

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



16 February 2024

Our Ref    Council 29 February 2024  
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To:    The Chair and Members of North Hertfordshire District Council

**NOTICE IS HEREBY GIVEN OF A**

**MEETING OF THE COUNCIL**

to be held in the

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

on

**THURSDAY, 29TH FEBRUARY, 2024**

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> |
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| <b>1. APOLOGIES FOR ABSENCE</b>   |             |
| <b>2. NOTIFICATION OF OTHER BUSINESS</b><br>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.<br><br>The Chair will decide whether any item(s) raised will be considered.  |             |
| <b>3. CHAIR'S ANNOUNCEMENTS</b><br><u>Climate Emergency</u><br>The Council has declared a climate emergency and is committed to achieving a target of zero carbon emissions by 2030 and helping local people and businesses to reduce their own carbon emissions.<br><br>A Cabinet Panel on the Environment has been established to engage with local people on matters relating to the climate emergency and advise the council on how to achieve these climate change objectives. A Climate Change Implementation group of councillors and council officers meets regularly to produce plans and monitor progress. Actions taken or currently underway include switching to green energy, incentives for low emission taxis, expanding tree planting and working to cut food waste.<br><br>In addition the council is a member of the Hertfordshire Climate Change and Sustainability Partnership, working with other councils across Hertfordshire to reduce the county's carbon emissions and climate impact.<br><br>The Council's dedicated webpage on Climate Change includes details of the council's climate change strategy, the work of the Cabinet Panel on the Environment and a monthly briefing on progress.<br><br><u>Ecological Emergency</u><br><br>The Council has declared an ecological emergency and is committed to addressing the ecological emergency and nature recovery by identifying appropriate areas for habitat restoration and biodiversity net gain whilst ensuring that development limits impact on existing habitats in its process.<br><br>The Council has set out to do that by a) setting measurable targets and standards for biodiversity increase, in both species and quantities, seeking to increase community engagement, b) to work with our partners to establish a Local Nature Partnership for Hertfordshire and to develop Nature Recovery Networks and Nature Recovery Strategy for Hertfordshire and c) to investigate new approaches to nature recovery such as habitat banking that deliver biodiversity objectives and provide new investment opportunities. |             |

### Declarations of Interest

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.

#### **4. PUBLIC PARTICIPATION**

To receive petitions, comments and questions from the public.

#### **5. QUESTIONS FROM MEMBERS**

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

#### **6. NOTICE OF MOTIONS**

5 - 6

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

#### **7. ITEMS REFERRED FROM OTHER COMMITTEES**

7 - 30

7A) Cabinet – Revenue Budget 2024-25 – **to be considered with Item 8**

7B) Overview and Scrutiny Committee – Call to Account – Lord Lister Hotel - **to be considered as a standalone item**

7C) Cabinet – Council Tax Premiums for Empty and Second Homes – **to be considered with Item 9**

7D) Cabinet – Investment Strategy (Integrated Capital and Treasury) – **to be considered with Item 10**

#### **8. REVENUE BUDGET 2024/25**

31 - 62

REPORT OF THE SERVICE DIRECTOR – RESOURCES

Cabinet have recommended a budget for 2024/25 to Council for their consideration and approval.

#### **9. COUNCIL TAX PREMIUMS FOR EMPTY AND SECOND HOMES**

63 - 80

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS

To consider increasing the council tax premiums on empty homes and introducing a new premium on second homes in a phased approach.

#### **10. INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**

81 - 136

REPORT OF THE SERVICE DIRECTOR – RESOURCES

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

|            |  |       |
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| <b>11.</b> | <b>COUNCIL TAX RESOLUTION 2024/25</b>      | 137 - |
|            | REPORT OF THE SERVICE DIRECTOR – RESOURCES | 148   |

The purpose of this report is to obtain approval for the Council Tax requirement and the overall Council Tax rates for the district of North Hertfordshire for 2024/25.

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|------------|--|-------|
| <b>12.</b> | <b>PAY POLICY STATEMENT</b>                | 149 - |
|            | REPORT OF THE SERVICE DIRECTOR – RESOURCES | 158   |

To set out a draft Pay Policy Statement 2024/25 for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015 and any other relevant legislation.

**COUNCIL  
29 FEBRUARY 2024**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: NOTICE OF MOTIONS UNDER STANDING ORDER 4.8.12**

The following motion has been submitted at the time of agenda publication, due notice of which has been given in accordance with Standing Order 4.8.12. Any further motions received prior to the deadline will be published as supplementary document.

To be moved by Councillor Ralph Muncer and seconded by Councillor David Levett

**Motion on Four-Day Week:**

In January 2023, South Cambridgeshire District Council began trialling a four-day working week for Officers.

In response to this trial, the Department for Levelling Up, Housing, and Communities issued non-statutory guidance to local authorities in England who are considering adopting a four-day working week stating that *“Councils which are undertaking four-day working week activities should cease immediately and others should not seek to pursue in any format”*.

It was announced by the Service Director (Resources) in August 2023 that North Hertfordshire District Council would implement a policy of ‘Meeting Free Friday’ for Officers.

This Council notes that Local Authorities have a statutory requirement, as defined in Part 1 of the *Local Government Act 1999*, to adhere to the Best Value Duty by *“making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”*.

**Council resolves that it will not implement, trial, experiment, or pilot (or equivalent) a four-day working week for Officers, and that it will continue to support a full five-day working week for Officers, thereby enabling this authority to fulfil its statutory obligations, whilst ensuring the provision of cost-effective and efficient delivery of services to residents in North Hertfordshire.**

Proposed by: Cllr Ralph Muncer

Seconded by: Cllr David Levett

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| Item No                                 | Referred from: | CABINET                |
| <b>7A</b>                               | Date:          | 6 FEBRUARY 2024        |
|   | Title of item: | REVENUE BUDGET 2024-25 |
| To be considered alongside agenda item: |                | 8                      |

The report considered by the Cabinet at the meeting held on 6 February 2024 can be viewed here: [Agenda for Cabinet on Tuesday, 6th February, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

**RECOMMENDED TO COUNCIL:**

- (1) To note the position on the Collection Fund and how it will be funded.
- (2) To note the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.48 million is recommended.
- (3) To note the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- (4) To approve the revenue savings and investments as detailed in Appendix B.
- (5) To approve a net expenditure budget of £20.365m, as detailed in Appendix C.
- (6) To approve a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

**REASON FOR DECISION:** To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2024/25. To ensure that the budget is aligned to Council priorities for 2024/25 as set out in the Council Plan.

*Audio recording – 35 minutes 43 seconds*

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been general discussion around:

- The maximum increase in Council Tax of 2.99% and that there had been an increase in core spending of 4%.
- The revenue areas that provided income received by Council, in particular around car parks.
- The provisions that would be required with the new leisure contract coming into force next year and whether the business rate efficiency was still in place.
- General financial risks for finance going beyond this year.

Councillor Elizabeth Dennis, as Chair, advised Members that a letter had been received from the Department for Levelling Up, Housing and Communities (DLUHC) requesting Councils to consider the following four main areas to address budget shortfalls:

- Transformation of services to make better use of resources.
- Opportunities to take advantage of advances in technology and to make better use of data to inform design making.
- Ways to reduce wasteful spend within systems including specific consideration on expenditure on consultants and discredited staff diversity and inclusion programmes.
- Barriers preventing activity the government could help to reduce or remove.

Ahead of presenting the 'Revenue Budget 2024/25' report, Councillor Ian Albert apologised to Members for inadvertently omitting the following recommendation from the 'Second Quarter Investment Strategy (Capital and Treasury) Review 2023-34' and advised that this recommendation would be covered at the meeting of Full Council on 29 February 2024:

- To seek Council approval that the capital allocation for Howard Park Kiosk be brought forward to 2023/24 to allow the work to be completed and the kiosk ready to open for the school Easter holidays.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Revenue Budget 2024/25' and advised that:

- This year the budget would be balanced using the Business Rate surpluses from previous years to allow the continued delivery of services whilst residents continued to try and recover from the cost of living crisis and may provide time to understand what the future funding from government would be.
- Feedback from the budget workshops held in November had been incorporated into the budget, as well as additional items details in the report.
- It was necessary to ensure the budget was in line with Council priorities and the Council Plan.
- The Council Delivery Plan for the coming year would be agreed at Cabinet in March.
- In recognising the pressure that the delivery of projects placed on staff proposed an addition to the budget of £100k to support the delivery of key projects over an 18 month period.
- The Council had the capacity to deliver a medium-term balanced budget, but there would be a need to act and make difficult decisions.
- The increase in Council Tax by the maximum allowed would provide the Council with the capacity to deliver the services that the residents of North Herts valued. It was also in line with the Medium Term Financial Strategy and what government would assume when setting funding in future years.
- The Section 25 report of the Chief Finance Officer highlighted risks and assumptions involved when setting the budget and was detailed in Appendix D.
- The recommendation on the minimum general fund balance was set out in paragraph 8.21 of the report.
- As an addition to Table 7 the Council were incurring costs in responding to the examination process for the expansion of Luton Airport. This would be met from the Transport Forum budget that was no longer needed and from some salary underspends.
- Impact on revenue from capital spend was set out in paragraphs 8.24-8.26 of the report which highlighted the need to keep the capital programme under review to reflect current plans.
- There was a slight amendment to the total next expenditure budget figure in recommendation 2.6 to £20,365 million from £20,265 million. This reflected the points raised earlier.



- Considering whether it was possible to respond to the County Council proposing to cut their Councillor locality budgets.

In response to a question from Councillor Elizabeth Dennis, the Managing Director advised that it was not clear yet whether extra resources would be required to comply with the four areas set out in the letter from DLUHC.

The following Members took part in debate:

- Councillor Alistair Willoughby
- Councillor Elizabeth Dennis
- Councillor Amy Allen
- Councillor Steve Jarvis

Points raised in the debate included:

- The finance team had worked incredibly hard under stress of financial pressures to compile a balanced budget which would continue to add value and support across the district.
- It was unclear how the Council would meet the requirements set out in the letter from DLUHC as the Council already provided the services the residents of North Herts valued and deserved and the Council performed as well as it could under financial restraints.

Councillor Elizabeth Dennis, as Chair, wanted to thank and record the hard work and support that the Deputy Executive Members provided to their Executive Members throughout the year, which enabled Executive Members to produce the work that was expected of them.

Councillor Ian Albert proposed and Councillor Alistair Willoughby seconded and, following a vote, it was:

**RESOLVED:** That Cabinet approved the decrease in the 2023/24 working budget of £301k, as detailed in table 7.

**RECOMMENDED TO COUNCIL:**

- (1) To note the position on the Collection Fund and how it will be funded.
- (2) To note the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.48 million is recommended.
- (3) To note the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- (4) To approve the revenue savings and investments as detailed in Appendix B.
- (5) To approve a net expenditure budget of £20.365m, as detailed in Appendix C.
- (6) To approve a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

**REASON FOR RECOMMENDATIONS:** To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2024/25. To ensure that the budget is aligned to Council priorities for 2024/25 as set out in the Council Plan.

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| Item No                                 | Referred from: | OVERVIEW & SCRUTINY COMMITTEE                        |
| <b>7B</b>                               | Date:          | 29 JANUARY 2024                                      |
|   | Title of item: | CALL TO ACCOUNT – LORD LISTER HOTEL – CHAIR’S REPORT |
| To be considered alongside agenda item: |                | REFERRAL ONLY  |

The report considered by the Overview & Scrutiny Committee at the meeting held on 29 January 2024 can be viewed here: [Agenda for Overview and Scrutiny Committee on Monday, 29th January, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)

Included alongside this referral are the following appendices for consideration:

- Appendix A – Cllr Levett Call to Account Report
- Appendix B – Extract from the Minutes of O&S Meeting on 28 September 2022
- Appendix C – Extract from the report presented to O&S meeting on 28 September 2022

**RECOMMENDED TO COUNCIL:** That the Overview and Scrutiny Committee referred the report, attached as Appendix A, to Council, together with the copy of the lessons learnt and the appropriate section of the minutes of the meeting of 28 September 2022.

**REASON FOR DECISION:** The recommendations had been made following the Call to Account on 28 September 2022.

*Audio recording – 3 hours 1 minute 3 seconds*

Councillor Adam Compton, as Chair, advised the committee that Councillor David Levett, as Chair of the Overview and Scrutiny Committee for the Civic Year 2022-23, would present the report entitled ‘Call to Account – Lord Lister Hotel – Chair’s Report’. Councillor Compton also advised Members that supplementary papers including the relevant section of the report and minutes from the Overview and Scrutiny Committee meeting held on 28 September 2022 had been circulated earlier today.

Councillor David Levett advised that:

- Most of what he wanted to say could be found in the lessons learnt.
- The ‘Special Urgency’ had resulted in the weighing up of community interest against the urgency of the situation.
- The origin of the situation went back to February 2021 and the deadline of 31 August 2021 for completion of the purchase by key stage.
- From the lessons learnt, it had been identified that this matter should have been referred to Cabinet, following the normal procedure, as a non-urgent item.

The following Members asked questions:

- Councillor Val Bryant
- Councillor Ralph Muncer

In response to questions, Councillor Levett advised that:

- The lessons learnt were set out in the minutes of the meeting of the Overview and Scrutiny Committee meeting and had been circulated to Members prior to this meeting.
- The Council Chamber was a formal environment, and not a suitable place to conduct a Call to Account. The process would have been more beneficial in a less formal environment and encouraged better discussion on the topic.

Councillor David Levett proposed and Councillor Adam Compton seconded and, following a vote, it was:

***RECOMMENDED TO COUNCIL:*** That the Overview and Scrutiny Committee referred the report, attached as Appendix A, to Council, together with the copy of the lessons learnt and the appropriate section of the minutes of the meeting of 28 September 2022.

***REASON FOR DECISION:*** The recommendations had been made following the Call to Account on 28 September 2022.

**North Hertfordshire District Council – Overview & Scrutiny Committee  
28th September 2022**

**Call to Account – Lord Lister Hotel ‘Special Urgency’ Delegated Decision**

**Report of the former Chairman of Overview & Scrutiny – Councillor David Levett**

**Introduction**

A delegated decision was taken on 13th August 2022 by the Managing Director and the Leader of the Council in relation to the provision of funding to Keystage Housing for homeless accommodation under the ‘Special Urgency’ provisions within the Council Constitution.

Subsequently a number of complaints were received, and articles appeared in the press relating to anti-social behaviour and alleged discrepancies relating to planning provision, thereby calling into question the decision to provide this accommodation at the former Lord Lister Hotel in Hitchin.

Planning matters are not an area in which O&S can be involved, however the process and consequences of the delegated decision to provide funding to Keystage is a matter that O&S can examine.

Under Section 6 of the Council Constitution the Overview & Scrutiny has a number of ways of scrutinising decisions including a ‘Call to Account’ which is specified as:

9. 6.3.9 Members and Officers Giving Account

1. (a) The Overview and Scrutiny Committee may scrutinise and review decisions made or actions taken in connection with the discharge of any Council functions (as set out in the Terms of Reference). As well as reviewing documentation, in fulfilling the Scrutiny role, it may require any member of the Cabinet, the Head of Paid Service and/or any appropriate Officer to attend before it to explain in relation to matters within their remit:

1. (i) any particular decision or series of decisions;
2. (ii) the extent to which the actions taken implement Council policy;  
and/or
3. (iii) their performance,

and it is the duty of those persons to attend if so required.

Although this option had not previously been used by this Council, following a question raised at Full Council on this issue I agreed as Chair of O&S to review the matter and report back to Council. The method I chose as being the most appropriate in this case with the amount of concern raised and being the most transparent to the public was to use the above provision for a ‘Call to Account’.

Due to constraints placed on the timing of this report by the planning process and subsequent developments it is only now that I am able to submit this report for consideration by the Overview & Scrutiny Committee.

### **Call To Account Process**

At this point in the report, I wish to make a number of comments relating to the process of bringing the Call to Account to Committee.

1. I wanted the process to be somewhat similar to a Parliamentary Select Committee in that the surroundings were less formal and more of a round table style discussion than the formal layout of the Council Chamber. This was following up on advice from the Peer Review that it is a more conducive way for the Overview and Scrutiny to operate. Unfortunately, I was advised that it would not be possible to do so as there was no provision to be able to record and remote view the meeting other than in the formal surroundings of the Council chamber.
2. My preference was for all of the proceedings to be held in public, given the amount of public interest that prompted the Call to Account in the first place. However many of the documents I had requested be presented to the committee had to be considered in Part 2 to which the public do not have access.
3. “The Council is required by Law to discharge certain overview and scrutiny functions. These functions are an essential component of local democracy. A Scrutiny Committee can contribute to the development of Council policies and also hold the Cabinet to account for its decisions”

Bearing the above in mind the Call to Account did however answer most of the questions raised and a number of lessons were learned by reviewing the process which have been acknowledged and are well documented in the relevant section of the minutes – a copy of which is attached to this report.

### **Conclusions**

The correct process for a delegated ‘Special Urgency’ was followed. However, it was acknowledged that in hindsight it could have followed the normal process, albeit this may have resulted in an ‘In Principle’ recommendation to Cabinet rather than a fully detailed recommendation.

The arrangement was known to have been one likely to lead to controversy and should have been flagged earlier in the process, particularly to the Managing Director and Leader of the Council.

A number of contractual requirements of the grant to Keystage set out in the ‘Special Urgency’ had not been met at the time of the ‘Call to Account’ and had not been followed up, at the time of the call to account for example the requirement for a charge in the Councils interest on the Land Registry entry for the property and this still had not been completed some months later. Subsequently this was found not to be a requirement but a restriction, which had in fact been registered in June 2022.

### **Recommendations**

- (1) That the Overview and Scrutiny Committee refers this report to Council together with the copy of the lessons learnt and the appropriate section of the minutes of the meeting of 28th September 2022.

*Councillor David Levett*

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

## OVERVIEW AND SCRUTINY COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,  
LETCHEWORTH  
ON WEDNESDAY, 28TH SEPTEMBER, 2022 AT 7.30 PM

## MINUTES

|                       |  |
|-----------------------|--|
| <b>Present:</b>       | <i>Councillors: Councillor David Levett (Chair), Councillor Val Bryant (Vice-Chair), Adam Compton, Alistair Willoughby, Carol Stanier, Claire Strong, Ian Moody, Phil Weeder, Raj Bhakar, Tamsin Thomas, Sean Nolan and George Davies</i>  |
| <b>In Attendance:</b> | <i>Anthony Roche (Managing Director), Sarah Kingsley (Service Director - Place), William Edwards (Committee, Member and Scrutiny Manager), Louis Mutter (Committee, Member and Scrutiny Officer), James Lovegrove (Committee, Member and Scrutiny Officer), Martin Lawrence (Strategic Housing Manager) and Chloe Hipwood (Shared Service Manager – Waste &amp; Recycling)</i> |
| <b>Also Present:</b>  | <i>At the commencement of the meeting approximately 10 members of the public, including registered speakers.</i>   |

N.B. Below is the extract from the Minutes of the Overview and Scrutiny Committee on 28 September 2022 relating to the Call to Account on Lord Lister Hotel.

#### 150 CALL TO ACCOUNT OF DELEGATED DECISION TAKEN ON 13 AUGUST 2021 IN ACCORDANCE WITH 'SPECIAL URGENCY' PROVISIONS CONTAINED IN THE COUNCIL'S CONSTITUTION

*Audio recording – 10 minutes 42 seconds*

The Chair introduced the Call to Account item and noted that some of the documents provided were within Part 2 and therefore should not be discussed in Part 1 and that the Planning application could not be considered.

The Chair outlined the four subject areas to cover in questioning, these were; reason for urgency, grant allocation, choice of Keystage and performance monitoring. These were detailed in the briefing papers provided for Members and some questions under these topics had been suggested.

The Chair welcomed Anthony Roche, Managing Director, Martin Lawrence, Strategic Housing Manager and Councillor Elizabeth Dennis-Harburg, Leader of the Council, who were in attendance to provide their account, alongside the accompanying report entitled 'Call to account of delegated decision taken on 13 August 2021 in accordance with 'Special Urgency' provisions contained in the Council's Constitution'.

Martin Lawrence, the Strategic Housing Manager, provided an update for Members, which included:

- It was over 20 years since North Herts Council had its own housing stock, but it remained the local housing authority and so had a duty to carry out government policy regarding homelessness.
- There were huge demands on housing across the district, and the country, which was having an impact on the affordability of housing available.
- Homelessness remained stable across the district, but was prevalent and more and more issues were raised every day.
- There was huge demand for accommodation pre-pandemic and during the pandemic there was a directive to provide people with accommodation if they were homeless, which included people staying with friends, sofa surfing, etc.
- In 2021/22 there were around 150 people picked up as part of this, mostly individuals, who had to be found accommodation which was usually in hotels.

- In May 2021 there were 67 hotel placements by the authority, some within the district but others in neighbouring districts.
- When accommodation was provided, there was a chance to engage with other factors that may be affecting people, and it became apparent a lot of homeless people had further complex needs which required specific support.
- There had been previous attempts to develop a specific site to deal with complex needs faced by homeless people, but these have often been proposed and then never been further developed.
- Planning permission was granted in February 2021 by Haven First for a 40-bed hostel in Letchworth, but was met with local concern and objections and nothing has been able to move forward on this.
- Due to social distancing requirements, the only available location in North Herts had only 5 beds available, with further 19-rooms provided temporarily at the former Templars Hotel in Baldock.
- Funding had been made available, but providers could not use the money as there were no suitable locations.
- The aim is to create a pathway from being homeless through to independent resettlement, with support provided along the way, which is where a supported housing scheme can be valuable.
- There was a need to build up options available to deal with homelessness, with 133,000 residents in the district, but only 33 bedspaces available for this group.
- North Herts Officers made contact with Keystage in 2021, as a lot of existing providers were struggling with the effects of Covid and impact on staffing levels.
- These initial discussions were held to discuss whether there was viability of Keystage providing services in North Herts.
- Keystage had provided services in Luton since 2019 and are one of the best providers in the area and had a trauma led approach.
- This was then discussed with the then Executive Member for Housing and Environmental Health, Councillor Gary Grindal, in June 2021. Following this, the proposal was provided by Keystage.
- At the submission of the proposal the hotel had been identified and the owner had been spoken to. At this stage there was no commitment, but there were no other viable options available for consideration.
- The proposal was discussed at the Covid Recovery Board in July 2021, with the two ward Councillors in attendance.
- The discussions were ongoing with Keystage throughout this, but it became apparent throughout this that there was a time limit on action required by the Council.

In response to a question from Councillor Claire Strong, the Strategic Housing Manager advised that he was unsure whether the Lord Lister was housing homeless people at the start of the pandemic response, but did not believe it was.

Anthony Roche, Managing Director, provided an update for Members, which included:

- The proposal was brought to him in late July 2021 as a potential solution to government requirements, which was the point at which he became involved.
- Throughout July and August 2021 there were discussions around the pros and cons of the scheme and drafting a draft Delegated Decision, which was ultimately signed on 13 August 2021.
- The Delegated Decision was passed onto the Managing Director due to a potential conflict of interest with the Service Director – Regulatory who oversaw both housing and planning at the authority, with the latter to consider any subsequent planning applications.
- There were several considerations taken when the decision was brought to him, including whether he was happy with the report, whether any further information was required, if any reassurance should be sought on any of the proposal, that it was in line with the Council's Constitution and that it was in line with urgency proceedings.



- In this case constitutional advice was provided by the legal team that Special Urgency proceedings were appropriate.
- The Cabinet meeting was scheduled for mid- to late September 2021 and it was advised that this would be too late and the opportunity would be lost.
- At the time at which the decision was being made, the three Group Leaders, two of the ward Members and the Chair of Overview and Scrutiny had been consulted and no substantive issues were raised to object to this decision. On this basis, the Managing Director was content to make this decision.
- There was a need to learn lessons from this experience and some of these were detailed in the report.
- In the instance of Haven First proposal, the planning application was submitted first, with plans developed following this decision. In the case of the Lord Lister hotel, this was not possible.
- Given the context outlined with regard to homelessness in the district, combined with lack of clarity over government funding, a decision was required and this was felt appropriate to meet Council needs.

Councillor Elizabeth Dennis-Harburg, Leader of the Council, provided an update for Members, which included:

- Officers at Local Authorities advise and provide Members with opinions. It is best practice to consult the Executive Members to explain why decisions are going to be taken and to ask for sign off. It is also best practice to consult the Chair of Overview and Scrutiny in cases of urgency.
- A weekly briefing takes place between the Leader and Deputy Leader of the Council and the Managing Director to discuss strategies, projects and some local issues.
- The meeting on the 29 July 2021 was the first time that internal examination of the proposals was considered and it was at this stage that the Lord Lister hotel was named. As well as the Leader of the Council, this meeting was attended by then Deputy Leader Paul Clark, Councillor Sam Collins, Councillor Morgan Derbyshire and Councillor Claire Strong.
- From the context provided at the meeting it seemed that this was an appropriate scheme to deal with the homelessness issues.
- A longer conversation was held with the Leader, the then Deputy Leader and Managing Director to discuss the details of the proposal. There was one matter of concern raised regarding a previous HMO in Highbury ward, but assurances were given that this scheme would be managed completely differently. At this stage Members were provided with verbal assurance that references had been received.
- There was awareness that neighbours would probably oppose the scheme, and as part of this questions were asked and consideration given to how and who should consult the local community and residents, to ensure the provider would be a good neighbour.
- On balance it was decided that this was the right thing to do and this would provide the Council the opportunity to support people within the district.
- Due to accessibility Council meetings did not take place over the school summer holidays and it was advised that waiting until the Cabinet meeting in September would be too late and the proposals would be lost.
- There was a consideration towards the upcoming winter months, with no other options on the table, and there was a need to deal with homeless people ahead of this.
- Based on the evidence provided at the time this seemed to be a suitable proposal, however following additional concerns which have come to light since the decision it seemed that further information could have been provided.
- The Chair of Overview and Scrutiny thought he had been provided adequate information and gave his approval to the Urgent Delegated Decision.

The Chair thanked all three for their verbal update for the Committee. He noted that the role of the Chair of Overview and Scrutiny was to satisfy themselves that the matter matched the

requirements of the urgency proceedings, not the content of the item. Following the email detailed in Appendix 2, there was no suitable Cabinet meeting scheduled at which the item could be considered, and therefore it fell within the remit of urgent decisions.

Councillor Claire Strong noted that, as Leader of the Conservative Group, she had not been consulted on the decision taken and did not remember the urgency requirement being discussed at the meeting on 29 July 2021. She confirmed that she had not seen the project report before its publication as part of the agenda pack for this meeting.

The following Members asked questions:

- Councillor David Levett
- Councillor Tamsin Thomas
- Councillor George Davies
- Councillor Carol Stanier
- Councillor Sean Nolan
- Councillor Claire Strong
- Councillor Adam Compton

The following questions were asked by Members:

- When did people become aware that this was not an urgent matter and that the purchase would take place at a later stage?
- When did Keystage outline the deadline?
- Could Members be provided clarity on whether cross-party consultation took place?
- If the proposals were drawn up in June 2021, why could these not be presented to Cabinet on 20 July 2021?
- Why was this proposal not mentioned at the Cabinet catch up meetings that took place?
- If the proposal was made in June 2021, could an in principle decision have been brought to Cabinet in July 2021?
- While the Constitution details the special urgency proceedings, is there a detailed process that has to be followed for this?
- If the proposal document attached in the report was not final, was there an updated version provided by Keystage? If so, what difference was there between the proposals included and the final agreement?
- Given the Homelessness Prevention Grant funding deadline was in April for this year and a requirement of this was for a specific scheme to have been identified, was there a scheme in mind for the £200k grant funds?
- Have all the requirements outlined in the proposal been adhered to?
- Why has the charge of the land not been updated to North Herts Council? And when was the application made to change this?
- In reference to the other options considered, how many proposals were on the table at the stage Keystage made their proposal?
- Had Officers had any previous contact with Keystage?
- Did the Council have any other contracts with Keystage outside of this proposal?
- What actions were taken to ensure the grant application and planning application were kept separate?
- Would it be better in the future to ensure responsibility for housing and planning are kept separate?
- How was the £200k grant funding agreed? And were Keystage aware this funding was available?
- Was there a feeling of pressure to accept?
- What due diligence took place?
- Was there any consideration given to the suitability of the location?

- What was the experience like for the 67 homeless people in hotel accommodation during the pandemic?
- Over what period was the £200k grant funding negotiated?
- What would the cost to the Council have been if the 67 homeless people had to remain in hotel accommodation?

In response to questions, the Strategic Housing Manager advised:

- The deadline was outlined just before the request was made to the Leader and Managing Director. This deadline had never changed.
- There were a number of assurances the Council needed to ensure this was a viable scheme, for example a number of safeguards needed to be confirmed, and it was not possible to fit within the timescale for the Cabinet meeting in July.
- In June 2021 an outline proposal had been made and there were still conditions that had to be negotiated with Keystage alongside the proposal, as detailed in 9.5 of the report.
- It was not felt that there was enough comfort that this was a practical scheme to bring to Members in July.
- The Ministry of Housing, Communities and Local Government were consulted to ensure they were content with the use of funds.
- The proposals included in the report at Appendix 6 was the final document.
- The £200k allocated to this scheme came from the Homeless Prevention Grant that was received by the Council annually, and amounted to around £340k.
- There were other grant schemes available for homeless prevention during the pandemic, some of which were through applications.
- All the agreements within the proposal had been kept to by Keystage.
- The project in Hatfield that did not go ahead was discounted reasonably quickly as it was felt inappropriate to send people out of the district.
- There were no other proposals at the time of the Lord Lister submission, they come up regularly but rarely overlap. The Hatfield proposal was roughly a few months before the Keystage proposal.
- The first contact with Keystage was in February 2021.
- There were now further contracts with Keystage, as detailed in 3.2.9 of the report, which was for an ex-offenders scheme, where they were moving on from temporary housing. This was outside of the Lord Lister.
- These schemes were considered at the same time, but it was decided that there were suitably separate.
- The community aspect of the location was important and schemes like this are run across the country. In order to reintegrate service users there was a requirement for access to services and transport offered in a town.
- The £200k amount was agreed mutually through discussions over 10 years.
- The Housing Team had been fantastic during the pandemic, despite some challenging times, with the team raising the most safeguarding concerns at the Council and dealing with three potential suicides.
- There was a need to engage with other specialists at this time, with Haven brought in to support. There was a block booking of 15 hotel rooms in Stevenage, but this was not suitable long term.
- The agreed £200k came after discussions between the initial contact in February 2021 and June 2021, following the identification of the Lord Lister hotel, but could not provide an exact date.
- The cost of hotel accommodation was around £400k net over two years, but over a long period this would have been higher.
- As recovery happened the numbers in hotel accommodation reduced, but costs do not add up to accommodate homeless people in hotels.

