

27 October 2023

Our Ref Finance, Audit and Risk Committee 8
November 2023.
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To: Members of the Committee: Councillors Sean Nolan (Chair), Terry Tyler (Vice Chair), Terry Hone, Chris Lucas, Tom Plater, Mandi Tandi, Tamsin Thomas and Independent Member John Cannon.

Substitutes Councillors: Matt Barnes, Clare Billing, Sam Collins, Adam Compton, Juan Cowell and Daniel Marsh

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERON
ROAD, LETCHWORTH GARDEN CITY, SG6 3JF**

On

WEDNESDAY, 8TH NOVEMBER, 2023 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda **Part I**

Item	Page
<p>1. APOLOGIES FOR ABSENCE Members are required to notify any substitutions by midday on the day of the meeting.</p> <p>Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.</p>	
<p>2. MINUTES - 13 SEPTEMBER 2023 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 13 September 2023.</p>	<p>(Pages 5 - 14)</p>
<p>3. NOTIFICATION OF OTHER BUSINESS Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency.</p> <p>The Chair will decide whether any item(s) raised will be considered.</p>	
<p>4. CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.</p>	
<p>5. PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.</p>	
<p>6. SIAS PROGRESS REPORT 2023-2024 REPORT OF THE SHARED INTERNAL AUDIT SERVICE</p> <p>To receive the SIAS Progress Report for the Internal Audit Plan 2023 -2024 as of 20 October 2023.</p>	<p>(Pages 15 - 28)</p>

7. **MEDIUM TERM FINANCIAL STRATEGY 2024-29**
REPORT OF THE SERVICE DIRECTOR – RESOURCES

(Pages
29 - 44)

To consider the Medium Term Financial Strategy.

8. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

The Chair to lead a discussion regarding possible agenda items for future meetings.

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Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH, HERTS
ON WEDNESDAY, 13TH SEPTEMBER, 2023 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Mandi Tandi and Tamsin Thomas.*

In Attendance:

Nick Jennings (Shared Anti-Fraud Manager, Shared Anti-Fraud Services), Chris Wood (Head of Shared Internal Audit Service (SIAS)), Georgina Chapman (Policy & Strategy Team Leader), Antonio Ciampa (Accountancy Manager), Ian Couper (Service Director - Resources), Rachel Merez (Ernst & Young), Debbie Hanson (Ernst & Young), Susan Le Dain (Committee, Member and Scrutiny Officer), James Lovegrove (Committee, Member and Scrutiny Manager) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).

Also Present:

There were no members of the public present.

107 APOLOGIES FOR ABSENCE

Audio recording – 2 minute and 2 seconds

Apologies for absence were received from Terry Hone, Terry Tyler, Tom Plater, Chris Lucas and Independent Person John Cannon.

108 MINUTES - 21 JUNE 2023

Audio Recording – 2 minute 24 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 21 June 2023 be approved as a true record of the proceedings and be signed by the Chair.

109 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minute 9 seconds

There was no other business notified.

110 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minute 18 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded.

- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised that section 4.8.23(a) of the Constitution applied to this meeting.

111 PUBLIC PARTICIPATION

Audio recording – 4 minute 13 seconds

There was no public participation at this meeting.

112 FINAL AUDIT RESULTS REPORT 2021-22

Audio recording – 4 minute 20 seconds

Debbie Hanson, Ernst & Young introduced the report 'Final Audit Result Report 2021-22' and stated:

- This was an update to the report presented to Committee in March 2023.
- The Pension Fund had a triennial valuation which commenced in March 2023.
- Additional work was undertaken regarding the Pension liabilities, which concluded that the Pension Fund triennial valuation represented an adjusting post balance sheet event.
- Work was now completed on the audit, and it would be an unqualified audit report, with no matters to report other than a very positive position.

Rachel Merez Ernst & Young presented the report 'Final Audit Result Report 2021-22' and further highlighted that:

- An audit difference of £5.6m was highlighted at page 23 of the report, this related to an asset being recorded twice, and resulted in a final adjustment of £6.9M as at March 2022.
- This also required adjustments in prior year £6.7M at March 2021 and £6M at March 2020.
- As a result of this accounting error the Council was required by the Accounting Standards to present three years of balance sheets in their statement of accounts.
- An additional adjustment (compared with the March report) of £1.5M was made in relation to the incorrect classification of assets.
- The pension liabilities increased by £9.4M after the triennial valuation data.
- The highlighted errors impacted unusable reserves only and had no impact on the General Fund.
- Management has agreed to correct all identified errors affecting the primary statement except for the North Herts District Councils share of the errors identified by the auditor in their audit of the pension fund accounts, as these are not material.
- The draft audit opinion status was presented on page 38 of the report.

In response to a question from Councillor Tamsin Thomas, Ms Merez advised that the report was submitted around a month prior to the meeting, and in that time the items outstanding had reduced further.

In response to questions from Councillor Tamsin Thomas, the Service Director – Resources stated that:

- Increased training and awareness of CIPFA guidelines had been instigated to prevent the cashflow classification mistakes that had been highlighted in this Audit.
- The cash reserves were invested over and over again during the year, in line with the treasury strategy. This therefore leads to large errors.

- Fixed assets were tracked on a spreadsheet, and an error was identified on this spreadsheet. This error had now been rectified and improved for the 2022-23 audit.
- The implementation of a new Finance IT system would streamline the Accounts production process.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Final Audit Results Report 2021-22 was noted.

113 STATEMENT OF ACCOUNTS 2021-22

Audio recording – 14 minute 45 seconds

The Service Director – Resources presented the report entitled 'Statement of Accounts 2021-22' and highlighted that:

- A series of adjustments were made to the draft version of the account, these were highlighted in paragraph 8.2.
- Recommendations in relation to the financial controls of the Council were highlighted in Paragraph 8.3.
- Ernst & Young were currently finalising the last steps of the audit these included a signed letter of representation from the Service Director – Resources and the Chair of the Finance Audit and Risk Committee.
- The report highlighted at paragraph 8.5 that Officers were not aware of any other events excluding the triennial pension review, that would affect the Statement of Accounts.
- The Annual Governance Statement stated in Paragraph 8.6 was approved in March 2023.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Tamsin Thomas

In response to questions the Service Director – Resources stated that:

- The draft accounts for year 2022-23 had completed a public inspection, and were ready for auditing, however resourcing issues at Ernst & Young meant no date for the audit to commence had been set.
- The auditors for the year 2023-24 would be KPMG under an arrangement through the Public Sector Audit Appointments.
- About 10% of business rates collected were retained by North Herts District Council, although an additional small percentage was returned as grants, this was shown on page 87 of the report.
- The Corporate Risks were detailed on page 94 of the report.
- Anti-social behaviour had been listed as a corporate risk but was now downgraded to a services risk.
- Anti-social behaviour was especially prevalent in car parks, and this had resulted in some car parks being closed early and requiring more intensive cleaning.
- Museum assets would be recorded as having no significant **monetary** value in future versions of the report.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the 2021/22 Annual Statement of Accounts as set out in Appendix A.
- (2) Noted the audit work completed to date, the findings from that work and the resultant changes made to the Statement of Accounts.
- (3) Approved the 2021/22 Annual Statement of Accounts, and that the Chair of the Committee signed the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISIONS: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

114 ANNUAL AUDIT REPORT FOR 2021-22

Audio recording: 25 minute 36 seconds

Debbie Hanson, Ernst & Young presented the 'Annual Audit Report for 2021-22' and highlighted that:

