



*Alison Stuart  
Head of Legal and  
Democratic Services*

**MEETING** : PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY  
COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : TUESDAY 16 JANUARY 2018  
**TIME** : 7.00 PM

**MEMBERS OF THE COMMITTEE**

Councillor M Pope (Chairman)

Councillors A Alder, P Ballam, P Boylan, K Crofton, R Henson, J Kaye,  
D Oldridge, L Radford, S Reed, P Ruffles, S Stainsby, T Stowe and J Wyllie  
(Vice-Chairman)

**Substitutes**

Conservative Group: Councillors D Andrews, S Cousins,  
W Mortimer and C Woodward

*(Note: Substitution arrangements must be notified by the absent Member  
to Democratic Services 24 hours before the meeting)*

**CONTACT OFFICER: LORRAINE  
BLACKBURN**  
[lorraine.blackburn@eastherts.gov.uk](mailto:lorraine.blackburn@eastherts.gov.uk)  
**01279 502172**

## **DISCLOSABLE PECUNIARY INTERESTS**

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
  - must not participate in any discussion of the matter at the meeting;
  - must not participate in any vote taken on the matter at the meeting;
  - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
  - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
  - must leave the room while any discussion or voting takes place.
2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.
3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.
4. It is a criminal offence to:
  - fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
  - fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
  - participate in any discussion or vote on a matter in which a Member has a DPI;
  - knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

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## AGENDA

1. Apologies

2. Minutes - 21 November 2017 (Pages 7 - 18)

To confirm the Minutes of the meeting held on 21 November 2017 as a correct record.

3. Chairman's Announcements

4. Declarations of Interest

5. Update from the Executive Member for Finance and Support Services

To receive a presentation and update from the Executive Member for Finance and Support Services on his Portfolio

6. Budget report and Service Plans 2018/19 - 2021/22 (Pages 19 - 56)

*Essential Reference Paper "F" (Fees and Charges will be made available at the meeting)*

7. Annual Audit Letter and External Certification of Claims Summary 2016/17 (Pages 57 - 86)

8. Shared Internal Audit Services - Update on Audit Plan (Pages 87 - 100)

9. Treasury Management Strategy 2017-18 (Pages 101 - 154)

10. Asset Management Update (Pages 155 - 162)

11. Charrington's House, Bishop's Stortford - Update (Pages 163 - 170)

Please note that Essential Reference Paper "B" is enclosed for Members' only as it contains exempt information as defined in Paragraph 3 of part 1 of Schedule 12A to the Local Government Act 1972.

12. Work Programme 2018 (Pages 171 - 180)

13. Urgent Items

To consider such other business as, in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information

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MINUTES OF A MEETING OF THE  
PERFORMANCE, AUDIT AND  
GOVERNANCE SCRUTINY COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON TUESDAY  
21 NOVEMBER 2017, AT 7.00 PM

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PRESENT: Councillor M Pope (Chairman)  
Councillors P Ballam, K Crofton, J Kaye,  
D Oldridge, L Radford, S Reed, P Ruffles,  
T Stowe and J Wyllie

ALSO PRESENT:

Councillors M Casey, J Goodeve, G Jones,  
J Jones and G Williamson

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Democratic Services Officer
Isabel Brittain	- Head of Strategic Finance and Property
Fiona Corcoran	- Scrutiny Officer
Alison Stuart	- Head of Legal and Democratic Services
Ben Wood	- Head of Communications, Strategy and Policy

ALSO IN ATTENDANCE:

Darren Bowler	- Shared Anti-Fraud Service (SAFS)
Nick Jennings	- Shared Anti-Fraud Service (SAFS)

## 253 TRAINING - SHARED ANTI-FRAUD SERVICE

An Officer from the Shared Anti-Fraud Service (SAFS) provided a presentation on fraud risks nationally and at a Local Government level. The presentation looked at:

- SAFS Objectives (including strategies, policies and procedures to deter prevent and pursue fraud).
- Identified fraud loss estimates by victim.
- Hidden fraud loss estimates by victim.
- Local Government losses.
- Quantifying the unknown – difficulties with estimations.
- The SAFS Partnership and external “partners”.
- Identified risks for East Herts Council and why these are relevant and the role of the Council to protect itself from fraud.

The SAFS Officer explained the size of the team and how they worked with partners to return losses back to the organisation.

In response to a query from Councillor D Oldridge regarding fraud losses nationally, estimated at £7.3Billion, the SAFS Officers explained that it was important to note that this was an estimate. The SAFS Officer stated that although they did not market themselves as a service, it was important to increase partnership working with other Councils in Hertfordshire and especially with housing providers and referred to levels of housing benefit fraud.

In response to a query, SAFS Officers commented that an Anti-Bribery Policy was being reviewed by Hertfordshire County Council’s legal section and that an E-Learning Policy was in place at Hertfordshire County Council. It was anticipated that both these policies would be in general use by April 2018.

Councillor S Reed referred to the fraudulent use of Blue Badges. SAFS Officers explained what information was contained in a Blue Badge pass and the difficulties in catching and taking appropriate action against abusers.

Councillor D Oldridge suggested that SAFS should campaign in schools to raise fraud awareness in young children. SAFS Officers agreed that this was a good idea and would investigate further.

The Chairman, on behalf of Members, thanked the Officers for their presentation.

RESOLVED – that the presentation be received.

254 APOLOGIES

Apologies for absence were submitted on behalf of Councillors A Alder, P Boylan and R Henson.

255 MINUTES - 26 SEPTEMBER 2017

The Head of Strategic Finance and Property referred to Minute 168 (SIAS 2017/18 Audit Plan Progress Report) and provided an update in relation to Performance Management statistics.

The Head of Strategic Finance and Property referred to Minute 173 (Annual Treasury Management review 2016-17) and confirmed that income from property could be included in the revenue outturn budget.

RESOLVED – that the Minutes of the meeting held on 26 September 2017 be confirmed as a correct record and signed by the Chairman.

256 CHAIRMAN'S ANNOUNCEMENTS

The Chairman advised Members that workshops would be held to consider the Medium Term Financial Plan. The Head of Strategic Finance and Property explained that further details would follow.

257 SHARED ANTI-FRAUD PLAN – UPDATE

The Shared Anti-Fraud Service (SAFS) submitted a report setting out the progress made against the Anti-Fraud Action

Plan 2017/18 and the action taken by the Council to prevent and deter fraud and protect public funds. The SAFS Officer provided a summary of the report and provided updates on the E-Survey for quarter four.

Assurances were provided by the SAFSs Officer that the Council had in place a number of safeguards for the prevention and detection of fraud. Members were assured that the SAFS partnership was providing good value for money working across its partners to provide a robust service. The Head of Strategic Finance and Property commented on the difficulty in putting a value on a prevention agenda and the positive benefits of working with partners to prevent and detect fraud.

The Committee noted the progress of the Shared Anti-Fraud Service Action Plan 2017/18 and the action taken by the Council to deter fraud and protect public funds.

RESOLVED – that (A) the progress of the Shared Anti-Fraud Service Action Plan 2017/18 be noted; and

(B) the action taken by the Council to prevent and deter fraud and protect public funds be noted.

258     STANDARDS - CONSULTATION ON UPDATING  
DISQUALIFICATION CRITERIA FOR LOCAL AUTHORITY  
MEMBERS

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The Head of Legal and Democratic Services submitted a report on consultation proposals by the Department for Communities and Local Government (DCLG) to update the criteria that bars individuals from becoming or being a local councillor or directly-elected mayor. The Head of Legal and Democratic Services provided a summary of the report.

Councillor J Wyllie referred to the residency status mentioned within paragraph 8 (The Current Disqualification Criteria) as submitted, and queried the absence of European nationals within the list. Councillor D Oldridge referred to the difficulties associated with undertaking residency checks.

Councillor K Crofton stated that councillors should be temporarily suspended pending an allegation. The Head of Legal and Democratic Services reminded Members of the premise of “innocent until proven guilty”. Councillor Wyllie suggested that it was for the political party to suspend a Member.

In response to a query regarding lack of attendance at meetings, the Head of Legal and Democratic Services explained that non-attendance (over a period of time) did not mean an automatic disqualification as it depended on the Member’s circumstances.

Councillor K Crofton queried whether the disqualification criteria included unitary authorities. The Head of Legal and Democratic Services undertook to clarify this.

The Committee noted the report and asked the Monitoring Officer to respond to the Department for Communities and Local Government (DCLG) consultation, in generic terms, taking on board Members’ comments as detailed, and following liaison with the Committee Chairman.

RESOLVED – that (A) the report be noted; and

(B) the Monitoring Officer, on behalf of the Council, respond to the Department for Communities and Local Government (DCLG) consultation in generic terms, taking on board Members’ comments as detailed and following liaison with the Committee Chairman.

259 CORPORATE HEALTH CHECK QUARTER 2 (JULY - SEPTEMBER 2017)

The Head of Strategic Finance and Property and the Head of Communications, Strategy and Policy submitted a joint report updating Members on finance and performance monitoring for East Herts Council for the period 2017/18 as at 30 September 2017. Officers provided a summary of the report in relation to revenue budget forecasts, capital schemes and performance indicators.

The Head of Strategic Finance and Property explained that the forecasted overspend of £251k had reduced and now stood at £143k. Officers were continuing to find ways of further reducing the overspend to balance the Medium Term Financial Plan (MTFP) and that sessions were being held with staff to obtain their input.

It was noted that of the 38 Performance Indicators reported corporately, 28 indicators had a target set against them, four had failed to meet their targets by varying degrees and two results were a month in arrears as sources were from an external body. It was noted that the Council had established 44 corporate actions within its Corporate Strategic Plan, of which 16 had been completed within the 2017 calendar year.

Councillor J Wyllie commented on the overspend (now of £143k) stating that the Council appeared to go over budget quite frequently. He commented that scrutiny was not about “rubber stamping” overspends and that the Executive should be called to account for the overspend. This view was supported.

The Committee Chairman referred to Charrington’s House, Bishop’s Stortford, the monies spent to refurbish it and the depressed rental income.

The Head of Strategic Finance and Property explained that the inability to rent space was attributable to the future of the building in relation to what was being proposed for the whole Old River Lane (ORL)) site. The Head of Communications, Strategy and Policy explained that the building was geared to renting to companies with 50 plus employees and that now more work needed to be done to reduce this to look at four-desk 1000 sq ft arrangements to draw in those needing smaller office suites and those needing short term tenancies.

The Scrutiny Officer reminded Members that the Executive Member for Finance and Support Services would be presenting his portfolio update to Performance, Audit and Governance Scrutiny Committee in January 2018.

The Head of Strategic Finance and Property explained that

the ORL site was in its early stages in terms of how the site could be used. Councillor K Crofton expressed his concern on the decision to spend £20Million to buy back this site and then to show a budget loss of £225k. He suggested that the building be unloaded. The Head of Strategic Finance and Property explained that the bigger picture was about the regeneration of the Town Centre and the added benefits this would bring to the community which would be more than the £20Million spent. Councillor J Wyllie agreed that buying the site was a valuable opportunity to improve and benefit residents and the town centre and that the long term benefits would be fantastic.

Members reviewed at length, the net cost of services and the overspends which had occurred within those services. The Head of Strategic Finance and Property explained that Officers were focussing on the MTFP and making sure budgets were achievable and making sure there were income streams being generated across services.

The Committee Chairman sought clarification on the Performance Indicators for Housing and Health and how this might impact on licensing income. The Head of Strategic Finance and Property undertook to refer the matter to the Head of Housing and Health.

The Head of Communications, Strategy and Policy provided a summary of Performance Analysis as detailed and specifically those schemes showing a “red” status. Officers responded to a number of detailed queries from Members.

Members stated in the strongest terms, their dissatisfaction, disappointment and displeasure at being asked to “rubber stamp” reports to the Executive and particularly those where the Council had clearly “under performed” and was overspending. They asked that the Executive be reminded that the function of PAG was to scrutinise actions taken or about to be taken and to make recommendations.

In noting that the Executive Member for Finance and Support Services was programmed to present his portfolio to the next meeting, the Committee asked that he also address the

Council's under performance. Members also requested Officers to report on the issue of Charrington's House and proposals to address the depressed income.

The Committee received the report and forwarded comments to the Executive as now detailed.

RESOLVED – that (A) the Executive be advised in the strongest terms of Members' dissatisfaction, disappointment and displeasure at being asked to "rubber stamp" reports to the Executive and particularly those where the Council had overspent;

(B) the Executive Member for Finance and Support Services present his portfolio update to the January 2018 meeting and that this includes the issue of the Council's "under performance";

(C) the Head of Strategic Finance and Property and the Head of Communications, Strategy and Policy be requested to present a report to Members in January 2018 on the issue of Charrington's House and proposals to address the depressed income;

(D) the projected revenue budget forecast overspend of £251K in 2017/18, as detailed at paragraph 2.1 of the report submitted, be noted;

(E) the capital budget forecast underspend of £1.573m, as detailed at paragraph 6.1 of the report submitted, be noted;

(F) the reported performance and actions for the period July to September 2017, as detailed at paragraph 9 of the report submitted, be noted); and

(G) the Committee's comments as now detailed, be passed to the Executive.

260     TREASURY MANAGEMENT - MID YEAR REVIEW 2016-17

The Executive Member for Finance and Support Services

submitted a report which reviewed the Council's treasury management activities for the first six months of 2017/18 financial year, including the prudential indicators. The Head of Strategic Finance and Property provided a summary of the report. An update was provided on the issue of property bonds.

The Committee noted the treasury management activity and prudential indicators for and recommended approval to the Executive.

RESOLVED – that Executive be advised that the Treasury Management activity and prudential indicators for the first six months of the 2017/18 financial year be recommended for approval.

261 UPDATE ON THE IMPLEMENTATION OF THE ANNUAL GOVERNANCE STATEMENT 2016-17: ACTION PLAN

The Head of Strategic Finance and Property submitted a report on the Annual Governance Statement which contained measures to enhance the Council's internal control framework during 2017/18. The Committee Chairman referred to the issue of ever increasing cyber attacks on organisations. The Head of Strategic Finance and Property commented that IT had a robust plan in place.

The Committee Chairman referred to the issue of the new data regulations (GDPR) which would be in force from May 2018. The Head of Strategic Finance and Property explained that the Head of Legal and Democratic Services was leading on these new data handling requirements. Members asked for a report at the next meeting.

The Committee noted the progress made against the Action Plan contained in the 2016/17 Annual Governance Statement.

RESOLVED – that (A) the progress made against the Action Plan contained in the 2016/17 Annual Governance Statement be noted; and

(B) the Head of Legal and Democratic Services be

asked to present Members with a report in January 2018 on the GDPR process and its implications for the Council.

262 RISK MANAGEMENT MONITORING (JULY - SEPTEMBER 2017)

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The Executive Member for Finance and Support Services submitted a report on the action taken to mitigate and control strategic risks during the period July – September 2017. The report sought Members' recommendations on any further actions that could be taken to mitigate risk which could be recommended to the Executive for consideration.

The Head of Strategic Finance and Property sought Members' views on a proposal to receive exception reports on a quarterly basis and a detailed annual report on Risk Management Monitoring. This was supported.

Councillor D Oldridge referred to the matrices in respect of Production of a District Plan meeting community and regulatory needs – No 7 and Devolution – fail to engage and influence partners to engage leading to missed opportunities – No 14 in that there had been no discernible improvement within the matrices as detailed. He questioned what could be done to improve this. The Head of Strategic Finance and Property undertook to review this.

The Committee Chairman referred to cyber risk (5b Information management) and whether this was high enough. The Head of Strategic Finance and Property explained that she had taken this query (raised at the last meeting) to Leadership Team when it had been discussed and no changes had been proposed. She undertook to raise this issue with IT.

The Committee noted the controls implemented and those planned and received the report, as now detailed.

RESOLVED – that (A) the report be received; and

(B) Risk Management Monitoring reports be

presented to Members as exception reports on a quarterly basis, supplemented by a detailed Annual Report.

263 WORK PROGRAMME 2017/18

The Committee Chairman submitted a report detailing the proposed work programme for the Committee.

The Scrutiny Officer provided an update on topics that had been suggested so far. She explained that there would be a Question and Answer session on the budget on 7 December 2017. The Scrutiny Officer reminded Members that as a result of previous debate, the Work Programme would need to be amended to include the following:

- Budget (Under) Performance
- Charrington's Housing Bishop's Stortford – depressed rental income and future income streams
- GDPR – overview on progress and implications for the Council

It was also noted that the Annual Audit Letter would be presented to Performance, Audit and Governance Scrutiny Committee in January 2018. These changes were supported.

Performance, Audit and Governance Scrutiny Committee supported the revised work programme, as now amended.

RESOLVED – that the work programme, as now amended, be approved.

The meeting closed at 9.15 pm

Chairman .....

Date .....

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## EAST HERTS COUNCIL

PERFORMANCE, AUDIT & GOVERNANCE COMMITTEE  
16 JANUARY 2018

### REPORT BY HEAD OF STRATEGIC FINANCE AND PROPERTY

### BUDGET REPORT AND SERVICE PLANS 2018/19 – 2021/22

WARD(S) AFFECTED: ALL

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#### Purpose/Summary of Report

- The report updates and sets out proposals for Performance Audit & Governance Committee recommendations on the following:
  - The Medium Term Financial Plan 2018/19 – 2021/22
  - The 2017/18 to 2021/22 Capital Programme
  - The 2018/19 Schedule of Charges
- All decisions and recommendations will be considered within the national context of continued financial uncertainty and risk for local government.
- The report sets out recommendations for Performance, Audit and Governance Committee to make to Executive for budget proposals for a balanced four year Medium Term Financial Plan and approval of the Council Tax for 2018/19.

