As set out above it is assumed that Tax rate increases will then revert back to 2% per year, and tax base growth will then be 0.5%. Even though the changes are only in 2023/24 it has an ongoing impact in successive years:

£ millions	2023/24	2024/25	2025/26	2026/27	2027/28
Previous Council Tax income forecast	12.560	12.875	13.197	13.527	13.865
Revised Council Tax income forecast	12.774	13.092	13.419	13.755	14.098
Increase in forecast	0.214	0.217	0.222	0.228	0.233
- Proportion of increase due to change in tax base	0.117	0.118	0.121	0.124	0.127
- Proportion of increase due to Council Tax increasing by 2.99% (rather than 2%)	0.097	0.099	0.101	0.104	0.106

- 8.5. The Autumn Statement also confirmed that the National Insurance increase (to fund Social Care) will not take place. The Council had received some additional grant funding to cover this. It is assumed that the additional funding will be stopped from 2023/24, so there is no net budgetary impact of that change.

- 8.6. The Autumn Statement also made announcements in respect of Business Rates. These included reliefs (i.e. reducing the amount to be paid by certain business types compared to normal levels) and freezing of the multiplier (i.e. not applying an inflationary increase to all businesses). These will be fully funded by off-setting grants.

### **Local Government Settlement**

- 8.7. The date of the draft Local Government Settlement will be week commencing 19<sup>th</sup> December. We have been told that some information may be provided earlier, and that the Settlement will confirm any elements that will continue in to 2024/25, to give some additional budget planning certainty. In the meantime, the assumptions in the Medium Term Financial Strategy will be used.

### **Pay and Price Inflation**

- 8.8. Since the Medium Term Financial Strategy, the pay award for 2022/23 has been settled (at £1,925 for each pay-point). Negotiations on the 2023/24 pay award have not commenced yet.
- 8.9. Overall inflation is still very high, but also still in line with what was envisaged when the Medium Term Financial Strategy was written. So at this time there is no need to amend any of the inflation forecasts. These will be revisited again as part of the January Cabinet report.

## **General Reserve balances**

- 8.10. The Medium Term Financial Strategy was set based on a General Fund balance at the end of 2022/23 (start of 2023/24) of £9.55million. The Quarter 2 budget monitor estimates that this will now be around £9.8million. This means that the Council can continue with the strategy set out for 2023/24.

## **Revenue Savings and Investment proposals**

- 8.11. The Medium Term Financial Strategy highlighted a need to make at least £2.6million of net savings (efficiencies, income generation and service changes) over a five-year period i.e. by the end of 2027/28, which included the assumption that £200k of savings would be identified during the 2023/24 budget process.
- 8.12. The revenue savings and investment proposals were presented to Political Group workshops (Joint Administration and Conservative) in early November. The full list of revenue savings and investments is attached as Appendix A.
- 8.13. The proposals presented to the budget workshops resulted in medium-term net revenue savings of £284k per year. The joint administration workshop were content with all the proposals put forward. The Conservative Group asked a number of questions about the proposals but did not make any comments or recommendations to Cabinet.
- 8.14. Since the Budget Workshop it has been identified that the Scrutiny Committee will require additional Officer support to help it to be more effective. It is not currently clear how much additional support will be required. It is likely that this can be afforded from previous savings identified from a restructure in a different part of the Legal and Community directorate. Therefore, at this stage a budget pressure bid does not need to be added.
- 8.15. A further change since the Budget Workshop is that 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. 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, which will be a budget pressure of around £400k. This will add to the savings that need to be identified and delivered in later years.
- 8.16. Another change is a proposal to extend 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. The overall impact is expected to be an additional cost of up to £25k in 2023/24.

## **Capital Proposals**

- 8.17. At the Budget Workshops, the Political Groups also considered capital investment proposals, which are attached at Appendix B. In addition to the importance that capital spend is scrutinised to ensure that it is in line with Council needs and priorities, the Council also faces a revenue cost of capital spend. The cash that is spent would otherwise be invested to generate a return. As interest rates have increased, the cost (through lost investment income) increases. In the medium term, the Council will also

move to being in a position where it has to use borrowing (either internal or external) to fund its capital programme. This further increases the cost of capital spend.

- 8.18. In addition to the list at Appendix B, it was also verbally highlighted that there would be a bid (amount currently unknown) for the replacement of the CCTV cameras that the Council will be retaining. This reflects that a number of cameras are getting old and need to be replaced with more modern technology. As well as providing better image quality, the new cameras may also allow revenue savings (e.g. in the way that they connect to the CCTV Control Room and the data link costs).
- 8.19. The joint administration workshop was content with all the capital proposals put forward. It was highlighted that they were looking to redevelop Charnwood House in to a community facility, but there was still too much uncertainty over the cost to include an amount in the capital programme at this stage. The cost that the Council would fund would be affected by the final design and also any funding from third parties.
- 8.20. The Conservative Group asked a number of questions about the proposals but did not make any comments or recommendations to Cabinet.