- This report replaced the Annual Management Letter and summarised all the audit work completed during the year on the financial statement and value for money.
- The previous report 'Final Audit Results Report 2021-22' primarily focused on details of the financial statement, this report also included work in relation to value for money.
- There were no signs of any significant risk or weaknesses in the three key area of, financial sustainability, Governance, and the arrangements for improving economy, efficiency, and effectiveness in the use of resources, these were summarised on page 191.
- High level commentary of these three key areas was shown on pages 192-194 of the report and included that Ernst & Young were satisfied that the financial statement had robust processes, a five-year planning program that was reflected in the council plan and medium term financial strategy.
- The outturn over the previous years had been consistency less than Budget which provided assurances.
- Reserves were held above the minimum level that the S151 officer recommended, ensuring that adequate reserves and savings were held.
- Risk management arrangements were in place with key risks being identified and managed.
- The Council received a reasonable assurance which was the highest level available from the internal audit review.
- It was noted that the Council had a Climate Change strategy in place supporting the net-zero strategy of government.
- Ernst & Young were satisfied that the procurement strategies had appropriate controls in place.
- To improve the efficient delivery of services the Council was working in partnership with other bodies. The appendices had a more detailed summary of these partnership arrangements.

In response to a question from Councillor Tamsin Thomas, Ms Hanson stated that the reference to District Councillors as key partners on page 201 would be amended.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Annual Audit Report 2021-22 was noted.

115 SAFS ANTI-FRAUD REPORT 2022-23

Audio recording – 31 minute 18 seconds

Nick Jennings, Shared Anti-Fraud Service, presented the 'SAFS Annual Report 2022-23' and highlighted that:

- In 2022-23 there were six Key Performance Indicators (KPIs), these were met or exceeded and were shown on page 209 of the report.
- Members of the committee were provided training on fraud awareness and prevention in December 2022.
- There were 15 fraud alerts shared to Officers throughout the year.
- The reactive work undertaken from the referrals or allegations of fraud were highlighted on page 212 of the report; these had been listed by fraud type.
- The number of cases that were investigated and the outcome of these investigations was highlighted on page 213 of the report.
- Work had been undertaken with settle regarding tenancy fraud.
- Proactive work was being undertaken regarding the national fraud initiative, including the use of a fraud hub for all 10 districts and boroughs across Hertfordshire.
- The executive reports produced following a fraud investigation or the identification of a weakness, and the actions to prevent these reoccurring were summarised on page 216.
- A fraud risk assessment was undertaken in partnership with County and District Councils regarding the homes for Ukraine scheme.
- The work on the transparency code data, and this was required to be published. The report outlined work and outcomes to prevent and detect fraud was highlighted on page 217 of the report.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Mandi Tandi

In response to questions Mr Jennings, stated that:

- SAFS had worked closely with officers to understand their concerns about fraud, and worked regionally with partnerships to help identify what fraud risks were likely to affect the Council, which will ideally lead to preventing or identifying fraud quicker.
- Fraud changes and fraudsters follow money.
- There had been a reduction in the reporting of housing benefit fraud, with the change of this benefit into the Universal Credit scheme.

Councillor Mandi Tandi proposed and Councillor Tamsin Thomas seconded and, following a vote it was:

RESOLVED: That the Committee:

- (1) Noted the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022-23 Anti-Fraud Plan for the Council.
- (2) Noted the other anti-fraud activities undertaken to protect the Council.

116 SAFS ANTI-FRAUD PROGRESS REPORT 2023-24

Audio recording – 39 minute 9 seconds

Nick Jennings, Shared Anti-Fraud Service, presented the 'SAFS Anti-Fraud Progress report 2023-24', and highlighted that:

- Appendix A was an update of the action plan for the current year.
- A review would be undertaken of the Anti-Fraud policies.
- Work was ongoing with the HR team to improve and enhance officers E-Learning.
- All 400 of the matches received into the Fraud Hub in March had now been closed.
- These matches identified 13 errors, and this led to a £56K saving for NHDC.
- A high level of matches had been received in Quarter 2 and these had been highlighted to officers.
- It was noted that the Fraud Hub system identifies a large number of false positives and Officers from SAFS review these to identify potential fraud.
- There had been some issues with the case management systems that affected the reporting of KPIs 2 and 3, assurances were given regarding KPI2 and the requirement to deal with the most serious fraud allegations within 2 days of receipt.
- Item 4D of appendix B highlighted the outstanding work on KPI 4 and the delivery of the 5 training events.
- KPI 5 was completed and would become green.
- KPI 6 related to the National Fraud Initiative and the Fraud Hub matches, the outcome should shortly become green.

In response to a question from Councillor Tamsin Thomas, Mr Jennings, stated that problems with the new case management systems were detailed on page 236 of the report, and had now been resolved, there had been a slight dip in the number of referral but only whilst the providers fixed the issues.

Councillor Tamsin Thomas proposed, and Councillor Mandi Tandi seconded and, following a vote it was:

RESOLVED: That the Committee noted the progress by Officers and the Shared Anti-Fraud Service to deliver the 2023-24 Anti-Fraud Plan for the Council

117 SIAS SERVICE REPORT UPDATE 2023-24

Audio recording – 44 minute 54 seconds

The Head of Shared Internal Audit Service presented the report entitled 'SIAS Service Report Update 2023-24' and drew attention to the following, that:

- There was an error at paragraph 2.1 of the report on page 251, the percentage should read 31%.
- 32% of planning days had now been delivered after a final report on the Harkness Court project and a draft audit report on the Freedom of Information.
- The performance indicator shown at paragraph 2.7 was now 21% for actual planned projects.
- Appendix D showed the implementation status of six high priority recommendation, three had been implemented, three were partially implemented, with one of these having had a revised start date of August yet was nearly completed and the remaining two items had completion dates in the future.
- More details of specific projects can be viewed on Pentana.

In response to a question from Councillor Sean Nolan, the Head of Shared Internal Audit Service, stated that of the partially implemented items:

- One item was subject to a reaudit and Members would get some assurances shortly as the end date was August 2023.
- One had an end date of March 2024.
- The remaining item had a slight change to the end date and was nearly completed.
- Other authorities had more concerning matters.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the SIAS Progress report for the period to 25 August 2023.
- (2) Noted the plan amendments to the 2023-24 Annual Audit Plan.

118 ANNUAL GOVERNANCE STATEMENT 2022-23

Audio recording 50 minutes 33 seconds

The Policy and Strategy Team Leader presented the report entitled 'Annual Governance Statement 2022/23' and drew attention to the following, that:

- The draft policy was previously brought to the Committee in June, the statement reviewed the Governance arrangement for the Council in 2023-24 and proposed an action plan to improve the Governance arrangements.
- The action plan for 2023-24 was shown at appendix A.
- The current position of actions within the AGS action plan with comments received in June were included at Appendix B and, some of the comments had been incorporated into this report.
- Information relating to the pandemic period and references to SIAS latest annual opinion had been removed from the report.
- An assurance statement had been completed by Service Directors and the Managing Director and by the areas reviewed and effected by this statement.
- A detailed self-assessment document had been uploaded to the Corporate Governance web page.
- In June the committee requested to be updated on the Councils progress against the Action Plan, this was noted in Appendix B.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Tamsin Thomas

In response to questions the Policy and Strategy Team Leader stated:

- A subgroup had been created from the Inclusion group to review the Gender Pay Gap, after there had been a spike a few years ago. They meet last week, and an update would follow.
- No data was available on the uptake of Ethical Awareness, Anti-bribery, and Fraud Awareness eLearning, but work was ongoing with SAFS and the Learning and Development team.

