

17 January 2023

Our Ref Finance, Audit and Risk Committee/25  
January 2023  
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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, GERON  
ROAD, LETCHWORTH**

On

**WEDNESDAY, 25TH JANUARY, 2023 AT 7.30 PM**

Yours sincerely,

Jeanette Thompson  
Service Director – Legal and Community

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

## **Agenda Part I**

<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 DECEMBER 2022</b>	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 7 December 2022.	(Pages 5 - 14)
<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. FINAL REVENUE BUDGET 2023/24 REPORT OF THE SERVICE DIRECTOR – RESOURCES</b>	To consider the Final Revenue Budget 2023/24.	(Pages 15 - 52)

7. **INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 53 - 108)

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

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

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# Public Document Pack Agenda Item 2

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH  
ON WEDNESDAY, 7TH DECEMBER, 2022 AT 7.30 PM

#### MINUTES

**Present:** *Councillors: Terry Tyler (Chair), George Davies, Phil Weeder, Terry Hone, Simon Bloxham and Chris Hinchliff*

*John Cannon (Independent Person)*

**In Attendance:** *Ian Couper (Service Director - Resources), Louis Mutter (Committee, Member and Scrutiny Officer), Jo Dufficy (Service Director - Customers), Reuben Ayavoo (Policy and Community Engagement Manager), Anne Banner (Benefits Manager), Geraldine Goodwin (Revenues Manager), Chris Wood (Hertfordshire County Council), Debbie Hanson (Ernst & Young), Rachel Merez (Ernst & Young) and Ciaran Tumulty (Ernst & Young)*

**Also Present:** *At the commencement of the meeting there were no members of the public present.*

#### 55 APOLOGIES FOR ABSENCE

*Audio recording – 1 minute 57 seconds*

Apologies for absence were received from Councillors Morgan Derbyshire, Sean Nolan and Clare Billing.

Having given due notice Councillor Simon Bloxham substituted for Councillor Morgan Derbyshire and Councillor Chris Hinchliff for Councillor Sean Nolan.

#### 56 MINUTES - 7 SEPTEMBER 2022

*Audio Recording – 2 minutes 20 seconds*

Councillor Tyler as Chair proposed and Councillor Weeder seconded and, following a vote it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 7 September be approved as a true record of the proceedings and be signed by the Chair.

#### 57 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 3 minutes*

There was no other business notified.

#### 58 CHAIR'S ANNOUNCEMENTS

*Audio recording – 3 minutes 8 seconds*

- (1) The Chair welcomed those present at the meeting, especially those who had attended to give a presentation;
- (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.
- (3) The Chair made a statement concerning the sad death of Councillor Judi Billing MBE and invited attendees to join him in a minute's silence.

## 59 PUBLIC PARTICIPATION

*Audio recording – 5 minutes*

There was no public participation.

## 60 EY AUDIT PLANNING FOR YEAR ENDED 31 MARCH 2022

*Audio Recording: 5 minutes 8 seconds*

Debbie Hanson, Rachel Merez and Ciaran Tumulty presented the report entitled EY Audit Planning for Year End 31 March 2022 and highlighted the following points:

- The risks set out in the plan are standard and the sort of risks you expect to see for any Local Authority the size of North Hertfordshire delivering its services;
- EY have started the detailed work and are making good progress;
- Will be completing the work in the new year, not in time for the January meeting but will be back in March;
- Debbie Hanson then gave an overview of the 2021/22 audit strategy included in pages 25-29 of the report;
- 'Accounting for government grants' and the 'NDR appeals provision' are not included as risks this year. Previous years these risks were caused by COVID, these were not significant issues last year and have been removed.

The following Members asked questions:

- Councillor Terry Hone

In response to questions, Ernst & Young advised:

- The audit differences figure on page 42 is calculated as a % of overall materiality level, which is a standard of every audit.

**RESOLVED:** That the Committee notes the report entitled EY Audit Planning for Year End 31 March 2022.

## 61 SAFS UPDATE ON ANTI-FRAUD PLAN 2022/23

*Audio Recording: 15 minutes 30 seconds*

Nick Jennings, SAFS Manager presented the report entitled SAFS Update on Anti-Fraud Plan 2022/23 and highlighted the following points:

- Section 11 mentions its National Fraud Awareness Week, an activity which is supported by all authorities of the Shared Anti-Fraud Service. The first part of the week focuses on protecting the public from fraud and the second half focuses on providing cases of fraud that the Council has investigated;

- Training has been provided for Council staff including for staff working in Housing Services and the fraud risk around the housing allocation process and other topics;
- Section 14 mentions referrals which is the terminology used by SAFS for allegations of fraud;
- Seen a significant reduction in the volume of fraud being reported, this is being watched closely but seems to be a good trend;
- The public continue to report matters to SAFS which show they have confidence the authority will do something about it;
- Section 16 & 17 provides a list of cases still open at the moment, the value and the outcomes;
- Section 27 mentions the Council Tax Framework in place for all Councils in Hertfordshire. North Herts Council is using this framework this year. 194 properties shown as 'long-term empties' have been brought back in to use.
- Section 29 reports that SAFS has ensured NHCs compliance with the National Fraud Initiative which takes place in October every 2 years;
- Provided the Key Performance Indicators for SAFS shown as Appendix B and are all on target for delivery.

**RESOLVED:** That the Committee notes the work of Council Officers and the Shared Anti-Fraud Service in delivering the 2022/23 Anti-Fraud Plan

## 62 SIAS PROGRESS UPDATE 2022/23

The head of Assurance Services at Hertfordshire County Council, Chris P Wood presented the report entitled SIAS Progress Update 2022/23 and highlighted the following points:

- Page 89 contains a list of audits completed since the last meeting and an update on the Future Ways of Working audit; the work has concluded and a report is to follow;
- There is one new high priority recommendation out of the Careline Operations Audit, Members should be aware of this having received a report;
- Section 2.9 details the amendments to the Audit Plan, using some contingency time to conduct a Green Homes Grant audit;
- Have now delivered 50% of the plan, further details of draft reports contained in 2.11;
- 2.15 onwards highlights the issues of vacancies within the team; have had to procure 200 days additional work with other partnerships; all audit work has now been allocated.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Terry Tyler

In response to questions Chris Wood advised:

- The first part of the plan was to get the additional resources in place; the second part of the plan aims to finish the high priority audits; officers will be fully aware when audits are due to take place and when deadlines are;
- The 200 additional days is across the partnership as a whole; have engaged in an external quotation process for two providers to support the current partner BDO while also engaging in a recruitment process at HCC; provided these processes work out the 200 days will be reduced.

**RESOLVED:** That the Committee:

(1) Notes the report entitled SIAS Progress Update 2022/23.

(2) Approve the plan amendments to the 2022/23 Annual Internal Audit Plan.

## 63 ANNUAL GOVERNANCE STATEMENT 2021/22

*Audio Recording: 31 minutes 10 seconds*

The Policy & Community Manager presented the report entitled Annual Governance Statement 2021/22 and highlighted the following key points:

- This is the Committee's opportunity to comment on the draft action plan before being finalised;
- The draft Annual Governance Statement is prepared after a self-assessment by the Leadership Team against the 7 principles of the Local Government Framework 2017 and are scored;
- The policy team are in the process of making some amendments of this self-assessment before the Statement of Accounts come for approval;
- Appendix A is a synthesised version of the AGS.

The following Members asked questions:

- John Cannon, FAR Independent Member

The Policy & Community Manager advised the following:

- The Self-Assessment document goes into more detail on 'Principle F: Managing risks and performance through robust internal control and strong public financial management' (pg.112) however more information can be provided if necessary.

The Policy and Community Manager responded that he would email the Committee members and receive comments on what information they want to see under Principle F.

The Service Director – Resources informed the Committee there is a requirement to approve the AGS prior to approving the Statement of Accounts, likely to be coming to the committee in March.

**RESOLVED:** That the Committee reviews and comments on the draft Annual Governance Statement Action Plan for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

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

## 64 COUNCIL TAX REDUCTION SCHEME 2023/24

*Audio Recording 37 minutes 15 seconds*

The Executive Member for Finance & IT, Councillor Ian Albert presented the report entitled Council Tax Reduction Scheme 2023/24 and highlighted the following points:

- The Finance, Audit & Risk Committee had received an update on the proposed reduction scheme in September 2022; this was just before the consultation stage started;
- One of the key projects in the delivery plan was a full review of the reduction scheme, work has gone on throughout the year supported by a specialist consultant;
- One of the key aims of the scheme is to provide the greatest support to those who need it most; there will inevitably be people who do not benefit from these changes; they may see a reduction of their entitlement or end their entitlement all together;

- The review has led the Council to propose a banded scheme, which will enable key objectives to be met;
- Appendix A shows the percentages of increases and decreases; 81% will either receive an increase of entitlement or no change;
- Discretionary support will be provided to those who are experiencing exceptional hardship, these cases will be assessed on a case-by-case basis;
- Appendix B summarises the responses received during the consultation; the majority agree with the proposal to move to a banded scheme;
- The value of reduction ranges from very small amounts up to £29 a week;
- 372 people on an income of less than £100 a week will receive the maximum discount of 100%.

The following Members asked questions:

- Councillor Terry Tyler
- Councillor Terry Hone
- Councillor George Davies
- John Cannon, FAR Independent Member

In response to questions, the Executive Member for Finance & IT, the Benefits Manager and the Service Director - Customers respectively, advised:

- The discretionary fund would be considered if a resident contacted the Council, or a more proactive approach could be taken where residents who are known to the Council are offered the scheme;
- There has been a change in the way benefits are processed, the Council now receives information directly from the Department of Work & Pension through an 'Atlas file'. As we have access to that information directly a declaration of income from a resident is not required and the possibility of fraud is lower;
- The consultation was promoted as widely as possible through partners, registered landlords, Citizens Advice and social media channels. The views of those currently on the Council Tax Reduction Scheme was seen as very important. A number of pensioners responded to the survey and expressed concern that they would be effected in the proposed changes. We cannot directly link the responses between those who answered yes to being on the reduction scheme and those against the proposed scheme changes but there may be some correlation.

In response to the question from John Cannon, FAR Independent Person, the Service Director – Customers advised that more information on the income brackets of those being effected by the reduction scheme would be circulated after the meeting.

Councillor Phil Weeder proposed and Councillor Chris Hinchliff seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** To:

- (1) 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) 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;
  - make the scheme easier for our customers to understand and calculate entitlement.

- (3) Recommend to Council that a new banded scheme for working age applicants is adopted from 01 April 2023.
- (4) 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.
- (5) 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%.

**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.

## 65 ANNUAL REVIEW OF THE CONTRACT PROCUREMENT RULES

*Audio Recording: 57 minutes 40 seconds*

The Service Director – Resources presented the report entitled Annual Review of the Contract Procurement Rules and highlighted the following points:

- The review is fairly minor as the Council is expecting a Procurement Bill next year with potentially fundamental changes;
- The changes are detailed in section 8 of the report;
- The first change is that Procurement has moved back in to Resources;
- The other changes were made to tidy up the rules weren't as clear as they could be;
- Now that the Council has a full-time Procurement Officer the focus is on documents that sit behind the Procurement rules, to support Officers carrying out procurements.

