

20 December 2024

Our Ref Finance, Audit and Risk Committee
8 January 2025
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To: Members of the Committee Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward and Stewart Willoughby

Substitute Councillors: Cathy Brownjohn, Sam Collins, Nigel Mason, Caroline McDonnell, Ralph Muncer, Claire Strong, Claire Winchester and Daniel Wright-Mason

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,
LETCWORTH GARDEN CITY, SG6 3JF**

On

WEDNESDAY, 8TH JANUARY, 2025 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

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

Agenda Part I

Item	Page
<p>1. APOLOGIES FOR ABSENCE Members are required to notify any substitutions by midday on the day of the meeting.</p> <p>Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.</p>	
<p>2. MINUTES - 13 NOVEMBER 2024 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 13 November 2024.</p>	<p>(Pages 5 - 12)</p>
<p>3. NOTIFICATION OF OTHER BUSINESS Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency.</p> <p>The Chair will decide whether any item(s) raised will be considered.</p>	
<p>4. CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.</p>	
<p>5. PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.</p>	
<p>6. INTERNAL AUDIT REPORT – REVIEW OF FINANCE, AUDIT AND RISK COMMITTEE REPORT OF THE SERVICE DIRECTOR – RESOURCES</p> <p>To consider the Internal Audit review of the effectiveness of the Committee.</p>	<p>(Pages 13 - 30)</p>

7. **REVENUE AND CAPITAL BUDGETS FOR 2025/26 ONWARDS** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 31 - 50)
- To consider the Draft Budget for 2025/26.
8. **REPORT ON RISK MANAGEMENT GOVERNANCE (MID-YEAR UPDATE)** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 51 - 86)
- An update of the Risk Management Governance at North Herts Council.
9. **SECOND QUARTER REVENUE BUDGET MONITORING 2024/25** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 87 - 100)
- To consider the Second Quarter Revenue Budget Monitoring Report 2024/25.
10. **SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND** (Pages
TREASURY) REVIEW 2024/25 101 -
REPORT OF THE SERVICE DIRECTOR – RESOURCES 132)
- To consider the progress of the Capital and Treasury Strategy for 2024/25, as at the end of September 2024.
11. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 13TH NOVEMBER, 2024 AT 7.30 PM

MINUTES

Present: Councillors: Vijaiya Poopalasingham (Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward, Stewart Willoughby and Daniel Wright-Mason.

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

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

Other Presenters: Darren Bowler (Counter-Fraud Manager, Shared Anti Fraud Service) and Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)), Debbie Hanson (Ernst and Young) and Jessica Hargreaves (KPMG).

Also Present: There were no Members of the public present.

32 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 31 seconds

Apologies for absence were received from Councillor Sean Nolan.

Having given due notice Councillor Daniel Wright-Mason substituted for Councillor Nolan.

33 MINUTES - 4 SEPTEMBER 2024

Audio Recording – 1 minute 58 seconds

Councillor Vijaiya Poopalasingham, as Chair, proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 4 September 2024 be approved as a true record of the proceedings and be signed by the Chair.

34 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 55 seconds

There was no other business notified.

35 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 4 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be 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 did not apply to this meeting.

36 PUBLIC PARTICIPATION

Audio recording – 3 minutes 56 seconds

There was no public participation at this meeting.

37 SAFS ANTI FRAUD UPDATE

Audio recording – 4 minutes 9 seconds

The Counter Fraud Manager presented the report entitled 'SAFS Anti Fraud Update 2024-25' and highlighted that:

- The report detailed the current work activity and the half yearly performance KPIs.
- There had been 22 fraud alerts and additional generic fraud reports.
- Seven specialised training sessions had taken place with more sessions planned for quarter 3.
- There had been 56 allegations of fraud received, related to housing, Council Tax, procurement and parking services. 37 of these allegations were under investigation and 18 had reached a referral stage. The combined losses for these allegations was £242K.
- Seven cases had been closed with £7K of identified losses and £13K of savings.
- Identified losses had the potential to be recovered, whereas savings were considered as money that could have been lost if the fraud had continued.
- One case had been referred to the Legal Team to consider prosecution and one case resulted in a 'cease and desist' notice being issued.
- There were six tenancy cases being investigated and a property had been recovered.
- A review of 18 Council Tax fraud cases had identified £10K of losses.
- The results from the National Fraud Initiative were now due on the 20 December 2024 instead of January and resources had been reallocated to facilitate the data results.
- The Herts Fraudhub had identified 800 records for review, with a small amount of fraud discrepancies already actioned.
- There had been a new Council Tax Framework contract for 2025/26.
- Work was ongoing with a Tri County Blue Badge prevention initiative, and a memorandum of understanding was expected to support the prevention and misuse of Blue Badges.
- There was still an outstanding software issue with identifying urgent cases however, all cases had been processed within the urgent case timeframe.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Councillor Vijaiya Poopalasingham
- Independent Member John Cannon

In response to questions, the Counter Fraud Manager advised that:

- The case management software provider had now confirmed that the system was unable to report on the processing of urgent cases. It was anticipated that this KPI would be changed for next year.

- SAFs were ahead of target in delivering the required 267 days, the amber of KPI 2 was due to being part way through the civic year.
- Due to pending legal action the details of the two housing cases were currently confidential however, details could be sent outside of this meeting.
- Blue Badge parking was highly sought after and in certain parts of the country badges could be sold for a high price, leading to losses and misuse. In the summer the Civil Enforcement team, County Council and the Police worked together in a joint operation reviewing targeted areas for Blue Badge fraud. As a result of this operation a memorandum of understanding was being developed and it was hoped that this would become an annual exercise.
- Organised fraud groups were targeting companies with mandate frauds, which were becoming more sophisticated and looked genuine as they included email chains from suppliers. SAFs were advising that any change of bank account request were independently verified.

In response to a question, the Head of Assurance advised that the KPI colour coding was an ongoing issue and there were ongoing discussions around this matter.

Councillor Ruth Brown proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee noted the progress by Officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.

38 SIAS PROGRESS REPORT 2024/25

Audio recording – 23 minutes 28 seconds

The Head of Assurance presented the report entitled 'SIAS Progress Report 2024-25' and highlighted that:

- The implementation of high priority recommendations from the Estates audit were taking longer than anticipated and now had a revised target date of March 2025, good progress had been made on this with full details at Appendix D.
- The high priority recommendation on Agency Staff and on Houses of Multiple Occupation had been implemented.
- The Project Prioritisation audit had been replaced by a Purchasing Card audit and this had had recently commenced.
- The Churchgate Project Assurance audit had a change of approach and would no longer follow an embedded assurance approach and instead would be a more traditional 'specific moment in time' audit covering the period since the issue of the final reports for the two Churchgate audits completed as part of the 2023/24 Internal Audit Plan.
- There had been changes to several audit start dates and this had meant a delay on commencing those audits, full details were available at Appendix B. It was not uncommon in Local Authorities for audit start dates to be moved at either the request of Council management or the internal audit team in some circumstances.
- SIAS were confident that they would be able to deliver enough work to support the assurance opinion to be issued in May / June 2025. Resources were available to complete the plan.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Head of Assurance advised that:

- The Estates department were making good progress with the implementation of the high priority recommendation and a revised full implementation date had been set for 1 March 2025. There was ongoing cross checking of data sources occurring.
- The final audit report in this matter had been issued in quarter 1.
- Once the Estates department had accurately captured the data in Excel form, this would enable them to satisfy the recommendations in the case of alerts for review dates and update the asset register. A review could then be undertaken to decide if the current property management system needed updating, or if a new system would be more appropriate for the Council's needs and to deliver the audit recommendations.

In response to questions, the Service Director – Resources advised that:

- The Estates department were now fully staffed and this meant good progress was being made.
- The full extent of current risks would be confirmed outside of this meeting.
- It was felt that the Purchasing Card audit was a greater risk than the Project Prioritisation audit, especially as the new finance system had controls in place regarding projects. The audit would ensure that purchasing cards were used correctly and in line with policies.
- The Peer Review and the new Council Delivery Plan covered off areas that the Project Prioritisation audit would have reviewed.

Councillor Paul Ward proposed and Councillor Tina Bhartwas seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee noted:

- (1) The SIAS Progress Report for the period to 25 October 2024.
- (2) The implementation status of the reported high priority recommendations.
- (3) The plan amendments to the 2024/25 Annual Audit Plan

39 STATEMENT OF ACCOUNTS 2022/23 AND 2023/24

Audio recording – 37 minutes 19 seconds

The Service Director – Resources presented the report entitled 'Statement of Accounts 2022/23 and 2023/24' and highlighted that:

- There had been a supplementary document published on 13 November 2024 which included a completion report from Ernst and Young.
- There was a date error in the third paragraph of the Executive Summary and the audit backstop date should read as 28 February 2025 for 2023/24 and the last sentence should read as 2023/24 instead of 2024/25
- Due to failures in the public and private sector there had been a strengthening of audit requirements which resulted in audits taking longer. This had been made worse by Covid. The Government worked to resolve this and backstop dates for audits were agreed. These were then delayed by the general election and had now been passed by Government.
- The first backstop date was 13 December 2024 for accounts for the financial year 2022/23 and before. Details of future dates were highlighted in paragraph 8.2 of the report.
- The Committee was originally asked to review the report at Appendix B and delegate final approval to the Chair of the Committee however, the reports had since been finalised and published.

- There was still a requirement to delegate final approval to the Chair and the Service Director – Resources, as minor adjustments would be made to the Statement of Accounts before it could be formally approved by the Chair of the Committee.
- The Annual Governance Statement had previously been approved by the Committee and would be published alongside the Statement of Accounts.

Debbie Hanson, Ernst & Young, presented the report entitled 'Completion Report for Those Charged with Governance' and highlighted that:

- The Interim Value for Money report was presented to the Committee in its June meeting and this was incorporated in this report.
- Ernst and Young were required to report on materiality and risks under the Auditing Standards requirements.
- The requirements also included making checks with management regarding internal controls, compliance with laws and regulations, any significant fraud issues and good governance.
- There was a requirement to make basic checks on the account such as checking that the opening balances were the same as the closing balances from 2021/22 and checks against the CIPFA disclosure checklist.
- There were no specific issues at North Herts Council, the disclaimed opinion was the result of local audit system wide issues and backlogs.
- Had the audit been completed as normal, an applied level of Planning Materiality would have been set at £1.26M and this was detailed on page 17 of the supplement. These levels had been applied when reviewing any accounts errors.
- The risks indicated in the plan had been similar to the previous year, they included the incorrect valuation of land and buildings and the pension liability.
- Ernst and Young were required to confirm their independence as auditors, and this was stated in the report.
- There had been no significant issues with the Value for Money Report. The basic checks on the financial statements had identified some minor issues and as a result some changes had been requested to the financial statements prior to sign off and these were highlighted on page 23 of the report. These were mainly internal inconsistencies and the majority were not material and would be corrected.
- There was a Draft Audit Opinion on page 27 of the supplement and this was unlikely to be subject to any changes.
- A certificate would be issued along with the opinion after the 22 November 2024.

Jessica Hargreaves, KPMG, presented the report entitled 'Statement of Accounts 2023/24' and highlighted that:

- The audit plan for 2023/24 was approved by the Committee in June 2024.
- Progress was ongoing on the audit and was expected to be completed before the backstop date of 28 February 2025.
- The audit report 2023/24 would have a disclaimed opinion, but this would be for fewer items than the 2022/23 accounts.
- Audit procedures for 2023/24 would include income, expenditure and staff cost balances, as well as pension numbers and land and building revaluations which were all areas of significant risk.
- The opening balance for 2023/24 would not have been fully audited due to the backstop requirement, and therefore an assurance on that matter could not be given. Over the next few years the disclaimed differences would get smaller. This was a sector wide issue and not isolated to North Herts Council.
- The Value for Money report was progressing and an initial conclusion was expected by the end of the year.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Resources advised that:

- There had been a £2M amalgamated error as stated in note 20 on page 23 of the report, however the figures when separated out added up to the correct figure. This would be corrected before the final sign off of the accounts.
- There had been an error on the reported Pension figures as stated in note 30 on page 23 of the report, and the wrong number had been input. This would be corrected before the final sign off of the accounts.
- Following the Value for Money report from Ernst and Young, the Churchgate property was reclassified as a property asset, rather than an investment asset.
- The new financial system had an assets register and any duplicate entries had already been corrected through updates to the current process.
- The Churchgate project had the same valuation and did not affect the overall balance.
- In 2018/19 the Council made savings from a new waste contract at a lower cost and the introduction of charging for garden waste.

The Chair proposed an amendment to recommendation 2.6 and an additional recommendation 2.7, that the Committee formally thanked Ernst and Young for their work and support to the Committee over the last eight years.

Councillor Ruth Brown proposed, as amended, and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee:

- (1) Noted the 2022/23 Annual Statement of Accounts as set out in Appendix B.
- (2) Delegated to the Chair of the Committee the final approval of the 2022/23 Annual Statement of Accounts. This would include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.
- (3) Noted that the Annual Governance Statement for 2022/23 was approved by the Committee in September 2023, and that nothing has been identified since that date that would require a change to that Annual Governance Statement.
- (4) Noted the progress made in the audit of the 2023/24 Annual Statement of Accounts.
- (5) Noted the additional audit fees that have been notified by KPMG in relation to ISA315r of £11,597, which will be subject to approval by PSAA.
- (6) Noted the completion report and the process that would be followed for the approval of the 2022/23 Accounts as detailed in paragraph 8.13 of the supplementary report.
- (7) Formally thanked Ernst and Young for their work and support to the Committee over the last eight years.

REASON FOR DECISIONS:

To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024

40 CODE FOR STATUTORY OFFICERS (HEAD OF PAID SERVICE, SECTION 151 AND MONITORING OFFICERS)

Audio recording – 1 hour 1 minute 58 seconds

The Service Director – Resources presented the report entitled ‘Code for Statutory Officers (Head of Paid Service, Section 151 and Monitoring Officers)’ and highlighted that:

- The Code ensured the good governance of the Council and had been presented to the Standards Committee in October 2024 for comments.
- The Code covered the Statutory Officers namely, the Head of Paid Services, the Section 151 Officer and the Monitoring Officer, often referred to as the ‘Golden Triangle’.
- The Council was required by statute to have these key Officers.
- The Code summarised what the Council should do to ensure that they operated with good governance and that they had suitable measure in place to be efficient and listened to.
- The Code sets out the requirements for resources and for Officers to share information, by communicating with each other. It was felt that the Code was already being achieved but needed to be formalised.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Resources advised that:

- Additional recommendations could be proposed and seconded by Members of the Committee.
- Investigations would be made with the Legal Team regarding formally adopting the Code.
- The Golden Triangle roles had deputies, for the Section 151 Officer it was Antonio Ciampa, Isabelle Alajooz was the Deputy Monitoring Officer and the Service Directors deputised for the Head of Paid Services.
- It may be prudent to have a more formal plan for any long-term absences of the Head of Paid Services
- Deputies were invited to attend the Statutory Officers Group meetings and there was ongoing work on their training and the Statutory Officers training.
- The foundations of the Code were already in place and adopting the Code would strengthen and formalise those procedures.
- The Monitoring Officer in their role as Service Director - Legal and Communities was not able to deputise for the Head of Paid Services. The Section 151 Officer was able to deputise for the Head of Paid Services.

In response to a question the Head of Assurance referred to paragraph 8.1 of the report, Act Effectively and referenced the effective two-way support that Statutory Officers and the internal and external auditors provided.

Councillor Ruth Brown proposed, with two additional recommendations, and this was seconded by Councillor Dominic Griffiths and, following a vote, it was:

RESOLVED:

- (1) That the Finance, Audit and Risk Committee noted the content of the report and Appendix A, and make any suggestions on future actions, particularly with reference to 7.6 and 7.7 of this report.
- (2) That the Code would be circulated as proposed under section 7.7 of the report.
- (3) That the Committee supported that the Council should formally adopt the Code as proposed.

REASON FOR DECISION: To ensure good governance within the Council.

41 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 17 minutes 39 seconds

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

Councillor Paul Ward requested training on the Risk Register and that mitigation against risks be considered.

The Service Director – Resources confirmed that the Half Year Risk Report would be brought to the next Committee meeting and that risk training would take place prior to that meeting.

The meeting closed at 8.52 pm

Chair

FINANCE, AUDIT AND RISK COMMITTEE
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8 JANUARY 2025

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: INTERNAL AUDIT REPORT – REVIEW OF FINANCE, AUDIT AND RISK COMMITTEE

REPORT OF: *SERVICE DIRECTOR- RESOURCES*

EXECUTIVE MEMBER: *NON-EXECUTIVE*

COUNCIL SUSTAINABILITY

1. EXECUTIVE SUMMARY

As part of the 2024/25 Audit Plan, the Committee approved that there should be an Internal Audit review of the effectiveness of the Committee. The audit work has been completed and the report is attached as Appendix A. The audit report details the process that was followed and recommendations on improvements.

2. RECOMMENDATION

2.1. That the Committee comment on and note the Internal Audit report as attached at Appendix A.

3. REASON FOR RECOMMENDATION

3.1. To allow the Committee to discuss the findings of the Internal Audit report, and contribute to the actions to improve the effectiveness of the Committee.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. Internal Audit reports are sent to members of the Committee as part of standard practice. The report could just have been communicated in that way, but that would not have enabled discussion of the findings.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

Members of the Committee were asked to contribute to the audit process.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The Finance, Audit and Risk Committee set the Internal Audit Plan for the year, As has regularly been the case, the Audit Plan included this audit to look at the effectiveness of the Committee.

8. RELEVANT CONSIDERATIONS

- 8.1. The audit was carried out by BDO on behalf of the Shared Internal Audit Service. The audit report is attached at Appendix A and this details the process that was followed, the findings of the audit and the management response to those findings. The management responses include consideration by the Committee.

9. LEGAL IMPLICATIONS

- 9.1. *The FAR Committee's Terms of Reference include "to consider and approve the Annual Audit Plan" (Constitution paragraph 10.1.5 (I)). The Committee also has a general role in relation to ensuring good governance, and the effectiveness of the Committee contributes towards good governance.*

10. FINANCIAL IMPLICATIONS

- 10.1. *There are no financial implications arising from this 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 effectiveness of the Committee contributes towards good governance, which is linked to risk management processes.*

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 equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 Whilst requests from the Committee for further training and support would have HR implications, it is not expected to be significant.

16. APPENDICES

16.1 Appendix A: Audit Report on FAR effectiveness

17. CONTACT OFFICERS

17.1 Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243

18. BACKGROUND PAPERS

18.1 *Audit plan for 2024-25* <https://democracy.north-herts.gov.uk/documents/s24485/NHC%20FAR%20Committee%20-%202024-25%20Internal%20Audit%20Plan%20Report%20issued%2028.02.24.pdf>

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Draft Internal Audit Report

North Herts Council – FAR Committee Review

December 2024

Overall Assurance: N/A - Advisory

Recommendations: 3 Medium and 1 Low Priority

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 Internal Audit provides North Herts Council (the Council) with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan. This consultancy assignment formed part of the approved 2024/25 Annual Audit Plan for the Council.
- 1.2 CIPFA's 2022 Audit Committee guidance states that audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 1.3 The Council's Finance, Audit and Risk Committee (FAR Committee) is responsible for overseeing the governance of the Council. The scope of the Committee is wide and varied, but its focus is on making sure the Council has the processes in place to enable it to be run effectively. The FAR Committee carries out the statutory role of approving the Council's accounts and Annual Governance Statement. It also oversees and monitors the work programme that is being carried out by the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and the Council's external auditors (EY handing over to KPMG), all with a focus of ensuring things are done in the right way. It also supports the Cabinet in reviewing quarterly financial monitoring reports and ensuring a robust framework and process is in place to manage risk.
- 1.4 The FAR Committee meets six times a year, is attended by senior Council officers, representatives from SIAS, EY / KPMG and SAFS, is chaired by an elected Councillor, with cross-party membership of elected Councillors and one independent or co-opted member.

Purpose and Methodology

- 1.5 The purpose of this audit was to conduct an independent consultancy exercise on the effectiveness of the Council's FAR Committee, reviewing the operation and management of its meetings and benchmarking its performance against the 2022 CIPFA Audit Committee guidance, most notably the frameworks and matrices on self-assessment with good practice, evaluating the impact and effectiveness of the audit committee and audit committee knowledge and skills.
- 1.6 The following areas were covered as part of this review:
 - a) We reviewed the FAR Committee terms of reference to assess whether it has been regularly updated, and sufficiently covers the roles and responsibilities of the FAR Committee.
 - b) We confirmed whether appropriate/relevant training had been provided to members of the FAR Committee to develop their skills and knowledge.
 - c) We confirmed whether actions and decisions made in FAR Committee meetings were accurately recorded in sufficient detail within the FAR Committee meeting minutes.

- d) We confirmed whether FAR Committee papers were sent/published at least five working days prior to FAR Committee meetings. We also confirmed whether FAR Committee papers had been appropriately reviewed prior to publication.
- e) We reviewed evidence of training provided and assessed whether the induction/briefing/trainings were effective and sufficient.
- f) We compared the FAR Committee's processes and meeting minutes against recognised best practice (particularly the 2022 CIPFA position statement and relevant parts of the self-assessment checklist) to identify areas where the FAR Committee's effectiveness could be improved. The 2022 CIPFA self-assessment checklist covers the following key areas:
- Audit Committee purpose and governance.
 - Functions of the committee.
 - Membership and support.
 - Effectiveness of the committee.
- g) We interviewed two members (the Chair and Independent Member) and the Committee, Member and Scrutiny Officer for the FAR Committee to obtain their views on:
- the overall awareness of members of the FAR Committee's roles and responsibilities.
 - the effectiveness of the induction and training delivered to them and other members.
 - the amount of time provided to members to review FAR Committee papers.
 - the effectiveness of the FAR Committee's practices.

Summary of Findings

- 1.7 We concluded that the FAR Committee has effectively ensured that its members are aware of their roles and responsibilities and consistently receives committee papers in a timely manner prior to meetings. Training sessions are regularly provided to the FAR Committee members by the Service Director (Resources), SAFS and SIAS.
- 1.8 Through discussions with more experienced members of the FAR committee, we received feedback on areas of improvement regarding the Committee's effectiveness and suggestions for improvements to the training provided to members. We also identified that the FAR Committee does not complete an annual self-assessment exercise that would evaluate its effectiveness against recognised best practices and possibly identify opportunities to enhance the Council's governance framework. We provide below a summary of our observations and findings from each of the areas reviewed within this consultancy assignment.
- 1.9 We reviewed the Terms of Reference (ToR) for the FAR Committee, which is part of the Council's constitution. The constitution was subject to timely update, and last updated on 6 August 2024. The ToR sufficiently covers the roles and responsibilities of the FAR Committee, and the Service Director (Resources) confirmed that updates to the constitution are at least annually, but there have not been any recent updates to the TOR for FAR Committee specifically.
- 1.10 Based on our interviews with two members of the FAR Committee (the Chair and Independent Member) and the Committee, Member and Scrutiny Officer for the FAR Committee, to seek their views on the overall awareness between members regarding the Committee's roles and responsibilities. They were all confident that the roles and responsibilities of the FAR Committee were made clear and that they believed the membership of the FAR Committee has sufficient experience and skillsets to provide adequate review and scrutiny of all Council reports and papers presented to it.

- 1.11 During these discussions, we confirmed that members felt that the FAR Committee would benefit from additional training on helping members understand the extent of their rights to hold Council Officers to account, seek explanation and challenge / scrutinise matters they are unsure/unsatisfied with in a constructive, non-political, and supportive environment.
- 1.12 Linked to this, for example, is helping the FAR Committee in understanding their role in relation to internal audit as a key assurance provider within the governance framework. CIPFA has introduced the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code), which provides the route to satisfying the essential conditions in the Global Internal Audit Standards (UK public sector), tailored for UK local government. This includes (in summary):
- Support for internal audit - *Internal audit's activities require access to and support from senior management, the audit committee and those charged with governance. Support allows internal audit to apply their mandate and charter in practice and meet expectations.*
 - Positioning internal audit independently - *On behalf of those charged with governance and the audit committee, senior management establishes and protects the internal audit function's independence and qualifications.*
 - Oversight of internal audit - *To ensure the effectiveness of internal audit, it should be overseen by the audit committee on behalf of those charged with governance.*
- 1.13 Similarly, the CIPFA Audit Committee Guidance 2022 states, '*The audit committee's objective is to support auditor independence and effective arrangements and relationship with the auditors.*' Therefore, we recommend providing appropriate training to raise members' awareness is imperative as it will ensure they can fully and effectively utilise their rights and powers to scrutinise, oversee, monitor, and challenge Council Officers and activities.
- 1.14 We reviewed the meeting minutes for the FAR Committee for the period April 2023 to April 2024 and confirmed that the papers and agendas had been published at least five working days prior to the committee meetings and that all the meetings were quorate. We confirmed that actions and decisions made in Committee meetings were recorded in the meeting minutes.
- 1.15 During our discussions with the three members of the FAR Committee, we heard their impressions on the amount of time provided to members to review papers. Members agreed that the papers were released in time ahead of the meeting, that ensured they had sufficient time to review them.
- 1.16 For the 2023/24 financial year, we confirmed that FAR Committee members were provided with the following training to develop their skills and knowledge:
- FAR Governance
 - Finance and Risk
 - Anti-Fraud
 - Budget Setting
- 1.17 In addition, a well-attended training session was delivered by the Head of Assurance on 25 January 2023 to provide an overview of SIAS and the role of internal audit. On 31 January 2024, SIAS provided training on Internal Audit Planning / Delivery, notably focusing on impediments to delivery of the internal audit plan.