In response to questions the Service Director – Resources stated:

- Prior to Covid-19 impacts the accounts would be prepared and audited by the end of July each year. The Annual Governance Statement would be drafted in May, for a draft version

to be approved by the Committee in June. The final version would then be approved at the end of July.

- That it should be noted that Gender Pay Gap and Equal Pay were difference matters. The Council carried out assessments to ensure that there were no equal pay issues, and none have ever been found.
- In terms of Gender Pay Gap, on average, women work in lower paid roles at the Council, compared with men.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Approved the amended AGS and Action plan (Appendix A).
- (2) Noted the current position of the actions within the AGS Action Plan, outlined at Appendix B.

REASONS FOR DECISIONS:

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.
- (2) The Committee is the legal body with responsibility for approval of the AGS.
- (3) Reviewing the AGS Action Plan during 2023-24 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

119 FIRST QUARTER REVENUE BUDGET MONITORING 2023-24

Audio Recording 57 minute 51 seconds

The Service Director – Resources presented the report entitled 'First Quarter Revenue Budget Monitoring 2023-24' and highlighted:

- A change had been made to the version of this report that would be presented to Cabinet due to a notification from Government of the potential to create a business rates pool for the financial year 2024-25.
- The Business Rate pool would allow a small group of authorities in Hertfordshire to join together which had historically worked in favour of the Council.
- A decision to join the pool was required by early October, and work was ongoing with the other Hertfordshire Councils, supported by some specialist consultants. The proposal was that the final decision (when all the relevant information was available) should be delegated to the Service Director - Resources. This would balance the potential gain against any risk.
- Table 3 of the report detailed the various changes to Budget, the biggest change related to the Treasury Investment Income due to the Interest rate increase. Interest on the cash balance of the Council was not a long-term source of income.
- The Staff Pay Award was still pending, with a likely £258K overspend if the current employer offer was agreed, this would be backdated to 1 April 2023.
- Page 291 of the report highlighted the performance indicators of the key income sources, and their performance compared to the previous year.
- Table 6 of the report provided an update on the Covid 19 provision.
- The overall General Fund Impact had an underspend against budget which was forecasted as £2.649M for the end of the financial year.

The following Members asked questions:

- Councillor Tamsin Thomas
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The working budget for the pay award was based on an overall 4% employee pay award, though, due to the structure of the offer, some staff would receive more than 4% and others slightly less, depending on their pay grade.
- There had been external costs of £2K for the Baldock Fire Recovery, this did not cover Officers time. The item had been highlighted as risks and costs may increase.
- The full Leisure Management fee is now being paid and was back to the Pre Covid amount. The new Leisure Contract was still in the tendering process, and the income from the new contract was currently unknown.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.119million decrease in net expenditure.
- (3) That Cabinet notes the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £270k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25.

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

120 FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023-24

Audio recording 1 hour 10 minutes 8 seconds

The Service Director – Resources presented the report entitled ‘First Quarter Investment Strategy (Capital and Treasury) Review 2023-24’ and highlighted:

- That the first section of the report covered the Councils forecast Capital spend for 2023-24
- The second section of the report related to the Councils treasury position including cashflow, investments and loans.
- Table 2 of the report showed the scheme timetable revision, with projects that will either now start or continue into the financial year 2024-25.
- Table 3 of the report highlighted the Changes to Capital Schemes Commencing in 2023-24, with a large amount of Section 106 money to be allocated to social housing. The report proposes that this money be ringfenced for housing on the Foundation House site in Letchworth Garden City.
- The Council had been successful in gaining funding for a Heat Decarbonisation Plan for Leisure centres, the funding would be used to make a bid for Public Sector Decarbonisation Funds.

- Should the bid be successful there would be a move away from gas boilers and an investment in heat decarbonisations projects, if unsuccessful the capital funding would still be used for Solar PV and Solar Thermal projects.
- Table 8.11 of the report showed the Council's investments by categories with a breakdown of investments at 8.12 of the report, which were all providing interest of more than 4%.
- That the Council had no current need to borrow and longer term projections are that interest rates will settle at 2.5% or lower.
- The Council had complied with the Investment Strategy Policy.

In response to a question from Councillor Sean Nolan, the Service Director – Resources stated that the cost of the Public Sector Decarbonisation Fund bid had mainly been financed through a fund from the Greater South East Net Zero Fund, therefore the costs to the Council were less than £10K. The bid would identify projects that would help the Council to meet net zero, and therefore the project costs were worthwhile.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded, and following a vote it was:

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £10.438M in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the overall estimated spend in 2024/25 and beyond by £1.271M.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet is asked to note the position of Treasury Management activity as at the end of June 2023.

REASON FOR REFERRAL:

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

121 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 18 minute and 1 second

The Chair stated that this would be considered at the next meeting.

The meeting closed at 8.48 pm

Chair



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

8 NOVEMBER 2023

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 20 October 2023.
- Note the implementation status of the reported high priority recommendation.
- Note the plan amendments to the 2023/24 Annual Audit Plan.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Proposed Amendments
 - 2.6 Performance Management

Appendices

- A Progress against the 2023/24 Audit Plan
- B 2023/24 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2023/24
- D Implementation Status of High Priority Recommendations

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2023/24 as at 20 October 2023.
 - b) In-Year Audit Plan review and proposed plan amendments
 - c) An update on performance indicators as at 20 October 2023.

Background

- 1.2 The 2023/24 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 8 March 2023.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2023/24 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 20 October 2023, 44% of the 2023/24 Audit Plan days had been delivered.
- 2.2 There have been two final internal audit reports issued as part of the approved 2023/24 Internal Audit Plan since the 13 September FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Harkness Court	N/A – Advisory / Consultancy	2 Medium
Churchgate Project Governance Framework	Reasonable	1 Medium, 1 Low

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 A detailed update on the implementation status of high priority recommendations was brought to FAR Committee on 13 September 2023. Three of the six high priority recommendations were reported as implemented and two have future implementation dates. The high priority recommendation on Business Continuity Planning has been included again at Appendix D as the implementation date has now passed.

Proposed Amendments

- 2.5 No plan amendments have been agreed with management within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

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

Status	No of Audits at this Stage	% of Total Audits	Profile to 20 October 2023
Draft / Final Report Issued	6	25%	9 (38%)
In Fieldwork / Quality Review	4	17%	3 (12%)
Terms of Reference Issued / In Planning	7	29%	5 (21%)
Not Yet Started	7	29%	7 (29%)

- 2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 20 October 2023, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 20 October 2023	Actual to 20 October 2023
1. Planned Days - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	50% (128 / 255 days)	44% (113 / 255 days)
2. Planned Projects Percentage of audit plan delivered to draft report stage by 31 March 2023	90%	38% (9 / 24 projects)	25% (6 / 24 projects)
Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	21% (5 projects)	17% (4 projects)
3. Client Satisfaction - Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	50% for those returned (2 returned from 15 issued)
4. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

2.8 In respect of delivery of Planned Days, performance is behind the profiled target as it was originally anticipated that fieldwork would have been able to commence, be further advanced or complete on the Digital Strategy audit from quarter one and three second quarter audits (Houses in Multiple Occupation (HMO), Churchgate Landlord Compliance and Software Licensing. The Churchgate Landlord Compliance audit commenced in late September 2023, but is awaiting key documentation before it progresses further.