## **9. LEGAL IMPLICATIONS**

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2. Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.
- 9.3. Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances

## **10. FINANCIAL IMPLICATIONS**

- 10.1. These are mainly covered in the body of the report.
- 10.2. The Council can fund capital expenditure from capital reserves or new capital receipts (e.g. sale of surplus land) which has a moderate revenue impact (i.e. the lost interest from investing the cash). The Council can also use revenue funding for capital expenditure but given the forecast budget position that the Council faces, this is not a viable option.
- 10.3. The Council is now in a position where its available and forecast capital reserves will not be sufficient to fund the capital programme, so it will need to borrow to fund its capital spend. Guidance from CIPFA (the Chartered Institute of Public Finance and Accountancy) strongly encourages Councils to borrow internally where possible. This involves using the available cash from revenue reserves and provisions to fund the capital spend, rather than bringing in additional cash from external borrowing. The cost of this will be made up of the lost interest from investing that cash and a charge known as a Minimum Revenue Provision (MRP).
- 10.4. Where a Council is in a position where it needs to borrow (technically known as having a positive Capital Financing Requirement) then it has to include a MRP charge to its revenue budget. In simple terms this creates an amount over the life of the asset being borrowed for to repay the borrowing. In common with other Councils, the Council will assume that it is borrowing against its assets with the longest life and therefore the MRP will be based on a 40 year life (i.e. 2.5% per year).

## **11. RISK IMPLICATIONS**

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

## **12. EQUALITIES IMPLICATIONS**

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

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

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

## **16. APPENDICES**

- 16.1. Appendix A - List of Revenue Savings and Investments proposals.
- 16.2. Appendix B - Proposed Capital Programme

## **17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

- 18.1. Medium Term Financial Strategy: [Agenda for Council on Thursday, 22nd September, 2022, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

## REVENUE BUDGET SAVINGS AND INVESTMENTS

### New Revenue Efficiency Proposals

Description of Proposal	Net Efficiency				
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
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.	(2)	(2)	(2)	(2)	(2)
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.	(9)	(9)	(9)	(9)	(9)
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.	(4)	(4)	(4)	(4)	(4)
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.	(161)	(161)	(161)	(161)	(161)
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.	(51)	(51)	(51)	(51)	(51)
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.	(84)	(84)	(84)	(84)	(84)
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 programme 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).	(8)	(8)	-	-	-
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.	(9)	(9)	(9)	(9)	(9)
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 rate return is also dependent on the anticipated level of cash balances available for investment, hence this estimate will be further refined when the Investment Strategy is finalised in January.	(180)	-	-	-	-
Reduction in marginal contribution rate to the Local Government pension scheme following the triennial revaluation of the scheme. The current marginal contribution rate is 18.6%. Based on early indications of the outcome from the revaluation exercise and an improvement in the Council's position over the three years, the actuary has indicated that a revised marginal rate of 17.6% should be sufficient to maintain a stable position going forward.	(110)	(110)	(110)	(110)	(110)

Garden waste subscriptions income. We have received anecdotal 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 are 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.	121	253	(168)	(145)	(121)
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.	(93)	(83)	(73)	(73)	(73)
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.	1	1	(3)	(3)	(3)
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.	-	(1)	(4)	(4)	(4)
Total Net Budget Reduction from new efficiency proposals	(429)	(420)	(417)	(417)	(417)
	(160)	152	(261)	(238)	(214)
	(589)	(268)	(678)	(655)	(631)

## New Revenue Pressures and Investment Proposals

Description of Proposal	Investment				
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
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.	7	7	7	7	7
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.	25	-	-	-	-
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.	15	-	-	-	-
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.	20	-	-	-	-
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.	3	-	-	-	-
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.	20	-	-	-	-
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.	25	-	-	-	-
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.	5	-	-	-	-
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.	5	-	-	-	-
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).	2	2	2	2	2
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.	40	40	40	-	-
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.	25	-	-	-	-
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.	32	-	-	-	-

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.	TBC	TBC	TBC	TBC	TBC
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.	20	20	10	-	-
Anticipated waste collection catchup costs associated with the additional bank holiday for the Coronation of King Charles III.	20	-	-	-	-
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.	30	-	-	-	-
Recruitment of Planning Enforcement Officer. With the receipt of the Inspector's letter and the approval of some large scale housing sites within the District, the planning enforcement team requires additional resource to met 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.	53	53	53	53	53
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.	17	17	17	17	17
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.	47	47	47	47	47
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.	-	-	-	-	-
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.	60	60	60	60	60
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.	10	10	10	-	-
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.	-	20	30	-	-
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.	5	-	-	-	-