<b><u>RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE: to recommend to the Executive that:</u></b>	
(A)	the draft service plans for 2018/19 be adopted; and recommend to the Executive:
(B)	approval of the East Herts share of Council Tax for a band D property at £164.09;
(C)	approval of the updated position on the Medium Term Financial Plan and Budget for 2018/19 including the significant budget pressures and risks;
(D)	approval of the removal of NHB from the General Fund over the life of the MTFP, thereby reducing the contributions to Town and Parish Councils over the next 4 years;
(E)	approval of new savings in 2018/19 as shown in Essential Reference Paper 'B';
(F)	the Head of Strategic Finance and Property be authorised to lead on a process to investigate and implement the projects set out in

	<b>Essential Reference Paper ‘C’ with an investment pot of £200k for “invest to save” projects (those that will pay back and ultimately create a revenue saving);</b>
<b>(G)</b>	<b>approval of the implementation of the Capital Programme as set out in Essential Reference Paper ‘E’; and</b>
<b>(H)</b>	<b>Approval of the schedule of charges set out in Essential Reference Paper ‘F’ with an overall increase of 5% for 2018/19.</b>

## 1 Background

- 1.1 This report sets out the Council’s approach to setting the budget for 2018/19 and the revenue and capital budget proposals for the four years commencing 2018/19.
- 1.2 Throughout the past few months Finance has facilitated a number of member and officer workshops to discuss the issues and opportunities that this year’s budget setting process will present.
- 1.3 The principal objective of the process was to consider previous and current budget decisions the Council has made and then ensure that they were both robust and able to deliver a sustainable Medium Term Financial Plan.
- 1.4 Some of the key issues discussed throughout this time included the long term sustainability of the use of reserves and New Homes Bonus as income streams for a future balanced budget.
- 1.5 The report sets out the proposals and outcomes that officers have arrived at to ensure that East Herts Council maintains a sustainable budget position for the future.
- 1.6 The Council’s strategic aims and priorities drive the medium term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. The Medium Term Financial Plan (MTFP) provides the framework for the development of annual budgets in line with the aims of the Council’s Corporate Strategy.
- 1.7 As a result of the grant funding cuts since 2010 (to 2017/18) the Council has delivered net savings of £2.6m.

Table 1 - Net Savings Total

2010/10	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
(1,013)	(1,041)	(281)	(343)	369	301	41	(654)	(2,621)

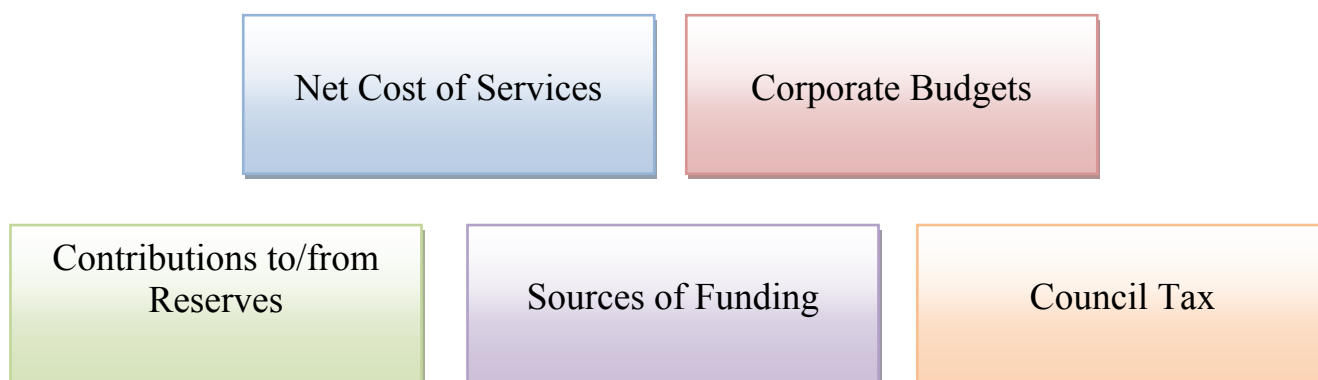
- 1.8 Additional budget efficiencies required over the next four years, as set out in table 8, total £2.8m. This will present a significant challenge for the Council and where possible, the Council has looked to minimise the impact on front line services.
- 1.9 The report contains the following sections and Essential Reference Papers:

Report Sections	
2	Budget Components
3	Budget Pressures and Risks
4	2018/19 Budget Preparation and Engagement
5	Reserves
6	Capital
7	Schedule of fees & charges
8	Advice from the S151 officer
9	Implications/ Consultations

Essential Reference Papers	
A	Implications/Consultation
B	Savings - have your say sessions
C	Savings – future year projects/investigation
D	Reserves
E	Capital
F	Schedule of charges – not available at present
G	Service Plans

## 2 Budget Components

- 2.1 The council's revenue budget comprises of five major 'building blocks' as follows:



- 2.1.1 **Net Cost of Services:** these are the direct costs incurred by the council in delivering services, less any specific income generated. Included in the Net Cost of Services is use of the Councils reserves to fund these services.
- 2.1.2 **Corporate Budgets:** these are the costs incurred and income received by the council that are not service specific e.g. Pension Fund deficit contributions, interest income and payments. Also included in this heading are the Contingency and New Homes Bonus Priority Spend budgets which are not allocated to specific services at the beginning of the financial year.
- 2.1.3 **Contributions to/from Reserves:** this represents funding within the revenue Budget from Earmarked Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on Council Taxpayers. Reserves are, however, a finite source of funding and their use should represent value for money.
- 2.1.4 **Sources of Funding:** these income budgets are general and non-service specific income sources. They include funding from Central Government and Non-Domestic Rates income (also known as Business Rates).
- 2.1.5 **Council Tax:** this income is also a general and non-service specific source of income. Only once budgets for the other 'building blocks' have been established can the amount required from Council Tax be calculated, known as the 'Demand on the Collection Fund'.

## 2.2

### Net Cost of Services

The Net Cost of Services is the total cost of all the services delivered by the Council net of any specific income streams. The total cost of services for 2018/19 was £15.1m at the beginning of this budget process, however officers have reviewed and revised the necessary spend and reduced it to £14.8m. This revised budget includes pay and general inflation assumptions as detailed in section 3 of this report. The breakdown of these costs for the Medium Term Financial Plan is set out in the table below:

Table 2 - Net Cost of Services

2018/19	2019/20	2020/21	2021/22
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	£000	£000	£000	£000
Chief Executive Department	490	499	508	517
Communications, Strategy & Policy	1,068	1,090	1,112	1,135
Human Resources	496	505	514	524
Strategic Finance & Property	1,934	2,016	2,079	2,144
Democratic & Legal Services	1,273	1,374	1,324	1,351
Housing & Health	2,324	2,471	2,480	2,542
Planning*	707	850	930	974
Operations	3,885	4,132	4,377	4,606
Revenues & Benefits	764	777	790	803
Business & Technology	1,650	1,680	1,703	1,734
Central Budgets	169	172	176	179
<b>Net Cost of Services</b>	<b>14,760</b>	<b>15,566</b>	<b>15,993</b>	<b>16,509</b>

\*includes 20% planning fee increase (statutory instrument 2017 no 1314)

## 2.3

### Corporate Budgets

Corporate budgets are those that cannot be directly attributable to specific services are costs to the authority as a whole. A breakdown of these proposed income streams/costs for 2018/19 onwards is set out below:

Table 3 – Corporate Budgets

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Savings Proposals	(444)	(1,361)	(1,512)	(1,564)
NHB to Parish and Towns	552	402	199	0
Interest Payments	661	688	249	249
Investment Income	(1,090)	(990)	(740)	(640)
Pension Fund deficit contribution	696	696	696	696
<b>Total</b>	<b>375</b>	<b>(565)</b>	<b>(1,108)</b>	<b>(1,259)</b>

## 2.4

### Contributions to/from Reserves

The budget process invariably includes items that are not annually re-occurring and that require financing from the council's reserves, an example of this is the Elections Reserve which is only used to fund election costs in election year but a contribution is made to it every year. The proposed Earmarked Reserve contributions (except those included in the Net Cost of Services) are summarised in the table below for 2018/19 onwards.

Table 4 – Earmarked Reserves Contributions

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Contributions to Reserves	812	1,710	2,034	2,357
Contributions from Reserves	(407)	(370)	(96)	(96)
Net Reserves Movement	405	1,285	1,938	2,261

## 2.5

### Sources of Funding

2.5.1 The table below shows the external sources of funding available to East Herts Council over the last 4 years and the projected available for 2018/19. As revealed below, over the 5 years from 2014/15 to 2018/19 the cumulative reduction in annual funding available to East Herts is £2.6m.

2.5.2 This has had a direct impact on the resources available to deliver services.

Table 5 – Earmarked Reserves Contributions

	2014/15	2015/16	2016/17	2017/18	2018/19	
	£m	£m	£m	£m	£m	
Revenue Support Grant	2.816	2.057	1.145	0.351	0	
Non Domestic Rates	2.864	2.385	2.116	2.497	2.680	
New Homes Bonus	2.199	2.798	3.608	3.559	2.645	
Total	7.879	7.240	6.869	6.407	5.325	
Cumulative Reduction		0.639	1.010	1.472	2.554	5.672

2.5.3 The key information presented in the table includes the Revenue Support Grant removal over the 5 year period and that the New Homes Bonus

has in part replaced that funding in the latter years.

2.5.4 The previous budget decisions to freeze or reduce Council Tax for East Herts residents has meant that Council Tax income has **not** kept in line with inflation. This has had the effect of eroding the council's tax base over a period of 5 years (as inflation has increased annually but council tax income has remained the same).

2.5.5 New Homes Bonus

2.5.5.1 The New Homes Bonus was introduced in 2011 with the objective of encouraging housing growth with a local authority payment.

2.5.5.2 *"The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. It will ensure the economic benefits of growth are more visible within the local area, by matching the council tax raised on increases in effective stock. This will redress the imbalance in the local government finance system, whereby resources for growth areas did not keep pace with growth."*

*DCLG February 2011*

2.5.5.3 East Herts Council has used the NHB Bonus funding to support the General Fund budget for the last 6 years (50%) and to support both Parish and Town Councils (25%). The remaining 25% has been has been contributed to reserves to fund investment and one off schemes.

2.5.5.4 In the longer term this is not a sustainable approach as we have already seen national reductions to this funding stream, including a reduction from a 6 year payment period to a 4 year payment period.

2.5.5.5 In order to move into a more sustainable budget plan it is suggested that all reliance on NHB revenue funding in the council's base budget is removed over the next 4 years. Furthermore, a phased removal of payments made to Parish and Town Councils is proposed over that period. The ongoing NHB funding would then be used to support specific, time limited regeneration and infrastructure projects in those areas with the most additional housing.

2.6

Council Tax

- 2.6.1 Council Tax is a local tax on domestic properties which East Herts collects on behalf of Hertfordshire County Council, Hertfordshire Police and also Town and Parish Councils. The split of this collection for 2017/18 is set out in the table below:

Table 6 – Council Tax Split

	2017/18 split
HCC	76.8%
EHC	9.8%
Police	9.4%
Town & Parish	4%

- 2.6.2 East Herts increased Council Tax by 1.99% in 2017/18, the first increase in 5 years. It is proposed that in 2018/19 East Herts will increase its share of the Council Tax by £5 per year, the maximum increase allowed in any year. This level of increase will be built into the Medium Term Financial Plan on an ongoing basis to mitigate the effect of the frozen rates in previous years.

- 2.7 Consolidating the 5 Building Blocks of the budget

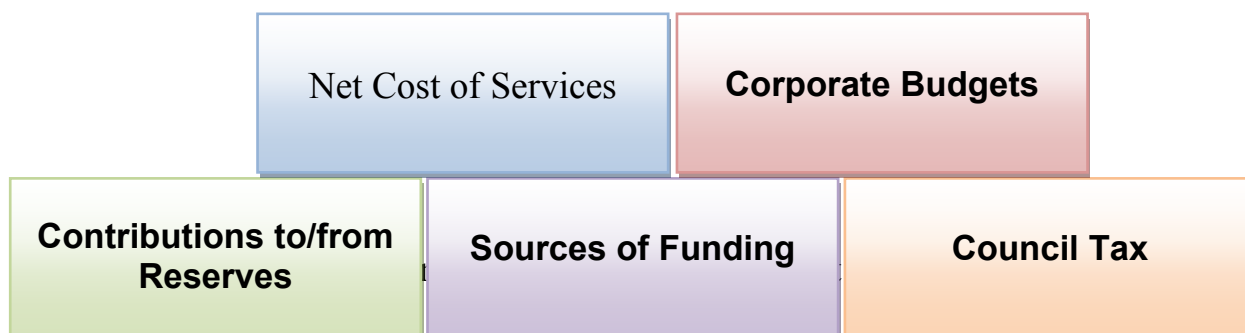


Table 7 – Budget Summary

	Revised Budget 2018/19
	£000
Net Cost of Services	14,760
Corporate Budgets	375
Contributions to Reserves	405
Sources of Funding	(5,325)
Council Tax	(9,672)
Revised Budget Gap	543

### 3 Budget Pressures and Risks

- 3.1 The Council's Medium Term Financial Plan is a complex model subject to many factors and the forecasts which are by necessity subject to continuous review and refinement to reflect the latest information as it emerges.
- 3.2 Specific service issues are monitored by the Heads of Service who are responsible for identifying pressures and opportunities that will impact on service delivery and have financial implications
- 3.3 The following issues have been reviewed and items included as a provision in the Medium Term Financial Plan only where the financial impact is assessed as being quantifiable and unavoidable. Where the financial impact is unclear or subject to significant uncertainty, specific provision may not be made but be included as financial risks that if costs materialise in year will be met from the available reserves or balances.
- 3.4 Pay Awards / National Living Wage
  - 3.4.1 In recent years the Government's public sector pay cap has been followed when negotiating local government pay awards. This has been necessary as the government has assumed the same pay restraint will be followed by local government when determining annual local government spending limits and finance settlements.
  - 3.4.2 The recent announcement of a 2% pay offer to local government unions has meant an additional pressure on the previous reported funding gap.
  - 3.4.3 The Government has also introduced the National Living Wage (NLW). The implications are that nationally this will require a 2.5-4.0% increase in the national pay bill over 2 years, whilst the impact for East Herts is considerably less than this it still remains an item for consideration.
  - 3.4.4 Although salary increase of 1% is generally included within the Medium Term Financial Plan budget planning process, the October version included a 1.5% salary increase based on information provided by National Employers. Based on the government's latest proposal of a 2% increase, the proposed additional 0.5% will cost an extra £64k in 2018/19.
- 3.5 Inflation and Growth

3.5.1 Provision for inflation of 2% has been made in the MTFP for all contract costs. A provision for inflation is made to help meet the costs arising from general price of contracts already committed to.

### 3.6 Shared IT services

3.6.1 The shared IT service with Stevenage Borough Council has provided additional resilience ensured that East Herts has a platform to deliver further shared service opportunities. It has become apparent in recent years that the costs of providing such an integral service have increased with the advances in technology and the requirement to provide more and more digital interaction with our customers. Historically, the cost of this service has been borne by the capital budget however with more recent technology changes the costs have an increased burden on the revenue budget.

### 3.7 Housing Benefits

3.7.1 In recent years the level of Housing Benefits overpayments identified has changed significantly, this is attributable to the introduction by the DWP of various data matching and real time information systems aimed at minimising fraud and error. Historical overpayments identified in previous years have resulted in a surplus in the benefits cost-centre however in more recent years the value of overpayments identified is falling. This reduction impacts positively on the level of core subsidy received, but reduces the surplus achieved between years.

### 3.8 Charringtons Rental Income

3.8.1 Charringtons was purchased by the Council in 2015, initially as an investment property but with a longer term vision for the a mixed-use development in the town centre. The building is currently budgeted to generate an annual rental income of c.£650k.

3.8.2 During a 2017/18 a board was set up to investigate the regeneration of the site. The Old River Lane (ORL) Board has set out and agreed a proposed land use of the site at full Council in December 2017 which has had an impact on income streams for the property. Whilst officers are currently working with potential tenants to ensure the building is filled in the shorter term a longer term impact cannot be ignored within the budget setting process.

### 3.9 Planning Archiving

- 3.9.1 The historical planning archive, dating back to the 1950s is currently being stored in microfilm form, but is regularly used for planning investigation and reporting. A programme of digital scanning has been proposed that will preserve this information and future proof it. The cost included in budgets is £40k annually over the next 4 years. This investment in the Planning department will be funded by the increase in Planning fees due to be implemented in early 2018.