2.9 In respect of Planned Projects, it was anticipated that draft reports would have been issued for the Digital Strategy, Software Licensing and HMO audits based on original scheduling at the start of the year. Fieldwork is complete on the first two audits with exit meetings scheduled, while the HMO audit has now been deferred to quarter 4 at the Council's request. Some in-year movement is always anticipated as the Audit Plan needs to be dynamic and flexible within reason to respond to both new risks and audits, as well as changes in circumstance (e.g., resourcing) with both the Council and SIAS team. The latter sometimes has a delivery impact on the performance indicators, but all parties work to ensure that this is minimised or mitigated as far as possible.

2.10 The one customer satisfaction survey not at 'Satisfactory' level was marginally below the required scoring and scored reasonably strongly in some areas. All learning points are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.

2.11 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 20 OCTOBER 2023

2023/24 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits (48 days)									
Churchgate – Project Governance Framework	Reasonable	0	0	1	1	15	BDO	15	Final Report Issued
Churchgate Landlord Compliance						11	SIAS	1	In Planning
Churchgate – Ongoing Project Assurance						11	BDO	2	ToR Issued
Council Tax Reduction Scheme						11	SIAS		Q4 – Not yet started
Medium Priority Audits (79 days)									
Freedom of Information						8	SIAS	7.5	Draft Report Issued
Safer Recruitment						9	SIAS	8.5	Draft Report Issued
Houses in Multiple Occupation						9	SIAS	2.5	In Fieldwork – Deferred to Q4
Estates						9	SIAS	0.5	In Planning
Ombudsman Complaints						9	SIAS	2.5	In Fieldwork
Project Management						9	SIAS	0.5	In Planning
MSU Transactions						8	SIAS	0.5	In Planning
Agency Staffing						9	SIAS		Q4 – Not yet started
Emergency Planning						9	SIAS		Q4 – Not yet started
IT Audits (32 days)									
Software Licensing						10	BDO	8.5	In Fieldwork
Critical Applications						10	BDO	2	ToR Issued

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 20 OCTOBER 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
IT Disaster Recovery and Business Continuity						12	BDO	2	ToR Issued
Consultancy and Advisory (30 days)									
Strategic Planning (Local Plan)						10	SIAS		Q4 – Not yet started
Harkness Court	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Digital Strategy						10	BDO	8.5	In Fieldwork
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						1.5	SIAS		Q4 work to be b/f to Q3
Workman's Hall						1.5	SIAS		Q4 work to be b/f to Q3
Miscellaneous Grants						5	SIAS		Through year
Contingency (5 days)									
Contingency						5			
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
Audit Committee						8	SIAS	4.5	Through Year
Performance Monitoring						7	SIAS	4	Through Year
Client Liaison						7	SIAS	4	Through Year
Audit Planning 2023/24						8	SIAS	0.5	Not yet commenced
SIAS Development						5	SIAS	5	Through Year
2022/23 Carry Forward (20 days)									
Completion of outstanding 2022/23 projects		0	1	24	23	20	SIAS	20	Complete

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 20 OCTOBER 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Total - North Herts D.C.		0	1	27	24	260		112.5	

Key / Notes

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

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

BDO = SIAS Audit Partner

N/a = Not Applicable

Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2023/24 Internal Audit Plan.

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	<u>Quarter 1</u>	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>
H	Churchgate - Project Governance Framework (Final Report Issued)	Churchgate Landlord Compliance (In Planning)		Churchgate – Ongoing Project Assurance (ToR Issued)
				Council Tax Reduction Scheme
M	Freedom of Information (Draft Report Issued)	Safer Recruitment (Draft Report Issued)	Estates (In Planning)	Agency Staffing
		Houses in Multiple Occupation (HMO) (In Fieldwork – deferred to Q4 at management request)	Ombudsman Complaints (In Fieldwork)	Emergency Planning
			Project Management (In Planning)	
			MSU Transactions (In Planning)	
IT		Software Licensing (In Fieldwork – closing meeting scheduled w/c 23/10)	Critical Applications (ToR Issued – scheduled to commence w/c 16/10)	IT Disaster Recovery and Business Continuity (ToR Issued)
C	Harkness Court (Final Report Issued)			Strategic Planning (Local Plan)
	Digital Strategy (In Fieldwork – closing meeting scheduled w/c 23/10)			
G/C				King George V Playing Fields (rescheduled for late Q3 at management request)
				Workman’s Hall (See above)
O	2022/23 Carry Forward Audits (Complete)			

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Key:

H – High Priority: Most closely linked to the Council's Delivery Plan and Risk Register

M – Medium Priority.

IT – IT Audits

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

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

O - Other

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2023/24

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Finding Priority Levels		
	Priority Level	Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Business Continuity Planning (February 2023)</p>	<p>Limited evidence of IT disaster recovery procedures and outdated policies</p> <p><u>SIAS Recommendation</u> All Business Continuity Plans should be reviewed periodically, with details of when the next review will be undertaken, in order to remain relevant to the current environment.</p> <p>IT services should have a more detailed IT plan regarding business continuity including all the procedures in place to prevent and recover from an incident and what those procedures depend on. These procedures should be reviewed regularly and made available for all relevant staff to ensure they are aware of their roles.</p> <p><u>Management Response</u> Business continuity plans are currently being reviewed (January 2023) and will be updated to reflect the changes to the environment when laptop V3 is finalised. (April 2023)</p> <p>IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.</p>	<p>30 April 2023</p>	<p>Partially Implemented.</p> <p>September FAR Committee Update Rollout of V3 laptops is almost complete. Consultation with external suppliers on the detailed IT plan completed. Documents are being accepted and distributed. The revised forecast completion date is now end of August 2023.</p> <p>November FAR Committee Update We have reviewed the current plans and identified the improvements required. We have implemented a new Back-Up procedure (different technology) and are currently documenting the recovery processes from that back-up. The revised completion date for this recommendation is 15 December 2023.</p>

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**FINANCE, AUDIT AND RISK COMMITTEE
8 NOVEMBER 2023**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT – Councillor Ian Albert.*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

This report recommends the Medium Term Financial Strategy (MTFS) for 2024/25 to 2028/29 to guide and inform the Council's Business Planning Process. The focus is primarily on setting a budget for 2024/25, as well as determining the actions that will be necessary in setting a longer term budget following on from that. It reflects on the many uncertainties that the Council faces. Whilst it recommends a five year budget strategy, there will be a need to amend the strategy over time as further information becomes available.

The MTFS supports and is supported by the Council Plan. This reflects that the Council can only deliver priorities and projects that it can afford and should prioritise its spending around delivering its priorities.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and comment to Cabinet and Council on the Medium Term Financial Strategy, as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2024/2025 to 2028/2029, culminating in the setting of the Council Tax precept for 2024/25 in February 2024. This will (alongside the existing Council Plan) support the Council in setting a budget that is affordable and aligned to Council priorities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council needs to have a strategy for setting its budget to ensure that it meets its statutory duty to set a balanced budget over the medium term, and ensure that spend is prioritised towards delivering statutory services and its strategic aims (as set out in the Council Plan).

4.2 In line with the Financial Management Code (published by the Chartered Institute of Public Finance and Accountancy), the Council aspires to set a longer-term financial strategy (e.g. 10 years) that considers the various risks and plans scenarios to deal with them. However, this MTFS deliberately takes a shorter-term view, which reflects the significant uncertainty faced by the Council.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The Executive Member for Finance and IT and Deputy have been consulted in developing this Strategy.

5.2 No external consultation has been undertaken in the preparation of this report.

5.3 Members will be aware that consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the Objectives will be carried out in accordance with the Corporate Business Planning Timetable and the Council's Consultation Strategy.