In response to questions, the Managing Director advised:

- As detailed in the report, the Delegated Decision taken by the Council gave Keystage confidence to proceed, it was the legal agreements that then took longer to confirm.
- He did not recall having a separate discussion with Councillor Strong regarding this proposal before the Project Board on 29 July 2021 and it was unlikely they had a meeting between this date and the Delegated Decision being taken.
- There was no requirement to consult the Leader of the Opposition group and with the Delegated Decisions there was not always time to consult with all people and in some instances only the statutory consultees needed to agreed.
- There is a huge amount going on at the Council at all times and unless it becomes apparent that a scheme will progress, it is unlikely to reach the Managing Director. The schemes are explored by the Strategic Housing Manager and their team to assess viability.
- The scheme was still not sufficiently certain to bring this to the Political Liaison Board or the Cabinet catch up meetings.
- The urgency became apparent around the 5 August 2021 and things progressed quickly between this date and the Delegated Decision being taken.
- There was no further guidance on the process for urgency proceedings, but there is content guidance included with the Delegated Decision template. There is also a process as to who needs to be consulted on these, and these people are relied on to comment and make suggestions.
- Ultimately the decision maker has to satisfy themselves that they are comfortable taking the decision, and that it is being taken appropriately, given the information provided.
- The funds were allocated to the Council annually, this was not a funding bid.
- The Council was aware the title of the land in favour of the Council had not yet been updated, but this was due delays at the Land Registry and was being monitored by the legal team.
- He was unaware of when the application was submitted to the Land Registry.
- The reason he was the decision taker was to ensure the Service Director – Regulatory was kept separate, this was to ensure Planning and Housing could have taken separate decision.
- The Scrutiny Committee cannot scrutinise planning procedures and there are clear functions and processes to hold these decisions to account.
- Whoever had taken the housing decision, there would not have been an influence over the planning aspect.
- The Council had pushed back against the proposals with regard to the original 5 July 2021 date and due diligence checks were carried out in this time until the decision was taken.
- During the discussions of the grant amount it was all still discussed in principle and nothing was agreed until the Council was content with the proposals.

In response to questions, the Leader of the Council advised:

- The Cabinet catch up meetings were informal and held fortnightly to discuss strategic issues within the portfolio areas. If the Executive Member for Housing did not feel it needed to be discussed then it would not be raised.
- It was important to note that the former Deputy Leader of the Council was not afraid to highlight when he disagreed with something and the only concerns raised were with regard to the previous HMO scheme in Hitchin.
- If concerns were raised, these would not be ignored, and there were no direct concerns raised by Ward Member Councillor Sam Collins.

## 151 EXCLUSION OF PRESS AND PUBLIC

*Audio recording – 90 minutes 35 seconds*

Councillor David Levett, as Chair, proposed and Councillor Claire Strong seconded and, following a vote, it was:

**RESOLVED:** That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the said Act (as amended).

**152 CALL TO ACCOUNT OF DELEGATED DECISION TAKEN ON 13 AUGUST 2021 IN ACCORDANCE WITH 'SPECIAL URGENCY' PROVISIONS CONTAINED IN THE COUNCIL'S CONSTITUTION**

Details of decisions taken on this item are restricted due to the disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of Section 200A(4) of the Local Government Act 1972.

*N.B Following the conclusion of the Part 2 item, the Chair returned to Part 1 to conclude the proceedings.*

The Chair noted that the contract and anti-social behaviour had been discussed in Part 2 and the next stage would be to produce a report based on the Call to Account and this would then be presented to Council.

The project was ongoing and there were undertakings and commitments made that had to be adhered and taking this into account, there would be a further report to Overview and Scrutiny on a date to be agreed.

The Strategic Housing Manager advised that Keystage had been given 3 months for the enhancements requested at Planning Control to be carried out. It would be unlikely that full capacity would be reached before 2023 and suggested that March 2023 to provide further details on the scheme.

The Chair noted that this would be too long, but acknowledged that 3 months would be too early, this would be agreed with the Scrutiny Officer outside of the meeting and added to the Work Programme.

The Chair advised that there were no recommendations on this, the report would be written, which would return to Overview and Scrutiny for comment before being referred to Full Council.

The meeting closed at 10.14 pm

Chair

*N.B. The following text is an extract from the Call to Account report compiled by Cllr Elizabeth Dennis (Leader of the Council), Anthony Roche (Managing Director) and Martin Lawrence (Strategic Housing Manager) presented to the Overview and Scrutiny Committee at its meeting on 28 September 2022.*

#### **4. LESSONS IDENTIFIED AND NEXT STEPS**

4.1 The Covid-19 pandemic created unprecedented demand for housing assistance from the district's residents and the decision made on 13 August 2021 needs to be considered within this unique context. However, since the decision was made, a number of potential lessons have been identified:

- The special urgency provision was employed on this occasion due to the limited timeframe for the acquisition of the Lord Lister. However due to the potential community interest in the scheme, the decision could alternatively have been listed for consideration at the Cabinet meeting on 21 September 2021, although this would have been after the deadline by which Keystage required a decision from the Council. The benefits of waiting for a scheduled Cabinet meeting would have to be weighed up against the risk of losing the overall opportunity (it is also worth noting that even if consideration had been delayed until Cabinet in September 2021, the detail of the report would inevitably have had to be in part 2 due to the ongoing contractual negotiations and therefore this would not have been a mechanism for notifying the public);
- Although in this instance due to the demand on services the Council required the scheme to mobilise at the earliest opportunity, where there are planning considerations, there could be contractual requirements to ensure the planning process is engaged pro-actively, rather than retrospectively (ie prior to the first occupation of schemes) where there is likely to be significant community interest and/or concerns;
- Although the Covid Response and Recovery Project Board (which included two ward councillors) was alerted to the potential Keystage proposal on 29 July 2021, concerted efforts should be made in future to involve all relevant Members (for example, other Hitchin Councillors) at the earliest stage;
- Where there are potentially contentious accommodation projects, early pro-active communications with the local community should be initiated, with the Council facilitating these to ensure a holistic approach and these should provide enough detail to reassure the community on any likely concerns (it is worth noting however that these types of schemes typically generate a lot of community feedback, much of this being negative);
- Professional references for potential service providers should be obtained in writing at the time of the request, with as many relevant references obtained as possible;
- The pandemic highlighted a significant need for accommodation-based support services for single people locally. Further work is being undertaken with Herts CC and other relevant partners to build additional capacity into a comprehensive pathway from homelessness to independent resettlement, including supporting individuals at an earlier stage before crisis point (this approach is of course subject to sufficient capacity and resources).

4.2 At the time of writing this report the decision of the Planning Control Committee, scheduled for 20 September 2022, is yet to be known. Officers will:

- Continue to attempt to increase engagement with specialist statutory agencies including the NHS and relevant departments in Herts CC, to improve the support that is provided for residents of the PAIRS scheme;
- Work closely with Keystage Housing regarding maintaining the regular communication that has been taking place with local stakeholders, especially the local community and regular Councillor briefings.

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| <b>Item No</b>                                 | <b>Referred from:</b> | <b>CABINET</b>   |
| <b>7C</b>                                      | <b>Date:</b>          | <b>6 FEBRUARY 2024</b>                                 |
|  | <b>Title of item:</b> | <b>COUNCIL TAX PREMIUMS FOR EMPTY AND SECOND HOMES</b> |
| <b>To be considered alongside agenda item:</b> |                       | <b>9</b>   |

*The report considered by the Cabinet at the meeting held on 6 February 2024 can be viewed here: [Agenda for Cabinet on Tuesday, 6th February, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](#)*

**RECOMMENDED TO COUNCIL:** The following changes to the Council Tax premiums on empty and second homes:

- (1) That from 1 April 2024 until 31 March 2025 the following interim premiums are introduced:
  - Properties empty for one year but less than two will not receive a Premium
  - Properties empty for more than two years, but less than five years will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 150% Premium.
  - Properties empty for more than ten years a 200% Premium.
- (2) That from 1 April 2025 the Council adopts the following full Premium levy rates:
  - Properties empty for one year but less than five will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 200% Premium.
  - Properties empty for more than ten years a 300% Premium.
- (3) That from 1 April 2025 a 100% Premium is levied on all properties that are determined as a second home, subject to any exceptions once these have been confirmed by Regulations and that the Service Director – Customers in consultation with the Executive Member for Finance and IT is delegated authority to make any amendments following further confirmation of the Regulations.

**REASONS FOR DECISION:**

- (1) To support the principle of bringing unoccupied properties back into occupation in line with the proposed empty homes strategy. At the time of writing there are 43 properties that have been unoccupied for over five years.
- (2) The introduction of a phased approach of increasing the premiums enables us to advertise the changes. As the introduction of premiums for properties unoccupied for between one and two years is new there will be no expectation on the owners of these properties of an additional premium and therefore it is recommended that this aspect is deferred until 2025 to allow time to advertise the change.
- (3) In respect of a premium on Second Homes the Council is required to give one year's notice as this is the Council's first determination in this regard and therefore a resolution must be made before the end of the 2023/24 financial year in order to bring in the premium from 01 April 2025.

*Audio recording – 24 minutes 49 seconds*

In the absence of the Chair and Vice Chair of the Overview and Scrutiny Committee, Councillor Ian Albert presented the referral and advised that there had been general discussion around whether this should be undertaken by the Council and around the similar plans of other local authorities.

Councillor Ian Albert, Executive Member for Finance and IT, presented the report entitled 'Council Tax Premiums for Empty and Second Homes' and advised that:

- The paper complemented and provided some tools to support the Empty Homes Strategy.
- There were two separate aspects to consider, empty homes and second homes.
- In 2019 the Council introduced a 100% premium for properties empty for more than 2 years.
- Analysis was carried out in December on the 157 properties which had been empty for over 2 years. 121 properties were paying Council Tax, 7 had no premium applied and 29 were not paying Council Tax regularly.
- The number of empty homes continued to rise and these were a challenge to the district.
- A premium could be avoided if an empty home was furnished as it then became classed as a second home.
- Changes to premiums on empty homes would come into effect from 1 April 2024, but premiums on second homes required a one-year notice applied, so this would not take effect until 2025.
- The impact of the additional premiums was to encourage homeowners to bring empty properties back into use and to revert second homes into primary residences.
- This was a balanced and fair strategy which would complement the Empty Homes Strategy.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Amy Allen

In response to questions, the Executive Member for Finance and IT advised that it was important to advise homeowners of the increases that would be implemented and to allow transition to change over a period of time.

In response to questions, the Revenues Manager advised that the Council had individual discretion in place which was used on a case-by-case basis and which would be applied in the event of a future pandemic.

Councillor Sean Prendergast advised that he welcomed the document as it both complimented and fed into the Empty Homes Strategy.

Councillor Ian Albert proposed and Councillor Sean Prendergast seconded and, following a vote, it was:

**RECOMMENDED TO COUNCIL:** The following changes to the Council Tax premiums on empty and second homes:

- (1) That from 1 April 2024 until 31 March 2025 the following interim premiums are introduced:
  - Properties empty for one year but less than two will not receive a Premium
  - Properties empty for more than two years, but less than five years will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 150% Premium.
  - Properties empty for more than ten years a 200% Premium.
- (2) That from 1 April 2025 the Council adopts the following full Premium levy rates:
  - Properties empty for one year but less than five will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 200% Premium.
  - Properties empty for more than ten years a 300% Premium.
- (3) That from 1 April 2025 a 100% Premium is levied on all properties that are determined as a second home, subject to any exceptions once these have been confirmed by Regulations and that the Service Director – Customers in consultation with the Executive Member for Finance and IT is delegated authority to make any amendments following further confirmation of the Regulations.

**REASONS FOR DECISIONS:**

- (1) To support the principle of bringing unoccupied properties back into occupation in line with the proposed empty homes strategy. At the time of writing there are 43 properties that have been unoccupied for over five years.
- (2) The introduction of a phased approach of increasing the premiums enables us to advertise the changes. As the introduction of premiums for properties unoccupied for between one and two years is new there will be no expectation on the owners of these properties of an additional premium and therefore it is recommended that this aspect is deferred until 2025 to allow time to advertise the change.
- (3) In respect of a premium on Second Homes the Council is required to give one year's notice as this is the Council's first determination in this regard and therefore a resolution must be made before the end of the 2023/24 financial year in order to bring in the premium from 01 April 2025.
- (4) The Council does have the ability to revoke the decision in relation to Second Homes premium, during the year should any consultation that is carried out provide evidence that this would not be effective.

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| <b>Item No</b>                                 | <b>Referred from:</b> | <b>CABINET</b>                                      |
| <b>7D</b>                                      | <b>Date:</b>          | <b>6 FEBRUARY 2024</b>                              |
|  | <b>Title of item:</b> | <b>INVESTMENT STRATEGY (CAPITAL &amp; TREASURY)</b> |
| <b>To be considered alongside agenda item:</b> |                       | <b>10</b>   |

*The report considered by the Cabinet at the meeting held on 6 February 2024 can be viewed here: [Agenda for Cabinet on Tuesday, 6th February, 2024, 7.30 pm | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/agenda-for-cabinet-on-tuesday-6th-february-2024-730-pm)*

**RECOMMENDED TO COUNCIL:** That Council:

- (1) Approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators. This incorporates the changes referenced in paragraphs 5.1 to 5.3.
- (2) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

**REASONS FOR DECISION:**

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.
- (2) To ensure the Council's compliance with 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.

*Audio recording – 3 minutes 24 seconds*

**5C) Finance, Audit and Risk Committee – Second Quarter Investment Strategy (Capital and Treasury) Review 2023/24**

The Chair invited Councillor Sean Nolan, as Chair of the Finance, Audit and Risk Committee, to present the referral on this item. Councillor Nolan advised that there had been discussion around:

- Trying to understand the effect that borrowing would have on the Council.
- What future borrowing rates would be and how that would affect finances.
- The concerns that all Councillors had regarding finances across the country.
- Understanding the risks involved in the investment strategy and how to manage them.
- The importance of feedback being received to ensure scrutiny.

Councillor Ian Albert, as Executive Member for Finance and IT, presented the report entitled 'Second Quarter Investment Strategy (Capital and Treasury) Review 2023/24' and advised that this report had been compiled by looking at range of capital projects going forward as part of the budget workshops held in November.

Councillor Ian Albert proposed and Councillor Alistair Willoughby seconded and, following a vote, it was:

**RECOMMENDED TO COUNCIL:** That Council:

- (1) Approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators. This incorporates the changes referenced in paragraphs 5.1 to 5.3.
- (2) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

**REASONS FOR DECISION:**

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.
- (2) To ensure the Council's compliance with 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.

**COUNCIL**  
**29 February 2024**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: REVENUE BUDGET 2024/25**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

1.1. Cabinet have recommended a budget for 2024/25 to Council for their consideration and approval. The budget considers the following:

- The funding that the Council should expect to receive in 2024/25 and an estimate of future years funding
- The forecast net spend required to enable the continued delivery of the Council services in 2024/25 and beyond
- The risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.

There have been some changes to the version of the report that was considered by Cabinet and these changes are detailed in paragraph 7.3. There has also been a subsequent change in relation to energy costs for our leisure centres which is detailed at paragraph 8.4.

**2. RECOMMENDATIONS**

That Council:

- 2.1. Notes the position on the Collection Fund and how it will be funded.
- 2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.46 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 section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- 2.4. Approves the revenue savings and investments as detailed in Appendix B.
- 2.5. Approves a net expenditure budget of £19.898m, 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 2024/25. To ensure that the budget is aligned to Council priorities for 2024/25 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 2024-29, 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. Given the overall budget position, any ongoing investments should only be where there are unavoidable cost pressures.

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

- 5.1. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops.
- 5.2. Business Ratepayers will be consulted on the proposals within this report before the budget is discussed at Full Council on 29 February. Any feedback will be made available at the Council 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 Forum(s). 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 November 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. This final budget still contains 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 January, which has resulted in the proposals contained within this report.
- 7.3. Cabinet considered a version of this budget report at their meeting in February. The following changes have been made to reflect discussions at that Cabinet meeting, and other necessary changes that have come to light since that meeting:



- The addition of a total £100k contingency budget for project management to support the delivery of key projects in the Council Delivery Plan over an 18 month period, with £67k allocated in 24/25 and £33k in 25/26. This is detailed in Appendix B.
- Budget estimates have been updated for the 2024/25 scheme of Councillor Allowances approved by Council in January.
- Interest income estimates, as detailed in table 8 below and revenue pressure R27 in Appendix B, have been updated for all the budget changes detailed in this report.

## 8. RELEVANT CONSIDERATIONS

### Decisions made to deliver Council services and priorities

- 8.1 The Council's Medium Term Financial Strategy (MTFS) did not set a specific target for savings as part of this budget process. The reasons for this were set out in the MTFS.
- 8.2 The net ongoing impact of proposals put forward as part of the budget setting process was a small increase of £45k.
- 8.3 At its meeting in January, Cabinet considered the feedback from the Budget Workshops. Cabinet agreed to all the savings and investments that were presented to the budget workshops, as well as some additional proposals included in that report (i.e. one year investments for customer service centre and economic development). In line with Cabinet decision (December 2023 meeting) in relation to waste collection, a capital allocation for fibre bins has also been added to the capital programme for 2025/26. They also considered verbal updates on the following:
  - The impact of the award of the new leisure contract, which is an increase in budgeted long-term income of £955k at current prices. This has been adjusted for estimated inflationary increases. There will be a partial off-set of around £75k for the revenue costs of capital for the Royston Leisure Centre fitness extension (this will be part of the 'revenue effects of capital' section below).
  - Our new Leisure Centre operator (SLM) have put forward a proposal that we could provide the capital funding to purchase the fitness equipment and other capital investments contained within their bid. SLM have a higher cost of capital than the Council so doing this allows them to provide a further increase in the management fee income. That management fee income increase would more than off-set our revenue costs of capital. As we haven't fully determined how this will work, we will add the capital funding to our capital programme and add an off-setting revenue saving equal to the revenue cost of capital. This is considered prudent as the actual savings should be greater. If the proposal can't happen, then there will be no net revenue impact from removing it.
  - We have re-looked at the viability of a new learner pool at Royston. It may be financially viable, but that is subject to the capital cost and the net income that SLM can generate from the facility. The capital cost will be tested via a procurement process (alongside the gym extension). It has been added to the capital programme to allow the project to progress, subject to a suitable business case.
  - We have submitted a bid to the Public Sector Decarbonisation Fund (PSDF) for the decarbonisation of our Leisure Centres, and it includes heat pumps and solar panels. The bid is based on Council match funding of £3m, with the fund paying around £7m. We do not yet know if our bid has been successful. Indications are that based on current energy prices, the energy cost savings will offset the revenue costs of capital of the Council's funding. The actual cost savings should be higher as some of the boilers would need replacing soon anyway, and energy prices would

be expected to increase over time which would increase the relative savings. To allow the scheme to progress (subject to the application being successful and re-testing the financial viability) it has been added to the capital programme. An off-setting revenue saving equal to the revenue cost of capital has been added to the revenue budget. This is considered prudent as if scheme can't happen, then there will be no net revenue impact from removing it.

- Increase the capital allocation (to £8.5 million) for the vehicles needed for the new waste and street cleansing contract. The increase is a prudent estimate based on the initial tenders received. The increase reflects some property growth and inflation on vehicle costs. Most Members will be aware of confidential indications of the increase in costs from the new contract. The revenue impact of increased vehicle costs is already contained within those estimates.
- A short-term investment to recruit a two year post through the Local Government Association's National Graduate Development Programme. This would provide additional capacity and may help with future permanent recruitment. The cost of the two year placement will be around £84k. The additional budget will only be used if this can not be covered through staffing underspends.

- 8.4 The new leisure contract was let on an open-book basis in relation to energy costs. As part of the tender process, bidders were given rates to assume for electricity and gas. The new provider has started the process to procure energy for next year. Due to general market movements, the rates are forecast to be a lot lower than what were included in the tender process. This is expected to be a saving of around £430k in 2024/25. This saving is only assumed for 2024/25 as energy costs can be volatile, and (if the grant is successful) the Public Sector Decarbonisation Scheme works will also affect energy usage and costs.

### **General Funding**

- 8.5. The Government provided a policy statement on Local Government funding on 5<sup>th</sup> December 2023. This was followed by the draft Local Government Finance Settlement on 18<sup>th</sup> December 2023. The policy statement provided some earlier warning of the principles that would be applied. The relevant points for future funding are:

- The baseline amount of Business Rates that Councils can retain will continue to be increased in line with CPI. 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.
- District Councils will be able to increase Council Tax by up to 2.99% without the requirement for a local referendum. It is unknown what limits will be applied from 2025/26 onwards, but our forecasting assumption is that it will then revert back to 1.99%.
- Business rate pooling will continue to be available in 2024/25 and we will be part of a pool with the County Council and two other Districts.
- New Homes Bonus will continue in 2024/25 using the same method as applied in 2023/24 (i.e. one year reward only with a 0.4% baseline applied).
- 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).
- There will be a reduction in Services Grant.

- 8.6. On 24<sup>th</sup> January 2024, Government announced that additional funding would be made available for Councils. For District Councils this would be by guaranteeing that Core Spending Power would increase by 4% rather than the previously announced 3%. The

additional funding is estimated to be £173k. There is an expectation that this will not be used to add to reserves, which we will comply with as we were already budgeting for a drawdown on reserves to support the 2024/25 budget. By July, Councils will have to provide Government with a Productivity Plan. That will be in a set format (to be determined) and we will need to show how we will “improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers’ money”. The Department for Levelling Up, Housing and Communities will be establishing an expert panel to advise the Government on financial sustainability in the sector which will include the Office for Local Government and the Local Government Association. The panel will review local authority productivity plans and advise the Government on best practice in this area.

- 8.7. Overall the draft settlement is more positive than the forecasts in the Medium Term Financial Strategy. This is mainly down to the assumptions used in calculating the Core Spending Power guarantee. However it is necessary to note that the level of funding increases is still less than recent levels of inflation. The table below (table 1) shows a comparison between 2023/24 funding, the MTFS forecast for 2024/25 and the latest 2024/25 forecast. Table 2 provides estimates for future years.

**Table 1 – Estimated General Funding comparison (2024/25)**

| <b>£000 Funding</b>  | <b>2023/24 Budget</b> | <b>2024/25 MTFS Forecast</b> | <b>2024/25 Latest Forecast</b> | <b>Difference between MTFS and latest forecast</b> | <b>Comments</b>   |
|--|-----------------------|------------------------------|--------------------------------|--|---|
|  | <b>£'000</b>          | <b>£'000</b>                 | <b>£'000</b>                   |  |   |
| Council Tax  | 12,791                | 13,106                       | 13,147                         | 41   | Small increase in tax base forecast   |
| Council Tax Collection Fund Surplus / (Deficit)                          | 138                   | Not included                 | (24)                           | (24)   | MTFS made no assumption on in-year surplus / deficit position.  |
| Business Rates, including compensation for under-indexing the multiplier | 3,310                 | 3,693                        | 3,686                          | (7)  |   |
| 4% Core Spending Power Guarantee/ New Homes Bonus                        | 952                   | 1,024                        | 1,419                          | 395  | Included together as the Core Spending Power guarantee provides protection against fluctuations in New Homes Bonus. Difference due to the way the Guarantee was calculated and the Guarantee providing cover against the reduction in the Services Grant. |
| Services Grant   | 110                   | 110                          | 17                             | (93)   | Reduction covered by Core Spending Power Guarantee.   |
| Less: Council Tax support to Parishes                                    | (39)                  | (39)                         | (39)                           | 0  | Maintained at previous levels.  |
|  | <b>17,262</b>         | <b>17,894</b>                | <b>18,206</b>                  | <b>312</b>   |   |

**Table 2 – Estimated General Funding forecasts**

| <b>£000 Funding</b>  | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> | <b>Comments</b>  |
|--|----------------|----------------|----------------|----------------|--|
| Council Tax  | 13,570         | 13,909         | 14,257         | 14,613         | Assumed 1.99% increase in rate. Net 0.5% increase in tax base  |
| Negative RSG (or equivalent)   | 0              | (500)          | (1,000)        | (1,000)        | Assumed that any new funding formula delayed until at least 2026/27. Assume net decrease of £1m, with half the impact in the first year. |
| Business Rates income (including compensation for not indexing the multiplier) | 3,760          | 3,835          | 3,911          | 3,989          | Assume 2% inflation  |

|  |               |               |               |               |  |
|--|---------------|---------------|---------------|---------------|--|
| Other funding  | 898           | 979           | 1,049         | 609           | New Homes Bonus and Services Grant (or replacement funding) to continue at current levels. 0% Core Spending Power Guarantee. |
| Less: Council Tax support to Parishes                      | (39)          | (34)          | (28)          | (22)          | Reduced to maintain funding at same cash level   |
|  | <b>18,189</b> | <b>18,189</b> | <b>18,189</b> | <b>18,189</b> |  |
| % Change on previous year (cash terms)                     | -0.1%         | 0%            | 0%            | 0%            |  |
| % Change on previous year (real terms, if inflation is 2%) | -2.1%         | -2%           | -2%           | -2%           |  |

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

### Specific Funding

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

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

| Grant/ Contribution                  | Amount in 2023/24 (£000) | Risk/ Opportunity   |
|--------------------------------------|--------------------------|---|
| Healthy Hub funding                  | 35                       | HCC have confirmed funding for the Healthy Hub Service in 2024/25 of £38.5k. As funding for future years beyond 24/25 has not been confirmed, fixed term staffing contract arrangements have been put in place to deliver the service in 24/25.   |
| Homelessness Prevention Grant        | 364                      | Funding has been confirmed from DLUHC of the 2024/25 Homelessness Prevention Grant of £382k. The planned allocation of this grant to finance specific projects in 2024/25 was approved by Cabinet in June 2023.   |
| Rough Sleeping Initiative Grant      | 189                      | Funding has been confirmed from DLUHC of the Rough Sleeping Initiative grant of £157k for 2024/25. The planned allocation of this grant to finance specific projects in 2024/25 was approved by Cabinet in December 2022.   |
| Housing Benefit Administration Grant | 248                      | Notification has been received of the provisional Housing Benefit Administration grant for 2024/25 of £244k, which is a £4k reduction from 2023/24. As there is no corresponding reduction anticipated in administering Housing Benefits in the next financial year, the budget pressure from this grant reduction is included in the budget estimates. |

### 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 2024/25 has been accepted for Hertfordshire County Council and three 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 budget makes the prudent assumption that the pooling gain will be zero.

### 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 The Government have referred to Councils having high levels of reserves and that these should be used, rather than asking for more funding. The table below (table 4) demonstrate the reasons why reserves are being held, as well as forecasts of future balances. Apart from the MHCLG (which was created during the time of the Ministry for Housing, Communities and Local Government) 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<br>1 April 2023 | Estimated<br>Balance at<br>31 March<br>2024 | Estimated<br>Balance at<br>31 March<br>2025 |
|--------------------------------|--|----------------------------|---|---|
| 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                         | 7   | 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 (expected at around £175k per year) 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. | 138                        | 283   | 294   |
| 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.  | 19                         | 14  | 9   |

| <b>Name of Reserve</b>                  | <b>Purpose of Reserve</b>  | <b>Balance at 1 April 2023</b> | <b>Estimated Balance at 31 March 2024</b> | <b>Estimated Balance at 31 March 2025</b> |
|---|--|--------------------------------|---|---|
| Elections Admin Grant                   | Holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections   | 19                             | 42  | Unknown                                   |
| Environmental Health Grants Reserve     | Holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service.  | 84                             | 61  | 0   |
| 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.  | 24                             | 24  | 0   |
| Homelessness Grants Reserve             | To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources.   | 352                            | 453                                       | 345                                       |
| 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. This has also been previously added to by additional income from 20% increase in statutory planning fees.                                 | 887                            | 682                                       | 577                                       |
| Information Technology Reserve          | Had been there to support the purchase of hardware and software items when they are required. Now to be covered through revenue and capital budgets.   | 23                             | 0   | 0   |
| Insurance Reserve                       | Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial 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 some of this has been used for additional administration costs and software upgrades.   | 12                             | 12  | 12  |
| Leisure Management Maintenance Reserve  | To help cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract (from April 2024) requires a contribution from the Council for maintenance items over £15k, 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                             | 68  | Unknown                                   |
| DLUHC (previously 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. This is included in Appendix C..                  | 4,135                          | 5,092                                     | 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                             | 14  | Unknown                                   |
| Neighbourhood Plan Reserve              | Funds received from Government 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.  | 115                            | 130                                       | 110                                       |
| 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                             | 11  | Unknown                                   |
| Shared Prosperity Fund Grants Reserve   | Holds the balance of unspent grant funding received to date to support the Council's delivery of the three-year Investment Plan approved by Government in the autumn of 2022.  | 17                             | 17  | Unknown                                   |
| Street Name Plates                      | To fund Street Name Plates as and when required.   | 16                             | 16  | Unknown                                   |

| Name of Reserve               | Purpose of Reserve   | Balance at 1 April 2023 | Estimated Balance at 31 March 2024 | Estimated Balance at 31 March 2025 |
|-------------------------------|--|-------------------------|------------------------------------|------------------------------------|
| 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 based on expected costs and by using Registered Provider housing, the costs incurred are less than the grants awarded. The Council will look to use some of this funding to support linked housing pressures (around £100k per year).   | 619                     | 706                                | 695                                |
| 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.  | 11                      | 11                                 | Unknown                            |
| Town Centre Maintenance       | For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.  | 77                      | 85                                 | 93                                 |
| 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.   | 376                     | 371                                | 366                                |
| 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 the new waste contract procurement work and any spend related to options around a new waste depot. There will be no further AFM money after 2023/24.  | 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.   | 1,850                   | 2,456                              | 3,178                              |
| 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. | 658                     | 444                                | 342                                |

8.17 As at the 31 March 2023 there was a total of £1.366m held as long-term provisions. These are comprised of:

- Business Rates appeals - £1.348m - the Council's estimated share of outstanding business rates appeals
- Insurance - £18k - 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 cannot 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 £20million, this means a minimum balance of about £1million. The Council's budget is also reliant on generating income to set a balanced budget, so an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) is included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £13.5m and therefore an additional allowance of around £400k is 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.