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

**RECOMMENDED TO COUNCIL:** That Council considers the proposed changes and recommends their adoption to Full Council.

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

## 66 HALF YEARLY UPDATE ON RISK MANAGEMENT

*Audio Recording: 1 hr 10 seconds*

The Service Director – Resources presented the report entitled Half Yearly Update on Risk Management and highlighted the following points:

- Previously the Committee received quarterly reports on risk, looking at detailed risk proposals. As that has been integrated in the Council Delivery Plan, which is being

considered by Overview & Scrutiny, the Finance Audit and Risk Committee can stop looking at regular risk reviews;

- 8.2.2 highlights that all Councillors have access to Pentana, which is a Risk Management Software, giving full details of all the Council's risks;
- Table 1 shows how risks are moving; due to changing circumstances or actions to mitigate them. The table provides a summary of whether risks are moving or if they are not moving. Over time there should be change in risks;
- 8.2.3 notes that Risk Reviews are taking place.

The following Members asked questions:

- Councillor Terry Tyler
- Councillor George Davies
- Councillor Chris Hinchliff

In response to questions the Service Director – Resources advised:

- The Service Director – Resources will investigate why the Empty Homes Strategy Risk have a target to decrease its likelihood but increase its impact;
- This is intended to be a regular report twice a year; there is a Quarterly Risk Management Group during the day where members of FAR and O&S are welcome;
- Information on Pentana will be sent to Members of the committee;
- The Local Plan is still in the challenge period, until that period has elapsed the risk will remain high. It will then be reviewed.

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

**RESOLVED:** That the Committee:

- (1) Notes and provides recommendations to Cabinet on the Half Yearly Risk Management update;
- (2) Notes and provides recommendations to Cabinet on the review of the Risk Management Framework;
- (3) Comments on the type of Risk Management Training they would like to see going forward.

**REASON FOR DECISIONS:**

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

## 67 SECOND QUARTER REVENUE BUDGET MONITORING 2022/23

*Audio Recording: 1 hour 9 minutes*

The Service Director – Resources presented the report entitled Second Quarter Revenue Budget Monitoring 2022/23 and highlighted the following points:

- Table 3 details the significant variances of budget areas, the main one being Treasury Investment Interest Income;
- Leisure Centre Management Fee is another significant variance; SLL Leisure use has continued to recover; overall income is doing well;

- Planning Income another significant variance; less planning and housebuilding believed to be due to a general economic slowdown;
- Despite not being a significant change page 251 highlights the income from the North Herts Lottery (as requested at the last meeting);
- Tables 4 & 5 cover main income streams; Table 4 compares to the original budget and are given a status of red, amber or green based on forecast achievement levels; Table 5 provides supporting information on the financial position;
- After the publication of this report there were an additional 4 debts in relation to Housing Benefit which required a write-off of more than £10,000; these have been referred to Cabinet for approval.

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

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note this report;

(2) 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;

(3) Notes the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a total of £69k increase in net expenditure. These will be incorporated in the draft revenue budget for 2023/24.

**REASONS 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.

## 68 **SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23**

*Audio Recording: 1 hour 16 minutes 40 seconds*

The Service Director – Resources presented the report entitled Second Quarter Investment Strategy (Capital and Treasury) Review 2022/23 and highlighted the following points:

- 8.4 Table 2 details the proposals around Capital Schemes that will be delayed in to 2023/24 and onwards;
- 8.5 Table 3 focuses on changes to the overall costs of schemes in 2022/23. The Environmental Improvements to Leisure Centres have seen a large increase in costs affecting the viability of some of those measures;
- Due to the slippage of that capital there is more money to invest; interest rates are also increasing, which is demonstrated in the Treasury position on paragraph 8.9 onwards;
- 8.12 & 8.13 detail where the Council is investing its surplus cash. Some banks and building societies that are paying higher rates on average than the Debt Management Office (Government) so tending to use those up to the Investment Strategy limits, then using DMO.

Councillor Phil Weeder proposed and Councillor Chris Hinchliff seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note the forecast expenditure of £9.815M in 2022/23 on the capital programme, paragraph 8.3 refers.

(2) 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

(3) 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.

(4) Recommends to Council that it notes the position of Treasury Management activity as at the end of September 2022.

**REASONS FOR DECISION:**

(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.

**69 DRAFT BUDGET 2023/24**

*Audio Recording: 1 hour 20 minutes 35 seconds*

The Service Director – Resources presented the report entitled Draft Budget 2023/24 and highlighted the following points:

- The Medium Term Financial Strategy was approved at Full Council in September, which included a number of assumed budget estimates; these have since been updated as better information has become available.
- The revenue savings and investment proposals, and new capital schemes, go to the confidential Councillor budget workshop at the beginning of November. This report contains the results of those workshops as well as any budget funding updates;
- No recommendations came from either the Joint Administration and Opposition workshops;
- The total value of the revenue proposals does exceed the savings target that was set in the Medium Term Financial Strategy;
- Councils are being given increased flexibility to increase Council Tax up to 3%;
- 3% gives the Council more income should Council Tax be increased; there will be an assumption by the Government that the Council Tax will be increased to 3% in determining future funding;
- The table in paragraph 8.4 shows the financial impact of increasing Council Tax;
- The Local Government Draft Settlement will be announced on Thursday the 22 December 2022; told there was likely to be an interim announcement between the Autumn Statement and Draft Settlement but nothing has happened yet.

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

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note the latest funding forecasts for 2023/24 onwards and the significant uncertainty that still remains;

(2) Confirms 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;

(3) Confirms that the Council should be a part of the Business Rate pool in 2023/24, but delegated 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;

(4) Notes 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;

(5) Notes 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.

**REASON FOR DECISIONS:** 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.

## 70 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

*Audio recording: 1 hour 26 minutes 55 seconds*

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

The meeting closed at 8.59 pm

Chair

**FINANCE, AUDIT AND RISK COMMITTEE**  
**25 January 2023**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: REVENUE BUDGET 2023/24**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

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

Finance, Audit and Risk Committee are asked to review and provide comments on the proposed budget.

**2. RECOMMENDATIONS**

It is proposed that Cabinet recommends the following to Council. Finance, Audit and Risk Committee are asked to consider this report and the proposed recommendations and provide any comments to Cabinet that will support them in proposing a budget to Council.

That Council:

- 2.1. Notes the position on the Collection Fund and how it will be funded.
- 2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.5 million is recommended.
- 2.3. Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.
- 2.4. Approves the revenue savings and investments as detailed in Appendix B.

- 2.5. Approves a net expenditure budget of £18.123m, as detailed in Appendix C.
- 2.6. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

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

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

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

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

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

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

### **6. FORWARD PLAN**

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

### **7. BACKGROUND**

- 7.1. The Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Council in September following recommendation by Cabinet (and review by the Finance, Audit and Risk Committee). The budget estimates within the MTFS included a number of assumptions. These have been updated as better information has become available. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.

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

## **8. RELEVANT CONSIDERATIONS**

### **Decisions made to balance the budget and deliver Council priorities**

- 8.1 The Council's Medium Term Financial Strategy set a target of identifying £200k of net savings as part of this budget process. At its meeting in December, Cabinet considered the feedback from the Budget Workshops. Cabinet agreed to all the savings and investments that were presented to the budget workshops. They also considered the following:
- That the Overview and Scrutiny Committee will require additional Officer support to help it to be more effective. The current expectation is that this can be afforded from previous savings identified from a restructure in a different part of the Legal and Community directorate.
  - That the outdoor pool season at Letchworth Outdoor pool be extended by 4 weeks (2 weeks at the beginning and end of the season) in 2023. A timed wrist band system will be introduced during the school holidays to reduce queuing and maximise income. Season ticket pricing will also be reviewed. The net impact is a budget pressure of up to £25k in 2023/24, but could be lower.
  - Noted that Hertfordshire County Council (HCC) are looking to withdraw the support that they provide to Districts and Boroughs to minimise residual (i.e. non-recyclable) waste. This funding was provided through a mechanism known as the Alternative Financial Model (AFM). The amount that we will receive will reduce in 2023/24 (which is a payment based on performance in 2022/23), although it is expected that it will be broadly in line with the budget, after adjusting for the potential ongoing impacts of COVID-19. It will then reduce to zero in 2024/25, which will be a budget pressure of around £400k.
- 8.6 Excluding the decision by HCC to end AFM support, at that time it was expected that the adopted proposals would result in medium-term net revenue savings of £284k per year. The impact with the HCC decision was expected to be a net pressure of £116k per year. There have been some additional pressures that have been identified since then, as well as changes to the expected level of some of the savings and investments. This includes changes resulting from the Investment Strategy, which were known would not be finalised until this report, as they would be linked to levels of capital spend and investment return forecasts. These changes are detailed in paragraph 8.24.

### **General Funding**

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

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

8.8. Overall the draft settlement is more positive than the forecasts in the Medium Term Financial Strategy. This is mainly down to the level of New Homes Bonus that we will receive, although the 3% guarantee on Core Spending Power would still have resulted in an increase. However it is necessary to note that the level of funding increases is still far less than inflation over the last two years. Growth in the Council tax base and a 2.99% increase in the rate of Council Tax (which is what will be recommended) also have a positive impact on funding compared with the MTFs position. The table below (table 1) shows a comparison between 2022/23 funding, the MTFs forecast for 2023/24 and the latest 2023/24 forecast. Table 2 provides estimates for future years.

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

£000 Funding	2022/23 Budget Estimate	2023/24 MTFs Forecast	2023/24 Latest Forecast	Difference between MTFs and latest forecast	Comments
Council Tax	12,248	12,560	12,791	231	Increase due to: (1) recommended 2.99% tax rate increase, rather than £5 for a band D (2) increase in Council Tax base by 1.4% rather than 0.5%.
Council Tax Collection Fund Surplus / (Deficit)	(2)	(54)	138	192	Forecast in-year surplus at January 2023 exceeds required repayment of 20/21 deficit spread amount of £54k. MTFs made no assumption as to in-year surplus / deficit position.
RSG	0	0	152	152	Two specific grants received in this year included in general funding for 2023/24. Confirmed that negative RSG delayed until at least 2025/26
Business Rates baseline	2,726	2,868	2,828	144	Whilst the inflationary increase is lower due to using CPI rather than RPI, we had been even more prudent in the level of inflation that would be applied. The split between
Compensation for not increasing the Business Rates multiplier	279	298	482		

					these two lines is irrelevant in this context.
New Homes Bonus	295	150	932	782	Forecast in the MTF5 was low due to uncertainty over New Homes Bonus. Bonus for 2023/24 is based on growth of 807 band D equivalent properties (of which 332 are empty homes brought back in to use)
Lower Tier Services Grant	125	0	0	0	
Services Grant	188	100	106	6	
3% guaranteed increase in CSP	n/a	0	0	0	The level of New Homes Bonus means that our funding is above the 3% increase, without the need for additional grant
Less: grant funding for Council Tax Support administration grant now within base funding	n/a	0	(132)	(132)	This grant was previously a specific grant not contained with general funding. Amount is what we forecast we would receive as a specific grant.
Less: Council Tax support to Parishes	(39)	(39)	(39)	0	
	<b>15,820</b>	<b>15,883</b>	<b>17,258</b>	<b>1,375</b>	

