



Jonathan Geall
Head of Housing and Health *and*
Acting Head of Legal and Democratic
Services

MEETING : PERFORMANCE, AUDIT AND GOVERNANCE
OVERSIGHT COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 14 JANUARY 2020
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor Mark Pope (Chairman)
Councillors A Alder, S Bull, J Burmicz, L Corpe, A Curtis and T Stowe
(Vice-Chairman)

Substitutes

Conservative Group: Councillors C Rowley and A Ward-Booth

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

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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. Chairman's Announcements

3. Declarations of Interest

To receive any Members' Declarations of Interest and Party Whip arrangements.

4. Minutes of the meeting held on 19 November 2019 (Pages 7 - 14)

To approve as a correct record, the Minutes of the meeting held on 19 November 2019

5. Shared Internal Audit Service Progress Report (Pages 15 - 40)

6. Progress with the Delivery of the 2019/20 Anti-Fraud Plan
(Pages 41 - 58)

7. Annual Audit Letter for the Year ended 31 March 2019 (Pages 59 - 80)

8. Developing a new Corporate Plan (to follow)

9. Budget and Medium Term Financial Plan 2020/21 - 2023/24
(Pages 81 - 140)

10. Capital Strategy 2020 Onwards (Pages 141 - 174)

11. Treasury Management Strategy 2020/21 (Pages 175 - 226)

12. Draft Work Programme (to follow)

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.

MINUTES OF A MEETING OF THE
PERFORMANCE, AUDIT AND GOVERNANCE
OVERSIGHT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON TUESDAY 19 NOVEMBER
2019, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, S Bull, L Corpe,
A Curtis and T Stowe (Vice-Chairman)

OFFICERS IN ATTENDANCE:

| | |
|------------------|----------------------------------|
| Peter Mannings | - Democratic Services Officer |
| Alison Street | - Finance Business Partner |
| Robert Winterton | - Financial Services Manager |

ALSO IN ATTENDANCE:

| | |
|--------------|------|
| Dan Cooke | - EY |
| Suresh Patel | - EY |

226 APOLOGY

An apology for absence was submitted on behalf of
Councillor J Burmicz.

227 MINUTES - 24 SEPTEMBER AND 29 OCTOBER 2019

It was moved by Councillor A Curtis and seconded by
Councillor T Stowe that the Minutes of the meetings
held on 24 September and 29 October 2019 be

confirmed as correct records and signed by the Chairman. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Minutes of the meetings held on 24 September and 29 October 2019 be confirmed as a correct record and signed by the Chairman.

228 STATEMENT OF ACCOUNTS 2018/19

The Executive Member for Financial Sustainability submitted a report setting out the background to the 2018/19 statement of accounts for Members to consider and approve. The accounts provided details of the overall financial position in the balance sheet and details of the revenue activities for the General Fund and the Collection Fund.

Members were advised that the External Auditor's Audit Results report was also shown within the Essential Reference Papers and these would be presented to the Committee by Ernst and Young LLP (EY). The External Auditor thanked the Financial Services Manager and the Finance Business Partner, as well as Officers, for their continued support and understanding with regards to the delay in the Audit process this year, prior to the submission of this rescheduled Audit Report.

Members were advised that there were no matters to report in respect of the value for money conclusion and it was anticipated that an unqualified Auditor opinion would be issued. Members were also updated in respect of the pension liability and the McCloud

judgement in the context of the value of public sector pensions.

The External Auditor detailed the current status of the External Audit work and Members were updated in respect of a number of outstanding matters.

The External Auditor confirmed to Councillor L Corpe that the value for money audit work in respect of Old River Lane was complete pending the outcome of the judicial review. Members were advised that this project would continue to be monitored as the development progressed.

The External Auditor updated the Committee in respect of timescales going forward for future Audit work. The Chairman commented on the importance of ensuring that pension contributions were fully funded going forward. The Finance Business Partner stated the impacts of the pension liability would be reported in the Annual Budget report. The Chairman indicated that each recommendation would be taken individually. This was supported.

Councillor L Corpe moved and Councillor A Alder seconded, a motion that the Council's Statement of Accounts for the Financial Year 2018/19 be approved and the Chairman of the Performance, Audit and Governance Oversight Committee be authorised to sign the Council's Statement of Accounts for the Financial Year 2018/19 at the conclusion of the meeting.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

Councillor L Corpe moved and Councillor A Curtis seconded, a motion that the letter of representation be approved for signing by the Chairman of the Performance, Audit and Governance Oversight Committee and the Head of Strategic Finance and Property at the conclusion of the meeting.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

Councillor S Bull moved and Councillor L Corpe seconded, a motion that the External Auditor's Audit Results Report (ISA 260 report), be approved.

After being put to the meeting and a vote taken, this motion was declared CARRIED. Members supported the recommendations as detailed in the report submitted.

RESOLVED – that (A) the Council's Statement of Accounts for the Financial Year 2018/19 be approved and the Chairman of the Performance, Audit and Governance Oversight Committee be authorised to sign the Council's Statement of Accounts for the Financial Year 2018/19 at the conclusion of the meeting;

(B) the letter of representation be approved for signing by the Chairman of the Performance, Audit and Governance Oversight Committee and the Head of Strategic Finance and Property at the conclusion of the meeting; and

(C) the External Auditor's Audit Results Report

(ISA 260 report), be approved.

229 CORPORATE BUDGET MONITORING REPORT - QUARTER 2:
2019/20

The Head of Strategic Finance and Property and the Head of Communications, Strategy and Policy submitted a report in respect of finance and performance monitoring for East Herts Council for 2019/20 as at 30 September 2019.

The Financial Services Manager stated that the net revenue budget for 2019/20 was £10.268m as detailed in table 1 of the report submitted. The forecast outturn as at 30th September 2019 was a year-end underspend of £37k. Members were advised that the revised capital budget for 2019/20 was £78.319m, of which £62.787m was to be carried forward to future years.

Councillor L Corpe commented on the areas where there had been overspends in relation to the budget. Councillor M Pope referred to underspend in the revenues and benefits budget. Members were assured that service levels had been unaffected.

Councillor M Pope also referred to a drop in revenue of £183k for Planning and Building Control. He also commented on the New Homes Bonus in the context of the costs incurred by Planning and Building Control relating to a site in Little Hadham.

Councillor S Bull commented on the potential impact of the turnover of staff in Planning and Building Control. The Finance Business Partner commented on

the costs associated with a greater use of agency staff in Development Management.

Members were advised that the full detail in respect of the capital budget was detailed in Essential Reference Paper 'B' and a breakdown of debts outstanding as at 30 September 2019. Councillor M Pope undertook to email the Head of Housing and Health in respect of the number of households living in temporary accommodation.

Members commented on the continued red status of the missed waste collections as detailed on page 55 of the report. Members considered whether the Committee could look at this issue in the context of the wider performance of the Council's new waste contract.

Members also noted that fly tipping could be looked at as well if this was considered to be appropriate. Councillor L Corpe referred to the increase in the recycling rate to 55.37%, which was 2.1% higher than at this point last year and was one of the highest recorded percentages.

Councillor L Corpe moved and Councillor T Stowe seconded, a motion that Members receive the report and support the recommendations, now detailed. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that (A) the report be received;

(B) the projected revenue budget forecast underspend of £37k in 2019/20, as detailed in

paragraph 2.1 of the report, be noted;

(C) the capital budget for 2019/20 of £78,319m, of which £62.787m is to be carried forward to future years, as detailed in paragraph 6.1 of the report, be noted; and

(D) it was agreed that £100k from the New Homes Bonus priority spend reserve be used to fund the planning costs relating to the recent Little Hadham planning application issues; and

(E) it was agreed that equalisation reserves be used to offset the Planning Service under achievement of income by £150k.

230 DRAFT WORK PROGRAMME PROPOSALS 2019-20

The Committee Chairman submitted a report inviting Members to review and determine the future work programme of Performance, Audit and Governance Oversight Committee.

Councillor L Corpe said that a topic relating to Standards and the promotion of high standards both at East Herts and other Council's across the District could be considered by Members for addition to the work programme. This was supported.

Councillor A Alder commented on the potential lack of knowledge and understanding of the Standards regime at Parish and Town Councils. Councillor L Corpe moved and Councillor A Alder seconded a motion that the revised work programme, as now amended, be supported.

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

The meeting closed at 8.12 pm

Chairman

Date



East Herts Council Performance, Audit and Governance Oversight Committee

14 January 2020

Shared Internal Audit Service – Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Amendments to the Internal Audit Plan as at 27 December 2019
- c) Note the Status of Critical and 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
 - 2.4 Proposed Audit Plan Amendments
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2019/20 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2019 to March 2020) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

1.1 To provide Members with:

- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2019/20 Internal Audit Plan as at 27 December 2019.
- b) The findings for the period 1 April 2019 to 27 December 2019.
- c) The proposed amendments required to the approved Internal Audit Plan.
- d) The implementation status of previously agreed audit recommendations.
- e) An update on performance management information as at 27 December 2019.

Background

- 1.2 Internal Audit's Annual Plan for 2019/20 was approved by the Audit Committee at its meeting on 12 March 2019. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.
- 1.3 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 27 December 2019, 66% of the 2019/20 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 Final reports for the following audits and projects have been issued as at 27 December 2019:

| Audit Title | Date of Issue | Assurance Level | Number of Recommendations |
|--|----------------------|------------------------|--|
| Insurance | June 2019 | Satisfactory | One Medium, One Low / Advisory |
| Health and Safety | June 2019 | Satisfactory | Three Medium, One Low / Advisory |
| Herts Home Improvement Agency (HHIA) (2018/19) * | July 2019 | Limited | Seven High, Eight Medium, Three Low / Advisory |
| Business Continuity | July 2019 | Satisfactory | Four Medium, Three Low / Advisory |
| Complaints Policy & Procedures | July 2019 | Satisfactory | Three Low / Advisory |

| | | | |
|-------------------------------------|-----------|--------------|----------------------------------|
| Risk Management | Aug 2019 | Satisfactory | One Medium, Four Low / Advisory |
| Members Allowances & Expenses | Sept 2019 | Satisfactory | Three Medium, One Low / Advisory |
| Follow up - S106 Spend Arrangements | Oct 2019 | Not Assessed | N/A |
| Land Charges | Nov 2019 | Satisfactory | One Medium |
| Consultation & Engagement | Nov 2019 | Satisfactory | One Medium, One Low / Advisory |
| Follow up – CCTV joint audit | Nov 2019 | Not Assessed | N/A |
| Procurement | Nov 2019 | Satisfactory | One Medium, One Low/ Advisory |

* This was a Hertfordshire County Council led internal audit which has been distributed to the Council as contributing partner of the Hertfordshire Home Improvement Agency.