**Table 5- Budget Risks in 2024/25**

| Category     | Number of Risks | Forecast Value of Impact (£000) | Risk Allowance (£000) |
|--------------|-----------------|---------------------------------|-----------------------|
| Low          | 14              | 3,759                           | 0                     |
| Medium       | 14              | 1,318                           | 330                   |
| High         | 9               | 1,460                           | 730                   |
| <b>Total</b> | <b>37</b>       | <b>6,537</b>                    | <b>1,060</b>          |

- 8.21 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.46million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

### Expenditure Forecasts

- 8.22 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2023. 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 | 2024/25 Budget impact |
|--|------------------------|------------------|----------|---|-------------------------|-----------------------|
| Equipment Costs                              | 768                    | 568              | (200)    | The significant increase in refurbishing and reusing returned alarms has resulted in an underspend in the equipment purchases budget. The underspend value is net of the growth in the establishment required to recruit the necessary engineers. Even though the level of refurbishment is set to continue, it's important to note that this strategy also brings a potential financial risk. If technological advancements necessitate an increase in new equipment purchases, our budget for equipment purchases may need to be adjusted accordingly. A financial risk for 2024/25 is therefore included in the risk listing at Appendix A.. | 0                       | (185)                 |
| Hertfordshire County Council Careline income | (2,829)                | (2,880)          | (51)     | Additional income received to cover the increased cost of pay inflation above what was budgeted. The pay costs have already been adjusted.  | 0                       | (51)                  |
| Council Tax Summons Income                   | (178)                  | (224)            | (46)     | Summons income depends on number of summons issued and court hearings that take place, and this can be unpredictable. As at month 8 income has been overachieved by £46,400. With another court date booked for Jan/Feb, which will mean the invoicing of further summons income, it is anticipated that the income budget will be over-achieved.   | 0                       | 0                     |



| Budget Area                      | Current Working Budget | Forecast Outturn | Variance | Explanation for variance  | Carry-Forward requested | 2024/25 Budget impact |
|----------------------------------|------------------------|------------------|----------|---|-------------------------|-----------------------|
| Council Tax and NNDR consultants | 50                     | 17               | (33)     | Analyse Local have been employed to check our business rates tax base to make sure we have captured every business that should pay business rates, and that no businesses have been missed or circumstances changed that would result in increased business rates income. Analyse Local will only charge us when their investigations result in an increase in Rateable Value, and then they will charge 10% of the increase. So far there has been spend of £12k. Whilst there are a large number of increases that Analyse Local have notified to the Valuation Office, there is a delay in the Valuation office processing the changes. Analyse Local will not invoice until the changes have been processed. £33k is therefore requested to be carried forward into 2024/25.  | 33                      | 0                     |
| BID levies                       | 0                      | 22               | 22       | The Council needs to pay a Business Improvement District (BID) levy for properties that it owns within the BID areas. The cost has previously been within the main BID accounts that are outside the general fund. However the BID accounts balances should be zero. So this needs to be included within the General Fund budget. This will be an ongoing cost.   | 0                       | 22                    |
| Pay as you use parking income    | (1,848)                | (1,870)          | (22)     | Higher than anticipated income from parking up until the end of December has increased the total projection for the year from that forecast at quarter 2, with more than 90% of the original income budget now expected to be achieved. With the recovery in parking activity still ongoing following the pandemic, the estimated impact in future years does assume some further growth in use of the car parks next year but it is not anticipated to be sufficient to meet all of the residual shortfall in income.  | 0                       | 100                   |
| Planning Application Income      | (940)                  | (790)            | 150      | There has been a material reduction in the number of minor applications received, which is a national trend, which has resulted in the forecast income shortfall. This fall in applications is likely to be the result of interest rate increases and increases in the cost of construction materials. Planning fees have increased from the 6th December 2023, and it was anticipated that there would be an increase in major and minor applications before the fee increase date, however this has not materialised. From April - Nov the underachievement of income is £150k, the fee increase means that the income target should be achieved from December to March, however the £150k will not be recovered. The drop in applications is expected to be temporary as interest rates stabilise and the increase to application fees should address this shortfall in fee income in the next financial year. | 0                       | 0                     |

| Budget Area   | Current Working Budget | Forecast Outturn | Variance | Explanation for variance  | Carry-Forward requested | 2024/25 Budget impact |
|---|------------------------|------------------|----------|---|-------------------------|-----------------------|
| Supplementary Planning Documents (SPD) Consultant Costs | 87                     | 37               | (50)     | This budget was approved for the preparation of Supplementary Planning Documents supporting the new Local Plan. A programme of work is ongoing with a draft Sustainability SPD presented to Cabinet in December. This is being prepared in house and, to date, and has not incurred any external costs. External costs will be incurred in relation to the remaining SPDs (Biodiversity SPD and Design Code SPD), these have been delayed due to staffing/capacity issues and also the need to wait for relevant legislation and Government guidance. Subject to the above, it is anticipated that some spend will may be incurred before year end, £80k was carried forward at Qtr2, a further £50k is now requested to be carried forward and this is because of further delays in the resolution/implementation of the above.  | 50                      | 0                     |
| Town Centre Consultants                                 | 70                     | 30               | (40)     | £50k carry forward reported at Qtr2. At the time, retail consultants were being procured to prepare the necessary background evidence for the overarching town centre strategy. These have now been procured and from their work plan its estimated that £30k will be spent in 2023/24 so request to carry forward a further £40k. The procurement was delayed due to inability to recruit to the Town Centre Officer post.   | 40                      | 0                     |
| Local Plan Post Adoption Consultants                    | 56                     | 26               | (30)     | Budget to support work on an early review of the Local Plan. The narrative supporting the budget bids identified that there maybe year-on-year underspends so carry forwards would be required which 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 a full, up-to-date evidence bases, legal support and inspection costs. There is expected to be some expenditure this financial year, £60k was requested to be carried forward at Qtr2, and now a further £30k is requested to be carried forward. This is because the Levelling Up and Regeneration Act was only published in November 2023 (having been expected earlier in the year). Secondary legislation and Government guidance which will set out how Local Plans should now be prepared are still awaited. | 30                      | 0                     |

| Budget Area                                 | Current Working Budget | Forecast Outturn | Variance     | Explanation for variance   | Carry-Forward requested | 2024/25 Budget impact |
|---|------------------------|------------------|--------------|--|-------------------------|-----------------------|
| Housing Services-staffing                   | 488                    | 296              | (192)        | Agreed at Cabinet in November 23 that £192k of Homelessness Prevention Grant (HPG) will be used to extend two Homelessness advisors posts until March 2027. DLUHC have confirmed that the HPG needs to be fully spent in the 23/24 financial year, so the grant will be used to fund core homelessness provision such as staff salaries. The underspend on this budget will be transferred to the Homelessness earmarked reserve and used to cover the £192k cost of the two posts in future years up to March 2027. | 0                       | 0                     |
| Housing Services-transfer reserves net to   | (96)                   | 96               | 192          |  |                         |                       |
| Environmental Health Stock Condition Survey | 20                     | 5                | (15)         | Request to carry forward £15k budget for stock condition survey. Will be carried out in a framework agreement with neighbouring authorities. The delay in the procurement means that the survey will not be completed until the end of Qtr1 2024/25, however some work will be done in 2023/24.  | 15                      | 0                     |
| <b>Total of Explained Variances</b>         | <b>(4,352)</b>         | <b>(4,667)</b>   | <b>(315)</b> |  | <b>168</b>              | <b>(114)</b>          |
| Other Minor Variances                       | 21,756                 | 21,770           | 14           |  | 0                       | (1)                   |
| <b>Total General Fund</b>                   | <b>17,404</b>          | <b>17,103</b>    | <b>(301)</b> |  | <b>168</b>              | <b>(115)</b>          |

- 8.23 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. This has been covered in more detail in paragraphs 8.1 and 8.2 above. The complete final list of savings and investments is included at Appendix B.

#### Revenue effects of capital

- 8.24 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates. When the Council uses up its capital reserves then it will have a Capital Financing Requirement (CFR). This means that we will incur revenue costs in relation to funding our capital programme. This includes 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.
- 8.25 As identified in the Investment Strategy report, the Council is expected to have a CFR in 24/25. 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 into revenue spend forecasts:

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

| £000   | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|---------|
| Forecast external borrowing costs (existing borrowing) | 36      | 34      | 33      | 32      | 31      |
| Forecast interest income from investments              | (1,150) | (606)   | (464)   | (265)   | (187)   |
| Forecast MRP requirement                               | 0       | 721     | 1,163   | 1,313   | 1,411   |
| Net budget requirement                                 | (1,114) | 149     | 732     | 1,080   | 1,255   |
| Current allocated budget*                              | (988)   | (331)   | (244)   | (207)   | n/a     |
| Change in budget required                              | (126)   | 480     | 976     | 1,287   |         |

### Reliability of estimates

- 8.26 As part of the budget setting process, the Chief Finance Officer is required to comment on budget risks, the reliability of the estimates made and levels of Council reserves. This is known as a section 25 report. Note that this report is required alongside the budget every year, and is very different to a section 114 report. Although failure to take action on any risks highlighted in a section 25 could ultimately end in the need for a section 114 report. Therefore Council should note the contents of the section 25 report which is attached at Appendix D.

### Cumulative impact

- 8.27 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.
- 8.28 Appendix C also includes a forecast of the expected minimum level of savings that the Council still needs to deliver by 2028/29. The level of savings is expected to increase significantly when the costs of the new waste and street cleansing contract are known.
- 8.29 The improved position on funding means that the drawdown on reserves will be lower in 2024/25. This supports the approach that the Council can plan to deliver the majority of its savings in later years (which are likely to involve service change and reduction) after the impacts of high inflation have subsided and the cost of the new waste contract is known. There will be a need to make considerable savings before there is certainty over future Government funding, due to the ongoing delays in getting a new funding formula.
- 8.30 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).

## 9 LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2 Cabinet's terms of reference at 5.7.39 include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the

council tax base. Council's terms of reference at 4.4.1 (b) include approving or adopting the budget.

- 9.3 Finance, Audit and Risk Committee's terms of reference at 10.1.5 (d) include assisting the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk.
- 9.4 Members are reminded of the duty to set a balanced budget and to maintain prudent general fund and reserve balances.
- 9.5 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.
- 9.6 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 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The budget setting process includes a detailed assessment of financial risks, so these are covered in section 8, appendix A and appendix D.
- 11.3 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 'Financial Sustainability/Balancing our Budget'.

## **12 EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 For any individual 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 The proposal for the decarbonisation of the leisure centres would have a positive environmental impact. Some of the savings and investments identified in Appendix B are put forward to have a positive influence on the Council's environmental impact (i.e. the heat decarbonisation plans and APSE energy membership). For others there may be a low level of indirect negative implications (e.g. recruiting additional staff could require increased travel, redecoration may require contractor travel and use of paint), 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 Some of the investments relate to additional staffing resource. Depending on the level of additional work that these entail, these may have a positive impact on staffing capacity. Additional HR support will be needed to help recruit to these posts, but this can be absorbed within the existing team.

## 16 APPENDICES

- 16.1 Appendix A – Financial Risks 2024/25
- 16.2 Appendix B – Revenue Budget Savings and Investments
- 16.3 Appendix C – Budget Summary 2024 – 2029
- 16.4 Appendix D - Section 25 report

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## 18 BACKGROUND PAPERS

- 18.1 Medium Term Financial Strategy <https://democracy.north-herts.gov.uk/documents/s23527/Appendix%20A%20MTFS%202024-29.pdf>

## Financial Risks 2024/25

| Risk  | High/ Medium/<br>Low | Risk Value £ | %   | Total Risk<br>Assessment<br>£ |
|---|----------------------|--------------|-----|-------------------------------|
| 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                        |
| Increased expenditure on new Careline equipment because of a reduction in the level of stock that can be refurbished and used for new client installations. This may be due to, for example, changes in technology making older equipment obsolete.                                   | L                    | 150,000      | 0%  | 0                             |
| 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 from Churchgate means that funds are not available for the external spend required to progress the regeneration project. Project spend is funded from excess income (above the cost of capital) being achieved since the purchase of the head leasehold interest. | M                    | 100,000      | 25% | 25,000                        |
| 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                    | 150,000      | 50% | 75,000                        |
| Legal expertise related to employment cases   | M                    | 50,000       | 25% | 12,500                        |

| Risk   | High/ Medium/<br>Low | Risk Value £ | %   | Total Risk<br>Assessment<br>£ |
|--|----------------------|--------------|-----|-------------------------------|
| The Council is required to meet the cost of any award from new or ongoing judicial reviews.  | M                    | 100,000      | 25% | 25,000                        |
| 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                    | 50,000       | 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, project work and Parking, when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, redeployment to other duties and projects 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/<br>Low | Risk Value £ | %   | Total Risk<br>Assessment<br>£ |
|--|----------------------|--------------|-----|-------------------------------|
| 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, specialist areas such as solar farms, 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 etc..          | 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, projects etc.. leads to requiring additional training or additional and/or specialist staff or consultancy support etc.. to deliver.   | M                    | 50,000       | 25% | 12,500                        |
| Local Plan: additional costs associated with implementing the Local Plan or associated processes, such as a review.  | M                    | 50,000       | 25% | 12,500                        |
| 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                         |
| 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                        |

| Risk  | High/ Medium/<br>Low | Risk Value    £ | %   | Total Risk<br>Assessment<br>£ |
|---|----------------------|-----------------|-----|-------------------------------|
| 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                    | 150,000         | 50% | 75,000                        |
| 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                    | 50,000          | 25% | 12,500                        |
| Cost of annual Housing Benefit Subsidy Certification is higher than budgeted due to additional audit fieldwork required.  | H                    | 10,000          | 50% | 5,000                         |

**6,537,000**

**1,059,500**

REVENUE BUDGET SAVINGS AND INVESTMENTS

New Revenue Efficiency Proposals and Savings Identified

| Ref No   | Service Directorate | Description of Proposal   | Budget Impact               | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 | 2028/29<br>£'000 |
|--|---------------------|---|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| E1   | Enterprise          | Howard Park kiosk income following refurbishment (see linked capital proposal). Additional income from bringing the kiosk in-house. Proposal remains subject to business case. Estimated value based on activity in previous years when operated by the leisure contractor.   | Additional Income           | (5)              | (5)              | (5)              | (5)              | (5)              |
| E2   | Place               | Website development costs. The planned replacement of the Council's externally hosted intranet and Insight staff magazine pages with SharePoint will mean that the current web hosting and support services are no longer required.   | Expenditure Reduction       | (5)              | (5)              | (5)              | (5)              | (5)              |
| E3   | Regulatory          | Additional income from the increase to statutory planning fees from 1st April 2024. Fee increases were announced by government in response to a DLUHC consultation earlier in the year and the draft legislation is expected to pass into law this autumn. Fees for major applications received will rise by 35% and all other planning applications by 25%. Estimate is based on planning activity in 2022/23.   | Additional Income           | (175)            | (175)            | (175)            | (175)            | (175)            |
| E4   | Regulatory          | Town Wide Reviews. Use of balance held in earmarked reserve to finance costs of town wide reviews over the next five years.   | Expenditure Reduction       | (15)             | (15)             | (15)             | (15)             | (15)             |
| E5   | Resources           | Removal of the approved investment budget (PI13 below) for the repair of the surface drain at District Council Offices (DCO) following further inspection. The need for the repair was originally identified in a survey by external contractors undertaking the refurbishment of DCO, but subsequently there have been no significant issues from, nor noticeable deterioration in, the condition of the drain.  | Expenditure Reduction       | (15)             | -                | -                | -                | -                |
| E6   | Place               | Leisure Centre management fee income. Revision to management fee income budget based on the tender prices submitted by the preferred bidder. Efficiency values include estimated annual inflation of management fee.  | Additional Income           | 164              | 150              | (514)            | (542)            | (1,039)          |
| E7   | Managing Director   | Revenue saving from proposed provision of a learner swimming pool at Royston leisure centre. Delivery of this project is expected to result in an increase in the management fee income due to the Council, of an amount at least equivalent to the asociated capital financing cost.   | Expenditure Reduction       | -                | (125)            | (125)            | (125)            | (125)            |
| E8   | Managing Director   | Revenue saving from financing improvement projects at our Leisure Centres. Delivery of these projects would be expected to result in an increase in the management fee income due to the Council, of an amount at least equivalent to the associated capital financing cost.  | Expenditure Reduction       | -                | (262)            | (542)            | (542)            | (542)            |
| E9   | Managing Director   | Revenue savings from decarbonisation projects. It is anticipated that the delivery of those projects eligible for match funding from the Public Sector Decarbonisation Fund will enable the Council to achieve ongoing revenue savings at least equivalent to the associated capital financing cost of the relevant projects.   | Expenditure Reduction       | -                | (230)            | (230)            | (230)            | (230)            |
| E10  | Place               | Additional Leisure Centre management fee income from lower Leisure Centre energy costs. The new leisure contract was let on an open-book basis in relation to energy costs. As part of the tender process, bidders were given rates to assume for electricity and gas. The new provider has started the process to procure energy for next year. Due to general market movements, the rates are forecast to be a lot lower than what were included in the tender process. This saving is only assumed for 2024/25 as energy costs can be volatile, and (if the grant is successful) the Public Sector Decarbonisation Scheme works will also affect energy usage and costs. | Additional Income           | (430)            | -                | -                | -                | -                |
| Total Net Budget Reduction from new efficiency proposals |                     |   | Total Expenditure Reduction | (35)             | (637)            | (917)            | (917)            | (917)            |
|  |                     |   | Total Additional Income     | (446)            | (30)             | (694)            | (722)            | (1,219)          |
|  |                     |   | Total Efficiencies          | (481)            | (667)            | (1,611)          | (1,639)          | (2,136)          |

New Revenue Pressures and Investment Proposals

| Ref No | Service Directorate | Description of Proposal  | Budget Impact          | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 | 2028/29<br>£'000 |
|--------|---------------------|--|------------------------|------------------|------------------|------------------|------------------|------------------|
| R1     | Customers           | Procurement of Careline call handling and service desk system solution(s). The current calls handling platform has been used for over 10 years and a new tender exercise is required in accordance with procurement rules. While the Careline Service Desk System is part of the existing Careline call handling system, most call handling platforms do not include this as part of the call handling software so the likelihood is that two pieces of software will need to be procured. The IT Strategy requires consideration of more cloud based solutions, while at present we have a cheaper on-site solution. Software suppliers may not offer an on-site solution and initial advice received is that the cost is likely to rise. | Additional Expenditure | 59               | 59               | 59               | 59               | 59               |
| R2     | Enterprise          | Removal of the anticipated revenue income return from the proposed capital investment to build a commercial storage facility alongside a new museum storage facility at Bury Mead Road, Hitchin (PE5 below). Further investigation and evaluation of the options for a commercial storage facility on the site did not identify a viable scheme for delivery.  | Income Reduction       | 25               | 50               | 50               | 50               | 50               |
| R3     | Enterprise          | Full time Project Officer/ Project Curator for Burymead Project: This role would be a 2 year fixed term contract. This will be required as a temporary increase to the curatorial teams staffing capacity so that they may undertake the work of managing the transition of the collection during the rebuilding works. While the post would be subject to job evaluation, the investment value represents the maximum in terms of the expected cost for this post.  | Additional Expenditure | 50               | 50               | -                | -                | -                |
| R4     | Enterprise          | Redecoration of the Lucas Room, hallway and Mountford Hall at Hitchin Town Hall. Previous painting has involved painting over the existing coat, so the paint is peeling away in certain areas and does not have much longevity. To carry out a professional re-paint of this area will involve removing the base coats and sanding out to ensure a durable and professional finish.   | Additional Expenditure | -                | 27               | 50               | -                | -                |

| Ref No | Service Directorate | Description of Proposal   | Budget Impact          | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 | 2028/29<br>£'000 |
|--------|---------------------|---|------------------------|------------------|------------------|------------------|------------------|------------------|
| R5     | Enterprise          | Purchase and laying of new carpet throughout the Lucas Room and hallway at Hitchin Town Hall to compliment the repainted walls.   | Additional Expenditure | -                | 8                | -                | -                | -                |
| R6     | Enterprise          | Museum Visitor Services Assistant Supervisory Position. Upgrading a member of the existing front of house team to a team supervisor level to allow the curatorial team to focus on managing the museum collection and expanding and enhancing the quality of those services offered to the public. There is likely to be a need for additional hours to be awarded for this post over and above their substantive VSA role, and it is assumed this would be approximately half a day per week.  | Additional Expenditure | 7                | 7                | 7                | 7                | 7                |
| R7     | Enterprise          | Purchase and installation of a screen in Mountford Hall at Hitchin Town Hall. We previously installed acoustic panelling within the hall which has vastly improved the sound quality at events but this has meant that the back wall of the stage now has distinct lines between the various panels. In order to maximise the quality of projected slides and film for events and screenings, the installation of a screen that can descend across the projection area of the stage for events is required.   | Additional Expenditure | 5                | -                | -                | -                | -                |
| R8     | Enterprise          | Planned preventative maintenance at the Hitchin Town Hall and Museum community facility following an audit of the property. Maintenance would include the scheduled replacement of; gas safety system components, the frost protection of elements of the heating system situated on the roof, the thermostatic water valves on most sinks in the facility.   | Additional Expenditure | -                | 9                | -                | -                | -                |
| R9     | Legal & Community   | Temporary appointment of experienced elections expert to support the Returning Officer during the all out District elections and the anticipated parliamentary election, with the additional parliamentary boundary, for resilience reasons.  | Additional Expenditure | 40               | -                | -                | -                | -                |
| R10    | Legal & Community   | Purchase of equipment for forthcoming elections to enable the postal vote opening and scanning capacity to double. Due to moving to whole Council elections, there will be more postal votes to process. In addition the Authority will be responsible for two Parliamentary constituencies, with an increase in postal votes anticipated at General Elections. The current scanners also require replacement. The budget requested is for the purchase of 5 scanners, 5 laptops, 2 printers and 2 TVs and stands and includes the cost of associated licences.   | Additional Expenditure | 10               | -                | -                | -                | -                |
| R11    | Place               | Commission consultants to prepare heat decarbonisation plans for District Council offices, Hitchin Town Hall and North Herts Museum to ensure readiness for future rounds of public sector decarbonisation funding and / or invest to save capital proposals. This will include consideration of the issue of overheating at Hitchin Town Hall and Museum.  | Additional Expenditure | 40               | -                | -                | -                | -                |
| R12    | Place               | Subscription to the Association for Public Sector Excellence (APSE). The subscription provides learning and development opportunities, free and discounted events, publications and advice to all staff covering a range of services e.g. waste, leisure, greenspace, commercialisation, museums, property etc..  | Additional Expenditure | 3                | 3                | 3                | 3                | 3                |
| R13    | Place               | Subscription to APSE Energy. The subscription provides specialist learning and development opportunities around energy and climate change, free and discounted events, publications and advice to all staff.  | Additional Expenditure | 3                | 3                | 3                | 3                | 3                |
| R14    | Place               | Leisure consultancy fees. Following completion of the North Herts, Stevenage & East Herts Sports Strategy, specialist consultants are required to develop a 'Long Term Built Leisure Strategy' that will address the outcomes and recommendations of the Sport Strategy, ensuring NHC deliver sufficient leisure provision in North Herts to meet demand arising over the period of the next Local Plan review (2040s).   | Additional Expenditure | 25               | -                | -                | -                | -                |
| R15    | Regulatory          | Local Plan Review. The Council has previously approved two growth bids in the budgets for 2021/22 and 2022/23, each for £60k per year over a five-year period (i.e. £600k in total) to fund the Local Plan Review. Following adoption of the current Local Plan in November 2022, the costs of its preparation have been finalised with total external (i.e. non-staff) revenue costs of £1.5m incurred from the commencement of work on the Local Plan in 2013. It is anticipated that the cost of the review will not be as high due to, inter alia, having a relatively recent plan to build upon. This third tranche of resource requested will provide a total working budget of £780k and should mitigate the need for significant growth bids in future years as any review of the Plan progresses. By early 2024, Cabinet will have been asked to resolve on the broad nature of any review, with any substantive work anticipated to commence in Summer 2024 following clarity on Government reforms; these presently advocate completion of Local Plans within a 30-month window (i.e. by end of 2026 based upon a mid-2024 start and significantly quicker than for the current Local Plan). | Additional Expenditure | 60               | 60               | 60               | -                | -                |
| R16    | Regulatory          | Additional 3 year career-grade Planning Officer / Senior Planning Officer post (grade 8 - 10). This will create additional capacity and resilience across the strategic planning service in delivering any local plan review alongside implementation of the current plan (SPDs, masterplanning), neighbourhood planning and other duties. Investment profile reflects anticipated recruitment by October 2024.   | Additional Expenditure | 30               | 60               | 60               | 30               | -                |
| R17    | Regulatory          | Principal Planning & Implementation Officer. Existing Grade 11 post was reduced to 24.5 hours as part of an internal restructure reflecting the post holder's working arrangement and to fund the increase of other posts to full-time to meet business needs. Budget is requested to allow the post to be advertised / recruited to at 37 hours per week (FTE).  | Additional Expenditure | 23               | 23               | 23               | 23               | 23               |
| R18    | Regulatory          | Provision of Specialist planning advice: Landscape, trees, ecology etc. The planning service requires specialist, qualified technical advice on key disciplines to inform decisions and (e.g.) the discharge of conditions (DOCs) relating to detailed landscaping schemes on development sites. Following the adoption of the Local Plan, a number of outline permissions are being considered on allocated sites. Should these be granted they will be followed by detailed reserved matters applications and conditioned to provide additional detail on the provision of green space, landscaping and / or trees. The Council's previous landscape officer retired in April 2021 and was not replaced and there is not a dedicated planning tree officer. The advice might take the form of an additional establishment post or used to fund a service-level agreement with Hertfordshire County Council (or other provider) to deliver these services. Requested investment based upon a Grade 10 post.  | Additional Expenditure | 60               | 60               | 60               | 60               | 60               |

| Ref No  | Service Directorate | Description of Proposal  | Budget Impact                | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 | 2028/29<br>£'000 |
|---|---------------------|--|------------------------------|------------------|------------------|------------------|------------------|------------------|
| R19   | Regulatory          | Planning service administrative support. There is presently a shortage of administrative support across the planning service to support or co-ordinate meetings and minutes, project and programme management, document management, website updates etc..<br>There will be additional administrative burdens relating to monitoring arising from the recent restructure and provision of additional capacity in the enforcement service. Funding equivalent to a Grade 6 Technical Support post is sought. This may be disaggregated into more than one post and / or used to backfill existing duties where current postholders have taken on additional responsibilities or workload in relation to the above. | Additional Expenditure       | 40               | 40               | 40               | 40               | 40               |
| R20   | Regulatory          | London Luton Airport Development Consent Order application. The Planning Inspectorate should have concluded their examination into Luton Airport's expansion plans by February 2024. This request for funding is to support the work arising from a positive decision from the Inspectorate, such as implementing monitoring levels and the enforcement of the approved scheme   | Additional Expenditure       | 20               | -                | -                | -                | -                |
| R21   | Regulatory          | Hertfordshire Growth Board. Resource request is to support the work of Hertfordshire Growth Board including the North East Corridor in its work around future growth plans.  | Additional Expenditure       | 20               | -                | -                | -                | -                |
| R22   | Regulatory          | Hitchin Station Eastern Access. Resource requested to continue the work on the Sustainable Travel link linking east and west Hitchin. The revenue investment budget approved last year for 2023/24, together with funding from HCC, has enabled an options appraisal to be undertaken. The budget requested for 2024/25 will enable work to continue on the project.   | Additional Expenditure       | 20               | -                | -                | -                | -                |
| R23   | Customers           | Opening of the Customer Service Centre (CSC) to in-person visitors without the need for an appointment. Some CSC staff have been redeployed to support the development of a new software solution to support customer interactions with the Council, improving the experience and making processes more efficient. To facilitate both the opening and to enable this additional work to continue, there is an additional staffing cost.  | Additional Expenditure       | 80               | -                | -                | -                | -                |
| R24   | Enterprise          | Economic Development Officer. To continue with a part-time (shared post with East Herts) Economic Development Officer post in 2024/25. This will help complete and deliver the Council's Enterprise Strategy. The strategy itself will need to consider the level of resource (and funding of that resource) for 2025/26 onwards.  | Additional Expenditure       | 27               | -                | -                | -                | -                |
| R25   | Managing Director   | Introduction of a graduate training programme. The graduate training post would be for a fixed term of two years commencing in September 2024.   | Additional Expenditure       | 25               | 42               | 21               | -                | -                |
| R26   | Managing Director   | Revenue cost of internal borrowing required to finance the proposed capital programme 2024-2034. Amounts are additional to those estimated to finance the proposed capital programme 2023-2033 (see below). Value only reflects estimated Minimum Revenue Provision, as additional impact of lost interest income is included in the interest income projection.   | Additional Expenditure       | (31)             | 530              | 939              | 1,073            | 1,171            |
| R27   | Managing Director   | Interest income return from treasury investments. Estimates represent change in interest income based on the proposed Investment Strategy (Integrated Capital and Treasury) 2024-2034.   | Income Reduction             | (129)            | (73)             | 26               | 206              | 284              |
| R28   | Managing Director   | Contingency budget for project management to support the delivery of key projects in the Council Delivery Plan over an 18 month period.  | Additional Expenditure       | 67               | 33               | -                | -                | -                |
| Total Net Budget Increase from new pressures and investment proposals |                     |  | Total Additional Expenditure | 683              | 1,014            | 1,325            | 1,298            | 1,366            |
|   |                     |  | Total Income Reduction       | (104)            | (23)             | 76               | 256              | 334              |
|   |                     |  | Total Investments            | 579              | 991              | 1,401            | 1,554            | 1,700            |

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Appendix C - General Fund Estimates for 2024/25 to 2028/29

| All amounts £000   | 2024/25        | 2025/26        | 2026/27        | 2027/28        | 2028/29        |
|--|----------------|----------------|----------------|----------------|----------------|
| Net expenditure brought forward                            | 17,329         | 19,898         | 19,767         | 19,102         | 18,647         |
| Planned delivery of savings previously identified          | 608            | 12             | 12             | -6             | 158            |
| Planned Investments previously approved                    | 484            | 109            | -67            | -44            | -40            |
| Other previously identified adjustments in future years    | -19            | 16             | -19            | 17             | -19            |
| Savings and Cost Reductions reported in year               | -658           | 0              | 0              | 0              | 0              |
| Investments and Pressures reported in year                 | 923            | -15            | -15            | 0              | 0              |
| Phased reduction in Covid-19 Recovery Provision            | -450           | 0              | 0              | 0              | 0              |
| New savings proposals                                      | -481           | -186           | -944           | -28            | -497           |
| New investment proposals                                   | 579            | 412            | 410            | 153            | 146            |
| Net pay increments   | -14            | 50             | 50             | 50             | 50             |
| Pay inflation  | 683            | 450            | 300            | 300            | 300            |
| Pension contribution inflation                             | 31             | 32             | 0              | 0              | 0              |
| Forecast Contractual Inflation                             | 571            | 325            | 325            | 325            | 325            |
| Forecast Income Inflation                                  | -314           | -209           | -217           | -222           | -226           |
| 2023/24 Budgets Carried Forward                            | 626            | -626           | 0              | 0              | 0              |
| Further savings tbc  | 0              | -500           | -500           | -1,000         | -700           |
| <b>Total Net Expenditure</b>                               | <b>19,898</b>  | <b>19,767</b>  | <b>19,102</b>  | <b>18,647</b>  | <b>18,145</b>  |
|  |                |                |                |                |                |
| Council Tax Income   | -13,147        | -13,570        | -13,909        | -14,257        | -14,613        |
| Council Tax Collection Fund (Surplus) / Deficit            | 24             | 0              | 0              | 0              | 0              |
| Negative Revenue Support Grant                             | 0              | 0              | 500            | 1,000          | 1,000          |
| Business Rates   | -3,097         | -3,159         | -3,222         | -3,286         | -3,351         |
| Business Rates - Under-indexing of multiplier compensation | -589           | -601           | -613           | -625           | -638           |
| Other Funding  | -1,436         | -898           | -979           | -1,049         | -609           |
| Less: Council Tax Support to Parishes                      | 39             | 39             | 34             | 28             | 22             |
| <b>Total Funding</b>                                       | <b>-18,206</b> | <b>-18,189</b> | <b>-18,189</b> | <b>-18,189</b> | <b>-18,189</b> |
|  |                |                |                |                |                |
| <b>Net funding position (use of reserves)</b>              | <b>1,692</b>   | <b>1,578</b>   | <b>913</b>     | <b>458</b>     | <b>-44</b>     |
|  |                |                |                |                |                |
| General Fund b/f   | 13,425         | 13,425         | 12,011         | 11,098         | 10,640         |
| MHCLG Grants Transfer                                      | -1,692         | -165           | 0              | 0              | 0              |
| General Fund c/f   | 13,425         | 12,011         | 11,098         | 10,640         | 10,684         |

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## **Appendix D- Chief Finance Officer's section 25 report**

As part of this report, under section 25 of the Local Government Act, the Council's Chief Finance Officer is required to comment on the robustness of estimates and the adequacy of reserves.