**Table 2 – Estimated General Funding forecasts**

<b>£000 Funding</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Comments</b>
Council Tax	13,239	13,570	13,909	14,257	Assumed 2.99% increase in rate in 2024/25, 1.99% thereafter. Net 0.5% increase in tax base
Negative RSG (or equivalent)	0	(500)	(1,000)	(1,000)	Confirmed that new funding formula delayed until at least 2025/26. Assume net decrease of £1m, with half the impact in the first year.
Business Rates income (including compensation for not indexing the multiplier)	3,543	3,614	3,686	3,759	Assume 2% inflation
Other funding	350	350	350	350	New Homes Bonus will not continue at the 2023/24 level, but to provide the same impact as the promised one-off 3% Core Spending Power there would need to be ongoing funding of £250k per year. Also add in Services Grant at £100k.
Less: grant funding for Council Tax administration grant now within base funding	(132)	(132)	(132)	(132)	This grant was previously a specific grant not contained with general funding
Less: Council Tax support to Parishes	(39)	(33)	(28)	(28)	Reduces to reflect introduction of negative RSG (or equivalent)
	<b>16,950</b>	<b>16,858</b>	<b>16,774</b>	<b>17,195</b>	
<b>% Change on previous year</b>	<b>-1.82%</b>	<b>-0.54%</b>	<b>-0.50%</b>	<b>+2.51%</b>	

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

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

**Table 3 – Forecasts in relation to grants and other contributions**

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

### **Business Rates and Council Tax Collection Funds**

- 8.13 North Herts Council is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to the North Herts Council General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the North Herts Council General Fund and other precepting bodies. For Business Rates, most of the deficits relate to reliefs introduced by Government. The Council receives funding for these which it holds in a specific reserve. This reserve is then released back to the General Fund as required. The net impact is forecast to be relatively low, and is included in the budget summary in Appendix C.
- 8.14 A Business Rates Pool application for 2023/24 has been accepted for Hertfordshire County Council and five other Districts (including North Hertfordshire). The Pool has been formed with the expectation that this will reduce the business rates levy amount otherwise payable at the end of next year, as has been the case in prior years. The achievement of a pooling gain next year is however not guaranteed and will be

dependent on the actual value of business rates collected in the year. As the levy payable will be funded from grant held in reserve, any pooling gain that does materialise next year will not increase the General Fund balance, but instead reduce the drawdown on the grant held in reserve. The Council (and other Local Authorities in the Pool) have until mid-January to determine if they want to continue with the planned pooling arrangement. The budget makes the prudent assumption that the pooling gain will be zero. At the time of writing the report, there is significant uncertainty as to whether the Pool for 2023/24 will go ahead. This is due to Business Rates revaluation that has taken place which has seen significant increases in rateable value for certain properties, particularly warehouses and film studios. This affects the levy rate that will be applied to the pool and also could make it more likely that there will be rates appeals.

## Review of balances and reserves

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

**Table 4 – Specific Reserves**

Name of Reserve	Purpose of Reserve	Balance at 1 April 2022	Estimated Balance at 31 March 2023	Estimated Balance at 31 March 2024
Cemetery Mausoleum Reserve	Held to cover the Authority's obligation to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches. Balance in the reserve will be used to help finance the proposed capital project in 2023/24 to construct further niches on the site for future sale.	175	175	0
Childrens Services Reserve	Used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Drawdown is expected over the next few years to support the continued operation of the Healthy Hub service.	46	6	0
Churchgate Development Reserve	Additional income over and above that necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre freehold will be set aside in a reserve to support the planning and delivery of Churchgate regeneration project. The money will provide necessary professional advice via consultants, architects, quantity surveyors etc.	0	164	Unknown
Climate Change Grant Reserve	Grant awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy.	21	18	15
Growth Area Fund Reserve	Holds the revenue grant awarded. With the Local Plan now in place, this reserve is anticipated to be drawn down to fund relevant projects and activities.	32	20	0

<b>Name of Reserve</b>	<b>Purpose of Reserve</b>	<b>Balance at 1 April 2022</b>	<b>Estimated Balance at 31 March 2023</b>	<b>Estimated Balance at 31 March 2024</b>
Homelessness Grants Reserve	To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources.	502	542	351
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services. Future balances will depend on timing of spend and fees received in relation to the 20% increase.	1,016	906	727
Information Technology Reserve	To ensure the Authority has adequate resources to purchase hardware and software items when they are required.	23	23	Unknown
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial management practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years has been used for additional administration costs and software upgrades.	36	24	Unknown
Leisure Management Maintenance Reserve	To cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	68	Unknown	Unknown
Leased Vehicles and Equipment Reserve	The incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2023, will mean that both the vehicles and machinery used to deliver the Council's greenspace maintenance contract, as well as the Council's cars provided to staff on operations, will be considered for accounting purposes to have transferred to the Council and will be recorded on the Council's balance sheet at the end of 2023/24. The saving on the revenue account from these arrangements will be transferred to this reserve and ultimately used to finance the capital costs of replacement vehicles.	0	0	50
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. As detailed and explained in the MTFs, a total of £3m will be released into the General Fund to help bridge the forecast funding gaps in the coming years, as shown in Appendix C..	9,367	6,357	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	14	Unknown	Unknown
Neighbourhood Plan Reserve	Funds received from MLUHC to support neighbourhood planning have been transferred to reserve. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required.	120	115	95
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	6	Unknown

Name of Reserve	Purpose of Reserve	Balance at 1 April 2022	Estimated Balance at 31 March 2023	Estimated Balance at 31 March 2024
Special Reserve	This reserve is maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation, support the response to and reduce the impact of major incidents and other financial pressures. As originally detailed in the Covid-19 Financial Impacts report (on the Council agenda in September 2020) the Special Reserve will be released in to General Fund balances at the end of this financial year.	640	0	0
Street Name Plates	To fund Street Name Plates as and when required. To maintain until Local Plan is adopted and then review.	16	Unknown	Unknown
Syrian Refugee Project	The Council has agreed to house Syrian Refugees under the government's resettlement scheme. The scheme is fully funded by the government and the reserve enables the multiple year funding for each household to be maintained for future expenditure associated with their placement in the district, such as housing and support costs.	566	575	Unknown
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.	7	7	Unknown
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	69	77	Unknown
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. Amounts will be drawn down as and when the work is done.	381	376	371
Waste Reserve	AFM monies are transferred to help mitigate any potential risk to the waste service and support future service developments. To be spent on various projects., including developing options around a new waste depot.	836	836	Unknown
Waste Vehicles Reserve	As repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.	1,341	1850	2,456
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The balance in reserve will be used to develop the service and drawn down when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	614	547	Unknown

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

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

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

8.19 North Herts Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £18.1million, this means a minimum balance of about £900k. As the Council has become more reliant on generating income to set a balance of £23, an additional 3% of budgeted income

(excluding Housing Benefit, grants and other contributions) will also be included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £13.9m and therefore an additional allowance of £400k will be added.

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

**Table 5- Budget Risks in 2023/24**

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

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

### **Covid-19 financial risk**

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

**Table 6- Covid-19 central contingency**

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

Trade Waste income	1,010	5% of annual income	50	Based on current monitoring expected to be at normal levels in 2022/23	0
Homeless costs	80	50% increase	40	Temporary accommodation costs have returned to pre-pandemic levels over the last few months and no additional government requirements remain. While costs may increase in 23/24, no longer linked to Covid-19 so should be removed.	0
Car park season tickets	320	20% of annual income	60	Continuing shortfall believed to be due to changes to working patterns, so retain contingency at previous estimate	60
Recyclable materials	290	50% increase	150	High variability but no longer linked to Covid-19 so should be removed.	0
AFM income	420	50% of annual income	210	As HCC will ending payment of AFM, this is expected to cover the majority gap between the budget and what will be received in 2023/24. The shortfall is still mainly due to Covid-19 impacts.	210
			<b>810</b>		<b>450</b>

### Expenditure Forecasts

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

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

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

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

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

- The revenue efficiency (reference E9) relating to treasury income receipts has been updated in line with the Investment Strategy (see paragraphs 8.25 and 8.26 below).
- The revenue efficiency (reference E10) relating to the Local Government Pension Scheme contribution rate has been significantly reduced. It had been understood that the Council's percentage contribution rate would drop by 1% and the lump-sum would remain fixed. However the final actuary position is a much smaller reduction in the total contribution that the Council will need to pay.
- The inclusion of those budget pressures considered at the Cabinet meeting in December in relation to AFM monies from HCC and outdoor pool opening (references R35 and R36).
- Additional consultancy support for leisure contract procurement (reference R37). Expected to be in 2023/24

- Ongoing additional funding for the toilet cleaning contract which arises from the prices submitted to a recent tender process. The decision on contract award will need to be made by Cabinet in March.
- Inclusion of the additional pressure (reference R39) for the Minimum Revenue Provision required (see paragraphs 8.25 and 8.26 below).
- Ongoing additional funding for maintenance support for the AV equipment in the Council Chamber (reference R40). This will help with the recent issues that have occurred during committee meetings.

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

### Revenue effects of capital

- 8.25 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. If the Council was to take out new borrowing for capital purposes, then it would incur revenue costs in relation to interest costs and Minimum Revenue Provision (MRP). MRP is explained in the Investment Strategy report. In line with the Prudential Code (and as set out in the Investment Strategy), the Council plan to borrow internally against revenue balances first, and only when those balances are insufficient would we borrow externally. Borrowing internally is generally cheaper as the interest cost is the lost interest that would have been earned, rather than the external borrowing cost. MRP still needs to be applied.
- 8.26 As identified in the Investment Strategy report, the Council will need to borrow in the medium-term. The revenue costs of that borrowing, alongside the impact of using reserves to fund revenue expenditure (i.e. lost investment interest), need to be reflected in the revenue budget. Table 8 shows the amounts that need to be incorporated in to revenue spend forecasts:

**Table 8- Revenue impacts from the Investment Strategy**

£000	2023/24	2024/25	2025/26	2026/27	2027/28
Forecast external borrowing costs (existing borrowing)	37	36	35	33	32
Forecast interest income from investments	(1,618)	(1,048)	(555)	(502)	(480)
Forecast MRP requirement	0	24	189	225	241
Net budget requirement	(1,581)	(988)	(331)	(244)	(207)
Current allocated budget*	(594)	(668)	(673)	(617)	(617)
Change in budget required	(987)	(320)	342	373	410

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

### Reliability of estimates

- 8.27 As part of the budget setting process, the Chief Finance Officer is required to comment on the reliability of the estimates made. A prudent approach has generally been adopted, especially in relation to income where it is only included where there is a high degree of certainty over it being achieved. There are no in-year unidentified savings required.

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

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

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

- 8.35 Each year, CIPFA publish a financial resilience index for all Local Authorities. The index provides an analysis of various measures (e.g. level of reserves, use of reserves) that are considered to be indicators of resilience. Each measure is shown as an index (i.e. a comparison against other similar Councils) so performance that is worse than average could be perceived as poor, even though all Councils might be considered to be performing adequately. The full analysis of the resilience index is included as Appendix D. The overall conclusion is that it does not highlight any new financial risks or concerns that have not already been highlighted (e.g. through the Medium Term Financial Strategy).
- 8.36 Overall it is considered by the Chief Finance Officer that the estimates made are as reliable as they reasonably can be. They will be subject to risk and this is the reason for setting a minimum General Fund balance and carrying out budget monitoring throughout the year.