#### 4 2018/19 Budget Preparation and Engagement

- 4.1 During November and December 2017, Members and Officers engaged in a number of “Have your Say” budget workshops to look at the authorities Medium Term Financial Plan and to explore both money saving and money making opportunities to bridge the funding gaps.
- 4.2 An initial review of the Medium Term Financial Plan set out a funding gap of £2.8m across the 4 years with £808k attributable to 2018/19. The work carried out by officers since October has changed a number of these figures and addressed some of the budget gap especially in 2018/19.
- 4.3 Staff and members provided ideas and examples of ways to fund the budget gap. A member workshop attended by over 35 members then scored each of the ideas ready for presentation at an informal Performance, Audit and Governance meeting held on 7<sup>th</sup> December 2017.
- 4.4 The informal PAG Meeting then reviewed and revised all savings proposals and suggested two specific directions for the savings to take:
- i) Savings that were achievable from 1<sup>st</sup> April 2018 and could be implemented immediately. These savings are detailed in **Essential Reference Paper B** and total £463k for 2018/19
  - ii) Savings that would require more investigation and should be thoroughly explored during 2018/19 for future year’s implementation where possible. These proposals will now be considered as projects and are included in **Essential Reference Paper C** with guidance and timeframes as to how they might be implemented.
- 4.5 Following on from this work the items provisionally prioritised can be used to balance the budget initially for 2018/19, with the opportunity for the other items to be implemented in future years.
- 4.6 A summary of the budget gap and the potential savings options is shown

below:

Table 8 – Budget GAP

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Budget gap @30.10.17	808	657	722	629
Additional Salary pressure 0.5%	64	64	0	0
Movement in Net Cost of Services	(329)	0	0	0
Revised Budget gap	<u>543</u>	<u>721</u>	<u>722</u>	<u>629</u>
Council tax increase by £5	(108)	(110)	(115)	(120)
“Have Your Say” savings proposals	(463)	(73)	0	0
Revised Budget Gap	<u>(28)</u>	<u>538</u>	<u>607</u>	<u>509</u>

4.7 Alongside the budget setting process, heads of service in conjunction with portfolio holders have identified service delivery priorities for 2018/19. These can be found at **Essential Reference Paper ‘G’**. The service plans outline in detail the key actions that are to be delivered over the next year and the means by which they will be monitored. These are proposed in the context of both the 2018/19 budget and the key priorities within the Council’s Corporate Strategic Plan which was agreed by Members in February 2016:

- Priority 1: improve the health and wellbeing of our communities (changed to “people”)
  - Residents living active and healthy lives
  - Support for our vulnerable families and individuals
  - Communities engaged in local issues
- Priority 2: enhance the quality of people’s lives (changed to “places”)
  - Attractive places
  - Future development best meets the needs of the district and its residents (changed to “future places”)

- Priority 3: Enable a flourishing economy (changed to “businesses”)
  - Support for our businesses and the local economy
  - Vibrant town centres
  - Working with others, to have achieved the right infrastructure for our businesses and communities

4.8 Members are asked to recommend to Executive that the service plans be adopted alongside the budget.

## 5 Reserves

5.1 The reserves are an important part of the budget setting process, there are minimum requirements set out for General Fund Reserves, however authorities are also expected to maintain a level of Earmarked Reserves to fund one off projects and initiatives. The emphasis for this Medium Term Financial Plan is to ensure the longevity of the Council’s funding and provide investment funding for future income generating initiatives.

5.2 The table below set out the proposed contributions to and from reserves over the next four years including the increasing contribution from New Homes Bonus.

5.3 It is essential for the Medium Term planning that reliance on reserves for ongoing costs is removed and that the funding is used for more appropriate investment purposes. Re-occurring items that have previously been funded through reserves in the MTFP have now been included in the revenue budget on an ongoing basis. Additional net contributions to/from reserves to support the Net Cost of Services total £338k for 2018/19. These items do not impact on the figures below.

Table 9 – Reserves

	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
<u>Contributions to Reserves</u>				
NHB Priority Spend	770	1,668	1,992	2,315
District Election	28	28	28	28
House Condition Survey	14	14	14	14
Sub-total	<u>812</u>	<u>1,710</u>	<u>2,034</u>	<u>2,357</u>

<u>Contributions from Reserves</u>				
District Election		(100)		
House Condition Survey		(50)		
Revenue Funding/ transition	(311)	(124)		
Pension Deficit	(96)	(96)	(96)	(96)
Sub- total	(407)	(370)	(96)	(96)
Total Reserves movement	405	1,340	1,938	2,261

## 6 Capital Programme

### 6.1 Capital Programme 2017/18 to 2021/22

6.1.1 The forecast outturn for the 2017/18 capital programme is £3.066m which is £320k below the 2017/18 budget. Details of the movements which make up this forecast are shown in the table below.

6.1.2 The details on the movement expenditure for the Capital Programme are monitored and reported quarterly to Executive within the Healthcheck report.

### 6.2 Capital Programme movements in 2017/18

Table 10 – Capital Programme 2017/18

<b>Original Budget 2017/18</b>	<b>2016/17 re-profiled scheme</b>	<b>Addition of Capital schemes</b>	<b>Budget reductions</b>	<b>Proposed Re-profiling</b>	<b>Forecast Outturn</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
3,386	1,888	1,507	(2,384)	(1,331)	3,066

6.2.1 Any slippage on significant capital projects during 2017/18 will be considered at the end of the financial year

6.2.2 The capital programme for 2018/19 onwards contains a number newly agreed capital schemes and also the rolling schemes agreed in previous years.

6.2.3 Currently the review of the Capital programme is undertaken as part of the quarterly health-check report. Any additions to the programme require a funding request to be made through the appropriate governance process. This process is defined by the value of the capital bid. For

example the recent agreement of the Leisure Strategy and the Property Investment Company were agreed at Council meetings in July and October 2017.

- 6.2.4 The council is likely to undertake a number significant capital schemes within the medium term including Old River Lane, Bishop's Stortford. The scope and funding arrangements of such schemes are still in the early stages of project planning. However it should be noted that East Herts may need to give careful consideration to its reserves provision in the forthcoming years and will potentially require a borrowing facility within this medium term financial period.
- 6.2.5 As any of these schemes are agreed and the funding requirements become more definite these schemes will be included in the capital programme presented within the quarterly health-check report.
- 6.2.6 The complete proposed capital programme can be found in **Essential Reference Paper E** including schemes already approved in previous years.

### 6.3 Prudential Code Implications

- 6.3.1 The council is required under the Local Government Act 2003 to 'have regard' to the requirements of the CIPFA Prudential Code which requires that certain performance indicators and limits known as Prudential Indicators are calculated.
- 6.3.2 The Prudential Indicators must be approved by Council before the beginning of each financial year. Their purpose is to help the council ensure that its capital investment plans are affordable, prudent and sustainable.
- 6.3.3 It is recommended that the capital programme being proposed in this budget report is affordable, prudent and sustainable. No new borrowing is required to fund the capital programme.

## 7. 2018/19 Revenue Schedule of Fees & Charges

- 7.1 The proposed schedule of charges set out within set out in **Essential Reference Paper F** will be made available at the meeting.
- 7.2 The fees and charges budgets (excluding charges for pay and display car parking) included in the 2017/18 Net Cost of Services totalled £1.860m.
- 7.3 The table below shows the impact of the changes proposed in the schedule of charges to the 2018/19 budget.

Table 11 – Fees &amp; Charges

	2017/18 budget	Impact of changes in volume	Impact of proposed 5% charges increase	2018/19 budget
	£	£	£	£
Hertford Theatre	156,000	20,540	10,920	187,460
Clinical Waste	80,000	950	4,100	85,050
Domestic Waste	70,000	200	3,600	73,800
Commercial Waste	632,000	62,500	35,000	729,500
Env Health Promotions	3,100	(1,100)	-	2,000
Env Health Licences	23,050	(2,600)	7,600	28,050
Taxi Licensing	139,600	(14,600)	16,000	141,000
Development Management	106,000	11,000	6,000	123,000
Legal Fees	30,000	(750)	1,500	30,750
Land Charges	240,000	20,000		260,000
Markets	72,000	700	3,600	76,300
Hostels	120,000	-	-	120,000
Bed & Breakfast	15,000	20	760	15,780
Residents' Parking	108,850	(6,350)	25,200	127,700
Parking - Season Tickets	64,000	(35,700)	1,400	29,700
Total	1,859,600	54,810	115,680	2,068,090

7.4 The fees and charges included in **Essential Reference Paper F** have

increased by an average of 5.0%, the estimated impact of this increase is additional income of £116k in 2018/19.

- 7.5 Pay and Display charges have not been increased for 2018/19, this is in line with the budget policy agreed at a previous Council, and will be reviewed in 2019/20.

8. Advice from the Section 151 Officer

- 8.1 Section 25 of the Local Government Act 2003 requires the Statutory Section 151 Officer (Head of Strategic Finance & Property) to give advice to the Council on the levels of reserves held and the robustness of the budgets at the time Council makes its decision on the budget proposals.

- 8.2 It is the advice of the Head of Strategic Finance and Property that these budget proposals are prudent, sensible and robust. In determining the budget proposals:

- Funding sources have been extensively modelled
- A zero-based salary budget has been produced
- The MTFP model and assumptions have been considered and refreshed
- The council's Earmarked and General Reserves have been reviewed
- The revenue impact of the capital programme has been considered
- The key financial risks facing the council have been identified and assessed
- The budget proposals meet the requirements of the Local Government Finance Act 1997 for a balanced revenue position

- 8.3 Throughout this report attention has been drawn to the uncertainty of the local government funding regime and the potential impact on East Herts. The assumptions made in the preparation of this report and the MTFP are based on the best information available at the time.

9. Implications / Consultations

- 9.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A**.

None

Contact Member: Councillor Geoff Williamson  
[geoffry.williamson@eastherts.gov.uk](mailto:geoffry.williamson@eastherts.gov.uk)

Contact Officers: Isabel Brittain – Head of Strategic Finance and Property  
Ext. 2050  
[isabel.brittain@eastherts.gov.uk](mailto:isabel.brittain@eastherts.gov.uk)

Ben Wood – Head of Communications, Strategy and  
Policy Ext. 1699  
[Benjamin.wood@eastherts.gov.uk](mailto:Benjamin.wood@eastherts.gov.uk)

Report Author: Alison Street – Finance Business Partner  
[alison.street@eastherts.gov.uk](mailto:alison.street@eastherts.gov.uk)

## **ESSENTIAL REFERENCE PAPER ‘A’**

### **IMPLICATIONS/CONSULTATIONS**

Contribution to the Council’s Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people’s lives</p> <p>Priority 3 – Enable a flourishing local economy</p> <p>The report proposes the budget for the Council in 2017/18 and the medium term financial plan which contributes to all the Corporate Priorities.</p>
Consultation:	Member training and briefings have been undertaken as part of the Finance and Business Planning process.
Legal:	There are no legal implications.
Financial:	There are no direct financial implications arising from the report.
Human Resource:	No specific implications arise from this report
Risk Management:	The Budget report considers emerging risks to the funding the Council receives and sets out the mitigation of those risks.
Health and wellbeing – issues and impacts:	No specific implications arise from this report.

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## Saving suggestions from Councillors' 'have your say' sessions

2018/19	2019/20	2020/2021	2021/2022
£'000	£'000	£'000	£'000

### Council wide

Increase fees and charges by 5% or full cost recovery	55	-	-	-
Reduce advertising in newspapers	30	-	-	-
Change policy on catering across the Council	10	-	-	-
Rationalise back office budgets	65	-	-	-

### Communications, Strategy and Policy

Reduce LINK magazine publication	10	-	-	-
Hire out Meeting rooms and Council Chamber to Public and other organisations for a fee	5	-	-	-

### Human Resources and Organisational Development

Remove staff Life Assurance scheme	21	-	-	-
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### Strategic Finance and Property

Review of Wallfields utility costs to ensure on cheapest tariffs.(10%)	7	-	-	-
Remove 1st class post	5	-	-	-
Revise procurement process to enable contract saving	20	-	-	-
Rent out Wallfields old building office space	10	-	-	-
Review the courier service	11	-	-	-

### Operations

Reduce Hertford Theatre subsidy by 10%	38	-	-	-
Terminate 'RingGo' service in car parks	38	-	-	-
Remove Pest Control budget	45	-	-	-

### Housing & Health

Remove PCSO funding	43	43	-	-
Remove Empty Homes funding	30	-	-	-
Reduce Community Grant funding	20	30	-	-

<b>Total</b>	<b>463</b>	<b>73</b>	<b>-</b>	<b>-</b>
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## Essential Reference Paper “C”

### Project Items for Review and Consideration for 2019/20 Medium Term Financial Plan

Following the Councillor and staff workshops held during November a number of ideas were put forward on ways to improve service provision and generate income for East Herts Council.

Many of those ideas require further examination and possible investment in resources to provide a future direction of travel. Below are the ideas which will be investigated throughout 2018/19 in preparation for the 2019/20 Medium Term Financial Plan.

In order to deliver these projects an “invest to save” fund will be ring-fenced from the Priority Funding Pot of £200k. This will be managed by the Head of Strategic Finance and Property, who will report on the progress of each project at PAG in September, November and January.

Set out below are the projects for approval for 2018/19:

Planning Income Review – Head of Planning
<ul style="list-style-type: none"><li>• Increase the opportunity for Pre-App Income</li><li>• Provide professional planning advice to small businesses for a small fee.</li><li>• Investigate other income opportunities</li></ul>



Human Resources Review – Head of HR
<ul style="list-style-type: none"><li>• HR Shared Service</li><li>• Review of staff remuneration</li><li>• Reduced staff benefits</li><li>• Reduced Staff hours</li><li>• Promote Unpaid Leave</li><li>• Review of Leadership Team restructure</li></ul>



Parking Income Review – Head of Operations
<ul style="list-style-type: none"><li>• On-Street Parking</li><li>• Sunday charging</li></ul>

- Public access and charging to Wallfields at weekends and evenings
- Overnight parking

#### Street Lighting Review – Head of Strategic Finance and Property

- Investigate the opportunity to upgrade to LED and possible HCC ownership

#### Legal Services Review – Head of Legal and Democratic Services

Consider:

- Selling East Herts legal team specialist knowledge to other authorities
- Buying in specialist knowledge from other authorities
- A shared service

#### Street Name Plates – Head of Strategic Finance and Property

- Review of costs and income
- Consider additional services to improve income levels
- Expand street name and Numbering service.
- Outsourcing service
- Increased fees to bring in line with other councils
- Ensure full cost recovery

#### IT Shared Services Review – Head of Strategic Finance and Property

- Review of current performance indicators
- Benchmark of similar organisations
- Consider software value for money
- Consider the hardware available and review of alternatives

#### Public Conveniences Review – Head of Operations

- Consider necessity of service
- Consider alternative provision of service

#### Electoral Arrangement Review – Head of Legal and Democratic Services

- Review Electoral Arrangements
- Review of member allowances
- Review of member expenses

Playground Management and Inspection – Head of Operations
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- |   |
|---|
| <ul style="list-style-type: none"><li>• Review of inspection requirements</li><li>• Consider playground ownership</li></ul> |
|---|

Chargeable Events – Head of Communications, Strategy and Policy
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Consider the opportunities for income generation from the following items:
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- |   |
|---|
| <ul style="list-style-type: none"><li>• Open Air Concerts</li><li>• Outdoor Cinema</li><li>• Food Events/ site rental</li></ul> |
|---|

Investment Income – Head of Strategic Finance and Property
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Consider the Financial Sustainability Investment opportunities including:
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- |   |
|---|
| <ul style="list-style-type: none"><li>• Crowd-funding</li><li>• Property Investment</li><li>• Commercial activities</li></ul> |
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PROJECTED BALANCES ON RESERVES					
	2017/18 Sept Estimated Balance 31 Mar '18 £000	2018/19 Balance 31 Mar '19 £000	2019/20 Balance 31 Mar '20 £000	2020/21 Balance 31 Mar '21 £000	2021/22 Balance 31 Mar '22 £000
<b>General Fund</b>	3,854	3,854	3,854	3,854	3,854
<b>General Reserve</b>	699	603	507	411	415
<b>Other Earmarked Reserves</b>					
Interest Equalisation Reserve	1,461	1,461	1,461	1,461	1,461
Insurance Fund	1,010	1,010	1,010	1,010	1,010
Emergency Planning Reserve	36	36	36	36	36
LDF - Public Exam / Green Belt Review	22	22	22	22	22
Housing Condition Survey	87	101	65	79	93
Provision for future whole Council elections	46	73	1	29	57
Sinking Fund - Leisure utilities / pension	228	228	228	228	228
Performance reward grant	10	10	10	10	10
Waste recycling income volatility reserve	300	300	300	300	300
Footbridge over the River Stort	150	150	150	150	150
Transformation Reserve	699	534	405	405	405
DCLG Preventing Repossessions	18	18	18	18	18
Environmental Pollution DEFRA	0	0	0	0	0
New Homes Bonus Priority Spend	4,809	5,579	7,247	9,239	11,554
Collection Fund Reserve	(120)	(120)	(120)	(120)	(120)
DEFRA Flood Support for Local Businesses Grant Reserve	4	4	4	4	4
Commercial Property Fund	1,093	1,093	1,093	1,093	1,093
Neighbourhood Planning Grant	10	10	10	10	10
Traffic Reg Order Consolidation	2	(3)	2	2	2
MTFP Transition Funding Reserve	141	0	0	0	0
<b>Total Earmarked Reserves</b>	10,006	10,506	11,942	13,976	16,333
<b>Total Reserves</b>	<b>14,559</b>	<b>14,963</b>	<b>16,303</b>	<b>18,241</b>	<b>20,602</b>

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## CAPITAL PROGRAMME 2018/19 TO 2021/22