The major external factors affecting the Council are uncertainty over future funding and inflationary impacts. Inflationary impacts have created cost of living pressures which could also impact on income and service demand.

### **Future funding**

In the update to the draft Local Government settlement, Government have provided a 4% funding guarantee for 2024/25. This guarantee is provided before local decisions on Council Tax levels. However the guarantee does make an assumption around an increase in the Council Tax base (the number of properties paying Council Tax). Even if that assumption is correct, then part of the overall funding increase is therefore to cover population growth, and therefore not just to cover inflationary pressures. Our position is affected by an increase in the support provided via our Council Tax Reduction Scheme (CTRS). This reduces the Council Tax base, which means that our funding goes up by less than that implied by the 4% funding guarantee. We still have growth in the actual number of properties in the District, so we are still having to provide services to more residents and households. This CTRS impact was known about when the Medium Term Financial Strategy (MTFS) was set, and included in those assumptions. The MTFS does assume that there will be a reversal of the impact, which could happen through general economic improvements meaning less residents needing CTRS support, changes to the CTRS scheme or improvements in Council Tax collection rates.

Beyond 2024/25, there is very limited indication of what Council funding will be. A new funding formula for Councils has been due for a long time and will now not be in place until well into the next Parliament. There remains the possibility that when it is introduced that we will see a funding reduction, akin to the previously announced (but then rescinded) 'negative Revenue Support Grant'. The current 3% funding guarantee is highly unlikely to continue, as that level of funding to Councils is not consistent with the forecasts that sat behind the Government's Autumn Statement. There is some indication that the cap on Council Tax increases could be retained at 3%, rather than reverting back to 2%.

On the funding side, Cost of Living pressures could have an impact on residents ability to pay their Council Tax. However, our collection rates remain in line with previous years and therefore it seems reasonable to assume that we will continue to achieve an ultimate collection rate in excess of 99%.

The current funding forecasts are based on the following:

- That Council Tax increases will be 2%. There is an up-side (in funding terms) opportunity that the cap could stay at 3% per year. By the end of the 5 year (2028/29) period that would equate to additional annual Council Tax income of around £580k. Although any increase may be partly off-set by a decrease if there was a funding guarantee in place, as although current year decisions on Council Tax increases are not included, assumptions are built in as those impacts flow in to later years.
- That the 4% funding guarantee is replaced by a 0% funding guarantee, and that there remains the prospect of a £1m funding cut alongside a new funding formula. Given the Autumn Statement forecasts, it seems likely that any funding guarantee level would be below inflation, but it could still be more than 0%. The down-side risk is that there is a

funding cut without any funding guarantee protection and/or the level of cut is greater than £1m (as there has been significant inflation since that figure was due to be implemented).

- Given the assumptions above, the other elements of our funding (e.g. retained Business Rates and New Homes Bonus) become somewhat irrelevant, as movements would be covered within the funding guarantee.

The table below considers how much funding we would get in 2028/29 using our current base assumption, a plausible better case assumption and a plausible worse case assumption. Note that these are deliberately not intended to be best or worst case assumptions.

| <b>Assumption Type</b> | <b>Council Tax referendum limit per year</b> | <b>Negative RSG</b>                          | <b>Increase in retained Business Rates</b> | <b>Funding guarantee</b>              | <b>New Homes Bonus</b>     | <b>Other general grants</b> | <b>2028/29 Funding (£m), and difference to base case</b> |
|------------------------|--|--|--|---------------------------------------|----------------------------|-----------------------------|--|
| Current base case      | 2%   | £1m from 27/28                               | Increases with CPI                         | 0% funding guarantee                  | Continues at current level | Stay at current levels      | 18.2   |
| Plausible better case  | 3%   | £0.5m from 27/28                             | Increases with CPI                         | 0.5% funding guarantee                | Continues at current level | Stay at current levels      | 18.9   |
| Plausible worse case   | 2%   | £1.25m from 27/28 (to account for inflation) | Increases with CPI                         | Does not protect against negative RSG | Continues at current level | Reduce to zero              | 17.6   |

It is my view that the assumption made is a reasonable one to make with limited information available. As will become a theme through this section 25 report, there will be a need to be ready to react as better information becomes available. That means having a set of plans that are developed and being ready to make decisions that ensures the ongoing sustainability of the Council.

### **Impact of inflation**

The United Kingdom (alongside other global economies) has seen a very high level of inflation in recent years. This has been responded to by the Bank of England with high interest rates, in accordance with their monetary policy objectives. Economic forecasters are predicting that UK inflation will return to target levels during 2024. However interest rates are expected to remain high, probably dropping to around 4% by the end of 2024 and then falling to around 2.5% during 2025.

Each year, we apply increases to our budgets to reflect forecasts of contract inflation and pay inflation. Contract inflation is usually linked to specific indicators and we use published economic forecasts to predict what these will be. Even when inflation is applied to contracts, when contracts need to be retendered there is a risk that there could be exceptional increases or decreases in the contract value. Competitive tendering processes are used to help ensure that, whatever the outcome, we are getting good Value for Money. The renewal of our leisure contract has provided us with a long-term increase in the amount of income that we will received compared to our budget. However as highlighted in the report to Cabinet in December, there is expected to be a significant increase in the costs of our waste and street cleansing contract. As we are in the middle of a procurement process and as the new contract starts in May 2025, it is not appropriate to fully quantify this increase. Decisions have been made to try and mitigate some of the expected

increases. Now there is a need to wait for the final tender prices and be ready to react and make appropriate decisions for the 2025/26 budget.

We have estimated pay inflation at 4% for 2024/25, followed by 3% in 2025/26 and then 2% per year thereafter. Whilst the forecast for 2024/25 pay inflation is above the expected level of inflation in April 2024, there is still a reasonable risk that the amount forecast will be too low. This reflects that we may need to catch-up as recent pay awards have been below the prevailing rate of inflation. It may also need to reflect recruitment issues across Councils (which we are definitely exposed to) and the need to attract and retain staff, and pay levels will always be a component of that. That also links into what other wages are increasing by. For example, the National Living Wage in April 2024 is increasing by almost 10%. Whilst I think the current budget assumption is a reasonable one to take, I am concerned that it may turn out to be an under-estimate.

We set our capital budgets over a 10-year time horizon, and therefore our estimates are susceptible to inflation between when they are added to the programme and when the expenditure is ultimately incurred. For more discretionary capital spend, this can have an impact on viability when estimates are updated. As part of this years budget process we have increased the forecast capital spend on waste vehicles to deliver the new contract from 2025. A combination of changing income forecasts and increasing capital costs means that the planned museum storage scheme is being reviewed. An allocation has been kept in the capital programme, but spend will be dependent on a business case. Whilst IT and leisure centre capital costs are forecast over a long period, they are reviewed and revised on a regular basis. The cost of the Royston fitness extension has been reviewed as part of procurement process and the previous allocation was deemed to be sufficient. Some of the Grounds Maintenance forecasts do not get adjusted (e.g. the play area refurbishment allocations), although the extent of some of these can be adjusted to fit the budget available. Whilst the provision for a new waste depot has been kept in the capital programme, there are concerns over the actual costs that will be necessary, which may affect the viability. This will need to be kept under review.

There are some revenue budgets that do not get inflated each year, i.e. budgets that do not relate to pay or where known contract inflation can be applied. These are generally low value budgets that pay for ad-hoc items, but it is acknowledged that the spending power of those budgets is being eroded. In the quarterly budget monitoring process we have not seen any pattern of overspend against these budgets. However, especially as one of the budget types included is staff training, this will be kept under review.

The inflation that is applied to fees and charges budgets is done in accordance with the assumptions agreed in the MTFS. In some areas this acts as a clear plan for how the level of fees and charges will be adjusted, although there is still uncertainty over the level of demand for those services. For car parking charges there is an additional level of risk over the total income that will be received. The MTFS assumption acts as a budget forecasting estimate only, and there will be a subsequent report to Cabinet to consider the actual changes to parking tariffs. That report will need to consider the wider implications and justification for any tariff changes. Whilst the percentage increase is moderate (2%), the total impact equates to around £50k. I feel that this is a balanced assumption, but highlight that there is an element of risk to highlight.

### **Demand pressures and grant funding**

In relation to the potential impact of reduced demand (either at current prices or where prices are inflated), there are various factors that provide me with confidence that the forecasts are reasonable. Firstly, we have been carrying out budget monitoring through the first 8 months of the

year and have not seen any significant in-year drops in demand that needs to be adjusted on an ongoing basis. Secondly, as part of the Quarter 2 budget monitor a permanent adjustment to the parking budget was proposed to reflect the continuing post-Covid-19 drop in income. This has been incorporated into these budget forecasts. Thirdly, there are no significant increases in any of our fees and charges budgets.

Housing is the main service area where cost of living pressures are likely to lead to a demand pressure that in turn leads to a substantially higher cost that we face. In this year we are seeing an increase in the need to use hotel and B&B placements. The excess cost of these placements is currently being covered through specific housing grants. Whilst it is expected that housing grant funding will continue in 2024/25, there is a risk over any grant funding in terms of whether it continues, the amount received and any restrictions attached to it. This therefore an area to keep a focus on through quarterly monitoring.

As detailed in the main budget report, the risks in relation to other specific grant funding have also been considered.

### **Capital spend, capital funding and debt**

Capital spend comes with a revenue cost, which ranges from lost treasury income through to external interest charges and Minimum Revenue Provision. There is therefore a need to ensure that our capital spend forecasts continue to be realistic, both in terms of cost forecasts for items that are progressing, as well as being prepared to remove those items that are no longer deliverable.

The impact of inflation on capital spend forecasts is considered above. The need to fund capital spend from borrowing comes with an increased revenue cost, compared with being able to fund it from capital receipts. It is therefore necessary to consider the assumptions made in relation to generating new capital receipts.

There has been a delay in the timing of capital receipts compared to forecasts. This is due to a combination of economic conditions, resourcing in the Estates team and investigating options for developing housing on Council land. As we are reaching the tipping point where we will run out of existing capital reserves, I have asked the Estates team to be more prudent in their forecasts in the timing and amount of capital receipts. This results in a higher forecast Minimum Revenue Provision charge than may be required, but I consider this to be necessarily prudent.

As it currently stands we have a small amount of historic external debt that it is not economic to repay. In the short-term we have the option to borrow internally against our revenue reserves and delay any further external borrowing as long as possible. This is both a more prudent approach, and likely to reduce longer term costs as it is likely that the cost of borrowing will continue to reduce.

### **Savings requirement**

The plan (as established in previous years' budgets and detailed in the MTFs) is to use Business Rate pooling gains (that are held in reserve) to support balancing the budget in 2024/25. This has meant that a savings target has not been set for the 2024/25 budget. Once the impact of increased waste and street cleansing costs (that will apply from 2025) are known then it will be necessary to consider the savings necessary to balance the budget in 2025/26 and beyond, alongside sustainable use of reserves. Our level of reserves gives some scope to phase in the delivery of those savings, but there is expected to be a need to take decisive action. There is likely to then be a need for a second phase of substantial savings when a new Council funding is implemented, assuming the impact is in line with our forecasts.

As there is not a savings target in place, any savings that have been put forward have not been due to pressure being placed on Budget Managers. Therefore, I consider the savings that have been put forward as part of this budget to be achievable and I do not need to flag any risks or concerns.

### **Council Reserves and the CIPFA Resilience Index**

At the start of 2024/25 we expect our General Fund reserves to be £13.425m and we also have £1.856m of previous Business Rate pooling gains held in reserve. As detailed in the budget report this is substantially above the recommended Minimum General Fund reserve levels. This gap helps to provide further comfort against the risks and concerns that I have highlighted in this section 25 report.

The Chartered Institute for Public Finance and Accountancy (CIPFA) produce a Resilience Index for Councils. CIPFA recommend that Chief Finance Officers consider the results from the index in compiling their section 25 reports.

The index is published on the CIPFA website (<https://www.cipfa.org/services/financial-resilience-index>). At the time of writing this report the version on the website was still based on March 2022 data. CIPFA had provided a pre-release version using 2023 data to Chief Finance Officers, and the considerations below are based on that version. I hope that version is published on the CIPFA website soon.

The Resilience Index includes some important measures in relation to level of reserves and how quickly they are being used. However, as it is based on data from the previous financial year-end, it obviously is not current data. Any key messages that are highlighted by the Resilience Index, would usually have been being flagged by the Council's Chief Finance Officer long before they show up on the Resilience Index. However, the Index can help as a wake-up call to reiterate the need for action.

The Index is based on comparisons, both with others and over time. In our case we can compare ourselves against all Districts or our statistical near neighbours. This can help with highlighting where you are different to other Councils and not just rely on the fact that it is difficult for everyone.

When compared with our nearest neighbours the two measures which are showing as higher risk are: level of reserves and change in reserves. Our results are that our reserves were 142% (comparative range of 52% to over 300%) of our net expenditure and that we increased our reserves by 21% (comparative range -14% to 63%) during that year. My conclusion is that our reserves are at a reasonable level for the risks that we are exposed to. Some Councils may have higher reserves as a way to mitigate against the higher risks (e.g. in relation to investments or borrowing) that they face. There is capacity for our reserves to drop as we respond to the budget pressures that we expect to have to face. But is worth noting that our reserves are not so high to allow for an excessively delayed response. They are at a level that allows for measured but prompt response but reflecting that savings will take some time to implement.

### **Conclusion**

Overall, I consider that the budget is proposed based on robust estimates. I have highlighted where I feel that there are elements of higher risk, but I am satisfied that there are mechanisms in place to be able to respond to these if required.

My overall conclusion is focused on the medium-term. It is almost certain that there will be a need to act. The 2025/26 budget is almost certainly going to require some difficult decisions over

areas of priority. As long as action is taken then the Council can be sustainable in the medium-term and beyond. But if action is not taken then our reserves could fall very quickly.

**COUNCIL**  
**29 February 2024**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX PREMIUMS ON EMPTY PROPERTIES AND SECOND HOMES PREMIUMS**

**REPORT OF: SERVICE DIRECTOR - CUSTOMERS**

**EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT**

**COUNCIL PRIORITY: SUSTAINABILITY**

**1. EXECUTIVE SUMMARY**

- 1.1 To consider whether to increase the level of Council Tax Premiums payable and include a Council Tax Premium charge for properties determined as second homes.

**2. RECOMMENDATIONS**

- 2.1. That in accordance with Section 11B and 11C of the Local Government Finance Act 1992 as amended by Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018 and the Levelling Up and Regeneration Act 2023, Cabinet considers increasing the council tax premiums on empty homes and introducing a new premium on second homes in a phased approach as follows:
- 2.1.1 That from 1 April **2025** the Council adopts the following full Premium levy rates:
- Properties empty for one year but less than five will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 200% Premium.
  - Properties empty for more than ten years a 300% Premium.
- 2.1.2 That from 1 April **2024** until 31 March 2025 the following interim premiums are introduced:
- Properties empty for one year but less than two will not receive a Premium
  - Properties empty for more than two years, but less than five years will receive a 100% Premium.
  - Properties empty for five years but less than ten years a 150% Premium.
  - Properties empty for more than ten years a 200% Premium.
- 2.2. That from 1 April **2025** a 100% Premium is levied on all properties that are determined as a second home, subject to any exceptions once these have been confirmed by Regulations and that the Service Director – Customers in consultation with the Executive Member for Finance and IT is delegated authority to make any amendments following further confirmation of the Regulations.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. To support the principle of bringing unoccupied properties back into occupation in line with the proposed empty homes strategy. At the time of writing there are 43 properties that have been unoccupied for over five years.
- 3.2. The introduction of a phased approach of increasing the premiums enables us to advertise the changes. As the introduction of premiums for properties unoccupied for between one and two years is new there will be no expectation on the owners of these properties of an additional premium and therefore it is recommended that this aspect is deferred until 2025 to allow time to advertise the change.
- 3.3. In respect of a premium on Second Homes the Council is required to give one year's notice as this is the Council's first determination in this regard and therefore a resolution must be made before the end of the 2023/24 financial year in order to bring in the premium from 01 April 2025.
- 3.4. The Council does have the ability to revoke the decision in relation to Second Homes premium, during the year should any consultation that is carried out provide evidence that this would not be effective.

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

##### **Empty Homes:**

- 4.1. As this is a discretionary area, rather than taking the stepped approach outlined at 2.1.1 and 2.1.2 the Council could opt to continue with the current position that all properties empty for more than two years receive a 100% Premium.
- 4.2. The Council could seek to immediately use the legislation to the maximum, which would result in properties empty between five and ten years receiving the 200% additional premium and properties empty for more than ten years receive the 300% additional premium.

##### **Second Homes:**

- 4.3. Currently all properties deemed as a second home receive a 10% discount, this is purely to identify them in the tax base for reporting purposes. As this is a discretionary area the Council could opt to continue with the current position of a 10% discount and not introduce a premium.

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

- 5.1 The Executive & Deputy Executive Members for Finance & IT have been consulted on the proposals and are in favour of increasing the premiums as set out in 2.1.1 and 2.1.2.
- 5.2 The Executive and Deputy Executive Members for Housing and Environmental Health have been consulted due to the alignment with the Empty Homes Strategy being developed and support the approach being recommended.
- 5.3 There is no requirement to consult with the public in relation to the premium levied on empty homes, any change can be implemented from 1 April 2024.
- 5.3 There is no requirement to consult with the public in relation to the premium levied on properties classed as second homes. However, as this is the Council's first determination it must be made at least one year before the beginning of the financial year to which it relates, so this cannot come into effect until 1 April 2025.



- 5.4 Whilst there is no requirement to consult the Council will publicise these changes in the local press and via or website and social media channels and will proactively try to contact the owners of the empty properties, initially prioritising those that will be impacted by the changes in 2024, to give as much notice as possible of the changes.

## 6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 22 December 2023.

## 7. BACKGROUND

- 7.1 In October 2011 the then Department for Communities and Local Government (DCLG) consulted on proposals for a number of technical changes to Council Tax, primarily aimed at giving more discretion to Billing Authorities on how they may treat empty properties in terms of Discounts that can be awarded. The Government's policy intention was to encourage owners to bring more empty homes back into occupation.
- 7.2 As a result of this consultation Sections 11A and 11B of the Local Government Finance Act 1992, were amended by the Local Government Finance Act 2012, giving billing authorities new powers to determine further discounts for prescribed dwellings and set higher amounts for long term empty properties.
- 7.3 Following these amendments, the Council implemented the following from 01 April 2013
- continue to award a 10% Discount for Council Tax liability for second homes.
  - to increase the amount of Council Tax payable by 50% for properties that previously fell under Exemption Classes A & C and which have been unoccupied for more than two years. Similarly, the intention was to encourage owners of longer-term empty properties to bring these into occupation.
- 7.4 From 01 April 2021 the Council increased the empty homes levy from 50% to 100% for all properties empty for more than two years. As detailed below at 8.9 Table 1, there were 118 properties empty over two years.
- 7.5 The legislation in 7.2 above gives the Councils the power to charge a Council Tax premium and the Council has exercised that power since 1 April 2013.

## 8. RELEVANT CONSIDERATIONS

- 8.1. **EMPTY HOMES** - In 2018 the Rating of Property in Common Occupation and Council Tax (Empty Dwellings) Act Legislation introduced allows Councils the ability to charge higher premiums for longer term empty properties as follows:
- From 1 April 2019 up to 100% for properties empty more than two years
  - From 1 April 2020 up to 200% for properties empty more than five years
  - From 1 April 2021 up to 300% for properties empty more than ten years
- 8.2 Section 79(1)(b) of the Levelling Up and Regeneration Act 2023 allows the Council to impose a premium after one year instead of two years. Section 80 provides that from 1 April 2024 a property can be charged an empty homes premium of 100% after one year, even if the property became empty before 1 April 2024. Therefore, the Council Tax payable would be as follows:
- 100% for properties empty more than one year, but less than five years

- 200% for properties empty more than five years, but less than 10 years
- 300% for properties empty more than ten years

- 8.3 The policy intention is to give further powers to Councils to encourage owners of long-term empty properties to bring these back into occupation.
- 8.4 The Council currently awards a 100% discount (no Council Tax is payable) for a period of fifty-six days when a property becomes empty to allow time for changes in occupation. From the fifty-seventh day, 100% of the Council Tax becomes due.
- 8.5 When a property has remained empty for two years or more a 100% premium is levied.
- 8.6 **SECOND HOMES** – Section 80 (2) of the Levelling Up and Regeneration Act 2023 inserts a new section into the Local Government Finance act 1992. This allows the Council to apply a premium to be levied on second homes of up to 100%.
- 8.7 The Council currently applies a 10% discount to properties that have been determined as a second home.

### **Council Tax Premiums for Empty Homes**

- 8.8 The Council currently charges an additional 100% in respect of properties that have been unoccupied for more than two years. The properties in question do change from time-to-time as some may go back into occupation and others exceed the two-year period, therefore any comparisons can only be made from a snapshot in time.
- 8.9 Table 1 shows the number of properties empty for over two years when the Tax Base Return is submitted in October of each year, since the measure was introduced.

**Table 1**

| <b>Year</b> | <b>Number of Properties</b> |
|-------------|-----------------------------|
|             |                             |
| 2013        | 70                          |
| 2014        | 87                          |
| 2015        | 92                          |
| 2016        | 89                          |
| 2017        | 99                          |
| 2018        | 107                         |
| 2019        | 109                         |
| 2020        | 118                         |
| 2021        | 103                         |
| 2022        | 158                         |
| 2023        | 157                         |

- 8.10 The table shows that the number of empty homes in the district has continued to rise, with it being more than double the number in 2023 than in 2013. It should be noted that these numbers are a snapshot at the beginning of October each year and the figures do change on a day-to-day basis.
- 8.11 Table 2 below shows the breakdown of properties by the number of years the property has been empty, and the overall current revenue raised. All properties have the 100% levy applied to the account, so liability is 200% Council Tax. The table shows 7 properties where the Council has used its discretion and has not applied the premium.

**Table 2**

| <b>Empty Period</b>           | <b>Number of Properties</b> | <b>Current Income £,000</b> |
|-------------------------------|-----------------------------|-----------------------------|
| 2 to 5 years (100%)           | 107                         | 209                         |
| 5 to 10 years (100%)          | 27                          | 54                          |
| Over 10 years (100%)          | 16                          | 29                          |
| Discretionary cases (ignored) | 7                           | -                           |
| <b>Total</b>                  | <b>150</b>                  | <b>292</b>                  |

- 8.12 Table 3 below shows the additional income that would be generated per annum based on the maximum level of premium that can be charged for each period of non-occupation, including the properties that can be charged after one year of being empty.

**Table 3**

| <b>Empty Period</b>  | <b>Number of Properties</b> | <b>Additional Income £,000</b> |
|----------------------|-----------------------------|--------------------------------|
| 1 to 2 years (100%)  | 109                         | 433                            |
| 2 to 5 years (100%)  | 107                         | 418                            |
| 5 to 10 years (200%) | 27                          | 161                            |
| Over 10 years (300%) | 16                          | 117                            |
| <b>Total</b>         | <b>259</b>                  | <b>1,129</b>                   |

- 8.14 It should be noted that whilst this could potentially raise an additional £1.1M extra Council Tax, the District Council's share of this is around 12% or £135K. If a stepped approach is adopted this would equate to an extra 63.9K with the districts share being 76.6K in 2024/2025. These figures assume full collection. However, it must be stressed that the aim of the premiums is not financially driven but is to encourage the bringing of empty homes back into occupation.
- 8.15 The existing premium of 100%, is currently being paid by 121 of the 150 cases where discretion has not been applied. There are currently 29 that are not paying regularly, in these cases the Council will consider the use of charging orders to secure payment where appropriate.
- 8.16 If the Council were to impose the additional premiums detailed at 8.13 in Table 3, it may cause considerable collection difficulties in some instances. For example, one property in Band G who is currently paying, would see its Council Tax rise from £6,986.98 to £13,973.96 per annum. However, the stepped approach proposed for 2024/2025 would be an increase to £10,480.47 rising to the maximum £13,973.96 in 2025/2026.
- 8.17 Table 4 below shows the breakdown by liable party, which shows that the majority of the accounts that would be affected by this are individuals, who may be hindered by extra Council Tax if they are undertaking renovations themselves and there may be a risk that the increase in council tax could impact on their ability to complete the renovation in a timely manner. The deferred introduction of the premium for those properties in the 1-to-2-year bracket would allow time for us to advertise the forthcoming changes and give a 12 month notice period to those property owners.

**Table 4**

| <b>Empty Period</b> | <b>Social Landlords</b> | <b>Companies</b> | <b>Individuals</b> | <b>Executors</b> |
|---------------------|-------------------------|------------------|--------------------|------------------|
| 1 to 2 years        | 15                      | 13               | 65                 | 16               |

|               |                    |           |            |           |
|---------------|--------------------|-----------|------------|-----------|
| 2 to 5 years  | 39                 | 13        | 45         | 10        |
| 5 to 10 years | 5                  | 3         | 15         | 4         |
| Over 10 years | 5 (4 Settle 1 NHC) | 4         | 6          | 1         |
|               |                    |           |            |           |
| <b>Total</b>  | <b>64</b>          | <b>33</b> | <b>131</b> | <b>31</b> |

### **Second Homes**

- 8.20 The Council currently applies a 10% discount to properties deemed a second home. This means that these accounts receive a 90% Council Tax Bill. The property must be furnished in order to receive this 10% discount.
- 8.21 Table 5 below shows the number of properties that are currently deemed as a second home. It shows the revenue currently raised, after the 10% discount and the potential revenue that would be raised if the Council adopts the 100% premium for second homes, with effect from 1 April 2025.

**Table 5**

| <b>Number of properties</b> | <b>Current revenue raised, after 10% discount<br/>£,000</b> | <b>Potential Revenue Raised £,000</b> |
|-----------------------------|---|---------------------------------------|
| 281                         | 424   | 943                                   |
|                             |   |                                       |

- 8.23 As this is the Council's first determination in relation to a premium for second homes, it must be made at least one year before the beginning of the financial year to which it relates, so it should be noted that this cannot come into effect until 1 April 2025.
- 8.24 At the point of writing this report we are still awaiting regulations which will outline exceptions to the premium being applied. Once these have been determined, they will form part of the Council's overarching Policy in relation to this.
- 8.25 The Council may from time to time use its discretion in exceptional cases, to choose not to apply the premium, in relation to both empty homes and second home discounts. Criteria for this will form part of the Council's overarching Policy in relation to this.

## **9. LEGAL IMPLICATIONS**

- 9.1. Cabinet's terms of reference in the Constitution include at 5.7.38 by recommendation to Council "to advise the Council in the formulation of those policies within the Council's terms of reference". Full Council's terms of reference include at 4.1 that it is responsible for all functions not the responsibility of the Cabinet.
- 9.2. **Empty Properties** - Section 2 of the Rating (Properties in Common Occupation) & Council Tax (Empty Dwellings) Act 2018 amends Section 11B of the Local Government Finance Act 1992 with the provisions detailed in 8.1 and 8.2. This gives a Council the discretion to increase the Premiums payable on Empty Properties if it so wishes.
- 9.3. Section 79(1)(b) of the Levelling Up and Regeneration Act 2023 allows the Council to impose a premium after one year instead of two years.

- 9.4. **Second Homes** - Section 80 (1) of the Levelling Up and Regeneration Act 2023 inserts a new section into the Local Government Finance act 1992. Section 80 (2) of the Act allows the Council to apply a premium to be levied on second homes of up to 100%.
- 9.5. As this is the Council's first determination in relation to a premium for second homes, it must be made at least one year before the beginning of the financial year to which it relates, so this cannot come into effect until 1 April 2025.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Government's policy intention of increasing premiums on empty and second homes is to encourage owners to bring more homes back into occupation. The Council's Empty Homes Strategy also seeks to achieve this. Therefore, the Council's consideration of increasing premiums is not driven by raising income through this approach.
- 10.2 Paragraph 8.14 of this report sets out the potential increase in revenue from increasing premiums, the figures are based on an assumption of full collection, which it must be noted may not be possible.
- 10.3 If the policy intention of bringing homes back into occupation is realised then additional premiums currently being paid will cease, reducing income to the Council.

## **11. RISK IMPLICATIONS**

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 With a few exceptions, the existing Premium of 100% is proving to be fairly easy to collect, having only 29 accounts not being paid. Increasing the Premiums to the maximum allowable will result in some owners having significantly higher Council Tax bills. This may lead to difficulties in securing collection of the increased amounts, but the Council would need to consider exercising the use of Charging Orders to secure payment of unpaid amounts.
- 11.3 The Council maintains a bad debt provision to provide for uncollectable debt. Any shortfall in the collection fund would have to be made up by the major precepting authorities in proportion to the level of precept. At current estimates, 12% of any bad debt would need to be borne by the Council.

## **12. EQUALITIES IMPLICATIONS**

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.1. Owners of long-term empty properties come from a wide range of backgrounds and are not restricted to property owning landlords, the table at 8.17 shows the liability parties for current long-term empty properties. Properties may have been inherited in poor condition and the owners are making efforts to bring these up to an acceptable standard to bring them back into occupation with limited resources. The Equality assessment for the Council's Empty Home strategy set out the positive impacts that the wider community

might benefit from. (enhance community inclusion, potential increase of social mobility and potential reduction in homelessness).

### **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 the decision as set out in this report. The bringing back of empty homes into use is a more sustainable way of increasing the supply of homes than building new dwellings.

### **15. HUMAN RESOURCES IMPLICATIONS**

- 15.1 There are no Human Resource implications in this report.