### **Cumulative impact**

- 8.37 The cumulative impact of all the estimates described in the previous sections is provided at Appendix C. This shows a forecast of funding and net expenditure for the next five years, including the impact on the General Fund balance.
- 8.38 Appendix C also includes a forecast of the remaining savings that the Council still needs to deliver by 2027/28 (i.e. £2.5m in total, with £100k to be delivered in 2024/25, a further £1m in 2025/26, a further £1m in 2026/27 and a further £400k in 2027/28). The better than forecast position on funding for 2023/24 needs to be tempered by the need to make prudent assumptions around funding in later years. Also the changes detailed in paragraph 8.24 off-set the increase in the medium-term, noting that treasury and capital negative impacts are greater in later years. It is therefore recommended that the capital programme is further reviewed and challenged during 2023/24.
- 8.39 The improved position on funding does mean that over the next couple of years the drawdown on reserves will be lower. This supports the approach that the Council can choose to deliver the majority of its savings (which are likely to involve service change

and reduction) after the impacts of high inflation have hopefully subsided, and when there is some greater certainty over future funding (i.e. 2025/26 onwards)

8.40 This level of savings still required to be identified assumes that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level would further increase the savings required to balance the budget over the period and require greater drawdown on reserves. The proposal is therefore that Council Tax should be increased by the maximum allowed. It is expected that future Government forecasts of our required funding will assume that we have increased our Council Tax by the maximum amount allowed (without a local referendum).

8.41 The profile of savings set out in appendix C (and paragraph 8.38) is forecast to require a reduction in specific reserves of £3m (i.e. use of the MHCLG grants reserve). This means that the General Fund balance is expected to be retained at around £10m. Whilst this is substantially in excess of the minimum recommended level, a failure to deliver the target savings would see a forecast general fund balance at the end of 2027/28 of just over £4m, and a remaining annual budget gap of over £2.5m. The General Fund balance also provides some mitigation against the impact of future risks relating to contract tenders.

## **9 LEGAL IMPLICATIONS**

9.1 Council will exercise the following function in accordance with TOR 4.4.1 *“approving or adopting the budget.”*

9.2 Section 16 of the Council’s Constitution sets out the Budget and Policy Framework Procedure Rules. TOR 16.1 confirms that the Council will be responsible for the adoption of its budget and that once a budget is in place; *“it will be the responsibility of Cabinet to implement it.”*

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

9.4 Local authorities are required by virtue of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year.

9.5 The provisions of section 25 Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (s.151 officer) as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

## **10 FINANCIAL IMPLICATIONS**

10.1 These are covered in the body of the report.

## **11 RISK IMPLICATIONS**

11.1 As outlined in the body of the report.

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

## **12 EQUALITIES IMPLICATIONS**

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

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

### 13 **SOCIAL VALUE IMPLICATIONS**

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

### 14 **ENVIRONMENTAL IMPLICATIONS**

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

### 15 **HUMAN RESOURCE IMPLICATIONS**

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

### 16 **APPENDICES**

16.1 Appendix A – Financial Risks 2022/23

16.2 Appendix B – Revenue Budget Savings and Investments

16.3 Appendix C – Budget Summary 2022 – 2027

16.4 Appendix D- Resilience Index

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18 **BACKGROUND PAPERS**

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

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**Appendix A- Financial Risks 2023/24**

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

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

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

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

6,682,000

1,214,500

## APPENDIX B- REVENUE BUDGET SAVINGS AND INVESTMENTS

### New Revenue Efficiency Proposals

Ref No	Description of Proposal	Net Efficiency				
		2023/24	2024/25	2025/26	2026/27	2027/28
		£'000	£'000	£'000	£'000	£'000
E1	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)
E2	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)
E3	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)
E4	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)
E5	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)
E6	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)
E7	Additional net income from appointment to a new Assistant Operations and Events Manager position at Hitchin Town Hall for a fixed term of two years. The new post, whilst supporting and adding resilience to the overall Hitchin Town Hall service, would be primarily responsible for scheduling and planning a range of internally organised public events. Recently the team have begun running such events in small numbers, which have generated good returns for the Council, but without further staff capacity, the team lack the time to program in more of these events over and above the general day to day private hire requests. This new role will allow the service to generate greater income through running more internally organised public events and being able to match increasing demand with more staffing capability. The proposal would also facilitate the requested temporary reduction in hours from 37hpw to 30hpw of the current Operations and Events Manager (saving included in efficiency value).	(8)	(8)	-	-	-
E8	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)
E9	Interest income return from treasury investments. As noted below, the ongoing budget was increased at Quarter One 2022/23 following the increases to the Bank of England base rate during the calendar year 2022. The base rate was subsequently increased by a further 0.5% to 2.25% on the 22nd September and may rise further in the coming months. The estimated interest income return is also dependent on the anticipated level of cash balances available for investment. These estimates are based on the proposed Investment Strategy (Integrated Capital and Treasury) 2023-2033.	(987)	(344)	153	200	222
E10	Reduction in the contribution rate to the Local Government pension scheme following the triennial revaluation of the scheme. The draft outcome of the revaluation exercise was received in January and, due to an improvement in the Council's position over the three years, the actuary has indicated that a 1% reduction in the overall contribution rate (which includes the amount paid as a lump sum) should be sufficient to maintain a stable position going forward.	(20)	(20)	(20)	(20)	(20)
E11	Garden waste subscriptions income. We have received feedback from residents that the subscription period should start in spring, rather than autumn. This change would require an 18 month subscription period from October 2023 to March 2025. This length of subscription should be over £60, but using reserves to keep the price at £49, as we 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)
E12	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 the 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)

E13	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)
E14	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)
<b>Total Net Budget Reduction from new efficiency proposals</b>		<b>(339)</b>	<b>(330)</b>	<b>(327)</b>	<b>(327)</b>	<b>(327)</b>
		<b>(967)</b>	<b>(192)</b>	<b>(108)</b>	<b>(38)</b>	<b>8</b>
		<b>(1,306)</b>	<b>(522)</b>	<b>(435)</b>	<b>(365)</b>	<b>(319)</b>

**New Revenue Pressures and Investment Proposals**

Ref No	Description of Proposal	Investment				
		2023/24	2024/25	2025/26	2026/27	2027/28
		£'000	£'000	£'000	£'000	£'000
R1	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
R2	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	-	-	-	-
R3	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	-	-	-	-
R4	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	-	-	-	-
R5	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	-	-	-	-
R6	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	-	-	-	-
R7	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	-	-	-	-
R8	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	-	-	-	-
R9	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	-	-	-	-
R10	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
R11	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	-	-
R12	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	-	-	-	-
R13	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	-	-	-	-
R14	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
R15	Integration of waste management IT systems with CRM. Costs associated with the part time staff resource procured to provide integration on a fixed term contract.	20	20	10	-	-

R16	Anticipated waste collection catchup costs associated with the additional bank holiday for the Coronation of King Charles III.	20	-	-	-	-
R17	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	-	-	-	-
R18	Recruitment of Planning Enforcement Officer. With the receipt of the Inspectors letter and the approval of some large scale housing sites within the District, the planning enforcement team requires additional resource to 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
R19	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
R20	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
R21	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.	-	-	-	-	-
R22	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
R23	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	-	-
R24	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	-	-
R25	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	-	-	-	-
R26	Maintenance of existing Air Quality Monitoring Equipment within the Air Quality Management Areas. The equipment has been insitu for some time and is beginning to require an increasing degree of repair for which there is no budget. This bid seeks to rectify that need for on-going maintenance and repair.	-	-	-	-	-
R27	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	-	-
R28	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	-	-	-	-
R29	Repair of the surface water drain at District Council Offices, Letchworth.	-	15	-	-	-

R30	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
R31	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
R32	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	-	-	-
R33	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
R34	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	-	-	-	-
R35	AFM Income. Hertfordshire County Council are looking to withdraw the support that they provide to Districts and Boroughs to minimise residual (i.e. non-recyclable) waste. This funding was provided through a mechanism known as the Alternative Financial Model (AFM). The amount that we will receive will reduce in 2023/24 (which is a payment based on performance in 2022/23), although it is expected that it will be broadly in line with the budget, after adjusting for the potential ongoing impacts of COVID-19 (as detailed in the Medium-Term Financial Strategy). It will then reduce to zero in 2024/25.	-	395	395	395	395
R36	Extension of the outdoor pool season at Letchworth Outdoor pool by 4 weeks (2 weeks at the beginning and end of the season) in 2023. Based on experience of usage and to minimise the financial impact to the council, the opening hours will be restricted to peak periods. A timed session wrist band system is also being introduced during the school holidays to reduce queuing and maximise income. A review of season ticket pricing will also be undertaken prior to the new season.	25	-	-	-	-
R37	Additional consultancy support for the leisure contract procurement. As resource in the Leisure team is extremely stretched, the appointment of consultants to provide pre procurement support, draft the documentation for, and project manage, the procurement process and the production of the leisure contract, draft tender documents and support the tender process. Investment value also includes an allowance for external legal advice where this cannot be provided in-house.	52	-	-	-	-
R38	Public conveniences cleaning contract expenditure. Increase in estimated cost follows the outcome of the recent contract tender exercise.	52	52	52	52	52
R39	Revenue cost of internal borrowing required to finance the proposed capital programme 2023-2033. Value only reflects Minimum Revenue Provision, as additional impact of lost interest income is included in the interest income projection above.	-	24	189	173	189
R40	Council chamber audio visual equipment maintenance support costs. Recent issues with the Council Chambers AV equipment have highlighted the need for a support contract with the equipment provider.	6	6	6	6	6
<b>Total Net Budget Increase from new pressures and investment proposals</b>		<b>735</b>	<b>429</b>	<b>173</b>	<b>602</b>	<b>594</b>
		<b>-</b>	<b>395</b>	<b>395</b>	<b>395</b>	<b>395</b>
		<b>735</b>	<b>824</b>	<b>568</b>	<b>997</b>	<b>989</b>

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

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

<b>All amounts £000</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Net expenditure brought forward	17,593	18,123	18,269	17,906	17,303
Planned delivery of savings previously identified	-94	-141	-203	-22	-25
Planned Investments previously approved	74	-42	-30	52	0
Other previously identified adjustments in future years	19	-19	16	-19	17
Savings and Cost Reductions reported in year	-690	0	0	0	0
Investments and Pressures reported in year	1,170	-48	-37	0	0
Phased reduction in Covid-19 Recovery Provision	-1,290	-450	0	0	0
New savings proposals	-1,306	784	87	70	46
New investment proposals	735	89	312	-139	-8
Health & Social Care Levy Reversal	-100	0	0	0	0
Health & Social Care Levy Contingency	-88	0	0	0	0
Local Council Tax Support Administration Grant Roll-in	132	0	0	0	0
Net pay increments	77	50	50	50	50
Pay inflation	630	300	300	300	300
Pension contribution inflation	0	31	32	0	0
Forecast Contractual Inflation	1,273	300	325	325	325
Forecast Income Inflation	-422	-198	-215	-220	-224
2022/23 Budgets Carried Forward	409	-409	0	0	0
Further savings tbc	0	-100	-1,000	-1,000	-400
<b>Total Net Expenditure</b>	<b>18,123</b>	<b>18,269</b>	<b>17,906</b>	<b>17,303</b>	<b>17,384</b>
Council Tax Income	-12,791	-13,239	-13,570	-13,909	-14,257
Council Tax Collection Fund (Surplus) / Deficit	-138	0	0	0	0
Negative Revenue Support Grant	0	0	500	1,000	1,000
Business Rates	-2,980	-3,040	-3,101	-3,163	-3,226
Business Rates - Under-indexing of multiplier compensation	-482	-492	-502	-512	-522
New Homes Bonus / Other Funding	-932	-350	-350	-350	-350
Services Grant	-106	0	0	0	0
Other	39	39	33	28	28
<b>Total Funding</b>	<b>-17,390</b>	<b>-17,082</b>	<b>-16,990</b>	<b>-16,906</b>	<b>-17,327</b>
<b>Net funding position (use of reserves)</b>	<b>733</b>	<b>1,187</b>	<b>916</b>	<b>397</b>	<b>58</b>
<b>General Fund b/f</b>	<b>10,330</b>	<b>10,330</b>	<b>10,330</b>	<b>10,330</b>	<b>10,097</b>
Funding Equalisation Reserve	0	0	0	0	0
Special Reserve transfer	0	0	0	0	0
MHCLG Grants Transfer	-733	-1,187	-916	-165	0
<b>General Fund c/f</b>	<b>10,330</b>	<b>10,330</b>	<b>10,330</b>	<b>10,097</b>	<b>10,040</b>

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## Appendix D- CIPFA Resilience Index results and detailed commentary

The screenshots below show the results from the CIPFA resilience index. The data is for 2021-22 with trends over a 6 year period. The data comes from a Revenue Outturn form that all Local Authorities are required to complete. The full index is published on the CIPFA website (<https://www.cipfa.org/services/financial-resilience-index-2022>).