- 2.3 The table below summarises the position regarding 2019/20 projects as at 27 December 2019. Appendix A provides a status update on each individual project within the 2019/20 Internal Audit Plan. Details of indicative start dates for the individual projects are shown in Appendix C.

| Status | No. of Audits at this Stage | % of Total Audits |
|---------------------------------------|-----------------------------|-------------------|
| Final Report Issued | 11 | 35% |
| Draft Report Issued | 8 | 25% |
| In Fieldwork/Quality Review | 2 | 6% |
| In Planning/Terms of Reference Issued | 4 | 12% |
| Allocated | 5 | 16% |
| Not Yet Allocated | 0 | 0% |
| Deferred/Cancelled | 2 | 6% |
| Total | 32 | 100% |

Proposed Audit Plan Amendments

- 2.4 The audit of Homeless Reduction Act/Temporary Accommodation, due to start during January 2020, has been cancelled and the audit days returned to contingency. This was due to an audit being carried out during March 2019.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2019/20 annual performance indicators were approved at the SIAS Board meeting in March 2019. Targets were also agreed by the SIAS Board for the majority of the performance indicators.
- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below:

| Performance Indicator | Annual Target | Profiled Target | Actual to 27 Dec 2019 |
|---|---------------|-----------------------|-------------------------------------|
| 1. Planned Days – percentage of actual billable days against planned chargeable days completed | 95% | 67% (211/316 days) | 66% (209.5/316 days) |
| 2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects | 95% | 63% (19/30 projects) | 63% (19/30 projects) |
| 3. Client Satisfaction – percentage of client satisfaction questionnaires returned at ‘satisfactory’ level | 100% | 100% | 100% (5 received) Note (1) |
| 4. Number of Critical and High Priority Audit Recommendations agreed | 95% | 95% | 100% (7 High agreed) Note (2) |

Note (1) – 2 received in 2019/20 relate to 2018/19 audits.

Note (2) – the 7 recommendations are from the Hertfordshire County Council led internal audit of the Hertfordshire Home Improvement Agency. The audit report has been distributed to the Council as a contributing partner of the Agency.

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

2019/20 SIAS Audit Plan

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|--------------------|------|---|---|----|-----------------|-----------------------|-------------------------|---------------------|
| | | C | H | M | LA | | | | |
| Key Financial Systems – 74 days | | | | | | | | | |
| Main Accounting System (General Ledger) | | | | | | 10 | Yes | 0 | Allocated |
| Debtors | | | | | | 10 | Yes | 1.5 | ToR issued |
| Creditors | | | | | | 10 | Yes | 2.5 | ToR issued |
| Treasury Management | | | | | | 6 | Yes | 1.0 | In planning |
| Payroll | | | | | | 10 | Yes | 6.5 | In fieldwork |
| Council Tax | | | | | | 6 | Yes | 5.5 | Draft report issued |
| NDR | | | | | | 6 | Yes | 5.5 | Draft report issued |
| Housing Benefits | | | | | | 6 | Yes | 5.5 | Draft report issued |
| Asset Management | | | | | | 10 | Yes | 0 | Allocated |
| Payroll Pension Certificate | | | | | | 0 | No | 0 | Cancelled |
| Operational Audits – 98 days | | | | | | | | | |
| Health and Safety | Satisfactory | 0 | 0 | 3 | 1 | 10 | Yes | 10 | Final report issued |
| Recruitment Process | | | | | | 10 | Yes | 9.5 | Draft report issued |
| Land Charges | Satisfactory | 0 | 0 | 1 | 0 | 10 | Yes | 10 | Final report issued |
| Members Allowances and Expenses | Satisfactory | 0 | 0 | 3 | 1 | 8 | Yes | 8 | Final report issued |
| Recycling | | | | | | 10 | Yes | 0 | Allocated |
| Homeless Reduction Act / Temp Accom. | | | | | | 0 | Yes | 0 | Cancelled |
| Community Grants Programme / Lottery | | | | | | 8 | Yes | 7.5 | Draft report issued |
| HHIA – Follow-up | | | | | | 2 | Yes | 0 | Allocated |
| Consultation and Engagement | Satisfactory | 0 | 0 | 1 | 1 | 10 | Yes | 10 | Final report issued |
| Business Continuity Planning | Satisfactory | 0 | 0 | 4 | 3 | 10 | Yes | 10 | Final report issued |
| Budgetary Control | | | | | | 10 | Yes | 3.5 | In fieldwork |
| Complaints Policy and Procedure | Satisfactory | 0 | 0 | 0 | 3 | 10 | Yes | 10 | Final report issued |

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|---|--------------------|------|---|---|----|-----------------|-----------------------|-------------------------|---------------------|
| | | C | H | M | LA | | | | |
| Procurement, Contract Management and Project Management – 20 days | | | | | | | | | |
| Procurement | Satisfactory | 0 | 0 | 1 | 1 | 10 | Yes | 10.0 | Final report issued |
| Contract Management | | | | | | 10 | Yes | 9.5 | Draft report issued |
| Risk Management and Governance – 16 days | | | | | | | | | |
| Insurance | Satisfactory | 0 | 0 | 1 | 1 | 8 | Yes | 8 | Final report issued |
| Risk Management | Satisfactory | 0 | 0 | 1 | 4 | 8 | Yes | 8 | Final report issued |
| IT Audits – 24 days | | | | | | | | | |
| IT Service Shared Service Agreement | | | | | | 6 | Yes | 5.5 | Draft report issued |
| Cyber Security Follow-up | | | | | | 6 | Yes | 0 | Allocated |
| Information Management | | | | | | 6 | Yes | 5.5 | Draft report issued |
| Project Management | | | | | | 6 | Yes | 1 | ToR issued |
| Shared Learning and Joint Reviews – 10 days | | | | | | | | | |
| Shared Learning | | | | | | 4 | Yes | 0 | Through year |
| Joint Reviews | | | | | | 6 | Yes | 2.0 | Quality review |
| Counter Fraud – 3 days | | | | | | | | | |
| Counter Fraud – matters arising | | | | | | 3 | No | 0 | Through year |
| Ad Hoc Advice – 1 days | | | | | | | | | |
| Ad Hoc Advice | | | | | | 1 | Yes | 1.0 | Through year |
| Follow-up Audits – 8 days | | | | | | | | | |
| S106 Spend Arrangements | NA | 0 | 0 | 0 | 0 | 7 | Yes | 7 | Final report issued |
| CCTV – joint review | NA | 0 | 0 | 0 | 0 | 1 | Yes | 1 | Final report issued |
| Completion of 18/19 Projects – 6 days | | | | | | | | | |
| Various | | | | | | 6 | Yes | 6.0 | Complete |
| Contingency – 24 days | | | | | | | | | |
| Contingency | | | | | | 24 | No | 0 | Not yet allocated |
| Strategic Support – 56 days | | | | | | | | | |

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

| AUDITABLE AREA | LEVEL OF ASSURANCE | RECS | | | | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT |
|--|--------------------|----------|----------|-----------|-----------|-----------------|-----------------------|-------------------------|----------------|
| | | C | H | M | LA | | | | |
| Annual Report and Head of Internal Audit Opinion 2018/19 | | | | | | 5 | Yes | 5.0 | Complete |
| Audit Committee | | | | | | 12 | Yes | 8.0 | Through year |
| Follow Up of Audit Recommendations | | | | | | 4 | Yes | 3.0 | Through year |
| Client Liaison | | | | | | 10 | Yes | 7.5 | Through year |
| Liaison with External Audit | | | | | | 1 | Yes | 1.0 | Through year |
| Plan Monitoring | | | | | | 9 | Yes | 6.0 | Through year |
| SIAS Development | | | | | | 5 | Yes | 5.0 | Through year |
| 2020/21 Audit Planning | | | | | | 10 | Yes | 3.0 | Allocated |
| SBC TOTAL | | 0 | 0 | 15 | 15 | 340 | | 209.5 | |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|--|--|--|--|---|---|----------------------------|
| 1. | CCTV - joint review (2018/19) - <i>These recommendations and their implementation status are overseen and monitored by Stevenage Borough Council as the lead authority but are included here for Member information.</i> | <u>Partnership agreement.</u> We recommend that an appropriate new Partnership Agreement between the current four CCTV Partner Authorities is drawn up and executed. It should clearly include the specific roles and responsibilities of the Partner Authorities. It should also clearly state the relationship the Partner Authorities have with Hertfordshire CCTV Partnership Ltd. and the function of that company in respect of the overall CCTV Partnership. | We will prepare an updated CCTV Partnership Agreement drafted through the CCTV Officer Management Board to be signed by all four Partner Authorities. | CCTV Officer Management Board. | 31 March 2019. Revised to 30 September 2019. | <u>January 2019.</u> On track. <u>March 2019.</u> On track. <u>July 2019.</u> In progress. <u>September 2019.</u> Work in progress. <u>December 2019.</u> Approved by Joint Executive on 25 September 2019. Final document being completed by Legal Service for sealing. | Implemented. |
| 2. | CCTV - joint review (2018/19) - <i>As above.</i> | <u>Reporting arrangements.</u> We recommend that all reporting arrangements for the Partner Authorities are formally reassessed, agreed and documented to ensure there is complete clarity and transparency of expectations and understanding across all | Authority reporting arrangements to be included as part of a revised Partnership Agreement, Shareholder Agreement and Terms of Reference as necessary. | CCTV Joint Executive, CCTV Officer Management Board and Company Board of Directors as appropriate. | 31 July 2019. Revised to 30 September 2019. | <u>January 2019.</u> On track. <u>March 2019.</u> On track. <u>July 2019.</u> This will be captured | Implemented. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|--|--|---|------------------------------------|---------------------|---|----------------------------|
| | | interested parties regarding the need, responsibility, frequency, timing, content, format and distribution of each report required. | | | | <p>as part of the partnership agreement. Revised deadline is 30 September 2019.</p> <p><u>September 2019.</u> Work in progress.</p> <p><u>December 2019.</u> Approved by Joint Executive on 25 September 2019. Final document being completed by Legal Service for sealing.</p> | |
| 3. | TSS Improvement Plan – Governance (2018/19). | <p><u>Strategic objectives.</u> Representatives from both Councils should agree a shared set of expectations for how technology will be used to achieve their respective strategic objectives. These expectations should form the basis for a defined IT Strategy for the Shared IT Service, which should include as a minimum: The expectations for the levels of service to be provided The metrics for monitoring</p> | ICT strategy & Roadmap are being written in collaboration with Microsoft Navigator consultancy project. | ICT Strategic Partnership Manager. | August 2019. | <p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> ICT Strategy written in draft. It is going through approval and consultation process with an expected timeline for completion October</p> | Implemented. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|-------------------------------------|--|--|------------------------------------|--|---|--|
| | | the performance of the Shared IT Service. The performance of the Service should be reviewed on a routine basis by the ICT Partnership Board and measured against the defined metrics and key performance indicators. | | | | 2019. <u>December 2019.</u> IT Strategy approved at October 2019 SBC Executive. | |
| 4. | Cyber Security follow up (2018/19). | <u>Network access control.</u> Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council's IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the | The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems. | ICT Strategic Partnership Manager. | Network Tools July 2019. Intune October 2019. Procurement of network tools revised to 2020/21. | <u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>September 2019.</u> Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and | Partially implemented – continue to monitor. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|-------------------------------------|---|--|------------------------------------|---|---|--|
| | | <p>connection</p> <p>All connections are approved before being allowed to proceed.</p> <p>Devices connected to the IT network should be reviewed on a routine basis.</p> | | | | <p>resource restrictions have forced the procurement of network tools to financial year 2020/21.</p> <p><u>December 2019.</u></p> <p>Revised date as above. It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p> | |
| 5. | Cyber Security follow up (2018/19). | <p><u>Firewall configuration.</u></p> <p>There should be a record of the configuration of the Council's firewalls, which includes but is not limited to:</p> <p>The purpose of all of the rules</p> <p>The expected configuration and activity for each rule</p> <p>The member of staff that requested and approved the rule</p> <p>The configuration of the firewall should be reviewed on a routine</p> | The Council has created a Security & Network Team who have been tasked to look at replacing the entire Firewall (and switch) estate. As part of this work all firewall configurations will need to be reviewed and recorded. | ICT Strategic Partnership Manager. | <p>November 2019.</p> <p>Revised to April 2020.</p> | <p><u>July 2019.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u></p> <p>Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on</p> | Not yet implemented – continue to monitor. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|--|--|---|------------------------------------|---|--|--|
| | | <p>basis.</p> <p>The Service should develop a Firewall rule policy to provide the list of controls that are required to secure firewall implementations to an approved level of security.</p> | | | | <p>as part of that plan.</p> <p><u>December 2019.</u> As above.</p> | |
| 6. | Incident Management follow up (2018/19). | <p><u>Updating the disaster recovery plan.</u></p> <p>Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p> | <p>We have started a project to install a secondary Microwave link between our data centres. This will give us a resilient link where either can be down, and connectivity remains.</p> <p>Also, with our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.</p> | ICT Strategic Partnership Manager. | <p>August 2019 – Microwave Link.</p> <p>October 2019 - VDI upgrade.</p> <p>Revised to January 2020.</p> | <p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> External grant funding has been received to obtain an external view on our DR plans, this is to be created post installation of VDI upgrade as our DR capabilities will have been changed and improved.</p> <p><u>December 2019.</u> This work is now progressing and is currently going</p> | Partially implemented – continue to monitor. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title | Recommendation | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (27 Dec 2019) |
|-----|--|--|--|---|---|---|---|
| | | | | | | through the tender process with a scheduled January 2020 implementation date. | |
| 7. | Incident Management follow up (2018/19). | <p><u>Updating the disaster recovery plan.</u></p> <p>Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p> | Also, with our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline. | ICT Strategic Partnership Manager. | August 2019 – DR review. April 2020 - VDI upgrade. | <p><u>July 2019.</u></p> <p>This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u></p> <p>VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u></p> <p>Expected completion for this work is now April 2020.</p> | Not yet implemented – continue to monitor. |
| 8. | Herts Home Improvement Agency 2018/19. <i>These recommendations and their implementation status are overseen and monitored by</i> | <p>The HHIA should review the current business continuity and succession planning arrangements in place to ensure that the service can continue to function in the absence of key officers.</p> <p>Given the existing</p> | <p>New Senior Management structure in place:</p> <p>Head of Service reporting to Head of Hertfordshire Equipment Service.</p> <p>Longer term continuity to be</p> | Head of HHIA and Head of Hertfordshire Equipment Service (HES). | In place. | <p><u>September 2019.</u></p> <p>New Senior Management team in place and recruitment for Business Analyst will be complete August 2019. Senior Technical Officer role</p> | <p>Partially implemented – continue to monitor.</p> <p>Revised implementation date: 1 May 2020.</p> |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