### **16. APPENDICES**

- 16.1 Appendix 1 - Draft Policy Document (to be updated once decision taken)

### **17. CONTACT OFFICERS**

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### **18. BACKGROUND PAPERS**

- 18.1 None



# **Empty Homes and Second Homes Premium Policy 2024-25**

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## 1. Introduction and background

- 1.1 The following policy outlines the Council's approach to the levying of empty homes premium and second homes premiums.
- 1.2 Premiums were also introduced by government from 1 April 2013 by the with a view to encouraging homeowners to occupy homes and not leave them vacant in the long term.
- 1.3 The legislation which introduced premiums is S11B of the Local Government Finance Act 1992 (inserted by the Local Government Finance Act 2012). Premiums could only be charged on long-term empty dwellings. An empty dwelling is one which is 'unoccupied' and 'substantially unfurnished'. The definition of long-term is where the dwelling has been empty for a continuous period of at least 2 years.
- 1.4 Initially the maximum level of premium was set by government at 50% of the amount of Council Tax chargeable. Each Council could determine the level of premium up to the maximum and this is charged in addition to the amount determined by the Council as payable for an empty dwelling<sup>1</sup>
- 1.5 Certain classes of dwellings cannot be charged a premium namely:
  - a dwelling which would be the sole or main residence of a person but which is empty while that person resides in accommodation provided by the Ministry of Defence by reason of their employment i.e., service personnel posted away from home<sup>2</sup>; or
  - dwellings which form annexes in a property which are being used as part of the main residence or dwelling in that property<sup>3</sup>.
- 1.6 In 2018 the Rating of Property in Common Occupation and Council Tax (Empty Dwellings) Act allowed authorities to increase the level of premiums on empty dwellings with effect from 1 April 2019 as follows;
  - Dwellings left unoccupied and substantially unfurnished for 2 years or more, - from 1 April 2019 a premium can be levied up to 100%;
  - Dwellings left unoccupied and substantially unfurnished for 5 years or more, - from 1 April 2020 a premium can be levied up to 200%; and
  - Dwellings left unoccupied and substantially unfurnished for 10 years or more, - from 1 April 2021 a premium can be levied up to 300%.
- 1.7 It should be noted that premiums are charged in addition to the 100% Council Tax payable on empty premises.

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<sup>1</sup> Under the Council Tax (Prescribed Classes of Dwelling)(England) Regulations 2003 and amended by the Council Tax (Prescribed Classes of Dwelling)(England) (Amendment) Regulations 2012 - Classes C & D.

<sup>2</sup> Council Tax (Prescribed Classes of Dwelling)(England) (Amendment) Regulations 2012 - Classes E

<sup>3</sup> Council Tax (Prescribed Classes of Dwelling)(England) (Amendment) Regulations 2012 - Classes F

- 1.8 Government, together with local authorities (including the Council) has unfortunately seen a rise of in the number of empty homes together with a growth in second homes.
- 1.9 Inconsistencies in the legislation have also been identified whereby a premium can be avoided by the taxpayer merely furnishing an empty premises, when it would become a 'second home' which currently has a maximum charge of 100% with no premium.
- 1.10 In order to address these inconsistencies, and also to bring more dwellings into use, government has introduced sections within the Levelling Up and Regeneration Act 2023 (the Act).
- 1.11 This policy details the Council's approach in the charging of premiums as allowed within the new legislation.
- 1.12 The continued pressure on local authority finances (both the Council and the Major Preceptors) together with the need to encourage all owners of domestic premises to bring them back into use, makes it essential that the Council changes its approach to empty homes. The new legislation for second home premiums will encourage the use of dwellings as primary residences.

## **2. Empty homes premiums (From 1 April 2024)**

- 2.1 Section 79 (1) (b) of the Levelling Up and Regeneration Act 2023 permits the Council to impose an empty homes premium after one year instead of two years. Section 80 of the Act provides that from 1 April 2024, a property can be charged an empty homes premium at 100% after one year, even if it became empty before 1 April 2024.
- 2.2 The Council has resolved to implement the change with effect from 1 April 2024
- 2.3 The legislation requires the Council to be mindful of any guidance or further regulation in relation to the implementation of the premiums and this is detailed in Section 4 of this policy.

## **3. Introduction of premiums for second homes (From 1 April 2025)**

- 3.1 The definition of a second home for Council Tax purposes is a dwelling which has "no one resident" but is "substantially furnished".
- 3.2 Section 80 (2) of the Act inserts a new section 11C into the Local Government Finance Act 1992. This permits the Council to apply a premium on second homes. The maximum Council Tax charge in these cases would be a standard 100% charge plus a premium of 100% making a total Council Tax charge of 200%.

- 3.3 Unlike empty dwellings, there is no requirement for a property to have been used as a second home for a fixed period of time before the premium can apply.
- 3.4 As with other changes introduced by the Act, section 11C (3) requires that the first decision to impose this class of premium must be taken at least 12 months before the financial year to which it would apply. In effect this means that premiums for second homes will not take effect until the 2025-26 financial year at the earliest.
- 3.5 The Council has resolved to charge second home premiums and has given the required notice.
- 3.6 The Act provides that a dwelling cannot be subject to both a second homes premium and an empty homes premium imposed under section 11B of the 1992 Act, and that an existing empty homes premium would cease to apply to a property which became subject to a second homes premium.

#### **4. Exceptions from the premiums (empty homes premiums and second homes premium)**

- 4.1 At the time of writing this policy, government has issued a consultation (which has now ended), seeking views on possible categories of dwellings which should be dealt with as exceptions to the Council Tax premiums. Regulations are expected to cover the exceptions for both empty homes premium, and also the second homes premiums.
- 4.2 **The Council has included the proposed exceptions below however; it should be noted that these MAY CHANGE when the new regulations are commenced.**
- 4.3 The consultation proposes that there will be circumstances where either premiums will either not apply or be deferred for a defined period of time. These are as follows:
- **Properties undergoing probate** - the government proposes that these properties should be exceptions to both the second homes and empty homes premiums for a **maximum of 12 months**. The exception would start once probate or letters of administration is granted. This will not affect the Class F Council Tax exemption or the ability for the Council to charge its determined rate of Council Tax following the expiry of the Class F exemption;
  - **Properties that are being actively marketed for sale or rent** - the government proposes that this exception will apply for up to a **maximum of 6 months** from the date that active marketing commenced, or until the property has been sold or rented, whichever is the sooner. The Council, in determining whether this exemption applies will require the following evidence:

- (a) evidence that the dwelling is being **actively** marketed for sale or rent through a recognised agent (evidence can include contracts with agents, advertisements in recognised newspapers or marketing websites);
- (b) where the premises are being self-marketed by the owner or landlord, evidence that the premises is being **actively** marketed (evidence can include advertisements in recognised newspapers or letting websites);
- (c) where for sale, evidence that the premises are being sold at a true market level for the size and type of dwelling within the area in which it is situated. Where the dwelling is for let, that the rent requested is at a true market level for the size and type of dwelling within the area in which it is situated.

The above list is not exhaustive and the Council reserves the right to request further evidence to support any claim for exemption. The exemption will only apply once to any taxpayer or taxpayers if they are jointly and severally liable;

- **Empty properties undergoing major repairs** - this is time limited to 6 months. The government proposes that empty properties undergoing major repair works or structural alternations should be an exception to the premium for up to 6 months once the exception has been applied or when the work has been completed, whichever is the sooner. The exception will be applied at any time after the property has been empty for at least 12 months, so long as the Council is satisfied that the necessary repair work is being undertaken. As with all other exemptions to the premiums, the Council will require the taxpayer to provide such evidence as is required to support their application;
- **Annexes forming part of, or being treated as, part of the main dwelling** - the government proposes that such annexes should be an exception to the Council Tax premium on second homes;
- **Job related dwellings** - currently, there is a Council Tax discount of up to 50% for properties which are unoccupied because the owner is required to live elsewhere for employment purposes. The discount applies where the dwelling is provided for the better performance of the duties of the employment, and it is one of the kinds of employment in the case of which it is customary for employers to provide dwellings for employees. The government proposes that the dwelling should also be an exception to the second homes premium. **The exception will not apply to cases where someone chooses to have an additional property to be closer to work while having a family home elsewhere or where an individual is posted to a new location but maintain their previous address;**
- **Occupied caravan pitches and houseboat moorings** - the government proposes that these caravans and boats should be an exception to the Council Tax premium on second homes; and
- **Seasonal homes where year-round or permanent occupation is prohibited or has been specified for use as holiday accommodation or prevents occupancy as a person's sole or main residence** - the government proposes that properties that have restrictions or conditions preventing occupancy for a

continuous period of at least 28 days in any 12-month period, or specifies its use as a holiday let, or prevents occupancy as a person's sole or main residence, should be an exception to the second homes premium.

- 4.4 It is understood that regulations will be issued late 2023 or early 2024 and the Council will need to ensure that any charging policy is in line with legislation. Therefore, the Council's Section 151 Officer is granted delegated powers to amend this policy in line with legislative or government requirements.

## **5. Outcome expected and 'safety net'.**

- 5.1 The expected outcomes of this policy are as follows:
- (a) Taxpayers will be encouraged, through the implementation of the premiums, to bring empty properties into use and to revert the use of second homes to primary residences;
  - (b) The reduction of empty homes and second homes within the Council's area in line with the Council's Empty Property Strategy; and
  - (c) Increased Council Tax income from empty homes and second homes.
- 5.2 There may be circumstances where the implementation of these changes may cause exceptional hardship to a taxpayer. In such cases, the Council will consider applications for a reduction in liability under its Section 13A (1)(C) of the Local Government Finance Act 1992 - Reduction in Council Tax liability policy.
- 5.3 Where such an application is received, it will be considered on an individual case basis taking into account the circumstances of the taxpayer and the situation regarding the level of Council Tax charged. Should the taxpayer be aggrieved by any decision of the Council a further right of appeal will be with the independent Valuation Tribunal.

## **6. Legislation**

- 6.1 The legislation that covers this report and the recommendations made is as follows:
- S11A & S11B of the Local Government Finance Act 1992;
  - S11C of the Local Government Finance Act 1992 (as introduced by the Levelling Up and Regeneration Act 2023);
  - The Levelling Up and Regeneration Act 2023; and
  - S13A(1)(C) Local Government Finance Act 1992 (reduction in liability).
- 6.2 Due to changes in the legislation, the Council will be required to amend this policy, at any time, in line with statute.

## **7. Finance**

- 7.1 Any amount of premium received will be part of the Council's Collection Fund and will be shared between the Council and Major Precepting authorities in line with their share of the Council Tax.
- 7.2 Any reduction granted under S13A(1)(c) will be financed through the Council's general fund and do not form part of the Collection Fund.

## **8. Notification**

- 8.1 Where a taxpayer is granted an exemption, a revised demand notice will be issued. Where an exemption is applied for but not granted, the Council will provide a notification of its decision.

## **9. Appeals**

- 9.1 Appeals against the Council's decision may be made in accordance with Section 16 of the Local Government Finance Act 1992.
- 9.2 **The taxpayer must in the first instance write to the Council outlining the reason for their appeal. Once received the council will then consider whether any additional information has been received which would justify a change to the original decision and notify the tax payer accordingly.**
- 9.3 Where the taxpayer remains aggrieved, a further appeal can then be made to the Valuation Tribunal. This further appeal should be made within 2 months of the decision of the Council not to grant any reductions. Full details can be obtained from the Council's website or from the Valuation Tribunal Service website.

## **10. Delegated Powers**

- 10.1 This policy for the Council Tax premiums has been approved by the Council. However, the Service Director - Customers is authorised to make technical amendments to ensure it meets the criteria set by government and the Council.

## **11 Fraud**

- 11.1 The Council is committed to protecting public funds and ensuring that premiums are correctly charged.
- 11.2 A taxpayer who tries to reduce their Council Tax liability by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under The Fraud Act 2006.

- 11.3 Where the Council suspects that such a fraud may have been committed, this matter will be investigated as appropriate and may lead to criminal proceedings being instigated.

## **12. Complaints**

- 12.1 The Council's complaints procedure (available on the Council's website) will be applied in the event of any complaint received about this policy.

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**COUNCIL**  
**29 February 2024**

**\*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 £22.633m in 2024/25 and £24.405m for the period 2025/26 to 2028/29.
- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2024/25)
- 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**

That Council:

- 2.1. Approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.
- 2.2. Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 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.
- 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 2023. Notes of the comments raised at the workshops were provided to Cabinet in January. Cabinet agreed to all the schemes presented to the budget workshops, with the following amendments:
  - Spend on a new waste depot (reference ECP50) is not expected to be until at least 2026/27, so the current amount is phased across 2026/27 and 2027/28.
  - Section 106 funding has been added back into the Royston Leisure Centre extension (reference: ECP41) as it had been omitted.
  - The section 106 funding contribution to the Norton Common Bowls Pavilion (reference NCP4) has been amended to a lower total (previously £40k).
- 5.2 At the January Cabinet meeting verbal updates were on capital schemes were provided, which has resulted in the following additions and changes to the capital programme:
  - Our new Leisure Centre operator (SLM) have put forward a proposal that we could provide the capital funding to purchase the fitness equipment and other capital investments contained within their bid (for 2024/25 and 2025/26). SLM have a higher cost of capital than the Council so doing this allows them to provide a further increase in the management fee income. That management fee income increase would more than off-set our revenue costs of capital.
  - We have re-looked at the viability of a new learner pool at Royston. It may be financially viable, but that is subject to the capital cost and the net income that SLM can generate from the facility. The capital cost will be tested via a procurement

process (alongside the gym extension). It has been added to the capital programme to allow the project to progress, subject to a suitable business case.

- We have submitted a bid to the Public Sector Decarbonisation Fund (PSDF) for the decarbonisation of our Leisure Centres, and it includes heat pumps and solar panels. The bid is based on Council match funding of £3.7m, with the fund paying around £7m. We do not yet know if our bid has been successful. Indications are that based on current energy prices, the energy cost savings will offset the revenue costs of capital of the Council's funding. The actual cost savings should be higher as some of the boilers would need replacing soon anyway, and energy prices would be expected to increase over time which would increase the relative savings. To allow the scheme to progress (subject to the application being successful and re-testing the financial viability) it has been added to the capital programme. This has been added by retaining the existing projects (i.e. solar PV, solar thermal and boiler replacements) as separate items, with an extra item for the additional cost for the additional PSDF (this also includes the grant funding). This will allow the existing schemes to still be progressed if the PSDF bid is unsuccessful.
- Increase the capital allocation (to £8.5 million from £4.0million) for the vehicles needed for the new waste and street cleansing contract. The increase is a prudent estimate based on the initial tenders received. The increase reflects some property growth and inflation on vehicle costs.

5.3 Following the Cabinet decision at its meeting in December funding for new bins for fibre (paper and cardboard) has been added. In accordance with accounting guidance the cost of delivering them to residents has been capitalised. This is because that cost is necessarily incurred in making them available for their intended use.

5.4 All of the adjustments above are included in detail in Appendix A1. Tables 6 and 7 of Appendix A (pages 12,13 and 14) then summarise the contents of Table A. Not all of the adjustments detailed above are identified separately in Tables 6 and 7. This specifically applies to the fitness equipment/ other leisure capital investments and the PSDF items as these are detailed across separate specific schemes.

5.4 Changes to the Revenue Budget forecasts, can result in changes to the balances available for investment. This can change the forecast of the yield generated. This has resulted in changes to this report since the version considered by Cabinet.

5.5 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

5.6 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. It is therefore not referred to in the Forward Plan.

## 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 January meeting of Cabinet providing estimates as at the end of the second quarter of 2023/24. The report advised that total expenditure of £36.445m would be required to deliver the current capital programme for 2023-2033, with £8.225m forecast to be spent in 2023/24. 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 2023.

Table 1

|  | 2023/24<br>£M | 2024/25<br>£M | 2025/26 to<br>2032/33<br>£M |
|--|---------------|---------------|-----------------------------|
| <b>Original Estimates approved by Full Council February 2023</b>   | <b>8.516</b>  | <b>7.427</b>  | <b>15.624</b>               |
| <b>Changes approved by Cabinet in 3rd Qrt 2022/23</b>  | 1.554         | 0             | 0                           |
| <b>Changes approved by Cabinet in 2022/23 Capital Outturn report</b>                                       | 1.221         | 0             | 0                           |
| <b>Revised Capital estimates at start of 2023/24</b>   | <b>11.291</b> | <b>7.427</b>  | <b>15.624</b>               |
| <b>Changes at Q1</b>   | -0.853        | 0.686         | 0.585                       |
| <b>New Financial System - Council Approved 28/09/23</b>  | 0.200         |               |                             |
| <b>Changes at Q2 (mainly changes to museum storage and John Barker place, off-set by addition of LAHF)</b> | -2.413        | 1.789         | 2.109                       |
| <b>Current Capital Estimates</b>   | <b>8.225</b>  | <b>9.902</b>  | <b>18.318</b>               |

- 7.3 The Treasury Strategy Statement for 2023/24 was approved by Council in February 2023. A mid year review of the Treasury Strategy is provided to Council in January 2024. There have been no changes made to the Strategy during the course of 2023/24.

## 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 £16.434m (mainly explained by the changes detailed in paragraphs 5.2 and 5.3).
  - A total capital programme for the period of 2024/25 to 2028/29 of £47.037m.
  - Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators.

- 8.2 The following is provided as an appendix to the Investment Strategy, and is also appendices to this report:
- Appendix A1- A list of new capital schemes and schemes planned to commence from 2024/25.
- 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 12-14 is what was presented to the budget workshops (as referenced in paragraph 5.1) with the addition of items referenced in paragraphs 5.1 to 5.3.
- 8.5 Table 10 (on page 17) provides a forecast of the capital receipts that the Council will generate over the next few years. Capital receipts are received from the sale of surplus land that the Council owns. 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 would also affect the revenue budget in the medium-term.
- 8.6 As detailed in table 11 (on page 17) based on forecasts of capital receipts and spend, the Council will have a need to borrow to fund the capital programme. This will require £11.857m of borrowing in 2024/25, an additional £4.023m in 2025/26, and a further £11.439m between 2026-2034. As detailed on page 19, the Council can consider whether to borrow internally or externally. However as detailed on page 20, 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. Internal borrowing means that we use our cash reserves, rather than getting money in by borrowing from third parties. This is different to using our reserves to directly fund capital. The implication of internal borrowing (versus external borrowing) is that the cost is in lost interest income, rather than incurring external interest charges. This should be lower cost and lower risk. Based on forecasts, the capital programme up to 2028/29 can be covered by internal borrowing.
- 8.7 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). On page 25 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. MRP is calculated by dividing capital spend (on those schemes that the Council needs to fund from a borrowing requirement) and dividing that by the expected useful life of the asset. There is not a MRP charge until the year after the spend is incurred. The overall MRP charge is a large amount but this reflects that there are a number of invest-to-save projects included (e.g. capital funding for SLM leisure investments, public sector decarbonisation fund and learner pool). Invest-to-save projects will generate income or revenue cost reductions that off-set the revenue costs of capital (interest and MRP costs).

8.8 Table 17 on page 29 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. The following amendments have been made compared to previous years:

- Limits are based on the forecast average total balances during the year (rather than the forecast closing balance) as this better reflects the overall position. To avoid the risk of being over-exposed to a particular asset type at year end, the following percentage limits have been reduced:
- 50% with banks in total, previously 60%
- 20% in non-UK banks, previously 25%
- 20% in Money Market Funds, previously 25%
- 25% in investments that are longer than 1 year, previously 40%

All other changes in limit values are due to changes in the forecast total investment values that the percentages are applied to. As in previous years, all amounts are rounded up to the nearest £1m.

8.9 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.

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

8.11 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.

8.12 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

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

8.14 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 5.7.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (b) (iv) 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.

8.15 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 5.7.39) and treasury management strategy statement (Constitution 5.7.40).

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. The Department for Levelling Up, Housing and Communities (DLUHC) issued revised guidance on local authority investments in 2017 that the Council is required to have regard to.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The revenue implications of capital spend and treasury investment returns are included in the revenue budget report (also on the agenda of this meeting).
- 10.2 Capital implications are covered throughout this report and the appendices.

## **11. RISK IMPLICATIONS**

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 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.
- 11.3 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 2024/25 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 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 capital schemes planned to commence from 2024/25

### **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)
- 17.2 Dean Fury, Corporate Support Accountant, Ext 4509, [dean.fury@north-herts.gov.uk](mailto:dean.fury@north-herts.gov.uk)
- 17.3 Reuben Ayavoo, Policy and Communities Manager, Ext 4212, [reuben.ayavoo@north-herts.gov.uk](mailto:reuben.ayavoo@north-herts.gov.uk)
- 17.4 Isabelle Alajooz, Legal Commercial Team Manager and Deputy Monitoring Officer [isabelle.alajooz@north-herts.gov.uk](mailto:isabelle.alajooz@north-herts.gov.uk); ext 4346

### **18. BACKGROUND PAPERS**

- 18.1 None

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## **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 returns.

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 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 Estates Team 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 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

### Treasury Consultant

The Council undertook a tender to provide treasury management advice for a three year period. The contract was awarded to Link Asset Services (“Link”) to provide treasury management advice for the three year period April 2023 –March 2026 with the option to extend for a further two years. 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 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<br>(All Councillors)                                  | Required to formally adopt this Strategy.<br><br>Required to approve any capital purchase over £2.5m.  | Annual training that provides an introduction to Local Authority funding and accounting was provided in June 2023. All Councillors were invited to attend, with a particular focus on new Members, Cabinet members and Finance, Audit and Risk Committee members.  |
| Finance, Audit and Risk (FAR) Committee                            | To review the Council's policies on Treasury, Capital and the Medium-Term Financial Strategy.<br><br>To monitor the effective development and operation of risk management.  | 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. This has enabled a number of training sessions to take place in advance of the regular FAR meetings.<br><br>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.<br><br>Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions. |
| Chief Finance Officer and Finance Team                             | Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management.<br><br>Responsible for reviewing and amending the financial implications sections of reports. | Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.  |
| Leadership Team (LT)   | Individual Service Directors will be responsible for putting forward proposals.<br><br>Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process.<br><br>Members of SMT are likely to be involved in negotiating commercial deals.                                      | Previous training session on risk, risk appetite and assessing risk.<br><br>Regular updates on the Council's funding and finances, including significant changes in regulations.<br><br>Updates on the core principles of the prudential framework.  |
| Political Liaison Board (Joint Member and Officer Leadership Team) | Cabinet makes recommendations to Council on the policy direction and budget for the Council.<br><br>Approves capital spend up to £2.5m.  | Previous presentations on the implications of the CIPFA Financial Management Code to help ensure effective financial governance and sustainability.<br><br>Regular updates on key financial issues.  |



## **Part 2- Capital Spend**

### **Current Capital Assets**

As at 31<sup>st</sup> March 2023, 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                                      | 30,598              |
| Surplus Land and buildings  | Various  | Held for future sale or development                              | 9,012               |
| Offices and Storage         | Offices  | Staff offices, customer service centre and democratic facilities | 3,823               |
| Offices and Storage         | Unit 3 / Depots                                      | Off-site storage, back-up IT and emergency planning              | 590                 |
| Leisure Facilities          | Hitchin Swim Centre / Archers                        | Service use  | 8,955               |
| Leisure Facilities          | Letchworth Outdoor Pool                              | Service use  | 3,278               |
| Leisure Facilities          | North Herts Leisure Centre                           | Service use  | 13,607              |
| Leisure Facilities          | Royston Leisure Centre                               | Service use  | 8,641               |
| Leisure Facilities          | Pavilions / Bandstands                               | Service use  | 2,328               |
| Leisure Facilities          | Recreation Grounds / Play Areas / Gardens/Allotments | Service use  | 5,638               |
| Community Centres and Halls | Various  | Community facilities, generally operated by third parties        | 13,017              |
| Markets                     | Hitchin Market                                       | To provide a market  | 170                 |
| Museums and Arts            | Hitchin Town Hall and District Museum                | District-wide museum and community facility                      | 7,242               |
| Museums and Arts            | Letchworth and Hitchin museums, Burymead store       | Museum storage   | 1,791               |
| Cemeteries                  | Various  | Service use  | 1,485               |
| Community Safety            | Various CCTV cameras                                 | Service use  | 0                   |
| IT                          | Various computer equipment and software              | To enable the delivery of other services                         | 398                 |
| Parking                     | Various car parks                                    | Service use  | 11,707              |
| Waste Collection            | Bins   | Service use  | 235                 |
| Waste Collection            | Vehicles   | Service use  | 908                 |
| Public Conveniences         | Various  | Subject to leases/ management arrangements                       | 582                 |
| Other                       | Various  | Various  | 531                 |
| <b>Total</b>                |  |  | <b>124,536</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 and Wilbury Hills                          | Path Enhancement   | 116                 |
| Community Centres and Halls | Various   | Grants for refurbishment of community facilities. Relates to properties that are not owned by the Council (REFCUS) | 98                  |
| Grants                      | Various   | Local Authority Housing Fund   | 1,967               |
| Grants                      | Various   | Private Sector Housing Grants  | 148                 |
| Grants                      | Various   | S106 Grants (REFCUS)   | 416                 |
| Grants                      | Various   | Shared Prosperity Fund   | 180                 |
| Investment Properties       | Residential Housing                                     | To enable the conversion of Harkness Court to increase housing provision in the District                           | 35                  |
| IT                          | Various computer equipment and software                 | To maintain IT service and provision of equipment  | 667                 |
| Leisure Facilities          | Hitchin Swim Centre                                     | Enhancements   | 65                  |
| Leisure Facilities          | Leisure Condition Survey                                | Improvements to various Leisure sites  | 206                 |
| Leisure Facilities          | North Herts Leisure Centre                              | Soft Play Area, Refurbish Gym toilets and reconfigure Reception  | 211                 |
| Leisure Facilities          | Recreation Grounds / Play Areas / Gardens               | Refurbishment of play areas.   | 1,335               |
| Leisure Facilities          | Royston Leisure Centre                                  | Refurbish Swim Showers and Change Village  | 75                  |
| Parking                     | Multi-storey car parks                                  | Structural Repairs, Resurfacing and Decoration   | 70                  |
| Parking                     | Off Street  | Match Funding for Electric Vehicle charging and DCO charging points  | 123                 |
| Parking                     | Off Street  | Upgrade pay and display machines and resurfacing   | 481                 |
| 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  | 368                 |
| Waste                       | Bins  | Service Use  | 135                 |
| Waste                       | Bury Mead Road Transfer Facility                        | Service Use  | 30                  |
| <b>Total</b>                |   |  | <b>7,489</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 (£23.7m 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 (value £4.5m)   | 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.<br><br>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 £0.8m)  | 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) (value £0.8m)  | 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 building regulations approval. It is now expected to have high liquidity.  | Not currently generating any income. The final completion of the conversion will enable generation of rental income.   |
| Other assets valued at less than £0.1m (£0.5m 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 (£23.7m 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 £4.5m)                                    | 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 is undertaking necessary works. These works are generally expected to be funded from current and forecast balances in the service charge account. |
| Letchworth Town Hall (value £0.8m)  | 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.   |
| 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 (£0.5m 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 2024/25– 2028/29.

For all assets the future capital cost of maintaining those assets has been considered, and gives the following future capital spend requirements (table 6). For some of the elements of some items (marked with an asterisk) the spend could be included in table 7 but is included here to make the tables shorter.

**Table 6**

| Asset  | Description of future capital expenditure   | Forecast Capital Expenditure (£000) |         |         |         |         |                    |
|--|---|-------------------------------------|---------|---------|---------|---------|--------------------|
|  |   | 2024/25                             | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 to 2033/34 |
| Existing Capital Programme-schemes 2024/25 onwards |   |                                     |         |         |         |         |                    |
| Various  | Capital maintenance based on condition surveys  | 100                                 | 100     | 100     | 85      | 0       | 0                  |
| Cemeteries   | St Johns and Wilbury Hills footpath resurfacing   | 50                                  | 0       | 30      | 0       | 0       | 0                  |
| Computer Software & Equipment                      | To maintain IT services   | 396                                 | 1,124   | 136     | 62      | 1,042   | 1,275              |
| 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                  |
| 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 / Solar PV Installation   | 382                                 | 300     | 225     | 0       | 0       | 0                  |
| North Herts Museum & Community Facility            | Weatherproof solution to allow all year round use of the Terrace Gallery balcony space                        | 48                                  |         |         |         |         |                    |

|                                       |   |               |              |              |            |              |              |
|---------------------------------------|---|---------------|--------------|--------------|------------|--------------|--------------|
| North Herts Leisure Centre*           | Various Refurbishments / Solar PV installation                      | 538           | 0            | 0            | 120        | 150          | 0            |
| Royston Leisure Centre                | Refurbishments / Boiler Replacement                                 | 758           | 30           | 0            | 0          | 0            | 0            |
| Various                               | Private sector housing grants (REFCUS)                              | 60            | 60           | 60           | 60         | 60           | 300          |
| Various                               | Creation of and improvements to local green spaces                  | 100           | 0            | 0            | 0          | 0            | 0            |
| Various                               | Community Engagement Schemes  | 163           | 0            | 0            | 0          | 0            | 0            |
| Various                               | Funding for local sports facilities, tournaments, teams and leagues | 100           | 0            | 0            | 0          | 0            | 0            |
| Various Off-Street Car Parks          | Resurfacing / Enhancements  | 655           | 50           | 59           | 0          | 0            | 0            |
| Various Parks and Playgrounds         | Enhancements  | 345           | 180          | 190          | 190        | 180          | 900          |
| Waste and Recycling                   | Bin replacements  | 90            | 90           | 90           | 90         | 90           | 270          |
| <b>New Capital Programme</b>          |   |               |              |              |            |              |              |
| Cemeteries                            | Burials Database System   | 55            | 0            | 0            | 0          | 0            | 0            |
| Grange and Jackmans Community Centres | Install flat roof safety barriers                                   | 43            | 0            | 0            | 0          | 0            | 0            |
| Hitchin Swim Centre                   | Various Refurbishments and Gym Equipment                            | 89            | 372          | 0            | 0          | 0            | 0            |
| Howard Park Kiosk                     | Refurbishment   | 30            | 0            | 0            | 0          | 0            | 0            |
| Letchworth Outdoor Pool               | Café  | 53            | 0            | 0            | 0          | 0            | 0            |
| NH Museum and Community Facility      | Various Refurbishments  | 30            | 0            | 25           | 0          | 0            | 0            |
| North Herts Leisure Centre            | Various Refurbishments  | 1,196         | 0            | 250          | 0          | 0            | 0            |
| Norton Common Bowls Pavilion          | Various Enhancements  | 55            | 0            | 0            | 0          | 0            | 0            |
| Old Hale Way Allotments               | Resurface roads and footpaths                                       | 20            | 0            | 0            | 0          | 0            | 0            |
| Public Sector Decarbonisation Fund*   | Public Sector Decarbonisation Fund                                  | 9,515         | 0            | 0            | 0          | 0            | 0            |
| Royston Leisure Centre*               | Various Refurbishments  | 70            | 822          | 0            | 0          | 0            | 0            |
| Various Parks and Playgrounds         | Enhancements  | 140           | 0            | 0            | 0          | 0            | 0            |
| <b>Total</b>                          |   | <b>15,537</b> | <b>3,128</b> | <b>1,165</b> | <b>607</b> | <b>1,522</b> | <b>2,745</b> |

The totals for 2029/30 to 2033/34 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 £234k 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) |               |              |              |          |                    |
|---------------------------------------|--|-------------------------------------|---------------|--------------|--------------|----------|--------------------|
|                                       |  | 2024/25                             | 2025/26       | 2026/27      | 2027/28      | 2028/29  | 2029/30 to 2033/34 |
| Charnwood House                       | Refurbish and update the building for community use.   | 350                                 | 0             | 0            | 0            | 0        | 0                  |
| John Barker Place                     | Contribution to redevelopment  | 1,096                               | 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 Upgrade   | 150                                 | 0             | 0            | 0            | 0        | 0                  |
| Royston Leisure Centre                | Extension to provide a new multi-functional room and increase size of fitness room   | 1,000                               | 0             | 0            | 0            | 0        | 0                  |
| Royston Leisure Centre                | Learner Pool   | 2,500                               | 0             | 0            | 0            | 0        | 0                  |
| Various pavilions and cemetery sites. | Provision of remote testing Emergency Lights and Water Temperature Monitoring  | 0                                   | 13            | 0            | 0            | 0        | 0                  |
| Walsworth Common Pavilion             | New pavilion   | 0                                   | 300           | 0            | 0            | 0        | 0                  |
| Waste and Recycling                   | Vehicles   | 0                                   | 8,500         | 0            | 0            | 0        | 0                  |
| Waste and Recycling                   | Recyclable material transfer facility, vehicle depot and offer facility co-located with a residual waste transfer facility | 0                                   | 0             | 3,000        | 3,000        | 0        | 0                  |
| Waste and Recycling                   | New fibre bins   | 0                                   | 1,170         | 0            | 0            | 0        | 0                  |
| <b>Total</b>                          |  | <b>7,096</b>                        | <b>11,983</b> | <b>3,000</b> | <b>3,000</b> | <b>0</b> | <b>0</b>           |



Below is an estimate of the total capital expenditure to be incurred in the years 2024/25 to 2028/29. 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 2024/25 to 2028/29**

| Year    | £m     |
|---------|--------|
| 2024/25 | 22.633 |
| 2025/26 | 15.111 |
| 2026/27 | 4.165  |
| 2027/28 | 3.607  |
| 2028/29 | 1.522  |

A list of new capital schemes and schemes planned to commence from 2024/25 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 other investments where they support regeneration or support Council priorities. 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 (including developing housing on Council land) | <p>The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. Any 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> |

|                   |   |  |  |
|-------------------|---|--|--|
| Other investments | The primary reason for any other investment would be to enable regeneration and/ or to support the delivery of Council priorities. But given overall Council finances, the security of investments will be given a high weighting in determining whether to take any forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties. | 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. | To reflect the risk of property investment a net surplus of 1% (above revenue costs of capital, administration and acquisition costs) will be targeted as a minimum. Any target surplus will be commensurate with the level of risk. |
|-------------------|---|--|--|

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

**Table 9**

| Asset (or type of asset) | Assessment of the risk of loss  |
|--------------------------|---|
| Residential Property     | This will be fully assessed as part of the business case for the acquisition of any properties. |
| Other investments        | 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). The Council has surplus land that is expected to have a value that is not included in the forecasts below as the amount and/or timing of the receipt is too uncertain. These sales are likely to fall in to the period from 2027/28 onwards.