North Herts Council can be compared against our statistical “nearest neighbours” or against all Non-Metropolitan Districts. The “nearest neighbours” are: Ashford, Basingstoke and Deane, Braintree, Broxbourne, Chelmsford, Dacorum, East Herts, Epping Forest, Maidstone, Stroud, Test Valley, Tonbridge and Malling, and Welwyn Hatfield. The only change to the “nearest neighbours” from last year is that Welwyn Hatfield have replaced Huntingdonshire.

As this is an index all results are comparative, and the tool takes no view on what is an acceptable level. For example, all the Councils (particularly when looking at a nearest neighbour comparison) could be acceptable (or better) but someone would still be shown as higher risk as they would be the ones with the “worst” data.

The index has 13 measures across two pages. On the first page there are 8 measures and there are 5 on the second page (although one relates to Housing Revenue Account so is not relevant to North Herts Council). These are summarised in a small chart in the top left corner. This plots North Herts Council against the other comparators. The table in the top right shows the indicator value for North Herts Council against each indicator and the minimum and maximum values from the comparator group. By clicking on one of the indicators the bottom of the page shows more detail for that indicator. The bottom left shows each Council in the comparator group. The bottom right shows the performance of North Herts over the last 6 years. In the middle of the page is a box showing the Auditors VFM (Value for Money) Assessment. As the Council’s audit for 2021/22 has not yet been completed this is shown as “refer to local authority website”.

The format of the page is the same whether the comparator group is set as “nearest neighbour” or all Non-Metropolitan Districts. In the screenshots below, the bottom sections have not been included for the comparator being all Non-Metropolitan Districts. This is because the trend analysis is the same as it only relates to North Herts Council in each case. The graph in the bottom left is not helpful when shown as a screenshot as there is too much data (with all Non-Metropolitan Districts included) to fit in without scrolling across.

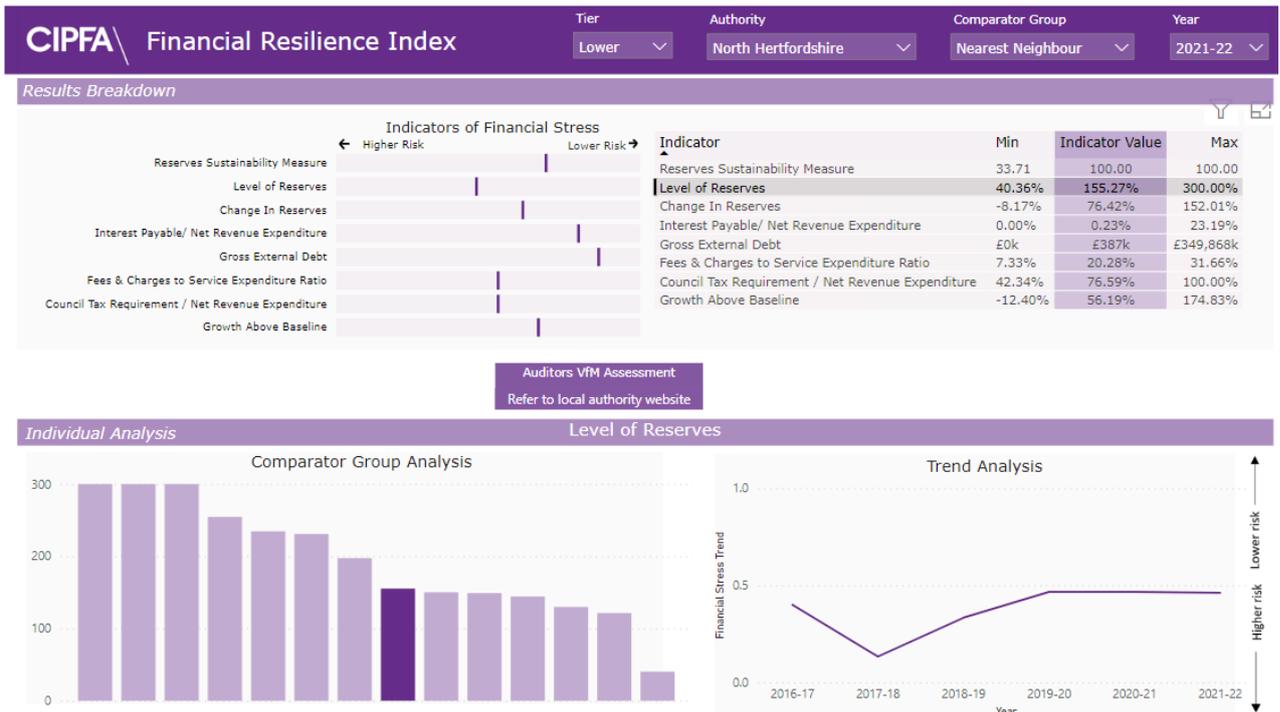
To keep the number of screenshots manageable, the bottom section has only been included for the indicator where North Herts Council is showing as highest risk on each of the 2 pages.

The 12 relevant indicators are detailed in the table below, including information provided by CIPFA:

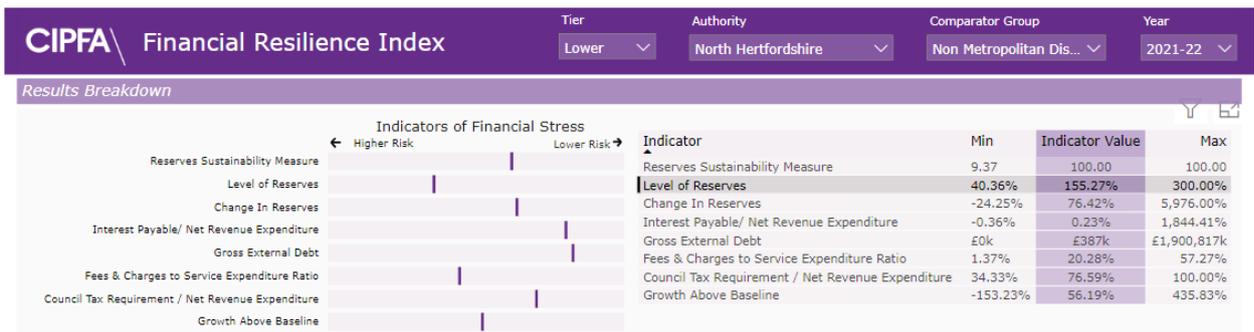
Indicator	Detail/ Impact	Supporting Notes
Reserves Sustainability	How long an authority's reserves will last if they continue drawing them down at the same rate. The longer an authority's reserves will last, the less risk	Without reserves, councils have no ability to weather financial storms. It is the responsibility of the S151 officer to utilise good financial management and decide what is an appropriate level of reserves. Reserves may have been increased as a result of COVID payments.
Level of Reserves	Lower levels of reserves imply higher risk	It is the responsibility of the S151 officer to utilise good financial management and decide what is an appropriate level of reserves.

		<p>Good financial management can be achieved with relatively low reserves, while high reserves do not always indicate good financial management.</p> <p>COVID payments paid at the end of March 2021 will have an impact on this indicator if the local authority recorded them as reserves such as section 31 payments for business rate relief.</p>
Change in reserves	<p>Percentage change in reserves over the past three years.</p> <p>Negative changes imply higher risk</p>	<p>This indicator shows the degree of change in reserve levels as an average over the last three years.</p> <p>An increasing use of reserves over this period indicates a higher risk to financial sustainability.</p> <p>The indicator should be viewed with the MTFP, total reserves, planned use of reserves, and the level of reserves which the authority determines to be an appropriate minimum.</p> <p>We would not suggest inter-authority comparison, as each will have differing reserves policy, reserves levels and planned use.</p> <p>This figure will be impacted by the increase in reserves as a result of the COVID payment.</p>
Interest Payable/ Net Revenue Expenditure	The higher the interest that needs to be paid, the higher the risk	<p>The Prudential Code is clear that local authorities should borrow within their means. Minimum revenue provision ensures that there is suitable debt cover.</p> <p>Substantial debt must be monitored, and effective risk management must be evident.</p>
Gross External Debt	The higher the gross debt level, the higher the risk	
Fees and Charges to Service Revenue Expenditure	The higher the ratio the lower the risk (income). A greater amount of fees/charges will make councils more resilient as they have more control over budgets	<p>You have greater control over your own ability to put charges up or down, giving more control over budget.</p> <p>Local authorities have the ability to raise income through certain fees and charges. Fees and charges across different sources may reduce risk.</p> <p>CIPFA is aware of the alternative argument that councils with low fees and charges have greater scope to generate more income, but this approach was supported by the working group.</p> <p>CIPFA is aware that during the pandemic this has not proven to be true as grants have underpinned income losses but over the longer term we continue to support the principles of this indicator.</p>
Council Tax Requirement / Net Revenue Expenditure	Higher the ratio the lower the risk (income)	<p>Council Tax is a stable form of income.</p> <p>Collection rates and hardship schemes have resulted in minimal impact across the board.</p> <p>Awareness of the pressures from COVID and the requirement for Government support.</p>
Growth above baseline	The higher the ratio the higher the risk	<p>Local authorities have been able to maintain their growth in business rates.</p> <p>There is an issue that in a reset, those with greater income above the baseline will face a greater negative impact. This makes them more vulnerable.</p> <p>Business rates changes have been delayed along with the fair funding review but the risk continues to exist.</p>
Unallocated reserves	These are components of the "level of reserves" indicator above.	
Earmarked reserves		
Change in unallocated reserves	These are components of the "change in reserves" indicator above.	
Change in earmarked reserves		