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.	20	10	10	-	-
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.	25	-	-	-	-
Repair of the surface water drain at District Council Offices, Letchworth.	-	15	-	-	-
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.	10	10	10	10	10
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.	30	30	30	30	30
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.	3	6	-	-	-
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.	-	-	168	145	121
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.	26	-	-	-	-
<b>Total Net Budget Increase from new pressures and investment proposals</b>	<b>600</b>	<b>347</b>	<b>494</b>	<b>371</b>	<b>347</b>
	-	-	-	-	-
	<b>600</b>	<b>347</b>	<b>494</b>	<b>371</b>	<b>347</b>

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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).
Sub-Total: Externally financed projects	483	483	120	363	-	-	-	-	



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	
<b>Grants to Third Parties</b>									
<b>Private Sector Grants</b>	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.
<b>John Barker Place, Hitchin</b>	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.
<b>Sub-Total: Grants to Third Parties</b>	<b>1,576</b>	<b>270</b>	<b>1,156</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>180</b>	
<b>Green Space Developments</b>									
<b>Remote testing equipment - Emergency Lights and Water Temperature Monitoring</b>	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.
<b>Grounds Maintenance Vehicles / Machinery</b>	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.
<b>Playground Renovation District Wide</b>	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.
<b>Sub-Total: Green Space Developments</b>	<b>2,128</b>	<b>-</b>	<b>495</b>	<b>193</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>900</b>	
<b>Green Space Developments - Baldock</b>									
<b>Weston Hills Baldock</b>	20	-	20	0	0	0	0	0	Resurface car park off Lime Kiln Lane Baldock

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	£'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 - Ba	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.

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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Ransoms Rec Footpaths, Gates and Railing</b>	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.
<b>St Johns Cemetery Footpath</b>	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.
<b>Bancroft and Priory Splash Pads</b>	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.
<b>Sub-Total: Green Space Developments - Hii</b>	<b>1,140</b>	<b>287</b>	<b>1,065</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Green Space Developments - Letchworth</b>									
<b>Icknield Way Cemetery Letchworth Road and Path Resurfacing</b>	100	-	100	0	0	0	0	0	Undertake resurfacing of whole site roadways and footpaths.
<b>Norton Common Letchworth Tennis Courts</b>	25	-	25	0	0	0	0	0	Resurface tennis courts. The courts are well used but the playing surface is worn out.
<b>Howard Park Letchworth Path Resurfacing</b>	40	-	10	10	0	10	10	0	Phased approach to resurfacing the pathways at Howard Park.
<b>Wilbury Hills Cemetery Footpaths</b>	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.
<b>Norton Common Footpaths</b>	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.
<b>Sub-Total: Green Space Developments - Le</b>	<b>225</b>	<b>-</b>	<b>155</b>	<b>20</b>	<b>-</b>	<b>40</b>	<b>10</b>	<b>-</b>	
<b>Green Space Developments - Royston</b>									

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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Newmarket Road Royston Skatepark and Access</b>	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>
<b>Sub-Total: Green Space Developments - Rc</b>	100	-	100	-	-	-	-	-	
<b>IT Schemes:</b>									
<b>Member Laptops - Refresh Programme</b>	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>
<b>Laptops Refresh Programme</b>	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>
<b>Tablets - Android Devices</b>	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>
<b>PC Refresh Programme</b>	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>
<b>Backup and Business Continuity Hardware</b>	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>

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	£'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.
<b>Sub-Total: IT</b>	<b>4,154</b>	<b>-</b>	<b>119</b>	<b>396</b>	<b>1,124</b>	<b>136</b>	<b>62</b>	<b>2,317</b>	
<b>Leisure Related Proposals</b>									
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.
<b>Sub-Total: Leisure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Leisure - Hitchin Swim Centre</b>									

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	£'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.

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	£'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	<p>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.</p> <p>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.</p>
NHLC Boiler Replacement	200	-	0	200	0	0	0	0	<p>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.</p> <p>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.</p>
NHLC Dryside Changing Area	-	-	0	0	0	0	0	0	<p>To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side changing areas is proposed.</p> <p>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.</p>

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	£'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	



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	£'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.

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	£'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 Centre	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.

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	£'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	
<b>TOTAL</b>	<b>27,817</b>	<b>4,410</b>	<b>6,966</b>	<b>4,927</b>	<b>9,934</b>	<b>1,461</b>	<b>622</b>	<b>3,907</b>	