To foster a greater understanding of their role, we were informed by the Head of Assurance that a training session will be provided in January 2025 on the GIAS Domain III and the results of the current CIPFA and IASAB consultations on the Code of Practice for the Governance of Internal Audit in UK Local Government and the Global Internal Audit Standards (UK public sector). This training will be invaluable in helping members understand their roles and responsibilities in relation to internal audit.

- 1.18 We have also confirmed with the Service Director (Resources) that for the current year 2024/25, an induction session was delivered in advance of the June 2024 meeting. This was particularly important given the presence of new members following the local elections, ensuring they are well-prepared and informed about their roles and responsibilities.
- 1.19 We reviewed meeting minutes for attendance to confirm who was at these sessions and found that a total of six members were absent. One member missed all three meetings, while another arrived late on one occasion. Considering that training generally takes place half an hour prior to the Committee meeting, absences and late arrivals can affect the attendance and effectiveness of the training. An advisory action has been raised in respect of this.
- 1.20 During our review, all interviewees were happy with the level of training provided in the 2023-24 financial year. For the induction and general training session given before the FAR Committee meeting in June 2024, all members stated that it gave them good awareness and understanding of their duties and responsibilities.
- 1.21 During the course of this review and through our interviews, we identified that the FAR Committee does not perform an annual self-assessment exercise that requires all members to assess the FAR Committee's effectiveness against the good practice statements outlined by the CIPFA Position Statement 2022. The FAR Committee presented the Finance, Audit and Risk Committee Annual Report 2023-24 to the Full Council, which provided Council with a performance overview and assurance as to the effectiveness of the FAR Committee for 2023/24. By conducting the self-assessment exercise, this will facilitate a more thorough evaluation of the Committee's performance, ensuring alignment with best practices and enhancing transparency and accountability to the Full Council. An advisory action has been raised in respect of this.
- 1.22 Finally, we compared the practices of the Council, determined throughout the course of this audit, against relevant elements of the Audit Committee checklist and the CIPFA position Statement 2022 and identified the following areas for consideration and / or improvement:

Findings	Good Practice
<p>The Council does not have a dedicated audit committee that is not combined with other functions (e.g. finance, standards, ethics).</p> <p>This does not necessarily mean that these arrangements are not working, but that it may be deflecting the business and resource of the function away from its core role and functions.</p>	<p>The CIPFA Audit Committee Guidance 2022 recognises the best practice is to ensure a dedicated audit committee. CIPFA recommends that the audit committee should have no other functions, and explicitly no decision-making role.</p> <p>The Guidance goes on to say that Councils will have scrutiny committees that will undertake budget scrutiny and monitor financial performance. The responsibility of the audit committee is not to duplicate these functions.</p>

<p>The FAR members did not meet privately with the external auditors and Head of Internal Audit in the last year at least once a year.</p>	<p>The CIPFA Audit Committee Guidance 2022 advises that the audit committee should enhance the quality and effectiveness of the external audit process. It recommends that the audit committee have the opportunity to meet privately and separately with the external auditor, without the presence of officers with whom the auditor maintains a working relationship.</p> <p>It also indicates that the head of internal audit, also known as the chief audit executive, must have unfettered access to the chair of the audit committee.</p> <p>The Code of Practice for the Governance of Internal Audit in UK Local Government states that the chief audit executive must have the right of access to the chair of the audit committee at any time.</p>
<p>Through interviews with more experienced members of the Committee, there were concerns that whether some of the risk management papers were truly insightful given the sheer volume of papers. It was suggested that there should be a better emphasis and description of the key issues on the coversheet, to capture the key messages and risks.</p>	<p>The CIPFA Audit Committee Guidance 2022 has a section on Risk Management and 'Acting as a Risk Committee'. This may provide a useful steer.</p>

Summary of Recommendations

1.23 We have made three medium and one low priority recommendations on the following areas:

- Self-Assessment Reviews
- Practices of the Council/FAR Committee
- Training attendance
- Refresher training

1.24 Please see Management Action Plan at Appendix A for detail. We have provided risk ratings as per our normal reporting practices for prioritisation purposes.

Overall Audit Opinion

1.25 No assurance opinion has been provided in this report as this is included in the 2024/25 Internal Audit Plan as an advisory assignment. The contents of this report will however inform the Chief Audit Executive's overall assurance opinion on governance, risk, and control for the Council as part of the SIAS Annual Assurance Statement and Internal Audit Annual Report presented to the June FAR Committee each year.

Annual Governance Statement

1.26 While no overall assurance opinion has been provided, the outcomes of this consultancy / advisory assignment will nonetheless inform and support the compilation of the Annual Governance Statement.

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p>Annual self-assessment exercises</p> <p>We identified through discussions throughout the course of this review, that the FAR Committee does not perform an annual self-assessment exercise, which would allow members the opportunity to provide feedback on the operation, functions and management of the FAR Committee in order to improve its effectiveness against recognised best practice. The self-assessment should be done in alignment with the Annual Report process to the Full Council.</p> <p>Associated risk If members do not perform this exercise, there is a risk that the Committee is unable to review its effectiveness against recognised best practice or identify ways it can add value to the Council's governance, risk and control framework.</p>	Medium	<p>The Council should conduct an annual self-assessment exercise to review its effectiveness against recognised best practice, with an increased focus on the mentioned areas of improvement and implement the relevant changes if deemed necessary.</p> <p>This in turn should feed into the annual report and review of effectiveness to Council.</p>	<p>Management Response:</p> <p>To discuss the approach with the Finance, Audit and Risk Committee, as the effectiveness of the self-assessment will be dependent on input from Members of the Committee.</p> <p>Responsible Officer: Service Director: Resources</p>	<p>January 2025 for discussion at FAR Committee. Other actions to follow based on decision.</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
2.	<p>Practices of the Council / FAR Committee</p> <p>We compared the practices of the Council, determined throughout the course of this audit, against relevant elements of the Audit Committee checklist and the CIPFA Audit Committee Guidance / Position Statement 2022 and identified the following areas for consideration and /or improvement:</p> <ul style="list-style-type: none"> • The Council does not have a dedicated audit committee that is not combined with other functions (e.g. finance, standards, ethics). • The FAR members did not meet privately with the external auditors and Head of Internal Audit in the last year at least once a year. • Through interviews with more experienced members of the Committee, there were concerns that whether some of the risk management papers were truly insightful given the sheer volume of papers. It was suggested that 	Medium	<p>The Council should review the three areas listed in the finding and implement the relevant best practices if deemed necessary or appropriate:</p> <ol style="list-style-type: none"> 1) The Council should consider establishing a dedicated audit committee that operates independently from other functions. This may involve changes to the FAR Committee terms of reference and have an impact on other committees if any significant change is proposed. 2) The FAR members should have the opportunity to meet privately with the external auditors and the Head of Internal Audit at least once a year. This will help them gain a clearer understanding of the audit processes and any issues that may need addressing. 	<p>Management Response: This has also been raised as part of the Council's Peer Review. It will be considered as part of ongoing Governance Reviews.</p> <p>Responsible Officer: Service Director: Resources and Service Director: Legal and Community</p> <p>Management Response: This will be highlighted when the report is discussed by the FAR Committee.</p> <p>Responsible Officer: Service Director:</p>	<p>March 2026</p> <p>January 2025</p>





No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>there should be a better emphasis and description of the key issues on the coversheet, to capture the key messages and risks.</p> <p>Associated risk Consideration of adherence to best practice is essential, or there will be a risk that the FAR Committee’s effectiveness, ongoing improvement, and the application of its roles and responsibilities may be compromised.</p> <ul style="list-style-type: none"> • If the FAR members do not meet privately with the external auditors and Head of Internal Audit at least once a year, there is a risk that important issues may not be discussed openly, potentially compromising the effectiveness of the audit and assurance process. • If the key issues are not clearly emphasised in the risk management papers, there is a risk that critical risks and messages may be overlooked, leading to inadequate risk management and decision-making. 		<p>3) The summary of risk reports should emphasise and describe the key issues to effectively convey the main messages and risks.</p>	<p>Resources</p> <p>Management Response: To trial as part of the mid-year update on risk (presented to FAR in January 2025) and seek feedback. Further refinements to follow with each report.</p> <p>Responsible Officer: Service Director: Resources</p>	<p>January 2025, onwards</p>

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
3.	<p>Training attendance</p> <p>We reviewed the minutes of the last three FAR Committee meetings and found that a total of six members were absent, with one member missing all three meetings and a late arrival on one occasion. This resulted in a number of members missing some additional training sessions that was provided by the Council to aid their development as a sitting member.</p> <p>It is recognised that members may face challenges in attending training relating to family, employment and / or other outside commitments.</p> <p>Associated risk Absences and late arrivals may impact the attendance rate of the training, which could, in turn, affect the ability of Members to perform their role and the overall effectiveness of the FAR Committee.</p>	Medium	The Council should remind members of the importance of attending all FAR Committee meetings and all training sessions that are provided for their development.	<p>Management Response: This will be highlighted when the report is discussed by the FAR Committee.</p> <p>Responsible Officer: Service Director: Resources</p>	January 2025

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
4.	<p>Refresher training</p> <p>During the discussion with FAR Committee members, it was stated that there was limited review and challenge of questions being asked at the first few FAR Committee meetings, but that the level of challenge has increased over time.</p> <p>Members reported that the FAR Committee could benefit from additional training to remind and help members understand the extent of their rights to hold Council Officers to account, support, seek explanation and challenge / scrutinise matters they are unsure/unsatisfied with in a constructive, non-political, and supportive environment.</p> <p>We were informed by the Head of Assurance that a training session will be provided in January 2025 on the GIAS Domain III and the results of the current CIPFA Code of Practice for Internal Audit in Local Government and IASAB GIAS (Public Sector) consultations. This training will be invaluable in helping members understand their</p>	Low	Appropriate training should be provided to address how members can fully and appropriately utilise their role and function to scrutinise, check and challenge Council Officers and activities.	<p>Management Response: To continue to seek Member feedback on the training that they would find helpful, as well as training directed by Officers to target key issues and developments.</p> <p>Responsible Officer: Service Director: Resources</p>	January 2025, onwards

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>roles and responsibilities in relation to internal audit and how to effectively exercise their role and function.</p> <p>Associated risk If FAR Committee members are unaware of the authority and responsibility embedded in their roles, there is a risk that the efficiency and effectiveness of the FAR Committee can be impacted.</p>				

Assurance Level	Definition
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.

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.

FINANCE, AUDIT AND RISK COMMITTEE

8 JANUARY 2025

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REVENUE AND CAPITAL BUDGETS FOR 2025/26 ONWARDS

REPORT OF: *SERVICE DIRECTOR: RESOURCES*

EXECUTIVE MEMBER: *FINANCE AND IT*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Council's budget setting process starts with proposals that are developed by Officers and Executive Members. These proposals are considered by the Political Liaison Board, in the context of the Council's forecast overall financial position. The selected proposals are then taken to the two budget workshops (administration group and opposition groups). Feedback from those workshops is considered by Cabinet in this report to determine those proposals that should be taken forward to set the 2025/26 budget.

On 28 November, Government published a Local Government Finance policy statement. On the same day the funding allocations for Extended Producer Responsibility (ERP) were announced. The allocation of £1.4 million of funding for ERP for 2025/26 was positive, as this will be guaranteed and be in addition to Core Spending Power. The remainder of the policy statement was less positive as it highlighted that future funding would be focused on deprivation and those areas with a low Council tax base.

On 14 December, Government announced the provisional Local Government finance settlement. The Council's Core Spending Power for 2025/26 will be £18.323 million (a 0% change from 2024/25). It is forecast that the Council's overall funding for 2025/26 will be £19.721 million (7.9% more than 2024/25). This increase will help reduce the use of reserves to balance the 2025/26 budget.

2. RECOMMENDATIONS

That Finance, Audit and Risk Committee comment on the recommendations to Cabinet which are:

- 2.1. That Cabinet notes the Council's expected funding for 2025/26.
- 2.2. That Cabinet confirms (in line with the Medium-Term Financial Strategy) that budget forecasts should be based on increasing Council Tax by 2.99% (the maximum amount allowable without a local referendum). Noting that Government have assumed Council Tax will increase by the maximum allowed in calculating Core Spending Power.
- 2.3. That Cabinet notes that the Council may see real-term reductions in its funding in future years.
- 2.4. That, in the context of the above, Cabinet agree which proposals (revenue and capital) should be taken forward as part of the budget-setting process for 2025/26.

3. REASON FOR RECOMMENDATIONS

- 3.1 To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2025/26, to be considered by Full Council on 27 February 2025.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council's Medium Term Financial Strategy (2025-30) sets out a plan for the 2025/26 budget that would not require any substantial savings, but that any pressures should be off-set by reductions in spend/ increases in income. The proposals in this report include significant pressures that are not currently matched by savings. This is mitigated by the funding that is provided by ERP, but will still require a use of reserves. There could be a decision to push forward more quickly with the identification and delivery of savings proposals. This would help reduce the spend against reserves.
- 4.2 Officers have already been asked for their savings proposals and these are included within this report. There will be other proposals (e.g. ones that require changes to service provision) that may need to be taken forward as part of future budgets to help achieve a balance of in-year net spend and funding.
- 4.3 Political groups were asked for budget ideas (especially spend reduction and income generation) at the budget workshops. No ideas have been provided. If they are put forward then they would be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at budget workshops. The comments from these workshops are detailed in this report.
- 5.2. This report is the first draft of the budget and a further report to Cabinet will follow in February. Both reports will also be considered by the Finance, Audit and Risk (FAR) Committee. The final budget reports will be approved by Council.
- 5.3. Business Ratepayers will be consulted on the proposals within the February report. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail.
- 5.4. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it can be considered by the relevant Community Forum(s). Any comments could be referred to Cabinet when they are considering the budget to be referred on to Full Council.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The Medium-Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Full Council in September following recommendation by Cabinet. The budget estimates within the MTFS included several assumptions. These will be updated as better information becomes available and further updates will be made prior to the presentation of the budget to Cabinet in February. The final budget recommended to Council in February will still contain some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.
- 7.2. The MTFS set target net savings for the next 5 years. This is to ensure progress is made towards balancing the Council's budget, with the aim of achieving a substantially balanced budget (net expenditure = funding) by 2027/28. In the shorter term the budget will be balanced using reserves. The phasing of the delivery of savings also ensures that the reserves are not diminished too much and remain above the minimum recommended level. Where there is a sufficient buffer between actual and minimum General Fund reserve levels, and a balanced budget can be achieved on an ongoing basis, then that could provide scope for one-off investments in the District.
- 7.3. The target savings for 2025/26 was a net zero ongoing budget impact. That means no savings needed to be identified, but any growth in spend should be off-set by corresponding savings.

8. RELEVANT CONSIDERATIONS

Budget Workshops

- 8.1 The Council's budget setting process starts with proposals that are developed by Officers and Executive Members. These proposals are considered by the Political Liaison Board, in the context of the Council's forecast overall financial position. The selected proposals are then taken to the two budget workshops (administration group and opposition groups) which took place at the beginning of November. The items that were presented are detailed in Appendix A (revenue proposals) and Appendix B (capital proposals).
- 8.2 At both workshops there were questions and discussion about the proposals that were presented. There were no additional saving ideas put forward. There was no formal feedback from either of the opposition groups.
- 8.3 The administration group provided the following feedback (references relate to the Appendices):

Revenue budget proposals:

- E6. Agreed to the principle of charging for all car parks on Sundays and in the evening (subject to consultation), to help manage demand and seems equitable. Any assumed financial impact in 25/26 should be assumed to be small as there would be implementation costs and would take some time to consider and implement an appropriate charging structure.
- E7. Agreed to an increase in the charge for garden waste (with concessionary discounts) to reflect increases in costs from May 2025, reflecting charges by other Councils and continuing to encourage home composting.

It was noted that the charge would need to be agreed ahead of the budget process (i.e. at January Cabinet) as it was necessary to enable new sign-ups from February.

- R4-R11. Requested whether there could be a scaled back option for the staffing investment in Environmental Health, whilst also noting the importance of this statutory service.
- R14. Civic Secretary to Chair of Council- felt that the work should be carried out by the Chair themselves and could not justify this expense in the context of the overall pressures on Council funding.
- R16. Central Grants pot- felt that the amount was not sufficient to cover all the requests that came to multiple Community Forums and also did not want to lose the local involvement in grant decisions.
- R18. Additional Service Director capacity- supported the principle, but queried whether there were any unfilled posts that could be released to provide some of the funding. Or alternatively whether it would be possible to extend the vacancy factor (currently a 3% top-slice on pay budgets that reflects that overall, there will always be some gaps in staffing).

Capital Budget proposals:

- NCP2 (25 machines outside the Windows environment) – noted that this may be removed if an alternative approach can be identified (e.g. purchase or rental only if needed).
- ECP29 (Museum storage)- to be kept at £4m profiled across 25/26 (some) and 26/27 (majority) but noted that the cost would change depending on the option selected (subject to later Cabinet report).
- NCP6 (Air Con at Hitchin Town Hall)- also still investigating alternatives that provide cooling through ventilation. Also to make sure that links in with potential decarbonisation works.
- ECP6 (Walsworth Common Pavilion)- noted that the cost was likely to be a lot higher (£500k-£600k). Desire to progress with this even if requires a Council contribution, but to fully assess the potential for grants and contributions.
- ECP23 (interactive water feature)- supported removal from the capital programme.
- ECP22 and ECP24 (wet change and flume)- supported being brought forward to 25/26 so that it happens at the same time as the closure due to decarbonisation works. Noted that a decision on this would form part of the 2024/25 Q2 Investment Strategy review as needed to confirm this sooner than the budget process, so that it could feed in to the works programme.
- NCP9 (Phase 2 Decarbonisation)- noted that a grant bid had been made for the District Council Offices, Hitchin Town Hall and District Museum and North Herts Leisure Centre Learner Pool. The proposed capital allocation would reflect total costs of just over £3 million, with a Council contribution of just under £2 million.
- Royston Learner Pool (in the 24/25 capital programme)- agreed that still an aspiration and would still try and identify funding but would be removed from the capital programme until a defined viable plan was available.

- 8.4 The Service Director for Housing and Environmental Health has reviewed the staffing investments in Environmental Health and has determined that the following proposals are a lower priority than the others: Empty Homes Officer and Air Quality Officer (R4), Private Water Supply Officer (R5), Senior Food Officer (R7) and the year 4 funding for the apprentice post (R9). These were lower priority as they were not directly related to statutory services or could be delivered within the revised team structure.

Their removal would mean that there would be minimal opportunity for the team to deliver discretionary services and it would impact on the resilience of the team, but that this reflects the need to make difficult decisions to achieve a balanced budget. The overall impact of removing these requests is an ongoing spend reduction (compared with the original list) of £77k, and a reduction in spend over the next 5 years of £676k.

- 8.5 The finance team have compiled a list of posts that have been vacant for more than a year. These have been reviewed by Leadership Team and in all cases there is a need to recruit to these posts to deliver the current levels of service. They relate to posts that are difficult to recruit to, and in a number of cases there has been a need to use agency staff instead. Any agency staff will cost significantly more than a permanent appointment. The finance team have also reviewed whether it would be prudent to extend the vacancy factor. Whereas in previous years there would often be staffing underspends from vacant posts, there is now often a need to cover vacancies with agency staff. As at Q2 there are no staffing underspends to be reported. This will be further reviewed as part of detailed budget setting.

Local Government Finance Policy Statement and ERP

- 8.6 On 28 November, Government published a Local Government Finance policy statement. On the same day the funding allocations for Extended Producer Responsibility (ERP) were announced.
- 8.7 The policy statement provided some limited indications of funding for 2025/26, but these have generally been superseded by the provisional settlement announcement. Points to note for 2025/26 were:
- No Council would see a decrease in Core Spending Power in cash terms, but that wouldn't provide any funding for inflation. Although most Councils will see a real terms increase in Core Spending Power.
 - Core Spending Power guarantees would be calculated after an assumed increase in the amount of Council Tax charged. This is less generous than previous Core Spending Power guarantees which (for the relevant year) have been calculated before any increase in Council Tax rate.
 - There was a commitment to fund additional employer National Insurance costs for directly employed staff, but not where there are impacts on costs for contracted out services.
 - Funding would be focused on Social Care, those areas with the highest deprivation and those areas least able to raise funding through Council Tax.
 - The referendum limit for Council Tax increases would be set at 3%. In line with our Medium Term Financial Strategy, recommendation 2.2 therefore asks Cabinet to confirm that the budget should assume a Council Tax increase of 2.99%.
 - Allocations of ERP funding for 2024/25 would be guaranteed and would be in addition to Core Spending Power. The ERP announcement stated that our allocation would be £1.4 million. The ERP funding seems to be providing inflationary growth for District and Borough Councils.

8.8 In terms of future funding (beyond 25/26) the following points were made:

- There would be a 3-year settlement for the period 26/27 to 28/29. Not clear whether that would become a rolling 3 year settlement to provide ongoing future funding certainty. However the potential for Local Government reorganisation (as per the White Paper published on 16 December) may make any longer term funding irrelevant.
- There would be a new funding formula that would prioritise funding towards areas of deprivation and provide Social Care funding. Government grant funding would also be prioritised for those areas that were less able to generate funding through Council Tax.
- There would be some transitional protection, although not clear what the scope of that would be.
- Consultation on the above to start alongside the Local Government settlement for 25/26 and continue in to Spring 2025.
- No guarantees in relation to ongoing EPR funding.
- There would be a reset of Business Rate funding.

8.9 The implications for North Herts are that we are unlikely to be a priority area for funding (e.g. low overall deprivation, high Council Tax base). The Business Rates reset will mean that we lose the current additional funding that we get from that, although not part of our ongoing budget assumptions. The approach in relation to ERP funding could be significant in determining any budget growth, including any inflationary growth.

Local Government Provisional Settlement

8.10 On 18 December, Government provided the Local Government Provisional Settlement for 2025/26. The provisional settlement matched what was expected from the policy statement, i.e. the Council's Core Spending Power has remained at the same cash level as 24/25. All the funding growth has come from EPR funding. We will also receive additional funding as compensation for Employer National Insurance Contribution increases, but this will not be announced until the final settlement in January.

8.11 The table below shows a comparison of Core Spending Power (CSP) between 24/25 and 25/26, as well as how our latest funding estimates compare with what was included in the MTFS.

Funding source	Final Settlement (CSP) 24/25	Draft Settlement (CSP) 25/26	Change		Draft Settlement (Council latest estimates) 25/26	MTFS (Council Estimates) 25/26	Difference (latest estimate versus MTFS)
Council Tax	13,147	13,580	433 3.3%		13,609	Not split out due to uncertainty over how funding would be structured	
Business Rates	3,686	3,766	80 2.2%		3,766		
General Grant funding including New Homes Bonus and funding guarantees	1,490	977	(513) (34.4%)		977		
Total (CSP)	18,323	18,323	0		18,352	18,409	(84) (0.5%)
Other- Parish support for CTRS	(37)	(37)	0		(39)	(39)	0
EPR	n/a	1,435	n/a		1,435	Unknown	1,435
Total (after other items)	18,286	19,721	1,435 7.9%		19,748	18,370	1,378 7.5%

8.12 The ERP funding will reduce the required use of reserves in 25/26. The MTFS assumed that we would need to use £1.2 million of General Fund reserves as well as releasing £2.4 million of the retained Business Rates reserve. The future is very uncertain as we don't know what will happen with ERP funding beyond 25/26 and CSP has not increased.

8.13 The Council has also been notified of its allocation of UK Shared Prosperity Fund money for 25/26. This will be £91k of capital funding and £400k of revenue funding. Whilst this is not general funding, the grant terms are fairly broad.

General Reserve balances and summary

8.7. The Medium-Term Financial Strategy was set based on a General Fund balance at the end of 2024/25 (start of 2025/26) of £13.851 million. The Quarter 2 budget monitor estimates that this will now be around £14.401 million. However, the Quarter 2 monitor also includes £317k of additional carry-forward spend (in to 25/26) The net value of the budget proposals is also significant, compared to the assumption that there would be net nil growth. Cabinet can choose to progress with the budget proposals set out in this report but needs to be mindful of the future implications. The implications are that the Council may need to identify and deliver savings of over £3 million in the next 2-3 years.