**Table 10**

|                          | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--------------------------|---------|---------|---------|---------|---------|---------|
| Balance B/Fwd            | 2,759   | 0       | 0       | 0       | 0       | 0       |
| Used in Year             | 3,452   | 0       | 7,600   | 600     | 0       | 0       |
| Forecast Receipts (£000) | 693     | 0       | 7,600   | 600     | Tbc     | Tbc     |
| Balance C/Fwd            | 0       | 0       | 0       | 0       | 0       | 0       |

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

**Table 11**

| Funding Source                          | Brought forward (at 31/3/23) | Forecast expenditure and funding sources (£000) |               |               |               |               |               |                    |
|---|------------------------------|---|---------------|---------------|---------------|---------------|---------------|--------------------|
|   |                              | 2023/24   | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29       | 2029/30 to 2033/34 |
| Capital Expenditure                     |                              | 7,489   | 22,633        | 15,111        | 4,165         | 3,607         | 1,522         | 2,745              |
| Less: Set-aside receipts used           | 2,719                        | 564   | 2,155         | 0             | 0             | 0             | 0             | 0                  |
| Less: Capital receipts used             | 2,759                        | 3,452   | 0             | 7,600         | 600           | 0             | 0             | 0                  |
| Less: Grant funding used                |                              | 2,952   | 8,106         | 0             | 0             | 0             | 0             | 0                  |
| Less: IT Reserve used                   |                              | 0   | 0             | 0             | 0             | 0             | 0             | 0                  |
| Less: S106 receipts used                |                              | 516   | 467           | 37            | 0             | 0             | 0             | 0                  |
| Less: Funding from revenue              |                              | 0   | 0             | 3,200         | 0             | 0             | 0             | 0                  |
| Less: Other Capital Contributions       |                              | 5   | 48            | 250           | 0             | 0             | 0             | 0                  |
| <b>Borrowing requirement</b>            |                              | <b>0</b>  | <b>11,857</b> | <b>4,024</b>  | <b>3,565</b>  | <b>3,607</b>  | <b>1,522</b>  | <b>2,745</b>       |
| <b>Cumulative borrowing requirement</b> |                              | <b>0</b>  | <b>0</b>      | <b>15,881</b> | <b>19,446</b> | <b>23,053</b> | <b>24,575</b> | <b>27,320</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 2023 (actual)   | -2.7 |
| As at 31 <sup>st</sup> March 2024 (forecast) | -2.2 |
| As at 31 <sup>st</sup> March 2025 (forecast) | 11.9 |
| As at 31 <sup>st</sup> March 2026 (forecast) | 15.9 |
| As at 31 <sup>st</sup> March 2027 (forecast) | 19.4 |
| As at 31 <sup>st</sup> March 2028 (forecast) | 23.1 |

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

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

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

#### **Borrowing strategy**

#### **Definitions:**

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

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

Based on Prudential Indicator 2 above the Council has a Capital Financing Requirement from 2025/26 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 31/3/23) | Forecast balance at year end |               |               |               |               |               |
|-------------------------------|------------------------------|------------------------------|---------------|---------------|---------------|---------------|---------------|
|                               |                              | 2023/24                      | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29       |
| General Fund <sup>1</sup>     | 11,990                       | 13,425                       | 13,425        | 12,011        | 11,098        | 10,640        | 10,684        |
| Add back MRP                  | 0                            | 0                            | 0             | 721           | 1,163         | 1,313         | 1,411         |
| Revenue Reserves <sup>2</sup> | 10,661                       | 10,491                       | 9,521         | 5,356         | 5,856         | 6,356         | 6,856         |
| S106 balances                 | 4,622                        | 4,106                        | 3,640         | 3,603         | 3,603         | 3,603         | 3,603         |
| Provisions                    | 1,366                        | 1,366                        | 1,366         | 1,366         | 1,366         | 1,366         | 1,366         |
| Outstanding Debt              | 367                          | 347                          | 325           | 305           | 290           | 275           | 265           |
| <b>Total</b>                  | <b>29,006</b>                | <b>29,735</b>                | <b>28,277</b> | <b>23,362</b> | <b>23,376</b> | <b>23,553</b> | <b>24,185</b> |

1 Based on General Fund forecasts as per 'Revenue Budget 2024/25' report.

2 Revenue Reserve balance as at 31/3/23. 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 2024/25' report, as these do not have a material impact.

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.

The Prudential Code (published by the Chartered Institute of Public Finance and Accountancy) provides a framework for Councils to develop investment plans that are affordable, prudent and sustainable. This details that an expectation that Councils 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 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 31/3/23) | Forecast amount of borrowing in year (£000) |         |         |         |         |         |                    | Carried forward (at 31/3/34) |
|-----------------------------|------------------------------|---|---------|---------|---------|---------|---------|--------------------|------------------------------|
|                             |                              | 2023/24                                     | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 | 2029/30 to 2033/34 |                              |
| Total borrowing requirement | 367                          | 0   | 11,857  | 4,024   | 3,565   | 3,607   | 1,522   | 2,745              |                              |
| Made up of:                 |                              |   |         |         |         |         |         |                    |                              |

|                    |     |      |        |       |       |       |       |       |        |
|--------------------|-----|------|--------|-------|-------|-------|-------|-------|--------|
| Internal borrowing | 0   | 0    | 11,857 | 4,024 | 3,565 | 3,607 | 1,522 | 2,745 | 27,320 |
| External borrowing | 367 | (21) | (21)   | (20)  | (15)  | (15)  | (10)  | (15)  | 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<br>£m | Forecast other long-term liabilities <sup>1</sup><br>£m | Less: Internal Borrowing<br>£m | Forecast Total External Debt<br>£m | Operational Boundary<br>£m | Authorised Limit<br>£m |
|--|--------------------------|---|--------------------------------|------------------------------------|----------------------------|------------------------|
| As at 31 <sup>st</sup> March 2023 (actual)   | 0.367                    | 1.023   | 0                              | 1.390                              | 3.0                        | 8.0                    |
| As at 31 <sup>st</sup> March 2024 (forecast) | 0.347                    | 0.516   | 0                              | 0.863                              | 2.0                        | 7.0                    |
| As at 31 <sup>st</sup> March 2025 (forecast) | 12.182                   | 0.106   | (11.857)                       | 0.431                              | 2.0                        | 7.0                    |
| As at 31 <sup>st</sup> March 2026 (forecast) | 16.185                   | 8.600   | (15.880)                       | 8.905                              | 10.0                       | 15.0                   |
| As at 31 <sup>st</sup> March 2027 (forecast) | 19.736                   | 8.092   | (19.446)                       | 8.382                              | 10.0                       | 15.0                   |
| As at 31 <sup>st</sup> March 2028 (forecast) | 23.328                   | 7.582   | (23.053)                       | 7.857                              | 9.0                        | 14.0                   |
| As at 31 <sup>st</sup> March 2029 (forecast) | 24.840                   | 7.072   | (24.575)                       | 7.337                              | 9.0                        | 14.0                   |

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**

| <b>Loan Type</b> | <b>Start date</b> | <b>Duration (years)</b> | <b>Maturity date</b> | <b>Amount Borrowed (£)</b> | <b>Balance Outstanding 31/03/24 (£)</b> | <b>Interest Rate (actual or forecast) (%)</b> | <b>Current Annual interest cost (£)</b> |
|------------------|-------------------|-------------------------|----------------------|----------------------------|---|---|---|
| PWL B            | 08/01/49          | 80                      | Oct 2025             | 5,346                      | 350                                     | 3.125   | 15                                      |
|                  | 16/09/49          | 80                      | Jul 2029             | 380                        | 27                                      | 3.0   | 1                                       |
|                  | 10/05/46          | 80                      | Jan 2026             | 10,150                     | 636                                     | 3.125   | 27                                      |
|                  | 12/11/48          | 80                      | Jul 2028             | 13,885                     | 1,918                                   | 3.0   | 66                                      |
|                  | 28/07/64          | 60                      | Jul 2024             | 15,801                     | 474                                     | 6.0   | 69                                      |
|                  | 02/03/65          | 60                      | Jan 2025             | 19,558                     | 1,155                                   | 6.0   | 119                                     |
|                  | 01/10/65          | 60                      | Jul 2025             | 33,976                     | 2,968                                   | 6.0   | 261                                     |
|                  | 05/07/66          | 60                      | Jan 2026             | 35,000                     | 4,018                                   | 6.0   | 324                                     |
|                  | 02/08/66          | 60                      | Jul 2026             | 50,000                     | 7,072                                   | 6.0   | 540                                     |
|                  | 18/03/68          | 60                      | Jan 2028             | 40,000                     | 10,191                                  | 7.375   | 870                                     |
|                  | 03/01/69          | 60                      | Jul 2028             | 53,027                     | 16,106                                  | 8.125   | 1,484                                   |
|                  | 06/03/70          | 60                      | Jan 2030             | 20,100                     | 8,121                                   | 8.75  | 776                                     |
|                  | 24/11/70          | 60                      | Jul 2030             | 18,714                     | 8,509                                   | 9.5   | 874                                     |
|                  | 26/01/71          | 60                      | Jan 2031             | 25,000                     | 12,196                                  | 9.75  | 1,275                                   |
|                  | 05/03/71          | 60                      | Jan 2031             | 12,500                     | 5,883                                   | 9.25  | 585                                     |
|                  | 05/03/71          | 60                      | Jan 2031             | 25,000                     | 11,773                                  | 9.25  | 1,170                                   |
|                  | 31/05/46          | 80                      | Jan 2026             | 9,570                      | 628                                     | 3.125   | 26                                      |
|                  | 28/02/47          | 80                      | Jan 2027             | 5,832                      | 486                                     | 2.5   | 15                                      |
|                  | 18/10/46          | 80                      | Jul 2026             | 1,527                      | 107                                     | 2.5   | 3                                       |
|                  | 20/02/48          | 80                      | Jan 2028             | 14,952                     | 1,850                                   | 3.0   | 65                                      |
|                  | 22/09/50          | 80                      | Jul 2030             | 654                        | 127                                     | 3.0   | 4                                       |
|                  | 27/08/82          | 60                      | Jul 2042             | 250,000                    | 250,000                                 | 11.5  | 28,750                                  |
|                  | 07/12/45          | 80                      | Sep 2025             | 1,500                      | 114                                     | 3.125   | 4                                       |
|                  | 16/09/49          | 80                      | Sep 2029             | 640                        | 107                                     | 3.0   | 3                                       |
|                  | 20/03/53          | 80                      | Mar 2033             | 1,020                      | 329                                     | 4.125   | 14                                      |
|                  | 23/10/53          | 80                      | Sep 2033             | 750                        | 240                                     | 4.0   | 10                                      |
|                  | 20/11/53          | 80                      | Sep 2033             | 420                        | 137                                     | 4.0   | 5                                       |
|                  | 25/04/52          | 80                      | Mar 2032             | 480                        | 141                                     | 4.25  | 6                                       |
|                  | 30/01/48          | 80                      | Sep 2027             | 1,560                      | 170                                     | 3.0   | 6                                       |
|                  | 20/09/45          | 80                      | Sep 2025             | 16,690                     | 1,089                                   | 3.125   | 50                                      |
| <b>Total</b>     |                   |                         |                      |                            | <b>346,922</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 |
|---------|---|----------------------------------|-------------------------------------|
| 2023/24 | 1.5   | 1.5                              | 0.5                                 |
| 2024/25 | 1.9   | 1.9                              | 0.6                                 |
| 2025/26 | 1.4   | 1.4                              | 0.4                                 |
| 2026/27 | 1.9   | 1.9                              | 0.6                                 |
| 2027/28 | 1.4   | 1.4                              | 0.4                                 |
| 2028/29 | 1.9   | 1.9                              | 0.6                                 |



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

The totals below are based on existing investment assets and estimates of the income that they are expected to generate. As there is no borrowing linked to investment assets, the expected annual borrowing costs are shown as zero.

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

| Year    | Capital value of investment assets<br>£m | Expected annual income from investment assets<br>£m | Total borrowing linked to investment assets<br>£m | Expected annual borrowing costs for loans linked to investment assets<br>£m |
|---------|--|---|---|---|
| 2024/25 | 30.598                                   | 1.570   | 0   | 0   |
| 2025/26 | 30.598                                   | 1.555   | 0   | 0   |
| 2026/27 | 30.598                                   | 1.541   | 0   | 0   |
| 2027/28 | 30.598                                   | 1.541   | 0   | 0   |
| 2028/29 | 30.598                                   | 1.541   | 0   | 0   |

Borrowing in advance of need

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.

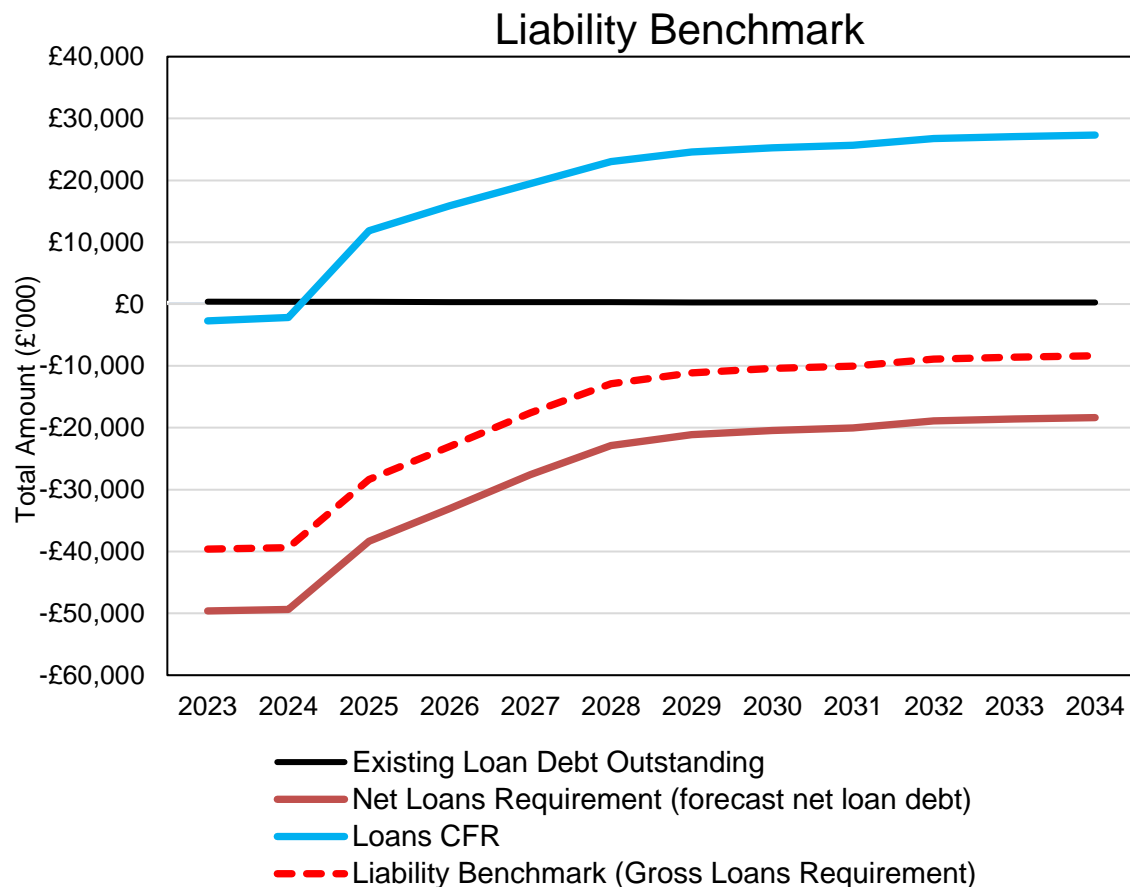
The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The change to the PWLB rules also means that this borrowing cannot be accessed if there is any capital spend that is primarily to generate income, even 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 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 with no charge levied in the first year, 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 spent 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 2023/24 to 2028/29**

| Year    | Estimated cost of borrowing (£m) | Forecast net revenue budget (£m) | Estimated cost of borrowing as a % of net revenue budget (%) |
|---------|----------------------------------|----------------------------------|--|
| 2023/24 | 0.037                            | 17.404                           | 0.213  |
| 2024/25 | 0.570                            | 19.898                           | 2.865  |
| 2025/26 | 0.755                            | 19.620                           | 3.848  |
| 2026/27 | 1.196                            | 18.996                           | 6.296  |
| 2027/28 | 1.345                            | 19.088                           | 7.046  |
| 2028/29 | 1.442                            | 18.836                           | 7.656  |

## 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 31/3/23) | Forecast balance at year end (£000) |               |               |               |              |              |
|---|------------------------------|-------------------------------------|---------------|---------------|---------------|--------------|--------------|
|   |                              | 2023/24                             | 2024/25       | 2025/26       | 2026/27       | 2027/28      | 2028/29      |
| Revenue balances (including MRP added back)       | 34,296                       | 29,735                              | 28,277        | 23,362        | 23,376        | 23,553       | 24,185       |
| Capital Receipts                                  | 2,540                        | 694                                 | 0             | 7,600         | 600           | 0            | 0            |
| Capital Grants Unapplied                          | 899                          | 899                                 | 186           | 186           | 186           | 186          | 186          |
| Add: Long-term liabilities <sup>1</sup>           | 1,023                        | 516                                 | 562           | 8,984         | 8,336         | 7,687        | 7,038        |
| Less: Capital Financing Requirement               | -2,719                       | -2,155                              | 11,856        | 15,880        | 19,445        | 23,052       | 24,574       |
| Less: Borrowing repayments                        | 19                           | 20                                  | 21            | 20            | 15            | 15           | 10           |
| <b>Total forecast of available for investment</b> | <b>41,458</b>                | <b>33,979</b>                       | <b>17,148</b> | <b>24,232</b> | <b>13,038</b> | <b>8,359</b> | <b>6,825</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 waste vehicles and is based on the assumption that the Council (for the new contract) will capitalise the cost of the vehicles but the contractor will pay for the vehicles and charge for the use of them through the contract price. The Council may decide that it is better value to fund the vehicles up-front, in return for a lower contract cost. This would affect the long-term liabilities adjustment from 2025/26 onwards, but doesn't affect amounts for 2024/25.

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. | 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 £50k   | Current intention is that any loan would be for cashflow purposes to enable the company to become established. Therefore, assumed at a maximum of £50k, although expected to be less than this. 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 may be secured against the property assets of the company.<br><br>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.<br><br>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         | £308K   | To purchase Technogym Equipment, which enables the provision of fitness activities at the Leisure Centres.   | As above.  | The Covid-19 pandemic affected the financial performance of SLL, and a repayment holiday was agreed. Whilst SLL has returned to paying a full management fee during 2023/24, they have not been able to make loan repayments. The end of the contract in March 2024 is likely to affect the prospect of being repaid.<br><br>The Council will keep this debt under review.                                      |

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 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 average balance during the year (2024/25)\* 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 the average closing balance 23/24 and 24/25  
£24.72m

**Table 17**

| Investment Type   | Maximum amount in that type of investment (£m) | Maximum amount in group (£m) | Maximum amount with any individual counterparty (£m) | Rationale and details  |
|---|--|------------------------------|--|--|
| Debt Management Office (UK Government)  | No limit                                       |                              |  | Short-term investment with UK Government that is therefore the lowest possible risk  |
| UK Local Authorities  | No limit                                       | n/a                          | 4  | 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 | 13   | 4                            | 3  | Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 60% with banks in total   |
| Lloyds Current Account  |  | n/a                          | 5  | Used for cashflow purposes   |
| Non-UK banks- includes deposits and Certificates of deposit   |  | 6                            | 3  | AA- or above Country rating and A+ or above institution rating. Maximum of 10% with any one counterparty. Maximum of 20% in non-UK banks. 60% in banks in total.                                   |
| UK Building Societies- assets of £300m to £1bn  | n/a  | 15                           | 1  | Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £1m. Maximum of 60% with UK Building Societies and Property Funds combined. |
| UK Building Societies- assets of over £1bn  |  |                              | 2  | As above, but £2million  |
| Rated UK Building Societies   |  |                              | 3  | Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.  |
| UK Property Funds   |  |                              | 1  | Due to long-term nature of investment 10% of 2028/29 year end cash balance to be invested in any one fund or combination of funds. No durational limits.   |
| Money Market Funds  | 6  | n/a                          | 3  | AAA rated. Maximum of 20% in MMFs and 10% with any one fund.   |
| Ultra-Short Dated Bond Funds  | 3  |                              | 1  | AAA rated. Maximum of 10% in USDBFs and £1M with any one fund.   |

|                      |   |  |   |  |
|----------------------|---|--|---|--|
| UK Multi-Asset Funds | 1 |  | 1 | Due to long-term nature of investment 10% of 2028/29 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 25% of total investments but is again reflected as an absolute value of **£7m**, which is based on 25% of the expected average level of balances during 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 25% 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.

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 take time to register with them.

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

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



**Table 18**

| Year    | Forecast of Bank of England Base Rate as at end of the year (%) | Forecast of average interest earned on investments (%) |
|---------|---|--|
| 2024/25 | 4.0   | 4.50   |
| 2025/26 | 3.0   | 2.94   |
| 2026/27 | 2.5   | 2.50   |

The 2026/27 rate is then used for investments in subsequent years.

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 so have not been assumed in calculating the forecast interest returns.

**Table 19**

|   | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|---|---------|---------|---------|---------|---------|
| Forecast of average balance available for investment (£m)- short to medium term | 25.6    | 20.7    | 18.6    | 10.7    | 7.6     |
| Forecast of interest earned (£m)*   | 1.150   | 0.606   | 0.464   | 0.265   | 0.187   |
| Current interest assumed in the revenue budget.                                 | 1.021   | 0.533   | 0.490   | 0.471   | 0.471   |

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

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

| Year    | Cost of borrowing £m | Less: Forecast of interest earned £m | Net Financing costs £m | Net Revenue Budget £m | Financing Costs as a % of Net Revenue Budget £m |
|---------|----------------------|--------------------------------------|------------------------|-----------------------|---|
| 2023/24 | 0.037                | 3.014                                | -2.977                 | 17.404                | -17.105   |
| 2024/25 | 0.570                | 1.150                                | -0.580                 | 19.898                | -2.915  |
| 2025/26 | 0.755                | 0.608                                | 0.147                  | 19.620                | 0.749   |
| 2026/27 | 1.196                | 0.466                                | 0.730                  | 18.996                | 3.843   |
| 2027/28 | 1.345                | 0.267                                | 1.078                  | 19.088                | 5.648   |
| 2028/29 | 1.442                | 0.190                                | 1.252                  | 18.836                | 6.647   |

## **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 £1m.

## **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.

CAPITAL INVESTMENT PROPOSALS

| Project Reference   | Responsible Service Director  | Description of Proposal  | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|---|-------------------------------|--|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|   |                               |  | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| NEW PROJECTS AND PROPOSED AMENDMENTS HIGHLIGHTED IN YELLOW                  |                               |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| JANUARY CABINET ADDITIONS AND REPROFILING FROM 2023/24 HIGHLIGHTED IN GREEN |                               |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| Asset Management and Investment   |                               |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| NCP1  | Service Director - Resources  | Community Centres Flat roof safety barriers  | 43                                       | 0  | 43                             | 0                              | 0                              | 0                              | 0                              | 0                               | Supply and installation of permanent flat roof safety barriers at the Grange and Jackmans Community Centres to improve safety for roof maintenance and gutter clearance. While both premises have full repair leases, the Council currently provides a limited compliance and maintenance service, which includes gutter and downpipe clearance, and adequate safety measures must be in place to undertake this work.   |
| ECP1  | Service Director - Enterprise | Charnwood House renovation   | 350                                      | 0  | 350                            | 0                              | 0                              | 0                              | 0                              | 0                               | 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. £50k allocation in 2023/24 meaning a total project budget of £400k.   |
| ECP2  | Service Director - Enterprise | Council property improvements following condition surveys  | 385                                      | 0  | 100                            | 100                            | 100                            | 85                             | 0                              | 0                               | Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs.   |
| Sub-Total: Asset Management and Investment                                  |                               |  | 778                                      | -  | 493                            | 100                            | 100                            | 85                             | -                              | -                               |  |
| Corporate Items   |                               |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| ECP3  | Service Director - Resources  | Council Car Fleet  | 141                                      | 0  | 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 2024. |
| Sub-Total: Corporate Items  |                               |  | 141                                      | -  | 141                            | -                              | -                              | -                              | -                              | -                               |  |
| Externally financed projects  |                               |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| ECP4  | Service Director - Enterprise | Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces      | 100                                      | 100  | 100                            | 0                              | 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. Capital allocation in 2024/25 reflects year 3 of the Investment Plan.  |
| ECP5  | Service Director - Place      | Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues | 100                                      | 100  | 100                            | 0                              | 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. Capital allocation in 2024/25 reflects year 3 of the Investment Plan.   |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                       | Responsible Service Director              | Description of Proposal  | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|---|---|--|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|   |   |  | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| ECP6                                    | Service Director - Legal and Community    | Shared Prosperity Fund Community Capital Grant Scheme                        | 163                                      | 163  | 163                            | 0                              | 0                              | 0                              | 0                              | 0                               | Planned capital expenditure, financed from the UK Shared Prosperity Fund, to provide grant funding for community capital projects  |
| Sub-Total: Externally financed projects |   |  | 363                                      | 363  | 363                            | -                              | -                              | -                              | -                              | -                               |  |
| Grants to Third Parties                 |   |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| ECP7                                    | Service Director - Housing and Env Health | Private Sector Grants  | 600                                      | 0  | 60                             | 60                             | 60                             | 60                             | 60                             | 300                             | 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.<br><br>CBP 2024/25 UPDATE: Annual £60k capital allocation extended to the end of 10 year period of capital programme. |
| Page 12 of 18                           | Service Director - Regulatory             | John Barker Place, Hitchin   | 1,096                                    | 270  | 1,096                          | 0                              | 0                              | 0                              | 0                              | 0                               | Cabinet agreed to the commitment to the John Barker Place regeneration scheme in January 2013, subject to the availability of funds. The 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. Phase 2 was due to complete in December 2023, but the contractor Jarvis Construction went into administration and this has caused a significant delay. Completion of phase 2 is now expected at the end of 2024 / beginning of 2025.   |
| Sub-Total: Grants to Third Parties      |   |  | 1,696                                    | 270  | 1,156                          | 60                             | 60                             | 60                             | 60                             | 300                             |  |
| Green Space Developments                |   |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| ECP9                                    | Service Director - Place                  | Playground Renovation District Wide  | 1800                                     | 0  | 180                            | 180                            | 180                            | 180                            | 180                            | 900                             | Moving forward from the previous policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This ensures that each play area is renovated on an 18 year cycle, which still far exceeds manufacturer lifespan guidelines.<br><br>CBP 2024/25 UPDATE: Annual £180k capital allocation extended to the end of 10 year period of capital programme.   |
| ECP10                                   | Service Director - Place                  | Grounds Maintenance Vehicles / Machinery                                     | 315                                      | 0  | 315                            | 0                              | 0                              | 0                              | 0                              | 0                               | The incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2022, will mean that the vehicles used to deliver the Council's greenspace maintenance contract will be considered for accounting purposes to have transferred to the Council under a lease arrangement, with the vehicles therefore recorded on the Council's balance sheet. 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 2024.   |
| ECP11                                   | Service Director - Resources              | Remote testing equipment - Emergency Lights and Water Temperature Monitoring | 13                                       | 0  | 0                              | 13                             | 0                              | 0                              | 0                              | 0                               | Provision of remote testing Emergency Lights and Water Temperature Monitoring at at least 4 small pavilion and cemetery sites.<br><br>UPDATE CBP 2024/25: Requested that this project is deferred from 2024/25 to 2025/26.   |
| Sub-Total: Green Space Developments     |   |  | 2,128                                    | -  | 495                            | 193                            | 180                            | 180                            | 180                            | 900                             |  |
| Green Space Developments - Baldock      |   |  |  |  |                                |                                |                                |                                |                                |                                 |  |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                             | Responsible Service Director | Description of Proposal                            | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|---|------------------------------|--|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|   |                              |  | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| ECP12   | Service Director - Place     | Avenue Park Splash Pad                             | 70                                       | 0  | 70                             | 0                              | 0                              | 0                              | 0                              | 0                               | To replace the existing mains fed system with a recirculating system as found at our other splashpads. This will reduce water usage and help maintain good levels of water quality. This will also reduce the problem of algae on the surfacing.   |
| Sub-Total: Green Space Developments - Baldock |                              |  | 70                                       | -  | 70                             | -                              | -                              | -                              | -                              | -                               |  |
| Green Space Developments - Hitchin            |                              |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| NCP2  | Service Director - Place     | KGV Muga Hitchin                                   | 55                                       | 0  | 55                             | 0                              | 0                              | 0                              | 0                              | 0                               | Renovate surfacing and upgrade to LED lighting at the muga to ensure it continues to be a viable facility on the site.   |
| NCP3  | Service Director - Place     | Old Hale Way Allotments Hitchin                    | 20                                       | 0  | 20                             | 0                              | 0                              | 0                              | 0                              | 0                               | Resurfacing of roads and footpaths throughout the site.  |
| ECP13   | Service Director - Place     | Bancroft and Priory Splash Pads                    | 0  | 0  | 0                              | 0                              | 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.<br><br>UPDATE CBP 2024/25: The reprofiling of the £35k capital allocation for Bancroft & Priory Splash Pads from 2024/25 into 2023/24 is subject to Cabinet and Council approval in January / February 2024.   |
| ECP14   | Service Director - Place     | Bancroft Lighting                                  | 45                                       | 0  | 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.   |
| ECP15   | Service Director - Place     | St Johns Cemetery Footpath                         | 40                                       | 0  | 40                             | 0                              | 0                              | 0                              | 0                              | 0                               | 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.  |
| ECP16   | Service Director - Place     | Swinburne Recreation Ground Hitchin                | 30                                       | 0  | 30                             | 0                              | 0                              | 0                              | 0                              | 0                               | Enlarge the car park and improve the footpaths around the site.  |
| ECP17   | Service Director - Place     | Walsworth Common Pavilion - contribution to scheme | 300                                      | 287  | 0                              | 300                            | 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. |
| Sub-Total: Green Space Developments - Hitchin |                              |  | 490                                      | 287  | 190                            | 300                            | -                              | -                              | -                              | -                               |  |
| Green Space Developments - Letchworth         |                              |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| NCP4  | Service Director - Place     | Norton Common Bowls Pavilion                       | 55                                       | 28   | 55                             | 0                              | 0                              | 0                              | 0                              | 0                               | To improve the fabric and structure of the building to current standards of insulation and energy efficiency to ensure that the building is able to continue to provide its useful purpose to the community both within and outside the bowling community. To also include the construction of a new underground tank room to replace the current wooden tank room to house the irrigation pumps and tanks. This investment is dependent on a tenant taking on a full repairing lease.                           |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                                | Responsible Service Director | Description of Proposal   | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal  |
|--|------------------------------|---|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---|
|  |                              |   | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |   |
| NCP5   | Service Director - Place     | Baldock Road Rec Letchworth                                       | 30                                       | 0  | 30                             | 0                              | 0                              | 0                              | 0                              | 0                               | Installation of lighting along the footpath that links Jackman's Place to Dunhams Lane Letchworth to improve personal safety of pedestrians at night. This project should help increase walking and cycling, and Herts County Council (as the authority responsible for local transport planning) were asked about contributing funding. That request has been rejected, so the capital and any ongoing costs would fall on North Herts Council.  |
| ECP18  | Service Director - Place     | Wilbury Hills Cemetery Footpaths                                  | 40                                       | 0  | 10                             | 0                              | 30                             | 0                              | 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.  |
| ECP19  | Service Director - Place     | Howard Park Letchworth Path Resurfacing                           | 30                                       | 0  | 10                             | 0                              | 10                             | 10                             | 0                              | 0                               | Phased approach to resurfacing the pathways at Howard Park.   |
| ECP20  | Service Director - Place     | Norton Common Footpaths   | 10                                       | 0  | 10                             | 0                              | 0                              | 0                              | 0                              | 0                               | To renovate areas of footpath around the common on a rotating program of works as per the Greenspace action plan for the site.  |
| Sub-Total: Green Space Developments - Letchworth |                              |   | 165                                      | 28   | 115                            | -                              | 40                             | 10                             | -                              | -                               |   |
| Green Space Developments - Royston               |                              |   |  |  |                                |                                |                                |                                |                                |                                 |   |
| NCP6   | Service Director - Place     | Priory Memorial Gardens Muga Royston                              | 55                                       | 0  | 55                             | 0                              | 0                              | 0                              | 0                              | 0                               | Renovate surfacing and upgrade to LED lighting at the muga to ensure it continues to be a viable facility on the site.  |
| Sub-Total: Green Space Developments - Royston    |                              |   | 55                                       | -  | 55                             | -                              | -                              | -                              | -                              | -                               |   |
| IT Schemes:                                      |                              |   |  |  |                                |                                |                                |                                |                                |                                 |   |
| NCP7   | Service Director - Place     | Burials Database System   | 55                                       | 0  | 55                             | 0                              | 0                              | 0                              | 0                              | 0                               | Replacement of the existing in-house Access database system to provide a more stable platform with greater capabilities with ongoing support.   |
| ECP21  | Service Director - Customers | Alternative to safeword tokens for staff/members working remotely | 25                                       | 0  | 3                              | 0                              | 3                              | 0                              | 19                             | 0                               | The technology has changed considerably since we first starting using the Safeword Tokens. 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. |