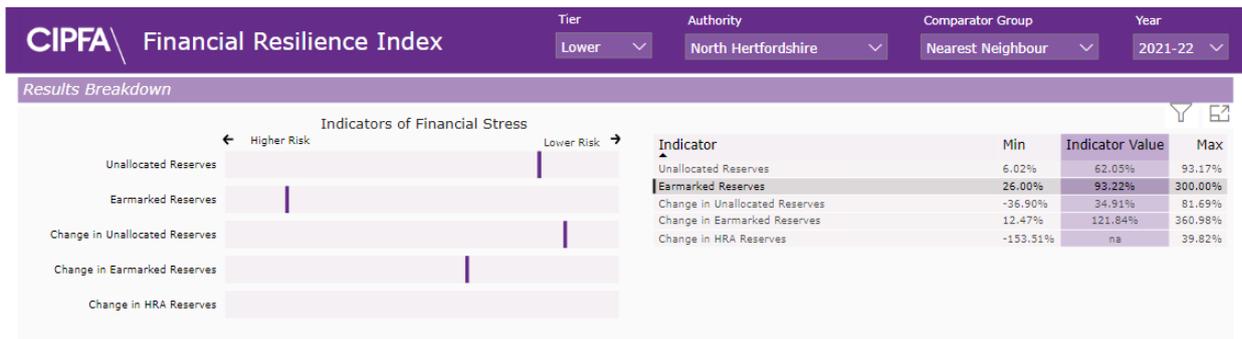
Page 1- Nearest Neighbour comparator (additional detail relates to “level of reserves” measure)



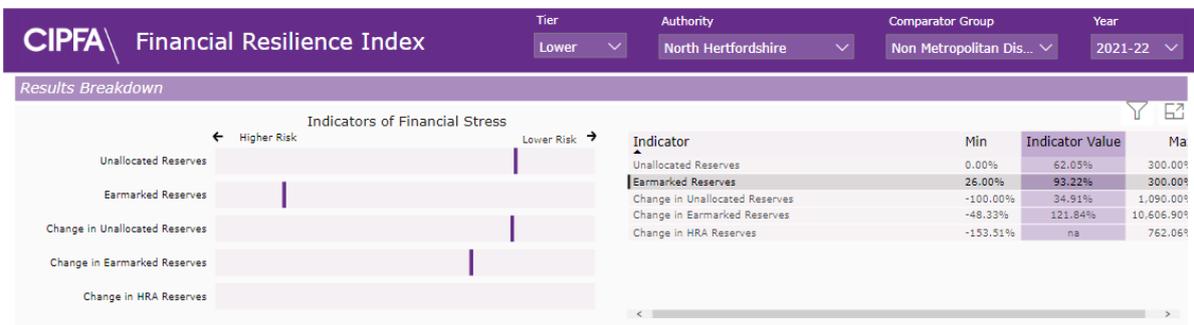
Page 1- Non-Metropolitan Districts comparator



Page 2- Nearest Neighbour comparator (additional detail relates to “earmarked reserves” measure)



Page 2- Non-Metropolitan Districts comparator



Overall North Herts Council is measured as lower risk against most of the indicators. The table below provides a brief commentary against those indicators which are shown as slightly higher risk.

Indicator	Level of Risk	Commentary
Reserves Sustainability	Just above the middle compared against all Non-Metropolitan Districts, slightly lower risk when compared to Nearest Neighbours	Based on the data North Herts Council is not currently using reserves to balance its budget. The position is therefore just the ordering of the data when a large number of Councils have the same indicator value (i.e. all have an indicator value of the lowest risk, i.e. 100).  The Council is forecasting that it will need to use reserves over the medium-term, based on future funding forecasts. The Medium-Term Financial Strategy (MTFS) details this risk and sets out how it will be achieved whilst keeping reserves above the minimum level.
Level of Reserves	Around the middle against Nearest Neighbours, slightly higher risk when compared to all Non-Metropolitan Districts	The Council's overall reserves would cover its net expenditure for around 1.5 years. This measure therefore reflects that some Council's have some very high levels of reserves, rather than a concern about North Herts Council's level of reserves.
Change in Reserves	Around the middle against both comparator groups	The Council's reserves have increased over the last 3 years. This is a combination of (1) we need to keep preparing for the introduction of "negative RSG", including using reserves as a strategy to mitigate the impact when it happens, and (2) we were holding Government money in relation to Covid-19 payments. Other Councils have increased their reserves by more, so that will affect our ranking.  We are not currently using our reserves to balance the budget. Whilst we do plan to use our reserves to balance the budget, subject to the identification and delivery of savings, this will be in a way that ensures our budget stays sustainable.
Fees and Charges as a proportion of service expenditure	Around the middle against Nearest Neighbours, slightly higher risk when compared to all Non-Metropolitan Districts	CIPFA state that it is better to have more of your expenditure funded from fees and charges, as you then have more control. However as fees and charges can be significantly impacted by demand (as demonstrated by the Covid-19 impact) this may no longer be correct, as high dependency also has a lot of risk. Being around a mid-level is therefore considered reasonable.  We would also need to consider the willingness and ability of our customers/ residents to pay if we chose to increase our charges.
Council Tax requirement to net revenue expenditure	Around the middle compared against nearest neighbours	The Council can not change its dependency on Council Tax without choosing to reduce the extent to which it increases it. That would bring much greater resilience problems. The MTFS highlights the inflation risk that the Council faces, which is made worse by the fact that Council Tax (as a key funding source) goes up by a lower percentage than general inflation.
Growth above baseline	Around the middle against both comparator groups	The Council chooses to budget at its baseline level of business rates income. This means that the risk that CIPFA highlight is not applicable, as the Council would not be impacted by a rates reset.
Earmarked Reserves	Above average risk compared against both comparator groups	See comment about level of reserves above. The Council could always choose to increase earmarked reserves by moving amounts from unallocated reserves.

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**CABINET**  
**31 January 2023**

**\*PART 1 – PUBLIC DOCUMENT**

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

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

*The Investment Strategy provides the following key information:*

- A capital programme of £8.028m in 2023/24 and £19.294m for the period 2024/25 to 2027/28.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2023/24)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy
- The scope of treasury investments where the Council will invest any surplus cash.

**2. RECOMMENDATIONS**

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

**3. REASONS FOR RECOMMENDATIONS**

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

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

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

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

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

- 5.1 All Members were given opportunity to comment on all new Capital investment proposals, as well as existing projects earmarked in future years, at the Member Budget Workshops held in November 2022. Notes of the comments raised at the workshops were provided to Cabinet in December. There has been two additional schemes added to the capital programme since the budget workshop:
- £0.015m in 2023/24 re CCTV camera replacement. This was mentioned at the budget workshop, but a value was not provided.
  - £0.400m across 2023/24 and 2024/25 for Charnwood House, Hitchin. This is the estimated contribution required by the Council to refurbish and update the building for community use. It is also likely to require a community organisation being able to access further funding. This project was included in last year's capital proposals but did not include a financial value.
- 5.2 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.3 There is ongoing dialogue with the Authority's Treasury advisors (Link).

#### **6. FORWARD PLAN**

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

#### **7. BACKGROUND**

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

7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the December meeting of Cabinet providing estimates as at the end of the second quarter of 2022/23. The report advised that total expenditure of £37.457m would be required to deliver the current capital programme for 2022-2032, with £9.815m forecast to be spent in 2022/23. Table 1 below details the changes to the existing capital programme reported to Cabinet since the Capital Programme was approved by Full Council in February 2022.

Table 1

	<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 (two separate projects at £50k and £10k each)</b>	0.060	0	0
<b>Changes at Q1</b>	-1.520	2.048	0
<b>Full Council approved additional Expenditure – NHLC Soft Play</b>	<b>0.250</b>	<b>-0.100</b>	<b>0</b>
<b>Executive Member – Finance and I.T. approved additional Expenditure - Gum Gun</b>	<b>0.038</b>		
<b>Changes at Q2</b>	<b>-2.725</b>	<b>0.861</b>	<b>2.000</b>
<b>Current Capital Estimates</b>	<b>9.815</b>	<b>8.331</b>	<b>19.311</b>

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

## 8. RELEVANT CONSIDERATIONS

- 8.1 The proposed Investment Strategy is attached at Appendix A. Council are asked to approve this strategy, which includes the following:
- New capital investment proposals totalling £1.701m
  - A total capital programme for the period of 2023/24 to 2027/28 of £27.322m.
  - Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators
- 8.2 The following are provided as appendices to Investment Strategy, and are also appendices to this report:
- Appendix A1- A list of new capital schemes and schemes planned to commence from 2023/24.
- 8.3 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.
- 8.4 In general the capital programme detailed in tables 6 and 7 on pages 13 and 15 is what was presented to the budget workshops (as referenced in paragraph 5.1).
- 8.5 Table 8 (on page 16) provide an assessment of the Security, Liquidity and Yield of the projected spend on these assets. Table 9 (on page 17) details that the assessment of the expected risk of loss will be carried out as part of individual business cases.
- 8.6 Table 10 (on page 17) provides a forecast of the capital receipts that the Council will generate over the next few years. The preceding paragraph provides a description of the factors that will affect the timing and amount of expected capital receipts. Any significant changes would require a change to the Investment Strategy and could also affect the revenue budget in the medium-term.
- 8.7 As detailed in table 11 (on page 18) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £0.976m of borrowing in 2024/25, an additional £6.566m in 2025/26, and a further £5.990m between 2026-2033. As detailed on page 19, the Council can consider whether to borrow internally or externally. However as detailed on page 20, changes to the Prudential Code requires Councils to initially consider internal borrowing as it is considered to be cheaper and lower risk. Therefore, it is assumed that the Council will borrow internally.
- 8.8 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). On page 26 it is detailed that the Council will charge MRP on an equal instalment basis. This reflects that the majority of capital spend is related to service provision and therefore the assets are expected to provide consistent benefits over their life.

- 8.9 Table 17 on page 30 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following changes are proposed compared to last year:
- Various changes to investment limits measured in £m (by type of investment, institution and groups of investments) to reflect the forecast year end balances. The percentages that these are based on are unchanged.
  - Reduce the sovereign rating for non-UK banks from AAA to AA- following discussion with our Treasury Consultants. An additional control will be added for the Service Director: Resources to exclude any countries with concerns over Governmental, Social and Human Rights issues.
- 8.10 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.
- 8.11 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.
- 8.12 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:
- This organisation defines its treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
  - This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
  - This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 8.13 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. The majority of the TMPs are unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs are operationally focused and therefore the themes covered are detailed below,

rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):

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

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

8.15 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.6.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (a) (iii) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.

8.16 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

## **9. LEGAL IMPLICATIONS**

9.1 TOR 4.4.1 (b) of the Constitution provides that Full Council will exercise the function of approving or adopting the capital budget (Constitution 4.3) and approve the treasury management strategy statement (Constitution 4.4.1 (cc)).

9.2 Cabinet will recommend to Full Council the annual capital budget (Constitution 5.6.39) and treasury management strategy statement (Constitution 5.6.40).

9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).

9.4 Section 151 of the Local Government Act 1972 states that: “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” That officer is the Service Director- Resources.

9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

## **10. FINANCIAL IMPLICATIONS**

10.1 These are covered in section 8.

## **11. RISK IMPLICATIONS**

11.1 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed. The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.

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

## **12. EQUALITIES IMPLICATIONS**

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

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2023/24 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

12.3 As referenced in paragraph 8.9, the inclusion of banks on our counter-party list will consider the Country that they are in and an objective analysis of the approach to equalities in that Country. This will be in addition to any sovereign (Country) and institution credit rating.