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|-----|---|--|---|---------------------|---|---|----------------------------|
| | <i>Hertfordshire County Council as the lead authority but are included here for Member information.</i> | <p>recruitment difficulties, the Board should critically review whether the existing pay grading structure is sufficient, or indeed whether recruitment difficulties relate to underlying issues in respect of the structure, job roles and responsibilities within the Agency.</p> <p>The above recommendation is critical as whilst the HHIA may be able to secure sufficient staff capacity through the use of temporary staff, this is not financially sustainable within the business model, nor does it provide the required workforce stability that the HHIA requires to provide a consistent level of service and drive through key business change activities.</p> | <p>reviewed as part of the review project.</p> <p>Put in place staffing to support the service whilst review is undertaken:</p> <ul style="list-style-type: none"> - MA overseeing Operations team but not undertaking operations tasks - Operations Manager replaced by Senior Technical Officer (Agency) with sole focus on progressing projects - SE acts as cover/support for MA - Business Development Manager resigned – to be replaced by Business Analyst (fixed term 1 year) <p>Work with HR colleagues to review current structure, with particular focus on technical roles, although there needs to be an acceptance that there will be short-term reliance on agency staff in technical roles until these can be</p> | | <p>In place / in progress.</p> <p>Oct/Nov 2019.</p> | <p>re-graded and out to advert August 2019. In discussion with HR to create a career grade for Technical roles to improve ability to attract staff. Quality Improvement plan under discussion but may be a long-term project.</p> <p>Quality Improvement Plan target subject to review.</p> <p><u>December 2019.</u> Standard Operating Procedures are being developed and are nearing completion.</p> <p>The new Business Analyst is now in post and will provide both strategic and operational statistics alongside case monitoring infrastructure .</p> <p>A new caseworker started in November and technical officer have been recruited and due to start on 9</p> | |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

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|-----|--|---|---|--|--|--|---|
| | | | <p>reviewed.</p> <p>Undertake Financial Analysis to understand potential to grow staffing with revenue</p> <p>Review of processes to improve productivity and stop blockages. To be incorporated in recovery plan.</p> | | <p>Oct/Nov 2019.</p> <p>In progress.</p> | <p>Dec 19.</p> <p>Senior Technical Officer role was re-graded and interviews are taking place this month for the second time.</p> <p>A review of the HIA team structure is due to take place in early 2020. As the HIA moves towards a client centred approach.</p> | |
| 9. | Herts Home Improvement Agency 2018/19. <i>As above.</i> | <p>Further training should be provided to HHIA staff to ensure that the case management system is completed and updated in line with expectations.</p> <p>Regular data quality checks should be performed on the case management system to obtain assurance that records are updated in an accurate and timely manner (including a review of data exceptions – e.g. blank fields).</p> <p>A mapping exercise should be performed to identify the key fields within the case</p> | <p>Undertaking review of CMS system</p> <p>Process mapping exercise completed to understand how staff currently use the system and where changes need to be made</p> <p>Identification of training needs for staff and resource to undertake these.</p> <p>Training to include inputting and quality of data.</p> <p>Super-user / system manager to be identified to oversee data checks, develop</p> | Head of HHIA and Business Improvement Manager. | <p>In progress completion by August 2019.</p> <p>Mapping complete.</p> <p>Further recommendation by Aug 2019.</p> <p>By August 2019 Training by Oct 2019.</p> <p>Autumn 2019 (funding and resource dependent).</p> | <p><u>September 2019.</u></p> <p>Review and process mapping complete. Some training completed July 2019 and Business Analyst (when in post) to oversee superusers and work with Finance to develop reporting protocols. Due to issues raised in review, a meeting is to be held with Foundations and systems developer in August 2019 to raise issues around outstanding</p> | <p>Partially implemented – continue to monitor.</p> <p>Revised implementation date: 1 March 2020.</p> |

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| | | <p>management system that support key monitoring and KPI routines, with data quality checks focusing in particular on these areas.</p> <p>We also recommend that HCC Finance is provided with access to a reporting suite within the case management system, sufficient to support the production of financial monitoring / Board reports.</p> | <p>the system e.g. for mobile working, and work with Finance to develop reporting suite.</p> <p>Review access to CMS/ other reporting suites for Finance to allow for improved financial reporting or define how this will be achieved e.g. Business Analyst to report on non-SAP data.</p> | | Autumn 2019. | <p>development of the system. Report will be made to HHIA Board regarding potential options which could include replacing the system when the current contract ends (Sept 2020).</p> <p><u>December 2019.</u> A full review of the CMS system has now been completed. Report is available - with recommendations now being incorporated into the audit tracker for monitoring.</p> <p>All current HIA staff will undertake " Ferret Training" in January 2019 to ensure all staff are "up skilled" and we are resilient as a team.</p> <p>The new Business Analyst will be the Super user of the team, followed by Senior Business</p> | |

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|-----|--|---|--|---|---|---|--|
| | | | | | | <p>Support after training.</p> <p>The Business Analyst has begun working with finance to align CMS and SAP reporting.</p> <p>The Business analyst starting from November to undertake random monthly "spot check" audits.</p> | |
| 10. | Herts Home Improvement Agency 2018/19. <i>As above.</i> | <p>A formal review of the current format, approach and underlying information to support reporting of financial position of the HHIA should be undertaken. This should include:</p> <ul style="list-style-type: none"> - Review of the structure of financial performance reports, in particular ensuring that financial projections are clearly linked to performance and other key information (such as staff capacity, job over-runs etc). - Where assumptions are being included, in particular significant increases in activity, appropriate identification | <p>Review Finance reporting with the Finance team. Utilise Finance Graduate capacity to put in place systems to capture staff capacity.</p> <p>Review 2018/19 data to identify activity trends and predict for 2019/20. Identify</p> | Head of HHIA, Head of HES and Head of Accountancy Services. | <p>September 2019.</p> <p>September 2019.</p> | <p><u>September 2019.</u> No update as actions not yet due.</p> <p><u>December 2019.</u> A current review is taking place to build a more a cost-effective structure. A business case is being developed and will be presented early 2020.</p> <p>The new Business Analyst is now in post and beginning to provide strategic and operational statistical analysis and case monitoring</p> | <p>Partially implemented – continue to monitor.</p> <p>Revised implementation date 1 March 2020.</p> |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

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| | | <p>of key risks to their achievement should be included.</p> <ul style="list-style-type: none"> - Clearer evidence should be provided of existing performance of the HHIA against anticipated performance profiles (financial and non-financial), with clear statements provided of corrective actions being taken where targets are not being met. - A mapping process should be considered between the financial information required to populate Board Reports and the sources where this could be derived from, with an assessment also made on the reliability of that information. - Finally, further clarity should be provided on the respective roles and responsibilities of HCC Finance and HHIA management in relation to creating financial / performance reports for the HHIA Board. Should reports continue to be substantially prepared by Finance, these should be | <p>current risks and report on those to Board.</p> <p>Develop KPI projections and report to Board where action is being taken to address issues or meet/exceed projections.</p> <p>Finance Graduate to work with CMS Project Manager to look at financial reporting within both CMS and SAP to improve accuracy and reliability of reporting.</p> <p>Review of above actions when complete to agree on future reporting protocol. Consider potential options such as preparation of reports by</p> | | <p>November 2019.</p> <p>September 2019.</p> <p>December 2019.</p> | <p>infrastructure.</p> <p>A new caseworker has been recruited and started on the 4 Nov 2019. A Technical Officer has been appointed and due to start in Dec 2019.</p> <p>The Business Analyst has developed a set of Key Performance Indicators and will present to HHIA Board in November 2019.</p> <p>The financial reporting review has now been completed. Improvements which were introduced have resulted in the HHIA finance reporting now being delegated to an accountancy officer.</p> | |