SCHEMES	2018/19 Original Budget £000	2019/20 Original Budget £000	2020/21 Original Budget £000	2021/22 Original Budget £000
<b>Head of Strategic Finance &amp; Property</b>				
<b>Compliance Works to Swimming Pools</b>				
Glazing & equalities access works to Swimming Pools	40	0	0	0
<b>Leventhorpe Swimming Pool, Sawbridgeworth *</b>				
Renew main supply fan to the main pool area	25	0	0	0
Joint Provision Pools (Ward Freman, Leventhorpe & Fanshawe) - Replacement Air Conditioning to Offices	15	0	0	0
Investment in operational assets	250	250	250	250
Hertford Theatre - Replace Auditorium Roof	190	0	0	0
<b>Total Strategic Finance &amp; Property</b>	<b>520</b>	<b>250</b>	<b>250</b>	<b>250</b>
<b>Head of Shared Business &amp; Technology Services</b>				
<b>IT Schemes</b>				
Rolling programme to be utilised on ICT projects subject to ITSG review	450	450	450	450
<b>Total Head of Shared Business &amp; Technology Services</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>
<b>Head of Planning &amp; Building Control</b>				
<b>Historic Building Grants</b>				
Enable grants to be offered to the owners of historic buildings to encourage their maintenance and upkeep	55	55	55	55
<b>Total Head of Planning &amp; Building Control</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>55</b>
<b>Head of Operations</b>				
<b>Leisure Facilities Strategy</b>				
Option B	0	0	15,000	16,260
<b>Open Space Improvements at the Wash, Hertford - HUDS</b>				
Improved amenity for local residents and visitors to the town	0	50	0	0
<b>Folly View Open Space Improvements, Hertford</b>				
Improved amenity for local residents and visitors	0	15	0	0
Cannons Mill Lane Improved amenity for local residents of Bishops Stortford North Development	0	30	0	0
Southern Country Park - expansion of play equipment for younger children to meet requests and in support of Green Flag award	30	0	0	0
Hillside Crescent, Stanstead Abbots play area - refurbishment of equipment in response to previous play audit	20	0	0	0
Project to replace older play equipment across all play areas in the district in response to the Condition Audit to be reviewed in 2018/19	0	50	50	50
<b>Play Area Hartham Common, Hertford</b>				
Installation of new play equipment, landscape enhancements and ancillary improvements, to include bespoke seating areas and tree & shrub planting.	0	275	0	0
<b>Hartham Common, Hertford</b>				
Potential projects include development of water play area, improvements to car parking & pedestrian access (Note 8)	0	25	0	0
Energy Grants	20	20	20	20
<b>Total Head of Operations</b>	<b>70</b>	<b>465</b>	<b>15,070</b>	<b>16,330</b>
<b>Head of Housing &amp; Health</b>				
<b>River &amp; Watercourse Structures</b>				
Improve, maintain & renew structures along rivers and watercourses to alleviate possible flooding throughout the district.	48	48	48	48
<b>Land Management Programme</b>				
Land Management Asset Register & Associated Works	50	50	50	50
<b>Private Sector Improvement Grants</b>				
Disabled Facilities - Discretionary	60	60	60	60
Decent Home Grants	120	120	120	120
Ridgeway Scheme, Hertford (Network Homes)	250	0	0	0
Colebrook Court (Network Homes)	33	32	0	0
Future Housing Schemes	200	0	0	0
<b>Community Capital Grants</b>				
To take forward the Council's priorities for people, place and prosperity	80	80	80	80
<b>Total Health &amp; Housing</b>	<b>841</b>	<b>390</b>	<b>358</b>	<b>358</b>
<b>TOTAL</b>	<b>1,936</b>	<b>1,610</b>	<b>16,183</b>	<b>17,443</b>

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**ERP G**  
**DRAFT SERVICE PLANS 2018/ 2019**

*Please note: red text refers to performance indicators which will be used to monitor progress against the key actions. In some cases this will be done through the use of specific targets in other cases it will be done through monitoring trends and trajectories. Normal text refers to specific milestones or outputs that need to be achieved in order for the action to be achieved. When the service plans are adopted all indicators and milestones will be uploaded to the council's performance management portal which Members have access to.*

*In addition to the above there are a number of key actions to be delivered over the 2018/19 year which do not fit neatly within the Corporate Strategic Plan objectives. These tend to be 'back office' related actions which are not directly of interest to stakeholders but are critical to ensuring the council is able to deliver its objectives. Those actions are listed in the final table and will form part of the information which Members can access on the performance management portal.*

<b>Corporate Priority: People</b>			
<b>Outcome: Communities engaged in local issues</b>			

Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Deliver the Digital East Herts Programme	<ul style="list-style-type: none"> <li>% accessible services via digital channels</li> <li>Proportion of demand by channel</li> <li>Savings delivered (as a proportion of overall target)</li> </ul>	31 March 2019	Director
Increase stakeholder engagement through digital channels	<ul style="list-style-type: none"> <li>No. of Twitter followers &amp; impressions</li> <li>No. of Facebook likes &amp; people reached</li> <li>No. of Instagram followers and likes</li> <li>No. of Gov delivery subscribers</li> </ul>	31 March 2019	Communications and Digital Media Manager
Ensure successful transfer of Scott's Grotto to independent trust ownership	<ul style="list-style-type: none"> <li>Transfer complete</li> </ul>	31 March 2019	Head of Communications, Strategy and Policy
Increase customer engagement through feedback for Development Management Service	<ul style="list-style-type: none"> <li>Qualitative Assessment of customer feedback</li> <li>Quantitative assessment of customer feedback</li> </ul>	30 June 2018	Service Manager (DM) Quality and performance

<b>Corporate Priority: People</b>			
<b>Outcome: Support for our vulnerable families and individuals</b>			

Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Deliver the Community Safety Strategic Assessment and Action Plan	<ul style="list-style-type: none"> <li>Delivery key actions within the plan</li> <li>Bid to the Police and Crime Commissioner's community safety fund in line with Community Safety Partnership priorities</li> </ul>	31 March 2019 31 December 2018	Community Safety Officer
Ensure the council fulfils its Safeguarding responsibilities	<ul style="list-style-type: none"> <li>Deliver the actions arising from the Safeguarding Adults Self-Assessment</li> <li>Deliver the annual programme of safeguarding training</li> </ul>	31 March 2019 31 December 2018	Service Manager – Community Wellbeing and Partnerships
Minimise time elapsed to process new claims and changes in circumstances.	<ul style="list-style-type: none"> <li>Time taken to process Housing Benefit new claims and change events achieved (target 10 days)</li> </ul>	31 March 2019	Head of Revenues and Benefits
Work with partners to provide support to customers in difficulty.	<ul style="list-style-type: none"> <li>Utilise discretionary Housing Payments to alleviate transitional difficulties</li> <li>Proactively work to avoid fraud and to ensure suspected cases are investigated</li> </ul>	31 March 2019	Head of Revenues and Benefits

Work with partners to assist customers through the transition into universal credit	<ul style="list-style-type: none"> <li>Customers assisted and signposted appropriately when transitioned into universal credit.</li> </ul>	31 March 2019	Head of Revenues and Benefits
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**Corporate Priority: People**
**Outcome: residents living active and healthy lives**

Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Implement new homelessness prevention duties in line with the Homelessness Reduction Act 2017	<ul style="list-style-type: none"> <li>Introduce 'Personal Housing Plans' for those threatened with homelessness training all members of the team</li> <li>Review and restructure the approach to homelessness prevention work</li> </ul>	31 March 2019	Service Manager – Housing Services
Review the Homelessness Strategy	<ul style="list-style-type: none"> <li>Number of prevented homeless applications</li> <li>Number of homeless households living in temporary accommodation</li> <li>Number of applicants on the housing register</li> </ul>	31 January 2019	Service Manager – Housing Services
Deliver air Quality Action Plan	<ul style="list-style-type: none"> <li>Review the East Herts Air Quality Action Plan, deliver key actions</li> <li>Deliver Clean Air Day 2018</li> </ul>	31 March 2019 17 June 2018	Senior Environmental Officer (Environment)
Promote use of E-taxis within the district	<ul style="list-style-type: none"> <li>Measure to be developed</li> </ul>	31 March 2019	Service Manager – Licensing and Enforcement
Deliver a successful social prescribing pilot	<ul style="list-style-type: none"> <li>Review success and identify options for sustaining project beyond initial 18 month funding period</li> </ul>	31 March 2019 31 December 2018	Healthy Lifestyles Programme Officer
Maximise health and wellbeing outcomes	<ul style="list-style-type: none"> <li>Deliver staff wellbeing, volunteering and new activities programme (in combination with the council's support for Hertfordshire County Council's Year of Physical Activity)</li> <li>East Herts residents &amp; East Herts Council employees registered with Team Herts Volunteering scheme</li> <li>Ensure the sustainability of the Forever Active programme beyond the Sports England funding period</li> <li>Review the outcomes of the Active In programme</li> <li>Number of over 50s participating in 'Forever Active' programme</li> </ul>	31 December 2018  31 March 2019 31 August 2018	Head of Housing and Health
Procure a leisure operating and DBOM contract	<ul style="list-style-type: none"> <li>OJEU notice issued</li> </ul>	30 May 2018	Leisure and Environment Manager
Invest in our parks and open spaces to encourage health and fitness including improvements to Hartham Common, Southern Country Park and Hillside Crescent	<p>Consider delivery of initial actions identified in management plan for Hertford Castle Grounds in partnership with the Town Council. Continue process to deliver connected links between open spaces focussing on Hertford and Beyond walking routes following grant application in 2017.</p> <p>Improve Hartham Common by:</p> <ol style="list-style-type: none"> <li>Develop outline concept and estimated viable costs of a project to improve Hartham Common entrance area and identify potential and sufficient funding. Link improvements directly with plans to develop new leisure centre.</li> <li>Delivering a new destination play area at Hartham Common.</li> </ol>	31 March 2019  31 March 2019  March 2019	Leisure and Parks Development Manager

	<ul style="list-style-type: none"> <li>Deliver play area improvements at Southern Country Park and Hillside Crescent.</li> <li>Seek grant funding from Heritage Lottery fund (HLF) to commission an archaeological and access project at Pishiobury Park, Sawbridgeworth.</li> <li>Review overarching Parks and Open Spaces Strategy</li> </ul>	31 March 2019 TBC  31 March 2019  31 March 2019	
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### Corporate Priority: Places

#### Outcome: Attractive Places

Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Implementation of Master Planning process for all significant development sites	<ul style="list-style-type: none"> <li>Number of Master Plans successfully completed and endorsed by the Council</li> <li>Achievement of policy objectives identified in District Plan</li> </ul>	31 March 2019	Service Manager (DM) Quality Places
Harlow and Gilston Garden Town Development	<ul style="list-style-type: none"> <li>Successful engagement with Garden Town</li> <li>Successful outcome of Gilston Concept Framework and Master Planning processes</li> <li>Continuing community engagement</li> <li>Commencement and implementation of development</li> </ul>	31 March 2019	Service Manager (DM) Quality Places
Effective planning enforcement	<ul style="list-style-type: none"> <li>% visits undertaken in relation to urgent cases within 2 working days of 'start date'</li> <li>Quantitative and qualitative customer feedback</li> </ul>	31 March 2019	Planning Enforcement Manager
Proactive Conservation and Urban Design service	<ul style="list-style-type: none"> <li>Completion of remaining Conservation Area Assessment work</li> </ul>	30 Sept 2018	Head of Planning and Building Control
Effective Building Control service	<ul style="list-style-type: none"> <li>Measures to be developed</li> </ul>	30 June 2018	Head of Planning and Building Control
Produce community transport strategy for East Herts	<ul style="list-style-type: none"> <li>Strategy produced</li> </ul>	31 July 2018	Service Manager – Community Wellbeing and Partnerships
Reduce the amount and cost of fly tipping to the Council (raise awareness of Duty of Care and householders responsibilities. Publicise successful enforcement actions so public aware of the consequences. Increase ongoing enforcement actions undertaken where evidence)	<ul style="list-style-type: none"> <li>Fly tips – time taken for removal</li> <li>Participate in County wide Media Campaign on fly tipping</li> </ul>	31 March 2019	Enforcement & Inspection Team Manager
Co-ordination and promotion of the arts and cultural offer in East Herts.	<ul style="list-style-type: none"> <li>Completed audit of cultural activities which promote health, social and the economic well-being of East Herts Residents.</li> <li>Identify ways to increase engagement in arts and cultural activities.</li> </ul>	31 March 2019	Theatre Director
Hertford Theatre – Develop business models for expansion	<ul style="list-style-type: none"> <li>Outline Business Plan received and taken through decision making processes</li> </ul>	31 May 2018	Theatre Director
Deliver successful Heritage Lottery Fund (HLF) Stage 2 bid for Castle Park, Bishop's Stortford (provide improve facilities for the local community of Bishop's Stortford in partnership with the Town Council. Improve the attractiveness of the town as a place to visit).	<ul style="list-style-type: none"> <li>Develop proposals</li> </ul>	31 March 2019	Leisure and Parks Development Manager
Re-tendering of Grounds Maintenance Contract	<ul style="list-style-type: none"> <li>New contract in place</li> </ul>	31 Dec 2019	Leisure and Parks Development Manager

Review provision of dog and litter bins across district (Review number, location, cost and effectiveness across district. Assess potential for cost savings and service improvements which might be secured from alternating bin size, merging dog and litter waste, adapting collection frequencies and/or adopting a no bin policy in some parks)	<ul style="list-style-type: none"> <li>Review complete and options identified</li> </ul>	31 March 2019	Leisure and Parks Development Manager
Fitness and Play Audit (Deliver 10 year re-audit of play areas across district with addition of open space fitness provision to measure success of improvements and to determine future projects.	<ul style="list-style-type: none"> <li>Audit complete and options identified</li> </ul>	31 March 2019	Leisure and Parks Development Manager
Deliver effective waste collection services	<ul style="list-style-type: none"> <li>Less than 30 missed bins per 100,000</li> </ul>	31 March 2019	Joint Waste service Manager
Maintain recycling rates above 50%	<ul style="list-style-type: none"> <li>Residual household waste per household</li> <li>% of household waste sent for reuse, recycling and composting</li> </ul>	31 March 2019	Joint Waste service Manager
Introduce trade waste recycling	<ul style="list-style-type: none"> <li>Trade waste recycling introduced to one town/Business area</li> </ul>	31 March 2019	Joint Waste service Manager

### Corporate Priority: Places

#### Outcome: Future places

Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Support and develop future input into strategic planning role	<ul style="list-style-type: none"> <li>Strategy to consider development post 2031 across Hertfordshire through HIPP</li> <li>Continued engagement through Co-op for Sustainable Development Board (with Harlow, Uttlesford and Epping Forest).</li> </ul>	31 March 2019	Head of Planning and Building Control
Completion of District Plan	<ul style="list-style-type: none"> <li>Plan Adoption</li> <li>Housing Land Supply</li> </ul>	End June 2018	Service Manager, Planning Policy
Programme of Planning Policy work	<ul style="list-style-type: none"> <li>Formulation of work programme</li> <li>Delivery of agreed work programme</li> </ul>	31 March 2019	Service Manager, Planning Policy
Effective Development Management service	<ul style="list-style-type: none"> <li>% Processing of planning applications dealt with in timely manner- Other applications (target under 8 weeks).</li> <li>% Processing of planning applications dealt with in timely manner - Minor applications (target under 13 weeks)</li> <li>% Processing of planning applications dealt with in timely manner - Major applications (target under 13 weeks)</li> <li>Engagement through pre-application and PPA processes in accordance with PIs</li> </ul>	31 March 2019	Service Manager (DM) Quality and performance
Establish Housing Company	<ul style="list-style-type: none"> <li>Property Investment Company to commence trading</li> <li>Determine feasibility of housing development by a Company</li> <li>Subject to there being a feasible business case, seek member approval for development</li> </ul>	April 2018 July 2018 September 2018	Head of Housing and Health
Encourage appropriate downsizing in tenures	<ul style="list-style-type: none"> <li>Deliver key actions in the line with the Housing Service's report into under-occupation in East Herts</li> <li>A review of the issues, challenges and potential solutions</li> </ul>	31 March 2019	Housing Development and Strategy Manager
Provide affordable housing (review options for maximising affordable housing and community-led housing delivery, revise the Affordable Housing Supplementary Planning Document in line with the District Plan timetable)	<ul style="list-style-type: none"> <li>% of Affordable homes delivered on section 106 developments in Towns against a 40% cumulative Planning Policy target</li> <li>% of Affordable homes delivered on section 106 developments in</li> </ul>	30 September 2018	Housing Development and Strategy Manager

	Villages		
Extra care housing	<ul style="list-style-type: none"> <li>Investigate the feasibility of delivering an extra care scheme in East Herts</li> </ul>	31 December 2018	Head of Housing and Health

### Corporate Priority: Businesses

#### Outcome: Support for our businesses and the local economy

Action:	Performance measures or project milestones:	Deadline	Lead Officer
Deliver the Launchpad pilot and build a business case for a permanent business incubator facility in Bishop's Stortford	<ul style="list-style-type: none"> <li>Total number of businesses using the facility (target: 30)</li> <li>Number of businesses using the facility for more than 3 months (target: 20)</li> <li>Total income from businesses using the facility (target £20,000)</li> </ul>	30 September 2018	Business Engagement Manager
Deliver the Discretionary Business Rates' Grant Scheme to support businesses expanding their premises or opening up a new premise in the district (total available: £150,000)	<ul style="list-style-type: none"> <li>Number of successful applications to the Business Rate Discount Grant Scheme</li> <li>Number of additional jobs created as a result of awarding the scheme</li> <li>Qualitative feedback from businesses about how it has made a difference</li> </ul>	31 April 2019	Business Engagement Manager
Work with Visit Herts to increase the profile of local attractions and support businesses in their supply chains	<ul style="list-style-type: none"> <li>Total value of visitor economy to East Herts</li> <li>Total number of day trips and overnight trips to district</li> <li>Total number of jobs in district attributed to visitor economy</li> </ul>	31 December 2019	Business Engagement Manager
Deliver the Eastern Plateau Rural Development Programme (RDP) administering EU structural funds (total fund of €1.8m), to rural businesses for increasing productivity, farm diversification, tourism, cultural and heritage activity	<ul style="list-style-type: none"> <li>No. of East Herts businesses successful in applying to RDP</li> <li>Amount of £ invested in East Herts through the RDP</li> <li>No. of new jobs in East Herts created through the RDP</li> </ul>	31 March 2019	Head of Communications, Strategy and Policy
Sponsor the CVS "dragons apprentice" event for entrepreneurs in schools	<ul style="list-style-type: none"> <li>Amount (£) raised for local charities</li> </ul>	31 March 2019	Head of Communications, Strategy and Policy
Review the Environmental Health 'offer' to local businesses	<ul style="list-style-type: none"> <li>Review opportunities and produce options paper</li> </ul>	30 June 2018	Service Manager – Environmental Health
Introduce revised element of the Statement of Licensing Policy relating to licensed properties	<ul style="list-style-type: none"> <li>New policy in place</li> <li>% of food premises in the area which are broadly compliant with food hygiene law</li> </ul>	31 December 2018	Service Manager – Licensing and Enforcement
Cross-boundary working taxi enforcement	<ul style="list-style-type: none"> <li>Carry out cross-boundary taxi enforcement work</li> <li>Promote more consistent taxi licensing convictions policies across the region through the Herts and Beds Licensing Group</li> <li>Promote higher taxi standards from companies operating out of Stansted airport through joint work with Uttlesford District Council the Stansted Airport Consultative Group</li> </ul>	March 2019 September 2018 September 2018	Service Manager – Licensing and Enforcement
Optimisation of on-street parking within existing Resident Permit Zones.	<ul style="list-style-type: none"> <li>Implement 'shared use' parking in 'Chantry' area of Bishop's Stortford (subject to Committee approval).</li> </ul>	April 2018	Parking Manager
Re-tendering of parking enforcement contract	<ul style="list-style-type: none"> <li>Commencement of contract</li> </ul>	31 January 2019	Parking Manager