9. LEGAL IMPLICATIONS

9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

- 9.2 Cabinet's terms of reference include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. Council's terms of reference include approving or adopting the budget.
- 9.3 Members are reminded of the duty to set a balanced budget and to maintain a prudent general fund and reserve balances.
- 9.4 Finance, Audit and Risk Committee's Terms of Reference include to "Assist 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" (Constitution section 10, paragraph 10.1.5 (d)).

10. FINANCIAL IMPLICATIONS

- 10.1 These are mainly covered in the body of the report.
- 10.2 The Council can fund capital expenditure from capital reserves or new capital receipts (e.g., sale of surplus land) which has a revenue impact (i.e. the lost interest from investing the cash, currently around 5%). The Council can also use revenue funding for capital expenditure but given the forecast budget position that the Council faces, this is not a viable option.
- 10.3 The Council is now in a position where its available and forecast capital reserves will not be sufficient to fund the capital programme, so it will need to borrow to fund its capital spend. Guidance from CIPFA (the Chartered Institute of Public Finance and Accountancy) strongly encourages Councils to borrow internally where possible. This involves using the available cash from revenue reserves and provisions to fund the capital spend, rather than bringing in additional cash from external borrowing. The cost of this will be made up of the lost interest from investing that cash and a charge known as a Minimum Revenue Provision (MRP).
- 10.4 Where a Council is in a position where it needs to borrow (technically known as having a positive Capital Financing Requirement) then it must include a MRP charge to its revenue budget. In simple terms this creates an amount over the life of the asset being borrowed for to repay the borrowing.
- 10.5 When Government provides details of funding to Local Government it uses Core Spending Power (CSP). This is a measure of the total resources available to the Council and includes Council Tax, Business Rates and other general Government funding. There are assumptions made in calculating CSP (e.g. Council Tax base) so the actual funding available to the Council is likely to be different.

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 Council's MTFS set out several risks that will need to be considered when setting a budget for 2025/26 and beyond. The next iteration of this report will be presented to Cabinet in early February, and this version will include a full review of the adequacy of estimates that have been made and of reserve balances. This includes a view from the Service Director- Resources (as the Council's Chief Finance Officer) of the minimum level of General Fund reserves. This is a section 25 report in accordance with the Local Government Act 2003. The margin between actual and the minimum General Fund reserve levels provides a proxy for the level of financial risk that the Council faces, and its ability to deal with changes.
- 11.3 Potential Local Government reorganisation (as set out in the White Paper published on 16 December) may create uncertainty over future budget planning and management of reserves. It may also impact on the capacity to deliver savings proposals. This will need to be kept under review as part of the ongoing budget planning processes.

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 that is either significant in value, or affects 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" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.
- 14.2 For any individual proposal that is likely to have significant impacts on the environment, an environmental impact assessment will be carried out, or has already taken place, where necessary.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.1 Appendix A - Revenue budget proposals
- 16.2 Appendix B - Capital programme 2025-30

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 *Medium Term Financial Strategy* <https://democracy.north-herts.gov.uk/documents/s26095/Appendix%20A%20MTFS%202025-30.pdf>

REVENUE BUDGET SAVINGS AND INVESTMENTS

New Revenue Efficiency Proposals and Savings Identified

Ref No	Service Directorate	Description of Proposal	2025/26	2026/27	2027/28	2028/29	2029/30
			£'000	£'000	£'000	£'000	£'000
E1	Customers	Careline service income. Due to variations in health services and political boundaries, Careline's alarm monitoring and reassurance services outside of Hertfordshire are experiencing steady growth. Currently, referrals are bringing in approximately three new clients per week. A business case is in development, and should Careline choose to actively promote and expand this service, both the client base and potential income could see substantial growth. However, this would also entail a proportionate increase in associated costs.	(35)	(35)	(35)	(35)	(35)
E2	Enterprise	Rental income associated with the letting of the former meltax office and WC's in Royston. Achievement of the efficiency is subject to the approval of the corresponding capital investment proposal. Efficiency value allows for initial rent free period and stepped rent, with the ongoing annual rent of £5,000 pa subject to upward only rent reviews.	-	-	-	(3)	(5)
E3	Enterprise	Premises cost savings from the early surrender of the lease for Brotherhood Hall, Letchworth. This property is leased from Letchworth Garden City Heritage Foundation under a 99 year full repairing lease which ends June 2027. A decision has been taken, in principal, not to renew the lease and potentially to agree an early surrender with LGCHF, subject to terms and dilapidations, and LGCHF securing a suitable tenant. Value for 25/26 includes estimated cost of a financial settlement with landlord for dilapidations, a schedule of which the landlord's surveyor is currently preparing.	25	(11)	(11)	(11)	(11)
E4	Housing & Environmental Health	Environmental Health Commercial Team income. Estimated additional income from an increase in Environmental Health Commercial Team fees to bring them into line with fees charged by neighbouring authorities.	(6)	(6)	(6)	(6)	(6)
E5	Place	Recycling credit income from Herts County Council. Increase in eligible credit income is anticipated following the waste and recycling service changes from August 2025. Additional income value based on the collection of an additional 300 tonnes of soft plastic and 200 tonnes of additional recycling.	(48)	(48)	(48)	(48)	(48)
E6	Regulatory	Car Parking income. Review the opportunities with regard to parking charges, for example evening / weekend / Sunday / Bank Holiday charging, on-street charging and issuing special permits. To ensure that all users pay towards the cost of provision and to manage demand.	TBC	TBC	TBC	TBC	TBC
E7	Place	Garden waste income. Increase in charges to reflect charges by other Local Councils and increase in costs under the new contract.	TBC	TBC	TBC	TBC	TBC
E8	Place	Solar for Business. The income generated will at least off-set the cost of capital but may be higher depending what is negotiated with the businesses.	TBC	TBC	TBC	TBC	TBC
E9	Place	Proposal that our leisure provider moves to acting as our agent in running our leisure centres. This is expected to allow more VAT on expenditure to be recovered, which lowers the overall running costs. The benefit of this would be shared.	TBC	TBC	TBC	TBC	TBC
Total Net Budget Reduction from new efficiency proposals			(64)	(100)	(100)	(103)	(105)

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	2025/26	2026/27	2027/28	2028/29	2029/30
			£'000	£'000	£'000	£'000	£'000
R1	Customers	Careline Service staffing costs. Increase in management and administrative capacity through the replacement of provision for two admin officer roles with provision for two senior administrator posts. The investment will both enhance business resilience and facilitate the expansion of the service as it takes on new clients from outside of Hertfordshire, with the associated additional administration involved.	16	16	16	16	16
R2	Customers	Maintenance and support costs associated with the capital proposal to purchase 25 laptops that are outside of the Windows environment for disaster recovery (DR) purposes. This may be replaced by an option to lease the equipment if a DR event that affects IT access takes place.	11	11	11	11	11
R3	Enterprise	Economic Development Officer. Budget is requested for the shared post with East Herts District Council to continue in 2025/26 to deliver work associated with the new Commercial Strategy, which aims to support economic growth and engagement across the District, and the oversight of the Shared Prosperity Funding stream.	27	-	-	-	-
R4	Housing & Environmental Health	Reinstatement of the part time posts of Empty Homes Officer (0.5 FTE) and Housing Grants Officer (0.5FTE) and the full time Air Quality Officer position to the Council's permanent staffing establishment. These posts were deleted as part of a restructure in 2023/24 to release resource to meet other urgent staffing priorities. The requested reinstatement of these roles will enable the delivery of essential work to address empty homes in the district and to develop and support an air quality strategy in line with our climate emergency and the upcoming challenges to be faced regarding the proposed Luton Airport expansion.	77	77	77	77	77
R5	Housing & Environmental Health	Creation of a part-time (0.5 FTE) Private Water Supply Officer (PWSO) post for the Environmental Health Commercial Team. The PWSO would support the existing Private Water Supply Scientific Officer in delivering the increased workload caused by the imposed changes to statutory guidance and water quality requirements and would also increase service resilience in this area.	26	26	26	26	26

Ref No	Service Directorate	Description of Proposal	2025/26	2026/27	2027/28	2028/29	2029/30
			£'000	£'000	£'000	£'000	£'000
R6	Housing & Environmental Health	Recruitment of an additional fully qualified Environmental Health Regulatory Officer into the Environmental Protection & Housing Team on a 4 year fixed-term contract to provide senior experience and higher competency whilst the technical officers progress through their training. The post will also provide cover/resilience for the other Senior Officer in this service in the event of unplanned additional work, as has been the case with the Baldock Industrial Estate fire, funeral homes inspections, and health and safety accidents/incidents.	64	64	64	64	-
R7	Housing & Environmental Health	Recruitment of an additional Senior Environmental Health / Food Officer in the Commercial Team, on a 4 year fixed-term contract, to accommodate the increased pro and reactive workload, including the additional food inspections required, and the additional Health & Safety interventions necessary for the service to achieve and maintain this legally required competency.	64	64	64	64	-
R8	Housing & Environmental Health	Permanent budget provision for an additional Environmental Health Regulatory Officer in the Commercial Team, initially at a junior level to support the senior officers in undertaking essential roles, including the food sampling programme and the assessment of those food businesses classed as lower concern. The officer would also provide advice to new businesses following the increase in new food registrations seen over recent years.	51	51	51	58	64
R9	Housing & Environmental Health	Year 4 funding for the Environmental Health Apprentice, which is a fixed term four-year post. Unspent salary budget (due to grant funding received) of £100k was identified at the end of 2023/24 and earmarked to cover the costs of the first three years of the apprenticeship. This request is for year 4 funding for the apprentice to complete the four year course.	-	-	-	35	-
R10	Housing & Environmental Health	Environmental Health service staffing costs. In light of recruitment issues in this service area and to facilitate the strategy agreed earlier this year, it is proposed to standardise the six existing technical officer posts to a career graded Environmental Health Regulatory Officer job profile. The plan is to recruit unqualified individuals and develop them into fully qualified officers over time. The additional investment reflects the higher than existing pay grades officers can progress through to as they complete their training and gain professional accreditation. While the maximum additional annual cost from this proposal is estimated at £86k, investment values reflect the anticipated additional cost over the next five years based on the current staffing position.	-	7	17	23	56
R11	Housing & Environmental Health	Environmental Health service training costs. To support the development of the proposed Environmental Health Regulatory Officers, the provision of additional dedicated training and development budget. The budget will cover annual training costs of approximately £3,000 per officer.	18	18	18	18	18
R12	Housing & Environmental Health	Housing Service staffing expenditure. Replacement of the existing fixed term contract for the Housing Register and Accommodation Officer (Refugee Support) with a permanent contract of employment, with the post added to the permanent staffing establishment. The balance held in the refugee project earmarked reserve can support this post for at least the next seven years, at which point the housing team structure will be reviewed. In the meantime this proposal will offer more security to both the employee and the housing team.	-	-	-	-	-
R13	Housing & Environmental Health	Community safety expenditure. Introduction of a crime prevention budget to contribute to, and attract, matched funding from community safety partnership partners such as the police, housing providers and the county council. It is anticipated that the resource will allow small scale, upstream interventions to prevent antisocial behaviour and crime from escalating.	10	10	10	10	10
R14	Legal & Community	Democratic Services staffing expenditure. Creation of permanent part-time (19 hours pw) post of Civic Secretary to Chair of the Council to provide a dedicated support to the Chair of Council (and Vice Chair when deputising) to enable the Chair to be more proactive. The role would be comparable to how some other neighbouring authorities provide this service. Central Bedfordshire Council has a part-time Chair's PA and Business Support Officer; Welwyn Hatfield has a PA and Mayor Support Officer; Stevenage Borough Council have 1.5 staff providing support to the Mayor and Councillors; Broxbourne has an Elections Officer/Mayor's Secretary; Hertsmere provides support as part of another post, St Albans has a Civic Officer, County Council has a full time officer providing support for the Lieutenancy and Councillors.	20	20	20	20	20
R15	Legal & Community	Healthy Hub project expenditure. Budget is requested to cover the shortfall on the salary cost of the Health & Wellbeing Hub Coordinator in 2025/26 and 2026/27 and to ensure effective community wellbeing interventions continue to be delivered across the district tackling food poverty, poor emotional wellbeing, low levels of physical activity, social isolation and loneliness. Herts County Council have part funded the North Herts Healthy Hub since 2019. The current MOU ends in March 2025 and HCC have announced £35k of funding for 25/26 and 26/27.	12	12	-	-	-
R16	Legal & Community	Introduction of a district wide grant budget. This budget would cover those grant applications that cut across all community forums and not solely focus on one geographic area. The centralised funding pot will reduce the resource implications for the applying organisations and for officers reviewing and approving for member consideration. This could allow for greater impact of and effectiveness of community forum grants to voluntary organisations to support the needs of NH residents. This could be considered as a pilot for 2025/26 with regular reviews to assess the effectiveness of this proposal.	10	-	-	-	-

Ref No	Service Directorate	Description of Proposal	2025/26	2026/27	2027/28	2028/29	2029/30
			£'000	£'000	£'000	£'000	£'000
R17	Legal & Community	Introduction of a permanent career graded Policy and Strategy Officer post to replace the existing fixed term trainee role, which has to date been part funded from contributions from the Climate Change earmarked reserve. Grade progression would be dependent on completion of relevant training at first diploma and then degree level. The proposal will increase the scope, range, and ability of the Policy & Strategy team to support NHC officers, North Hertfordshire residents and district wide partnerships. The Team is becoming involved in more partnership work across the district (e.g., Herts Climate Change and Sustainability Partnership and associated subgroups, Equality and Diversity Networks) and corporate governance matters (the production of the Annual Governance Statement, associated Local Code of Governance and cumulative equality and environmental impact assessments). The permanence of this role will ensure that these obligations can be discharged to a consistent standard. Investment value reflects the maximum additional cost of this proposal and includes the removal of the budgeted contribution from reserve when the reserve balance reduces to zero.	7	11	16	16	16
R18	Managing Director	Leadership team restructure. Make permanent the seventh Service Director post, with realignment of responsibilities across the seven roles. This would be subject to consultation with affected staff and separate Full Council approval of the revised structure.	112	112	112	112	112
R19	Place	Permanent budget provision for the Climate Change and Sustainability Manager role, which is currently funded on a fixed term basis until September 2026. The post will be necessary to help the Council make progress on its sustainability priority and net zero targets in future years.	-	31	62	62	62
R20	Place	Swimming pool tiling repairs at North Herts Leisure Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	17	-	-	-	-
R21	Place	Swimming pool tiling repairs at Hitchin Swim Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	69	-	-	-	-
R22	Place	Swimming pool tiling repairs at Royston Leisure Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	34	-	-	-	-
R23	Place	Repairs and maintenance at Ransoms Rec, Hitchin. Following receipt of a number of complaints about the lighting and condition of this busy footway, repairs to the lighting and footpaths are required to ensure continued public safety.	25	-	-	-	-
R24	Place	Repair and maintenance of Letchworth War Memorial. Current condition of the existing memorial is tired and in need of refurbishment.	15	-	-	-	-
R25	Place	Repair of the balancing pond at Purwell Meadows, Hitchin. The balancing pond on the local nature reserve is now silted up and does not function as it should.	20	-	-	-	-
R26	Place	Waste contract client team staffing expenditure. Net cost of recruitment of two temporary full-time Mobilisation Contract Officers (one of which will be funded by East Herts DC) to support the mobilisation of the new waste and recycling services for up to 6 months, as originally proposed in the report to Cabinet in October 2022.	16	-	-	-	-
R27	Place	Addition of a new part-time (0.5 FTE) Commercial Waste Officer post to the Council's permanent staffing establishment. As originally proposed in the report to Cabinet in October 2022, the new role would support the implementation of Commercial Food Waste Collections, commercial clinical waste collections and evolve and develop the Commercial Waste and Recycling business. Half of the cost of the post will be funded by East Herts, with the aim for this post to be self-funding within 3 years.	9	7	5	-	-
R28	Place	Net cost (after East Herts 50% contribution) of recruitment to a six month temporary full time post that will be responsible for fixing issues which arise with containers, as detailed in the report to Cabinet in December 2023. This staff member would be issued with a van and would assist with container swaps, delivery of ad hoc missing containers, stickering containers and resident run throughs to help residents adjusting to the change. Investment estimate includes box van vehicle hire costs for 4 months.	13	-	-	-	-
R29	Place	Provision of Hydrogenated Vegetable Oil (HVO) fuel for the waste, recycling and street cleansing service vehicles. Based on the annual requirement for 280,000 litres, the additional cost is anticipated to be 12% higher than diesel and this cost is outside the provision of the waste contract. The use of HVO reduces CO2 emissions by approximately 90% in comparison to diesel, thus significantly reducing the carbon impact of the service. Investment value is based on the provision of 100% HVO, but HVO can be blended in proportions of 10% increments with diesel and this provides directly proportionate cost impacts and carbon savings (e.g. opting for 50% HVO would halve both the investment value and the carbon emission saving).	40	40	40	40	40
R30	Place	Commissioning of a waste compositional analysis (WCA). The last was completed in 2021 and is periodically completed to inform the Council of the effectiveness of recycling services. WCA will be a requirement of the data provision from Extended Producer Responsibility Funding (EPR) and undertaking a composition in late 25/26 will allow us to assess the effectiveness of the new services in comparison to the previous composition in 2021. The Hertfordshire Waste Partnership will collectively procure on behalf of the districts and boroughs to provider a wider Hertfordshire analysis for comparison.	20	-	-	-	-

Ref No	Service Directorate	Description of Proposal	2025/26	2026/27	2027/28	2028/29	2029/30
			£'000	£'000	£'000	£'000	£'000
R31	Place	Provision of a comprehensive communications plan to support the roll out of waste and recycling service changes, as detailed in the previous Cabinet report of 9 July 2024. Costs are estimates and will vary depending on the number of collection day changes and the confirmation of costs following procurement.	100	-	-	-	-
R32	Place	Provision of a mobile application for residents to support the waste and recycling service provision. The app would provide service and collection updates via push notifications to those residents subscribed to the app, as well as look up functionality regarding collection days and options for recycling. The additional 'reporting' functionality via the app would also support the CRM. The app would have capabilities to be expanded to a wider range of council services including planning.	25	20	20	20	20
R33	Place	Storage of wheeled bins during mobilisation of new waste and recycling services. This will be required for a period of around 3 months. Site security and or rental may be required during this period once a site has been identified.	5	-	-	-	-
R34	Regulatory	Permanent budget provision for the Principal Planning Officer and career graded planning officer posts. Fixed term budget provision of five years for these posts was previously approved by Council to lead and support work on the Local Plan review. Cabinet resolved in January 2024 that the review of the Local Plan should be undertaken and initial work is ongoing. A further report to Cabinet in January 2025 will set out a proposed timetable for the key stages. Following the change of Government there is uncertainty over the regulatory framework and timeframe over which the Review will be undertaken. It is already anticipated that it will extend beyond the period for which these posts are funded, with funding for the Principle Planning officer ending in June 2027 and the funding for the Planning Officer post ending in July 2028. These posts are also involved in delivering a range of other planning activities which will continue regardless of, and beyond, the Review programme including Neighbourhood Planning, monitoring, supporting strategies, the Chilterns National Landscape Review and joint strategic planning work with neighbouring authorities.	-	-	53	112	133
R35	Regulatory	Planning service staffing expenditure. Increase in management and oversight capacity through the uplifting of one existing post into a team leader role. There are currently 46 planning posts arranged under three service managers and five team leader / principal roles. Some team leaders are now responsible for a large number of staff working across a wide range of disciplines, complex professional projects and / or substantial case loads.	9	9	9	9	9
R36	Regulatory	Recruitment of an additional Transport Officer for a fixed term of five years to; assist the Senior Transport Officer with the delivery of various transport projects emerging from the adopted Local Plan, the Growth Transport Plan and the Local Cycling and Walking Infrastructure Plan; to assist with the review of transport policies relating to the Local Plan review; to allow the Senior Transport officer to lead and input on transport initiatives associated with masterplanning for strategic site allocations in the Local Plan and to focus on key strategic transport projects working together with Herts County Council.	56	56	56	56	56
R37	Regulatory	Planning Control IT expenditure. The procurement of Agile AI, an Artificial Intelligence Planning Validator System which operates as an interface between the national Planning Portal and Council IT systems to reduce the manual workload with the checking and validation of planning applications. It reduces validation timescales by up to 65% leaving officer time to concentrate on other matters and improve planning performance. County-wide procurement currently being investigated under the guidance of HIPP and the Growth Board. Costs may be recoverable through planning fees if there was the ability to set fees at a break-even level.	25	5	5	5	5
R38	Regulatory	Planning Control IT expenditure. The installation of Idox Insights, a Uniform add-on that allows real-time access to information that would enable the Development & Conservation Manager to view performance to ensure alignment with performance targets for applications and appeals and gain access to data to enable more reliable and insightful decision-making. It will enable Team Leaders to review in real time the caseload and capacity of officers, easily identify bottlenecks that require attention and thereby improve performance. It allows case officers to prioritise effectively and handle workload efficiently through reducing the burden of administration. Costs may be recoverable through planning fees if there was the ability to set fees at a break-even level.	20	5	5	5	5
R39	Regulatory	Additional budget provision for specialist planning advice. The planning service requires specialist, qualified technical advice on key disciplines to inform decisions, the assessment of heritage impacts of development relating to matters such as archaeology, scheduled monuments and other heritage assets as well as reviews of conservation areas. The advice might take the form of an additional establishment post and most of the funding would come from the overspend that has already been reported from increase in fees from HCC to undertake some of this work.	6	6	6	6	6
R40	Customers	Two factor authentication to allow access to Staff and Councillors to access our IT environment. Previously a capital cost but has been moved to revenue as amount is now much lower.	-	3	-	3	-
R41	Place	Mobilisation of the new waste contract. All tenders were asked to provide separate costs for the mobilisation of the contract and implementation of service changes. These were evaluated as part of the contract award. These costs will be met from the waste reserve, so no General Fund impact. The remainder of the reserve will be a contribution towards the vehicle costs.	-	-	-	-	-
R42	Place	The leisure centre decarbonisation project will require some closures during the works, which will mean a reduction in the magement fee that we receive.	TBC	-	-	-	-
Total Net Budget Increase from new pressures and investment proposals			1,049	681	763	868	762

APPENDIX B: CAPITAL PROGRAMME FOR 25/26 ONWARDS

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP10	Service Director - Customers	Backup and Business Continuity Hardware	105	0	57	0	0	16	0	32	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 (to continue with diesel option due to cost of alternative and how infrequently it is used) . 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.
ECP11	Service Director - Customers	Infrastructure Hardware	226	0	0	18	18	190	0	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. There will be costs for the period 2030-35, but all costs to be reviewed in 2027/28 as may be able to reduce spend if more software has moved to cloud based servers.
ECP12	Service Director - Customers	Laptops - Refresh Programme	1,056	0	319	79	35	40	349	234	All staff now have laptops instead of desktops. Laptops need refreshing current budget profile allows for 4 yearly bulk refreshes, warranties are for 3 years. Interim budgets allow for replacements as required. Members also have laptops to support them in their role. Previously treated as two separate refresh programmes, but the budget has now been combined.
ECP14	Service Director - Customers	Microsoft Enterprise Software Assurance	2,920	0	679	0	0	747	0	1,494	MS E5 licences required for all staff to work. Amount is linked to existing staffing levels. An allocation of £747k is earmarked in 2031/32 for the renewal of the three-year licenses.
ECP15	Service Director - Customers	PC Refresh Programme	41	0	7	8	5	8	5	8	Periodic refresh of desk-based PCs that are required in the Council and cannot be replaced with laptops (i.e. self-serve pcs in reception).
ECP16	Service Director - Customers	Security - Firewalls	90	0	0	18	0	18	0	54	Firewalls help protect against cyber threats and it is important these stay up to date and current. Firewalls need updating every 2 years to keep ahead of threats.
ECP17	Service Director - Customers	Tablets - Android Devices	40	0	10	10	4	4	4	8	Periodic replacement of tablet devices
ECP18	Service Director - Customers	WiFi Upgrade	40	0	40	0	0	0	0	0	Wi-Fi upgrade within District Council Offices, Hitchin Town Hall/ North Hertfordshire Museum and Buntingford Depot.

