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NORTH HERTFORDSHIRE DISTRICT COUNCIL

23 January 2024

Our Ref	Finance, Audit and Risk Committee 31 January 2024
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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 and Tamsin Thomas

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

Independent Member: John Cannon (*Non-voting advisory role).*

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

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

On

WEDNESDAY, 31ST JANUARY, 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

Item		Page
1.	**APOLOGIES FOR ABSENCE** Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
2.	**MINUTES - 13 DECEMBER 2023** To take as read and approve as a true record the minutes of the meeting of the Committee held on the 13 December 2023.	(Pages 5 - 14)
3.	**NOTIFICATION OF OTHER BUSINESS** Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4.	**CHAIR'S ANNOUNCEMENTS** Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	**PUBLIC PARTICIPATION** To receive petitions, comments and questions from the public.	
6.	**SIAS PROGRESS REPORT 2023-24** REPORT OF THE SHARED INTERNAL AUDIT SERVICE To received the SIAS Progress Report for the Internal Audit Plan 2023-24 as of 12 January 2024.	(Pages 15 - 28)
7.	**INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**	(Pages

REPORT OF THE SERVICE DIRECTOR – RESOURCES 29 - 82)

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

8. REVENUE BUDGET 2024/25 (Pages 83 - 114)
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the Revenue Budget for 2024/25.

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

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH GARDEN CITY, SG6 3JF ON WEDNESDAY, 13TH DECEMBER, 2023 AT 7.30 PM

MINUTES

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

John Cannon (Independent Person) Non-voting advisory role.

In Attendance: *Ian Couper (Service Director - Resources), James Lovegrove (Committee, Member and Scrutiny Manager) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).*

Other Presenters: *Nick Jennings (Head of Service, Shared Anti-Fraud Services).*

Also Present: *There were no members of the public present.*

9 APOLOGIES FOR ABSENCE

Audio recording 1 minute 40 seconds

Apologies for absence were received from Councillor Terry Tyler.

Councillor Chris Lucas was absent.

10 MINUTES - 8 NOVEMBER 2023

Audio Recording 1 minute and 57 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 8 November 2023 be approved as a true record of the proceedings and be signed by the Chair.

11 NOTIFICATION OF OTHER BUSINESS

Audio recording 2 minutes 40 seconds

There was no other business notified.

12 CHAIR'S ANNOUNCEMENTS

Audio recording 2 minutes 46 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.

13 PUBLIC PARTICIPATION

Audio recording 3 minutes 33 seconds

There was no public participation at this meeting.

14 SAFS PROGRESS UPDATE ON 2023-2024 ANTI-FRAUD PLAN

Audio recording 3 minutes 40 seconds

The Head of Service, Shared Anti-Fraud Service, presented the 'SAFS Progress Update on 2023-24 Anti-Fraud Plan', and highlighted that:

- The 2023-24 Anti-Fraud report was approved by this Committee in March 2023.
- The report progress and KPIs were shown in appendix B, with a more detailed report on page 29 covering the period 1 April to 31 October 2023.
- KPI 2a highlighted that 36% of allocated fraud days had been completed this has improved in quarter 3 (Q3).
- A persistent error with the new case management system had been identified and was being addressed, which had affected the reporting of time spent on cases.
- Work had been completed in accordance with the service plan and since Q3 the agreed number of days had occurred.
- The Council took part in the International Fraud Awareness week in November 2023.
- Work was ongoing with HR regarding the I-learning training with changes expected next year.
- A table highlighting all the referrals received from staff and members of the public to SAFS and the categories of these fraud allegations was shown on page 15 of the report.
- The estimated value of live fraud cases was £318K as highlight in section 15 of the report.
- The outcome of the recent grant fraud investigation resulted in a two year suspended sentence and 200 hours of unpaid work, with the matter being referred to the proceeds of crime team to investigate the recovery of any funds.
- The Fraud Advisory Panel reported in April about the Lost Homes Lost Hope risk from social housing which highlighted the importance of working closely with housing partners to prevent fraud.
- Work was ongoing with other agencies to ensure that SAFS was informed of any new fraud initiatives or threats.
- The County Council undertook an investigation of the Council Tax Framework and from a sample of 3500 cases selected for review, they found that 625 discounts could be removed which would generate an extra £264K of Council Tax funding.
- Work was ongoing with the National Fraud Initiative and the use of data and data analytics to identify and prevent fraud.
- NHDC had a lower number of data matches compared to other districts and these data matches had identified fraudulent claims that had generated a saving of £69K.
- SAFS were working with the Hertfordshire Fraud Hub to ensure that data was submitted on a regular basis, enabling the early identification of fraud.
- Polygamous workers were highlighted as a new risk, this was the result of remote working where employees worked at more than one authority.
- Specific reports regarding grant processes and recruitment risks had been produced.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to questions the Head of Service stated that:

- The case management system had been incorrectly recording time spent working on NHDC accounts and the reporting systems showed a shortfall. This meant that the 285 recorded days would not be met, however assurances could be given that the work had taken place.
- The work undertaken for the Council had been met and they were satisfied that any risk to the Council had been dealt with.
- There were still issues with the case management system and work was ongoing to rectify this.
- Urgent referrals were still being actioned and the team were meeting the two day target.
- The case management system was now recording accurate time spent and a weekly report was being produced detailing the time spent by each authority and Officer.
- They were unable to confirm if historical data would be updated.
- The workload was being completed and high risk cases were being identified and actioned appropriately.
- The case management system was used by 120 different organisations, meetings were ongoing with the provider and a request had been made for a system update.
- Ideally this situation would get rectified, alternatively an additional process would be instigated to mitigate and identify the high risk cases.
- The grant fraud perpetrator worked for the Business Improvement District (BID), they were identified by Council officers undertaking post payment assurance work and measures were put into place to prevent this type of fraud reoccurring.
- The person concerned abused their work position, and this was discovered post payment, recommendations had been given to Officers to prevent this type of fraud occurring again.
- There was a typographical error on section 17 of the report, and it should read Letchworth Garden City.
- The value of the fraud was £64K and the fraud occurred over several months.