Corporate Priority: Businesses			
Outcome: Vibrant town centres			
Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Develop Old River Lane site: No 1 The Causeway (demolition and construction of a temporary car park) Old River Lane mixed use development scheme (masterplanning, viability assessment, consultations, design, planning, procurement, construction) and Multi-Storey Car Park (land negotiations, design, planning, procurement, construction) Work in partnership with Rhodes Trust and Town Council to develop detailed business case and operating model for new Art Centre	Measures initially to be completion of key phases within the overall project: <ul style="list-style-type: none"> <li>Detailed masterplan for whole site and associated viability assessments</li> <li>Agreed delivery model (joint venture/developer/council led) and potential development partner identified</li> <li>Planning application for MSCP granted</li> </ul>	31 March 2019	Chief Executive
Hertford Urban Design Study (HUDS): <ul style="list-style-type: none"> <li>Deliver improvements to Maidenhead Street and surrounding areas, including pedestrianisation and resurfacing.</li> <li>Support the delivery of the wider Hertford Urban Design Strategy.</li> </ul>	<ul style="list-style-type: none"> <li>New TROs in place</li> <li>Delivery of Maidenhead St project</li> </ul>	31 December 2018	Chief Executive
Bishop's Stortford Business Improvement District ( <i>action TBC depending on ballot</i> )	<ul style="list-style-type: none"> <li>Successful ballot</li> </ul>	31 July 2018	Business Engagement Manager
Working with town councils seek to devolve responsibility for managing markets	<ul style="list-style-type: none"> <li>Market service costs reduced</li> </ul>	31 March 2019	Enforcement & Inspection Team Manager

Corporate Priority: Businesses			
Outcome: Working with others, to have achieved the right infrastructure for our businesses and communities			
Action:	Performance measures or project milestones:	Deadline:	Lead Officer:
Implement sustainable transport initiatives	<ul style="list-style-type: none"> <li>Modal shift of East Herts staff commuting patterns (% of journeys by car, bike, train, foot etc.)</li> <li>Resident commuting and travel patterns (actual and proxy data available through HCC)</li> <li>Number of sustainable transport interventions progressed in the district through Section 106 contributions</li> </ul>	31 June 2019	Head of Communications, Strategy and Policy
Work with key partners such as the Local Enterprise Partnership, County Council and London Stansted Cambridge Consortium on identifying infrastructure requirements and bring them to fruition	<ul style="list-style-type: none"> <li>Number of transport and infrastructure schemes delivered in the district</li> </ul>	31 March 2019	Head of Communications, Strategy and Policy
Review CCTV provision	<ul style="list-style-type: none"> <li>Proposals for new provision identified</li> </ul>	31 December 2018	Service Manager – Community Wellbeing and Partnerships

**Actions not directly related to Corporate Plan Objectives**

Action	Performance measures or project milestones:	Deadline	Lead Officer
Implement Single Customer Services Team Structure	<ul style="list-style-type: none"> <li>Reduction in cost</li> </ul>	31 March 2019	Head of Communications, Strategy and Policy
Integrate first points of contact for Operations, Planning, Revenues and Benefits in the single customer services team	<b>Volume and proportion of customer contacts by:</b> <ul style="list-style-type: none"> <li>Email</li> <li>Face to face</li> <li>Calls</li> <li>Web based/ web forms</li> <li>Social media</li> </ul>	31 March 2019	Customer Services Manager
Ensure consistent quality of response at first points of contact across all channels	<ul style="list-style-type: none"> <li>Satisfaction with council services (web, telephony, face to face) measured via govmetric</li> <li>% complaints responded to within 10 working days</li> <li>% complaints upheld at stage 1</li> <li>Qualitative feedback from mystery shop exercises</li> </ul>	31 March 2019	Customer Services Manager
Ensure website meets needs of customers	<ul style="list-style-type: none"> <li>No. of page views</li> <li>Socitm rating</li> <li>Satisfaction rating of website (target 50%)</li> </ul>	31 March 2019	Communication and Digital Media Manager
Increase employee engagement through the new intranet	<ul style="list-style-type: none"> <li>No. of page views</li> </ul>	31 March 2019	Communication and Digital Media Manager
Manage the council's reputation through social media and traditional media	<ul style="list-style-type: none"> <li>Social media sentiment/ favourability score</li> <li>Press favourability score</li> </ul>	31 March 2019	Communication and Digital Media Manager
Provide policy support and analysis for the Council's Executive and Leadership Team	<ul style="list-style-type: none"> <li>Qualitative feedback</li> </ul>	31 March 2019	Policy Officer
To deliver the Organisational Development (OD) Strategy 2015-2019 and address concerns in the employee survey (2017)	<ul style="list-style-type: none"> <li>Number of short – term sickness absence days per FTE staff in post</li> <li>Number of long – term sickness absence days per FTE staff in post</li> <li>Total number of sickness absence days per FTE staff in post</li> </ul>	31 March 2019	Head of Human Resources and Organisational Development
Sustaining a skilled, flexible and motivated workforce –to deliver quality services which meet current and anticipated service needs	<ul style="list-style-type: none"> <li>Delivery of L&amp;D plan 2018/19</li> <li>Implement reward and benefit packages that give choice to our workforce and support work life balance.</li> <li>Review current terms and conditions.</li> <li>Implement national pay conditions including NLW.</li> <li>Review current pay grading model.</li> <li>Delivery of additional HR modules within new system</li> </ul>	31 March 2019	Head of Human Resources and Organisational Development
Planning for the workforce – develop and implement workforce planning; supporting recruitment and retention issues	<ul style="list-style-type: none"> <li>Deliver workforce planning (focusing on hard to fill, retention, career paths, skills, learning and development)</li> <li>Develop and deliver Apprenticeship programme 2018 – creating career paths; supporting workforce planning</li> <li>To work with LT on delivery of savings ideas to support targets</li> <li>Develop innovative recruitment and retention initiatives</li> </ul>	31 March 2019	Head of Human Resources and Organisational Development
Deliver the Accommodation Review	<ul style="list-style-type: none"> <li>Measures to be developed</li> </ul>	31 March 2019	Head of Strategic Finance and Property
Maximisation of in-year council tax collection.	<ul style="list-style-type: none"> <li>Council tax collection, % of current year liability collected achieved.</li> </ul>	31 March 2019	Head of Revenues and

Action	Performance measures or project milestones:	Deadline	Lead Officer
			Benefits
Maximisation of in-year council tax collection.	<ul style="list-style-type: none"> <li>Council tax collection, % of current year liability collected achieved.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Maximisation of collection of prior year arrears.	<ul style="list-style-type: none"> <li>Level of outstanding arrears reduced.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Provision of support and advice to customers experiencing difficulty in paying their liability.	<ul style="list-style-type: none"> <li>Customers sustain repayment arrangements thus avoiding enforcement action.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Proactive anti-fraud and avoidance activity to minimise loss of liability.	<ul style="list-style-type: none"> <li>Reliefs and discounts are reviewed and monitored using data matching etc. where appropriate.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Maximisation of new liability.	<ul style="list-style-type: none"> <li>Regular monitoring of all localities to identify and verify the timely inclusion of new builds and other developments into the rating list is carried out throughout the year.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Provision of a professional and appropriate service to all customers needing to engage with the service.	<ul style="list-style-type: none"> <li>Customer satisfaction levels.</li> </ul>	31 March 2019	Head of Revenues and Benefits
Introduce mobile working app for Uniform to improve service delivery and drive efficiencies	<ul style="list-style-type: none"> <li>Mobile app rolled out to appropriate Environmental Health officers</li> </ul>	30 June 2018	Service Manager – Environmental Health
Successful contracts in place for: <ul style="list-style-type: none"> <li>Parking Contract</li> <li>Grounds Project</li> <li>Leisure Contract</li> <li>Theatre &amp; Leisure development projects</li> <li>Joint Waste Contract with North Herts</li> </ul>	<ul style="list-style-type: none"> <li>Measures to be developed</li> </ul>	31 March 2019	Head of Operations
Idox Optimisation Programme for DM service	<ul style="list-style-type: none"> <li>Speed of delivery of DM service</li> <li>Printing/ paper consumption</li> <li>Costs identification and management for DM service</li> <li>Cost reduction</li> </ul>	31 March 2019	Director
Develop the role of legal services to deliver advice and guidance in a timely and cost effective manner and reducing the council spend on external legal advice	<ul style="list-style-type: none"> <li>Increase in staff and decrease in external reliance for legal support</li> </ul>	31 March 2019	Head of Legal and Democratic Services
Publication of Register of Electors	<ul style="list-style-type: none"> <li>Successful publication</li> </ul>	31 December 2018	Head of Democratic and Legal Services
Support the Digital East Herts programme by increasing the range of online services available in ModGov	<ul style="list-style-type: none"> <li>Milestones and measures to be developed</li> </ul>	31 March 2019	Head of Democratic and Legal Services
Emergency planning	<ul style="list-style-type: none"> <li>Review all emergency plan documentation</li> </ul>	June 2018	Service Manager – Community Wellbeing and Partnerships
Respond to FOIs in a timely manner	<ul style="list-style-type: none"> <li>% FOIs dealt with within 20 days</li> </ul>	31 March 2019	Head of Democratic and Legal Services

# East Hertfordshire District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to East Hertfordshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you [have/have not] put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 September 2017
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 29 September 2017

In January 2018 we will also issue a report to those charged with governance of the Council summarising the claims certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Debbie Hanson

Executive Director  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the Performance, Audit and Governance Scrutiny Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 22 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2016/17 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2017.

Our detailed findings were reported to the 26 September 2017 Performance, Audit and Governance Scrutiny Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. Our work on the property valuations focused on verifying and critically challenging the basis of valuation adopted by the valuer in relation to the Council's property, in particular for specialist assets which are valued on a depreciated replacement costs basis. We engaged our Internal specialists to review a sample of assets and gained sufficient assurance that the values reported in the financial statements were not materially misstated.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p>

requirements to be capitalised.	<p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>
<p><b>Valuation of Property Assets – Old River Lane</b></p> <p>Valuation of property assets is a significant accounting estimate that has a material impact on the financial statements.</p> <p>The Old River Lane site was purchased by the Council during 2015 and classified as an investment asset in the Council's 2015/16 accounts. The Council is continuing to develop its proposals for the use of this site and this is likely to result in changes in the classification and valuation of the asset in 2016/17. Due to the material nature of the asset, small changes in assumptions when valuing the asset could have a material impact on the Council's financial statements.</p>	<p>To address this risk we completed a number of procedures including:</p> <ul style="list-style-type: none"> <li>Assessing the accounting classification of the Old River Lane site, the resulting valuation basis applied to the assets</li> <li>Confirmed the PPE and Investment Property valuations which included non-material a decrease of investment property value and a non-material increase in the PPE balance during 2016/17.</li> <li>Assessing the work of the property valuation specialists commissioned by the Council to value the Old River Lane Site to determine whether we could place reliance on their work. We concluded that we could place reliance on their valuations for this asset.</li> <li>Reviewing and testing the accounting entries and disclosures made within the financial statements in relation to any revaluations or impairments. No issues have been identified in reviewing this accounting treatment.</li> </ul> <p>As a result of the procedures we completed we were satisfied that the Old River Lane site is valued on an appropriate basis and the values in the accounts are not materially misstated.</p>

Other Key Findings	Conclusion
<p>Valuations – reliance on experts</p> <p>We identified two areas in our Audit Plan where</p>	<p>Pensions: We have assessed and are satisfied with the competency and objectivity of the Council actuaries: Hymans Robertson LLP. Our own pensions team and PwC (Consulting</p>

we place reliance on experts; pensions and property valuations. These areas are both highly material balances in the Council's accounts which are based on estimates and professional judgement.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area.

Actuary to the NAO) have reviewed the work of the actuaries and conclude we can place reliance on them. We also challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate.

Property valuations: We are satisfied that the Council's valuers, Wilks Head & Eve, have the necessary qualifications and experience. We engaged our internal valuation specialist to review and critically challenge the basis and method of valuation adopted for a sample of assets, including particularly specialised assets which are valued on a depreciated replacement costs basis which is a more judgemental valuation basis. We have concluded that there are elements of the Specialist's approach to valuation which are formulaic and are not consistent with UK valuation practice, given the characteristics of the properties being valued and considering the facts and circumstances at the valuation date. For the sample of properties we reviewed, we have however concluded that, despite these issues, the values appear to be in a reasonable range albeit at the upper end. We have considered the potential impact of these issues on the remainder of the Council's property, plant and equipment balance and have concluded that the overall valuation estimate is not unreasonable.

#### Financial statement presentation - CIES and EFA

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 changing the way the financial statements are presented. The new reporting requirements impact on the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

As a result of these changes, the service analysis should be based on the organisational structure under which the Council operates. This change in the Code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

Our testing focussed on:

- Reviewing the Expenditure and Funding Analysis, the restated CIES and new notes to ensure disclosures are in line with the code of practice;
- Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and
- Agreeing the restated comparative figures back to the Council's segmental analysis and supporting working papers.

We have not identified any material misstatements from our work on the CIES and Expenditure and Funding Analysis. The disclosures are compliant with the Code of Practice and reflect the Council's organisational structure.

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined materiality to be £1.531 million (2016: £1.743 million), which is 2% of gross expenditure reported in the accounts.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Performance, Audit and Governance Scrutiny Committee that we would report to the Committee all uncorrected audit differences in excess of £0.076 million (2016: £0.087 million)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits:
- Related party transactions;
- Member's allowances.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

## Value for Money



## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risk in relation to these arrangements, relating to the development of Old River Lane. The table below presents the findings of our work in response to the risk identified.

We have performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2017.

Significant Risk	Conclusion
<p>Informed decision making and partnership working: Development of Old River Lane</p> <p>The Council purchased Old River Lane for investment purposes during 2015/16. This is a substantial asset and the purchase of such a significant investment asset is outside the Council's normal course of business.</p> <p>The development of the site is therefore significant project for the Council which presents challenges in terms of governance, financial and risk management as well as partnership working.</p> <p>Plans for the site are continuing to be developed, and decisions that the Council is making now, will impact on revenue and capital costs relating to the project, in current as well as future years.</p>	<p>We have assessed the arrangements in place supporting the development of the site, focusing on:</p> <ul style="list-style-type: none"> <li>• Gaining an understanding of the plans for Old River Lane development</li> <li>• Assessing the governance and financial and risk management arrangements in place to support key decision making</li> <li>• Understanding the financial implications of the project and the key decisions being made, including the linkage between the capital programme and revenue budgeting</li> <li>• Understanding how the Council is working with other bodies and partners in relation to the project</li> </ul> <p>We have not identified any issues in the review of the arrangements in place for developing the site. We will continue to review the progress of the development as decisions are made about its future as part of our 2017/18 audit.</p>



## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2016/17 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Performance, Audit and Governance Scrutiny Committee on 26 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Performance, Audit and Governance Scrutiny Committee.

A close-up, shallow depth-of-field photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, partially covering the binoculars and the person's face.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>Over the coming months, the Council needs to review its processes for responding to audit queries and establish the key contacts for the audit process, we'll be happy to engage in this discussion.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>• Issued a thought piece on early closedown</li> <li>• As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales</li> <li>• Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017</li> <li>• Invited clients to a Faster Close workshop</li> </ul> <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> <li>• Streamlining the Statement of Accounts removing all non-material disclosure notes</li> <li>• Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations</li> <li>• Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure</li> <li>• Establishing and agreeing working materiality amounts for the accounts closure process.</li> </ul>

Appendix A

## Audit Fees



## Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 22 March 2017 Audit Plan.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	To be confirmed	52,331	52,331	53,102
Total Audit Fee – Certification of claims and returns	To be confirmed	5,955	5,955	8,316

In 2015/16 an additional fee of £771 was charged in respect work required in response to the significant risks identified in relation to our value for money conclusion on 2015/16.

During 2016/17 we have proposed an additional fee in respect of additional procedures relating to property, plant and equipment and investment property valuations and additional costs incurred in completing our audit due to some delays in receiving responses to audit queries. We are currently finalising the value of this with management. This will also need to be agreed with PSAA.

We have not yet completed our audit of the 2016/17 housing subsidy claim and therefore are not able to confirm the final fee for 2016/17.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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The Members of the Performance, Audit and Governance  
Scrutiny Committee  
East Hertfordshire District Council  
Wallfields  
Pegs Lane  
Hertford  
Herts, SG13 8EQ

21 December 2017

Ref: dh/ks/BEN01/17

Email: dhanson@uk.ey.com

Dear Members

## **Certification of claims and returns annual report 2016/17 East Hertfordshire District Council**

We are pleased to report on our certification work. This letter summarises the results of our work on East Hertfordshire District Council's 2016/17 housing benefit subsidy claim.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016/17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

We checked and certified the housing benefits subsidy claim which had a total value of £35.2 million. No amendments were required to the claim, nor did we identify any issues that required reporting to the Department for Work and Pensions. We submitted the certified claim on 8 November 2017, well ahead of the deadline of 30 November.