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Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP2	Service Director - Customers	An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	100	0	25	0	0	25	0	50	To aid recovery in the event of a successful cyber attack. To also look at options to lease equipment in the event that it is required.
			4,618	0	1,137	133	62	1,048	358	1,880	
ECP29	Service Director - Enterprise	Museum Storage Facility	2000	0	2000	0	0	0	0	0	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures. 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. An options appraisal has been undertaken and was approved by Cabinet in November 2024, officers are now progressing the options that were approved and are aiming to bring a final report back to Cabinet for approval in May/June 2025. The current total capital allocation is £4 million, £2m in 2024/25 and £2m in 2025/26.
Page 45 P30	Service Director - Enterprise	Hitchin Town Hall Kitchen Enhancement	25	0	0	25	0	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. May be brought forward to 2025/26 during the budget setting process, depending on capacity to carry out the work sooner.
NCP6	Service Director - Enterprise	Air conditioning at Hitchin Town Hall	100	0	100	0	0	0	0	0	Introduce Air conditioning or something similar into the Mountford Hall, Lucas Room, Learning Centre, Museum Office, and Museum Entrance Foyer & Café. This will improve comfort for visitors and team members and should also assist in increasing the number of events that can be held, which should also increase income that could be generated. Still need to consider the revenue implications for additional energy costs. To ensure that any works are aligned with any decarbonisation works, in terms of timing and outcomes.
NCP7	Service Director - Enterprise	Mel Tax Offices, Royston	25	0	25	0	0	0	0	0	This property has been vacant for a number of years. It has not been formally marketed to date but there have been enquiries from prospective tenants. It has potential to be used for an alternative use, similar to the successful conversion of similar properties (e.g. Kneesworth Street to a coffee shop- The Nest). To seek a pre-let based on the Council undertaking some main roof and structural works and the tenant fitting out, subject to suitable terms.
			2150	0	2125	25	0	0	0	0	
ECP2	Service Director - Housing and Env Health	S106 Projects - Funding for additional Social Housing	193	193	193	0	0	0	0	0	Payments are made in two tranches, 50% at start on site (made in 2023/24) and 50% at practical completion. The remaining £193K will be paid in December 2025/ January 2026. Total investment of £385k.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP3	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 central heating (either gas or zero carbon alternatives). HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold.
			793	193	253	60	60	60	60	300	
ECP4	Service Director - Place	Playground Renovation District Wide	1,800	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. To be looked at as part of the next Green Space Management Strategy review (in 2027). To develop a list of playgrounds with likely timings of need for renovations.
ECP6	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	300	287	0	300	0	0	0	0	This is dependent on s106 funding. Moved back to 2026/27 to reflect more realistic timing. To review cost and how much could be funded from s106.
ECP7	Service Director - Place	Wilbury Hills Cemetery Footpaths	30	0	0	30	0	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.
ECP8	Service Director - Place	Howard Park Letchworth Path Resurfacing	20	0	0	10	10	0	0	0	Phased approach to resurfacing the pathways at Howard Park.
NCP3	Service Director - Place	Priory Gardens bandstand	50	0	50	0	0	0	0	0	Capital renovations to the existing bandstand due to poor condition of existing feature. Will also seek S106 contributions.
NCP4	Service Director - Place	Howard Gardens Play Area	75	0	75	0	0	0	0	0	Central piece of play equipment has failed due to major wooden supports rotting at ground level - this is to replace the existing item with a new item. Depending on other renovations required in 25/26, some of the cost may be covered by ECP4.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000
NCP5	Service Director - Place	Broadway Gardens resurfacing	250	0	250	0	0	0	0	0	0	Current york stone area is uneven and wil become unsafe and is breaking up due to use and frost. This project is to resurface this area with like for like but may be other alternatives. This will require confirmation by Planning due to the location being in a conservation area.
			2,525	287	555	520	190	180	180	900		
ECP20	Service Director - Place	HSC: Change Village Refurbishment	225	0	0	225	0	0	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. To review in 2025/26 to see if it can be pushed back another year, and/or whether it could be a partial refurbishment.
ECP22	Service Director - Place	NHLC Male, Female and accessible wet change refurbishment	250	0	0	250	0	0	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.
ECP23	Service Director - Place	NHLC: Interactive Water Feature	120	0	0	0	120	0	0	0	0	Proposal to transform the small pool into a highly interactive water play area for children of all age and ability groups. To be discussed with Everyone Active as to whether it would generate additional use, and may be removed.
ECP24	Service Director - Place	NHLC: Pool Flume Replacement	300	0	0	0	300	0	0	0	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. Brought forward from 2028/29 and estimated cost increased from £150k.
ECP25	Service Director - Place	Royston Leisure Centre Dry Side Toilet Refurbishment	30	0	30	0	0	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.
ECP26	Service Director - Place	Royston Leisure Centre Café	20	0	20	0	0	0	0	0	0	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.
ECP27	Service Director - Place	RLC: Fitness Equipment Replacement	350	0	350	0	0	0	0	0	0	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP28	Service Director - Place	RLC: Fitness Facility Refurbishment	452	0	452	0	0	0	0	0	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.
			1,747	0	852	475	420	0	0	0	
ECP32	Service Director - Place	Refuse and Recycling Bins	900	0	90	90	90	90	90	450	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.
ECP33	Service Director - Place	Fibre Waste Bins	1,170	0	1,170	0	0	0	0	0	In line with the decision by Cabinet for a 3:3:3 waste collection schedule, a new blue lidded 240L bin will be issued to residents as the new 'paper and cardboard' bin, replacing the box. This is the estimated cost of purchasing and delivery of the additional bin to households.
ECP34	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	11,770	2,300	5,270	0	0	0	0	5,500	We will be providing funding for the new vehicles required for the new cobntract in return for a reduction in the contract cost. The investment reflects the Council's expected share of the total cost of vehicles. It includes that all vehicles under 7.5 tonnes will be electric. Expected vehicle life is generally around 8 years so provision for replacement in around 2033.
ECP35	Service Director - Place	Waste depot facility co-located with a residual waste transfer facility	6,000	0	0	0	0	3,000	3,000	0	Herts County Council are planning to build a waste and recycling transfer station. There may be an option to co-locate a waste depot on the same site, to replace the current Letchworth depot. The current Letchworth depot is not of sufficient size to accommodate the additional vehicles that will come with population growth. A new depot would also be planned to include facilities to allow the decarbonisation of the waste fleet.

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			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP1	Service Director - Place	EV charging at the existing Letchworth depot	100	0	100	0	0	0	0	0	The installation of EV charging at the current depot for vehicles under 7.5 tonnes. Includes provision for increasing the overall supply to the site, which is likely to be required. Trying to obtain grant funding.
			19,940	2,300	6,630	90	90	3,090	3,090	5,950	
ECP1	Service Director - Resources	Capital maintenance to Council buildings	500	0	50	50	50	50	50	250	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.
ECP5	Service Director - Resources	Remote testing equipment - Emergency Lights and Water Temperature Monitoring	13	0	13	0	0	0	0	0	Provision of remote testing Emergency Lights and Water Temperature Monitoring at at least 4 small pavilion and cemetery sites.
ECP31	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	139	0	19	43	77	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. Updated assesment of condition includes works to Priory Gardens (25/26), King James Way (26/27), Bancroft (26/27 and 27/28) and the Warren (28/29). To be kept under review and will require further work in later years.
NCP8	Service Director - Resources	CCTV Control Room upgrade	45	0	45	0	0	0	0	45	Stevenage BC (who operate the control room on behalf of the partnership and company) have been notified that the core control room infrastructure is in need of an upgrade, as it will no longer be supported from the end of 24/25. The total cost is split between company and the partners. This is the estimated North Herts partnership (Council) share. May need to bring the spend forward to 24/25.
NCP9	Service Director - Resources	Public Sector Decarbonisation-phase 2	3,154	1,172	TBC	TBC	TBC	0	0	0	Consultants are looking at the decarbonisation options in relation to DCO, Hitchin Town Hall and District Museum and North Herts Learner Pool. This may lead to a successful decarbonisation fund bid, which would require a Council capital contribution.
			3,851	1,172	127	93	127	50	50	295	
TOTAL			35,623	3,952	11,678	1,396	949	4,428	3,738	9,325	

FINANCE AUDIT AND RISK COMMITTEE

8 January 2025

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: REPORT ON RISK MANAGEMENT GOVERNANCE (MID-YEAR UPDATE)

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

COUNCIL PRIORITY: ALL

1. EXECUTIVE SUMMARY

To provide the Committee with an update on the effectiveness of the Risk Management Governance arrangements at the Council. The review is referred on to Cabinet and the Committee can make recommendations on how we can improve our risk management arrangements.

The highest strategic risks are the three over-arching risks of financial sustainability, resourcing and cyber, as well as the project risks for waste and street cleansing contract, Churchgate and leisure centre decarbonisation. All Corporate Risks have been reviewed during the 6 month period and there have been updates to the mitigation work completed and the work that is planned. However there have not been any change in the risk scores.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on this mid-year Risk Management governance update.
- 2.2. That Finance, Audit and Risk Committee comment on the changes to the Risk Management Framework and recommend to Cabinet that they approve the changes.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2. This Committee has responsibility to monitor the effective development and operation of Risk Management.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. There are no alternative options that are applicable.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation has been undertaken with the Leadership Team and the Risk and Performance Management Group (RPMG). The Executive Member for Finance and IT (as Risk Management Member Champion), the Chair of Finance, Audit and Risk Committee and the Chair of Overview and Scrutiny are all invited to RPMG, as well as key Officers. Lead Officers discuss risks with the relevant Executive Member.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 In March 2022, Cabinet agreed that risks impacting on the delivery of the Council Plan and linked projects would be reported to the Overview and Scrutiny (O&S) Committee, along with details of projects and associated performance indicators. This forms part of the now established process in relation to the Council Delivery Plan, along with performance monitoring arrangements. This Committee will focus on its role (as set out in the Constitution) of “monitor[ing] the effective development and operation of risk management”. To achieve this, the Committee receives a mid-year (in December/January) and end of year (in June) report.
- 7.2 The Executive Member for Finance and IT in their role as the Member Risk Management Champion is a regular attendee at the quarterly RPMG meetings. The items discussed at these meetings informed the content of the committee reports.
- 7.3 The RPMG is chaired by the Service Director – Resources, the Officer Champion for Risk Management, who is responsible for the risk management function at a strategic and operational level. This function is delivered by the Controls, Risk and Performance Manager and the Performance and Risk Officer, including the provision of training and support to Officers and Members.
- 7.4 Hertfordshire County Council (HCC) delivers the Council’s insurance services and their Risk and Insurance Manager attends RPMG meetings. This enables the Council to obtain an insight into emerging risks and issues at both HCC and other Hertfordshire local authorities. The SIAS Client Audit Executive also attends RPMG meetings, helping to inform the group’s understanding of wider risk issues.
- 7.5 These reports provide a wider commentary on Risk, the broader risks and mitigations, and to provide assurance that risk governance arrangements are working, and that effective risk management processes are in place.
- 7.6 When the Committee considered the end of year report for 2023/24 (at their June meeting, there was a request for more information on risk mitigations. This is included in paragraph 8.2.6.

8. RELEVANT CONSIDERATIONS

8.1 RISK MANAGEMENT GOVERNANCE

8.1.1 The Councils Risk Management Framework (RMF) requires us to:

- Identify and document key risks in all areas of our business, understand them and seek to proactively manage them.
- Assess each risk, identify existing controls, and further actions required to reduce the risk.
- Have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- Develop capacity and skills in identifying, understanding, and managing the risks facing the Council.
- Regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

8.1.2 The Risk Management Framework has been reviewed and the following changes are recommended:

Framework Document and Section	Proposed Change
Policy Statement	No changes proposed.
Policy (throughout document)	References to Pentana Risk changed to Ideagen Risk Management, following a change to the system's name.
Policy (5.4)	Updated to reference the recently introduced standard paragraph for the Risk Implications section of committee reports. Now reinforces report writers' responsibility for identifying key risks in reports.
Policy (5.7)	Updated to reference that Corporate Risks (risks included in the Council Delivery Plan) now go to Overview and Scrutiny Committee, while changes to the framework still go to FAR.
Policy (links)	Links at the end of the document updated. Link for the Risk Management e-learning now directs to the Learning Management System login screen. Also references that the e-learning is now mandatory for managers. Link for the Risk Management intranet page now directs to the latest version.
Strategy (throughout document)	References to Pentana Risk changed to Ideagen Risk Management, following a change to the system's name.
Strategy (throughout document)	Any references to the <i>Risk Management Group</i> updated to the <i>Risk and Performance Management Group</i> , to reflect the change of name.
Strategy (Page 7, first full paragraph)	Updated to highlight that Corporate Risks are those included in the Council Delivery Plan.
Strategy (Page 8, Roles in the Risk Management Process)	For <i>All Employees</i> , deleted the <i>Undertake risk management e-learning</i> bullet point, as e-learning currently only mandatory for and available to managers.
Strategy (Page 9, Roles in the Risk Management Process)	For <i>Service Managers / Project Managers</i> added <i>Complete mandatory risk management e-learning</i> .
Strategy (Page 10, Objective 4)	Updated <i>Local Code of Corporate Governance</i> link to direct to the latest version.
Strategy (Page 10, Objective 4, Project Management)	Updated link to direct to the current Project Management Guide.
Strategy (Page 10, Objective 4, Business Continuity)	Updated link to direct to the current Business Continuity Process intranet page.
Strategy (Page 10, Objective 4, Information Governance)	Pending an updated link to direct to the current Information Security Policy.
Strategy (Page 12, Objective 5, Corporate Risks)	Various updates to reflect current reporting arrangements and changes to what is reported where.
Strategy (Page 13, Objective 5, Corporate Risks, Diagram representing the review of Corporate Risks)	Diagram updated to reflect current reporting arrangements.
Strategy (Page 13, Objective 6, second paragraph)	Updated to reference that the e-learning is now mandatory for managers. Link also updated so that it now directs to the GROW Zone login screen.

8.1.3 The documents are attached as Appendices A (Policy Statement), B (Policy) and C (Strategy).

8.2 Risk Identification and Assessment

8.2.1 The Corporate Risks are the responsibility of the Leadership Team and Cabinet, with Cabinet ensuring the risks are managed appropriately and proportionately. These key risks are those that cut across the delivery of all services, related to key projects or could significantly affect the delivery of Council objectives. They are likely to require a high level of resources to manage and needed to be monitored at a strategic level.

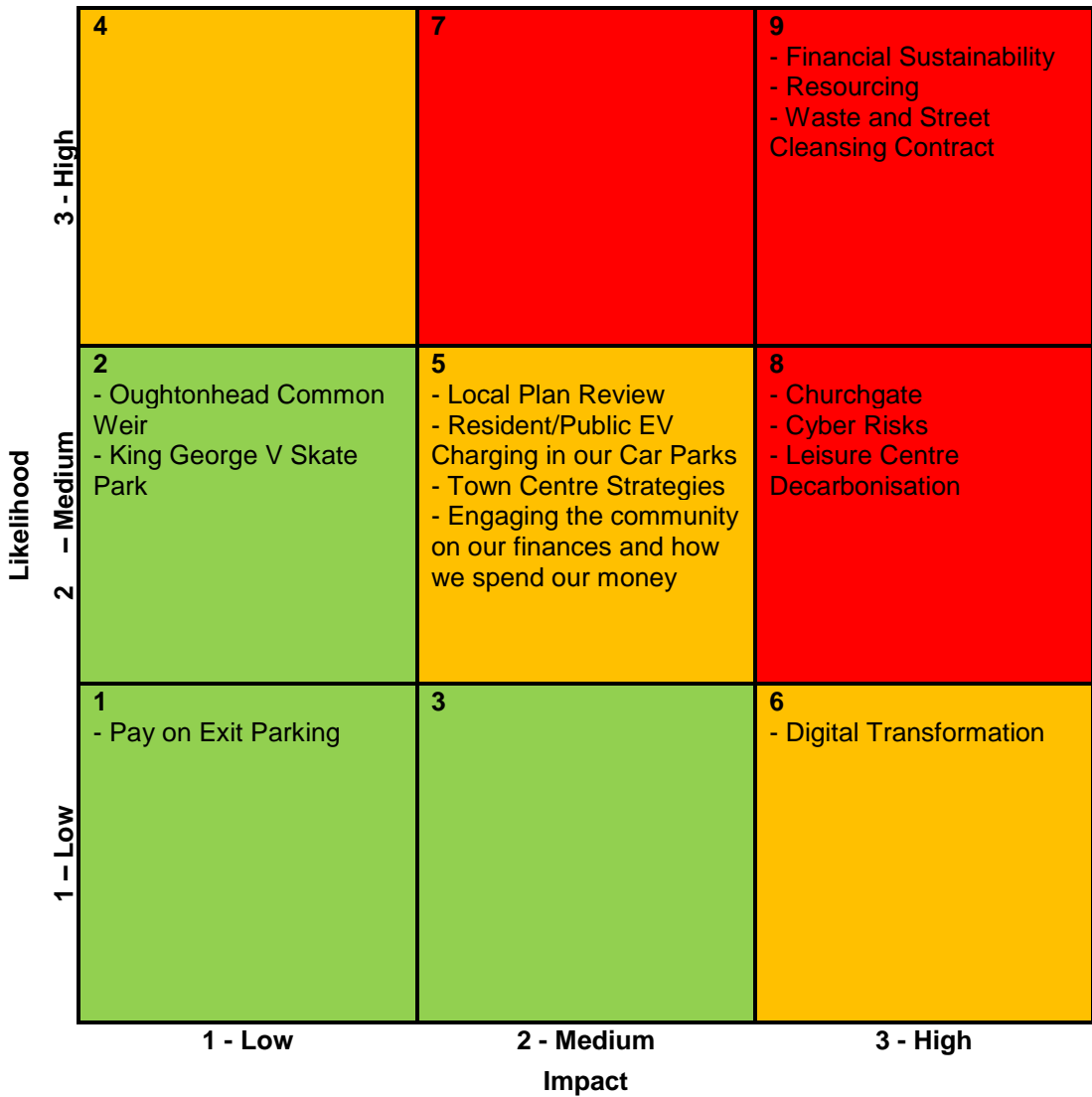
8.2.2 The reporting of Corporate Risks to Cabinet via the Quarterly O&S Council Delivery Plan updates, allows details of the top risks facing the Council to be monitored. The half-yearly report on risk management governance (to FAR and Cabinet) helps to provide assurance over the processes that are in place to support risk management.

8.2.3 In March 2024, Cabinet decided that there would be 11 Council Delivery Plan projects and 3 over-arching risks. Each of the Council Delivery Plan projects would have a risk assessment in place to determine the major risks to the delivery of the project and mitigating actions against those risks. For the majority of the projects, they had been carried forward from the previous Council Delivery Plan in essentially the same format. The scope of the Waste and Street Cleansing project was changed from contract award, to extending through to contract implementation. The scope of the leisure centre works changed from individual projects to the delivery of all the works that were part of the Public Sector Decarbonisation Scheme bid. The project to engage the community on our finances was new. So was the King George V (Hitchin) skate park project. For the projects that were broadly the same, 1 out of the 7 was high risk (Churchgate), 4 were medium risk and 2 were low risk. All 3 of the over-arching risks were high risk. The initial assessment of the new/ significantly changed projects was 2 high risk (Waste and Street Cleansing Contract implementation and Leisure Centre Decarbonisation), one medium and one low risk.

8.2.4 The following diagram highlights the definitions of likelihood and impact used in the Risk Management Framework.

<p>4 Likelihood High (3) Impact Low (1) Chance of it happening -More than 60% Consequences - Minor</p>	<p>7 Likelihood High (3) Impact Medium (2) Chance of it happening - More than 60% Consequences - Noticeable effect on the Council</p>	<p>9 Likelihood High (3) Impact High (3) Chance of it happening - More than 60% Consequences - Significant impact on the Council</p>
<p>2 Likelihood Medium (2) Impact Low (1) Chance of it happening – between 20 – 60% Consequences - Minor</p>	<p>5 Likelihood Medium (2) Impact Medium (2) Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council</p>	<p>8 Likelihood Medium (2) Impact High (3) Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council</p>
<p>1 Likelihood Low (1) Impact Low (1) Chance of it happening – less than 20% Consequences - Minor</p>	<p>3 Likelihood Low (1) Impact Medium (2) Chance of it happening – less than 20% Consequences – Noticeable effect on the Council</p>	<p>6 Likelihood Low (1) Impact High (3) Chance of it happening – less than 20% Consequences – Significant impact on the Council</p>

8.2.5 The most recent Council Delivery Plan monitoring report contains the following risks (with no new risks and no archived risks), which have been plotted on the Corporate Risk Matrix to show a visual risk profile of the Plan:



8.2.6 The risks can also be assessed in the context of mitigating actions, including those that have been completed. Where mitigating action are completed then there would be an expectation that these would have some impact on the risk score. The current completed actions and proposed mitigating actions are detailed below for each of the Council Delivery Plan high level risks. These will be tracked over time to give a further indication they are being managed.

Project	Work Completed	Ongoing Work
Churchgate Current: 8 Target: 6	<ul style="list-style-type: none"> - Secured both freehold and leasehold ownership. - Project Board appointed (November 2022). - Lead consultant (Lambert Smith Hampton) appointed (June 2023). LSH supported by design and transport consultants. - Appointed communications agency support (PLMR). - Detailed project risk log created. Issues log also created. - SIAS audit of Churchgate - Ongoing Project Assurance (reported May 2024). Recommendations implemented. - Engagement plan developed and approved by Project Board (July 2024). - Formal engagement process commenced September 2024. 	<ul style="list-style-type: none"> - Communications and consultation plan in place, which is kept updated. - Decisions explained, including that there will need to be compromises. - Financial and expert consultancy support is in place to provide expert advice and help us to move the project forward. - Cost effectiveness/value for money is a key part of assessing and developing options. - Regular Project Board meetings. - Project risk log and issues log regularly updated.
Waste and Steet Cleansing Contract Current: 8 Target: 6	<ul style="list-style-type: none"> - New contract will change to 3-weekly collections. - Robust inflationary models used. - Included management mechanisms for anticipated changes in law. - New contract drafting to manage legislative and statutory guidance changes. - Workshops with Members to consider options for reducing/changing specification requirements. - Dialogue with bidders on reduced/changed specification requirements. - Project Board (Procurement) established. - Independent legal advice sought on draft statutory guidance. - EV charging feasibility assessments undertaken. - Secured use of Letchworth depot. 	<ul style="list-style-type: none"> - Project Risk Log in place and reported to Project Boards. - Support from consultants, and project management support from East Herts. - Uncertainty relating to Waste costs referenced in the MTFS 2024-29. - Project Board (Mobilisation) in place. - Service Director - Place to ensure Leadership Team sufficiently considers resource needs of the project. - Risks relating to the development/integration of online forms being managed via the Digital Transformation project. - Development of a comprehensive Communications Plan and a budget setting bid to support delivery of related project comms.
Leisure Centre Decarbonisation Current: 8 Target: 6	<ul style="list-style-type: none"> - Project Board established. - Dedicated Project Manager appointed. - Detailed Project Risk Log created and reported to Project Board on an ongoing basis. - Appointed Quantity Surveyor to oversee NHC's interests. - Project Board decision to draw down Year 1 grant funding and place early orders for plant and materials including Air Source Heat Pumps and Solar PV, prior to entering the construction contract. 	<ul style="list-style-type: none"> - Engagement with Planning. - Discussions with DNO and regular updates on applications. - Contracts to include required savings guarantees and post-installation verifications. - Clarify grant funding implications if carbon savings are not achieved. - Communicate planned disruption to users, highlighting the wider aims of the project, and consider the need for a formal Communication Plan.
Resourcing Current: 9 Target: 2	<ul style="list-style-type: none"> - Carry-forward of staffing underspend to help deliver some priorities. - Work on Baldock Fire recovery has subsided. - Council Delivery Plan reviewed for 2024/25 with a reduction in number of projects. - Recruitment website updated to make it more attractive to applicants. 	<ul style="list-style-type: none"> - Consider getting in additional staffing resource (especially where New Burdens funding available). - Signposting to external resources and support. - Process automation. - Continue HR projects to help make the Council a more attractive place to work and make the recruitment process easier. - Continue to review the Council Delivery Plan to ensure resources are targeted at those projects that are the highest priority and stop/delay work on those that are a low priority. - Pressures identified in the budget setting process for 2025/26 for additional staffing, including training posts. - Joining in with the national recruitment campaign for councils led by the LGA.
Cyber Risks Current: 8 Target: 8	<ul style="list-style-type: none"> - In-house fully functional Disaster Recovery solution. - SLA from broadband provider in place (although loss of broadband service is out of our control). 	Key Controls/Mitigations <ul style="list-style-type: none"> - Technology in place to cover systems being interrupted or damaged, and data being corrupted or erased: Computer virus (Realtime Virus

Project	Work Completed	Ongoing Work
	<ul style="list-style-type: none"> - Financial Risk identified for 2024/25 to fund services to aid recovery, "Ransomware attack results in the write-off of some IT hardware and infrastructure" (Low Risk/£200K). - 2022/23 SIAS audits of IT Hardware (Reasonable assurance), Phishing (Reasonable assurance) and Cyber Risk (Reasonable assurance). - V3 laptop rollout completed for staff. - Implemented IT Hardware audit recommendations. - Test Immutable Cloud Back-up - Phase 1. - Implemented Immutable Cloud Back-up - Phase 2. - IT Information Team Leader and Technical Operations Manager completed the Certified Information Security Manager course. - Implemented Phishing audit recommendations. - Implemented Cyber Risk audit recommendations. - New email monitoring system Mimecast implemented and live. Backup server for mail routing in the event of attack on Microsoft 365 in place. - Windows 11 operating system with Microsoft Defender now deployed. 	<p>Protection/Defender updated), Malware (Realtime Monitoring), Computer hacking (Firewalls/Admin restrictions).</p> <ul style="list-style-type: none"> - Internal detailed IT risk register in place, which is continually monitored/updated, as individual ongoing risks are identified. (Ongoing) - Cyber Awareness training for all staff, including new requirement for annual refresh. - Continual evaluation and development of cyber policies and threat analysis. <p><u>Response Options</u></p> <ul style="list-style-type: none"> - Successful cyber-attack would be managed by a complete disconnect, with no/limited service available until the breach is fixed. IT would have responsibility for initiating this. - Power failure would be managed by the generator/UPS, with a limited service available. - For Ransomware, go to backup and rebuild all devices. Ransomware policy to be discussed in January 2025 Cyber Board. <p><u>Cyber Resilience Board</u></p> <ul style="list-style-type: none"> -The Council has introduced a Cyber Resilience Board, which includes key officers and elected Members, and meets quarterly. -The Council will not now appoint a Chief Information Security Officer. IT Manager to undertake the role of principal security officer as Cyber Security Lead.
<p>Financial Sustainability Current: 9 Target: 5</p>	<ul style="list-style-type: none"> - MTFS for 2025-30 agreed by Council in September 2024. - Started budget setting process for 2025/26, but this has identified pressures which will increase service savings targets. - Government confirmation of three-year settlement from 2026/27 onwards. 	<ul style="list-style-type: none"> - Revise funding projections as a result of formula changes and insight of future direction. - MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions will need to be made. - Regular budget monitoring to highlight any issues. - Budget consultation to ensure savings reflect resident priorities.