5.4 As in previous years, Member workshops are being held in regard to corporate business planning proposals.

6. FORWARD PLAN

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

7. BACKGROUND

7.1 The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a 5 year Medium Term Financial Strategy each year to help determine the approach that it will take to setting the detailed budget for the following year.

8. RELEVANT CONSIDERATIONS

8.1 The Medium Term Financial Strategy is attached as Appendix A. It details the forecast impact of reducing resources and quantifies what the Council will need to do to balance its budget in the medium term. It also reflects the significant uncertainty over funding, expenditure and income and therefore highlights the need to be able to react to any changes.

9. LEGAL IMPLICATIONS

9.1 Finance, Audit and Risk Committee's Terms of Reference include at 10.1.5 (b) "to review and recommend the Medium Term Financial Strategy to Cabinet (including, although not limited to consideration of associated procedures, policies and process)".

9.2 Cabinet's terms of reference include at 5.6.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process.

- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 Revenue financial implications are covered in Appendix A.
- 10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure which are linked to the reduced income from treasury investments (as capital reserves are spent) and the costs of borrowing (which is forecast to be required when capital reserves are used up). The Strategy also considers discretionary capital spend (i.e. not directly linked to continuing service delivery) and the need to deliver value for money. This would include using capital expenditure to reduce revenue costs or generate income.

11. RISK IMPLICATIONS

- 11.1 The key risks within the budget assumptions are referred to in Appendix A.
- 11.2 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks through the use of the established corporate business planning process and early involvement of members in the process.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, 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 MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for relevant Efficiency or Investment options.

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 directly apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. The budget also makes assumptions around funding for increments. The budget does not make any allowance for pay increases above inflation. This means that there will be no improvement to the Council's ability to attract staff in relation to pay, which will particularly impact on difficult to fill posts. The Human Resources Team and the Leadership Team continually try to identify staff benefits that are not related to pay, and therefore more affordable.
- 14.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.
- 14.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

- 16.1 Appendix A- Medium Term Financial Strategy 2023-28.

17. CONTACT OFFICERS

- 17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
- 17.2 Antonio Ciampa, Accountancy Manager Antonio.ciampa@north-herts.gov.uk, ext 4566
- 17.4 Ellie Hollingsworth, Policy and Strategy Trainee, corporatepolicy@north-herts.gov.uk, ext 4220

18. BACKGROUND PAPERS

- 18.1 None.

North Hertfordshire District Council

Medium Term Financial Strategy
2024-29

Purpose of the Strategy

This strategy sits alongside the Council Plan. It sets out our financial forecasts over the next five years and how we will manage the funding that we think we will have available, to deliver as much as we can, in line with our priorities.

The strategy is significantly impacted by inflation, including both the known impacts (e.g. the embedded impact of the high levels of inflation that we have already seen) and the unknown impacts (e.g. current and future pay inflation, future contract inflation levels). The Council's main source of income is Council Tax. Even with the additional flexibility of a 3% increase, that was (and still is) significantly less than general inflation. Most of the financial impacts of Covid-19 have now passed, although we are still seeing parking income that is less than pre-pandemic levels.

The Council is aware that high inflation levels are also affecting many of our residents. The strategy assesses our ability to use reserves to manage some of that impact, so we can avoid having to cut services at a time when our residents might need them the most.

We also face continued uncertainty over our future funding. The 2023/24 funding settlement gave some indications of what 2024/25 funding would be. But, on one hand, that was at a time when inflation was forecast to drop more quickly than it seems to be. And, on the other hand, was more optimistic about the overall state of Government finances. Beyond 2024/25 there is very little indication of what Local Government funding will look like. It seems increasingly likely that a new funding formula will be further delayed. The positive from that is that the threat of "negative RSG" is further deferred.

This strategy goes hand in hand with our Council Plan, as we can't promise to deliver things that we can't afford. The detailed projects contained within the Council Plan have been incorporated into our forecasts.

Delivering our Vision and Priorities

Our vision and priorities are set out in detail in our Council Plan.

Our vision is that 'we put people first and deliver sustainable services, to enable a brighter future together'. Our priorities therefore focus on: People First, Sustainability and A Brighter Future Together.

Most of the money that we spend is on delivering statutory services. We will always look to deliver these services in line with our priorities. Even as our funding has continued to reduce, we have tried to maintain our ability to offer discretionary services that are linked to our priorities. Our forecasts are that we will need to further reduce our costs in the future. This will mean that difficult decisions will need to be taken. We will make those decisions in line with our priorities.

Some of what we might like to achieve uses up resources (such as money, staff time or energy). We will look to be creative in identifying opportunities that deliver our priorities without using up resources. This will include looking for external funding and working with others.

Looking forward

We would like to use this document to provide a long-term (10 year) overview of our future funding, and risks and opportunities in relation to our spending and income. Unfortunately, we are faced with such significant uncertainty in the short to medium term in relation to our future funding from Government, recovery from cost of living, that our focus has to be on that. That means that this strategy is focused on the next five years, with a particular focus on the next two years.

Over the last few years, we had taken the opportunity to increase the level of our general fund reserves. The plan is that we can use these to soften the impact of inflationary pressures and expected future funding reductions. However reserves can only be spent once, and it is clear that spend will need to be reduced in the medium term and balanced against the funding we receive. This will require some difficult decisions on which services meet our statutory obligations and best deliver against our priorities.

This strategy is based on significant uncertainty and as better information becomes available then this will be used. The budget that Full Council sets in February 2024 will be focused on 2024/25, but will also consider the medium term impact.

Our current budget position

Our budget for this year (2023/24) was set at a meeting of Council in February 2023. This also set indicative budgets for future years. In June 2022 we reported our end of year position for 2021/22. This report also detailed spend that had not taken place in 2021/22, that would now take place during 2022/23. The numbers below also reflect our forecasts for 2023/24 as reported at the end of the first quarter of the year (up to end of June).

	£ millions
General Fund balance at the end of 2022/23	11.990
Less: How much we plan to spend during 2023/24	(17.879)
Add: Our expected funding during 2023/24	17.394
Add: other reserves that we plan to use to fund our expenditure / release in to the General Fund *	1.144
Equals: General Fund balance at the end of 2023/24 (start of 2024/25)	12.649

* We can only use our reserves once. The use of reserves in response to the cost of living crisis is exceptional and must not form part of an ongoing sustainable strategy.

We have a Business Rates grant reserve. Government provides businesses with various Business Rate reliefs and provide us with funding to cover them. Due to the way that Business Rate income is dealt with, we often receive the funding earlier than the actual impact on our accounts. So, the funding is put into a reserve until it is needed. In the past we have also gained from Business Rate pooling arrangements and have put these gains into the reserve to protect us from future risks. On top of the amounts that we know that we will need to cover collection fund impacts, we will also continue to set aside £1m to cover fluctuations in Business Rates income (which is made up of £0.5m for normal risk and an additional £0.5m to reflect the uncertainty from the current economic situation). On top of the £1.144m, detailed in the table above, we have a further £1.86m to release to the General Fund.

The following sections consider the significant factors that impact on us setting a budget for the next five years, including the assumptions made and the impact of those on setting a balanced budget.

Covid-19 impacts

In 2022/23 and 2023/24 we set aside central budgets to cover the potential ongoing impacts of Covid-19. We have seen those impacts substantially subside, so the assumption is that there will not need to be a central budget in 2024/25 (or beyond). In 2023/24, car parking income (including season ticket sales) has still not recovered to pre-pandemic levels, but are still continuing to improve back towards those levels. There will not be a permanent adjustment made to the budget, but it is highlighted as a risk.