### **Fees**

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)). Details of the fees for 2016/17 and 2015/16 are set out on the next page.

	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	4,759	5,955	8,316

This year we agreed with the Council's Head of Strategic Finance and Property that we would reduce the scale fee by 20% if the housing benefit team undertook the initial testing of the non housing revenue account rent rebates and rent allowances. The actual fee shown above is inclusive of this reduction. The reduction in the fee has to be approved by PSAA and we are in the process of obtaining the required approval.

## 2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £8,316. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

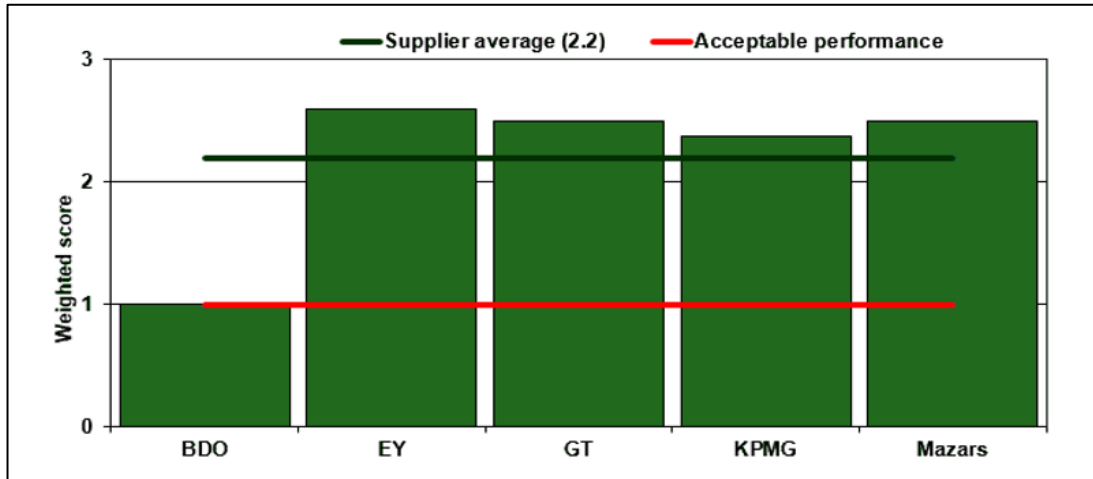
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Council's Head of Strategic Finance and Property before seeking any such variation.

## 2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed as your statutory auditor by PSAA in December 2017, we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your housing benefits service.

We welcome the opportunity to discuss the contents of this report with you at the Performance, Audit and Governance Scrutiny Committee meeting due to be held on 16 January 2018.

Yours faithfully

**Debbie Hanson**  
Associate Partner  
Ernst & Young LLP

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## East Herts Council

Performance, Audit and Governance  
Scrutiny Committee  
16 January 2018

### SIAS 2017/18 Audit Plan Progress Report

#### Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report,
- Approve amendments to the Audit Plan as at 29 December 2017, and
- Note the status of high priority recommendations.

# Contents

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

## Appendices

- A Progress against the 2017/18 Audit Plan
- B Implementation status of high priority recommendations
- C Audit Plan Items (April 2017 to March 2018) – Start Dates Agreed with Management

# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2017/18 as at 29 December 2017.
  - b) An update on performance management information as at 29 December 2017.

## Background

- 1.2 The 2017/18 Audit Plan was approved by the Audit and Governance Committee on 22 March 2017.
- 1.3 The Performance, Audit and Governance Scrutiny Committee receive periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to the Committee on 26 September 2017. A verbal update on performance against two key performance indicators was brought to the November meeting of this Committee by the Head of Strategic Finance and Property on behalf of SIAS
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 29 December 2017, 68% of the 2017/18 Audit Plan days had been delivered (calculation excludes unused contingency). Appendix A provides a status update on each individual project within the audit plan.
- 2.2 One project from the 2016/17 Audit Plan has been finalised since the September 2017 meeting of this Committee:

Audit Title	Date of Issue	Assurance Level	Number and Priority of Recommendations
Joint Review - PREVENT	Nov '17	N/A	N/A (6 suggested control enhancements – 3 with relevance to EHC)

The following nine 2017/18 projects have been finalised since the September meeting:

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number and Priority of Recommendations</b>
Taxi Licensing Enforcement	Sep '17	Full	N/A
Licensing	Sep '17	Substantial	One medium One merits attention
DFG Capital Grant Certification	Sep '17	N/A	N/A
Digital East Herts	Oct '17	Substantial	One medium Three merits attention
NDR	Oct '17	Full	None
Off-Payroll Payments (IR35)	Nov '17	Substantial	Three medium
Hertford Theatre Income	Dec '17	Substantial	Two medium
Customer Services – 3 Cs	Dec '17	Substantial	Two medium
Treasury Management	Dec '17	Full	None

#### High Priority Recommendations

- 2.3 A final audit report is issued when agreed by management; this includes an agreement to implement recommendations that have been made. It is SIAS's responsibility to bring to the attention of Members the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.4 The current position in respect of existing outstanding high priority recommendations is shown at Appendix B.

#### Proposed Audit Plan Amendments

- 2.5 The following changes to the 2017/18 Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:

Deleted Audits (days returned to contingency):

- Office Accommodation Project (12 days)  
Audit cancelled as insufficient progress in this year to warrant an audit. To be considered for inclusion in the 2018/19 Audit Plan.

Amended Audits (days returned to contingency)

- Creditors / Debtors / General Ledger / Treasury Management  
The scope of these audits has been reduced in agreement with the Head of Strategic Finance and Property and the Financial Services Manager in view of the implementation of the new

Finance system. The reduction in days reduces demands on officer time during the critical phase of the project leading to go-live on 1 April 2018. The scope and timings of these audits will be re-assessed in 2018/19 when the new system is operational.

A total of 18 days has been returned to contingency from these audits.

- Joint Reviews  
Two of the original five days to be allocated to the preparation of summary learning from the Serious Organised Crime Reviews completed across all SIAS clients. The remaining three days to be returned to contingency.

### Performance Management

- 2.6 Annual performance indicators and associated targets were approved by the SIAS Board in March 2017 and are reviewed annually.
- 2.7 As at 29 December 2017, actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

Performance Indicator	Annual Target	Profiled Target to 29 December 2017	Actual to 29 December 2017
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	70%	68%
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (19 of 35 projects to draft)	49% (17 of 35 projects to draft)
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	None yet made in 2017/18

2.8 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2017/18 Head of Assurance's Annual Report:

- **5. External Auditor's Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit and Governance Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Performance, Audit and Governance Scrutiny Committee's first meeting of the civic year.

# APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 DECEMBER 2017

## 2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Key Financial Systems</b>								
Asset Management					10	Yes	1	In planning
Council Tax					10	Yes	9.5	Draft report issued
Creditors					7	Yes	6.5	Draft report issued
Debtors					8	Yes	7.5	Draft report issued
General Ledger					6	Yes	4.5	In fieldwork
Housing Benefits & Rent Allowances					10	Yes	2	In fieldwork
NDR	Full	0	0	0	10	Yes	10	Final report issued
Payroll					14	Yes	8	In fieldwork
Payroll Certificate	N/A	-	-	-	1	Yes	1	Complete
Treasury	Full	0	0	0	5	Yes	5	Final report issued
<b>Operational Audits</b>								
Development Management (pre-application process)					6	Yes	0.5	In planning
Section 106 Agreements (application of revised charging)					8	Yes	0.5	In planning
Old River Lane Development					14	Yes	13.5	Draft report issued
Accommodation Project (challenge assumptions)					0		0	Cancelled
Business Continuity Planning					10	Yes	9.5	Draft report issued
Communications					10	Yes	2	Terms of reference issued – to start February
Customer Service - 3 Cs	Substantial	0	2	0	12	Yes	12	Final report issued

## APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 DECEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Hertford Theatre – income	Substantial	0	2	0	10	Yes	10	Final report issued
Play Safety Inspections					10	Yes	0	Due to start February
Digital East Herts	Substantial	0	1	3	12	Yes	12	Final report issued
Off-Payroll Payments	Substantial	0	3	0	5	Yes	5	Final report issued
Licensing - processing of applications and issue of licences	Substantial	0	1	1	15	Yes	15	Final report issued
Taxi Licensing Enforcement	Full	0	0	0	8	Yes	8	Final report issued
Food Safety Inspections					10	Yes	8.5	In fieldwork
New Payroll System – rollout of self-service					8	Yes	0.5	In planning
DFG Capital Grant Certification	N/A	-	-	-	2	Yes	2	Complete
Petty Cash & Procurement Cards					8	Yes	7.5	Draft report issued
Elections					5.5	Yes	0.5	In planning
<b>Procurement</b>								
Local Authority Serious and Organised Crime Checklist					10	Yes	8	In fieldwork
Procurement					15	Yes	14	Draft report issued
<b>IT Audits</b>								
Mobile Device Management					6	BDO	0	Due to start February
IT Procurement					6	BDO	5.5	Draft report issued
IT Shared Service Agreement					6	BDO	0	Due to start February
IT Incident Management					6	BDO	5.5	Draft report issued
Cyber Security					6	BDO	0.5	In planning

## APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 DECEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Shared Learning</b>								
Shared Learning Newsletters and Summary Themed Reports					5	N/A	4	Ongoing
Joint Reviews – topics to be determined by the SIAS Board					0		0	Cancelled
Shared Learning from Local Authority Serious and Organised Crime Review					2		0	Ongoing
<b>Risk Management</b>								
Risk Management					0		0	Cancelled
<b>Anti-Fraud</b>								
Anti-Fraud – Controls Review					5	No	0	As required
<b>Strategic Support</b>								
2018/19 Audit Planning					10	N/A	2	Ongoing
Audit Committee					12	N/A	10	Ongoing
Client Liaison					10	N/A	7.5	Ongoing
Liaison with External Audit					1	N/A	0.5	Ongoing
Head of Internal Audit Opinion 2016/17					5	N/A	5	Complete
Plan Delivery Monitoring					10	N/A	7.5	Ongoing
SIAS Development					5	N/A	5	Complete
<b>Contingency</b>								
Unused Contingency					33	N/A		

## APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AS AT 29 DECEMBER 2017

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
<b>Follow Ups</b>								
Follow up of high priority recommendations					3	N/A	2.5	Ongoing
<b>2016/17 Projects requiring completion</b>								
Various					8.5	N/A	8.5	Complete
Joint Review – PREVENT	N/A	-	-	-	0.5	BDO	0.5	Final report issued
Joint Review – Local Authority Trading					0.5	BDO	0	In fieldwork
<b>EHC TOTAL</b>					<b>400</b>		<b>248.5</b>	

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (December 2017)
1.	Tree Surveying (May 2017)	It is recommended that the service is let in accordance with the Council's contract standing orders for future years.	To retender the tree risk inspection contract and to design and procure a new schedule of works based maintenance contract.	Parks and Open Spaces Manager	31 March 2018	<u>December 2017</u> The specification is drafted for the inspection contract and just needs some final modifications to ensure it will provide the necessary platform for the maintenance works. We should be able to get that out for tender this month and therefore in time to have the contract renewed and running by March 31 <sup>st</sup> 2018.	Not implemented – continue to monitor

## APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate <b>Complete</b>	Petty Cash & Procurement Cards <b>Draft report issued</b>	Off-Payroll Payments <b>Final report issued</b>	Business Continuity Planning <b>Draft report issued</b>	Digital East Herts <b>Final report issued</b>	DFG Capital Grant Sign-Off <b>Complete</b>	Council Tax <b>Draft report issued</b>	Treasury Mgmt <b>Final report issued</b>	Debtors <b>Draft report issued</b>	Creditors <b>Draft report issued</b>	Comms <b>Terms of reference issued</b>	Elections <b>In planning</b>
Licensing <b>Final report issued</b>	Taxi Licensing Enforcement <b>Final report issued</b>	Procurement <b>Draft report issued</b>	Hertford Theatre – income <b>Final report issued</b>	IT Incident Mgmt <b>Draft report issued</b>	IT Procurement * <b>Draft report issued</b>	Housing Benefits <b>In fieldwork</b>	NDR <b>Final report issued</b>	Asset Mgmt <b>In planning</b>	Development Management (pre-applications) * <b>In planning</b>	Play Safety Inspections	
3 C's <b>Final report issued</b>				Serious & Organised Crime <b>In fieldwork</b>		Old River Lane <b>Draft report issued</b>		General Ledger <b>In fieldwork</b>	Section 106* <b>In planning</b>	IT Shared Service Agreement *	
								Food Safety <b>In fieldwork</b>		Anti-Fraud Controls Review	
								Payroll		Mobile Device	

## APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) – START DATES AGREED WITH MANAGEMENT

								In fieldwork		Mgmt*	
										Cyber Security*	
										New Payroll System – self- service*  In planning	

### \*Notes

The following IT audits have been moved to align with client and BDO resource availability:

- **IT Procurement** - July to September
- **Cyber Security** - July to February
- **Mobile Device Management** - August to February
- **IT Shared Service Agreement** - September to February

The following audits have been moved as the revised processes have not yet been fully implemented:

- **Development Management (pre-applications)** - October to January
- **New payroll system (self-service)** - November to February

The following audit has been moved to allow time for a restructure of the service to be completed:

- **Section 106** - August to January

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## EAST HERTS COUNCIL

### PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE – 16 JANUARY 2018

#### REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

#### TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY 2018-19

WARDS AFFECTED: NONE

#### Purpose/Summary of Report

- The report sets out the proposed Treasury Management Strategy and Annual Investment Strategy for 2018-19.
- Where changes have been made to the revised Treasury Management Strategy and Annual Investment Strategy for 2017-18 or to the credit criteria for selection of investment counterparties approved for 2017-18, these have been referred to and discussed below.
- This report also presents the 2018-19 Prudential Indicators for approval.

<b><u>RECOMMENDATION FOR PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE: to recommend to the Executive that:</u></b>	
(A)	<b>The Treasury Management Strategy and Annual Investment Strategy discussed in paragraphs 2.1 – 2.2 be received and recommended for approval by Council via the Executive.</b>
(B)	<b>The Prudential Indicators discussed in paragraph 2.3 be recommended for approval by Council via the Executive.</b>
(C)	<b>The counterparty listing discussed in paragraph 2.4 be recommended for approval by Council via the Executive.</b>

#### 1 Background

- 1.1 Treasury management is defined as: ‘The management of the Council’s investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the risks associated with these

activities; and the pursuit of optimum returns consistent with the Council's risk management policy for treasury management.'

- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management (the Code) recommends that Members be updated on treasury management activities regularly through the Treasury Management Strategy Statement (TMSS), Annual Investment Strategy (AIS) and mid and year end reports. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.3 The Council is required by the CIPFA Treasury Management Code of Practice to approve a Treasury Management Strategy and Annual Investment Strategy each year. The purpose of the Strategy is to ensure that there is adequate cash flow to fund the Council's revenue and capital aspirations in both short and longer term.
- 1.4 The Strategy sets out a risk management policy for the investment of surplus cash. The Strategy is designed to obtain the highest possible yield, contingent upon investments being secure, and there being sufficient liquidity to meet the Council's daily cash needs.
- 1.5 The Council is required by the CIPFA Prudential Code to approve each year a set of Prudential Indicators. The Indicators must be approved by Full Council before the beginning of each financial year. Their purpose is to help the Council ensure that its capital investment plans are affordable, prudent and sustainable.

## 2 Report

- 2.1 Please refer to the recommended Treasury Management Strategy and Annual Investment Strategy in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2018-19**.
- 2.2 There have been no additional regulatory changes since those that were included in the revised Treasury Management Strategy submitted to the Audit and Governance Committee on 25 January 2017. No additional changes to the 2018-19 Strategy have been proposed.
- 2.3 Prudential Indicators are included in **Essential Reference Paper 'B': Treasury Management Strategy and Annual Investment Strategy 2017-18** paragraphs 2.1, 2.2, 2.3, 3.1, 3.2, and **Essential Reference Paper 'C': Prudential Indicators**.

- 2.4 Please refer to the recommended counterparty listing in **Essential Reference Paper ‘F’: Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management Credit Rating Tables 2018-19**.
- 2.5 The Treasury Management Strategy also includes the Council’s Minimum Revenue Provision (MRP) policy. The Strategy recommends that the Council continue to have a nil MRP.
- 3 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

#### Background Papers

CIPFA Code of Practice on Treasury Management (2011)

CIPFA Prudential Code for Capital Finance in Local Authorities (2013)

Contact Member: Councillor Geoffrey Williamson, Executive Member for Finance and Support Services.  
[geoffrey.williamson@eastherts.gov.uk](mailto:geoffrey.williamson@eastherts.gov.uk)

Contact Officers: Isabel Brittain, Head of Strategic Finance and Property,  
Tel: 01279 502050.  
[isabel.brittain@eastherts.gov.uk](mailto:isabel.brittain@eastherts.gov.uk)

Report Author: Nicola Munro, Finance Business Partner, Tel: 01279 502044. [nicola.munro@eastherts.gov.uk](mailto:nicola.munro@eastherts.gov.uk)

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**IMPLICATIONS/CONSULTATIONS**

Contribution to the Council’s Corporate Priorities/ Objectives <i>(delete as appropriate)</i> :	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people’s lives</p> <p>Priority 3 – Enable a flourishing local economy</p>
Consultation:	Not Applicable
Legal:	<p>The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement, annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code. The report fulfils the following legislative requirements:</p> <ul style="list-style-type: none"> <li>• Reporting of prudential Indicators in line with the requirements of the CIPFA Code of Practice.</li> <li>• Reporting to those charged with governance a mid-year treasury management report.</li> </ul>
Financial:	Within the body of the report.
Human Resource:	Not Applicable
Risk Management:	Within the body of the report.
Health and wellbeing – issues and impacts:	Not Applicable

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## **Essential Reference Paper “B”**

# **East Herts District Council**

## **Treasury Management Strategy Statement**

Minimum Revenue Provision Policy Statement and  
Annual Investment Strategy

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2018/19

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## 1 INTRODUCTION

### 1.1 Background

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

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

CIPFA defines treasury management as:

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

### 1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

#### **Prudential and treasury indicators and treasury strategy (this report)**

- The first, and most important, report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A mid-year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Scrutiny**

It is a requirement that the above reports are adequately scrutinised before being recommended to the Council. The Performance, Audit and Governance Scrutiny Committee undertake this role.