8.2.7 In addition to Corporate Risks, we also document and review service risks. As at 30 September 2024 there were 49 service risks. Ten of these were rated as high (red) risks, 20 as medium (amber) and 19 as low (green) risks. The high rated risks related to:

- Delivery of the Waste Collection and Street Cleansing Services Contract
- EV Charging Points
- Incompatibility of IT systems including Tascomi and Information@Work
- Increased Levels of Homelessness
- Open Space in Major New Developments
- Procurement, Tendering, Letting of Contracts and Contract Management
- Resilience of and increasing demands on Environmental Health
- Sale of Recyclable Materials
- Waste Depots
- Waste Transfer Infrastructure.

8.3 Review of Risks

8.3.1 Risk reviews are scheduled within IdeaGen, (our performance and risk software) and automated reminders are sent to service areas when risks are due to be reviewed, in line with the RMF requirements. Red Risks are reviewed the most regularly – every 3 months, with Amber risks every 6 months and Green risks being reviewed at least once per year. Service areas are assisted by the Performance and Risk Officer to ensure that information is captured in line with the RMF.

8.3.2 As at 30 September 2024, there were 63 risks on the risk register. All of these had risk reviews in place in accordance with the Risk Management Framework. During the 6 month period to 30 September, 88 risk reviews had taken place and of these 68 were on time. Of the 20 reviews that were late, 13 were less than 2 weeks late. Of the 7 reviews that were more than 2 weeks late the reasons for these have been investigated. The main reasons are resourcing and waiting for information to allow for a more accurate review to take place. For corporate risks, there were 4 reviews that were late, and all of these were less than 2 weeks late.

8.4 New and Archived Risks

8.4.1 During the 6 month period to 30 September 2024, there were 17 new risks created. The majority of these were creating the new Council Delivery Plan risks, and there were 3 completely new risks. These were:

- **Incompatibility of IT systems including Tascomi and Information@Work:** Risk of Environmental Health not being able to access up to date information, providing incorrect information to FOI and similar information requests, and failing to undertake statutory functions.
- **Resilience of and increasing demands on Environmental Health:** Risk of Environmental Health being unable to meet service demands and legal/statutory requirements with existing resources.
- **Climate Change – Adaptation:** Failure to adapt services and service provision (including Emergency Planning and Business Continuity Planning arrangements) to current and predicted changes to our climate.

8.4.2 During the 6 month period to 30 September 2024, there were 14 archived risks. The majority of these were removing previous year Council Delivery Plan risks, so they could be updated for the current year (see above). There were 3 fully archived risks. These were:

- **Impact of Anti-Social Behaviour on Council Facilities:** This is an ongoing issue (typically low level) requiring a business-as-usual response. The specific impact on Council property is being substantially managed. Any further controls or mitigating activities will be informed by the number and location of incidents, the level of anti-social behaviour being experienced, and our ability to introduce proportionate measures within available budgets.

- **Covid-19 - Leisure Management Contracts:** Following commencement of the contract with Sport and Leisure Management (SLM) trading under the brand name Everyone Active, the described risks to SLL associated with ongoing impacts from the Covid-19 pandemic are no longer relevant. At the end of the SLL contract, leisure usage was strong, exceeding both the target level and pre-pandemic performance. The new contract is operating under business-as-usual conditions and includes a clause relating to future pandemic events, to help manage related risks going forward.
- **Museum/ HTH Recovery:** In 2023/24, the Museum/HTH met or exceeded most of their budget targets for income. Early indications were that performance in 2024/25 will continue to be positive. Visitor numbers to the museum have recovered and cafe income is on an upward trajectory, notably with spend per head increasing rather than purely benefitting from the recovery in football. Residual risks relating to the performance of facilities are managed via day-to-day activities. There is no lasting legacy associated with either Covid or the cost of living, both of which appear to have come and gone in terms of their peak pressure and suppressive impact on football and income. Although cost of living pressures remain, these appear to be becoming normal rather than a specific short-term risk and are not as acute as at some stages last year.

9 Insurance Review

- 9.1 Hertfordshire County Council continued to handle the Council's insurance arrangements under a shared service arrangement.
- 9.2 At the Risk and Performance Management Group meeting in November an update was provided on the various open insurance claims. There were 11 public liability claims. Some of these had been declined or had not been pursued by the claimant. Where it was accepted that the Council was liable, then progress was being made on trying to reach an appropriate settlement. There were 5 motor vehicle claims relating to damage caused by Council vehicles.
- 9.3 The Council is able to provide insurance cover for Community Centres that are on full repairing and insuring leases. The cost of the insurance is charged to the Community Centre at the cost incurred by the Council. Westmill Community Centre had this cover and have made use of it in relation to the flooding that affected them. The Community Centre have been supported in dealing with the insurers.
- 9.4 None of the above has an impact on overall risk the Council.

10 Business Continuity and Emergency Planning

- 10.1 For Emergency Planning we had identified a shortage of volunteers (e.g. to be used to open and staff a reception/ rest centre or to act as Site Liaison Officers) prior to the flooding in Hitchin. So, we had already began recruiting and training more staff volunteers. The incident showed that we still do not really have enough volunteers, so we have sought to recruit even more.

10.2 Work has continued with Hertfordshire County Council to ensure that there are fully developed plans in place in case there is ground water flooding in Kimpton.

10.3 Work on Business Continuity will now follow an annual update process, following the detailed review undertaken last year.

11 Health and Safety

11.1 There have been some concerns over a couple of packages received by the Council. They were harmless, but we are taking the opportunity to ensure that our policy on suspicious packages and bomb alerts is updated and understood.

11.2 There have also been a couple of instances of members of the public gaining access to the building via the rear entrance. We will therefore be reminding Officers and Councillors of the need to make sure that the building is kept secure.

11.3 There have been various discussions about the best ways to keep Officers safe when they are lone working, especially when they are carrying out enforcement roles. There are some technological solutions, but all still need a mobile signal, which is not available in some rural areas. The lone working policy therefore also includes lower technology solutions (e.g. making others aware of schedules and agreed check-in times).

12 Actions for 2024/25

12.1 The Annual Report detailed the following key actions for 2024/25 to enhance our Risk Management processes:

Action	Due Date	Progress
Undertake the annual review of Risk Management Framework documentation.	31/12/24	Included with this update.
Assess how well the cyclical attendance of Service Directors at RPMG works	31/12/24	Has been taking place and allows broad risk coverage with expert input.
Senior Managers Group (SMG) review of emerging risks and opportunities	31/12/24	To be discussed at the December SMG meeting.
Training for O&S (also open to other Members) on using IdeaGen	30/09/24	The offer for training has been made. To revisit the demand for this training.
Training for FAR (also open to other Members) on carrying out a risk assessment	30/09/24	Other training has been prioritised. This will take place in advance of the January meeting.
Continue to refine the Council Delivery Plan	31/03/25	Ongoing.

14. LEGAL IMPLICATIONS

- 14.1 The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet" (Constitution 10.1.5 (u)).

15. FINANCIAL IMPLICATIONS

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

16. RISK IMPLICATIONS

- 16.1 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.
- 16.2 The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Councils Corporate Risks. Failure to provide the Committee with regular updates would conflict with the agreed Strategy and would mean that this Committee could not provide assurance to Cabinet that the Councils identified Corporate Risks are being managed.

17. EQUALITIES IMPLICATIONS

- 17.1 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.
- 17.2 Reporting on the management of risk provides a means to monitor whether the Council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents, such as those who are homeless.

18. SOCIAL VALUE IMPLICATIONS

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

19. ENVIRONMENTAL IMPLICATIONS

- 19.1 There are no known Environmental impacts or requirements that apply to this report, although projects and risks related to climate change are referenced. A failure to acknowledge and seek to manage these risks, would have environmental implications.

20. HUMAN RESOURCE IMPLICATIONS

- 20.1 The proposed Resourcing risk highlights the potential impact on staff of taking on new tasks.

21. APPENDICES

Appendix A- Updated Policy Statement
Appendix B- Updated Policy
Appendix C- Updated Strategy

22. CONTACT OFFICERS

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23. BACKGROUND PAPERS

- 23.1 None

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RISK MANAGEMENT FRAMEWORK – PART 1 – POLICY STATEMENT (The Key Principles)

North Herts Council will be a risk aware Council that understands the risks that it is taking on. It appreciates that there are going to be risks in everything it does, but these are increased when undertaking projects, changing the way it delivers services and acting more commercially. It will address the risks it faces by adopting a risk aware culture and having strong risk management processes.

The Council will develop processes that allow it to focus on the significant risks it faces and ensure that undue time is not spent on low level risks and risks that have been effectively managed.

This leads to the following key principles:

Principles

1 - We will support a culture of well measured risk taking throughout the Council's business.

2 - We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.

3 - We will assess each risk, identify existing controls, and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business-as-usual, and the risk entry will be archived. This allows actions and monitoring to be focused on higher level risks.

4 - We acknowledge that even with good risk management, things will still sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.

5 - We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.

6 - We will challenge the Risk Management Process through the use of the Risk and Performance Management Group and the Finance, Audit and Risk Committee.

7 - We will regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

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RISK MANAGEMENT FRAMEWORK – PART 2 – POLICY (What you must do)

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes

Officers / Managers - You Must:

- Consider Risk Management as an integral part of your job;
- Read and follow the guidelines in the Risk Management Framework documents;
- Identify and record any threats relating to service delivery in your own area.

Risk Owners – You Must:

- Record new risks on Ideagen Risk Management;
- Review existing risks in line with the Framework requirements;
- Ensure actions are updated and completed;
- Ensure risks are proposed for archiving/deletion when no longer required;
- Update Business Continuity Plans where relevant.

Members – You Must:

- Support and promote an effective Risk Management culture;
- Constructively review and scrutinise the risks involved in delivering the Council's objectives;
- Ensure the Risk Management objectives are aligned with the objectives and strategies of the Council.

Policy author and further advice from: Rachel Cooper, Controls, Risk and Performance Manager.

Contents:

1. Definitions
2. Purpose of Policy
3. Identification and Assessment of Risk
4. Monitoring and Reviewing Risks
5. Promotion and Scrutiny of the Risk Management Process
6. Linked Policies and Procedures
7. Communication and Training

1. Definitions

Risk - Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

Risk Management - The “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.”

Risk Owner – Responsible Officer to whom a risk is assigned. Provides assurance that the risks for which they are the Risk Owner are being effectively managed, allocating appropriate resources and importance to the process, confirming the existence and effectiveness of existing actions and ensuring further actions are implemented.

2. Purpose of Policy

2.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider Risk Management as an integral part of their job and the Leadership Team (LT) and Cabinet must keep the Corporate Risks faced by North Herts Council under regular strategic review.

2.2 Part 1 of the Risk Management Framework (the Framework) – the Policy Statement, sets out the seven principles underpinning how we will undertake Risk Management at North Herts Council.

2.3 Part 2 – the Policy, aims to ensure that Risk Management is undertaken in a consistent and effective manner through the Council, with risks that are well documented, reported and understood. It highlights responsibilities and roles within the process.

2.4 North Herts Council is committed to the proactive identification and management of key external and internal risks, which may affect the delivery of our objectives. This will allow us to be a “Risk Aware” Council, who understands that risks may increase as services evolve and we undertake more commercial activities. The Framework is designed to ensure consistent management of risk and provides more detailed guidance for users. The Framework will be regularly updated to ensure we are in line with regulatory and best practice requirements.

3. Identification and Assessment of Risk

3.1 It is the responsibility of all Managers and Officers to identify and document key risks within their service areas, which may affect the achievement of the Council’s objectives. This should be done as part of the Service Planning process and updates to the Council Delivery Plan, but also continuously throughout the year.

3.2 When risks have been identified, they must be recorded and assessed using the Council’s Risk Management software, Ideagen Risk Management.

3.3 All risks should be assessed in line with the requirements of the Framework, assigning an initial Risk Score, and taking into account any existing controls which may be in place.

- 3.4 Each risk must be assigned to a Risk Owner, who takes responsibility for the risk. This should be someone who has the authority to ensure that required actions are carried out.
- 3.5 A set of mitigating controls or actions must be identified, with timescales for completion. All actions should be SMART (specific, measurable, achievable, realistic and timely). The risk should be assessed for a second time, taking the effect of the actions into account. This will become the Target Risk Score and will form the basis of the ongoing risk monitoring. If the Target Risk Score is still unacceptable then it will be necessary to consider further mitigation actions.
- 3.6 Whilst assessing and managing the risk, Officers should also consider and act on any opportunities which may present themselves. Further guidance on how to consider opportunities is provided within the Framework Part 4 - Toolkit.
- 3.7 Officers must ensure that the Business Continuity Plan for the Service area is updated with any new risks, including how they can be mitigated to allow any key functions to continue operating.

4. Monitoring and Reviewing Risks

- 4.1 Once identified and recorded, risks must be proactively managed by the Risk Owner. It is important that the Risk Register is dynamic – new risks added as they arise and risks removed when they have been managed down to an appropriate level. It is the Council's Policy to focus its resources on monitoring risks which, because of their likelihood or impact, make them priorities. These are the risks which score 4 or above on the Risk Matrix.
- 4.2 Risk Owners must review their risks in line with the requirements of the Framework. Reminders will be issued automatically from Ideagen Risk Management when reviews of risks are due.
- 4.3 Actions must be updated once completed, and the risk assessed to see whether the Target Risk Score has been achieved. Further actions should be added if required.
- 4.4 When deemed appropriate, the Risk Owner should propose the archiving of any low-level risks scoring 3 or below which are no longer relevant and any risks which they consider to have been managed down to "Business as Usual". They must also review the Business Continuity Plan for the Service area and update it with any changes which may be required following the archiving/closure of the risk.

5. Promotion and Scrutiny of the Risk Management Process

- 5.1 The Leadership Team (LT) and Cabinet will support a culture of well measured risk taking throughout the Council's business, by embedding Risk Management in our corporate business processes including strategic planning, corporate business planning, policy making and review, performance management, and key partnerships.

- 5.2 All Managers and Members must consider risk as an integral part of business planning, service delivery, key decision-making processes, and project and partnership governance.
- 5.3 Business Continuity Plans must be maintained for each service area, identifying the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue.
- 5.4 All Committee reports must contain a Risk Implications section. In addition to the standard wording that is included in the committee report template, the report writer should summarise the risks that the decision maker needs to consider to make a fully informed decision. Although overall responsibility for Risk Management lies with LT and Cabinet, it is an integral part of each Managers role and report writers must always identify the risks linked to the decision they are recommending.
- 5.5 Members must constructively review and scrutinise the risks to ensure they have been adequately considered, to enable delivery of the Council's objectives.
- 5.6 All new and proposed archiving/closure of Operational Risks must be reviewed by the Risk and Performance Management Group (RPMG) and LT prior to the changes to Ideagen Risk Management being accepted.
- 5.7 Any changes to Corporate Risks (those included in the Council Delivery Plan) must be reviewed by RPMG, LT and Overview and Scrutiny Committee before being approved by Cabinet. Changes to the Risk Management Framework must be reviewed by RPMG, LT and Finance, Audit and Risk Committee (FARC) before being approved by Cabinet. Changes to Operational Risks should be discussed with the relevant Service Director.
- 5.8 Members of RPMG and Finance, Audit and Risk Committee are responsible for ensuring the Risk Management process is aligned to the Council's objectives, challenging the process where appropriate and making recommendations to Cabinet.

6. Linked Policies and Procedures

- 6.1 Everyone is required to adhere to all Council policies, procedures and processes. The Risk Management Framework consists of four documents and all Officers, Managers and Members should ensure they have a good understanding of their risk responsibilities.

Risk Management Framework – Part 1 – Policy Statement (The Key Principles)

Risk Management Framework – Part 2 – Policy (What you must do)

Risk Management Framework – Part 3 – Strategy (How we will do it)

Risk Management Framework – Part 4 – Toolkit (Operational guidance)

7. Communication and Training

- 7.1 The Council is committed to making training available to everyone. We will increase understanding and expertise in Risk Management through targeted training and the sharing of good practice and lessons learned.

Training is available via e-learning on the GROW Zone, with further training available from the Controls, Risk and Performance Team on request. Some of this training may be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All Officers should also request training on any areas that they are uncertain about.

7.2 A Toolkit is provided as part of the Risk Management Framework, which provides practical guidance on the use of Ideagen Risk Management and all the associated tasks to be undertaken.

Mandatory Risk Management training for managers is available on GROW Zone (link to the system below):

[North Hertfordshire District Council](#)

Risk Management page on the Intranet:

[Risk Management](#)

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NORTH HERTS COUNCIL

RISK MANAGEMENT FRAMEWORK

PART 3 – STRATEGY (How we will do it)

North Herts Risk Management Framework is outlined within four key documents.

Part 1 – Risk Management Policy Statement sets out the Council's commitment to the proactive management of external and internal risks within seven key principles. In order to ensure we can meet those principles, a number of objectives have to be achieved.

- 1 Maintenance of a robust and consistent Risk Management approach.
- 2 Considering any Opportunities which may present themselves whilst managing Risks.
- 3 Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated.
- 4 Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance.
- 5 Communicating Risk information effectively through a clear reporting framework.
- 6 Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

Part 3 - The Strategy provides more detail on how the Council intends to ensure these objectives are met.

1 – Maintenance of a robust and consistent Risk Management approach

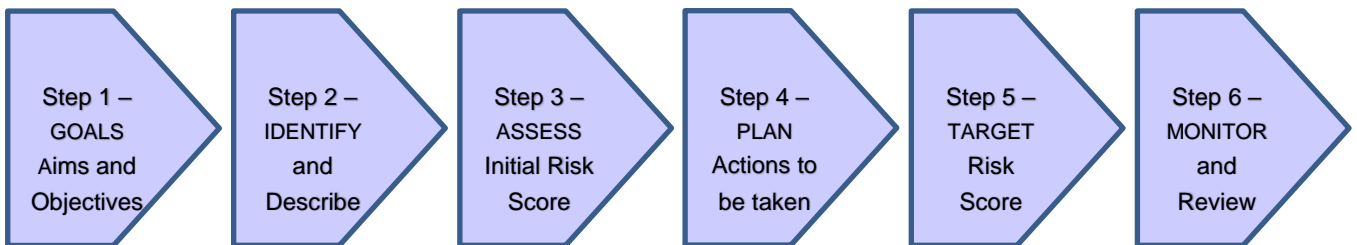
The objectives of the Risk Management Approach are to meet the seven principles outlined in Part 1 – Policy Statement:

- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.
- We will assess each risk, identifying existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher risk levels.
- We acknowledge that even with good risk management, things will sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.

- We will challenge the Risk Management Process through the use of the Risk and Performance Management Group and the Finance, Audit and Risk Committee.
- We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

Good risk management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job and the Leadership Team and Cabinet must keep the Corporate Risks faced by the Council under regular strategic review.

The following six steps are used by the Council in managing its risks:



Step 1 – Identify Council Aims and Objectives

Before we can start to identify risks, we will establish context by looking at **what we are trying to achieve** and what our proposed outcomes are. These objectives will usually be detailed in existing documents, such as:

- The Council Plan
- The Council Delivery Plan
- Service Plans
- Project Initiation Documents
- Partnership Agreements

Step 2 – Identify and Describe the Risk –What stops us from achieving objectives?

There are many different types of risks that we should consider. There are some examples in the table below. It is not necessary to detail all relevant risks, but the main ones should be considered.

Type of Risk	Example
Strategic	<ul style="list-style-type: none"> - Delivery of the key objectives of the Council - New political arrangements - Changes to Government policy
Operational	<ul style="list-style-type: none"> - Delivery and efficiency of services, specifically around day-to-day work - New initiatives, ways of working and relationships with partners - Monitoring arrangements - Levels of service usage - Day-to-day management of buildings

Information	<ul style="list-style-type: none"> - Accuracy of data, systems or reported information - Appropriate transfer and sharing of data - Security of data and systems - Management and control of knowledge resources, e.g. the retirement of a key member of staff
Reputation	<ul style="list-style-type: none"> - The Council's brand or image - Customer experience - Negative publicity - Levels of complaints - Levels of public confidence and participation
Financial	<ul style="list-style-type: none"> - Acceptance of liabilities - Levels of funding - Levels of income - Losses by fraud / corruption - Adequacy of insurance cover - Availability of funds to deliver services / projects
People	<ul style="list-style-type: none"> - Employees, e.g. recruitment and managing change - Management, e.g. communication / consultation and business continuity / emergency planning arrangements - The public, stakeholders and partners, e.g. changing needs / expectations, inequalities and safeguarding - Delivery of services to minority and disadvantaged groups
Regulatory	<ul style="list-style-type: none"> - Adherence to regulatory environments and compliance regimes - Legislation, e.g. Health & Safety at Work Act, Data Protection, FOI, Human Rights, Equalities Act 2010, Public Sector Equality Duty 2011, Employment Law, TUPE etc. - Grant funding conditions
Environment	<ul style="list-style-type: none"> - Recycling, Green Issues - Impact of planning policies - Climate Change - Management of Open Spaces

It may help to consider the **cause and effect** of each risk. For example, by using the following:

Description of Risk	Cause –why?	Effect – what will happen?
Risk of ... Failure to ... Lack of Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Opportunity to ... Damage to due to ... because leads to ... results in ...

Step 3 – Assess Initial level of Risk when identified – How significant is it?

The Council assesses each risk in terms of its potential likelihood and impact, enabling actions to be prioritised. **We will actively monitor risks scoring 4 or higher on the Risk Scoring Matrix.**

Each risk should be assessed twice, to set both Initial and then Target risk levels.

The first assessment – the initial risk score - is taken on the “as is” basis—what is the risk if we do nothing further and just maintain any existing controls (the score should reflect whether these are currently operating effectively or not).

To ensure consistency, risks are assessed using a standard Risk Scoring Matrix, Likelihood (1-3) and Impact (1-3).

The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

RISK MATRIX

		Likelihood		
		1. Low	Less than 20% likelihood	
LIKELIHOOD		2. Medium	Between 20% and 60% likelihood	
		3. High	Greater than 60% likelihood	
		Impact		
		1. Low	Consequences will be minor and associated losses will be small	
		2. Medium	Will have a noticeable effect on the Council	
		3. High	Can have a significant impact on the Council	

LIKELIHOOD	3	4	7	9
	2	2	5	8
	1	1	3	6
		1	2	3
		IMPACT		

<p>4 Likelihood High (3) Impact Low (1)</p> <p>Chance of it happening -More than 60% Consequences - Minor</p>	<p>7 Likelihood High (3) Impact Medium (2)</p> <p>Chance of it happening - More than 60% Consequences - Noticeable effect on the Council</p>	<p>9 Likelihood High (3) Impact High (3)</p> <p>Chance of it happening - More than 60% Consequences - Significant impact on the Council</p>
<p>2 Likelihood Medium (2) Impact Low (1)</p> <p>Chance of it happening – between 20 – 60% Consequences - Minor</p>	<p>5 Likelihood Medium (2) Impact Medium (2)</p> <p>Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council</p>	<p>8 Likelihood Medium (2) Impact High (3)</p> <p>Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council</p>
<p>1 Likelihood Low (1) Impact Low (1)</p> <p>Chance of it happening – less than 20% Consequences - Minor</p>	<p>3 Likelihood Low (1) Impact Medium (2)</p> <p>Chance of it happening – less than 20% Consequences – Noticeable effect on the Council</p>	<p>6 Likelihood Low (1) Impact High (3)</p> <p>Chance of it happening – less than 20% Consequences – Significant impact on the Council</p>



Step 4 – Plan actions required to reduce the Likelihood or Impact of a Risk – what can we do about it?

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects. The following five general approaches are used by the Council when determining relevant actions to be taken.