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| | | subject to final authorisation by the Head of Service or relevant Assistant Director to reduce the risks of a lack of future ownership. | Business Analyst or Finance having access to CMS/ financial spreadsheets. | | | | |
| 11. | Herts Home Improvement Agency 2018/19. <i>As above.</i> | <p>We recommend that the HHIA seeks further clarification (in writing) from the relevant government department in relation to the restrictions on recovering overheads from the DFG. This should include the position on whether:</p> <ul style="list-style-type: none"> - It is permissible to recover general staff costs that are relevant to delivering the service, but which cannot be attributed to a specific project; - The current design and project management fee charges, which by their nature are set at a level to recover overheads, are permissible within the grant conditions; and - The cost of extended | <p>Meet with Foundations to seek relevant advice and understand where written assurances can be sought in relation to staff costs and fees.</p> <p>Use information obtained to inform project plan e.g. develop policy concerning warranties.</p> <p>Project support to work with SE/MA and Business Intelligence to develop timesheet tracker system for staff activities, similar to those in use by SIAS and HCC HR. These will more accurately track how resources are utilised.</p> <p>Review charges for</p> | Head of HHIA and Head of HES. | <p>July 2019.</p> <p>Oct/Nov 2019.</p> <p>October 2019.</p> | <p><u>September 2019.</u> Advice sought from Foundations was contradictory but further investigation around warranties is in progress. Fees and charges and abortive works are being reviewed with a view to implementation and a time tracker for staff is in preparation (finance looking at costings to be input prior to development of tracker). Revenue model to be reviewed at end of financial year once changes made to discretionary policy, charges etc.</p> <p><u>December 2019.</u> The director of ACS wrote to MHCLG in June.</p> | <p>Not yet implemented – continue to monitor.</p> <p>Revised implementation date 31 March 2020.</p> |

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| | | <p>warranties can be funded through the DFG, given the wider value for money implications if this not permissible.</p> <p>Given the above comment on staff overhead costs, we also recommend that the HHIA introduce more formal systems to evidence and monitor the chargeable activities performed by staff. We highlight that the implementation of a timesheet system would also ensure that appropriate evidence is available to support claims made against the DFG and will allow an increased level of management information to be produced on staff productivity.</p> <p>Should the HHIA not be financially viable without 100% recovery of all staff costs or overheads through the DFG, consideration should be given as to whether this issue could be resolved through DFG funding</p> | <p>works that are aborted – currently no costs are recovered so charging scheme to be put in place (if deemed permissible)</p> <p>Review viability of revenue model after the above actions have been taken and analysis made. Also consider potential revenue in light of review of discretionary policy/ resources needed.</p> | | <p>October 2019.</p> <p>End 2019/20 financial year.</p> | <p>There has been on-going conversation with finance regarding capitalisation of staff overheads. The head of service has completed analysis of capitalised staff activity. This has been agreed with finance.</p> <p>We are currently investigation the possibilities of incorporating maintenance agreements into applications of specific adaptations</p> <p>We are currently looking at a supervision system to evidence/support the head of service analyse staffing time against capitalisation.</p> | |

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| | | <p>being retained by the individual partners, allowing the HHIA to invoice as a third party, although further legal and finance advice would be required.</p> <p>Alternatively, the HHIA would need to investigate whether it is viable to increase the volume of non-DFG funded adaptations, thereby providing a separate income route to address any shortfalls in costs that are recoverable from the DFG.</p> | | | | | |
| 12. | Herts Home Improvement Agency 2018/19. <i>As above.</i> | <p>We recommend that the service create more formal guidelines on the extent of monitoring visits required, based on the complexity and length of works. As part of this it should be a minimum requirement that pre-start site meetings and completion / sign off meetings are held for all projects, irrelevant of length / complexity, with these involving the client, HHIA and the Contractor. Finally, we recommend</p> | <p>Develop agreed process for pre- and post-works site meetings and sign off with expectations for interim site visits for longer works</p> <p>Ensure meetings are recorded and captured on CMS system so information can be reported on</p> <p>Monitoring undertaken by Business Analyst (subject to</p> | Head of HHIA. | <p>January 2020.</p> <p>January 2020.</p> <p>January 2020.</p> | <p><u>September 2019.</u> No update as actions not yet due.</p> <p><u>December 2019.</u> There is now a Technical Officer who conducts all pre-starts and Practical Completions Sign off independent of the Trusted Assessor and other technical officers.</p> <p>Regular spot check audits are taking</p> | Not yet implemented – continue to monitor. |

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| | | that more stringent monitoring is undertaken by management to ensure that such standards are maintained. | recruitment) as part of reporting process. | | | place now by the Business Analysts to ensure that all documents are uploaded. The Business Analyst has now started, and performance reporting has now begun. | |
| 13. | Herts Home Improvement Agency 2018/19. <i>As above.</i> | We recommend that the HHIA strengthen the existing processes for signing off completed works, ensuring that there is appropriate evidence that the HHIA, as project managers, have visited and signed off all works that they are responsible for project managing as complete and to standard. We also recommend that a “schedule of defects” is completed for all projects (even if there are none) and that this is retained on the CMS. Where issues are identified there should be formal processes in place to ensure that these have been addressed prior to the invoice being paid (or | To be incorporated in (14) above. Schedule of defects to be added. Payments not to be made until client/HHIA are satisfied that works are completed to the agreed standard. | Head of HHIA | January 2020. In progress. | <u>September 2019.</u> Payments are not being made until client and HHIA are satisfied with works. Documentation is being developed with the team for use as soon as agreed and ready. <u>December 2019.</u> All works completed under the HIA must have a practical completion sign off process independent of the technical officers to ensure quality checks. It is only after certification of practical completion that a payment process | Implemented. |

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS





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| | | a retention amount held back). | | | | <p>begins.</p> <p>In reference to schedule of defects, HIA now has a "snagging sheet," which is used if required at sign off stage.</p> | |

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2019 TO MARCH 2020) – INDICATIVE START DATES AGREED WITH MANAGEMENT

| Apr | May | Jun | July | Aug | Sept |
|---|---|--|--|--|--|
| 2018/19 Projects Requiring Completion | Complaints Policy and Procedures (Final Report Issued) | Risk Management (Final Report Issued) | Land Charges (Final Report Issued) | CCTV (follow up) (Final Report Issued) | IT Shared Service Agreement (Draft Report Issued) |
| Payroll Annual Pension Certificate (Cancelled) | Insurance (Final Report Issued) | S106 (follow up) (Final Report Issued) | Business Continuity Planning (Final Report Issued) | Community Grants / Lottery (Draft Report Issued) | |
| Health and Safety (Final Report Issued) | | Consultation and Engagement (Final Report Issued) | Members Allowances and Expenses (Final Report Issued) | Procurement (Final Report Issued) | |
| | | | | Contract Management (Draft Report Issued) | |
| Oct | Nov | Dec | Jan | Feb | Mar |
| Recruitment Process (Draft Report Issued) | Council Tax (Draft Report Issued) | Payroll (In Fieldwork) | Main Accounting (Allocated) | IT Cyber Security (follow up) (Allocated) | Herts Home Improvement Agency (Allocated) |
| | Business Rates (Draft Report Issued) | Debtors (ToR Issued) | Homelessness/Temporary Accommodation (Cancelled) | IT Project Management (TOR Issued) (c/f from June) | |
| | Housing Benefits (Draft Report Issued) | Creditors (ToR Issued) | Recycling (Allocated) | Asset Management (Allocated) | |
| | Budgetary Control (In Fieldwork) (c/f from Sept) | IT Information Mgmt (Draft Report Issued) (c/f from Nov) | | Treasury Management (In Planning) (c/f from Dec) | |

APPENDIX D – ASSURANCE / PRIORITY LEVELS

| Assurance Level | Definition |
|---------------------|--|
| Good | The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings. |
| Satisfactory | The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements. |
| Limited | The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved. |
| No | The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention. |

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



East Herts Council

Progress with delivery of the 2019/20 Anti-Fraud Plan

Recommendation

Members are recommended to:

Note the work of the Council and the Shared Anti-Fraud Service in delivering the **2019/20 Anti-Fraud Plan**

Contents

Introduction

1. Background
2. Summary of SAFS anti-fraud activity at EHC- Quarters 1 to 3 combined

Appendix

- A. EHC/SAFS Anti-Fraud Plan 2019/20
- B. Delivery of Plan and SAFS KPI performance

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's 2019/20 Anti-Fraud plan. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its fraud risks and finding ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
- CIPFAs *Fraud and Corruption Tracker 2018* indicates that identified fraud had increased since 2016 but that counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk of fraud.
- The Central Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1. Background

- 1.1 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector, fraud risk across local government in England exceeds £2.billion each year, with some more recent reports indicating levels considerably above this.
- 1.2 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver savings.
- 1.3 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 1.4 East Herts Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS, and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.

2. SAFS Activity 2019/20

Staffing & Resources

- 2.1 In March 2019 this Committee approved the 2019/20 Anti-Fraud Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See **Appendix A** for details of the Plan and **Appendix B** for progress with delivery and KPI Performance.
- 2.2 The SAFS Team (for 2019/20) is composed of 18 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Stevenage.
- 2.3 Each SAFS Partner receives dedicated support and response. This is achieved by allocating officers to work in each Partner, but also allowing all officers to work with different Partners from time to time. Providing the Service in this manner allows officers to develop working relationships with Council staff, and also provides improved resilience and flexibility across the Partnership as a whole. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.

For 2019/20 SAFS deployed 1 member staff to work exclusively for the Council, and this officer is supported by SAFS Management and the SAFS Intelligence Team, based at Stevenage, which includes expertise in open source investigations, statutory data enquiries, data-analytics and financial investigations.

Fraud Awareness and Prevention

- 2.4 One of the key aims for the Council is to create an 'Anti-Fraud' culture that will deter fraud; encourage senior managers and Members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the

public at large to understand the impact of fraud on the Council and to report fraud where it is identified.

- 2.5 The Council has in place fraud prevention policies but these are in need of review and officers from the Councils and SAFS will be updating these in the fourth quarter to bring them in line with current best practice.
- 2.6 The Council took part in this years International Fraud Awareness Week encouraging residents to protect themselves from fraud and report fraud that they suspect to the relevant authority including the Council. SAFS have worked with the communication teams at all Partners to develop social media campaigns with shared messages that were published between 17th & 24th November.
- 2.7 The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertfordshire.gov.uk. These contact details are also available on the Councils own website and intranet. None of these functions replace the Council's own Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or contact SAFS officers working at the Council offices.
- 2.8 Working with the Councils HR team SAFS have assisted with the delivery of an e-training package for staff to raise awareness of fraud as a risk. This training package is hosted on the Councils intranet. Training for staff in 2019 has included sessions on ID checking and false documents. Further training is planned in the fourth quarter for key legal and finance managers on Anti-Money Laundering and, for staff using the services provided by the National Anti-Fraud Network.