N.B Councillor Tom Plater left the Council Chamber at 19:48

N.B Councillors Tamsin Thomas and Tom Plater entered the Council Chamber at 19:51.

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

RESOLVED: That the Committee noted the work of the Council and the Shared Anti-Fraud Service in delivering the 2023/24 Anti-Fraud Plan.

15 MID YEAR UPDATE ON RISK MANAGEMENT GOVERNANCE

Audio recording 22 minutes 10 seconds

The Service Director – Resources presented the report entitled ‘Mid Year Update on Risk Management Governance’ and highlighted that:

- The reporting of performance risks and performance indictors was included in the Council Delivery Plan and reviewed by Overview and Security and Cabinet. However it was important that this Committee also had an understanding of the risks which were contained in this report.

- The Corporate risk matrix was detailed on page 34 of the report, with table 1 showing the risk movements over the last six months.
- The risks were reviewed on a regular basis, they were not static risks and section 8.4 of the report detailed the review schedule.
- New, emerging and archived risks were highlighted at section 8.5 of the report and included two new entries, the Baldock Industrial Estate Fire and the Reinforced Auto cladding Aerated Concrete (RAAC) risk.
- RAAC had not been found in any buildings that were considered to be at a high-risk of having RAAC and work was ongoing to complete a review of all Council buildings and it was expected that this risk would shortly be closed.
- There was a SIAS report on risk management detailed in section 9 of the report which made five recommendations, one was still outstanding relating to the move to SharePoint.
- SharePoint was expected to go live on 19 December 2023.
- The Senior Management Group (SMG) undertook Horizon Scanning for mid to long term risks. They came up with risks in relation to resourcing (including the struggle to recruit and existing staff that may retire), political risks (local and national) and cyber security.
- Business Continuity was reviewing how the Council would react to a loss of key systems (including a cyber attack on the IT Systems) and investigating which areas would be priorities and which systems could be managed manually.
- The SMT reviewed the opportunities at Churchgate and the associated risks.
- The Local Plan was being reviewed, especially the implications of more dwellings and the impact these would have on funding, and services.

The following Member asked questions:

- Councillor Tamsin Thomas
- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

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

- RACC assessments had been completed for the Burymead museum storage and all the leisure facilities.
- SharePoint will be available on Councillors devices.
- There had been some delays on reviewing service risks, however these had now been completed. More details on these delays could be provided outside of this meeting.
- The Churchgate project was moving forward, however the Service Manager would be able to confirm the exact details for the change in risk level, which could then be forwarded to the Committee.
- The condition of the Churchgate building had been assessed and a plan for short term work prior to the regeneration was in place. Should the plan drift there could be the potential to raise the risk level.
- The Overview and Scrutiny Committee and Cabinet had reviewed the Waste contract and the bin capacity for recycling with the 3,3,3 collection cycle.
- The Risk Managers and associated Service Manager reviewed their service risks at different times. A Risk Officer supported the risk reviews and their reporting, and this was on a cyclical basis.
- The frequency of a service risk assessment would depend on the risk level. For projects, the project board would receive a more detailed risk report.

In response to the training requests of the Committee, the Service Director – Resources stated that a training session could be provided on the theory of risk management and determining risk scores. Members were also reminded that they were welcome to attend the Risk and Performance Management group sessions.

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

RESOLVED: That Finance, Audit and Risk Committee:

(1) Noted and provided comments to Cabinet on the mid-year Risk Management Governance update, including progress made with completion of audit recommendations.

(2) Commented on the type of Risk Management training they would like to receive going forward.

(3) Noted the review of the Performance and Risk Management Group Terms of Reference.

RECOMMENDED TO CABINET: That Cabinet consider the comments provided from Finance, Audit and Risk Committee on the mid-year Risk Management Governance update, including progress made with completion of audit recommendations.

REASONS FOR RECOMMENDATION:

(1) The responsibility for ensuring the management of risks is that of Cabinet.

(2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

16 SECOND QUARTER REVENUE BUDGET MONITORING 2023/24

Audio Recording 41 minutes 2 seconds

The Service Director – Resources presented the report entitled ‘Second Quarter Revenue Budget Monitoring 2023-24’ and highlighted:

- The major movements in variances were detailed in table 3 on page 87 of the report, with the continued high interest rates contributing to the treasury investment income.
- There had been some slippage with items, and these were requested to be carried over to 2024/25 budget. The main reason for the slippage related to resourcing.
- There has been a slight drop of income from trade waste, and there had also been a fall in the price and volumes achieved for recycling paper.
- Income from car parking had been identified as a long term risk on the Medium Term Financial Strategy (MTFS), long stay and season tickets sales seem to have been affected by employees working from home.
- Car park payments made by card have a card transaction fee which would be an ongoing cost.
- Income from garden waste and penalty charges were in line with the budget and had been highlighted as a green risk.
- With a slowing of small applications the income from Planning applications had moved to an amber risk indicator. Some of the shortfall was being covered by income from larger sites.
- Leisure centre management fees, commercial refuse & recycling services and car parking fees had all been given a red risks indicator.
- The contingency for Covid highlighted in table 6 of the report would now be released to offset areas where there had been an overspend.
- Table 7 detailed the projected end of year General Fund balance and this was higher than expected due to interest generated on investments.
- There were ongoing budget challenges which in the short term had been off-set by the income generated from the high interest rates.