Inflation and cost of living impacts

The UK (as well as many other countries) has seen a period of very high inflation. The Bank of England are forecasting that high inflation (above the 2% target) will persist until the first half of 2025. Even as inflation comes down, it still just means that prices are rising less quickly. The impact is already embedded in the prices that the Council needs to pay.

As a result of high inflation the Council needs to consider the following impacts:

- The cost of providing contracted services
- Pay inflation for our staff
- Increases in fees and charges, and impact on demand/ ability to pay
- Eligibility for Council Tax Reduction Scheme
- Interest rate increases.

Contracted services inflation

Our largest contract is for waste collection and street cleansing. The contract is inflated in May each year based on a basket of indicators with the following weightings: 35% wage inflation, 40% general inflation, 15% fuel inflation and 10% uninflated. The increase in May 2023 was 9.9%, and we are forecasting an increase of 3% in May 2024, before returning to around 2% from May 2025. The May 2024 inflation estimate is partly driven by a reduction in fuel costs (since inflation was last calculated in May 2023) and this can be affected by wider global and political events.

Inflation on our ground maintenance contract is linked to CPI and the increase for 2024/25 is estimated at around 5%.

Electricity and gas prices seem to have stabilised after some exceptionally high increases. We are forecasting an increase of 5% for 2024/25. As with fuel prices, these can be affected by wider global and political events.

Overall the estimate for contract expenditure inflation is around £600k in 2024/25, and then reducing to around £325k from 2025/26 onwards.

Pay inflation

For 2023/24, we increased our inflation estimate up to 4% (it had previously been 2%), and kept it at 2% for each year from 2024/25 onwards. The pay award for 2023/24 has still not been settled. In the Quarter 1 (2023/24) budget report, the forecast spend was increased to be in line with the employer offer. This has also been adjusted in future projections. The final pay award may still be higher than this.

As inflation has not subsided, it will be necessary to increase the pay award estimate for 2024/25. It is estimated that this should be 4%. For 2025/26 onwards it is expected that inflation should be around 2%, but as it is unlikely to be at that level by April 2025 it is recommended that 3% is assumed for the 2025/26 pay award. The estimates for 2026/27 onwards can stay at 2%.

The Council struggles to recruit staff, especially in certain professional areas (e.g. planning, estates, legal, IT and environmental health). Whilst the Council promotes the non-financial benefits it can offer employees, a lot of this struggle will relate to pay. The pay award estimates will not affect the Council's attractiveness in the employment market. That would require a much more significant change to the employment offer. That is not covered within this strategy but has to be considered in the context of delivering the Council Plan and the Council Delivery Plan.

Increases in fees and charges, and impact on demand/ ability to pay

It has previously been decided that parking charges should be modelled on assuming a 2% increase each year. That is not a target increase, and actual increases will need to consider managing demand, cost of provision, encouraging modal shift away from private car use and supporting the vitality of town centres. This assumption of a 2% increase will be retained. The Council will also bring forward the date of implementation of increases in each year, to reverse the delays (during the year) that arose following the Covid-19 pandemic. The target will be that the increases are applied from September in 2024/25, July in 2025/26 and June from 2026/27 onwards.

The Council has previously made a decision to change the garden waste charge to £49 for an extended 18 month period (up to April 2025). The current assumption is that this will revert to being an annual charge from April 2025 onwards. This will need to be reviewed during 2024, when the costs of the waste contract from May 2025 are known.

We believe that trade waste and the trade recycling market can bear increases in costs, and that we should be pricing in line with the wider market. The starting assumption is that increases in charges should be in line with forecast contract collection cost increases and disposal cost increases. This will be reviewed prior to April each year, and actual increases may be higher or lower.

Where fees and charges are set by regulation (e.g. planning fees) then the Council will set charges in line with those regulations. The assumption is that any ancillary charges will be increased in line with increases in general fees and charges.

All other fees and charges provide a relatively low amount of income. These have historically been increased in line with CPI + 2%. This has been adjusted in recent years as CPI has been exceptionally high. The target is that these fees and charges should recover the full cost of provision. Costs of provision are generally likely to increase with pay inflation. Therefore the assumption will be that prices should increase in line with pay inflation estimates.

Our current assumption is that increases at these levels would not affect demand. For most of our services we seek payment in advance of receiving the service, so we are also not expecting an increase in levels of overdue debt.

Eligibility for Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) determines who is eligible for a discount on their Council Tax bill. For pensioners there is a mandatory scheme set by Government. For working age residents, we can determine how any discounts are determined.

We moved to a banded scheme for working-age CTRS eligibility in April 2023. The new scheme and current economic conditions have resulted in an increase in the total value of support that is being provided. This has been seen in the tax base calculations (the weighted number of properties that pay Council Tax) which have decreased by 0.34%. Our budget assumptions are based on a net 0.5% increase in the tax base to reflect property growth. We actually expect the increase in properties to be around 0.65%, as some of the Council Tax from each additional property will be used to fund the direct costs (i.e. waste collection) that we will incur.

The Council Tax forecasts for 2024/25 will be based on this lower than expected Council Tax base. The exact reasons for the increased eligibility will be examined during the remainder of this year and in to early 2024/25. The forecasting assumption is that there will be a reversal of the tax base drop.

Interest Rate changes

Even though inflation is starting to come down, it is looking more likely that higher interest rates will need to stay in place for longer than previously expected to return (and keep) inflation at target levels. The medium-term assumption is that interest rates will return to around 2% (in line with the Bank of England inflation target). As the Council currently has minimal borrowing and relatively high cash investment balances, this could mean in the short-term that significant additional income will be generated (compared to previous forecasts). These forecasts will be updated as part of the Investment Strategy (to be approved at February Council) and will incorporate interest rate forecasts from our treasury advisors.

Pension costs

The latest triennial valuation (for March 2022) was completed before the 2022/23 budget was set. That valuation set our pension contribution rates for the next three years up until 2025/26. Forecasts for 2026/27 onwards will be based on the current valuation.

Contract costs

The Council is currently in the middle of procurements for its waste and street cleansing contract, and for its leisure contract. As we do not have final tenders for either contract, the current forecasting assumption is that these contracts will continue in line with current budgets (with adjustments for inflation). However, we are aware that other Councils have seen exceptional increases in prices when looking at new contracts, even where there were inflationary clauses over the previous contract period. There is therefore a risk of an increase in these contract amounts.

Waste legislation changes

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

- Introducing consistent waste collection across all areas of the country (e.g. same materials in the same types of bins) and being stopped from charging for garden waste collections. The latest feedback is that we will still have flexibility as to how we collect recyclable materials (i.e. including co-mingled collections) and will be able to charge for garden waste collections. We will be required to provide a weekly food collection service (as we already do) and may get some new burdens funding for that (only to be added in to the budget when we know how much it would be). We may be required to collect residual waste at least fortnightly, with indications that such a change would not be covered by new burdens funding.
- Introduction of a Deposit Return Scheme (DRS), which would have an impact on what we collect at the kerbside. It is likely to mean that higher value recycling materials would be taken to deposit return locations, leaving us to collect the remainder. This would negatively affect the net costs of disposal for recycling materials.
- Extended Producer Responsibility (EPR), which places the financial burden for waste on those that are producing it at source.

It is still not yet fully known if, how and when the above will be adopted (especially DRS and EPR). Where they are adopted, we would usually expect (see comments above in relation to fortnightly residual collections) to receive New Burdens Funding, but we don't know how this will be calculated and allocated. However, for forecasting purposes it will be assumed that there will be a net zero impact on waste costs, although there are risks in relation to that.