Counter Fraud Activity & Reported Fraud

- 2.9 In quarters one to three of 2019/20 SAFS received a total of 70 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported- (70 Referrals)

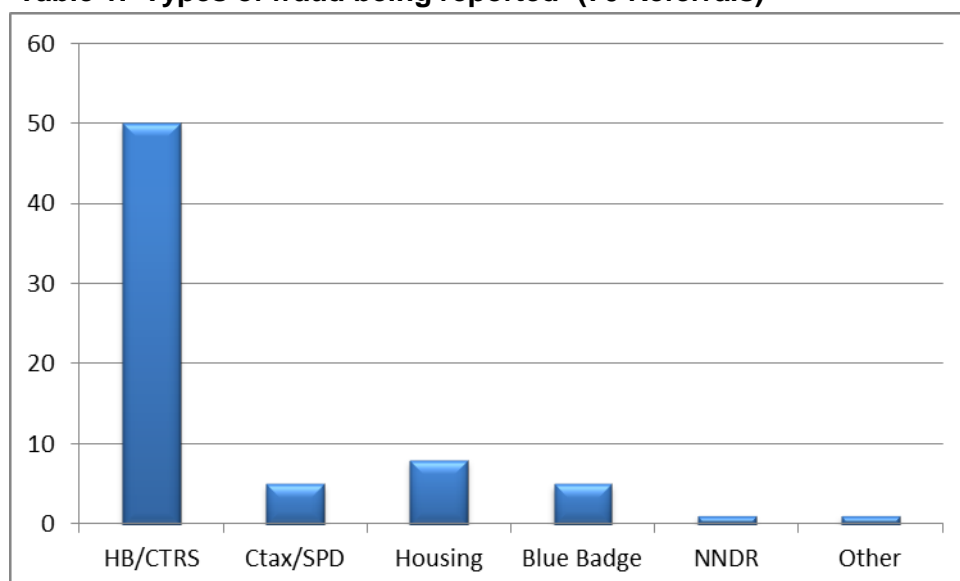
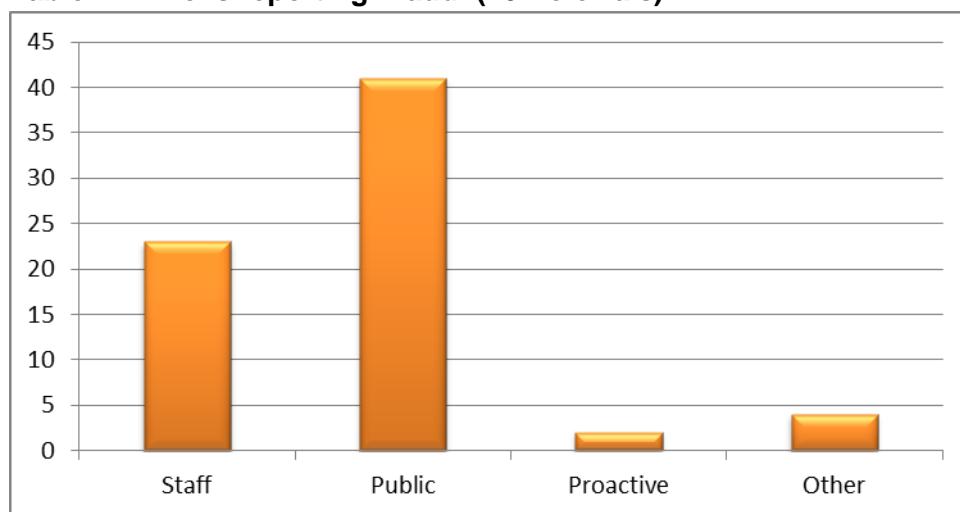


Table 2. Who is reporting Fraud- (70 Referrals)



2.10 SAFS also carried forward a number of live cases from 2018/19.

2.11 At the time of this report many cases raised for investigation are still in the early stages. However, of 30 investigations closed in the year fraud losses of £151k and fraud savings of £18k have been recorded.

'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.

2.12 Of 47 live cases still under investigation the estimated fraud loss and savings combined exceed £164k.

2.13 The Council has applied financial penalties for council tax fraud this year raising further revenue for the Council and acting as an alternative to prosecution. Application of these penalties complies with the law and the Councils own policies and they are applied case by case with each decision being fully reviewed by officers from the Council and SAFS.

2.14 A number of more serious cases of council tax fraud, which were linked to housing benefit fraud, have been dealt with through criminal prosecution with the Department for Work and Pensions and Crown Prosecution Service leading on these matters.

Proactive and Prevention Activity

2.14 SAFS manage the framework contract for all councils in Hertfordshire to conduct bulk reviews of council tax discounts and exemptions, improving collection and preventing fraud. These services are provided with split in costs between Hertfordshire County Council, the Police and Crime Commissioner, and district and borough councils. The Councils Shared Revenue and Benefit Service plans to make use of this Framework in 2019/20.

- 2.15 Parking Enforcement Officers continue to work closely with SAFS to investigate persistent abuse of Blue Badges in the Council's car parks. In May and June SAFS conducted a social/ press media campaign to raise awareness and act as a deterrent to blue badge fraud. The campaign resulted in a number of badges being returned as part of an amnesty and several cases of identified blue badge abuse have been reported for prosecution.
- 2.16 SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job Seekers Allowance or Universal Credit.
- 2.17 SAFS officers have ensured the Council's compliance with the National Fraud Initiative (NFI). The NFI is a nationwide anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.
- 2.18 1,447 potential matches were received as part of the 2018/19 NFI exercise, 296 of these were marked as high or medium priority. The high risk or 'recommended' matches have been prioritised for review by Council officers dependant on type and risk. At the end of November 987 matches, including the majority of high risk matters, had been reviewed and savings of £125k recorded (these savings are in addition to those recorded at 2.12). Officers are working to clear all reports/matches by year end.
- 2.19 The Council is planning to join the Hertfordshire FraudHub in 2020. This project operates using the same legal framework as the two yearly NFI but allows data to be matched more frequently helping to prevent fraud or detecting it sooner. Council and SAFS officers are currently working on the legal process required to bring data-uploads. We will keep Members informed with the progress of this new project.

Appendices

A. SAFS/EHC Anti-Fraud Plan 2019/20



Anti-Fraud Plan
2019/20

B. Performance against Plan to 30.12.2019.

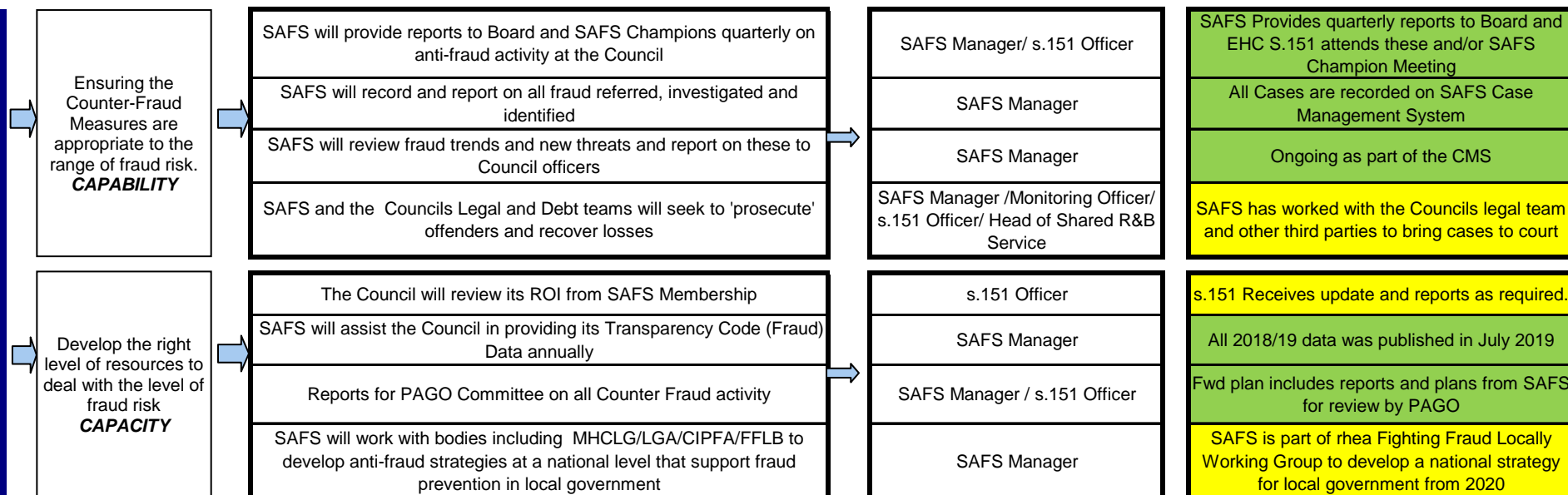


Performance and
KPIs

EHC / SAFS Action Plan 2019/2020

| CIPFA Principles | Goals & 6Cs | Activities | Responsible Officer | Progress to December 2019 |
|------------------|---|--|--|---|
| ACKNOWLEDGE | Fraud is acknowledged as a Risk for the Council CULTURE | The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan | Chief Executive / Monitoring Officer | Yes but these are v.old. SAFS have drafted new docs but these are waiting officer review |
| | | Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies | S. 151 Officer/ Monitoring Officer | Review partially completed - see above. |
| | | PAGO Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements | S. 151 Officer | Although policies are outdated there is training and resources dedicated to counter fraud activity. |
| | | The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated. | Head of Legal/ Head of Human Resources | This is not clear - due to lack of policies |
| | The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION | The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness | Senior Communications Officer | SAFS and EHC Comms publicise AF activity and campaigns |
| | | Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. | SAFS Manager / Senior Communications Officer | All in place and made available to EHC staff and residents |
| | | The Council and SAFS will provide fraud awareness or specific anti-fraud training across all Council services and review the E-Learning Training for staff | SAFS Manager & Head of Human Resources | Fraud awareness programme delivered with HR |
| | | SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police . | SAFS Manager | 11. Alerts issued from SAFS Intel to SAFS Partners. |
| PREVENT | Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION | Implement the contract for EHC to join the Herts <i>FraudHub</i> in 2019. | SAFS Manager/ s.151 Officer | Incomplete. Contract provided to EHC but no action to date |
| | | Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA | Monitoring Officer / SAFS Manager | Complete and in place |
| | | Deliver the NFI 2018/19 Exercise | SAFS Manager/ s.151 Officer | 1447 matches in all received by EHC . All high risk matches cleared. 69% of all matches cleared. |
| | | Work with DWP to deliver CTRS/HB joint working 2018 roll-out | SAFS Manager/ Head of Shared R&B Service | JW in place with DWP/FES at Stevenage on relevant cases |
| | | Work with other organisations, including private sector, to improve access to data | SAFS Manager | SAS Project in place (HCC). Destin Solutions SBRR scheme offered to EHC R&B. |
| | Have the highest levels of professional standards COMPETENCE | All SAFS staff will be fully trained and accredited | SAFS Manager | SAFS all trained and accredited. |
| | | All investigations will comply with relevant legislation and Council Policies | SAFS Manager | SAFS Mgt monitor all live cases to comply |
| | | SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession | SAFS Manager | SAFS are part of a Collective Local Authority Bid to join Profession by March 2020 |
| | | SAFS will work with Council Services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA | s.151 Officer/ SAFS Manager | All complete and licenses in place |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