### **1.3 Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG (Department for Communities and Local Government) MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

### **1.4 Training**

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Members received training on 16<sup>th</sup> May 2017 from our treasury advisors Capita Asset Services (now Link Asset Services) and further training will be arranged as required.

Treasury management officers regularly attend CIPFA and Link Asset Services workshops and seminars; further training needs are reviewed periodically.

### **1.5 Treasury management consultants**

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## 2 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

<b>Capital expenditure £m</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
<b>Total</b>	<b>2.8</b>	<b>5.3</b>	<b>1.9</b>	<b>1.6</b>	<b>16.2</b>

Other long-term liabilities - The above financing need excludes other long-term liabilities, such as leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing these plans. Any shortfall of resources results in a funding borrowing need.

<b>Financing of capital expenditure £m</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Capital receipts	1.9	3.3	1.0	0.5	0.5
Capital grants	0.3	0.0	0.0	0.0	0.0
Capital reserves	0.4	0.0	0.0	0.0	0.0
Revenue	0.2	0.0	0.0	0.0	0.0
<b>Net financing need for the year</b>	<b>0.0</b>	<b>2.0</b>	<b>0.9</b>	<b>1.4</b>	<b>15.7</b>

### 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either

revenue or capital resources. It is essentially a measure of the Council's indebtedness and so is its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Councils borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

The Council is asked to approve the CFR projections below:

<b>£m</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>(23.1)</b>	<b>(23.1)</b>	<b>(21.1)</b>	<b>(20.2)</b>	<b>(18.8)</b>
<b>Movement in CFR</b>	<b>0.0</b>	<b>2.0</b>	<b>0.9</b>	<b>1.4</b>	<b>15.7</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (above)	0.0	2.0	0.9	1.4	15.7
Less MRP/VRP and other financing movements	0.0	0.0	0.0	0.0	0.0
<b>Movement in CFR</b>	<b>0.0</b>	<b>2.0</b>	<b>0.9</b>	<b>1.4</b>	<b>15.7</b>

*Note the MRP / VRP will include finance lease annual principal payments*

### 2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the

revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

<b>Year End Resources £m</b>	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Fund balances / reserves	15.3	14.6	14.6	16.0	17.9
Capital receipts	0.8				
Provisions	0.0				
Other	0.5				
<b>Total core funds</b>	<b>16.6</b>				
Working capital*	32.4	30.4	29.5	28.1	12.4
(Under)/over borrowing**	7.8	7.5	7.5	7.5	1.5
<b>Expected investments</b>					

\*Working capital balances shown are estimated year-end; these may be higher mid-year

### 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>External Debt</b>					
Debt at 1 April	7.5	7.5	7.5	7.5	7.5
Expected change in Debt	0.0	0.0	0.0	0.0	(6.0)
Other long-term liabilities (OLTL)	0.3	0.0	0.0	0.0	0.0
Expected change in OLTL	0.0	0.0	0.0	0.0	0.0
Actual gross debt at 31 March	<b>7.8</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>1.5</b>
The Capital Financing Requirement	<b>(23.1)</b>	<b>(23.1)</b>	<b>(21.1)</b>	<b>(20.2)</b>	<b>(18.8)</b>
Under / (over)	<b>(7.8)</b>	<b>(7.5)</b>	<b>(7.5)</b>	<b>(7.5)</b>	<b>(1.5)</b>

borrowing					
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Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Head of Strategic Finance and Property reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

<b>Operational boundary £m</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Debt	7.5	7.5	7.5	1.5
Other long term liabilities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>1.5</b>

**The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

<b>Authorised limit £m</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Debt	11.5	11.5	11.5	11.5
Other long term liabilities	0.2	1.0	1.0	1.0
<b>Total</b>	<b>11.7</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>

### 3.3 Prospects for interest rates

A more detailed interest rate forecast and economic commentary are set out in ERP C and D.

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. (Federal Reserve) has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of

progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee

policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.

- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer-term PWLB rates include -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed. causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

### **Investment and borrowing rates**

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that,

there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

### **3.4 Borrowing strategy**

The Council is currently in a negative CFR position. This means that the capital borrowing need (the Capital Financing Requirement), has not been reached due to the level of the Council's reserves.

Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Head of Strategic Finance and Property will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Any decisions which will result in a significant change to the CFR and this Council's need to borrow, will be reported to full council at the next available opportunity.

### **3.5 Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### **3.6 Debt rescheduling**

As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these

savings will need to be considered in light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the *Council*, at the earliest meeting following its action.

### **3.7Municipal Bond Agency**

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLb). This Authority may make use of this new source of borrowing as and when appropriate.

## **4 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix 5.4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

### **4.2 Creditworthiness policy**

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;

- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service: -

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

	Colour (and long term rating where applicable)	Money Limit at Time of Investment per Banking Group / Fund / Authority	Time Limit
<b>Banks *</b>	<b>yellow</b>	<b>£10m</b>	<b>5yrs</b>
<b>Banks</b>	<b>purple</b>	<b>£10m</b>	<b>2 yrs</b>
<b>Banks</b>	<b>orange</b>	<b>£10m</b>	<b>1 yr</b>
<b>Banks – part nationalised</b>	<b>blue</b>	<b>£20m</b>	<b>1 yr</b>
<b>Banks</b>	<b>red</b>	<b>£10m</b>	<b>6 mths</b>
<b>Banks</b>	<b>green</b>	<b>£10m</b>	<b>100 days</b>
<b>Banks</b>	<b>No colour</b>	<b>Not to be used</b>	
<b>Limit 3 category – Council's banker (where "No Colour")</b>	<b>XXX</b>	<b>£20m</b>	<b>1 day</b>
<b>Property Funds</b>	<b>-</b>	<b>£20m</b>	<b>Not a fixed term investment so no time</b>

			<b>limit</b>
<b>DMADF</b>	<b>UK sovereign rating</b>	<b>unlimited</b>	<b>6 months</b>
<b>Local authorities</b>	<b>n/a</b>	<b>£10m / %</b>	<b>5yrs</b>
	<b>Fund rating</b>	<b>Money and/or % Limit</b>	<b>Time Limit</b>
<b>Money Market Funds CNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>liquid</b>
<b>Money Market Funds LVNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>liquid</b>
<b>Money Market Funds VNAV</b>	<b>AAA</b>	<b>£10m</b>	<b>liquid</b>
<b>Ultra-Short Dated Bond Funds with a credit score of 1.25</b>	<b>Dark pink / AAA</b>	<b>£10m</b>	<b>liquid</b>
<b>Ultra-Short Dated Bond Funds with a credit score of 1.50</b>	<b>Light pink / AAA</b>	<b>£10m</b>	<b>liquid</b>

*\* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see ERP E.*

### 4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch, or equivalent. The list of countries that qualify using this credit criteria as at the date of this report are shown in ERP G. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### 4.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations.**

Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	<b>Now</b>
2017/18	0.40%
2018/19	0.60%
2019/20	0.90%
2020/21	1.25%
2021/22	1.50%
2022/23	1.75%
2023/24	2.00%
Later years	2.75%

The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

<b>Maximum principal sums invested &gt; 364 &amp; 365 days</b>			
<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Principal sums invested > 364 & 365 days	£40m	£40m	£40m

*This takes account of the proposed change in the CIPFA Treasury Code from a 364 day limit to 365 days.*

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from the compounding of interest.

#### **4.5 Investment risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, 1, 3, 6 or 12 month LIBID compounded / uncompounded.

#### **4.6 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 ESSENTIAL REFERENCE PAPERS**

- A. Implications/Consultations
- B. Treasury Management Strategy 2018/19 (this report)
- C. Prudential and treasury indicators and MRP statement
- D. Interest rate forecasts
- E. Economic background
- F. Treasury management practice 1 – credit and counterparty risk management
- G. Approved countries for investments
- H. Treasury management scheme of delegation
- I. The treasury management role of the section 151 officer

## THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2018/19 – 2020/21 AND MRP STATEMENT

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

### 1.1.1 Capital expenditure

Capital expenditure £m	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
<b>Total</b>	<b>2.8</b>	<b>5.3</b>	<b>1.9</b>	<b>1.6</b>	<b>16.2</b>

### 1.1.2 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision.

Following the disposal of the Council's Housing stock the calculated MRP is now nil.

### 1.1.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

<b>%</b>	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Ratio	4.64%	4.57%	4.49%	4.25%	1.29%

The estimates of financing costs include current commitments and the proposals in this budget report.

**b. Incremental impact of capital investment decisions on the band D council tax**

£	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>Council tax - band D</b>	12.36	12.09	11.19	11.02	4.04

**1.1.4 Treasury indicators for debt**

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
<b>Interest rate exposures</b>			
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	50%	50%	50%
<b>Maturity structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	0%	
12 months to 2 years	0%	0%	
2 years to 5 years	80%	80%	
5 years to 10 years	0%	0%	
10 years to 20 years	0%	0%	
20 years to 30 years	0%	0%	
30 years to 40 years	20%	20%	
40 years to 50 years	0%	0%	
<b>Maturity structure of variable interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	0%	
12 months to 2 years	0%	0%	
2 years to 5 years	0%	0%	
5 years to 10 years	0%	0%	
10 years to 20 years	0%	0%	
20 years to 30 years	0%	0%	
30 years to 40 years	0%	0%	
40 years to 50 years	0%	0%	

## **ECONOMIC BACKGROUND**

**GLOBAL OUTLOOK.** **World growth** looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this. The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

### **KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income

yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, nor, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap

borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

**UK.** After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and

gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EZ.** Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA.** Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN.** Japan has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

**Brexit timetable and process**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

## Interest Rate Forecasts 2017 – 2021

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View														
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.70%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate														
Link Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	-	-	-	-	-
5yr PWLB Rate														
Link Asset Services	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.30%	2.60%	2.90%	2.90%	2.90%	2.90%	2.90%	-	-	-	-	-
10yr PWLB Rate														
Link Asset Services	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.30%	2.60%	2.80%	3.10%	3.30%	3.30%	3.30%	3.30%	3.30%	-	-	-	-	-
25yr PWLB Rate														
Link Asset Services	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.95%	3.15%	3.45%	3.65%	3.90%	3.90%	3.90%	3.90%	3.90%	-	-	-	-	-
50yr PWLB Rate														
Link Asset Services	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.80%	3.10%	3.30%	3.60%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

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## TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

**NON-SPECIFIED INVESTMENTS:** These are any investments which do not meet the specified investment criteria. A maximum of 75% will be held in aggregate in non-specified investment

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	<b>Minimum credit criteria / colour band</b>	<b>Max % of total investments</b>	<b>Max. maturity period</b>
DMADF – UK Government	N/A	100%	12 months
UK Government gilts	UK sovereign rating	80%	12 months
UK Government Treasury bills	UK sovereign rating	80%	12 months
Bonds issued by multilateral development banks	AAA (or state your criteria if different)	40%	12 months
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LVAV	AAA	100%	Liquid
Money Market Funds VNAV	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of	AAA	100%	Liquid

1.25			
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	12 months
Term deposits with banks and building societies	Green	95%	12 months
CDs or corporate bonds with banks and building societies	Green	95%	12 months
Gilt funds	UK sovereign rating	100%	12 months

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

**NON-SPECIFIED INVESTMENTS:** A maximum of 75% \*\* will be held in aggregate in non-specified investment

1. Maturities of ANY period

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>** Max % of total investments</b>	<b>Max. maturity period</b>
<b>Fixed term deposits with variable rate and variable maturities: -</b> Structured deposits	Green	In-house and Fund Managers	<b>80%</b>	As per minimum credit Criteria
Certificates of deposit issued by banks and building societies	Green	In-house and Fund Managers	80%	As per minimum credit Criteria
Fixed Bonds – Corporate, Financial, Supranational or Covered.	AAA	In-house and Fund Managers	10%	5 years
Floating rate notes	AAA	In house and Fund Managers	10%	5 years
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
Corporate bond fund	AAA	In house and Fund Managers	10%	5 years
Property fund:	Based on external credit assessment from the Council's Treasury Management Advisors. UK asset investment.	In house and Fund Managers	£20m at fund entry. Maximum of two Funds at any one time for viability .	Long Term

## 2. Maturities in excess of 1 year

	<b>* Minimum Credit Criteria</b>	<b>Use</b>	<b>** Max % of total investments</b>	<b>Max. maturity period</b>
Term deposits – local authorities	--	In-house	80%	5 years
Term deposits – banks and building societies	Green	In-house	80%	5 years
Certificates of deposit issued by banks and building societies	Green	In-house and Fund Managers	80%	5 years
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	80%	10 years
Fixed Bonds – Corporate, Financial, Supranational or Covered.	AAA	In-house and Fund Managers	10%	5 years
Sovereign bond issues (other than the UK govt)	AAA	In-house and Fund Managers	50%	10 years
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>				
Property fund	Based on external credit assessment from the Council's Treasury Management Advisors.	In house and Fund Managers	£20m at fund entry. Maximum of two Funds at any one time for viability.	Long Term

	UK asset investment.			
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## 5.6 APPROVED COUNTRIES FOR INVESTMENTS

*This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.*

### AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

### AA+

- Finland
- Hong Kong
- U.S.A.

### AA

- Abu Dhabi (UAE)
- France
- U.K.

### AA-

- Belgium
- Qatar

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## **TREASURY MANAGEMENT SCHEME OF DELEGATION**

### **(i) Full council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

### **(ii) Executive / full council**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

### **(iii) Performance, Audit and Governance Scrutiny Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

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## **THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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## EAST HERTS COUNCIL

### PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE – 16 JANUARY 2018

#### REPORT BY ISABEL BRITTAIN

#### ASSET MANAGEMENT UPDATE

#### WARD(S) AFFECTED: ALL

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#### **Purpose/Summary of Report**

- To review the asset management plan 2017 to 2020 and the processes for reviewing the property assets to seize opportunities to rationalise the estate in order to make savings and generate revenue and capital.

<b><u>RECOMMENDATIONS FOR Performance Audit and Governance Scrutiny Committee</u></b>
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<b>That:</b>	
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<b>(A)</b>	<b>The report be noted, and</b>
<b>(B)</b>	<b>Any comments are directed to the Head of Strategic Finance and Property.</b>

#### 1.0 Background

- 1.1 The Asset Management Plan was adopted for 2017-2020 and is published on the Council website
- 1.2 It is reviewed on an annual basis, but only formally updated every 4 years.
- 1.3 The Property portfolio is continually reviewed both on an informal basis as opportunity arises and formally.

#### 2.0 Report

- 2.1 As a part of the One Public Estate (OPE) considerations a Locality Review was instructed. Consultants from East of England Local

Government Association considered property interests held by East Herts Council alongside interests held by other public sector organisations in order to establish any potential through collaboration to improve assets, services and income.

- 2.2 Initial findings of the Locality review have been reported and conclude that East Herts Council are good at exploring opportunities within their property portfolio, which is limited in size, and recommended that the scope of the review be extended from Hertford and Ware to include Bishop's Stortford in the spring of 2018.
- 2.3 The Assets Team completed the upload of Council property onto the Central Government e-PIMS (electronic property information mapping service) in order to help with the locality review. Information of all public sector land and property is available for registered users to consider prior to reverting to the open market and private sector.
- 2.4 Migration of property data to the IDOX system is complete and the system being adapted to allow for specific reports to be generated, which will also support the locality review process.
- 2.5 The Asset Management Group has been reinstated and meets regularly to present, discuss and provide guidance on prospective opportunities.
  - AMG provides property updates on lettings, ownership, proposals and projects
  - The meetings are arranged by the Head of Assets and Estates who invites Members and Officers according to the extent of the agenda.
  - Officers may be invited to discuss their service provision in relation to the use of property assets or seek guidance.
- 2.5 The asset and estates team liaise with the accounts sundry debtors section to ensure that persistent late rent payers are monitored and dealt with. There is not a significant arrears list and no issues have arisen.
- 2.6 The Corporate Property Services Manager attends the Hertfordshire Property Forum on a quarterly basis. This is a gathering all Chief Estate Surveyors in order to support the OPE Board but also to swap information and experiences to drive efficiencies across the Local Government capital and revenue generating and service supporting estate.
- 2.7 East Herts Council has already disposed of a number of property assets to generate receipts which have been used to support the capital programme in the past, thus there are relatively few assets left that are not used for operational purposes. Many of the remaining assets offer more complex

management issues and fewer opportunities to drive improvement without substantial inward investment. Many of the remaining assets held are let on a fully insuring and repairing basis on secure tenancies, thus offering little opportunities other than to ensure that the best rent possible is collected by ensuring rents are reviewed as leases allow and lease renewals are on good terms and conditions.