## **13. SOCIAL VALUE IMPLICATIONS**

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

**14. ENVIRONMENTAL IMPLICATIONS**

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

**15. HUMAN RESOURCE IMPLICATIONS**

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

**16. APPENDICES**

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

**17. CONTACT OFFICERS**

- 17.1 Ian Couper, Service Director- Resources, Ext: 4243, E-mail: [ian.couper@north-herts.gov.uk](mailto:ian.couper@north-herts.gov.uk)  
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**18. BACKGROUND PAPERS**

- 18.1 None

## **Appendix A**

### **Investment Strategy (Integrated Capital and Treasury Strategy)**

## Part 1- Overview

### Introduction

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

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

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

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

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

The format of this strategy is as follows:

#### Part 2- Capital Spend

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

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

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

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

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

#### Part 5- Investment Strategy

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

#### Part 6- Overall Risk considerations

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

#### Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

#### Reporting requirements

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

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

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

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

#### Basis of Estimates

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

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

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

### Treasury Management Policy and Treasury Management Practices

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

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

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

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

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

### Treasury Consultant

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

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

### Skills and culture

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

Table 1

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

## **Part 2- Capital Spend**

### **Current Capital Assets**

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

**Table 2**

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

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

**Table 3**

<b>Asset Type</b>	<b>Asset</b>	<b>Reason for purchase/ expenditure</b>	<b>Value (£000)</b>
Cemeteries	Icknield Way	Path Enhancement	50
Community Centres and Halls	Various	Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS)	199
Grants	Various	Park Homes Insulation	341
Grants	Various	Private Sector Housing Grants	120
Grants	Various	S106 Grants (REFCUS)	177
Grants	Various	Shared Prosperity Fund	60
Investment Properties	Churchgate	To generate rental income/ capital appreciation	4,214
Investment Properties	Residential Housing	To enable the conversion of Harkness Court to increase housing provision in the District	42
IT	Various computer equipment and software	To maintain IT service and provision of equipment	946
Leisure Facilities	Hitchin Swim Centre	Replace Outdoor Boiler and Hot Water Calorifer	72
Leisure Facilities	Leisure Condition Survey	Improvements to various Leisure sites	246
Leisure Facilities	Letchworth Outdoor Pool	Replace Outdoor Boiler	58
Leisure Facilities	North Herts Leisure Centre	Create Soft Play Area and Sauna Refurbishment	453
Leisure Facilities	Recreation Grounds / Play Areas / Gardens	Refurbishment of play areas.	515
Leisure Facilities	Royston Leisure Centre	Thermal Installation	70
Museums and Arts	Hitchin Town Hall and District Museum	Mainly works to the Town Hall	94
Parking	Multi-storey car parks	Structural repairs, resurfacing and Lift refurbishment at Lairage, Decoration at Letchworth Multi-storey	123
Parking	Off Street	Match Funding for Electric Vehicle charging and DCO charging points	115
Parking	Off Street	Upgrade pay and display machines, resurfacing and Replacement of Floodlights	560
Parking	On Street	Instal On Street Charging	50
REFCUS	Cycle Strategy / Transport Plans / Green Infrastructure	Cycle Strategy / Transport Plans / Green Infrastructure	713
Various	Various	Capital maintenance of Council buildings/land	439
Waste	Bins	Service Use	90
Waste	Bury Mead Road Transfer Facility	Service Use	30
Waste	Gum Gun	Service Use	38
<b>Total</b>			<b>9,815</b>

**Capitalisation Policy:**

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

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

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

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

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

**Definitions:**

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

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

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

**Table 4**

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

**Definitions:**

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

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

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

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

**Table 5**

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

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

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

**Use of Capital Receipts Direction:**

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

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
<b>Existing Capital Programme-schemes 2023/24 onwards</b>							
Various	Capital maintenance based on condition surveys	304	0	0	0	0	0
Cemeteries	St Johns, Wilbury Hills Icknield Way and new Mausoleum	266	50	0	30	0	0
Computer Software & Equipment	To maintain IT services	119	396	1,124	136	62	2,317
Council Car Fleet	New accounting Standard requires the Council's leased Vehicles to be recorded on the Council's Asset Register	141	0	0	0	0	0
Former Public Convenience on Portmill Lane, Hitchin	To return the property to a lettable standard	25	0	0	0	0	0
Grounds Maintenance Vehicles	New accounting Standard requires the Council's leased Vehicles to be recorded on the Council's Asset Register	315	0	0	0	0	0
Hitchin Swim Centre	Refurbishments / Boiler Replacement	0	230	300	605	0	0
Hitchin Swim Centre / NH Leisure Centre / Royston Leisure Centre	Solar PV installation	721	0	0	0	0	0
Mrs Howard Hall	Replacement Boiler and windows	63	0	0	0	0	0
Newark Close	Road Replacement	65	0	0	0	0	0
North Herts Leisure Centre	Refurbishments / Boiler Replacement	0	200	0	0	120	150
Royston Leisure Centre	Refurbishments / Boiler Replacement	0	150	30	200	100	0
Various	Private sector housing grants (REFCUS)	60	60	60	60	60	180
Various	Creation of and improvements to local green spaces	20	100	0	0	0	0
Various	Funding for local sports facilities,	100	100	0	0	0	0

	tournaments, teams and leagues						
Various Off-Street Car Parks	Resurfacing / Enhancements	558	0	0	0	0	0
Various Parks and Playgrounds	Enhancements	780	215	180	180	180	900
Waste and Recycling	Bin replacements	90	90	90	90	90	360
<b>New Capital Programme</b>							
CCTV Replacement	Replace CCTV	150	0	0	0	0	0
Cemeteries	Icknield Way path resurfacing	100	0	0	0	0	0
Hitchin Swim Centre	Enhancements	65	0	0	0	0	0
North Herts Leisure Centre	Various Enhancements	70	0	0	0	0	0
Off-Street Car Park	Resurfacing Weston Hills	20	0	0	0	0	0
Royston Leisure Centre	Various Enhancements	75	150	0	0	0	0
Various	Community Engagement Schemes	0	163	0	0	0	0
Various Parks and Playgrounds	Enhancements	465	10	0	10	10	0
Various	Testing Emergency Lights and Water Temperature Monitoring at 4 small pavilion and cemetery sites	0	13	0	0	0	0
<b>Total</b>		<b>4,572</b>	<b>1,927</b>	<b>1,784</b>	<b>1,311</b>	<b>622</b>	<b>3,907</b>

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

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

#### New Capital Assets

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

**Table 7**

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
<b>Existing Capital Programme-schemes 2023/24 onwards</b>							
Develop housing at market rents	Increase provision of housing at market rents	10	0	0	0	0	0
NH Museum and Community Facility	Museum Storage Solution	2,000	2,000	0	0	0	0
Off-Street Parking	Parking Machines Replacement	0	0	150	150	0	0
Walsworth Common Pavilion	New pavilion	300	0	0	0	0	0
Royston Leisure Centre	Extension to provide a new multi-functional room and increase size of fitness room	0	0	1,000	0	0	0
John Barker Place	Contribution to redevelopment	1,096	0	0	0	0	0
Waste and Recycling	Vehicles	0	0	4,000	0	0	0
Waste and Recycling	Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility	0	3,000	3,000	0	0	0
Charnwood House	Refurbish and update the building for community use.	50	350	0	0	0	0
<b>Total</b>		<b>3,456</b>	<b>5,350</b>	<b>8,150</b>	<b>150</b>	<b>0</b>	<b>0</b>

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

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

Year	£m
2023/24	8.028
2024/25	7.277
2025/24	9.934
2026/27	1.461
2027/28	0.622

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

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

**Table 8**

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

		more liquid e.g. they have a wider range of tenants and/ or uses.	
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For these assets, table 9, also details an assessment of the risk of loss. This covers the same factors that have been detailed previously. Where relevant, assets have been grouped together.

**Table 9**

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

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

#### Capital Funding

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

**Table 10**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Balance B/Fwd	3,194	2,541	4,317	0	0	0
Used in Year	6,231	6,424	4,317	0	0	0
Forecast Receipts (£000)	5,578	8,200	0	Tbc	Tbc	Tbc
Balance C/Fwd	2,541	4,317	0	0	0	0

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

As a result of planned expenditure in 2022/23 and future years, the Council forecasts the following use of funding for capital (table 11).

**Table 11**

Funding Source	Brought forward (at 31/3/22)	Forecast expenditure and funding sources (£000)						
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33
Capital Expenditure		9,815	8,028	7,277	9,934	1,461	622	3,907
Less: Set-aside receipts used	4,449	2,071	756	1,622	0	0	0	0
Less: Capital receipts used	3,194	6,231	6,424	4,316	0	0	0	0
Less: Grant funding used		1,206	120	363	0	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		258	308	0	168	0	0	0
Less: Funding from revenue		0	170	0	3,200	0	0	0
Less: Other Capital Contributions		49	250	0	0	0	0	0
<b>Borrowing requirement</b>		<b>0</b>	<b>0</b>	<b>976</b>	<b>6,566</b>	<b>1,461</b>	<b>622</b>	<b>3,907</b>
<b>Cumulative borrowing requirement</b>		<b>0</b>	<b>0</b>	<b>976</b>	<b>7,542</b>	<b>9,003</b>	<b>9,625</b>	<b>13,532</b>

**Definitions:**

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

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

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

**Prudential Indicator 2: Capital Financing Requirement**

Year	£m
As at 31 <sup>st</sup> March 2022 (actual)	-4.6
As at 31 <sup>st</sup> March 2023 (forecast)	-2.5
As at 31 <sup>st</sup> March 2024 (forecast)	-1.8
As at 31 <sup>st</sup> March 2025 (forecast)	0.4
As at 31 <sup>st</sup> March 2026 (forecast)	7.0
As at 31 <sup>st</sup> March 2027 (forecast)	8.4

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

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

##### Borrowing strategy

###### **Definitions:**

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

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

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

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

**Table 12**

Revenue balance	Brought forward (at 31/3/22)	Forecast balance at year end					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
General Fund <sup>1</sup>	10,606	10,330	9,660	8,976	8,056	7,202	6,980
Add back MRP	0	0	0	24	189	225	241
Revenue Reserves <sup>2</sup>	15,935	16,444	17,050	17,772	13,772	14,272	14,772
S106 balances	4,171	4,488	4,181	4,181	4,013	4,013	4,013
Provisions	2,493	2,493	2,493	2,493	2,493	2,493	2,493
Outstanding Debt	387	367	347	325	305	290	275
<b>Total</b>	<b>33,592</b>	<b>34,122</b>	<b>33,731</b>	<b>33,771</b>	<b>28,828</b>	<b>28,495</b>	<b>28,774</b>

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

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

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

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

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

**Table 13**

	Brought forward (at 31/3/22)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/33)
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29 to 2032/33	
Total borrowing requirement	387	0	0	976	7,542	9,003	9,625	13,532	
Made up of:									
Internal borrowing	0	0	0	976	7,542	9,003	9,625	13,532	13,532
External borrowing	387	(20)	(20)	(22)	(20)	(15)	(15)	(25)	250

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

**Definitions:**

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

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

### Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities <sup>1</sup> £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31 <sup>st</sup> March 2022 (Actual)	0.387	1.239	0	1.626	2.7	7.7
As at 31 <sup>st</sup> March 2023 (forecast)	0.367	0.731	0	1.098	3.0	8.0
As at 31 <sup>st</sup> March 2024 (forecast)	0.347	0.224	0	0.571	2.0	7.0
As at 31 <sup>st</sup> March 2025 (forecast)	0.901	0.106	(0.576)	0.431	2.0	7.0
As at 31 <sup>st</sup> March 2026 (forecast)	7.447	4.100	(7.142)	4.405	13.0	18.0
As at 31 <sup>st</sup> March 2027 (forecast)	8.893	3.592	(8.603)	3.882	14.0	19.0
As at 31 <sup>st</sup> March 2028 (forecast)	9.500	3.082	(9.225)	3.357	14.0	19.0