The following Members asked question:

- Councillor Tamsin Thomas
- Councillor Terry Hone
- Councillor Tom Plater
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The principal areas affected by staff recruitment included, Legal, Estates, Planning, Environmental Health and this was reflected across other authorities.
- There was a known struggle to keep staff with transferable skills even with using golden hellos (which would have retention clauses), especially when the private sector offered higher salaries.
- Apprenticeships had helped with staff recruitment, but it takes time to train an employee and the skilled roles still required staffing.
- Work was ongoing to enhance the employment package offered to new employees.
- More details would be sent outside of the meeting regarding the increased postage costs which did not include the distribution of the recent Outlook magazine.
- The leadership team were looking at the implications of salary pay points, this had been highlighted on the Council Delivery Plan and to the Overview and Scrutiny Committee.
- Last year £300K was carried forward from the unspent salary budget to be spent on short-term capacity to support the Council. Examples of how this was used include an extra HR post (to create capacity for work on improving our attractiveness as an employer) and Grant Officer post (with the aim of improving funding from grants coming into the Council).
- Any changes made to the salary packages of employees would be permanent and could not be used as a short-term fix.
- The issuing of Parking Penalties can be linked to whether the team was fully staffed, but also reflected whether residents and visitors were parking properly.
- The cost for any Planning Public Inquiries were not recoverable.

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

RECOMMENDATIONS TO CABINET:

(1) That Cabinet note this report.

(2) That Cabinet approves the adjustments to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £450k 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 £769k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25

REASON 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.

17 SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023/24

Audio recording 1 hour 8 seconds

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

- Project movement and any slippage into 2024/25 was identified at table 2 of the report.
- Significant project changes against forecast were highlighted in table 3 of the report.
- The Local Authority Housing Fund phase 2 would be fully funded by grants. A tranch of the Phase 1 grant had been received and would need to be paid to Settle. Settle had completed the 3 properties that they signed up to do, and they were now occupied.
- The Estate team had been unable to update the forecast for surplus land being sold, therefore the information in table 4 on page 107 of the report was overstated.
- There was an emerging overspend on the replacement of CCTV cameras in the district which was estimated to be above 20%, the matter was likely to go to Cabinet in January. Work was ongoing to limit the ongoing revenue costs of this project.
- The majority of investments had current interest rates in excess of 5%, the table at 8.12 detailed the investments.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone
- Councillor Tamsin Thomas
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The forecast additions highlighted in table 4 had not been updated in quarter 2 which was not ideal but manageable and this related to delays in the disposal of surplus land and buildings.
- An update was expected before Cabinet in January on the replacement costs for CCTV cameras.
- There was normally one week between the Finance Audit and Risk Committee and Cabinet meetings, any updates made to the report for the Cabinet meeting on 16 January 2024 would be highlighted.
- The two biggest items of underspend reported in table 2 were not directly linked to resourcing, however some of the smaller items were.
- The museum storage costs were higher than expected and further work was taking place to look at all options.
- The contractor employed by settle for the John Barker Place development went into administration and this project had to be reprocured.
- A risk assessment for car park resurfacing had been undertaken with the outcome that the majority of car parks were in better condition than expected so delaying resurfacing would not lead to any adverse risks.
- The use of the term ‘not urgent’ in table 2 should be stated as ‘not a priority’, with regular checks being conducted on these projects to ensure they were safe as the majority of these project being cyclical works.
- There were some risks that delaying projects may add to the cost of materials, but this was mitigated by the 5% interest rate from investments.
- Should a Council issue a S114 notice they were not bankrupt and any treasury investment borrowed from other authorities would be repaid. Investments were made in line with the investment strategy of the Council, but did also reflect the financial situation of the counterparty.

In response to a comment from Councillor Tom Plater, the Chair stated that in this instance the Committee was being asked to note the report and one matter had been raised that may change before Cabinet, had the Committee been asked to recommend the report then an adjustment to the recommendations would have been required.

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

RECOMMENDATIONS TO CABINET:

(1) That Cabinet notes the forecast expenditure of £8.185M 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 £3.898M.

(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 recommends to Council that it notes the position of Treasury Management activity as at the end of September 2023 including the new Capital items.

(5) That Cabinet recommends to Council that it confirms the addition of the Local Authority Housing Fund Phase 2 to the capital programme for 2023/24 and approves the reprofiling of Bancroft & Priory Splash Pads from 2024/25 into 2023/24.

REASONS FOR RECOMMENDATIONS:

(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.

18 DRAFT BUDGET 2024/25

Audio Recording 1 hour 18 minutes 35 seconds

The Service Director – Resources presented the report entitled ‘Draft Budget 2024/25’ and highlighted that:

- This was a draft version of the report, and the final version would be going to Council in February.
- The draft was completed after budget workshops with Members and Officers and their feedback to proposals, there may be some further proposals to be included in the Cabinet report.
- It had been proposed that the customer services centre remained open for longer hours, which would have a cost implication with a budget increase.
- There would be ongoing costs for the Economic Development Strategy whilst it was being developed.
- The Department of Levelling up Housing and Communities (DLUHC) had issued a policy statement relating to Local Government finance settlement, a draft settlement was due with more information before Christmas.
- The DLUHC policy statement gave some assurances about the expected financial settlement, with the MTFS predicting a 3% income uplift, from Retained Business Rates, Council Tax and grants.
- There would be a recommendation to increase Council Tax by 2.99%, which was the most allowed before a referendum was required.

- There was little certainty going forward regarding funding in advance of the next General Election, but hopefully post-election there would be a move towards more funding certainty.
- A more detailed report would be presented to the Committee on the 31 January with more detailed funding and risk assumptions and the recommendation for the minimum general fund balance.
- There would be some use of reserves in the budget, but these would be generated from the release of the business rates pooling gains.
- There would be an update given to Cabinet to reflect the decision from DLUHC assessment and an addendum for this would be given in the Cabinet version of the draft budget.