- 2.8 The Assets and Estates Team provide advice and guidance to project boards with regard to tenancies, title and management issues. In order to do this all estates surveyors are members of the RICS and up to date with CPD. Complex matters would be referred to the legal department.
- 2.9 The property estate can be roughly divided into 3 categories; operational buildings, such as Wallfields, leisure centres, hostels and the depot building; investment property, some of which may also perform a community function, such as neighbourhood shopping parades, or potential development sites, such as Charringtons House as part of the wider Old River Lane scheme; and surplus property which might adopt temporary uses such as informal parking etc.
- 2.10 The portfolio is further characterised by the inclusion of many small parcels of land often only resulting in a liability to repair and maintain. They are of insufficient benefit or scale to dispose of generally, although they are kept under review for potential disposal as garden land for local residents etc.
- 2.11 The annual Valuation of the property portfolio has been carried out externally in the past recent years due to a lack of suitably qualified internal staff. The audit process for the 2016/2017 valuation was extensive. Therefore the 2017/2018 annual Valuation will be carried out internally.
- 2.11 The Assets and Estates Team has recently successfully recruited and is now sufficiently resourced with the ability to deal with more tasks internally, in particular the Valuation report and more generally property reviews.

### 3.0 Implications/Consultations

- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**. Notes of the Asset Management Group Meeting are set out in **Essential Reference Paper “B”**

Background Papers - None

Contact Member: Cllr Geoffrey Williamson – Executive Member for  
Finance and Support Services  
[\*Geoffrey.Williamson@eastherts.gov.uk\*](mailto:Geoffrey.Williamson@eastherts.gov.uk)

Contact Officer: Isabel Brittain-Head of Strategic Finance and Property  
Contact Tel No  
[\*Isabel.brittain@eastherts.gov.uk\*](mailto:Isabel.brittain@eastherts.gov.uk)

Report Author: Deborah Quinney– Corporate Property Services Manager  
[\*Deborah.quinney@eastherts.gov.uk\*](mailto:Deborah.quinney@eastherts.gov.uk)

## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives	Priority 3 – Enable a flourishing local economy
Consultation:	<i>None</i>
Legal:	<i>None</i>
Financial:	<i>There are no specific financial implications</i>
Human Resource:	<i>There are no specific staffing implications.</i>
Risk Management:	<i>None</i>
Health and wellbeing – issues and impacts:	<i>None</i>

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## Essential Reference Paper “B”

Notes from Asset Management Group Meeting – Thursday 14<sup>th</sup> December 2017

Attendees:-

Cllr Williamson

Cllr Buckmaster

Cllr Jones

Deborah Quinney – Corporate Property Services Manager - DQ

Anna Osborne – Asset & Estates Manager - AO

Andrew Pulham – Parking Manager - AP

Cllr Williamson chaired the meeting and welcomed DQ to the Council.

1. Update - A brief update was given on matters since the last meeting on 2<sup>nd</sup> November 2016.

Matters Arising:-

- i) The new car park that has been built on the site of the former offices is now open. It is split into 2 zones between tenant parking for Charringtons House and long stay pay and display or season ticket parking. Corn Exchange – No further action remove from Agenda.
- ii) Southern Maltings, Ware – AO provided brief summary of works the Arts Centre had undertaken
- iii) Community Lettings – AO summarised the current leases under review and agreed to report back to the Group any cases that officers were struggling to resolve in line with the Community Lettings Policy.
- iv) Doctors Surgery, Sawbridgeworth – AO updated the Group on the current status of this case advising that funding was now in place for the extension to the surgery.
- v) Pinehurst Community Centre – AO advised the Group on the progress of this project

- vi) Housing Company – This will be dealt with in another forum but updates will be brought to the Group as appropriate.
- 2. Charringtons House  
AO updated the Group on the current status of the vacant office space in the building and summarised the programme of refurbishment works and alterations that are being
- 3. Land at Three Stiles, Benington – AO explained the background and current use of the land.

AOB

Castle Gardens, Hertford

Cllr Williamson raised the issue of the Castle Gardens, Hertford

Investment Opportunities

DQ raised this issue and explained that officers were often made aware of investment opportunities. Date of Next Meeting – 22<sup>nd</sup> March 2018 12 – 1.30pm

## EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE – 16  
JANUARY 2018

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### REPORT BY HEAD OF STRATEGIC FINANCE AND PROPERTY

#### CHARRINGTON'S HOUSE, BISHOP'S STORTFORD: UPDATE

WARD(S) AFFECTED: ALL

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#### **Purpose/Summary of Report**

- To review the performance of Charringtons House as an investment and the transition into a potential development site.

<b><u>RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE COMMITTEE:</u></b>	
<b>(A)</b>	<b>To note the report and</b>
<b>(B)</b>	<b>Members' views and comments be forwarded to the Head of Strategic Finance and Property.</b>

#### 1.0 Background

1.1 Charrington's House, Bishop's Stortford was purchased as part of a larger acquisition of several interests in Old River Lane and is currently held in the investment portfolio pending the progression of a town centre re-development scheme of which it will form part of.

1.2 It is a four storey modern office building originally constructed in 1973 adjacent to No.1 The Causeway a similar building which has now been demolished to provide surface parking, and fronting The Causeway (Bishop's Stortford).

1.3 It comprises of 4722m<sup>2</sup> net lettable area (50,828 sqft) of floor plates laid out as a north wing and south wing office suites.

1.4 It was purchased as a going concern with tenants producing an income flow circa £640,000 per annum but with leases due to expire shortly following acquisition.

- 1.5 Some leases have expired and the building is currently generating circa £450,000 per annum.
- 2.0 Report
- 2.1 The building is currently let to four tenants and part of the ground floor is used by the Council as offices. One of the tenants has vacated their space but continues to make rent payments until their lease expires on 1 May 2018. Part of the ground floor, unused by EHC, has been fitted out as a start-up business hot desking facility.
- 2.2 A recent lease renewal to BIFM (British Institute of Facilities Management Ltd) was agreed for the first floor south wing at the same level of rent and which expires in 2022. Other tenants left the building early in 2017 for business reasons; RBS and Circle Anglia.
- 2.3 Because the land the building occupies is a key part of the Old River Lane re-development site, it has been the expectation to demolish the building to allow construction of the new development and whilst there is no fixed date for this, the anticipation is that negotiations will be required with tenants to provide early vacant possession than their leases allow.
- 2.4 There are three large vacant suites in the building. There was firm interest, for all the space but one of these did not proceed because the tenant wanted a 10 year lease which could not be offered. With leases only being available on a short term basis large businesses cannot justify the investment of a move with a short pay-back period.
- 2.5 Officers have worked with the managing and letting agent, Lambert Smith Hampton (LSH) and agreed that because of the timescale for the redevelopment of Old River Lane and that accordingly the Council does not want to offer leases any longer than those already in existence i.e. 5 years until 2023 then the vacant space should be re-modelled into smaller spaces offered on shorter more flexible leases more suitable for this timescale.
- 2.6 The asset management team have agreed to fund a pilot scheme to offer and construct custom size suites on flexible terms and conditions with a rent that includes service charge but exclusive of other outgoings. It is intended to start with one suite and then create more, should there be sufficient demand.
- 2.7 LSH have updated the condition report and identified a number of repairs required in order that EHC complies with their responsibilities as

landlord. These, together with a redecoration of the common areas which will be funded by the service charge and this should help to generate more interest from the market.

- 2.8 LSH have advised a re-launch of the marketing of the building on this basis with a refresh of all the marketing particulars and plan a local business and agents breakfast with a pre-constructed “show suite” to demonstrate what will be on offer.
- 2.9 This is already showing signs of success and generated lettings of the 2<sup>nd</sup> Floor North and a part of Floor South and generating an additional rental income of £141,000 per annum inclusive of service charge. Both new tenants are due to take occupation early in 2018.
- 2.10 The building was purchased with an estate management contract in place with LSH to manage the building and tenants including the collection of rent, day to day facilities management and provision of annual service charge accounts. They continue to do this, but the contract requires reviewing which will happen early in 2018. LSH also act as EHC letting agents and this is a separate contract. LSH have an arrangement with local town agents Coke Gearing as joint agent and with whom they share any letting fees.
- 2.11 The “Launchpad” was introduced earlier this year in June and was in response to a requirement for hot desking space in the town and provide competition for this type of space available at higher prices on the Stansted airport campus. The first 3 months were offered with no basic rent but “top ups” for added services. The centre has generated interest in permanent lettings in the building and will go onto add to the buildings revenue stream.

### 3.0 Implications/Consultations

- 3.1 That plans to demolish the building have not yet provided any concrete time frames has meant that only short terms can be offered. Larger business cannot afford the disruption this could cause. It was only recently that funding was identified for the re-fits so smaller suites can be offered. Only one suite will be constructed with others being built to order.
- 3.2 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

Background Papers - None

Contact Member: Cllr Geoffrey Williamson – Executive Member for Finance and Support Services.  
[\*Geoffrey.williamson @eastherts.gov.uk\*](mailto:Geoffrey.williamson@eastherts.gov.uk)

Contact Officer: Isabel Brittain– Head of Strategic Finance and Property  
Contact Tel No 2050  
[\*Isabel.brittain @eastherts.gov.uk\*](mailto:Isabel.brittain@eastherts.gov.uk)

Report Author: Deborah Quinney – Strategic Property Services Manager  
[\*Deborah.quinney @eastherts.gov.uk\*](mailto:Deborah.quinney@eastherts.gov.uk)

## ESSENTIAL REFERENCE PAPER ‘A’

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council’s Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	Priority 3 – Enable a flourishing local economy
Consultation:	<i>none</i>
Legal:	<i>none</i>
Financial:	<i>Terms and Conditions are considered confidential until under seal and so not quoted separately.</i>
Human Resource:	<i>none</i>
Risk Management:	<i>No approvals have been requested</i>
Health and wellbeing – issues and impacts:	<i>None</i>

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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## EAST HERTS COUNCIL

### PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE: 16 JANUARY 2018

#### REPORT BY CHAIRMAN OF PERFORMANCE AUDIT AND GOVERNANCE SCRUTINY COMMITTEE

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#### SCRUTINY WORK PROGRAMME

WARD(S) AFFECTED: *none*

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#### **Purpose/Summary of Report**

- To review and determine Performance, Audit & Governance (PAG) Committee's future work programme

<b><u>RECOMMENDATION FOR PERFORMANCE AUDIT AND GOVERNANCE:</u></b>	
(A)	that the work programme shown in this report be agreed

#### 1.0 Background

1.1 Items previously required, identified or suggested for the PAG work programme are set out in **Essential Reference Paper B**.

1.2 Scrutiny committees have the power of influence and are entitled to review and scrutinise the decisions and functions of the Council and the Executive. The Committee serves as a 'critical friend' and can make recommendations to the Executive.

#### 2.0 Report

2.1 The draft agenda for 2017/18 meetings of PAG Committee is shown in **Essential Reference Paper B**. The timing of some items shown may be subject to change depending on availability of essential data (eg. from central government).

- 2.2 Members are asked whether there are any additional topics they wish to put forward for inclusion on any future agenda. Suggestions can be made at the meeting and by completing the form attached as **Essential Reference Paper C** and submitting to the Scrutiny Officer. The Committee contributed suggestions and selected new topics for consideration at the work programme planning workshop held on 15<sup>th</sup> June 2017. Once a topic has been proposed and selected by the Committee, the Scrutiny Officer will liaise with the lead officer (in consultation with the Scrutiny Chairman) to establish the best way to address the subject and scope the scrutiny.
- 2.3 Members are also asked whether they wish to extend an invitation to one or more of the Executive members to attend a particular meeting or for a specific agenda item. It was agreed that the Executive Member for Finance and Support Services be invited to give a presentation on the portfolio and answer questions at this meeting of the Committee.
- 2.4 Members are asked whether there is any training relevant to scrutiny or to the function/remit of PAG as a committee which they would like to request. This could be completed as a separate session open to all scrutiny members or as an item on a future PAG agenda (as appropriate).
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers: none

Contact Member: PAG Scrutiny Committee Chairman: Cllr Mark Pope  
[mark.pope@eastherts.gov.uk](mailto:mark.pope@eastherts.gov.uk)

Contact Officer: Alison Stuart, Head of Legal and Democratic Services  
[alison.stuart@eastherts.gov.uk](mailto:alison.stuart@eastherts.gov.uk)

Report Author: Fiona Corcoran, Scrutiny Officer  
[fiona.corcoran@eastherts.gov.uk](mailto:fiona.corcoran@eastherts.gov.uk)

## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:  2017/18 wording	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p> <p>Priority 3 – Enable a flourishing local economy</p> <p>Effective use of the scrutiny process contributes to the Council's ability to meet one or more of its corporate objectives.</p>
Consultation:	Potential topics for scrutiny are always invited from the Executive and all Members and the public are asked through an annual item in the 'council tax' edition of LINK magazine which is delivered to every household. Members of each scrutiny committee are consulted at every meeting as their work programme is a standing item on the agenda.
Legal:	According to the Council's constitution, the scrutiny committees are responsible for the setting of their own work programme in consultation with the Executive and in doing so they shall take into account wishes of members on that committee who are not members of the largest political group on the Council.
Financial:	Any additional meetings and every task and finish group has resource needs linked to officer support activity and time for officers from the services to make the required input.
Human Resource:	None
Risk Management:	Matters which may benefit from scrutiny may be overlooked. The selection of inappropriate topics for review would risk inefficient use of resources. Where this involved partners, it could risk damaging the reputation of the council and relations with partners.
Health and wellbeing – issues and impacts:	The broad remit of scrutiny is to review topics which are of concern to the public, many of which have an indirect impact on the general wellbeing of residents of East Herts.

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**Performance, Audit & Governance Scrutiny (PAG) Committee Work Programme 2017/18**

**[NB. This is a working document and will be updated as and when appropriate]**

Meeting Date	Topic	Lead Officer	Notes
<b>13 March 2017 Deadline 28<sup>th</sup> February 2018</b>	Financial Health Check Report(Oct – Dec 2017), incl section on performance	Isabel Brittain, Head of Strategic Finance	
	Review of the introduction of ‘pay-on-exit’ parking software	Andrew Pulham, Parking Manager	
	External Auditor 2017-18 Audit Plan	Auditor, Ernst & Young	
	Shared Anti-Fraud Service with draft plan for 2018/19 for approval	Nick Jennings HCC	<i>Training session was moved and provided on 21 November 2017</i>
	Shared Internal Audit Plan (SIAS) 2018/19	Alan Cooper, Client Audit Manager, SIAS, HCC	
	SIAS Audit Plan Update	Alan Cooper, Client Audit Manager, SIAS, HCC	
	Risk Management Monitoring Report (Oct to Dec 2017)	Isabel Brittain, Head of Strategic Finance/Graham Mully, Risk Assurance Officer	
	Annual Review of Risk Management Strategy	Isabel Brittain, Head of Strategic Finance/Graham Mully, Risk Assurance Officer OR Rob	Annual Update

		Winterton, new Finance Manager	
	Evaluation of Scrutiny 17/18 and Work Programme	Fiona Corcoran, Scrutiny Officer	

### Other items/notes:

- Finance will continue to provide quarterly finance health checks for 2017-18. The dates for the quarterly finance healthchecks going forward: **Quarter 4 17/18 Healthcheck to go to first (May) PAG in 2018/19 Calendar**  
**Outturn (full year 2017/18) PAG – will go to PAG in July 2018**
- **Complaints lodged with the monitoring officer** - This will be as and when there are updates to report. (Alison Stuart, Head of Democratic and Legal Support Services)
- **Constitution Review** – Officer work ongoing and the Member Constitution Review group reconvened in December 2017 and will report to the Committee in due course. (Alison Stuart, Head of Democratic and Legal Support Services)
- **Shared Anti-Fraud Service (SAFS)** updates going forward:  
13.3.2018: 1. Report on SAFS Progress against EHC Anti-Fraud Action Plan 2017/2018.  
2. Proposed Anti-Fraud Action Plan for 2018/2019.

### Member Scrutiny Proposals - updates

- **IT Resilience:** Topic for scrutiny suggested at work planning workshop. Proposal form to be completed by Members.
- **Proposal Form received from PAG Member (Dec 17)** To examine the 6 month pilot project using an external company tasked to alleviate litter and dog dirt in the district. To be considered/scoped by officers.

**PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY – Deadlines for Papers**

DATE OF MEETING	AGENDA DISPATCH	REPORT DEADLINE
13 March 2018	5 March 2018	28 February 2018

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## ESSSENTIAL REFERENCE PAPER C

### Scrutiny Proposal form

**Name of proposer:**

**What would you like to suggest for investigation / review by scrutiny?**

**Why would you like this to be reviewed? (Include the main issues / concerns to be considered)**

Please continue on a separate sheet if necessary

**What would be the likely benefits and outcomes of carrying out this investigation / review?**

<b>Estimated resource implications on staff and councillors (e.g. research group, one-off report, dedicated meeting etc) to achieve the likely outcome.</b> The outcome must be proportionate to the cost of carrying out the review.	
<b>Suggested witnesses, documentation and consultation required</b>	
<b>Will this investigation / review contribute to one or more of the Council's Strategic Priorities? If so, which (please tick)?</b>	
Improve the health and wellbeing of our communities	
Enhance the quality of people's lives	
Enable a flourishing local economy	
<b>Will this investigation / review meet one of the criteria below? If so, which (please tick)?</b>	
<b>Public Interest:</b> The issue has been identified as a concern by local people	
<b>Impact (Value):</b> The issue will make a significant difference to the social, economic and environmental wellbeing of residents, and has the potential for outcomes that could lead to real improvements	
<b>Relevance:</b> The issue is relevant and does not duplicate existing work being undertaken elsewhere	
<b>Partnership working or external scrutiny:</b> The issue involves moving towards collective action and community leadership	
<b>Would you like to be involved in the investigation / review?</b>	
<b>Yes</b>	<b>No</b>
<b>Date of request:</b>	<b>Signed:</b>

Please return this form to the: Scrutiny Officer, East Herts Council, Wallfields, Pegs Lane, Hertford, SG13 8EQ Email: [fiona.corcoran@eastherts.gov.uk](mailto:fiona.corcoran@eastherts.gov.uk)