Transfer	Use of insurance (to transfer the financial cost), or by contracting out services (this transfers some but not all of the risks and may create different ones).
Tolerate	It may not be practical or cost effective to take effective action against some risks. In this instance, the risk should be monitored to ensure the likelihood or impact does not change.
Treat	Most risks will be in this category. This involves putting in place a series of mitigation actions, bringing the risk score to an acceptable level. It includes contingency planning, describing what action will need to be taken if a risk is realised.
Terminate	Quick and decisive action to eliminate a risk altogether, which would usually be linked to stopping doing the activity completely. It is unlikely that the Council will be in a position to terminate the provision of a service.
Taking an Opportunity	In managing risks, opportunities may sometimes present themselves. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

Actions should be **SMART** (specific, measurable, achievable, realistic and timely).

Managers should list existing and additional actions required to manage the risks and set out Contingency Plans to be followed in the event of the threat materialising.

Each action should have a named Officer (the Risk Owner) and a target date for completion. The cost of the planned actions needs to be established and, wherever possible, should not exceed the cost of the risk they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Financial costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise should be assessed and provision made on the Councils Financial Risk Register, if appropriate.

When looking at risks, we will **also consider opportunities**. Planned actions to mitigate risk should be examined to see whether they open up new possibilities to help us achieve our objectives.

Step 5 – Aim – Set a Target Risk Score – what will the actions achieve?

Once the actions have been identified, the risk will be assessed again, using the same Matrix in Step 3, this time, taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **Target Risk Score** and reflects the position where the risk is deemed to be **managed to an acceptable level**. If the actions in Step 4 do not manage a risk to an acceptable level, then it will be necessary to reconsider what mitigating actions should be carried out.

The Council uses the Target Risk Score to ensure that:

- **Risks are prioritised in terms of their significance;**
- **Actions are relevant and effectively managing and/or reducing the Likelihood or Impact of the risk;**
- **Risks are removed when no further actions are required.**

Each Risk Owner is expected to conduct a review of their risks on Ideagen Risk Management in line with the review schedule in Appendix A. These reviews should consider:

- Any new risks which have been identified.
- Whether actions have been completed by their target dates, or revisions required.
- Whether the Target Risk Score has been achieved.
- Whether additional actions are required.
- Whether risks should be proposed for archiving/closure.

Where a risk is assessed at a low level (1, 2 or 3) or has been managed down to a low level, then the risk will fall into business as usual and the risk entry should be proposed for archiving. Where a risk is no longer relevant the risk should be proposed for archiving.

Any decision to archive/close a risk will be reviewed and agreed by the Risk and Performance Management Group, prior to the change being accepted on Ideagen Risk Management. If the proposed change is not accepted, Ideagen will be reinstated with the agreed score.

Regular reporting of Corporate Risks (those included in the Council Delivery Plan), through Risk and Performance Management Group, Leadership Team (LT), Overview and Scrutiny (O&S) and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.

Risk registers (Operational and Corporate) are maintained on the Council's risk management software Ideagen Risk Management. This enables the Council to monitor and review risks and produce meaningful management reports.

2 – Considering any Opportunities which may present themselves whilst managing Risks

In managing risks, opportunities may present themselves. These will always be considered and acted on where appropriate.

These opportunities may take the following forms:

1. **Absence of Threats** - If the bad thing does not happen, we might be able to take advantage of something good instead. For example, if poor industrial relations do not lead to a strike, we might be able to introduce an incentive scheme and turn the situation round from negative to positive.
2. **Inverse of Threats** - Where a variable exists and there is uncertainty over the eventual outcome, instead of just defining the risk as the downside we will also consider upside potential. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).
3. **Secondary Risks** - Sometimes by addressing one risk we can make things worse (the response creates a new threat), but it is also possible for our action to create a new opportunity. Avoiding potential delays to a car journey by taking the train might also allow us to do some useful work during the journey whilst achieving a lower environmental impact.

Opportunities cannot be managed unless they are identified. When looking at risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to mitigate risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

3 – Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated

NHC expects all its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council, in the achievement of our objectives, and consider the management of risk as part of their everyday activities.

Roles in the Risk Management Process

All Employees	<ul style="list-style-type: none"> • Manage day-to-day risks and opportunities and report risk management concerns to their line managers. • Identify any new risks relating to their service area. • Attend training and awareness sessions, as appropriate.
All Members	<ul style="list-style-type: none"> • Support and promote an effective risk management culture. • Constructively review and scrutinise the risks involved in delivering the Councils objectives.
Cabinet	<ul style="list-style-type: none"> • Risk manage the Council in delivering its objectives. • Approve the risk management Policy and Strategy. • Consider and challenge the risks involved in making any “key decisions”. • Responsible for oversight of Corporate Risks (with Leadership Team).
Finance, Audit and Risk Committee (FARC)	<ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including review of proposed

	<p>amendments to the Policy and Strategy prior to its presentation to Cabinet.</p>
Overview and Scrutiny Committee (O&S)	<ul style="list-style-type: none"> • Review of changes to Corporate Risks and ensure that they are considered in relation to Council performance and the Council Delivery Plan.
Shared Internal Audit Service (SIAS)	<ul style="list-style-type: none"> • Provide assurance that risks are being effectively assessed and managed. • During all relevant audits, challenge the content of risk registers. • Periodically undertake specific audits of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.
Leadership Team (LT)	<ul style="list-style-type: none"> • Champion an effective Council wide risk management culture. • Ensure all reports contain sufficient risk implications. • Ensure Members receive relevant risk information. • Responsible for oversight of Corporate Risks (with Cabinet). • Ensure Risks are considered and are part of updates to the Council Delivery Plan. • Ensure that Business Continuity Plans are in place for each service area.
Service Directors	<ul style="list-style-type: none"> • Risk manage their Directorates in delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance Statement process. • Update Risks as part of any updates to the Council Delivery Plan. • Constructively review and challenge the risks involved in decision making. • Ensure that appropriate resources and importance are allocated to the process.
Service Director - Resources	<ul style="list-style-type: none"> • Corporate Champion for Risk Management. • Promotes the adequate and proper consideration of risk management to senior managers and more widely within the Council. • Ensure the Internal Audit work plan is focused on the key risks facing the Council.
Controls, Risk and Performance Team	<ul style="list-style-type: none"> • Design and facilitate the implementation of a Risk Management Framework within NHC ensuring it meets the needs of the organisation. • Act as a centre of expertise, providing support and guidance as required. • Collate risk information and prepare reports, as necessary.

	<ul style="list-style-type: none"> • Develop, support and promote the Council's risk management software Ideagen Risk Management and provide training where required.
Service Managers / Project Managers	<ul style="list-style-type: none"> • Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's Risk Management Framework. • Identify, assess and appropriately document significant risks and opportunities. • Clearly identify risk ownership. • Manage risks in line with corporately agreed timescales and policies. • Escalate risks, where appropriate. • Review risks regularly and recommend for archiving where appropriate. • Complete mandatory risk management e-learning.
Risk and Performance Management Group	<ul style="list-style-type: none"> • Maintain the mechanism for risk management to be discussed and disseminated across the Authority. • Review and challenge the content of risk registers. • Ensure that risk is considered alongside performance. • Provide direction and guidance to ensure that a risk based approach is taken to the development of policies and procedures. • Support the Controls, Risk and Performance Team to implement the Risk Management Framework effectively, including reviews of risk management training. • Review recommendations and amendments to the Risk Management Framework – Policy, Strategy and Toolkit.

4 – Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance

The Risk Management Strategy is an essential element of strategic planning and sits under the broader umbrella of the Council Plan.

NHC has a [Local Code of Corporate Governance](#), which includes risk management as one of the seven key principles:

“Managing risks and performance through robust internal control and strong public financial management.”

For risk management to be effective and a meaningful management tool, it must be an integral part of key management processes and day-to-day working. The Managing Director and Leader of the Council must satisfy themselves that NHC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. Risks and the monitoring of associated actions are considered as part of the Council's significant business processes, including:

- Corporate Decision Making – significant risks, associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service /Budget Planning – this annual process includes completion of a Risk Questionnaire and updating the individual business unit risk registers to reflect current aims/outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes, before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.). [Project Management Guide Final.docx](#)
- Business Continuity – the Council has a duty to maintain plans to ensure that it can continue to function in the event of an emergency including plans for organisations that carry out services on the Council's behalf. The process identifies the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue operating. [Business continuity process](#)
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the partnership's aims and objectives.
- Procurement – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process. <https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance – the Information Security Policy sets out practices and procedures to be adopted for good information management. There is also mandatory annual refresher training in Data Protection.
- Insurance – the HCC Insurance team manages NHC's insurable risks and self-insurance arrangements. The Manager presents a regular update to the RPMG.
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the RPMG.

Corporate Governance

NHC's approach to risk management has been developed to support the key requirements of good corporate governance:

Openness and Inclusivity - Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities, including how we are managing them. Risk management supports and enhances our decision making process and all committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

Integrity - The control environment, which includes risk management, supports the integrity of the Council. The Risk Management Framework is key to taking informed decisions and continued service delivery.

Accountability - There is clear accountability for our risks. This includes the risk section in committee reports; an Annual Governance Statement, approved by the Finance, Audit and Risk Committee and included in the Council's Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks.

The Council's key partners and contractors must have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint risk registers are put in place with key partners/contractors.

So that it can manage and demonstrate how well it has embedded risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

5 – Communicating Risk information effectively through a clear reporting framework

Appropriate and effective reviews and reporting arrangements reinforce and support the risk management processes. They allow sufficient and accurate performance information to be passed to Risk Owners, Senior Managers, the Leadership Team (LT) and Members.

The Risk Register

The Risk Register entries on the Council's risk management software - Ideagen Risk Management, are the basic building blocks in the Strategy. The system generates reminder emails when the Next Review Date is approaching and generates up to date reports on a weekly basis, available for all to view on the system.

A Directorate Overview of Risks is sent to each Service Director on a monthly basis, and taken to each Directorate's Management Team meeting at least once a year by a member of the Controls, Risk and Performance Team. This allows an overview of all risks to be discussed and any new risks to be suggested.

The Risk and Performance Management Group reviews all new risks, decisions on not to monitor risks, proposed archiving/closures and any lessons learned when risks are archived (particularly in relation to projects). This includes consideration of the residual risks.

Ideagen Risk Management shows the Original Risk Score, the Target Risk Score and SMART actions with target dates for completion.

The risk matrix is used to plot the risks and to enable Service Directors to prioritise risk management activities that need to be undertaken to mitigate the risks. This risk information feeds into the Corporate Business Planning process.

The Risk Register also provides an understanding on how managing or capitalising on an opportunity can help achieve the objectives.

Corporate Risks

The Corporate Risks facing the Council are those that cut across the delivery of all services, key projects and those that will affect the delivery of the Council’s objectives. They are the responsibility of the Leadership Team and Cabinet. Cabinet ensure the Corporate Risks are managed appropriately.

The Corporate Risks are included in quarterly Council Delivery Plan monitoring reports, which are presented to the Risk and Performance Management Group, Leadership Team, Overview and Scrutiny Committee, and Cabinet.

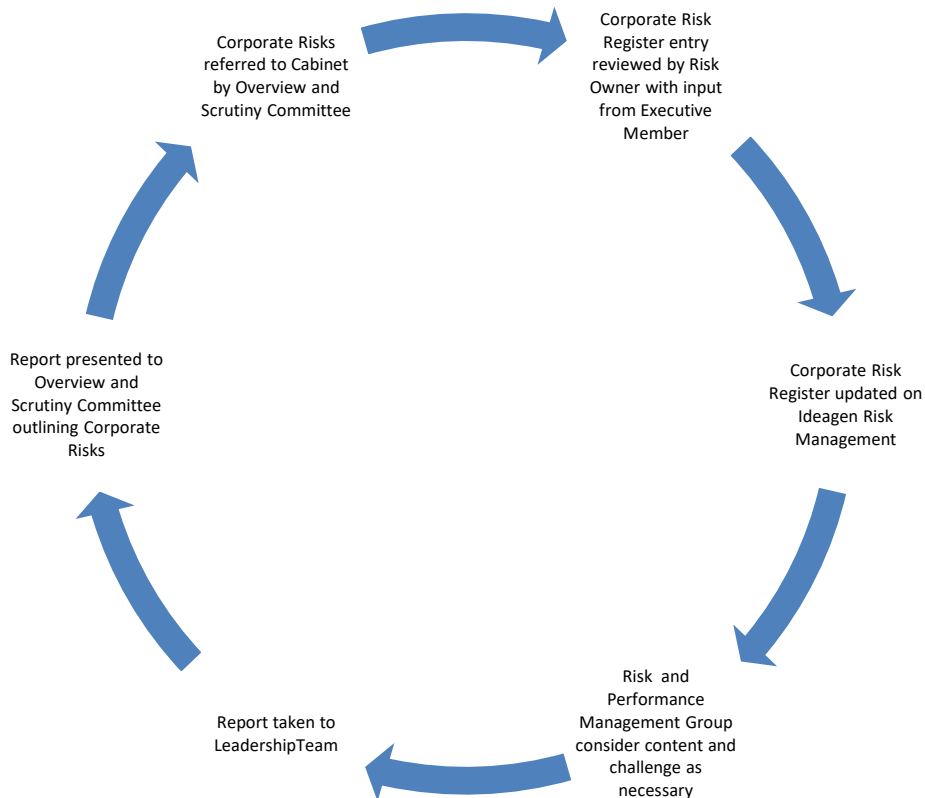
The Overview and Scrutiny Committee refer any changes to Corporate Risks to Cabinet, as part of considering updates to the Council Delivery Plan.

The Finance, Audit and Risk Committee monitor the effective development and operation of risk management governance within the Council. It agrees actions put forward by officers, where appropriate, and makes recommendations to Cabinet.

Updates on risk management governance (including a summary of Corporate Risks) are reported to Finance, Audit and Risk Committee and Cabinet twice a year. Council also receives the year-end annual report from the Members Risk Management Champion.

The Finance, Audit and Risk Committee refer any amendments to the Risk Management Framework Policy Statement, Policy, and Strategy to Cabinet.

Diagram representing the review of Corporate Risks



6 – Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

NHC uses a range of training methods to meet the needs of the organisation. For managers, mandatory e-learning is provided via GROW Zone. A link to the GROW Zone login screen is detailed below:

[North Hertfordshire District Council](#)

Risk management information is also available on the intranet, including templates and further detailed guidance in the Risk Toolkit.

A SIAS representative sits on the Risk and Performance Management Group, along with the HCC Risk and Insurance Manager, who is able to comment on wider risk management experience. This enables the sharing of good practice with others.

Appendix A - Review Timetable		
Risk Score 7 – 9 (RED)	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.	As a minimum – Review every 3 months. Individual actions must be reviewed as they become due.
Risk Score 4 – 6 (AMBER)	Usually accepted, on the basis additional mitigating actions to reduce the likelihood are implemented, if this can be done cost effectively. Reassess to ensure conditions remain the same and existing/new actions are operating effectively.	As a minimum – Review every 6 months. Individual actions must be reviewed as they become due.

Risk Score 1 – 3 (GREEN)	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Archive on register once agreed by Risk and Performance Management Group.	Only review if situation changes.
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Appendix B – Responsibilities / Oversight

Task	Corporate Risks	Service Risks	Project Risks
Risks identified by:	Leadership Team Service Directors	Service Managers	Project Team Key Stakeholders
Risks owned by:	Service Directors	Service Managers	As appropriate
Risks reviewed by:	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
Risks scrutinised by:	Risk and Performance Management Group Leadership Team Overview and Scrutiny Committee Finance Audit and Risk Committee	Service Directors	Project Team
Risk Register (Ideagen Risk Management) updated by:	Risk Owners with support from Performance and Risk Officer if required.		
Review of Risk Management Framework by:	Service Director - Resources Controls, Risk and Performance Team Risk and Performance Management Group		

FINANCE, AUDIT AND RISK COMMITTEE
8 January 2025

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: SECOND QUARTER REVENUE BUDGET MONITORING 2024/25

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2024/25, as at the end of the second quarter. The forecast variance is a £550k decrease in the net working budget of £20.139million, with an ongoing impact in future years of an £11k decrease. There are also requests to carry forward £317k of unspent budget to fund specific projects and initiatives in the next financial year. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS

That the Committee comment on the recommendations to Cabinet which are:

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £550k decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £306k increase in net expenditure. These will be incorporated in the draft revenue budget for 2025/26.
- 2.4. That Cabinet approve the debt write-offs detailed in paragraphs 8.16 and 8.17.

3. REASON FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 19th July 2024.

7. BACKGROUND

7.1. Council approved the revenue budget for 2024/25 of £19.933million in February 2023. As at the end of Quarter Two, the working budget has increased to £20.139million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2024/25 approved by Full Council	19,933
Quarter 3 2023/24 Revenue Budget Monitoring report – 2024/25 budget changes approved by Cabinet (March 2024)	410
2023/24 Revenue Budget Outturn Report – 2024/25 budget changes approved by Cabinet (June 2024)	634
Community Governance Review Terms of Reference report - additional budget required for the use of the Association of Electoral Administrators consultancy service to assist with delivering the Community Governance Review – approved by Council (July 2024)	20
First Quarter Revenue Monitoring 2024/25 report - 2024/25 variances approved by Cabinet (September 2024)	(858)
Current Working Budget	20,139

7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the budget allocations published in the Quarter One revenue monitoring report.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Original Budget 2024/25	Changes approved at Quarter One	Other Budget Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k
Managing Director	972	(1,350)	0	(378)
Customers	4,468	(2)	0	4,466
Enterprise	9	(35)	0	(26)
Housing & Environmental Health	2,086	76	0	2,162
Legal & Community	2,613	(50)	11	2,574
Place	6,763	447	(11)	7,199
Regulatory Services	1,011	67	0	1,078
Resources	3,075	(11)	0	3,064
TOTAL	20,997	(858)	0	20,139

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2025/26) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
All Directorates 2024/25 Staff Pay Inflation	683	625	(58)	Underspend variance indicates estimated impact of the nationally agreed pay awards for 2024/25 for Local Government Officers, Chief Officers and Chief Executives. The outcome was an increase of £1,290 to all salary scale points with annual remuneration in 2023/24 of below £51,515 and a 2.5% increase to all scale points above this. The assumption in the budget was an increase of 4% to all salary scale points.	0	(58)
Managing Director Treasury Investments Interest Income	(2,500)	(2,800)	(300)	Increase in estimated interest income receivable is a combination of interest rates falling by less than estimated during the quarter and higher cash balances available for investment than anticipated. Estimates for future years will be updated when the Investment Strategy for 2025 – 2035 is finalised in January 2025.	0	0
Customers Directorate Staffing Costs – IT Services	858	764	(94)	Working budget total includes £69k of budget carried forward from 2023/24 to finance the temporary recruitment of a help desk officer and a Senior IT Analyst to backfill officers working on projects. The Senior IT Analyst has been recruited and will start in January, while the helpdesk officer post is still vacant despite advertising for the role. It is requested to carry forward £52k to fund the salary costs of the two posts expected to fall in next year. The remainder of the forecast underspend is due to other posts being vacant during the year for longer than anticipated, where recruitment has not been successful.	52	0
Customers Careline Service Telephone Lines Upgrade	142	115	(27)	Forecast underspend relates to the carry forward budget of £32k to upgrade the current ISDN phone lines to SIP (Session Initiation Protocol) lines. Phase 1 of the project has been partially completed and invoiced. Progress has since been delayed due to technical issues. As a result, a carry forward of the unspent budget is requested to complete the project in 2025/26.	27	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2025/26
	£k	£k	£k		£k	£k
Customers Careline Service call handling and service desk system solution	59	0	(59)	<p>A permanent investment budget of £59k was approved to cover increased costs associated with the procurement of a new call handling system (£34k) and a service desk solution (£25k). For the service desk solution, the Digital Transformation Team has successfully developed an in-house system, saving £25k in 2024/25. The service desk solution budget will be transferred to the Digital Transformation Team for 25/26 to provide Netcall support for other transformation projects.</p> <p>Procurement of the new call handling system will commence in January 2025, with no associated costs expected to fall in 2024/25. Any saving achieved on the budget required in future years will be dependent on the outcomes of the procurement process.</p>	0	0
Customers Business Rates Review	36	10	(26)	<p>A company was appointed last year to review the Council's business rates tax base and identify where businesses may have been missed or where circumstances have changed that would result in increased business rates income. The cost to the Council is 10% of the increase in rateable value resulting directly from the consultants' findings. They have since notified the Valuation Office (VO) of a large number of changes, but there has been a delay in the VO processing these changes. The company will not invoice the Council until the VO have processed the changes. It is estimated that around £10k will be invoiced this year. It is therefore requested to carry forward the remaining £26k to fund costs falling in 2025/26. The expenditure incurred from undertaking the review will be offset by corresponding increased business rates income charged to the Collection Fund.</p>	26	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2025/26
	£k	£k	£k		£k	£k
Customers Net housing benefit expenditure	331	405	+74	Increase in the estimated shortfall of housing benefit subsidy to fund corresponding housing benefit payments is attributed to the Council's reliance on nightly paid units (mainly hotels) to accommodate homeless households. For homeless households placed in temporary accommodation, the eligible amount of Housing Benefit Subsidy is capped at less than the value of the related housing benefit payment. As noted below, the impact on the General Fund in this year will be offset by a corresponding transfer from the refugee earmarked reserve.	0	0
Housing & Environmental Health Temporary Accommodation						
Expenditure	80	289	+209	Increase in expenditure on temporary accommodation is indicative of the Council's reliance on nightly paid units (mainly hotels) to accommodate homeless households when there are no other available accommodation options. Where homeless households are not eligible to receive housing benefit, the cost of their placement is funded entirely by the Council. The increase in activity has therefore meant an increase in the net cost to the Council.	0	0
Contribution from Housing Benefit clients	(70)	(249)	(179)		0	0
Net Cost	10	40	+30		0	0
Grant Income Contributions	0	(23)	(23)	£13k of the 2024/25 Rough Sleeping Initiative grant, together with a £10k contribution from Herts County Council, have been allocated towards the cost of temporary accommodation in this financial year.	0	0
Contribution from Earmarked Reserve	0	(81)	(81)	The total forecast additional cost of £81k (£30k increase in net cost and £74k housing benefit subsidy shortfall reported above less additional grant contributions of £23k) can be mitigated by the transfer of grant income held in the refugee earmarked reserve, in recognition of the financial impact of refugees leaving their bridging accommodation and not having settled accommodation to go to.	0	0
Housing & Environmental Health Housing Stock Condition Survey	40	0	(40)	Due to resourcing issues within the Service, the survey will not be undertaken in this financial year. It is requested to carry forward both the unspent £20k carry forward budget and the £20k base budget allocated in 2024/25, as the survey is anticipated to be more expensive than original estimates. An officer has recently been recruited that will lead on delivering the stock condition survey.	40	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2025/26
	£k	£k	£k		£k	£k
Housing & Environmental Health Environmental Health Apprenticeship	100	0	(100)	Unspent staffing budget at the end of the prior financial year was approved to be carried forward to fund the costs of a proposed 4-year Environmental Health Officer Apprentice post. Due to staffing pressures within the Environmental Health service, the recruitment process has not yet started. Recruitment will now begin in the new financial year to get an apprentice in place before the start of the new academic year. It is therefore requested to carry forward the unspent budget to the next financial year 2025/26.	100	0
Legal & Community Directorate Staffing Costs – Policy & Communities	61	49	(12)	Underspend variance is due to vacancies held during the year in the safeguarding team. It is requested that the forecast unspent budget is carried forward to finance the anticipated pressure in delivering the Healthy Hub service in the next financial year, with the contribution from Hertfordshire County Council lower than the estimated cost of staffing.	12	0
Regulatory Building Control expenditure	67	97	+30	The building control fee regulations preclude the charging of a fee for works benefitting a disabled person, as such the charge falls to the Local Authority where the works are to be undertaken. The process is demand led and with the current level of activity continuing the experience of the last two years, adjustment to the ongoing budget expectation is necessary. An increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control was identified as a financial risk when the budget was approved in February.	0	30
Regulatory Electric Vehicle (EV) Charging Points Project	60	0	(60)	Installation of EV charging points as part of Phase 1 of the project is expected to be early in the new calendar year, with additional EV charging points installed and operational at Letchworth Garden Square multi-storey car park. This means that the delivery of Phase 2, which involves identifying and evaluating potential locations for EV charging points across the District in consultation with Herts County Council, will not now happen before the end of the financial year. It is therefore requested that the unspent budget is carried forward to finance project delivery in the next financial year.	60	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Regulatory Specialist Planning Advice	81	21	(60)	The working budget total includes the investment proposal of £60k ongoing annually for the provision of specialist planning advice on the provision of green space, landscaping and / or trees, approved by Council in February 2024. A decision has since been made to create a new permanent post to meet this need and, while the recruitment process will begin in January 2025, costs are not anticipated before the end of the financial year.	0	0
Regulatory Planning Control – Expenditure on consultants	16	46	+30	Overspend variance represents the estimated consultant costs required to provide evidence for an appeal against a Planning Committee decision. The hearing is anticipated in January / February. Costs associated with a challenge to a decision of the Council was highlighted as a financial risk when the budget was approved in February 2024.	0	0
Regulatory Planning Control – Planning applications income	(1,115)	(915)	+200	Forecast underachievement of planning income is indicative of a lower number of minor applications, which is a trend nationally. Larger applications are also now subject to the master planning process, with fee income from subsequent reserved matters applications therefore being deferred.	0	0
Total of explained variances	(1,071)	(1,647)	(576)		317	(28)
Other minor balances	21,210	+21,236	+26		0	17
Overall Total	20,139	+19,589	(550)		317	(11)

- 8.2. Cabinet are asked to approve the differences highlighted in the table above (a £550k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2025/26 budget, a £306k increase in budget, including requests to carry forward unspent budget totalling £317k for specific projects next year, which will be incorporated in to the 2025/26 budget setting process (recommendation 2.3).
- 8.3. The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The forecast at Quarter One was a net underachievement of £64k. The current forecast at the end of Quarter Two is a net underachievement of £264k. The increase at Quarter Two relates to the forecast shortfall in planning income, as highlighted and explained in table 3. The approved efficiency had anticipated additional planning income from the increase to statutory planning fees from 1st April 2024.