The following Members asked questions:

- Councillor Terry Hone
- Independent Person John Cannon

In response to questions the Service Director – Resources stated:

- The principal area of growth would be in Planning with the need to deliver major sites and the income that these would generate, staff will need to be in place to facilitate these large applications.
- Careline could be an area of revenue growth and generates an income from other client bases.
- There were also some smaller short-term areas of growth.
- Consultants were required for some specialised tasks, , the costs for employing specialist full time would be greater and generally consultant input was required for short periods of time.

Councillor Tom Plater proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

RECOMMENDATIONS TO CABINET:

(1) That Cabinet note the latest funding forecasts for 2024/25 onwards and the significant uncertainty that still remains.

(2) That Cabinet confirm that it will be necessary to increase Council Tax by the maximum amount allowed without a local referendum, as this is what will be assumed by Government in determining the Business Rates that the Council can retain and calculating the Council's Core Spending Power.

(3) That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the budget to be brought back for consideration in February, for referral on to Council at the end of February.

(4) That Cabinet note the comments made at the budget workshops, and comment on the inclusion of the capital investments in the Investment Strategy to be brought back for consideration in February, for referral on to Council at the end of February.

REASON FOR RECOMMENDATIONS: To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2024/25, to be considered by Full Council on 29 February 2024.

19 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording 1 hour 29 minutes 52 seconds

Councillor Tom Plater suggested that training around the risks relating to staff recruitment and retainment could be discussed.

The Service Director – Resources mentioned that staff recruitment and retainment risks were included in the Council Delivery Plan considered by the Overview and Scrutiny Committee and the Joint Staff Consultative Committee also focused on recruitment and retainment and this may be seen as a duplication of work.

The Chair suggested a balance of work streams with more details of how risks were set and actions taken.

The Service Director – Resources proposed that a training session around internal audit took place prior to the January meeting, with the intention that the risk training could be delivered in March.

The meeting closed at 9.05 pm

Chair

INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE
31 JANUARY 2024

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 12 January 2024.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2023/24 Annual Audit Plan.

Contents

Appendices

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 12 January 2024.
b) In-Year Audit Plan review and proposed plan amendments.
c) An update on performance indicators as at 12 January 2024.

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 fourth 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 12 January 2024, 61% of the 2023/24 Audit Plan days had been delivered.

2.2 There have been five final internal audit reports issued as part of the approved 2023/24 Internal Audit Plan since the papers were issued for the 8 November 2023 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Freedom of Information	Reasonable	2 Medium, 3 Low
Safer Recruitment	Reasonable	3 Medium, 5 Low
Digital Strategy	N/A – Advisory	2 Medium
Workman's Hall	N/A - Independent Examiners Statement	N/A
King George V Playing Fields	N/A - Independent Examiners Statement	N/A

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 previously brought to FAR Committee on 13 September 2023 and 8 November 2023. The high priority recommendation on Risk Training for Councillors and Officers is now deemed to be implemented, while that for Business Continuity Planning is still considered to be partially implemented as the revised implementation date has now passed and a new implementation date has been advised. Please see Appendix D for further detail.

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 12 January 2024
Draft / Final Report Issued	11	46%	14 (58%)
In Fieldwork / Quality Review	7	29%	8 (33%)
Terms of Reference Issued / In Planning	5	21%	2 (9%)
Not Yet Started	1	4%	0 (0%)

2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 12 January 2024, 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 12 January 2024	Actual to 12 January 2024
1. **Planned Days** - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	69% (176 / 255 days)	61% (156 / 255 days)
2. **Planned Projects** Percentage of audit plan delivered to draft report stage by 31 March 2024	90%	58% (14 /24 projects)	46% (11 / 24 projects)
Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	46% (11 projects)	38% (9 projects)
3. **Client Satisfaction -** Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%	100%	50% for those returned (2 returned from 18 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, based on the original profiling, it was anticipated that fieldwork and / or reporting would have been able to commence, be further advanced or complete on the two remaining second quarter audits (Houses in Multiple Occupation (HMO) and Churchgate Landlord Compliance) and four of the third quarter audits (MSU Transactions, Project Management, Critical Applications and Estates).

2.9 In respect of Planned Projects, it was anticipated that draft reports would have been issued for the HMO, Churchgate Landlord Compliance and Critical Applications audits based on original scheduling at the start of the year or actual commencement dates. Fieldwork is complete on the latter two audits with exit meetings in the process of being scheduled, while the HMO audit was deferred to quarter 4 at the Council's request and a revised start date is being arranged.

2.10 The 2023/24 Internal Audit Plan was always heavily back ended with eight projects scheduled for commencement in quarter four under original profiling. There was thus an inherent, although not necessarily insurmountable, challenge in meeting delivery targets at the start of the year. This has been exacerbated by the HMO, MSU Transactions and Project Management audits being subsequently deferred to the fourth quarter too. The first two were at Council management request, while the latter formed part of a prioritisation discussion between the Chief Audit Executive and Service Director (Resources).

2.11 The following sometimes inter-linked factors have also contributed to internal audit delivery being behind the profile:

a) Organisational capacity to support internal audit work (Council and SIAS),
b) Competing service priorities,
c) Other external reviews and consultants,
d) Audit fatigue as some service areas have accommodated multiple audits (feeling over-audited),
e) Delays in mobilising audits, obtaining evidence, and scheduling opening / closing meetings, and
f) Delays in signing the SIAS external delivery partner contract at the start of the year, which prevented the timely commencement of a limited number of Q1 audits.

2.12 Some in-year change 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. Where audits are deferred in-year, all parties work to ensure that this is minimised or mitigated as far as possible, and another audit will ideally be brought forward in its place. This is not always possible at short notice though and allocated resource may then be redeployed to other SIAS partners.

2.13 SIAS have allocated resource to all remaining projects in the 2023/24 Internal Audit Plan and start dates have already been scheduled or in are in the process of being agreed with the relevant service areas. SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.