CAPITAL INVESTMENT PROPOSALS

| Project Reference | Responsible Service Director | Description of Proposal                 | Total Project Investment<br>2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|-------------------|------------------------------|---|---|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|                   |                              |   | £'000                                       | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| ECP22             | Service Director - Customers | Backup and Business Continuity Hardware | 85  | 0  | 0                              | 69                             | 0                              | 0                              | 16                             | 0                               | Hardware relating to Back Up and Disaster Recovery / Business Continuity. Items previously listed separately including:<br>DR Hardware Refresh inc UPS Battery Pack for Unit 3 (DR site) - this includes, servers, switches and UPS at Unit 3<br>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.<br>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.  |
| ECP23             | Service Director - Customers | Infrastructure Hardware                 | 540   | 0  | 314                            | 0                              | 18                             | 18                             | 190                            | 0                               | Physical hardware supporting the corporate IT infrastructure which require updating at regular intervals. Includes Items previously listed separately:<br>Dell servers - upgrade and maintenance of servers at regular intervals<br>New Blade Enclosures - an integral part of the servers, require updating at the same time as the servers<br>Core Backbone Switch - links the virtual servers to the Storage Area Network<br>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<br>Cabinet Switches to ensure that traffic is routed immediately from the servers to the desktops / laptops |
| ECP24             | Service Director - Customers | Laptops - Refresh Programme             | 926   | 0  | 40                             | 319                            | 49                             | 35                             | 40                             | 443                             | 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.   |
| ECP25             | Service Director - Customers | Member Laptops - Refresh Programme      | 90  | 0  | 0                              | 0                              | 30                             | 0                              | 0                              | 60                              | 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. A capital allocation of £30k is earmarked in both 2029/30 and 2032/33.  |
| ECP26             | Service Director - Customers | Microsoft Enterprise Software Assurance | 2173  | 0  | 0                              | 679                            | 0                              | 0                              | 747                            | 747                             | 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 allocation of £747k is earmarked in 2031/32 for the renewal of the three year licenses.  |
| ECP27             | Service Director - Customers | PC Refresh Programme                    | 54  | 0  | 13                             | 7                              | 8                              | 5                              | 8                              | 13                              | 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.   |
| ECP28             | Service Director - Customers | Security - Firewalls                    | 52  | 0  | 16                             | 0                              | 18                             | 0                              | 18                             | 0                               | Firewalls are one of the most important pieces of hardware between the NHDC Network and the outside world and it is this equipment that stops cyber attacks from penetrating NHDC systems and data. There is a need to ensure this hardware is kept as current and up to date as possible to ensure the Council's networks and data are kept secure.   |
| ECP29             | Service Director - Customers | Tablets - Android Devices               | 50  | 0  | 10                             | 10                             | 10                             | 4                              | 4                              | 12                              | 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.   |
| ECP30             | Service Director - Customers | WiFi Upgrade                            | 40  | 0  | 0                              | 40                             | 0                              | 0                              | 0                              | 0                               | Wi-Fi 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.   |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                        | Responsible Service Director | Description of Proposal                                      | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|--|------------------------------|--|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|  |                              |  | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| Sub-Total: IT                            |                              |  | 4,090                                    | -  | 451                            | 1,124                          | 136                            | 62                             | 1,042                          | 1,275                           |  |
| Leisure - Hitchin Swim Centre            |                              |  |  |  |                                |                                |                                |                                |                                |                                 |  |
| ECP31                                    | Service Director - Place     | Hitchin Swim Centre Reception Toilet Refurbishment           | 40                                       | 0  | 40                             | 0                              | 0                              | 0                              | 0                              | 0                               | To ensure customer satisfaction is maintained, a project to fully refurbish the male, female and disabled toilets in the reception area is proposed. The toilets were last refurbished over 10 years ago.<br><br>UPDATE CBP 2024/25: An increase in the capital budget from £30k to £40k is requested to meet the latest estimate of the cost of the works.  |
| ECP32                                    | Service Director - Place     | HSC: Boiler Replacement                                      | 200                                      | 0  | 200                            | 0                              | 0                              | 0                              | 0                              | 0                               | The two boilers are 15+ years old and 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 closure. Replacement of the boilers was identified in a condition survey undertaken in 2022.   |
| ECP33                                    | Service Director - Place     | HSC: Archers Member Change and Relaxation Area Refurbishment | 300                                      | 0  | 0                              | 300                            | 0                              | 0                              | 0                              | 0                               | Refurbishment of the changing rooms and relaxation areas at Archers Health and Fitness Club to ensure customer satisfaction is maintained.   |
| ECP34                                    | Service Director - Place     | HSC: Change Village Refurbishment                            | 225                                      | 0  | 0                              | 0                              | 225                            | 0                              | 0                              | 0                               | The Change village was last refurbished in 2014. To ensure customer satisfaction is maintained, refurbishment is programmed to take place on a 10-15 year cycle.   |
| ECP35                                    | Service Director - Place     | HSC: Fitness Equipment Replacement                           | 0  | 0  | 0                              | 0                              | 0                              | 0                              | 0                              | 0                               | Replacement of the cardio and resistance fitness equipment to maintain membership levels and ensure customer satisfaction.<br><br>UPDATE CBP 2024/25: The contractor will be responsible for kit replacement in the next leisure management contract commencing 1 April 2024. Therefore proposed to remove this project earmarked in 2026/27 with a capital budget allocation of £300k from the Capital programme.                                     |
| ECP36                                    | Service Director - Place     | HSC: Fitness Facility Refurbishment                          | 0  | 0  | 0                              | 0                              | 0                              | 0                              | 0                              | 0                               | Refurbishment of the gym area in preparation for the new cardio and resistance fitness equipment<br><br>UPDATE CBP 2024/25: The contractor will be responsible for kit replacement in the next leisure management contract commencing 1 April 2024. Therefore proposed to remove this project with a capital budget allocation of £50k earmarked in 2026/27 from the Capital programme.  |
| ECP37                                    | Service Director - Place     | HSC: Outdoor Pool Cover Replacement                          | 0  | 0  | 0                              | 0                              | 0                              | 0                              | 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.<br><br>UPDATE CBP 2024/25: The contractor is responsible for replacement/ maintenance under £15k in the next leisure management contract, commencing 1 April 2024. Therefore proposed to remove this project with a capital budget allocation of £30k earmarked in 2026/27 from the Capital programme. |
| REPROFILE 1                              | Service Director - Place     | Solar PV   | 142                                      | 0  | 142                            |                                |                                |                                |                                |                                 | Reprofiled from 2023/24  |
| Sub-Total: Leisure - Hitchin Swim Centre |                              |  | 907                                      | -  | 382                            | 300                            | 225                            | -                              | -                              | -                               |  |
| Leisure - Letchworth                     |                              |  |  |  |                                |                                |                                |                                |                                |                                 |  |

CAPITAL INVESTMENT PROPOSALS

| Project Reference               | Responsible Service Director | Description of Proposal                                   | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|---------------------------------|------------------------------|---|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|                                 |                              |   | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| NCP8                            | Service Director - Place     | NHLC Air Handling Units                                   | 250                                      | 0  | 250                            | 0                              | 0                              | 0                              | 0                              | 0                               | The replacement of six Air Handling Units at North Herts Leisure Centre. A maintenance survey undertaken in 2022 identified that the Air Handling Unit System requires full replacement due to age and frequent failures.  |
| NCP9                            | Service Director - Place     | NHLC Lift replacement                                     | 90                                       | 0  | 90                             | 0                              | 0                              | 0                              | 0                              | 0                               | Replacement of the reception lift at North Herts Leisure Centre. This lift was last refurbished in 2016 and failures are becoming more frequent. Lift specialists have advised that the lift is at the end of its economic lifespan and requires replacement.  |
| NCP10                           | Service Director - Place     | NHLC Male, Female and accessible wet change refurbishment | 250                                      | 0  | 0                              | 0                              | 250                            | 0                              | 0                              | 0                               | The wet side changing rooms were last refurbished in 2016. To ensure customer satisfaction is maintained refurbishment is programmed to take place on a 10-15 year cycle. Consideration will be given to reconfiguring area to accommodate a change village in line with HSC and RLC.  |
| ECP38                           | Service Director - Place     | NHLC Boiler Replacement                                   | 200                                      | 0  | 200                            | 0                              | 0                              | 0                              | 0                              | 0                               | The two boilers are 15+ years old and 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 closure. Replacement of the boilers was identified in a condition survey undertaken in 2022.   |
| Page 131<br>ECP39               | Service Director - Place     | NHLC: Interactive Water Feature                           | 120                                      | 0  | 0                              | 0                              | 0                              | 120                            | 0                              | 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. |
| ECP40                           | Service Director - Place     | NHLC: Pool Flume Replacement                              | 150                                      | 0  | 0                              | 0                              | 0                              | 0                              | 150                            | 0                               | 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.  |
| REPROFILE 2                     | Service Director - Place     | Solar PV  | 338                                      | 0  | 338                            |                                |                                |                                |                                |                                 | Reprofiled from 2023/24  |
| Sub-Total: Leisure - Letchworth |                              |   | 1,398                                    | -  | 878                            | -                              | 250                            | 120                            | 150                            | -                               |  |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                | Responsible Service Director | Description of Proposal  | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal  |
|----------------------------------|------------------------------|--|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---|
|                                  |                              |  | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |   |
| Leisure - Royston Leisure Centre |                              |  |  |  |                                |                                |                                |                                |                                |                                 |   |
| ECP41                            | Service Director - Place     | RLC: Members Change Refurbishment  | 200                                      | 0  | 200                            | 0                              | 0                              | 0                              | 0                              | 0                               | The members changing rooms have not been refurbished since opening in 2005. To ensure customer satisfaction is maintained a proposal to fully refurbish the male, female and disabled areas is proposed.<br><br>UPDATE CBP 2024/25: An increase in the capital budget allocation in 2024/25 from £150k to £200k is requested to meet the latest estimate of the cost of the works.                          |
| ECP42                            | Service Director - Place     | RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change. | 150                                      | 0  | 150                            | 0                              | 0                              | 0                              | 0                              | 0                               | The change village is over 18 years old. To ensure customer satisfaction is maintained a refurbishment of the cubicles, lockers, vanity area and group change is proposed.  |
| ECP43                            | Service Director - Place     | Royston Leisure Centre Dry Side Toilet Refurbishment   | 30                                       | 0  | 0                              | 30                             | 0                              | 0                              | 0                              | 0                               | To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.   |
| ECP44                            | Service Director - Place     | Royston Leisure Centre extension   | 1000                                     | 170  | 1000                           | 0                              | 0                              | 0                              | 0                              | 0                               | Project to build an extension at the front of Royston Leisure Centre, providing additional gym space and a new multifunctional room.<br><br>UPDATE CBP 2024/25: Requested to bring forward the capital allocation for this project earmarked in 2025/26 to 2024/25.   |
| ECP45                            | Service Director - Place     | RLC: Fitness Equipment Replacement   | 0  | 0  | 0                              | 0                              | 0                              | 0                              | 0                              | 0                               | Replacement of the cardio and resistance fitness equipment to maintain membership levels and customer satisfaction.<br><br>UPDATE CBP 2024/25: The contractor will be responsible for kit replacement in the next leisure management contract commencing 1 April 2024. Therefore proposed to remove this project with a capital budget allocation of £150k earmarked in 2026/27 from the Capital programme. |
| ECP46                            | Service Director - Place     | RLC: Fitness Facility Refurbishment  | 0  | 0  | 0                              | 0                              | 0                              | 0                              | 0                              | 0                               | Refurbishment of the gym area in preparation for new cardio and resistance fitness equipment.<br><br>UPDATE CBP 2024/25: The contractor will be responsible for kit replacement in the next leisure management contract commencing 1 April 2024. Therefore proposed to remove this project with a capital budget allocation of £50k earmarked in 2026/27 from the Capital programme.                        |
| ECP47                            | Service Director - Place     | RLC: Boiler Replacement  | 100                                      | 0  | 100                            | 0                              | 0                              | 0                              | 0                              | 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>Moved forward to 2024/25 to match PSDF, will move back to 2027/28 if PSDF not sucessful.</b>   |
| REPROFILE 3                      | Service Director - Place     | Solar Thermal  | 67                                       | 0  | 67                             | 0                              | 0                              | 0                              | 0                              | 0                               | Reprofiled from 2023/24   |
| REPROFILE 4                      | Service Director - Place     | Solar PV   | 241                                      | 0  | 241                            | 0                              | 0                              | 0                              | 0                              | 0                               | Reprofiled from 2023/25   |
| CABINET 1                        | Service Director - Place     | RLC: Learner Pool  | 2500                                     | 0  | 2500                           | 0                              | 0                              | 0                              | 0                              | 0                               | Subject to a financially vailable business case, a capital allocation to build a learner pool at Royston Lesiure Centre   |

CAPITAL INVESTMENT PROPOSALS

| Project Reference                           | Responsible Service Director  | Description of Proposal   | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal   |
|---|-------------------------------|---|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--|
|   |                               |   | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |  |
| Sub-Total: Leisure - Royston Leisure Centre |                               |   | 4,288                                    | 170  | 4,258                          | 30                             | -                              | -                              | -                              | -                               |  |
| Leisure - General                           |                               |   |  |  |                                |                                |                                |                                |                                |                                 |  |
| CABINET 2                                   | Service Director - Place      | Additional Investment to enable Public Sector Decarbonisation funding | 9515                                     | 7743   | 9515                           | 0                              | 0                              | 0                              | 0                              | 0                               | The Council has made a bid to the Public Sector Decarbonisation Fund (PSDF). This is an estimate of the additionl capital that would be required (as well as the grant income), in addition to the schemes separately identified elsewhere (i.e. solar PV, solar thermal and boiler replacements). This will only be progressed if the PSDF bid is sucessful and is financially viable.  |
| CABINET 3                                   | Service Director - Place      | Providing capital funding to leisure provider                         | 2262                                     | 0  | 1068                           | 1194                           |                                |                                |                                |                                 | The Council's new leisure provider has put forward a proposal that if we provide capital funding for the capital investements within their bid, that they would provide additionl management fee income. The additional management fee would be greater than the Council's cost of capital.  |
| Sub-Total: Leisure - General                |                               |   | 11,776                                   | 7,743  | 10,583                         | 1,194                          | -                              | -                              | -                              | -                               |  |
| Museum and Arts Development                 |                               |   |  |  |                                |                                |                                |                                |                                |                                 |  |
| NCP11                                       | Service Director - Enterprise | Hitchin Town Hall Kitchen Enhancement                                 | 25                                       | 0  | 0                              | 0                              | 25                             | 0                              | 0                              | 0                               | Further enhancements to the HTH kitchen area to improve catering quality. This will namely involve laying new more hygienic flooring and the purchase and installation of a heated pass for events and functions, which will require bringing power through the floor to the centre of the kitchen area.   |
| NCP12                                       | Service Director - Enterprise | Audio Improvements to Mountford Hall                                  | 15                                       | 0  | 15                             | 0                              | 0                              | 0                              | 0                              | 0                               | Procurement and installation of new speaker system with integrated sound limiter for bands and AGM style events. The existing system cuts power to the stage when a decibel limit is reached. This causes severe reputational damage at our events and puts certain acts off using the venue. The new speaker system will instead calibrate the maximum decibel level without an abrupt cut to the power.  |
| NCP13                                       | Service Director - Enterprise | Air Handling Humidification   | 15                                       | 0  | 15                             | 0                              | 0                              | 0                              | 0                              | 0                               | Scheduled replacement of two humidifiers on museum roof as part of air handling system for the building. These works have been highlighted through a planned preventative maintenance audit of the facility.   |
| NCP14                                       | Service Director - Enterprise | Howard Park Kiosk Refurbishment                                       | 30                                       | 0  | 30                             | 0                              | 0                              | 0                              | 0                              | 0                               | Subject to business case, we have an opportunity to bring Howard Park kiosk in house and generate a return for the Council from doing so. This will however require initial investment as the kiosk is very much in need of refurbishment.   |
| ECP48                                       | Service Director - Enterprise | NH Museum & Community Facility  | 48                                       | 0  | 48                             | 0                              | 0                              | 0                              | 0                              | 0                               | This budget is earmarked for a possible weatherproof solution to allow all year-round use of the Terrace Gallery balcony space for events. Challenges remain regarding the structural engineering and planning considerations, but officers are hopeful of overcoming these.   |
| ECP49                                       | Service Director - Enterprise | Museum and Commercial Storage Facility at Burymead Hitchin            | 4000                                     | 0  | 2000                           | 2000                           | 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. The original intention was that this would be a complete new build, and is still one of the options being considered. As the indicative costs that we received were much higher than we expected, we are now looking at alternative options. These options include refurbishment, smaller additions and new storage locations. A business case will be completed over the summer which will determine the approach to take. This may impact the final capital required. |
| Sub-Total: Museum and Arts Development      |                               |   | 4,133                                    | -  | 2,108                          | 2,000                          | 25                             | -                              | -                              | -                               |  |

CAPITAL INVESTMENT PROPOSALS

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|---------------------------|-------------------------------|---|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---|
|                           |                               |   | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |   |
| Parking Related Proposals |                               |   |  |  |                                |                                |                                |                                |                                |                                 |   |
| ECP50                     | Service Director - Regulatory | Parking Machines Replacement  | 150                                      | 0  | 150                            | 0                              | 0                              | 0                              | 0                              | 0                               | Replacement of all parking machines over a 2 year period to enable the delivery of a pay on exit option to improve the user experience. A phased implementation will commence in 2023/24.   |
| ECP51                     | Service Director - Resources  | Off Street Car Parks resurfacing and enhancement  | 169                                      | 0  | 60                             | 50                             | 59                             | 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.   |
| ECP52                     | Service Director - Resources  | Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors. | 75                                       | 0  | 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.   |
| ECP53                     | Service Director - Resources  | Lairage Multi-Storey Car Park - Structural wall repairs   | 89                                       | 0  | 89                             | 0                              | 0                              | 0                              | 0                              | 0                               | Works to preserve this income generating asset in usable condition. Works are necessary to protect surface following experience at Letchworth Multi-Storey Car Park.  |
| ECP54                     | Service Director - Resources  | Resurfacing of the top deck of the Lairage Car Park, Hitchin                                      | 316                                      | 0  | 316                            | 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.   |
| ECP55                     | Service Director - Regulatory | Letchworth Multi-storey Car Park - parapet walls, soffit & decoration                             | 114                                      | 0  | 114                            | 0                              | 0                              | 0                              | 0                              | 0                               | Works to preserve this income generating asset in usable condition. The soffits are the internal ceiling coverings i.e. underside to the decks. Works requirement originally identified during earlier surfacing works due to some ceiling materials falling off.   |
| Sub-Total: Parking        |                               |   | 913                                      | -  | 804                            | 50                             | 59                             | -                              | -                              | -                               |   |
| Waste Collection          |                               |   |  |  |                                |                                |                                |                                |                                |                                 |   |
| ECP56                     | Service Director - Place      | Refuse and Recycling Bins   | 720                                      | 0  | 90                             | 90                             | 90                             | 90                             | 90                             | 270                             | 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.  |
| ECP57                     | Service Director - Place      | Vehicle fleet replacement program (Waste and Recycling)   | 8500                                     | 3200   | 0                              | 8500                           | 0                              | 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. 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. |

| CAPITAL INVESTMENT PROPOSALS |                              |   |  |  |                                |                                |                                |                                |                                |                                 |   |
|------------------------------|------------------------------|---|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---|
| Project Reference            | Responsible Service Director | Description of Proposal   | Total Project Investment 2024/25 onwards | Total Anticipated Funding from Grants or Other Contributions | Proposed Investment in 2024/25 | Proposed Investment in 2025/26 | Proposed Investment in 2026/27 | Proposed Investment in 2027/28 | Proposed Investment in 2028/29 | Proposed Investment 2029 - 2034 | Anticipated Impact of Proposal  |
|                              |                              |   | £'000                                    | £'000  | £'000                          | £'000                          | £'000                          | £'000                          | £'000                          | £'000                           |   |
| ECP58                        | Service Director - Place     | Waste depot facility co-located with a residual waste transfer facility | 6000                                     | 0  | 0                              | 0                              | 3000                           | 3000                           | 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.<br><br>UPDATE CBP 2024/25: Based on progress to date, existing allocations of £3m earmarked in each of 2024/25 and 2025/26 requested to be reprofiled to 2026/27 and 2027/28 respectively. |
| CABINET 4                    | Service Director - Place     | Bins for fibre (paper and cardboard)                                    | 1,170                                    | -  | 0                              | 1170                           | 0                              | 0                              | 0                              | 0                               | In line with the decision by Cabinet for a 3:3:3 waste collection schedule, this is the estimated cost of purchsing and delivery of an additional bin to households   |
| Sub-Total: Waste Collection  |                              |   | 16,390                                   | 3,200  | 90                             | 9,760                          | 3,090                          | 3,090                          | 90                             | 270                             |   |
| TOTAL                        |                              |   | 49,782                                   | 12,061   | 22,632                         | 15,111                         | 4,165                          | 3,607                          | 1,522                          | 2,745                           |   |

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**COUNCIL**  
**29 February 2024**

**PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: COUNCIL TAX RESOLUTION 2024/25**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to obtain approval for the Council Tax requirement and the overall Council Tax rates for the district of North Hertfordshire for 2024/25.

**2. RECOMMENDATIONS**

- 2.1. That it be noted that at its meeting on 29 January 2024 the Council Tax Setting Committee confirmed the amount 50,562.60 as its Council Tax base for the year 2024/2025 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (the Regulations).

- a) 50,562.60 being the amount calculated by the Council, in accordance with Regulation 3 of the Regulations, as its Council Tax base for the year.

b)

| Parish/Town           | Council<br>Tax<br>Base | Parish/Town            | Council<br>Tax<br>Base |
|-----------------------|------------------------|------------------------|------------------------|
| Ashwell               | 911.30                 | Knebworth              | 2,018.80               |
| Barkway               | 421.20                 | Lilley                 | 175.00                 |
| Barley                | 330.30                 | Offley                 | 612.40                 |
| Bygrave               | 133.00                 | Pirton                 | 699.20                 |
| Caldecote and Newnham | 54.90                  | Preston                | 226.90                 |
| Clothall              | 82.20                  | Radwell                | 57.90                  |
| Codicote              | 1,663.10               | Reed                   | 165.80                 |
| Graveley              | 173.40                 | Royston                | 6,823.60               |
| Great Ashby           | 2,017.40               | Rushden and Wallington | 207.40                 |
| Hinxworth             | 162.50                 | St Ippolyts            | 936.00                 |
| Holwell               | 158.20                 | St Pauls Walden        | 582.80                 |
| Ickleford             | 905.60                 | Sandon                 | 242.90                 |
| Kelshall              | 79.10                  | Therfield              | 266.00                 |
| Kimpton               | 1,059.20               | Weston                 | 438.20                 |
| Kings Walden          | 425.00                 | Wymondley              | 427.60                 |

Being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its Council Tax base for the year for dwellings in those parts of its area to which one or more special items relate.

- c) That it be noted that at this meeting on the 29 February 2024 the Council has calculated the Council Tax requirement for the Council's own purposes for 2024/25 (excluding Parish precepts) as £13,146,782. As detailed in 2.2 (e) below the sum of special items is £1,476,117 and hence the total Council Tax requirement (including Parish precepts) is £14,622,899.