Housing growth, planning income and impact on tax base

The adoption of the Council's Local Plan means that there will be large new developments in the District. The precise timing of these developments is not known, and may be affected by the impacts of high interest rates, high inflation and a potential economic recession.

As these sites go through the planning process, they will generate significant planning income. Some of the capacity to deliver these has already been included in previous staffing growth bids. There will also be additional internal and external resource required. Where possible, the cost of short term external resources, and to a limited extent the internal resources, will be met through Planning Performance Agreements. However, these are voluntary agreements and cannot be required. The forecast cost of longer-term internal resources is forecast to be less than the additional income generated. Due to the uncertainty over timing, it is not possible to come up with a precise planning income forecast, and the impact and timing of the expected planning fee increases are not yet confirmed. So, the approach will be to develop a prudent estimate averaged over a number of years, with higher proportions of the total in later years. Where there are over-achievements in early years, these will be put into a central reserve to enable the smoothing of any shortfalls in later years. When prudent, any balance in the reserve will be released back to the General Fund. The reserve will not be used to directly fund additional planning expenditure. The estimates relating to this planning income will be developed in time for the setting of the 2024/25 budget. They are not incorporated into the estimates contained in this strategy.

The Council has not yet fully assessed the impact on its costs of significant housing growth (beyond estimating additional waste collection costs). So, even though that housing growth will lead to a significant increase in the tax base, this is not assumed as additional Council Tax funding income. Instead (as detailed in the section on CTRS) average annual net 0.5% growth will be assumed.

Delivering our priorities

Our Council Plan sets out our vision and priorities for 2022-27. As there have been no changes to that vision and priorities, it has not been necessary to update the Council Plan this year. The Council will continue to monitor the projects that support the delivery of the Council Plan through the Council Delivery Plan. The Council Delivery Plan is reviewed on a quarterly basis by Overview and Scrutiny and Cabinet.

As detailed in the previous section on pay inflation, the Council is facing issues with staff recruitment and retention. This is impacting on the delivery of the Council Delivery Plan and will continue to do so. Cabinet will be carrying out a prioritisation review of the Council Delivery Plan.

The table below details those projects that are in the current Council Delivery Plan (as reported to Cabinet in September 2023) and the financial implications of those projects in 2024/25 onwards:

Project	Resources
Churchgate area regeneration	Overall expected that the scheme will be at least cost neutral in net revenue terms, including the revenue effects of any capital spend.
New Ways of delivering housing on Council Land	Overall expected that the scheme will be at least cost neutral in net revenue terms, including the revenue effects of any capital spend. The impact of delays to capital receipts will need to form part of any decision.
Resident/ Public EV charging in our car parks	Grant funding has been awarded, so no further costs assumed, subject to finalisation of the private sector partner funding
Royston Leisure Centre Solar Thermal Solar PV on leisure centres	This funding may be reallocated to provide match funding for a Public Sector Decarbonisation Fund (PSDF) bid. That bid may enable more energy saving schemes to be delivered for a similar level of Council contribution. If PSDF bid is not successful, then the projects will progress. The schemes have a payback that means they will generate revenue savings that exceed the revenue cost of capital. These savings are not yet included in future forecasts.
Town Centre Strategies	Likelihood of additional costs as there is not the capacity to deliver through existing staff resources and further studies will be required. May be reflected as a financial risk.
Charnwood House	There is a capital budget allocated for improvement works. This will require some match funding from a community group. The revenue budget assumes that the Council will not incur any property management costs from 2025/26 onwards.
Place Narrative for North Herts	Being delivered via existing staff.
Cycling Networks	An infrastructure plan is expected to have been adopted by April 2024. The actual cycling infrastructure is expected to be delivered via developer contributions, as well as old grant funding that is held in a reserve.
Empty Homes Strategy	Strategy will be adopted by April 2024. Being delivered by existing staff, although low level of resource available.
Alternative Methods of Payment for parking	Funding included in the capital programme. Assumed that no impact on parking income.
Financial Sustainability	Being delivered via existing staff.
Health inequalities	Fully dependent on external funding. We have been flexible with funding to offer some job security to those staff undertaking work on this.
Leisure centre procurement	To be completed before April 2024
Local Authority Housing Fund	Due to be completed before April 2024.
Master Planning	Income through voluntary Planning Performance Agreements is expected to match any additional external costs.
Museum Storage	Funding included in the capital programme. To review alternative options and any additional ongoing revenue costs before making a decision on proceeding.
Oughtonhead Common Weir	Funding included in the capital programme.
Playground Renovation Programme	Planned as a continuous cycle which requires an extra year of funding to be added in each budget cycle.
Royston Town Hall Annexe	May generate income or a capital receipt (not budgeted) but dependent on Estates staff resource to progress.

Shared Prosperity Fund	All direct costs funded from the grant. However it does require some resource in terms of project delivery, project monitoring and required grant returns. Some of the grant administration can be covered from the grant.
Town Centre Recovery	Mainly being delivered via the Shared Prosperity Fund, although that is time limited funding (to March 2025).
Waste and Street Cleansing Contract Procurement	The majority of the procurement work should be completed by April 2024. Project support (including project management, Legal and professional advice) is being funded from the waste reserve.
Work with relevant partners to prevent and relieve homelessness whenever possible	Mostly being delivered from grant funding. Risk in relation that grant funding continuing.
Enterprise Strategy	Expectation is that the Strategy will set out what is due to be delivered using existing resources.
Local Plan delivery and review	Expectation is that can be delivered from existing staff resource, with previously agreed (and to be proposed) budget growth. Recruitment and retention may increase costs if that means greater use of agency staff or consultants.
Waste depots	There is a capital allocation in place for a new depot in Baldock. It has not yet been possible to test the accuracy of the forecast costs or any associated additional revenue costs. Therefore, there is likely to be a need to update those budget estimates in future years.

There is not currently any resource allocated for any new projects that are not listed above. Whilst these could be added as part of the budget setting process, the forecast section below determines that net savings need to be identified and delivered. Any discretionary cost increases will therefore increase the savings that have to be made in other areas.

Future funding from Government

Our funding is controlled by Government in the following ways:

- If we want to increase our Council Tax by more than a certain amount, then we must hold a referendum. Government set this limit each year and last year it was the greater of 2.99% or £5 on a band D property (with the other bands increased in proportion). In previous years it was 1.99% or £5.
- They set how much of the Business Rates that we collect that we can retain.
- They determine how funding from New Homes Bonus works. This is a reward to councils for encouraging the building of new homes.
- They can allocate other general funding and grants.

There was supposed to be a significant change to the way that we and other local authorities were funded. This would have included a new funding formula and a change to how much of the Business Rates that we collect we could retain. It is now expected that the earliest that this change will be introduced will be 2026/27, although it is possible that it could be from 2025/26.

We had been told that in 2019/20 our funding from Business Rates would be cut by over £1m. This had become known as negative RSG (Revenue Support Grant). This cut in funding has not yet taken place. When a new funding formula is introduced, we are working on the assumption that it will be broadly in line with the formula that determined we should have a negative RSG imposed upon us. Although the assumption is that the cut will be £1m, rather than being inflated from the 2019/20 total. Also, assuming that it would be phased in other two years, with half the impact (£0.5m) in the first year (2026/27).