PURSUE



Key

| |
|-------------------------|
| Complete |
| In Place/ BAU |
| Commenced/ Under Review |
| Outstanding |

| KPI | Measure | Target 2019/2020 | PROGRESS TO OCTOBER 2019 | Reason for KPI |
|-----|---|---|---|--|
| 1 | Return on investment from SAFS Partnership. | Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. | Fees to SAFS £81.6k. | Transparent evidence to Senior Management that the Council is receiving a service matching its contribution. |
| 2 | Provide an investigation service. | A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings. | A. FTE in post until Feb 2020 (Mat leave) B. AC reports included in Fwd Plan. C. Meetings and R&B liaison ongoing | Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements. |

| | | | | |
|---|--|---|---|--|
| 3 | Action on reported fraud. | A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average. | A & B Current performance 2 day on average for all referrals | Ensure that all cases of reported fraud are triaged within agreed timescales. |
| 4 | Added value of SAFS membership. | A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year. | A & B. NAFN/ CIPFA Membership. C. NAFN non-fraud training provided to relevant staff. D. Training events agreed with HR | Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses. |
| 5 | Allegations of fraud received. | A. 100 - Fraud referrals from all sources to SAFS | 70 (23 from staff) | This target will measure the effectiveness of the service in promoting the reporting of fraud by staff and public, |
| | & | | | & |
| | Success rates for cases investigated. | B. 60% of cases investigated and closed in year | 63% (19 cases from 30 closed) | measure the effectiveness in identifying cases worthy of investigation. |
| 6 | Making better use of data to prevent/identify fraud. | A. Implement the Herts FraudHub for the Council. B. Complete NFI 2018/2019 Reports. | A. Details of FraudHub contract provided to EHC Mgt Nov 2019 B. NFI Review ongoing | Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud. |

Key

| |
|-----------------------|
| Complete |
| On-Target |
| Planned |
| Likely to miss Target |

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**East Herts Council
Anti-Fraud Plan 2019/2020**

in partnership with

The Shared Anti-Fraud Service



SAFS
Shared Anti-Fraud Service
Fighting Fraud in Partnership

Contents

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| SAFS Standards of Service | 5. |
| East Herts Council Anti-Fraud Action Plan 2019/2020 | 6. |
| SAFS KPIs for East Herts Council 2019/2020 | 7. |

Introduction

This plan supports the Councils Anti-Fraud and Corruption Strategy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils states that the key elements for the Strategy are;

Culture- the prevailing set of assumptions and values within the organisation- and the reporting of suspicions of fraud and corruption,

Actions to prevent and deter fraud and corruption,

Controls to detect and ensure investigation of fraud and corruption,

Alertness and vigilance reinforced by training.

This plan includes objectives and key performance indicators that support the Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government is large, but difficult to quantify with precision. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

In its 2015 publication ***Code of practice on managing the risk of fraud and corruption*** CIPFA highlighted the five principles for public bodies to embed effective standards for countering fraud and corruption in their organisations. These principles support good governance and demonstrate effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The CIPFA ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** included a summary of reported fraud losses across councils in England totalling £307m per annum but that hidden and unreported fraud risks could exceed £2bn each year. The strategic response for local government to respond to the threat of fraud threats provides three key principles '**Acknowledge/Prevent/Pursue**'. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board.

In addition, local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes (6C's) identified in the CIPFA Strategy:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government as follows.

- Total loss across local government - £7.8bn
- Tenancy Fraud- £1.8bn
- Procurement Fraud - £4.4bn
- Payroll Fraud - £1bn
- Other - £.6bn

The AFI does not include housing benefit fraud or council tax fraud as a loss to local government but estimates the loss of these combined at around £1.1bn.

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2019/2020 is based on the principles of '**Acknowledge/ Prevent/ Pursue**' and the 6 C's to ensure the Council is adequately protected from fraud risk or, where fraud does occur, that there are plans to manage,mitigate, recover any losses.

SAFS Resources 2019/2020

Anti-Fraud Arrangements

East Herts Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015.

SAFS is a Partnership where each organisation pays an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has one seat on the Board. For East Herts Council the Head of Strategic Finance and Property is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In September 2018 the SAFS Board accepted a report from the SAFS Manager to increase the fees for all Partners. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years. There has been no previous increase in fees since SAFS was established in 2015.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2022 to be reviewed further at that time and that fees for District Councils, without housing stock, would be fixed to £81,600 +VAT.

Fees for East Herts Council in 2019/2020 will increase from £80,000 + VAT to £81,600 + VAT.

Staffing

The full complement of SAFS in 2019/20 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and .6 FTE Accredited Financial Investigator both posts funded from SAFS Budgets.

For staffing – East Herts Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and two Audit Committees reports per annum. SAFS also have access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third party providers and litigation services.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 5 days, on average.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
 - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case selected for investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/office accommodation required to undertake their investigations.
 - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
 - Where a decision indicates an offence SAFS will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

| EHC / SAFS Action Plan 2019/2020 | | | |
|----------------------------------|---|---|---|
| CIPFA Principles | Goals & 6Cs | Activities | Responsible Officer |
| ACKNOWLEDGE | Fraud is acknowledged as a Risk for the Council CULTURE | The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies PAGS Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated. | Chief Executive / Monitoring Officer S. 151 Officer/ Monitoring Officer S. 151 Officer Head of Legal/ Head of Human Resources |
| | | The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. The Council and SAFS will provide fraud awareness or specific anti-fraud training across all Council services and review the E-Learning Training for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police . | Senior Communications Officer SAFS Manager / Senior Communications Officer SAFS Manager & Head of Human Resources SAFS Manager |
| | The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION | Implement the contract for EHC to join the Herts <i>FraudHub</i> in 2019. Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA Deliver the NF1 2018/19 Exercise Work with DWP to deliver CTRS/HB joint working 2018 roll-out Work with other organisations, including private sector, to improve access to data | SAFS Manager/ s.151 Officer Monitoring Officer / SAFS Manager SAFS Manager/ s.151 Officer SAFS Manager/ Head of Shared R&B Service SAFS Manager |
| | | All SAFS staff will be fully trained and accredited All investigations will comply with relevant legislation and Council Policies SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession SAFS will work with Council Services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA | SAFS Manager SAFS Manager SAFS Manager s.151 Officer/ SAFS Manager |
| PREVENT | Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION | Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY | SAFS Manager/ s.151 Officer SAFS Manager SAFS Manager SAFS Manager /Monitoring Officer/ s.151 Officer/ Head of Shared R&B Service |
| | | Develop the right level of resources to deal with the level of fraud risk CAPACITY | s.151 Officer SAFS Manager SAFS Manager / s.151 Officer SAFS Manager |
| | | The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually Reports for PAGS Committee on all Counter Fraud activity SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government | s.151 Officer SAFS Manager SAFS Manager / s.151 Officer SAFS Manager |
| | | | |

SAFS

KPIs 2019/2020

| KPI | Measure | Target 2019/2020 | Achieved 2018/2019 | Reason for KPI |
|-----|--|---|-----------------------|--|
| 1 | Return on investment from SAFS Partnership. | Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. | New Target | Transparent evidence to Senior Management that the Council is receiving a service matching its contribution. |
| 2 | Provide an investigation service. | A. 1 FTE on call at EHC. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to PAGS Committee. C. SAFS Attendance at Council management/governance groups. | 100% to all | Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements. |
| 3 | Action on reported fraud. | A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average. | New Target | Ensure that all cases of reported fraud are triaged within agreed timescales. |
| 4 | Added value of SAFS membership. | A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. Access to NAFN for relevant Council Staff D. 5 Fraud training events for staff/Members in year. | New Target | Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses. |
| 5 | Allegations of fraud received. & Success rates for cases investigated. | A. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated and closed in year | A. 100 B. 60% | This target will measure the effectiveness of the service in promoting the reporting of fraud by staff and public, & Measure the effectiveness in identifying cases worthy of investigation. |
| 6 | Making better use of data to prevent/identify fraud. | A. Implement the Herts FraudHub for EHC. B. Complete NFI 2018/2019 Reports. | New Target | Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud. |

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East Hertfordshire District Council

Annual Audit Letter for the year
ended 31 March 2019

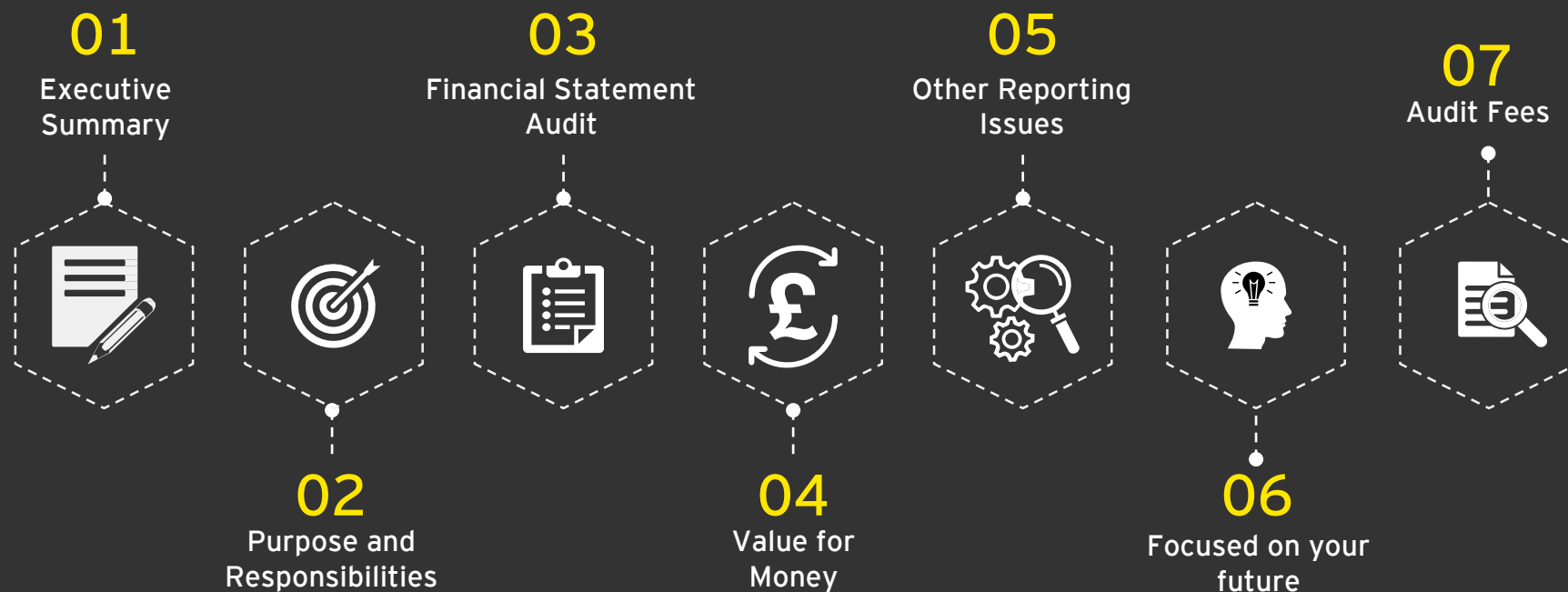
December 2019



Building a better
working world

Agenda Item 7

Contents



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).