2.2. That the following amounts be now calculated by the Council for 2024/2025 in accordance with Sections 31A, 31B and 34 to 36 of the Local Government and Finance Act 1992 (the Act):-

- |    |             |   |
|----|-------------|---|
| a) | £78,978,921 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) of the Act.  |
| b) | £64,356,022 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.   |
| c) | £14,622,899 | being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year.  |
| d) | £289.20     | being the amount at (c) above divided by the amount at 2.1(a) above calculated by the Council in accordance with Section 31B(1) as the basic amount of its Council Tax for the year.  |
| e) | £1,476,117  | being the aggregate amount of all special items referred to in Section 34(1) of the Act.  |
| f) | £260.01     | being the amount at (d) above less the result given by dividing the amount at (e) above by the amount at 2.1(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates. |

g)

| <b>Parish/Town</b>     | <b>Basic<br/>£</b> | <b>Parish<br/>Precept<br/>£</b> | <b>Total<br/>£</b> |
|------------------------|--------------------|---------------------------------|--------------------|
| Ashwell                | 260.01             | 121.43                          | 381.44             |
| Barkway                | 260.01             | 98.28                           | 358.29             |
| Barley                 | 260.01             | 96.88                           | 356.89             |
| Bygrave                | 260.01             | 60.87                           | 320.88             |
| Caldecote and Newnham  | 260.01             | 45.54                           | 305.55             |
| Clothall               | 260.01             | 22.85                           | 282.86             |
| Codicote               | 260.01             | 65.50                           | 325.51             |
| Graveley               | 260.01             | 58.34                           | 318.35             |
| Great Ashby            | 260.01             | 22.80                           | 282.81             |
| Hinxworth              | 260.01             | 67.05                           | 327.06             |
| Holwell                | 260.01             | 74.95                           | 334.96             |
| Ickleford              | 260.01             | 63.49                           | 323.50             |
| Kelshall               | 260.01             | 36.25                           | 296.26             |
| Kimpton                | 260.01             | 81.71                           | 341.72             |
| Kings Walden           | 260.01             | 84.42                           | 344.43             |
| Knebworth              | 260.01             | 95.28                           | 355.29             |
| Lilley                 | 260.01             | 95.40                           | 355.41             |
| Offley                 | 260.01             | 66.51                           | 326.52             |
| Pirton                 | 260.01             | 88.89                           | 348.90             |
| Preston                | 260.01             | 68.71                           | 328.72             |
| Radwell                | 260.01             | 24.18                           | 284.19             |
| Reed                   | 260.01             | 49.87                           | 309.88             |
| Royston                | 260.01             | 59.22                           | 319.23             |
| Rushden and Wallington | 260.01             | 23.00                           | 283.01             |
| St Ippolyts            | 260.01             | 36.08                           | 296.09             |
| St Pauls Walden        | 260.01             | 82.56                           | 342.57             |
| Sandon                 | 260.01             | 37.05                           | 297.06             |
| Therfield              | 260.01             | 25.19                           | 285.20             |
| Weston                 | 260.01             | 50.21                           | 310.22             |
| Wymondley              | 260.01             | 101.38                          | 361.39             |

being the amounts given by adding to the amount at 2.2(f) above the amounts of the special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 2.1(b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.

h)

| Parish/Town            | Valuation Bands |        |        |        |        |        |        |        |
|------------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|
|                        | A               | B      | C      | D      | E      | F      | G      | H      |
|                        | £               | £      | £      | £      | £      | £      | £      | £      |
| Ashwell                | 254.30          | 296.68 | 339.05 | 381.44 | 466.20 | 550.97 | 635.74 | 762.88 |
| Baldock                | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Barkway                | 238.87          | 278.67 | 318.48 | 358.29 | 437.91 | 517.53 | 597.16 | 716.58 |
| Barley                 | 237.93          | 277.58 | 317.23 | 356.89 | 436.20 | 515.51 | 594.82 | 713.78 |
| Bygrave                | 213.93          | 249.57 | 285.22 | 320.88 | 392.19 | 463.49 | 534.81 | 641.76 |
| Caldecote and Newnham  | 203.71          | 237.65 | 271.60 | 305.55 | 373.45 | 441.35 | 509.26 | 611.10 |
| Clothall               | 188.58          | 220.00 | 251.43 | 282.86 | 345.72 | 408.57 | 471.44 | 565.72 |
| Codicote               | 217.01          | 253.18 | 289.34 | 325.51 | 397.84 | 470.18 | 542.52 | 651.02 |
| Graveley               | 212.24          | 247.61 | 282.97 | 318.35 | 389.09 | 459.84 | 530.59 | 636.70 |
| Great Ashby            | 188.55          | 219.96 | 251.38 | 282.81 | 345.66 | 408.50 | 471.36 | 565.62 |
| Hexton                 | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Hinxworth              | 218.05          | 254.38 | 290.72 | 327.06 | 399.74 | 472.42 | 545.11 | 654.12 |
| Hitchin                | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Holwell                | 223.31          | 260.53 | 297.74 | 334.96 | 409.39 | 483.83 | 558.27 | 669.92 |
| Ickleford              | 215.67          | 251.61 | 287.55 | 323.50 | 395.39 | 467.28 | 539.17 | 647.00 |
| Kelshall               | 197.51          | 230.43 | 263.34 | 296.26 | 362.09 | 427.93 | 493.77 | 592.52 |
| Kimpton                | 227.82          | 265.78 | 303.75 | 341.72 | 417.66 | 493.59 | 569.54 | 683.44 |
| Kings Walden           | 229.63          | 267.89 | 306.16 | 344.43 | 420.97 | 497.51 | 574.06 | 688.86 |
| Knebworth              | 236.87          | 276.34 | 315.81 | 355.29 | 434.24 | 513.19 | 592.16 | 710.58 |
| Langley                | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Letchworth             | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Lilley                 | 236.95          | 276.43 | 315.92 | 355.41 | 434.39 | 513.37 | 592.36 | 710.82 |
| Nuthampstead           | 173.34          | 202.23 | 231.12 | 260.01 | 317.79 | 375.57 | 433.35 | 520.02 |
| Offley                 | 217.69          | 253.96 | 290.24 | 326.52 | 399.08 | 471.64 | 544.21 | 653.04 |
| Pirton                 | 232.61          | 271.37 | 310.13 | 348.90 | 426.43 | 503.96 | 581.51 | 697.80 |
| Preston                | 219.15          | 255.67 | 292.19 | 328.72 | 401.77 | 474.82 | 547.87 | 657.44 |
| Radwell                | 189.47          | 221.04 | 252.61 | 284.19 | 347.34 | 410.49 | 473.66 | 568.38 |
| Reed                   | 206.59          | 241.02 | 275.44 | 309.88 | 378.74 | 447.60 | 516.47 | 619.76 |
| Royston                | 212.83          | 248.29 | 283.76 | 319.23 | 390.17 | 461.11 | 532.06 | 638.46 |
| Rushden and Wallington | 188.68          | 220.12 | 251.56 | 283.01 | 345.90 | 408.79 | 471.69 | 566.02 |
| St Ippolyts            | 197.40          | 230.29 | 263.19 | 296.09 | 361.89 | 427.68 | 493.49 | 592.18 |
| St Pauls Walden        | 228.39          | 266.44 | 304.50 | 342.57 | 418.70 | 494.82 | 570.96 | 685.14 |
| Sandon                 | 198.05          | 231.05 | 264.05 | 297.06 | 363.07 | 429.08 | 495.11 | 594.12 |
| Therfield              | 190.14          | 221.82 | 253.51 | 285.20 | 348.58 | 411.95 | 475.34 | 570.40 |
| Weston                 | 206.82          | 241.28 | 275.75 | 310.22 | 379.16 | 448.09 | 517.04 | 620.44 |
| Wymondley              | 240.93          | 281.08 | 321.23 | 361.39 | 441.70 | 522.01 | 602.32 | 722.78 |

being the amounts given by multiplying the amounts at 2.2(f) and 2.2(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(l) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 2.3. That it be noted that for 2024/2025 Hertfordshire County Council and the Hertfordshire Police & Crime Commissioner has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Act, for each of the categories of dwellings shown below:-

| Precepting Authority                                 | Valuation Bands |                 |                 |                 |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | A<br>£          | B<br>£          | C<br>£          | D<br>£          | E<br>£          | F<br>£          | G<br>£          | H<br>£          |
| <b>Hertfordshire County Council</b>                  |                 |                 |                 |                 |                 |                 |                 |                 |
| COUNTY PRECEPT                                       | 961.58          | 1,121.84        | 1,282.11        | 1,442.37        | 1,762.90        | 2,083.42        | 2,403.95        | 2,884.74        |
| SOCIAL CARE PRECEPT                                  | 162.25          | 189.30          | 216.34          | 243.38          | 297.46          | 351.55          | 405.63          | 486.76          |
| <b>Total Hertfordshire County Council</b>            | <b>1,123.83</b> | <b>1,311.14</b> | <b>1,498.45</b> | <b>1,685.75</b> | <b>2,060.36</b> | <b>2,434.97</b> | <b>2,809.58</b> | <b>3,371.50</b> |
| <b>Hertfordshire Police &amp; Crime Commissioner</b> | <b>167.33</b>   | <b>195.22</b>   | <b>223.11</b>   | <b>251.00</b>   | <b>306.78</b>   | <b>362.56</b>   | <b>418.33</b>   | <b>502.00</b>   |

- 2.4. That, having calculated the aggregate in each case of the amounts at 2.2(h) and 2.3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets out the following provisional amounts as the amounts of Council Tax for 2024/2025 for each of the categories of dwellings shown below:-

**List of parishes and tax at different bands (County, Care, Police, District and Parish)**

| Parish/Town            | Valuation Bands |          |          |          |          |          |          |          |
|------------------------|-----------------|----------|----------|----------|----------|----------|----------|----------|
|                        | A<br>£          | B<br>£   | C<br>£   | D<br>£   | E<br>£   | F<br>£   | G<br>£   | H<br>£   |
| Ashwell                | 1,545.46        | 1,803.04 | 2,060.61 | 2,318.19 | 2,833.34 | 3,348.50 | 3,863.65 | 4,636.38 |
| Baldock                | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Barkway                | 1,530.03        | 1,785.03 | 2,040.04 | 2,295.04 | 2,805.05 | 3,315.06 | 3,825.07 | 4,590.08 |
| Barley                 | 1,529.09        | 1,783.94 | 2,038.79 | 2,293.64 | 2,803.34 | 3,313.04 | 3,822.73 | 4,587.28 |
| Bygrave                | 1,505.09        | 1,755.93 | 2,006.78 | 2,257.63 | 2,759.33 | 3,261.02 | 3,762.72 | 4,515.26 |
| Caldecote and Newnham  | 1,494.87        | 1,744.01 | 1,993.16 | 2,242.30 | 2,740.59 | 3,238.88 | 3,737.17 | 4,484.60 |
| Clothall               | 1,479.74        | 1,726.36 | 1,972.99 | 2,219.61 | 2,712.86 | 3,206.10 | 3,699.35 | 4,439.22 |
| Codicote               | 1,508.17        | 1,759.54 | 2,010.90 | 2,262.26 | 2,764.98 | 3,267.71 | 3,770.43 | 4,524.52 |
| Graveley               | 1,503.40        | 1,753.97 | 2,004.53 | 2,255.10 | 2,756.23 | 3,257.37 | 3,758.50 | 4,510.20 |
| Great Ashby            | 1,479.71        | 1,726.32 | 1,972.94 | 2,219.56 | 2,712.80 | 3,206.03 | 3,699.27 | 4,439.12 |
| Hexton                 | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Hinxworth              | 1,509.21        | 1,760.74 | 2,012.28 | 2,263.81 | 2,766.88 | 3,269.95 | 3,773.02 | 4,527.62 |
| Hitchin                | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Holwell                | 1,514.47        | 1,766.89 | 2,019.30 | 2,271.71 | 2,776.53 | 3,281.36 | 3,786.18 | 4,543.42 |
| Ickleford              | 1,506.83        | 1,757.97 | 2,009.11 | 2,260.25 | 2,762.53 | 3,264.81 | 3,767.08 | 4,520.50 |
| Kelshall               | 1,488.67        | 1,736.79 | 1,984.90 | 2,233.01 | 2,729.23 | 3,225.46 | 3,721.68 | 4,466.02 |
| Kimpton                | 1,518.98        | 1,772.14 | 2,025.31 | 2,278.47 | 2,784.80 | 3,291.12 | 3,797.45 | 4,556.94 |
| Kings Walden           | 1,520.79        | 1,774.25 | 2,027.72 | 2,281.18 | 2,788.11 | 3,295.04 | 3,801.97 | 4,562.36 |
| Knebworth              | 1,528.03        | 1,782.70 | 2,037.37 | 2,292.04 | 2,801.38 | 3,310.72 | 3,820.07 | 4,584.08 |
| Langley                | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Letchworth             | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Lilley                 | 1,528.11        | 1,782.79 | 2,037.48 | 2,292.16 | 2,801.53 | 3,310.90 | 3,820.27 | 4,584.32 |
| Nuthampstead           | 1,464.50        | 1,708.59 | 1,952.68 | 2,196.76 | 2,684.93 | 3,173.10 | 3,661.26 | 4,393.52 |
| Offley                 | 1,508.85        | 1,760.32 | 2,011.80 | 2,263.27 | 2,766.22 | 3,269.17 | 3,772.12 | 4,526.54 |
| Pirton                 | 1,523.77        | 1,777.73 | 2,031.69 | 2,285.65 | 2,793.57 | 3,301.49 | 3,809.42 | 4,571.30 |
| Preston                | 1,510.31        | 1,762.03 | 2,013.75 | 2,265.47 | 2,768.91 | 3,272.35 | 3,775.78 | 4,530.94 |
| Radwell                | 1,480.63        | 1,727.40 | 1,974.17 | 2,220.94 | 2,714.48 | 3,208.02 | 3,701.57 | 4,441.88 |
| Reed                   | 1,497.75        | 1,747.38 | 1,997.00 | 2,246.63 | 2,745.88 | 3,245.13 | 3,744.38 | 4,493.26 |
| Royston                | 1,503.99        | 1,754.65 | 2,005.32 | 2,255.98 | 2,757.31 | 3,258.64 | 3,759.97 | 4,511.96 |
| Rushden and Wallington | 1,479.84        | 1,726.48 | 1,973.12 | 2,219.76 | 2,713.04 | 3,206.32 | 3,699.60 | 4,439.52 |
| St Ippolyts            | 1,488.56        | 1,736.65 | 1,984.75 | 2,232.84 | 2,729.03 | 3,225.21 | 3,721.40 | 4,465.68 |
| St Pauls Walden        | 1,519.55        | 1,772.80 | 2,026.06 | 2,279.32 | 2,785.84 | 3,292.35 | 3,798.87 | 4,558.64 |
| Sandon                 | 1,489.21        | 1,737.41 | 1,985.61 | 2,233.81 | 2,730.21 | 3,226.61 | 3,723.02 | 4,467.62 |
| Therfield              | 1,481.30        | 1,728.18 | 1,975.07 | 2,221.95 | 2,715.72 | 3,209.48 | 3,703.25 | 4,443.90 |
| Weston                 | 1,497.98        | 1,747.64 | 1,997.31 | 2,246.97 | 2,746.30 | 3,245.62 | 3,744.95 | 4,493.94 |
| Wymondley              | 1,532.09        | 1,787.44 | 2,042.79 | 2,298.14 | 2,808.84 | 3,319.54 | 3,830.23 | 4,596.28 |

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

- 3.1. The Council is required to set the Council Tax and to set the overall level of Council Tax for the following financial year, taking into account the precepts of all major and local precepting authorities.
- 3.2. The level of Council Tax Requirement has been considered necessary to meet the budgeting needs of the Council for 2024/25.

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

- 4.1. Options for the appropriate level of Council Tax have been considered with the agenda item Revenue Budget 2024/25 presented at this meeting.

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

- 5.1. Consultation on the 2024/25 budget proposals has taken place with all Members throughout the Corporate Business Planning process.

### **6. FORWARD PLAN**

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

### **7. BACKGROUND**

- 7.1. At its meeting on 29 January 2024 the Council Tax Setting Committee calculated the amount 50,562.60 as its Council Tax base for the year 2024/2025 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 (the Regulations)
- 7.2. At this meeting the Council has been recommended to approve a net budget of £18.898million and an increase in the relevant basic Council Tax amount of 2.99% for 2024/25.

### **8. RELEVANT CONSIDERATIONS**

- 8.1. The Local Government Finance Act 1992 sets out the calculations required for the Council Tax Requirement and the overall Council Tax levels. These calculations have been applied to the precept requirements of the District Council, County Council, Police and Crime Commissioner and Town and Parish Councils and the outcome is provided for Members' approval in section 2 of this report.
- 8.2. This Council is asked to approve an increase in Council Tax of 2.99% for 2024/25. As this is below the referendum threshold for 2024/25 of 3.0%, a local referendum on the Council Tax level is not required.
- 8.3. The Town and Parish Councils have requested a total precept for 2024/25 of £1,476,117. This is an increase of £87,867, or 6.33%, on the precept demand levied on taxpayers for 2023/24. In addition, this Council will also provide a grant of £38,885 to the Town and Parish Councils to help mitigate the impact of the Council Tax Reduction Scheme. This means that the overall amount of precept-related funding provided to Town and Parish Councils for 2024/25 is £1,515,002, an increase of 6.16% on the equivalent total for 2023/24. Parish and Town Councils are not currently subject to any referendum requirements.

- 8.4. Hertfordshire County Council has provided formal notification of a total requested levy on the District of North Hertfordshire for 2024/25 of £85,235,903, which results in a total Band D Council Tax of £1,685.75. This represents a 4.99% increase on the 2023/24 rate. The increase is below the referendum threshold of 5% so a local referendum is not required.
- 8.5. The Police and Crime Commissioner has provided formal notification of the requested levy on the District of North Hertfordshire for 2023/24 of £12,691,965.60, which results in a Band D Council Tax of £251.00. This is an increase of £13.00 (equivalent to 5.46%) on the Band D Council Tax rate for 2023/24. This does not exceed the referendum threshold of £13.00, so a local referendum on the Council Tax level is not required.
- 8.6. The numbers requiring Council approval in the recommendations correspond to what is required by the regulations. Appendix A provides more details of what these numbers mean.

## **9. LEGAL IMPLICATIONS**

- 9.1. The provision for the Authority to levy and collect a Council Tax is provided in section 30 of the Local Government Finance Act 1992 (Aggregating Billing Authority and Preceptors Council Tax Charges).
- 9.2. The 'Referendums Relating to Council Tax Increases (principles)' report for 2024 to 2025 was published by the Government on the 5<sup>th</sup> February 2024. The Principles for Referendums were made pursuant to section 52ZD(1) of the Local Government Finance Act 1992 as inserted by Schedule 5 to the Localism Act 2011.
- 9.3. For shire district councils like North Herts Council, for 2024/25 the relevant basic amount of council tax is deemed to be excessive if it is both; an increase of 3% or more; and is more than £5.00 greater than its relevant basic amount of Council Tax for 2023/24.
- 9.4. For county councils in England, which includes Hertfordshire County Council, for 2024/25 the relevant basic amount of Council Tax is deemed to be excessive if it exceeds the authority's relevant basic amount of Council Tax for 2023/24 by 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure) or more.
- 9.5. For Police and Crime Commissioner Authorities, for 2024/25 the relevant basic amount of Council Tax is deemed to be excessive if the authority's relevant basic amount of Council Tax for 2024/25 is more than £13 greater than its relevant basic amount of Council Tax for 2023/24.
- 9.6. Paragraph 10.2 of the Council's Constitution gives the Council Tax Setting Committee the responsibility for (a) setting the Council Tax Base in accordance with the Local Authority (Calculation of Council Tax Base) Regulations 2012; and (b) setting the Council Tax in accordance with the Chapter III & IV of the Local Government Finance Act 1992.
- 9.7. The Full Council is required by law to take certain important decisions including setting the Council's Budget and the Council's share of the Council Tax. Paragraph 4.3 of Full Council Terms Of Reference states; *"The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, the Council Tax base, setting the Council Tax and decision relating to the control of the Council's borrowing requirement, the control of its capital expenditure."*
- 9.8. Paragraph 4.8.16 (h) states that, *"A recorded vote must be taken when a budget decision is made. For the avoidance of doubt the application of this rule and necessity for a recorded vote will be set out in any relevant report. Immediately after any vote is taken at a budget decision meeting of the Council the result must be recorded in the minutes of the*

*proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.” It should be noted that a “budget decision” is defined at paragraph 4.8.16 (i) and means a meeting at which the Council: “makes a calculation (whether originally or by way of substitute) of: council tax...”.*

## **10. FINANCIAL IMPLICATIONS**

- 10.1. Council Tax is a key funding stream for the Council, which enables the provision of services to residents. The approval of the Council Tax resolution will authorise the Council Tax billing of the residents of North Hertfordshire for financial year 2024/25. The precept to be collected for the Council’s purposes is £13,146,782.

## **11. RISK IMPLICATIONS**

- 11.1. The risk of non-collection of Council Tax is monitored in the Collection Fund. The tax base calculations have assumed a non-collection rate of 1%.

## **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. The review and setting of Council Tax is a statutory responsibility of this Council. A balance must be considered and demonstrated by the Council when setting the level of Council Tax and any rise or fall in tax. This said balance is between the ability of the individual residents’ to pay the required Council Tax and the Council’s need to have sufficient base budget to deliver key services across the District. The recommendation to provide a grant of £38,885 to the District’s Town and Parish Councils will mitigate the impact of the Council Tax Reduction Scheme. This action reflects some of the considerations made in reaching this balance.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1. There are no direct human resource implications.

## **16. APPENDICES**

- 16.1. Appendix A: Guide to the Council Tax Resolution.

## **17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

- 18.1. None.

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### GUIDE TO THE 2024/2025 COUNCIL TAX RESOLUTION

#### **Recommendation 2.1**

These are the Council Tax Base figures for 2024/2025 approved by the Council Tax Setting Committee on 29 January 2024 with details for those Parishes that levy a precept.

#### **Recommendation 2.2**

- (a) Is Gross Expenditure on District Council services + Parish Precepts.
- (b) Is Gross Income from District Council services in 2024/25, including fees and charges, Housing Benefit Subsidy Grant, New Homes Bonus grant, Funding Guarantee grant, and the Council's share of Business Rates, plus the projected use of reserves (based on the net funding position for 2024/25).
- (c) Is (a) - (b) [District Council precept including Parish precepts]
- (d) Is (c) divided by the tax base, i.e. the net District + Parish Charge. This assumes that the total Parish Charge is charged across the entire Council Tax base, so is a notional figure only (i.e. the actual precept for a household is not calculated on this basis).
- (e) Is the total of Parish Precepts
- (f) Is (d) - [(e) divided by the tax base] i.e. the net District Council charge. This is the amount that a Band D property would pay for the Council's own purposes in 2024/25.
- (g) Is the net District Council charge with the relevant Parish charges added for each area in which there is a Parish precept. This is the amount that a Band D property would pay in each parished area, incorporating the District and Parish charge.
- (h) Is the inclusive District and Parish (where applicable) charge for each property band in each area of the District. There are set weightings to apply to the Band D amount to get to the amounts for the other bands.

#### **Recommendation 2.3**

Is the County and Police precepts for each property band. For the County Council this includes the Social Care precept.

#### **Recommendation 2.4**

Is the inclusive District, Parish, County and Police charge for each property band for each area of the District.

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**COUNCIL**  
**29 February 2024**

**\*PART 1 – PUBLIC DOCUMENT**

**PAY POLICY STATEMENT 2024/25**

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: LEADER OF THE COUNCIL

COUNCIL PRIORITY: PEOPLE FIRST

**1. EXECUTIVE SUMMARY**

- 1.1 This report sets out a draft Pay Policy Statement 2024/25 (Appendix 1) for Council's consideration and approval in accordance with the requirements of Section 38 of the Localism Act 2011 (the Act), associated guidance issued under Section 40 of the Act, the Local Government Transparency Code 2015 and any other relevant legislation.

The Statement incorporates elements of existing policy and practice and is required to be agreed annually.

**2. RECOMMENDATIONS**

- 2.1. That Council approves the 2024/25 Pay Policy Statement attached at Appendix 1.
- 2.2. That Council delegates authority for revisions made in year to the Pay Policy Statement, to the Service Director - Resources, in consultation with the Leader of the Council. Revisions which might arise in the year include changes in structure, changes to employment benefits, subsequent pay awards agreed nationally and new legislative requirements.

**3. REASONS FOR RECOMMENDATIONS**

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

**4. ALTERNATIVE OPTIONS CONSIDERED**

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

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

- 5.1 There is no consultation required.

## **6. FORWARD PLAN**

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

## **7. BACKGROUND**

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

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The format and general contents of the Pay Policy Statement are unchanged from previous years. The main updates to note are:
- Details of the pay agreement for 2023/24 (Appendix 1 Paras 2.1).
  - Updated pay rates and multiples. As these will be subject to further update when the 2024/25 claim is agreed, this emphasises the need for recommendation 2.2.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under Section 38 (1) of the Localism Act 2011, the Council must prepare a Pay Policy Statement for each financial year and policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest-paid employees and the relationship between the remuneration of its chief officers and its employees who are not chief officers.
- 9.2 Section 38 (4) of the Localism Act 2011 sets out what the Pay Policy Statement must include:
- (a) the level and elements of remuneration for each chief officer,
  - (b) remuneration of chief officers on recruitment,
  - (c) increases and additions to remuneration for each chief officer,
  - (d) the use of performance-related pay for chief officers,
  - (e) the use of bonuses for chief officers,
  - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
  - (g) the publication of and access to information relating to remuneration of chief officers.
- 9.3 The Act defines remuneration widely, which will include not just pay but also charges, fees, allowances, benefits in kind, increases in or enhancements in entitlements such as pension entitlements and termination payments.
- 9.4 The 2011 Act also confirms that the Pay Policy Statement:
- must be approved formally by the Council meeting before it comes into force,
  - must be prepared and approved each year,

- as soon as reasonably practicable after approving or amending a Pay Policy Statement, the Council must publish the Statement in such manner as it thinks fit which must include on the authority's website.
- 9.5 The Council must have regard to any guidance issued or approved by the Secretary of State under Section 40 of the Act.
- 9.6 Under Section 39 of the Localism Act, the Council's Pay Policy Statement must be approved by resolution of the authority, before it comes into force.
- 9.7 Sections 38 to 43 of the Localism Act 2011 require Councils to prepare a Pay Policy Statement for each financial year and the Secretary of State, pursuant to section 40, has issued both the original Pay Accountability Guidance in February 2012 and a supplementary guidance in February 2013. The content of this report and the recommendations comply with the Council's responsibilities in this regard. Section 39(4) permits the Council to amend its policy by resolution.
- 9.8 Section 4.4 (aa) of the Constitution states that Full Council will "agree any award which would exceed the financial limits set out in the Council's Pay Policy Statement". Therefore, the Pay Policy Statement needs to set what this level will be.

## **10. FINANCIAL IMPLICATIONS**

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

## **11. RISK IMPLICATIONS**

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

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 The Pay Policy Statement reflects the practical arrangements that are in place to ensure all employees are remunerated in accordance with the requirements of the Equality Act and Public Sector Equality Duty and, in particular, through the application of a universal grading, flexible retirement scheme, and salary structure for all staff. The pay policy ensures consistency in regard to pay and remuneration in regard to individual roles, and therefore with no direct adverse impact on any single group with protected characteristics.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

15.1 The Pay Statement meets the requirements of the Localism Act 2011.

## **16. APPENDICES**

16.1 Appendix 1 - North Herts Council Draft Pay Policy Statement 2024/25

## **17. CONTACT OFFICERS**

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# North Herts Council - Pay Policy Statement 2024/25

## INTRODUCTION

- 1.1 Local Authorities are required by section 38 of the Localism Act to prepare a pay policy statement and view it alongside the Local Government Transparency Code. This statement outlines our current policy and matters required by the Act and the Transparency Codes relating to the pay of staff, particularly senior staff and the lowest paid employees.
- 1.2 This annual statement covers the financial year 1 April 2024 to 31 March 2025 and is approved by full Council. It will be subject to review annually and in accordance with new or proposed legislation to ensure that it remains relevant and effective.

## BACKGROUND

- 2.1 The NJC pay awards for 2023/24 were agreed in November 2023. The pay awards were as follows:

National Joint Council for Local Government Services

- £1,925 on each spinal point
- 3.88% for spinal points above £49,590

Joint Negotiating Committee for Chief Executives and Joint Negotiating Committee for Chief Officers

- 3.5% on each spinal point

- 2.2 The pay claim for 2024/25 is expected in February 2024.
- 2.3 All the pay amounts in this document are at 2023/24 rates.

## GRADING

- 3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points except for Grade 16 and grade 1, which both contain 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through an analytical job evaluation process. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system. Grades 13 & 15 are not currently used.
- 3.2 The lowest grade is Grade 1. The bottom of the Grade 1 pay band is £22,702, the top is £23,578 and the median £23,110.
- 3.3 The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer's pay bill. The Enterprise Act 2016 also set out that public sector bodies should employ apprentices and may be set targets to increase Apprenticeships and the Levy is now used for the Apprenticeship training.
- 3.4 The Council employs several temporary Apprentices each year. The scheme supports young people and career changers gain paid meaningful work experience which assists progress to permanent employment. Those employed as Business Administration Apprentices will be paid at the bottom of Grade 1, £22,702.

- 3.5 The Accounts and Audit Regulations 2011 require councils to publish the number of employees who are paid over £50,000. This would apply to all full-time managers at grade 12 and most managers at grade 11 (depending on the scale point within the grade). Following the April 2023 pay award, the salary (including car allowance) for grade 11 scale point 2 is £50,926. The Council's 2022/23 draft accounts disclosed the number of employees who earned over £50,000. Due to progression through the pay scales and inflation, the number in 2024/25 will be higher. The exact number will be subject to the April 2024 pay award.
- 3.6 The table below shows the current positions for Chief Officers on Grades 14 to 16. At 2023/24 pay rates, excluding car allowance.

| Position  | Grade | Bottom of Pay Scale £ | Top of Pay Scale £ |
|---|-------|-----------------------|--------------------|
| Service Director Commercial                       | 14    | 70,862                | 82,996             |
| Service Director Customers                        | 14    | 70,862                | 82,996             |
| Service Director Legal & Community                | 14    | 70,862                | 82,996             |
| Service Director Place                            | 14    | Pro-rata of 70,862    | Pro-rata of 82,996 |
| Service Director Regulatory                       | 14    | 70,862                | 82,996             |
| Service Director Resources                        | 14    | 70,862                | 82,996             |
| Service Director Housing and Environmental Health | 14    | 70,862                | 82,996             |
| Managing Director                                 | 16    | 119,908               | 131,720            |

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

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

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

#### **4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS**

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

#### **5 PAY MULTIPLES**

- 5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in Local Authorities. The Council is not required to publish details of these pay multiples but has decided to do so in the interests of transparency.
- 5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority’s workforce. The highest paid salary including allowances is £135,720. The median salary of the whole of the Local Authority’s workforce is £30,262 and the multiple is 4.48.

| Position/ Grade                 | Pay Range<br>(including Senior<br>Car Allowance)<br>£ | Median in pay<br>range<br>£ | Multiple<br>of Grade<br>1 Median |
|---------------------------------|---|-----------------------------|----------------------------------|
| Grade 1                         | 22,702 – 23,578                                       | 23,140                      | 1                                |
| Managing Director -<br>Grade 16 | 123,908 – 135,720                                     | 129,814                     | 5.61                             |
| Service Directors -<br>Grade 14 | 74,362 – 86,496                                       | 80,429                      | 3.48                             |
| Service Managers -<br>Grade 12  | 54,576 – 63,314                                       | 58,945                      | 2.55                             |

All at 2023/24 pay rates

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

## **6. CAR ALLOWANCES**

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

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

6.3 Senior Car Allowance

Grade 11 -12 £3,000 p.a.

Grade 13 -14 £3,500 p.a.

Grade 15 -16 £4,000 p.a.

Senior Car Allowances are not subject to inflationary increases.

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

## **7. OTHER PAYMENTS**

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

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

## **8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)**

8.1 The Local Government Pension Scheme is a valuable part of the pay and reward

package for employees working in local government. For North Herts Council, the scheme is administered by Hertfordshire County Council via a contract with the South East fund, the London Pensions Partnership.

- 8.2 The current Employer contribution rate is 19.5% for all grades (based on 2022 triennial valuation).
- 8.3 There has been a significant number of changes to the scheme that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014, when the Career Average Revaluated Earnings (CARE) scheme. The Employee Contribution bands for 2023/24 are set out in the table below.

| <b>Pensionable pay</b> | <b>Contribution rate</b> |
|------------------------|--------------------------|
| Up to £16,500          | 5.5%                     |
| £16,501 to £25,900     | 5.8%                     |
| £25,901 to £42,100     | 6.5%                     |
| £42,101 to £53,300     | 6.8%                     |
| £53,301 to £74,700     | 8.5%                     |
| £74,701 to £105,900    | 9.9%                     |
| £105,901 to £124,800   | 10.5%                    |
| £124,801 to £187,200   | 11.4%                    |
| £187,201 or more       | 12.5%                    |

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

## **9. PUBLICATION**

- 9.1 This annual statement applies to the financial year, beginning 1 April 2024 to 31 March 2025. This statement was approved by a meeting of full Council on 29 February 2024. Where required, Council also delegates authority to update the statement during the year.
- 9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts. The draft and final Accounts are published on the Council's website. The Council also makes further pay related disclosures on the Open Data page of the website.

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