2.14 No new customer satisfaction surveys have been received since the last FAR Committee. As previously reported, 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.

2.15 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 12 JANUARY 2024

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	8.5	In Fieldwork
Churchgate – Ongoing Project Assurance						11	BDO	2.5	In Fieldwork
Council Tax Reduction Scheme						11	SIAS	0.5	In Planning
Medium Priority Audits (79 days)									
Freedom of Information	Reasonable	0	0	2	3	8	SIAS	8	Final Report Issued
Safer Recruitment	Reasonable	0	0	3	5	9	SIAS	9	Final Report Issued
Houses in Multiple Occupation						9	SIAS	2.5	In Fieldwork – Deferred to Q4
Estates						9	SIAS	2.5	In Fieldwork
Ombudsman Complaints						9	SIAS	8.5	Draft Report Issued
Project Management						9	SIAS	0.5	In Planning
MSU Transactions						8	SIAS	3	In Fieldwork
Agency Staffing						9	SIAS	1.5	ToR Issued
Emergency Planning						9	SIAS	0.5	In Planning
IT Audits (32 days)									
Software Licensing						10	BDO	9.5	Draft Report Issued
Critical Applications						10	BDO	8	In Fieldwork

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 12 JANUARY 2024

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	2.5	In Fieldwork
Consultancy and Advisory (30 days)									
Strategic Planning (Local Plan)						10	SIAS	0.5	In Planning
Harkness Court	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Digital Strategy	N/A	0	0	2	0	10	BDO	10	Final Report Issued
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						1.5	SIAS	1.5	Final Report Issued
Workman's Hall						1.5	SIAS	1.5	Final Report Issued
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	6	Through Year
Performance Monitoring						7	SIAS	6	Through Year
Client Liaison						7	SIAS	6	Through Year
Audit Planning 2023/24						8	SIAS	4	In Progress
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
Total - North Herts D.C.		**0**	**1**	**34**	**32**	**260**		**156**	

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 12 JANUARY 2024

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

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Churchgate - Project Governance Framework **(Final Report Issued)**	Churchgate Landlord Compliance **(In Fieldwork)**		Churchgate – Ongoing Project Assurance **(In Fieldwork)**
H				Council Tax Reduction Scheme **(In Planning)**
M	Freedom of Information **(Final Report Issued)**	Safer Recruitment **(Final Report Issued)**	Estates **(In Fieldwork)**	Agency Staffing **(ToR Issued)**
M		Houses in Multiple Occupation (HMO) **(In Fieldwork – deferred to Q4 at management request)**	Ombudsman Complaints **(Draft Report Issued)**	Emergency Planning **(In Planning)**
M			Project Management **(In Planning - deferred to Q4 in discussion with management)**	
M			MSU Transactions **(In Fieldwork – deferred to Q4 at management request)**	
IT		Software Licensing **(Draft Report Issued)**	Critical Applications **(In Fieldwork)**	IT Disaster Recovery and Business Continuity **(In Fieldwork)**
C	Harkness Court **(Final Report Issued)**			Strategic Planning (Local Plan) **(In Planning)**
C	Digital Strategy **(Final Report Issued)**			
G/C				King George V Playing Fields **(Final Report Issued)**
G/C				Workman's Hall **(Final Report Issued)**

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

O	2022/23 Carry Forward Audits **(Complete)**			

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
Business Continuity Planning (February 2023)	**Limited evidence of IT disaster recovery procedures and outdated policies** SIAS Recommendation 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. 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. Management Response 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) IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.	30 April 2023	**Partially Implemented.** **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. **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. **January FAR Committee Update** Good progress towards implementing this recommendation continues to be made. The target date for formalised ICT readiness for business continuity has now been amended to 31 January 2024 to allow us to update relevant controls to reflect lessons learned from the major incident experienced on 11 January 2024.
Risk and Performance Management (April 2023)	**Risk Training for Officers and Councillors** SIAS Recommendation 1. Members of the Committees charged with the oversight of risks and risk management (O&S and FARC) or who need to understand risk attached to their decisions (Cabinet) will receive a bespoke level of training appropriate to their risk responsibilities. 2. Mandatory general risk management training should be given to all Councillors – at their induction.	30 June 2023 and 31 December 2023	**Implemented** **September FAR Committee Update** All new and existing Members were invited to attend the Finance and Risk training session delivered by the Service Director: Resources on 7 June 2023. The Performance and Risk Officer has met with Learning & Development to progress a review of GrowZone training. This work is now

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	3. Risk training is available to all staff, but it is only mandatory for those members of staff with risk management responsibilities. It should be made clear to staff if they are required to complete the training and how often. Management Response 1. To carry out further training with members of Finance, Audit and Risk Committee during the year. To also carry out risk training with Political Liaison Board (PLB) which includes Cabinet Members and Officer Leadership Team. 2. New members have an induction programme that includes a session on finance. That session will be extended to also include a section on Risk. 3. Agreed. We will undertake a review of the growzone training and update to clarify who should undertake the training and when.		expected to be completed by the end of September 2023. All senior managers will be required to undertake the updated training and to revisit the e-learning module every two years. **January FAR Committee Update (as reported to FAR Committee on 13 December 2023, as part of the mid-year update on risk management governance)** Strategic finance and risk training sessions took place early summer 2023. These included sessions for Members (including Cabinet) and Senior Managers. Regular training sessions with FAR Committee members are taking place that focus on key topic areas. These have included topics linked to risk. These sessions will continue before each FAR Committee meeting. Part 1 of the recommendation now considered complete. A combined session on Finance and Risk Management was delivered on 7 June 2023, with all new and existing Members invited to attend. These combined sessions will continue as part of future Member inductions. Part 2 of the recommendation now considered complete. Updated e-learning module now available on GROW Zone and now incorporates a feedback form. Agreed that senior managers should undertake the training every 2 years. This will commence in July 2024 to coincide with the introduction of a new Learning and Development system. Part 3 of the recommendation now considered complete and plan to implement this change by July 2024 being developed.