This 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 April 2018)' issued by PSAA set 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 and Terms of Appointment. 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, 1 More 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.



01

Executive Summary

Executive Summary

We are required to issue an annual audit letter to East Hertfordshire District Council (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

| Area of Work | Conclusion |
|--|--|
| Opinion on the Authority's: | |
| ► Financial statements | Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended. Owing to EY resourcing issues we rescheduled the audit until after the end of July and issued our auditor's report on 29 November 2019. |
| ► 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 Authority's arrangements for securing economy, efficiency and effectiveness | We concluded that you have 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 Authority. |
| ► Public interest report | We had no matters to report in the public interest. |
| ► Written recommendations to the Authority, 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 Authority's Whole of Government Accounts return (WGA). | We had no matters to report. |



Executive Summary (cont'd)

In addition we have also:

| Area of Work | Conclusion |
|---|--|
| Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit. | We issued our Audit Results Report to the 19 November 2019 meeting of the Performance, Audit and Governance Oversight Committee. |
| Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the NAO's 2015 Code of Audit Practice. | We issued the certificate within the auditor's report on 29 November 2019. |

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

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

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 Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 19 November 2019 Performance, Audit and Governance Oversight 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 Authority.

Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we presented at the January 2019 Finance, Audit and Risk Committee and is conducted in accordance with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2018/19 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority 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 Authority;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Authority, 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 NAO on your WGA return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority 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 Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority's Statement of Accounts is an important tool for it to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Authority's Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO. Owing to our own resourcing issues we rescheduled the audit of the statement of accounts until October. We issued an unqualified audit report on 29 November 2019 having reported detailed findings to the 19 November 2019 Performance, Audit and Governance Oversight Committee Committee. We summarise here the key risks we identified and our conclusions.

Significant risk

Findings & conclusions

Misstatements due to fraud or error.

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts. We focused on the Authority's judgement that an item is capital expenditure in nature.

We found no indications that revenue expenditure has been inappropriately charged to capital.

New General Ledger System

The Authority implemented a new general ledger system during the period. The general ledger system is the key financial system used by the Authority. The system processes and maintains records relating to income and expenditure transactions, records balances held by the Authority and is used to prepare the financial statements.

Any errors in the transfer or input of data or in the calculations performed by the new system could result in a material misstatement in the financial statements.

We did not identified any issues with the balances brought over on 1 April 2019 to the new system.

Financial Statement Audit

| Other Areas of Audit Focus | Conclusion |
|--|---|
| Valuation of Other Land and Buildings and Investment Properties <p>The fair value of non-DRC Property, Plant and Equipment (PPE) (£61 million) and Investment Properties (IP) (£14 million) represent significant balances in the Authority's accounts.</p> | <p>Our audit procedures above did not identify any material differences in the financial statements.</p> |
| Pension Liability Valuation <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £34 million.</p> | <p>The Authority updated its accounts to reflect the impact of national issues impacting all local authority pension schemes as well as to reflect changes in the value of investments. We were satisfied that the changes were correctly reflected in the Authority's final statement of accounts.</p> |
| Business Rates Appeals Provision <p>The appeals provision for the Authority is material in 2018/19 at £3.6 million (2017/18 £3.6 million) and represents an area of management judgement informed by an external expert.</p> | <p>Our audit procedures did not identify any material differences in the financial statements.</p> |
| New accounting standards <p>The Authority had to implement two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:</p> <ul style="list-style-type: none"> ▶ IFRS 9 - Financial instruments ▶ IFRS 15 - Revenue from contracts ▶ IFRS 16 - Leases (2020/21). | <p>FRS 9 - Financial Instruments: Our audit procedures identified the need for some disclosure changes for financial instruments.</p> <p>IFRS 15 - Revenue from Contracts: Our audit procedures for revenue from contracts did not identify any audit issues.</p> <p>IFRS 16 - Leases: The Authority have started to consider their preparations for meeting the requirements of IFRS 16.</p> |

Financial Statement Audit (cont'd)

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 planning materiality to be £1.566 million (2017/18: £1.1 million) which is 2% of gross revenue expenditure reported in the accounts. This results in a performance materiality, at 75% of overall materiality, £1.175 million (2017/18: £0.825 million).</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p> |
| Reporting threshold | <p>We agreed with the Finance, Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.078 million (2017/18: £0.076 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: We agreed all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: We tested the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

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

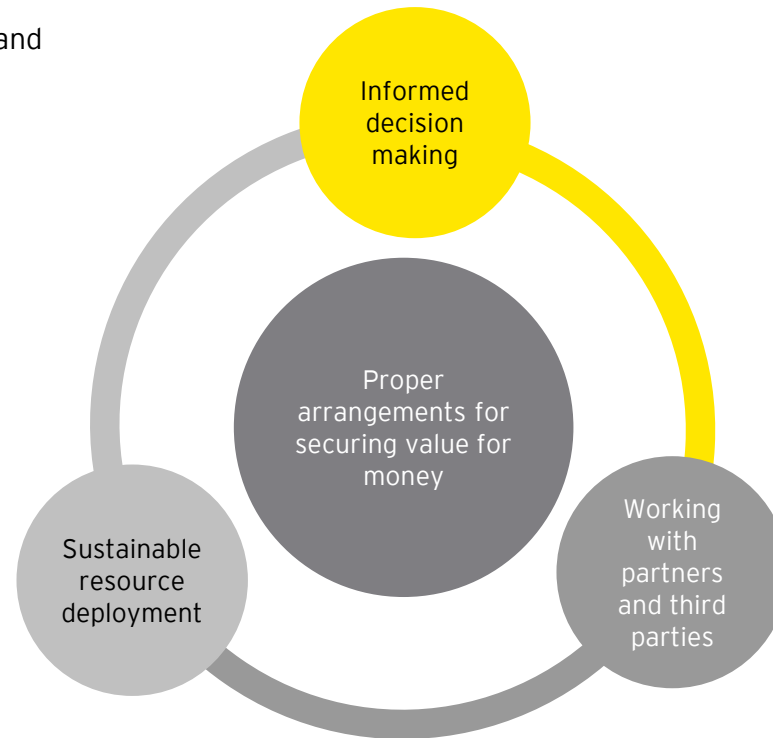


04 Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in 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.



In our Audit Plan we identified the development at Old River Lane and the arrangements to make informed decisions as a significant risk. We carried out procedures to enable us to understand the Authority's arrangements to mitigate the associated risks. We did not identify any matters that we needed to include in the auditor's report about arrangements to secure economy, efficiency and effectiveness in your use of resources.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office (NAO) on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

The Authority falls below the NAO's threshold for auditor review.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority'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 Authority 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 Authority 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 2018/19 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.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our Audit Results Report to the Performance, Audit and Governance Oversight Committee on 19 November 2019. 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 audit approach and have therefore not tested the operation of controls. We have not identified any significant control deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



06

Focused on your future

Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

| Standard | Issue | Impact |
|----------------------------------|--|---|
| IFRS 16 Leases | <p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> | <p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p> |
| IASB Conceptual Framework | <p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> - new definitions of assets, liabilities, income and expenses - updates for the inclusion of the recognition process and criteria and new provisions on derecognition - enhanced guidance on accounting measurement bases - enhanced objectives for financial reporting and the qualitative aspects of financial information. <p>The conceptual frameworks is not in itself an accounting standard. However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p> | <p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p> |



07

Audit Fees

Audit Fees

In the table below we summarise the audit fees that we have agreed with the Authority and that are now subject to approval by PSAA.

* Please note that the 2017/18 additional fee is still in discussion with PSAA.

** The final fee for the Reporting Accountant work reflects the additional testing we agreed with the Authority based on the terms of the engagement letter and is not subject to PSAA approval. This work was completed on 29 November 2019.

| | Final fee 2018/19 | Planned fee 2018/19 | Final Fee 2017/18 |
|--|-------------------|---------------------|-------------------|
| | £'s | £'s | £'s |
| Scale fee | 40,295 | 40,295 | 52,331 |
| Additional fees: | | | |
| - Old River Lane significant risk | 1,750 | - | 2,495* |
| - New General ledger | 1,950 | - | - |
| - Updated pension disclosures | 950 | - | - |
| Total Audit Fee | 44,945 | 40,295 | 54,826* |
| Non-audit work: | | | |
| Reporting accountant for Housing Benefit Subsidy | 14,340** | 9,540 | 8,316 |

All fees exclude VAT

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East Herts Council Report

Council/ Executive /Committee

Performance, Audit & Governance Oversight Committee

Executive

Council

Date of Meeting:

14th January 2020 PAGO

21st January 2020 Executive

29th January 2020 Council

Report by: Councillor Geoff Williamson, Deputy Leader & Executive

Member for Financial Sustainability

Report title: SUSTAINABLE MEDIUM TERM FINANCIAL PLAN 2020/21
– 2023/24

Ward(s) affected: ALL

Summary

- The report sets out proposals on the following:
 - the Medium Term Financial Plan 2020/21 – 2023/24
 - the 2020/21 to 2023/24 Capital Programme
 - the 2020/21 Schedule of Charges.
- All decisions and recommendations will be considered within the national context of continued financial uncertainty and risk for local government. Going forward questions remain over the total funding for local government and how this will be shared between authorities.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE OVERSIGHT COMMITTEE:

**To endorse that the Executive considers the following for
recommendation to Council, that:**

- a. the East Herts share of Council Tax for a band D in 2020/21 be set at £174.09;**
- b. the updated position on the Medium Term Financial Plan and Budget for 2020/21 including the budget pressures and risks be approved;**
- c. the new savings and income generating proposals for 2020/21 onwards as shown in Appendix 'A' be approved;**
- d. the Capital Programme as set out in Appendix 'C' be implemented;**
- e. the schedule of charges set out in Appendix 'D', each with an average increase of 2.5% for 2020/21, be approved.**

1.0 Proposal(s)

- 1.1 The report sets out proposals for East Herts Council's element of the Council Tax for 2020/21 and a balanced four year Medium Term Financial Plan which members of the Performance, Audit & Governance Committee are asked to consider and, with or without amendment, endorse for consideration by the Executive.