8.4. The working budget for 2024/25 includes budgets totalling £1.456million that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2023/24 but was delayed into 2024/25. At Quarter One, it was forecast that £70k of the budget carried forward will not be spent in this year. At Quarter Two, it is forecast that £355k of budget carried forward will not be spent in this financial year. The £285k movement in the forecast at Quarter Two relates to:

- Temporary IT Staff. £52k of the £69k budget carried forward will not be spent in this year, as highlighted in table 3.
- Business Rates review. £26k of the £36k budget carried forward is forecast to be unspent, as explained in table 3.
- Careline telephony upgrade. £27k of the £32k budget carried forward will not be spent, as itemised in table 3.
- Electric Vehicle charging points. The £60k carry forward budget will not be spent this year, as explained in table 3.
- Housing Stock Condition Survey. The £20k carry forward budget will not be spent this year, as explained in table 3.
- Environmental Health apprenticeship. The £100k budget carried forward will not be spent, as highlighted in table 3.

All the unspent carry forward budget reported at Quarter 2 is requested to be carried forward again to 2025/26.

8.5. Six corporate ‘financial health’ indicators have been identified in relation to key sources of income for the Council in 2024/25. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.





8.6. At the end of Quarter One, four of the indicators were green and two of the indicators were red. At Quarter Two, three of the indicators are green and three are red. Explanation for the additional red indicator at Quarter Two, in respect of Planning Application fees income, is included in table 3 above.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(1,130)	(319)	(778)	+352
Garden Waste Collection Service Subscriptions	Green	(1,029)	(1,072)	(1,029)	0
Commercial Refuse & Recycling Service Income	Red	(1,282)	(703)	(1,242)	+40
Planning Application Fees (including fees for pre-application advice)	Red	(1,186)	(1,050)	(986)	+200
Car Parking Fees	Green	(1,948)	(1,015)	(1,948)	0
Parking Penalty Charge Notices (PCNs)	Green	(573)	(272)	(573)	0

- 8.7. Table 5 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 5.

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance Q2 2024/25	Performance Q2 2023/24	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	860,742	833,863	+3.2%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	TBC	28,275	TBC	TBC
Commercial Refuse & Recycling Service	Number of customers at end of quarter	976	1,004	-2.8%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	578,764 / £1.77	578,109 / £1.67	+0.1% / +6.6%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	7,864	7,962	-1.2%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2024 of the amount of New Homes Bonus, Services Grant and Funding Guarantee Grant it could expect to receive in 2024/25 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax deficit for the prior year and will receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2024. As reported previously, this means a contribution from the General Fund of £24k to the Council Tax Collection Fund and a contribution to the General Fund of £416k from the Business Rates Collection Fund. While the repayment of the Council Tax deficit amount of £24k is included in the funding total in table 7, the business rates surplus will be transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. It is also reviewed as part of the Medium-Term Financial Strategy and budget process to assess whether it can be used to support the General Fund budget.
- 8.10. At Quarter Two a surplus position of around £150k on the Council Tax Collection Fund is projected at the end of this financial year. This includes both the £12k improvement in the position for the prior year, compared to the January 2024 estimate, during the final quarter of 2023/24 and the trend has continued during the first half of the current financial year, with an in year projected surplus of £139k.

- 8.11. The current forecast for the Council's share of the Business Rates Collection Fund at the end of this year is an overall surplus position of £330k. The overall position includes an in year forecast surplus of around £700k, which is mainly due to the cost of business rates appeals resolved in this year being lower than originally estimated.
- 8.12. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2024/25 the Council is a member of the Hertfordshire Business Rates Pool with Hertfordshire County Council and two other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. Based on projected net Business Rates income in 2024/25, as declared to government in January 2024, the Council is estimated to gain by around £0.7million from being part of the pool. The gain to the Council is however not guaranteed and the exact value will depend on the actual level of rates collected by both North Herts Council as well as the two other collection authorities in the Pool. The contribution to the pool required for 2024/25 will therefore not be known until all the pool authorities have declared their business rates income amounts to government following the end of this financial year. In any case, the Council's contribution to the pool will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.13. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The final amount of grant the Council can retain depends on the actual level of reliefs applied during the year. The Council currently expects to receive a total grant allocation of £5.282m for reliefs in 2024/25, which includes an amount of £589k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received is held in reserve. Some of the amount held in reserve will be used to fund the business rates levy payable for this year, while a further £2.7 million will be used to top up the business rates income charged to the General Fund in 2024/25 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, there will be the planned release of £1.727million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.
- 8.14. Table 7 below summarises the impact on the General Fund balance of the position at Quarter Two detailed in this report.

Table 7 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2024)	(14,057)	(14,057)	-
Net Expenditure	20,139	19,589	(550)
Funding (Council Tax, Business Rates, NHB, Services Grant, Funding Guarantee)	(18,206)	(18,206)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,727)	(1,727)	0
Carried Forward balance (31st March 2025)	(13,851)	(14,401)	(550)

8.15. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,060k, and at the end of the second quarter a total of £110k has come to fruition. The identified risks realised in the second quarter relate to:

- Costs associated with a challenge to the decision of the Council, as highlighted in table 3 above - £30k.
- Increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control, as explained in table 3 above - £30k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,060
Known financial risks realised in Quarter 1	(50)
Known financial risks realised in Quarter 2	(60)
Remaining allowance for known financial risks	950

DEBT WRITE-OFFS

8.16. In accordance with the Council's Financial Regulations, the write-off of a debt over £10,000 must be approved by Cabinet (paragraph 15.5). A write-off occurs where it is determined that it is not practical or possible to collect the amount owed. It has been determined that an £18k business rates debt should be written off as the debtor is deceased with no estate. Due to the age of the debt, the Council has already made a full allowance for the non-collection of the debt, so there will be no net impact on the General Fund.

8.17. It has also been determined that a £27k Housing Benefit debt should be written-off as the overpayment was due to an error by the Department for Work and Pensions.

9. LEGAL IMPLICATIONS

9.1. Finance, Audit and Risk Committee's Terms of Reference (Constitution section 10, paragraph 10.1.5 (f) include "[t]o review the financial performance of the Council in relation to its policy objectives, and budgetary amounts, and to make recommendations to Cabinet (unless legally reserved to Full Council) on any matter arising out of the finance monitoring and review process within the terms of this Committee".

9.2 Section 32 of the Local Government Finance Act 1992 places an obligation on local authorities to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This means there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met. This report is therefore made in compliance with the Council's legal requirements and will allow the Cabinet to comply with its responsibilities under the Council's constitution.

9.2. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 of Cabinet's terms of reference in the Constitution state that it has remit "to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.

9.3. The recommendations contained within this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current fiscal year and into the future.

10. FINANCIAL IMPLICATIONS

10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.

11. RISK IMPLICATIONS

11.1. 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. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

12. EQUALITIES IMPLICATIONS

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

12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

16.1. None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1. None.

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FINANCE, AUDIT AND RISK COMMITTEE
8 January 2025

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2024/25

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2024/25, as at the end of September 2024.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2024/25 – 2033/34. The current estimate is a decrease in spend in 2024/25 of £15.388M and an increase in spend in 2025/26 of £11.110M and £2.000M in the following years of the capital programme. The most significant individual changes to the forecast spend in 2024/25 relate to the reprofiling into future years of £5.000M Public Sector Decarbonisation Project, £2.500M Royston Learner Pool, £1.950M Museum Storage unit, £1.000 Royston Leisure Centre Gym Extension.
- 1.3 To inform Cabinet of the Treasury Management activities in the first six months of 2024/25. The current forecast is that the amount of investment interest expected to be generated during the year is £2.80M. This is an increase of £0.300M on the estimate reported in the 1st quarter report.
- 1.4 To obtain early approval for spend at North Herts Leisure Centre in 2025/26, so that it can be delivered alongside the decarbonisation works. This involves seeking Council approval for spend in 2025/26 on a new flume (£300k) and a refurbishment of the pool changing rooms (£250k) that includes them being converted in a change village.

2 RECOMMENDATIONS

That Finance, Audit and Risk Committee provides comments on the recommendations to Cabinet which are:

- 2.1 That Cabinet notes the forecast expenditure of £15.699M in 2024/25 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.3 That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2024.
- 2.4 That Cabinet recommends to Council that it approves capital budgets in 2025/26 for a new flume (£300k) and a refurbishment of the pool changing rooms (£250k) at North Herts Leisure Centre.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.
- 3.3 The proposal to approve the 2025/26 capital budgets at North Herts Leisure Centre in January (rather than in the usual budget report at the end of February) means that the works can take place at the same time as the decarbonisation works, and therefore not require two periods where the pool cannot be used. It also provides a more obvious benefit to users of the facility.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are regular updates and meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 18th October 2024.

7. BACKGROUND

- 7.1 In February 2024, Council approved the Integrated Capital and Treasury Strategy for 2024/25 to 2033/34. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.
- 7.2 Link Asset Services Ltd are contracted to provide Treasury advice. The service includes:
 - Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
 - Information on investment counterparty creditworthiness
 - Technical updates
 - Access to a Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

8.1 The Council has £122.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

Capital Programme 2024/25

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2024/25 to 2033/34 and the funding source for each capital scheme.

8.3 Capital expenditure for 2024/25 is estimated to be **£15.699M**. This is a decrease of **£15.388M** on the forecast in the 1st quarter report (reported to Cabinet on 10th September 2024). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2024/25 £M	2025/26 £M	2026/27 to 2033/34 £M
Original Estimates approved by Full Council February 2024	22.623	15.110	12.039
Changes approved by Cabinet in 3rd Qrt 2024/25	0.960		
Changes approved by Cabinet in 2023/24 Capital Outturn report	2.654	0.193	
Revised Capital estimates at start of 2022/23	26.237	15.303	12.039
Changes approved by Cabinet in March 2024:			
Redistribution of Shared Prosperity Fund	-0.083		
Solar Together	0.563		
Changes approved by Full Council July 2024:			
Public Sector Decarbonisation Fund	2.400		
Royston Leisure Centre Gym Extension	0.250		
Changes at Q1	1.048	0.948	
Changes approved by Full Council Sept 2024	0.672	-0.672	
Executive Member – Finance and I.T. approved additional Expenditure Hitchin Fitness Gym Lift	0.020		
Reprofile Leisure Budgets		0.550	-0.400
Changes at Q2	-15.408	11.110	2.000
Current Capital Estimates	15.699	27.239	13.639

8.4 Table 2 lists the schemes in the 2024/25 Capital Programme that will now start or continue in 2025/26 and onwards:

Table 2: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Public Sector Decarbonisation Fund	13,190	8,190	-5,000	The works will take place during 25/26, with spend in this year to purchase the plant and equipment. This is to enable the drawdown of the PSDS funding in line with the grant conditions.	5,000
Royston Learner Pool	2,500	0	-2,500	There will not be any capital works during this financial year, as still trying to identify external funding to provide a viable scheme. The funding will be slipped until 2025/26 with a decision to be made as part of the 2025/26 budget setting process.	2,500
Museum and Commercial Storage	2,000	50	-1,950	An options appraisal report to inform next steps was presented to Cabinet on 19th November. The bulk of this budget will be spent in future years rather than in the current financial year. It is therefore also recommended that the earmarked project allocation of £2m in 2025/26 is reprofiled to 2026/27.	1,950
Royston Leisure Centre Gym Extension	1,250	250	-1,000	Project plan is that the works will take place during 25/26 with just preliminary expenditure in this year.	1,000
Solar Together	563	0	-563	Still looking to come to an agreement with two businesses, but the time taken to agree financial and legal arrangements means that any installations will not commence until 25/26.	563

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Charnwood House	391	25	-366	Still working to agree a letting that would deliver community use of the building. It is therefore unlikely that any substantial capital works could be completed this financial year.	366
Oughtonhead Common Weir	364	0	-364	Due to additional river flow modelling requested by the Environment Agency it has not been possible to proceed with the development of a detailed specification. However in the meantime we are progressing the securing of the various permissions to allow the project to continue.	364
Resurfacing Lairage Car Park	346	0	-346	A survey is being undertaken at both Multistorey car parks to carry out a structural appraisal to identify and document any signs of structural distress, deterioration, or damage. This project is therefore on hold until the results of this survey are known in March 2025	346
Cycle Strategy Implementation	278	0	-278	The development of cycle strategy and transport plan initiatives is dependent on Officer capacity and hope to make progress during 2025/26 (linked to proposed investment in additional capacity).	278
Transport Plans Implementation	250	0	-250		250

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Renovate King George V Skate	249	0	-249	Due to procurement concerns raised by Procurement and Legal a new service level agreement was negotiated with Groundwork East to deliver this project. This process caused a delay in re tendering these works which are now at a stage to be awarded. It is expected that the works will be completed early in the 25/26 financial year.	249
Green Infrastructure Implementation	185	0	-185	Work has commenced on developing green infrastructure plans, but not expecting any capital spend this year.	185
Playground Renovation 24/25	180	0	-180	Due to procurement concerns raised by Procurement and Legal a new service level agreement was negotiated with Groundwork East to deliver this project. This process caused a delay in re tendering these works which are now at a stage to be awarded. It is expected that the works will be completed early in the 25/26 financial year.	180

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Home Repair Assistance	205	100	-105	The combination of limited demand for Housing Repairs Assistance Grants (HRAG) during the previous year, alongside limited resources to actively promote these grants, has meant that demand to date has not met the provision made for this assistance. Due to the forthcoming significant changes associated with the enactment of the Renters' Reform Bill, which is due early in 2025/26, and hopefully the permission to grow the service, it is expected that demand for HRAG grants will rise.	105
Off Street Car Parks Resurfacing	100	20	-80	The car parks are generally in good condition and have not deteriorated to the extent predicted when the original budget was set by the Engineer.	80
Replacement Chiller for the Museum	80	0	-80	A grant bid has been made to provide a contribution to the decarbonisation of Hitchin Town Hall and Museum (as well as the District Council Offices and the learner pool at North Herts Leisure Centre). The works have been delayed until we know the outcome of the bid and whether there are opportunities to align the works. This adds risk as the current chiller could fail (which would require repairs and/ or a temporary replacement) but gives the opportunity to assess the whole building and make sure all elements work together.	80

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Avenue Park Splash Park	70	0	-70	The proposed development around Baldock may include a new splash park facility as part of the community provision of that development. Therefore, it is proposed to delay the upgrade of the current system pending the outcome of the planning process for Baldock.	70
Newark Close Road Replacement	65	20	-45	The road is generally in good condition and does not require complete re-surfacing as was anticipated by the Engineer when the budget was set. However, some patching work identified by the engineer in his recent survey will be undertaken in this financial year. The £45k slippage can be carried into financial year 2026/27.	45
King George V Muga Hitchin	55	0	-55	This project is dependent upon the availability of S106 contributions from the Highover Farm Development. Once construction begins the resources will be available to cover the cost of the project. Therefore proposed to delay the project until the S106 funds are received.	55
Norton Common Bowls Pavilion	55	0	-55	We are working with Estates and Property Services to agree suitable lease terms with the users of the pavilion and the scope of the works to be undertaken to ensure the building is fit for purpose. Unfortunately this process has taken longer than envisaged.	55

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Instal On Street Charging	50	0	-50	On-street charging will be part of a wider review of charging for parking, including off-street parking.	50
Museum Services Development	48	0	-48	This budget is a legacy from the main grant funded contribution to the North Herts Museum project and is earmarked for some improvements to the Terrace Gallery external area. Whilst officers still intend to complete this work, other priorities and capacity within the team mean that this will need to be pushed back to the 25/26 financial year.	48
Community Facilities Refurbishment	48	0	-48	Pirton PC have informed that they will have the necessary funding and permissions in place to fulfil the conditions on the release of the grant and intend to commence the build of the project in February 2025. The funding will be drawn down before the end of March 2026.	48
Bancroft Lighting	45	0	-45	Has not progressed due to a lack of technical support and capacity. Therefore proposed to delay the project into the next financial year when it is envisaged the appropriate internal support will be available.	45
Baldock Road Recreation Ground Letchworth	30	0	-30		30
Swinburne Recreation Ground Hitchin, Car Park	30	0	-30	Has not progressed due to capacity issues within the Greenspace Team and Countryside Management Services. Therefore propose delay until the next financial year.	30

Scheme	2024/25 Working Budget £'000	2024/25 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 onwards £'000
Norton Common Tennis Courts	25	0	-25	Due to difficulty in obtaining a sufficient number of quotations to undertake the work we have currently been unable to progress this work within procurement guidelines. The initial scope of the works was not fully identified until the quotation process was undertaken, therefore the level of structural works to the Tennis Courts has increased the required budget.	49
Other minor changes			-49		49
Total Revision to Budget Profile			-14.046		14.070

8.5 There are also changes to the overall costs of schemes in 2024/25. These changes total a net decrease of £1.362million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2024/25:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2024/25 Working Budget £'000	2024/25 Forecast Spend £'000	Difference £'000	Comments
Refuse and Recycling Bins	90	130	+40	Bin purchases are semi-cyclical, with bins having an estimated life of between 10 and 15 years. Wheeled bins for the residual waste service were introduced in 2012 and consequently we are replacing more bins. In addition, new developments require new bins and this is an increasing burden on the budget. Also, the service has been unable to implement a previously agreed charge for replacement bins due to limitations in IT and therefore costs have not reduced or been offset as had previously been anticipated.
Local Authority Housing Fund Pt2	107	0	-107	Settle have delivered all the planned properties for part 2 of the LAHF. The Council has provided funding to settle based on the eligible costs that they incurred. There are no further payments due.

Scheme	2024/25 Working Budget £'000	2024/25 Forecast Spend £'000	Difference £'000	Comments
Local Authority Housing Fund Pt3	960	0	-960	There has been no interest from Registered Providers so the funding will have to be returned to Government.
Letchworth Multistorey Parapet /Soffit / Decoration	129	0	-129	Funding was based on an expected future requirement, which has not materialised. To be removed until a specific need is identified.
Lairage Multistorey Structural Repairs	111	0	-111	Funding was based on an expected future requirement, which has not materialised. To be removed until a specific need is identified.
Burials Database System	55	0	-55	Capital budget no longer required as the decision has been taken to use the in-house Low Code option to develop a replacement database system for burials.
Former Public Convenience Portmill Lane	25	0	-25	Remove until we have a plan for the wider Churchgate area.
Other minor changes			-15	
Total revision to scheme spend			-1,362	

8.6 Table 4 below shows how the Council will fund the 2024/25 capital programme.

Table 4: Funding the Capital Programme:

	2024/25 Balance at start of year £M	2024/25 Forecast Additions £M	2024/25 Forecast Funding Used £M	2024/25 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	4.914	0.0	(4.678)	0.236
S106 receipts			(0.539)	
Other third party grants and contributions			(8.062)	
Revenue Contribution			(0.030)	
Borrowing			(2.390)	
Total			(15.699)	

8.7 The availability of third-party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

- 8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2024 was negative £2.58M. Based on current forecasts it will become positive during 2024/25 as the Council does not have sufficient funding (eg Capital Receipts) to finance the Capital programme. This means the Council will have to borrow to fund the programme in this year, with MRP (Minimum Revenue Provision) charged to the General Fund in 2025/26.
- 8.9 The usual process is that budgets for the following year will be agreed at the Council meeting at the end of February. This gives the opportunity for all proposals to be considered together, and the relative priorities can be assessed. However, especially for capital proposals where greater planning is required, there can be a benefit to approving the proposals earlier. Especially where the schemes are already on the capital programme, and the decision relates to a change to the planned timing. Cabinet are asked to recommend to Council that two schemes are approved now, rather than waiting until the budget meeting at the end of February. Both schemes relate to North Herts Leisure Centre and would allow the works to be carried out whilst the pool is closed for the wider decarbonisation works are carried out during 2025/26. This would minimise overall disruption to users of the facility. The other reason for bringing forward the flume replacement is that it is starting to need more repairs. The works are the refurbishment of the pool changing rooms, and conversion in to a change village (previously agreed to take place in 2026/27, £250k) and a flume replacement (previously agreed to take place in 2028/29, £150k). The amount for the changing rooms is unchanged, but latest costs for the flume show a need to increase the budget up to £300k.

Treasury Management 2024/25

- 8.10 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, general fund balance, other revenue reserves and provision balances and variations in cash due to the timing of receipts and payments. During the first six months of 2024/25, the Council had an average investment balance of £59.0M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices.
- 8.11 The Council will generate £2.4M of interest in 2024/25 from investments made during the first half of the year. This includes the interest that will be earned during the second half of the year on investments that have already been made. The average interest rate on all outstanding investments at the 30th September was 5.17%. (30th June was 5.42.%). Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £2.8M of interest over the whole of 2024/25.
- 8.12 As at 30th September 2024, the split of investments was as shown in the table below.

Banks	11%
Building Societies	0%
Government	7%
Local Authorities	82%

- 8.13 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for.

Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th September 2024. The most risky investment has a historic risk of default of 0.018%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 Sept	Historic Risk of Default %
Australia & New Zealand Bank	2.0	5.34	AA-	16	0.001
Lloyds Bank	1.0	5.19	A+	16	0.002
DMO	2.0	4.94	AA-	17	0.001
Cheshire East Council	2.0	5.3	AA-	21	0.001
Uttlesford District Council	2.0	5.25	AA-	21	0.001
Surrey County Council	2.0	5.05	AA-	27	0.002
City of Bradford MDC	2.0	5.38	AA-	34	0.002
Lancashire County Council	1.0	5.37	AA-	37	0.002
Great Yarmouth Borough Council	1.0	5.6	AA-	43	0.003
DMO	1.0	4.905	AA-	45	0.003
London Borough of Haringey	2.0	5.2	AA-	59	0.004
Luton Borough Council	2.0	4.95	AA-	59	0.004
Folkestone & Hythe District Council	2.0	4.95	AA-	69	0.004
West Dunbartonshire Council	2.0	5.7	AA-	76	0.005
DMO	1.0	4.835	AA-	79	0.005
Great Yarmouth Borough Council	2.0	5.2	AA-	84	0.005
Dudley Metropolitan District Council	1.0	5.25	AA-	91	0.006
Nat West	1.0	5.17	A+	97	0.012
Australia & New Zealand Bank	1.0	5.26	AA-	91	0.006
City of Bradford Metropolitan District Council	2.0	4.8	AA-	108	0.007
Nat West	1.0	5.13	A+	118	0.015
Stoke on Trent City Council	1.0	5.75	AA-	119	0.007
London Borough of Barking & Dagenham	3.0	5.05	AA-	121	0.007
Liverpool City Council	2.0	5.25	AA-	170	0.010
Reading Borough Council	2.0	4.75	AA-	188	0.011
Blackpool Council	3.0	4.75	AA-	205	0.011
Gravesham Borough Council	1.0	5.2	AA-	206	0.013
Lancashire County Council	3.0	5.2	AA-	211	0.013
Bournemouth Christchurch & Poole Council	2.0	4.8	AA-	223	0.013
Cheshire East Council	2.0	5.2	AA-	233	0.014
Liverpool City Council	2.0	4.85	AA-	301	0.018
	54.0	5.17			0.007

DMO credit rating is the UK credit rating.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Section 151 of the Local Government Act 1972 states that:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £4.9M higher than the budgeted £58.580M.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £50k per year in interest. The general fund estimates are routinely updated to reflect changes in income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2024 was negative £2.58M.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 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 inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Oversight Group (if applicable). The key risks arising from the project may be recorded on IdeaGen (the Council's Performance & Risk management software).

11.3 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

12. EQUALITIES IMPLICATIONS

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

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 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.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resource implications.