FINANCE, AUDIT AND RISK COMMITTEE
31 January 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 COUNCILLOR IAN ALBERT.

COUNCIL PRIORITY: SUSTAINABILTY

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 Finance, Audit and Risk Committee make recommendations to Cabinet on this Strategy, and in relation to Cabinet's recommendations which are:

That Cabinet recommends to Council that they:

2.1. 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.

2.2. That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 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 Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

5.5 There is ongoing dialogue with the Authority's Treasury advisors (Link).

6. FORWARD PLAN

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

7. BACKGROUND

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

7.2 Cabinet receives quarterly updates on the delivery and funding of the Council's capital programme, with the report presented at the 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 £M	2024/25 £M	2025/26 to 2032/33 £M
Original Estimates approved by Full Council February 2023	**8.516**	**7.427**	**15.624**
Changes approved by Cabinet in 3rd Qrt 2022/23	1.554	0	0
Changes approved by Cabinet in 2022/23 Capital Outturn report	1.221	0	0
Revised Capital estimates at start of 2023/24	**11.291**	**7.427**	**15.624**
Changes at Q1	-0.853	0.686	0.585
New Financial System - Council Approved 28/09/23	0.200		
Changes at Q2 (mainly changes to museum storage and John Barker place, off-set by addition of LAHF)	-2.413	1.789	2.109
Current Capital Estimates	**8.225**	**9.902**	**18.318**

7.3 The Treasury Strategy Statement for 2023/24 was approved by Council in February 2023. A mid year review of the Treasury Strategy was 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.

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

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

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

18. BACKGROUND PAPERS

18.1 None

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Appendix A

Investment Strategy
(Integrated Capital and Treasury Strategy)

<u>Part 1- Overview</u>

<u>Introduction</u>

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 (All Councillors)	Required to formally adopt this Strategy. 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. 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. 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. 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. 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. Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process. Members of SMT are likely to be involved in negotiating commercial deals.	Previous training session on risk, risk appetite and assessing risk. Regular updates on the Council's funding and finances, including significant changes in regulations. 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. 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. Regular updates on key financial issues.

<u>Part 2- Capital Spend</u>

<u>Current Capital Assets</u>

As at 31 March 2023, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	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
Total			**124,536**

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
Cemeteries	Icknield Way 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
Total			**7,489**

Capitalisation Policy:

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

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

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£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. 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

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£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
New Capital Programme							
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
Total		**15,537**	**3,128**	**1,165**	**607**	**1,522**	**2,745**

The totals for 2029/30 to 20332/34 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
Total		**7,096**	**11,983**	**3,000**	**3,000**	**0**	**0**

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)	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. 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.	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.	The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.

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 forecast below as the amount and/or timing of the receipt is too uncertain. These sales are likely to fall into 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.

As a result of planned expenditure in 2023/24 and future years, the Council forecasts the following use of funding for capital (table 11).

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
Borrowing requirement		**0**	**11,857**	**4,024**	**3,565**	**3,607**	**1,522**	**2,745**
Cumulative borrowing requirement		**0**	**0**	**15,881**	**19,446**	**23,053**	**24,575**	**27,320**

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 31st March 2023 (actual)	-2.7
As at 31st March 2024 (forecast)	-2.2
As at 31st March 2025 (forecast)	11.9
As at 31st March 2026 (forecast)	15.9
As at 31st March 2027 (forecast)	19.4
As at 31st March 2028 (forecast)	23.1

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

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[1]	11,990	13,425	13,049	11,341	10,281	9,667	9,646
Add back MRP	0	0	0	721	1,163	1,313	1,411
Revenue Reserves[2]	10,661	10,491	9,783	5,357	5,857	6,357	6,857
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
Total	**29,006**	**29,735**	**28,163**	**22,693**	**22,560**	**22,581**	**23,148**

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 £m	Forecast other long-term liabilities[1] £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31st March 2023 (actual)	0.367	1.023	0	1.390	3.0	8.0
As at 31st March 2024 (forecast)	0.347	0.516	0	0.863	2.0	7.0
As at 31st March 2025 (forecast)	12.182	0.106	(11.857)	0.431	2.0	7.0
As at 31st March 2026 (forecast)	16.185	8.600	(15.880)	8.905	10.0	15.0
As at 31st March 2027 (forecast)	19.736	8.092	(19.446)	8.382	10.0	15.0
As at 31st March 2028 (forecast)	23.328	7.582	(23.053)	7.857	9.0	14.0
As at 31st 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

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/24 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	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	25,0000	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
Total					**346,922**		

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 £m	Expected annual income from investment assets £m	Total borrowing linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £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.