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

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

Table 14

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

**Definitions:**

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

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

#### Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

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

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

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

#### Definitions:

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

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

#### Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

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

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

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

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Total borrowing £m	Expected annual borrowing costs for loans linked to investment assets £m
2023/24	30.635	1.521	0	0
2024/25	32.635	1.587	0.426	0
2025/26	34.635	1.560	6.992	0.019
2026/27	34.635	1.586	8.453	0.315
2027/28	34.635	1.586	9.075	0.380

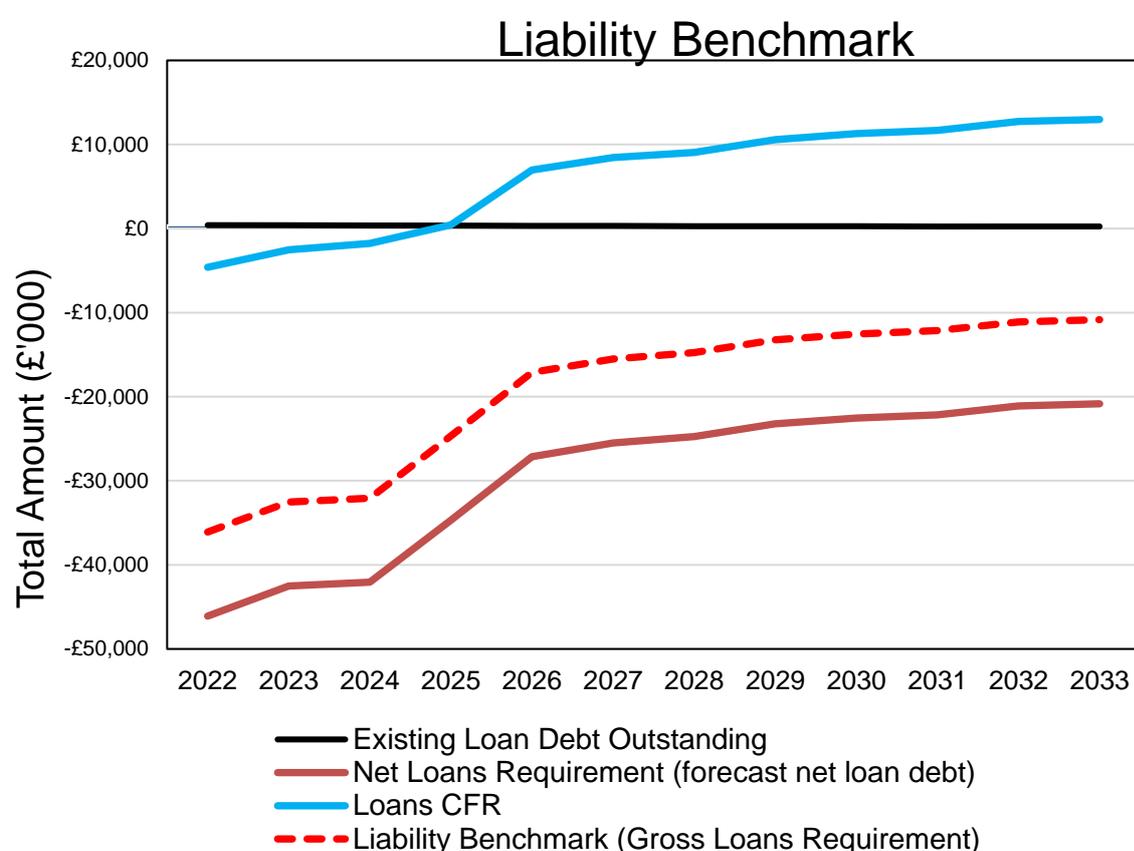
The Council would not borrow money in advance of need or at a low rate to try and reinvest that money to earn a higher interest rate, and profit from the margin between the two rates. However, the waste contract requires the use of vehicles that are provided by the contractor. The Council has taken the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

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

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

There are four components to the LB: -

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



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

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

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

#### Minimum Revenue Provision

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

#### **Minimum Revenue Provision:**

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

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

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

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

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

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

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2022/23	0.039	17.992	0.217
2023/24	0.037	18.060	0.205
2024/25	0.080	18.261	0.438
2025/26	0.373	18.188	2.052
2026/27	0.438	18.128	2.417
2027/28	0.438	18.135	2.565

## Part 5- Investment Strategy

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

**Table 15**

Balances	Brought forward (at 31/3/22)	Forecast balance at year end (£000)					
		2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue balances (including MRP added back)	33,592	34,122	33,731	33,771	28,828	28,495	28,774
Capital Receipts	3,194	2,540	4,516	0	0	0	0
Capital Grants Unapplied	899	186	186	186	186	186	186
Add: Long-term liabilities <sup>1</sup>	1,482	1,023	900	418	3,770	3,123	2,474
Less: Capital Financing Requirement	-4,608	-2,536	-1,780	818	7,388	8,845	9,467
Less: Borrowing repayments	18	20	20	22	20	15	15
<b>Total forecast of available for investment</b>	<b>43,757</b>	<b>40,387</b>	<b>41,093</b>	<b>33,535</b>	<b>25,376</b>	<b>22,944</b>	<b>21,952</b>

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

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

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

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

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

**Table 16**

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

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

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

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

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

All investments will be denominated in Sterling.

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

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

**Table 17**

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

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

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

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

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

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

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

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

**Table 18**

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

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

**Table 19**

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Forecast of average balance available for investment (£m)- short to medium term	41.1	33.5	25.4	22.9	22.0
Forecast of interest earned (£m)*	1.618	1.048	0.555	0.502	0.480
Current interest assumed in the revenue budget.	0.810	0.704	0.708	0.702	0.702

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

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

<b>Year</b>	<b>Cost of borrowing £m</b>	<b>Less: Forecast of interest earned £m</b>	<b>Net Financing costs £m</b>	<b>Net Revenue Budget £m</b>	<b>Financing Costs as a % of Net Revenue Budget £m</b>
2022/23	0.039	1.212	-1.173	17.992	-6.517
2023/24	0.037	1.618	-1.581	18.060	-8.754
2024/25	0.080	1.048	-0.968	18.261	-5.301
2025/26	0.373	0.555	-0.182	18.188	-0.999
2026/27	0.438	0.502	-0.064	18.128	-0.352
2027/28	0.465	0.480	-0.015	18.135	-0.083

## **Part 6- Overall Risk Considerations**

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

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

## **Part 7- Glossary**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Asset Management and Investment</b>									
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).
<b>Sub-Total: Asset Management and Investm</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Corporate Items</b>									
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.
<b>Sub-Total: Corporate Items</b>	<b>141</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Externally financed projects</b>									
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	163	163	0	163	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the investment plan submitted to government.
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	120	120	20	100	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the three year investment plan submitted to government. An allocation of £10k in 2022/23 was approved by the Executive Member for Finance & IT. Capital allocations are now requested for 2023/24 and 2024/25 (years 2 and 3 of the Investment Plan).
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	200	200	100	100	0	0	0	0	Planned capital expenditure, financed from the UK Shared Prosperity Fund, to support town centre regeneration and community initiatives, in line with the investment plan submitted to government. An allocation of £50k in 2022/23 was approved by the Executive Member for Finance & IT. Capital allocations are now requested for 2023/24 and 2024/25 (years 2 and 3 of the Investment Plan).

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Sub-Total: Externally financed projects</b>	<b>483</b>	<b>483</b>	<b>120</b>	<b>363</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Grants to Third Parties</b>									
<b>Private Sector Grants</b>	<b>480</b>	<b>-</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>180</b>	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>	<b>1,096</b>	<b>270</b>	<b>1096</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	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>	<b>13</b>	<b>-</b>	<b>0</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	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>	<b>315</b>	<b>-</b>	<b>315</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	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>	<b>1,800</b>	<b>-</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>900</b>	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>	<b>20</b>	<b>-</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	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.
<b>Sub-Total: Green Space Developments - B&amp;</b>	<b>90</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Green Space Developments - Hitchin</b>									
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 - Hi</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>	

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

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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Letchworth Outdoor Pool Boiler Replacement</b>	-	-	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).
<b>NHLC: Interactive Water Feature</b>	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.
<b>NHLC: Pool Flume Replacement</b>	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.
<b>Sub-Total: Leisure - Letchworth</b>	<b>878</b>	<b>-</b>	<b>408</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>120</b>	<b>150</b>	

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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Leisure - Royston Leisure Centre</b>									
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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Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
RLC: Fitness Equipment Replacement	150	-	0	0	0	150	0	0	Replacement of the cardio and resistance fitness equipment to maintain membership levels and customer satisfaction.
RLC: Fitness Facility Refurbishment	50	-	0	0	0	50	0	0	Refurbishment of the gym area in preparation for new cardio and resistance fitness equipment.
RLC: Boiler Replacement	100	-	0	0	0	0	100	0	Boilers will be 20+ years old and will be at the end of their economic lifespan. Repair works are carried out on a regular basis, however there is a high risk that, if they are not replaced, they may fail which could result in a closure.
<b>Sub-Total: Leisure - Royston Leisure Centr</b>	<b>1,946</b>	<b>170</b>	<b>316</b>	<b>300</b>	<b>1,030</b>	<b>200</b>	<b>100</b>	<b>-</b>	
<b>Museum and Arts Development</b>									
Museum and Commercial Storage Facility at Burymead Hitchin	2,000	-	2,000	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.
<b>Sub-Total: Museum and Arts Development</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Parking Related Proposals</b>									
Off Street Car Parks resurfacing and enhancement	8	-	8	0	0	0	0	0	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable.

Description of Proposal	Total Project Investment 2023/24 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2023/24	Proposed Investment in 2024/25	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment 2028 - 2033	Anticipated Impact of Proposal (on Public/ Customers/ Staff/ Members/ Reputation/Revenue Budget etc.)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Resurfacing of the top deck of the Lairage Car Park, Hitchin	346	-	346.3	0	0	0	0	0	The top deck of the Lairage Car Park needs resurfacing due to water ingress. Currently there is water ingress that is permeating through the surfacing and affecting two parking bays. To prevent cars being damaged the affected bays have been sectioned off. It is expected that this ingress could get worse over time, and could affect more parking spaces.
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors.	75	-	75	0	0	0	0	0	The current stair wells are aesthetically unsightly uncoated concrete, which are difficult to keep clean and stain. At least two of the four stairwells suffer anti-social behaviour, and this compounds the staining and cleaning requirements. The proposed coating will improve the appearance and make cleaning the stairwells less onerous. Replacement of windows and doors where required.
Parking Machines Replacement	300	-	0	0	150	150	0	0	Replacement of all parking machines over a 2 year period, with the roll out commencing in late 2025/26 . Please note that this is an estimated cost based on the current full replacement cost of a machine taken from the ESPO framework adjusted for inflation. The type of machine replacement would be dependent on the latest technology and this estimate may need to be reviewed nearer the time.
<b>Sub-Total: Parking</b>	<b>729</b>	<b>-</b>	<b>429</b>	<b>-</b>	<b>150</b>	<b>150</b>	<b>-</b>	<b>-</b>	
<b>Waste Collection</b>									
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.
<b>Sub-Total: Waste Collection</b>	<b>10,810</b>	<b>3,200</b>	<b>90</b>	<b>3,090</b>	<b>7,090</b>	<b>90</b>	<b>90</b>	<b>360</b>	
<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>	