16. APPENDICES

16.1 Appendix A, Capital Programme Detail including Funding 2024/25 onwards.

16.2 Appendix B, Treasury Management Update.

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18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/documents/s24164/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>
<https://srvmodgov01.north-herts.gov.uk/documents/s24165/FAR%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>

Project	Service Directorate							Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	12,000	14,000	0	0	16,000	0	0	0	0	0	42,000
Air Handling Humidification	Enterprise	15,000	0	0	0	0	0	0	0	0	0	15,000
Alternative to safeword tokens for staff/members working remotely	Customers	9,900	0	3,000	0	19,000	0	0	0	0	0	31,900
Audio Improvements to Mountford Hall	Enterprise	15,000	0	0	0	0	0	0	0	0	0	15,000
Avenue Park Splash Park	Place	0	70,000	0	0	0	0	0	0	0	0	70,000
Baldock Road Recreation Ground Letchworth	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Bancroft & Priory Splash Pads	Place	13,200	0	0	0	0	0	0	0	0	0	13,200
Bancroft Lighting	Place	0	45,000	0	0	0	0	0	0	0	0	45,000
Burymead Road Transfer Facility	Place	30,000	0	0	0	0	0	0	0	0	30,000	0
Cadcorp Local Knowledge & Notice Board Software	Customers	5,400	0	0	0	0	0	0	0	0	200	5,200
CCTV at DCO & Hitchin Town Hall	Customers	14,900	0	0	0	0	0	0	0	0	0	14,900
CCTV Replacement	Customers	131,900	0	0	0	0	0	0	0	0	0	131,900
Charnwood House	Enterprise	25,000	365,600	0	0	0	0	0	0	0	0	390,600
Community Centres Flat Roof Safety Barriers	Resources	43,000	0	0	0	0	0	0	0	0	0	43,000
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	Customers	13,000	0	0	0	0	0	0	0	0	0	13,000
Council property improvements following condition surveys	Resources	165,200	100,000	100,000	85,000	0	0	0	0	0	0	450,200
Cyber Attacks - Events Monitoring Software Solution	Customers	2,000	0	0	0	0	0	0	0	0	0	2,000
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	0	0	278,000	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	8,000	43,000	0	0	0	0	0	0	0	0	51,000
Email Encryption Software Solution	Customers	17,700	0	0	0	0	0	0	0	0	0	17,700
Environmental Improvements	Place	78,300	0	0	0	0	0	0	0	0	0	78,300
Fibre Waste Bins	Place	0	1,170,000	0	0	0	0	0	0	0	0	1,170,000
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Resources	315,000	0	0	0	0	0	0	0	0	0	315,000
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	75,000	0	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Café	Place	19,000	0	0	0	0	0	0	0	0	0	19,000
Hitchin Swim Centre Pool View	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	40,000	0	0	0	0	0	0	0	0	0	40,000
Hitchin Swim Centre: Archers Member Change and Relaxation Area Refurbishment	Place	300,000	0	0	0	0	0	0	0	0	0	300,000
Hitchin Swim Centre: Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	225,000
Hitchin Swim Centre: Fitness Equipment Replacement	Place	391,700	0	0	0	0	0	10,000	0	0	0	381,700
Hitchin Town Hall Kitchen Enhancement	Enterprise	0	0	25,000	0	0	0	0	0	0	0	25,000
Howard Park Kiosk Refurbishment	Enterprise	15,400	0	0	0	0	0	0	0	0	0	15,400
Howard Park Letchworth Path Resurfacing	Place	0	20,000	10,000	10,000	0	0	0	0	0	0	40,000
Infrastructure Hardware	Customers	375,000	0	18,000	18,000	190,000	0	0	0	0	0	601,000
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	0	0	50,000	0	0	0
Ivel Springs Footpaths	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
King George V Muga Hitchin	Place	0	55,000	0	0	0	0	0	0	55,000	0	0

Project	Service Directorate							Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
John Barker Place, Hitchin	Regulatory	1,096,000	0	0	0	0	0	0	0	270,400	0	825,600
Laptops - Refresh Programme	Customers	40,000	319,000	49,000	35,000	40,000	443,000	0	0	0	0	926,000
Leased Cars	Resources	141,000	0	0	0	0	0	0	0	0	0	141,000
Letchworth OD Pool Café	Place	53,000	0	0	0	0	0	0	0	0	0	53,000
Local Authority Housing Fund Pt 2	Regulatory	300	0	0	0	0	0	0	300	0	0	0
Local Authority Housing Fund Pt 3	Regulatory	0	0	0	0	0	0	0	0	0	0	0
Match funding for Electric Vehicle charging	Regulatory	100,000	0	0	0	0	0	0	0	0	0	100,000
Members Laptops Refresh Programme	Customers	0	0	30,000	0	0	60,000	0	0	0	0	90,000
Microsoft Enterprise Software Assurance	Customers	0	679,000	0	0	747,000	747,000	0	0	0	0	2,173,000
Museum Storage Facility	Enterprise	50,000	1,950,000	2,000,000	0	0	0	0	0	0	0	4,000,000
Newmarket Road Royston Skatepark & Access	Place	88,500	0	0	0	0	0	0	0	88,500	0	0
NH Museum & Community Facility	Enterprise	0	48,300	0	0	0	0	48,300	0	0	0	0
NH Museum Chiller	Enterprise	0	80,000	0	0	0	0	0	0	0	0	80,000
NHLC Air Handling Units	Place	250,000	0	0	0	0	0	0	0	0	0	250,000
NHLC Café	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
NHLC Gym Platform Lift Replacement	Place	15,700	0	0	0	0	0	0	0	0	0	15,700
NHLC Gym Equipment	Place	434,000	0	0	0	0	0	0	0	0	0	434,000
NHLC Gym Refurbishment	Place	292,000	0	0	0	0	0	0	0	0	0	292,000
NHLC Interactive Water Feature	Place	0	0	0	120,000	0	0	0	0	0	0	120,000
NHLC Lift Replacement	Place	90,000	0	0	0	0	0	0	0	0	0	90,000
NHLC Male, Female and Accessible Wet Change Refurbishment	Place	0	250,000	0	0	0	0	0	0	0	0	250,000
NHLC Pool Flume Replacement	Place	0	300,000	0	0	0	0	0	0	0	0	300,000
NHLC Pool View	Place	110,000	0	0	0	0	0	0	0	0	0	110,000
Northern Transfer Station	Place	0	0	3,000,000	3,000,000	0	0	0	0	0	0	6,000,000
Norton Common Bowls Pavilion	Place	0	55,000	0	0	0	0	0	0	28,000	0	27,000
Norton Common Footpaths	Place	0	10,000	0	0	0	0	0	0	0	0	10,000
Norton Common Letchworth Tennis Courts	Place	0	48,700	0	0	0	0	0	0	0	0	48,700
Off Street Car Parks resurfacing and enhancement	Resources	20,000	130,000	59,400	0	0	0	0	0	0	0	209,400
Old Hale Way Allotments Hitchin	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Footpaths	Place	0	20,000	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Hitchin Weir	Place	0	363,600	0	0	0	0	0	0	0	0	363,600
Oughtonhead Common Signage and Interpretation	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Regulatory	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	291,200	0	0	0	0	0	0	0	0	0	291,200
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	56,000	0	0	0	0	0	0	42,000	0	0	14,000
PC's - Refresh Programme	Customers	26,600	7,000	8,000	5,000	8,000	13,000	0	0	0	0	67,600
Playground Renovation District Wide	Place	151,700	360,000	180,000	180,000	180,000	900,000	0	0	0	0	1,951,700
Priory Memorial Gardens MUGA Royston	Place	55,000	0	0	0	0	0	0	0	0	0	55,000
Private Sector Grants	Regulatory	100,000	164,700	60,000	60,000	60,000	300,000	0	0	0	0	744,700
Provide housing at market rents.	Enterprise	3,000	0	0	0	0	0	0	0	0	0	3,000
Public Sector Decarbonisation Fund	Place	8,190,100	5,000,000	0	0	0	0	0	7,730,100	0	0	5,460,000
Ransoms Rec Footpaths, Gates and Railing	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Refurbishment and improvement of community facilities	Legal and Community	0	47,800	0	0	0	0	0	0	0	0	47,800
Refuse and Recycling Bins	Place	130,000	90,000	90,000	90,000	90,000	270,000	0	0	0	0	760,000

Project	Service Directorate							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Resources	0	13,000	0	0	0	0	0	0	0	0	13,000
Renovate skate park at KGV Hitchin	Place	0	248,700	0	0	0	0	0	0	0	0	248,700
Replacement of Newark Close, Royston	Enterprise	20,000	45,000	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Place	75,000	0	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	0	346,300	0	0	0	0	0	0	0	0	346,300
Riverside walkway, Biggin Lane	Place	53,000	0	0	0	0	0	0	0	0	0	53,000
RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change.	Place	150,000	0	0	0	0	0	0	0	0	0	150,000
RLC Café	Place	0	20,000	0	0	0	0	0	0	0	0	20,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Royston Leisure Centre extension	Place	250,000	1,000,000	0	0	0	0	0	0	168,000	0	1,082,000
RLC Pool View	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
RLC Gym Equipment	Place	0	349,800	0	0	0	0	0	0	0	0	349,800
RLC Gym Refurbishment	Place	0	452,000	0	0	0	0	0	0	0	0	452,000
RLC Learner Pool	Place	0	2,500,000	0	0	0	0	0	0	0	0	2,500,000
Royston Leisure Centre Members Changing Refurbishment	Place	200,000	0	0	0	0	0	0	0	0	0	200,000
S106 Projects	Various	12,000	0	0	0	0	0	0	0	12,000	0	0
S016 funding for additional social housing	Regulatory	0	192,500	0	0	0	0	0	0	192,500	0	0
Security - Firewalls	Customers	23,600	0	18,000	0	18,000	0	0	0	0	0	59,600
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	Enterprise	130,000	0	0	0	0	0	0	130,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	Enterprise	50,000	0	0	0	0	0	0	50,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	Resources	100,000	0	0	0	0	0	0	100,000	0	0	0
Solar Together	Place	0	563,000	0	0	0	0	0	44,000	0	0	519,000
St Johns Cemetery Footpath	Place	40,000	0	0	0	0	0	0	0	0	0	40,000
Swinburne Recreation Ground Hitchin	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	13,900	10,000	10,000	4,000	4,000	12,000	0	0	0	0	53,900
Technology One Financial System	Resources	155,800	0	0	0	0	0	0	0	0	0	155,800
Thomas Bellamy House, Hitchin	Enterprise	6,000	0	0	0	0	0	0	0	0	0	6,000
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	8,500,000	0	0	0	0	0	0	0	3,200,000	5,300,000
Weston Hills Baldock	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Weston Hills LNR Footpath Renovation	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
WiFi Upgrade	Customers	0	40,000	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Place	10,000	0	30,000	0	0	0	0	0	0	0	40,000

15,699,000	27,239,000	5,915,400	3,607,000	1,372,000	2,745,000	308,300	8,859,400	851,400	3,230,200	43,328,100
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Treasury Management Strategy Statement and Annual Investment Strategy

**Mid-Year Review Report
2024/25**

Date of issuance: 03.10.24

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1. Background

1.1 Capital Strategy

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all local authorities to prepare a Capital Strategy which is to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.2 Treasury management

The Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning to ensure the Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Authority risk or cost objectives.

Accordingly, treasury management is defined as:

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

2. Introduction

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Authority's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Authority will seek to achieve those policies and objectives.
3. Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year. (Quarterly reports are also required for the periods ending April to June and October to December and are assigned to Cabinet).
4. Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority, the delegated body is Finance, Audit and Risk Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2024/25 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

- The Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Authority's investment portfolio for 2024/25;
- A review of the Authority's borrowing strategy for 2024/25;
- A review of any debt rescheduling undertaken during 2024/25;
- A review of compliance with Treasury and Prudential Limits for 2024/25.

3. Economics and Interest Rates

3.1 Economics Update

- The third quarter of 2024 (July to September) saw:
 - GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
 - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
 - CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
 - Core CPI inflation increasing from 3.3% in July to 3.6% in August;
 - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
 - 10-year gilt yields falling to 4.0% in September.
- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.
- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.
- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.
- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.
- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.
- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.
- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.
- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

3.2 Interest Rate Forecasts

The Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

Our latest forecast on 28 May sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	28.05.24									
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

4. Treasury Management Strategy Statement and Annual Investment Strategy Update

The Treasury Management Strategy Statement, (TMSS), for 2024/25 was approved by the Council on 29/02/24

- There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. The Authority's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Authority's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure by Service	2024/25 Working Estimate £'000	Current Position £'000	2024/25 Revised Estimate £'000
Advances	1,096	0	1,096
Asset Management	770	40	315
CCTV	132	127	132
Community Services	48	0	0
Computer Software and Equipment	773	165	718
Corporate Items	2,366	-6	736
Growth Fund Projects	713	0	0
Leisure Facilities	21,198	522	11,558
Museum & Arts	2,173	15	95
Parking	1,493	0	777
Renovation & Reinstatement Grant Expenditure	204	0	100
S106 projects	0	12	12
Waste	120	72	160
Total capital expenditure	31,087	947	15,699

5.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Authority by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2024/25 Working Estimate £m	Current Position £m	2024/25 Revised Estimate £m
Total capital expenditure	31,087	947	15,699
Financed by:			
Capital receipts and Set Aside Receipts	4,905	576	4,678
Other third party grants and contributions	9,974	195	8,062
S106 Receipts	542	148	539
Revenue	30	0	30
Total financing	15,451	919	13,309
Borrowing requirement	15,636	28	2,390

5.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – the Operational Boundary for external debt

	2024/25 Original Estimate £m	Current Position £m	2023/24 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
Total CFR	11.856	-2.513	2.296
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	12.182	0.322	2.390
Other long-term liabilities	0.106	0.106	0.106
Total External Debt (year end position)	0.4310	0.322	0.322

5.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Authority has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

A further prudential indicator controls the overall level of borrowing. This is **the Authorised Limit** which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2024/25 Original Indicator £m	Current Position	2024/25 Revised Indicator
Borrowing	7.0	0.322	7.0

6. Borrowing

The Authority's revised capital financing requirement (CFR) for 2024/25 is £2.296m. The CFR denotes the Authority's underlying need to borrow for capital purposes. If the CFR is positive the Authority may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 5.4 shows the Authority has borrowings of £0.322m and has utilised £4.879m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if gilt yields remain elevated, particularly at the longer-end of the yield curve (25 to 50 years).

It is anticipated that further external borrowing will not be undertaken during this financial year.

7. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

8. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits, During the half year ended 30 September 2024, the Authority has operated within the treasury and prudential indicators set out in the Authority's Treasury Management Strategy Statement for 2024/25. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Authority's Treasury Management Practices.

9. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Authority on **29/02/24**. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 24 months.

Creditworthiness.

The UK's sovereign rating has proven robust through the first half of 2024/25. The new Labour Government is expected to outline in detail its future fiscal proposals in the Budget scheduled for 30 October 2024.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment balances

The average level of funds available for investment purposes during the first half of the financial year was **£54.1m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Authority holds **£20m** core cash balances for investment purposes (i.e., funds available for more than one year).

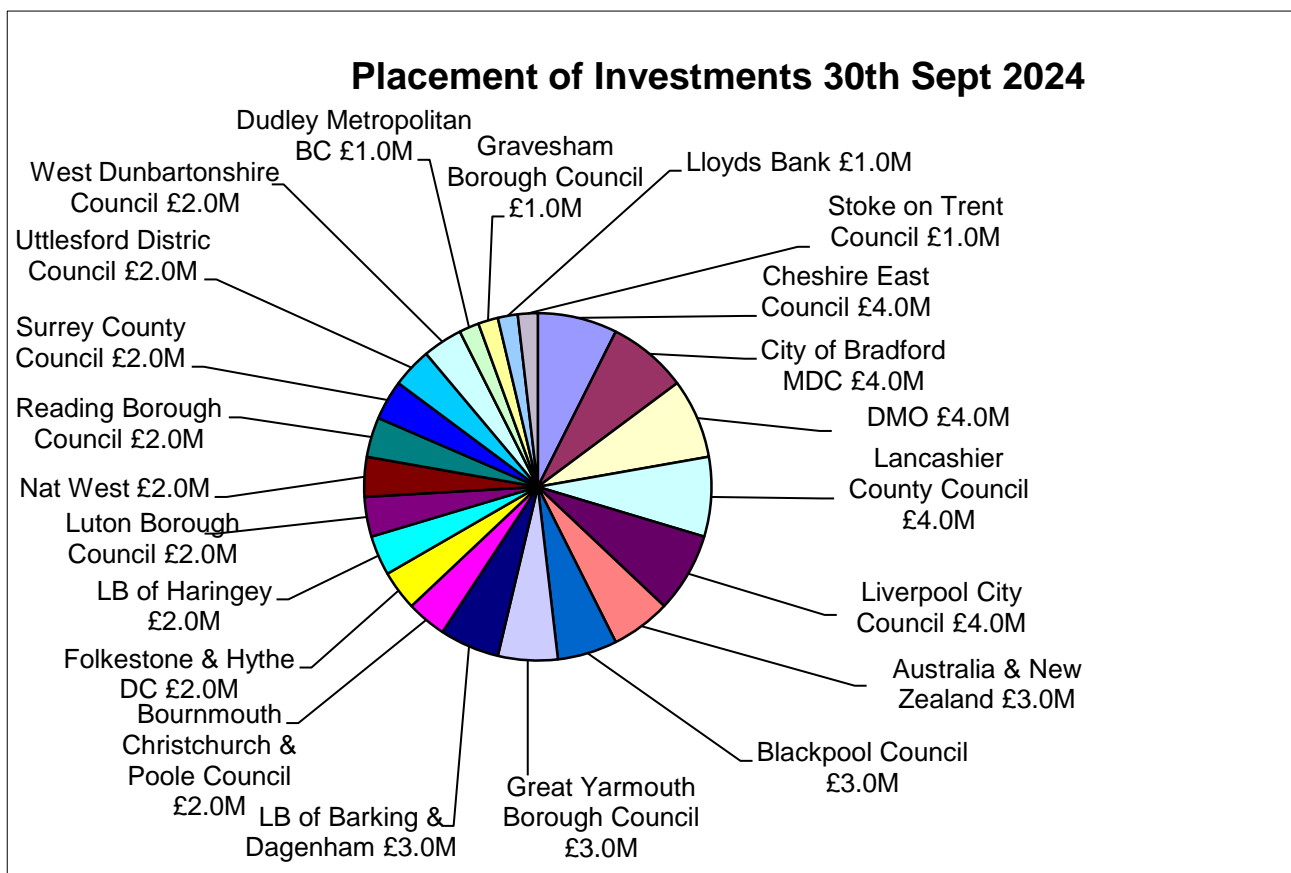
	Amount £	Average Interest Rate %
Managed By NHDC		
Banks	6,000,000	5.24
Building Societies	0	0
Local Authorities	44,000,000	5.19
Government	4,000,000	5.17
Total	54,000,000	5.17

In percentage terms, this equates to:

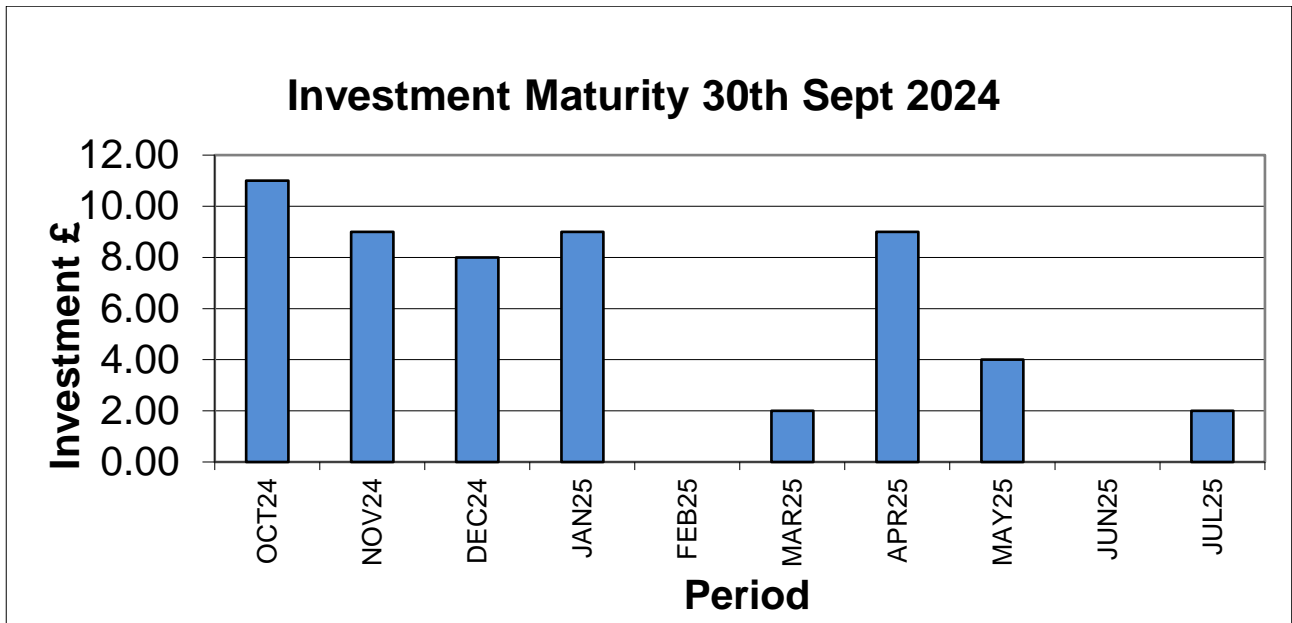
	Percentage
Government	7
Banks	11
Local Authorities	82
Building Societies	0

The approved 24/25 strategy is that no more than 60% of investments should be placed with Building Societies and Property Funds with a maximum value of £25M. The value at 30 September was £0M.

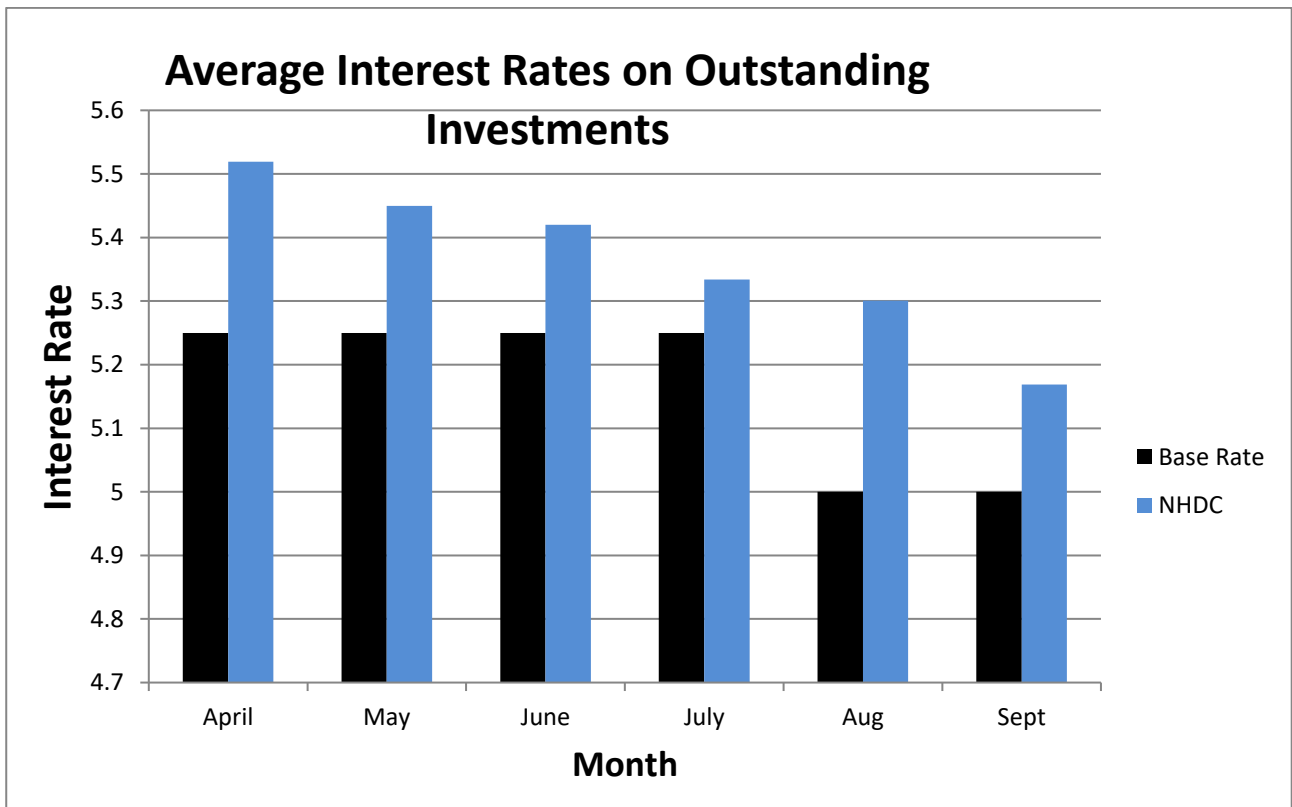
The pie chart below shows the spread of investment balances as at 30 September 2024. This is a snapshot in time that demonstrates the diversification of investments.



The chart below shows the Council's investment maturity profile.



The graph below shows the average rate of interest on outstanding investments at 30 September.



Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30th September 2024.

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