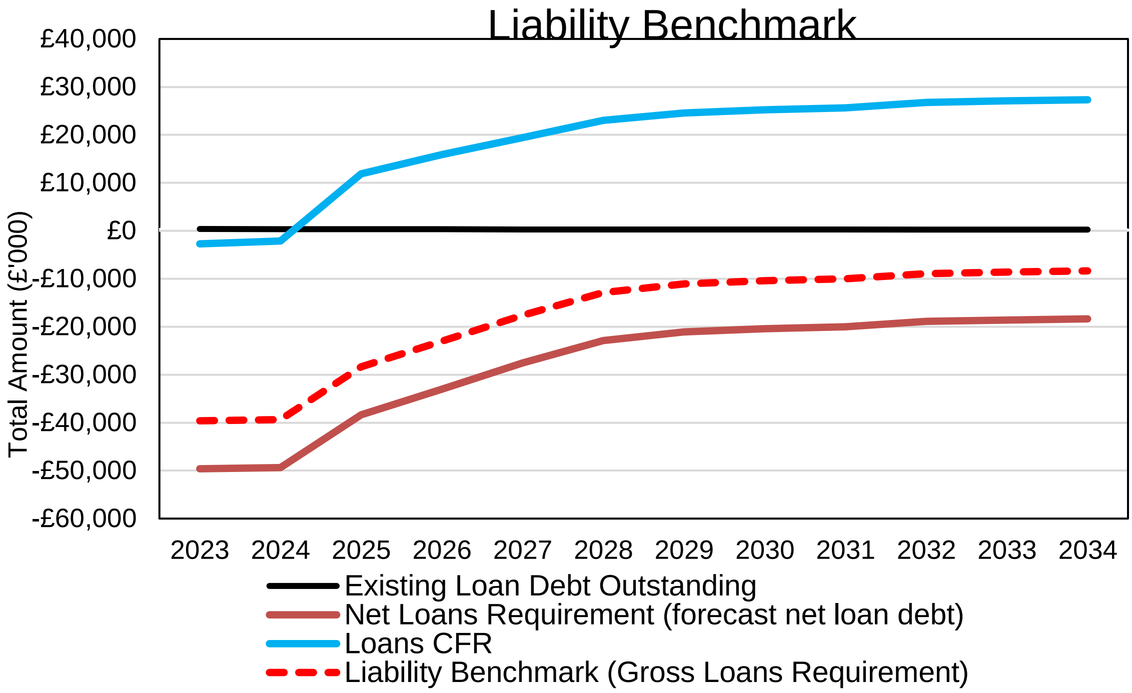
Under accounting regulations, it is therefore required to treat this as a finance lease embedded within the contract. This requires the Council to recognise the vehicle assets as belonging to it, alongside a liability. The liability is effectively repaid through the contract sums over the seven years 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	20.265	2.813
2025/26	0.755	19.576	3.857
2026/27	1.196	18.971	6.304
2027/28	1.345	19.070	7.052
2028/29	1.442	18.828	7.658

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	28,163	22,693	22,560	22,581	23,148
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[1]	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
Total forecast of available for investment	**41,458**	**33,979**	**17,034**	**23,563**	**12,222**	**7,387**	**5,788**

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

Loan	Amount	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/8th 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. An equity investment would provide less security and increase expected credit loss. However, it may enable the company to be more profitable, and therefore increase returns. Expected credit loss would be looked at in more detail in advance of any investment being granted and linked to the planned use of those funds.
Stevenage Leisure Ltd	£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. 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		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		15	3	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
UK Property 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.
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 are 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	24.7	19.9	18.3	9.9	6.5
Forecast of interest earned (£m)*	1.112	0.583	0.456	0.249	0.162
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	1.112	-0.542	20.265	-2.675
2025/26	0.755	0.583	0.171	19.576	0.874
2026/27	1.196	0.456	0.740	18.971	3.901
2027/28	1.345	0.249	1.096	19.070	5.747
2028/29	1.442	0.162	1.280	18.828	6.798

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. CBP 2024/25 UPDATE: Annual £60k capital allocation extended to the end of 10 year period of capital programme.
ECP8	**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. 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. 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 £'000	Total Anticipated Funding from Grants or Other Contributions £'000	Proposed Investment in 2024/25 £'000	Proposed Investment in 2025/26 £'000	Proposed Investment in 2026/27 £'000	Proposed Investment in 2027/28 £'000	Proposed Investment in 2028/29 £'000	Proposed Investment 2029 - 2034 £'000	Anticipated Impact of Proposal
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. 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 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: DR Hardware Refresh inc UPS Battery Pack for Unit 3 (DR site) - this includes, servers, switches and UPS at Unit 3 Back Up Diesel Generator at the DCO - Renewal of hardware in 2023/24 to ensure continued generator back up. Expected to be a non-diesel alternative. 3 x 40 UPS Device or Battery replacement - lifespan of these items is 3 years therefore ongoing replacement is required to ensure the UPS continues to work effectively.
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: Dell servers - upgrade and maintenance of servers at regular intervals New Blade Enclosures - an integral part of the servers, require updating at the same time as the servers Core Backbone Switch - links the virtual servers to the Storage Area Network Data Switch Upgrade - The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly Cabinet Switches to ensure that traffic is routed immediately from the servers to the desktops / laptops
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. 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. 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 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. 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											

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			£'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.
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

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			£'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. 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. 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. 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. 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. **Moved forward to 2024/25 to match PSDF, will move back to 2027/28 if PSDF not sucessful.**
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

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			£'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 additiionl 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**	**-**	**-**	**-**	

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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.

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			£'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. 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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FINANCE, AUDIT AND RISK COMMITTEE
31 January 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 – IAN ALBERT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. Cabinet are asked to recommend 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 other risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.

Cabinet are also asked to approve adjustments to the 2023/24 revenue budget as a result of the revised forecasts contained within this report.

Finance, Audit and Risk Committee are asked to comment on the proposed budget through an in-depth analysis of policy issues pertaining to finance, audit and risk.

2. RECOMMENDATIONS:

That Finance, Audit and Risk Committee provide comments on the recommendations to Cabinet:

That Cabinet:

2.1. Approves the decrease in the 2023/24 working budget of £301k, as detailed in table 7.

That Cabinet recommends to Council that it:

2.2. Notes the position on the Collection Fund and how it will be funded.

2.3. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.48 million is recommended.

2.4. 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.

2.5. Approves the revenue savings and investments as detailed in Appendix B.

2.6. Approves a net expenditure budget of £20.265m, as detailed in Appendix C.

2.7. 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. The Cabinet decision in relation to changes to the 23/24 working budget will be a key decision.

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.

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.

General Funding

8.4. The Government provided a policy statement on Local Government funding on 5th December 2023. This was followed by the draft Local Government Finance Settlement on 18th 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.