We currently provide our Parish, Town, and Community Councils with a total of £39k of funding, in addition to what they raise through their precepts. This was initially linked to the localisation of Council Tax support (CTRS). Our policy has been that this support should reduce in line with the funding that we receive from

Government. The amount that each Council receives is very small and could be covered by a small increase in their precept.

There has been a consultation on the New Homes Bonus, which made several proposals on how it might be changed in future years. There has not yet been any indication of what might be adopted. The assumption is that New Homes Bonus will continue for one more year. However, this is somewhat superseded by guarantees in relation to Core Spending Power.

The Councils 'Core Spending Power' (a measure of funding determined by Government) is made up of the following:

- Baseline retained Business Rates
- Council Tax
- New Homes Bonus
- Other general grants- in 2023/24 this included a Services Grant of £100k.

For 2023/24 the Council's Core Spending Power is £17.2m. In 2023/24 there was a guarantee from Government that core spending power (before the impact of Council Tax rate increases, but after an assumption on growth in the base) would increase by at least 3%. Where this was not going to be achieved through other funding, Councils would receive a funding guarantee grant from Government. The Council did not get a funding guarantee grant, as it received a high level of New Homes Bonus. Based on announcements in 2023/24, it is assumed that the 3% promise will also apply for 2024/25. For 2025/26 onwards we will assume that Core Spending Power will not reduce, even where negative RSG is applied.

Council Tax

As detailed previously, we will assume that our Council Tax base for 2024/25 will be based on the latest September 2023 Tax base calculation. For 2025/26 we will assume that the base will be 1% higher than the 2023/24 budgeted Council Tax base (i.e. a reversal of the reduction seen for 2024/25). The assumption for 2026/27 onwards is a net tax base growth of 0.5% per year. The actual growth is expected to be higher, but some of the additional income will be needed to provide services to the new properties (e.g. waste collection).

We are assuming that Government will allow Council Tax increases for 2024/25 by up to 2.99% without the need for a local referendum. In calculating the funding that is available, Government assume that councils will increase their Council Tax by the maximum available. To do as much as we can to maintain our service provision, we will increase our Council Tax by the maximum possible, without the need for a referendum.

For 2025/26 onwards we are assuming that Government will revert to increases of up to 1.99% without a local referendum for lower tier Councils. The assumption is that the Council will choose to increase by this amount.

For each year it is likely that there will also be the provision for Council Tax increases of £5 for a band D property (other bands pro rata), even if this is more than the stipulated percentage. The Council's tax rate is now at a level where the percentage increases will be higher than the £5 increase.

Our reserves

We are required to make sure that we have a certain level of reserves when we set our budget. This is to provide protection against known and unknown risks. This includes us being able to react to changes in demand and any emergencies that may arise. Our allowance of known risks is based on estimating the monetary impact of an event happening and applying a percentage to this, based on the likelihood of it happening (high, medium or low). Our allowance for unknown risks is based on 5% of net expenditure and 3% of budgeted income (excluding Housing Benefit). For 2023/24 this gave a minimum balance of £2.5m. It is assumed that it will need to continue to be at around that level.

We are forecasting that our General Fund reserves at the start of 2024/25 will be £12.65m. We will plan to use our reserves to smooth some of the impact of the savings that we are forecasting that we need to deliver. We will also plan to retain reserves to give us time to respond to the further uncertainties that are detailed in this strategy. In planning our future budgets, we need to make sure that we stay safely above the minimum General Fund level.

Our future forecasts and savings required

Based on all the assumptions detailed in the previous sections (and the additional assumptions detailed in Annex A), we are forecasting the following budget position over the next five years.:

£ thousands	2024/25	2025/26	2026/27	2027/28	2028/29
General Fund balance at the start of the year	12,649	12,649	12,037	11,331	11,979
Less: How much we plan to spend during the year on existing services (before making savings)	18,999	19,771	19,152	18,770	18,617
Add: Our expected funding during the year	17,894	17,907	17,927	17,938	17,944
Add: other reserves that we plan to use to fund our expenditure	1,105	751	0	0	0
Add: additional net savings that we need to deliver *	0	500	1,000	1,000	600
Equals: General Fund balance at the end of the year	12,649	12,037	11,331	11,179	11,106

* These are the additional savings that need to be delivered in each year. Over the five-year period the cumulative annual savings that will be required are **£3.1 million**.

Addressing our funding gap

The table above shows savings that we need to deliver to achieve a balanced budget by 2028/29. That means that by that year our funding will equal our expenditure. Savings could mean any of the following:

- Being able to deliver our existing services at a lower cost. The use of technology and automation may enable to do this in some areas. But generally, the savings that we have delivered across a number of years have been through efficiencies, meaning that there are fewer opportunities left.
- Being able to generate additional income from services that we are able to charge for, less any costs in providing that additional level of service.
- Being able to generate income from commercial activities. The opportunities to do this are limited by economic conditions and government policy. We also need to make sure that these activities are in line with our priorities.
- Reducing the level of services that we provide, or no longer providing services that we are not required to provide. Whilst we would always want to avoid this, we have to consider the overall sustainability of our Council.

It is expected that the majority of the work to identify savings will need to take place after the May 2024 elections, as that will give the administration at that time the ability to fully align their spending and priorities over the 4-year period of the election cycle. The current level of the Council's reserves allows that approach, as long as any investments (increases in spend, decreases in income) in the 2024/25 budget are focused on essential areas only.

Capital budgets

We are currently able to fund our capital expenditure (spend on assets that have a useful life of more than one year) from our capital reserves. Previously that has meant that the revenue cost of our capital investments has been fairly low. However, as interest rates are currently over 5%, every £1m of capital investment is an annual revenue cost of £50,000 in lost income.

Over the next few years we will run out of capital reserves. When that happens, we have to charge a Minimum Revenue Provision (MRP). A MRP charge is a revenue cost that spreads the cost of unfunded (i.e. not met from capital receipts or grant funding) capital expenditure over the life of the Councils assets, so that over time capital expenditure is fully funded. The intention is that the life of the assets will be assumed to be 40 years, so for unfunded capital expenditure of £40m there would be a revenue cost of £1m per year for 40 years. If interest rates are still around 5% when we have to make a MRP charge then the cost of capital would be around 8% (i.e. every £1m of capital investment is an annual revenue cost of £80,000).

In the longer term we will also have to borrow externally to fund borrowing costs too (in addition to MRP). The cost of that borrowing will depend on interest rates at the time, but the cost of borrowing will always be at a premium above investment returns.

Therefore, all discretionary capital spend will be assessed on the assumption that funding costs will be incurred.

We are also aware that there is significant inflation on construction and material costs at the moment. As this might continue for some time, the potential for cost increases will be assessed when considering options for new capital spend.

Any opportunity to generate capital receipts from the sale of surplus land and buildings will help to provide additional capital funding and reduce the revenue costs of capital that have been described.

ANNEX 1 Other Budget Assumptions

- Treasury Investment income will be assessed as part of the Investment Strategy each year. Yields will be based on estimates from our treasury advisors.
- Contract inflation in accordance with the individual contract terms.
- No allowance is made for general inflation on remaining expenditure. Although after allowing for salary and contractual inflation, the remaining amount is insignificant.
- An assumed 99% collection rate for the purposes of calculating the Council Tax base.
- An assumed 97% collection rate for Business Rates
- A vacancy factor set at approximately 2.5% of salary budget to yield in the region of £400k is included in the base budget in each year.
- The Council will not subsidise areas which are the responsibility of another precepting body other than through a one-off match-funding arrangement where this is in the interests of the local Council taxpayers.
- All assumptions are subject to further refinement during the budget process as more certain information becomes available.