8.5. 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)

£000 Funding	2023/24 Budget £'000	2024/25 MTFS Forecast £'000	2024/25 Latest Forecast £'000	Difference between MTFS and latest forecast	Comments
Council Tax	12,791	13,106	13,147	16	Small increase in tax base forecast
Council Tax Collection Fund Surplus / (Deficit)	138	Not included	24	23	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)	
3% Core Spending Power Guarantee/ New Homes Bonus	952	1,024	1,246	222	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.
	17,262	**17,894**	**18,058**	**164**	

Table 2 – Estimated General Funding forecasts

£000 Funding	2025/26	2026/27	2027/28	2028/29	Comments
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	725	806	876	436	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
	18,016	**18,016**	**18,016**	**18,016**	
% Change on previous year (cash terms)	**-0.2%**	**0%**	**0%**	**0%**	
% Change on previous year (real terms, if inflation is 2%)	**-2.2%**	**-2%**	**-2%**	**-2%**	

8.6. 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 into service budgets and have therefore already been taken into 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 1 April 2023**	**Estimated Balance at 31 March 2024**	**Estimated Balance at 31 March 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
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

Name of Reserve	Purpose of Reserve	Balance at 1 April 2023	Estimated Balance at 31 March 2024	Estimated Balance at 31 March 2025
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
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

Name of Reserve	Purpose of Reserve	Balance at 1 April 2023	Estimated Balance at 31 March 2024	Estimated Balance at 31 March 2025
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
Total	**37**	**6,537**	**1,060**

8.21 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.48million 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 Housing Services- net transfer to reserves	488 (96)	296 96	(192) 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
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
Total of Explained Variances	**(4,352)**	**(4,667)**	**(315)**		**168**	**(114)**
Other Minor Variances	21,756	21,770	14		0	(1)
Total General Fund	**17,404**	**17,103**	**(301)**		**168**	**(115)**

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	(1,112)	(583)	(456)	(249)	(162)
Forecast MRP requirement	0	721	1,163	1,313	1,411
Net budget requirement	(1,076)	172	740	1,096	1,280
Current allocated budget*	(988)	(331)	(244)	(207)	n/a
Change in budget required	(88)	503	984	1,303	

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 Cabinet's terms of reference at 5.7.8 include monitoring revenue expenditure and agreeing adjustments within the budgetary control framework. This applies to decisions relating to approving in-year variances.

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

9.6 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.

9.7 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/ Low	Risk Value £	%	Total Risk Assessment £
Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
Bad Debt Provision may need to increase in light of the roll-out of Universal Credit and in particular the managed migration of working age housing benefit clients to Universal Credit.	L	70,000	0%	0
Ransomware attack results in the write-off of some IT hardware and infrastructure.	L	200,000	0%	0
Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	M	50,000	25%	12,500
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/ Low	Risk Value £	%	Total Risk Assessment £
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/ Low	Risk Value £	%	Total Risk Assessment £
Increase in net cost of measures to address homelessness/rough sleeping and meeting obligations/projects as a result of for example: absence of government funding / reduced government funding, national and local situations such as with the current pandemic and ‘everyone in’ approach from Central Government etc.	M	250,000	25%	62,500
Dangerous structures - where the Council is unable to recover either or both of; the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered; the costs involved in seeking to recover the expenditure incurred.	L	50,000	0%	0
Specialist advice required with regard to planning applications, e.g. town centre schemes, 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/ Low	Risk Value £	%	Total Risk Assessment £
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	Net Efficiency 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'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)
Total Net Budget Reduction from new efficiency proposals			**Total Expenditure Reduction**	**(35)**	**(637)**	**(917)**	**(917)**	**(917)**
			Total Additional Income	**(16)**	**(30)**	**(694)**	**(722)**	**(1,219)**
			Total Efficiencies	**(51)**	**(667)**	**(1,611)**	**(1,639)**	**(2,136)**

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	Budget Impact	Investment 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'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	-	-
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

Ref No	Service Directorate	Description of Proposal	Budget Impact	Net Efficiency 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
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
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.. 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	-	-	-	-

Ref No	Service Directorate	Description of Proposal	Budget Impact	Net Efficiency 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
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**	(91)	(50)	34	222	309
Total Net Budget Increase from new pressures and investment proposals			**Total Additional Expenditure**	**616**	**981**	**1,325**	**1,298**	**1,366**
			Total Income Reduction	**(66)**	**-**	**84**	**272**	**359**
			Total Investments	**550**	**981**	**1,409**	**1,570**	**1,725**

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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	20,265	19,724	19,077	18,630
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	-51	-616	-944	-28	-497
New investment proposals	550	431	428	161	155
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	538	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	-800
Total Net Expenditure	**20,265**	**19,724**	**19,077**	**18,630**	**18,037**
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	-1,263	-725	-806	-876	-436
Less: Council Tax Support to Parishes	39	39	34	28	22
Total Funding	**-18,033**	**-18,016**	**-18,016**	**-18,016**	**-18,016**
Net funding position (use of reserves)	**2,232**	**1,708**	**1,061**	**614**	**21**

General Fund b/f	13,425	13,049	11,341	10,281	9,667
MHCLG Grants Transfer	-1,856	0	0	0	0
General Fund c/f	13,049	11,341	10,281	9,667	9,646

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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 draft Local Government settlement, Government have provided a 3% 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 3% 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 3% 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.

Assumption Type	**Council Tax referendum limit per year**	**Negative RSG**	**Increase in retained Business Rates**	**Funding guarantee**	**New Homes Bonus**	**Other general grants**	**2028/29 Funding (£m), and difference to base case**
Current base case	2%	£1m from 27/28	Increases with CPI	0% funding guarantee	Continues at current level	Stay at current levels	18.0
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 with 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 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.