2.0 Background

- 2.1 This report sets out the council's approach to setting a sustainable budget for 2020/21 and the revenue and capital budget proposals for the four years commencing 2020/21.

- 2.2 Throughout the past few months the Finance team has engaged with members and senior officers to discuss the issues and opportunities that this year's budget setting process presents.
- 2.3 The principal objective of the process was to consider previous and current budget decisions the Council has made and then ensure that they are both robust and able to deliver a sustainable Medium Term Financial Plan.
- 2.4 Some of the key issues discussed included the longer term national financial outlook and the impact this will have on local budgets and the ability to produce income streams for a future balanced budget.
- 2.5 The budget is built around the proposed new corporate principles, presented elsewhere on this agenda, which are sustainability, economic growth, engagement and digital by design. This underpins the organisation's direction of travel.
- 2.6 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.
- 2.7 Budget efficiencies required over the next four years, in addition to those approved in previous years, are projected to be in excess of £2m based on the outcomes of a number of government initiatives including the Business Rate Retention Policy and Fairer Funding Regime. This will present a significant challenge for the council.

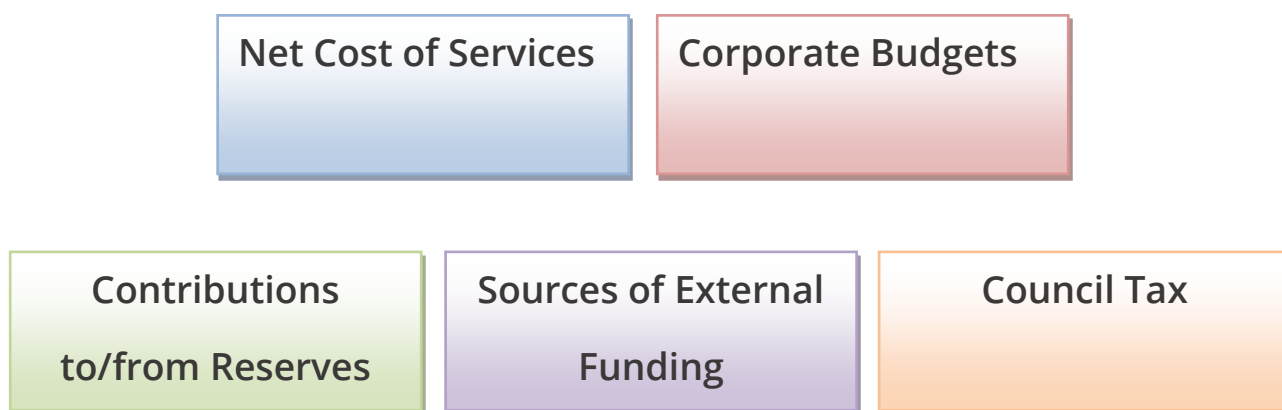
2.8 The report contains the following sections and Appendices:

| Background Report Sections | |
|----------------------------|---|
| 2.9 | Budget Components |
| 2.18 | Budget Pressures and Risks |
| 2.19 | 2020/21 Budget Preparation and Engagement |
| 2.20 | Reserves |
| 2.21 | Capital |
| 2.23 | Schedule of fees & charges |

| Appendices | |
|------------|-----------------------------------|
| A | Savings Proposals |
| B | Reserves |
| C | Capital |
| D | Schedule of charges |
| E | Medium Term Financial Plan (MTFP) |

2.9 Budget Components

2.9.1 The council's revenue budget consists of five major 'building blocks' as follows:



- 2.9.2 **Net Cost of Services:** these are the direct costs incurred by the council in delivering services, less any specific income generated. Any use of reserves to fund these services is included in the Contributions to/from Reserves.
- 2.9.3 **Corporate Budgets:** these are the costs incurred and income received by the council that are not service specific, for example, 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.
- 2.9.4 **Contributions to/from Reserves:** this represents funding within the revenue budget from Earmarked Reserves which has 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.
- 2.9.5 **Sources of External 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).
- 2.9.6 **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'.

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 2020/21 will be capped at £16.1m as part of the cash limit budget process. This decision allows Heads of Service to work within their own service delivery requirements and service plans to make the best use of the resources available. This revised budget includes modelled pay inflation of 2.75%. The breakdown of these costs for the Medium Term Financial Plan is set out in the following table:

Table 1 - Net Cost of Services

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Chief Executive Department | 383 | 392 | 402 | 412 |
| Communications, Strategy & Policy | 1,109 | 1,138 | 1,268 | 1,299 |
| Human Resources | 537 | 549 | 561 | 573 |
| Strategic Finance & Property | 1,925 | 1,988 | 2,185 | 2,439 |
| Democratic & Legal Services | 1,254 | 1,280 | 1,307 | 1,335 |
| Housing & Health | 2,768 | 2,819 | 2,883 | 2,997 |
| Planning | 918 | 974 | 1,032 | 1,091 |
| Operations | 4,032 | 4,169 | 3,774 | 3,641 |
| Revenues & Benefits | 748 | 805 | 887 | 970 |
| Business & Technology | 2,417 | 2,302 | 2,422 | 2,541 |
| Net Cost of Services | 16,091 | 16,416 | 16,721 | 17,298 |

2.11

Corporate Budgets

Corporate budgets are those that cannot be directly attributed to specific services and are costs to the authority as a whole. Income collected from Millstream Property Investment Ltd the council's wholly owned company and from the investments made by the Financial Sustainability Committee are also included in this budget within the 'Corporate Income' line. A breakdown of these proposed income streams/costs for 2020/21 onwards is set out below:

Table 2 – Corporate Budgets

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|-----------------------------------|------------|--------------|--------------|----------------|
| | £000 | £000 | £000 | £000 |
| Fees & Charges | (40) | (150) | (200) | (250) |
| NHB to Parish and Towns | 708 | 252 | 143 | 0 |
| Interest Payments | 207 | 233 | 483 | 733 |
| Investment Income | (800) | (600) | (600) | (600) |
| Pension Fund deficit contribution | 715 | 734 | 754 | 976 |
| Corporate Saving proposals * | (200) | (400) | (600) | (800) |
| Corporate Income* | (300) | (600) | (900) | (1,200) |
| Total | 290 | (531) | (920) | (1,141) |

* see Table 7 below for more details

2.12

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 Reserve contributions are summarised in the table below for 2020/21 onwards. See appendix E for more detail.

Table 3 – Reserves Contributions

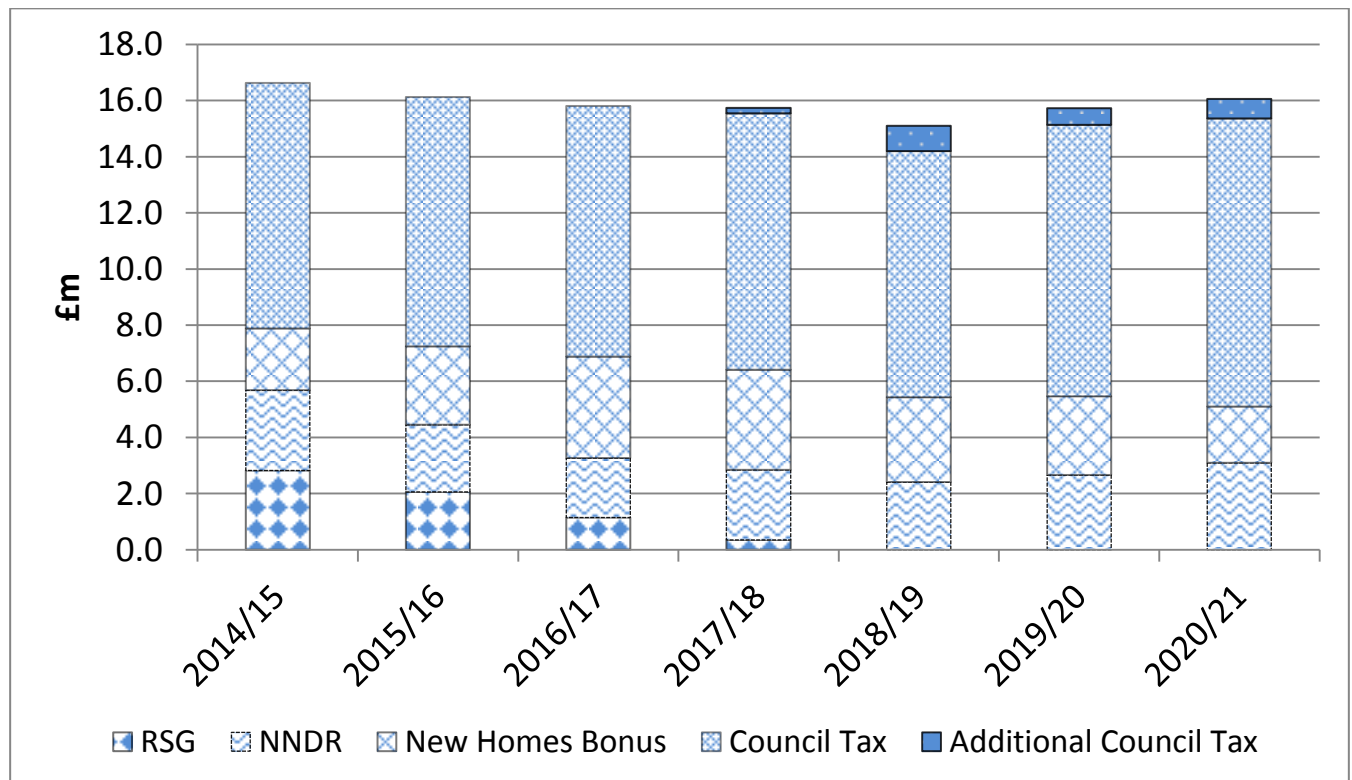
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------|------------|------------|------------|--------------|
| | £000 | £000 | £000 | £000 |
| Contributions to Reserves | 1,645 | 797 | 580 | 151 |
| Contributions from Reserves | (913) | (499) | (223) | (273) |
| Net Reserves Movement | 732 | 298 | 357 | (122) |

2.13

Sources of External Funding

The graph below shows the external sources of funding available to East Herts Council over the last 6 years and the projected available for 2020/21. The information demonstrates the reduction in centrally allocated grants and the increasing importance of income from local taxation. In periods shown in the graph, Council Tax funding has grown from 53% of total funding to 68% of total funding.

Table 4 East Herts Core Spending Power



Key

RSG – Revenue Support Grant

NNDR - National and Non-Domestic Rates

NHB – New Homes Bonus

Council Tax

Additional Council Tax - annual uplift of council tax

The previous Medium Term Financial Plans have built in a £5 increase in Band D equivalent Council Tax throughout the life of the plan. This ensures that Council Tax income is kept in line with the government's expectations. This equates to a band D charge of £174.09 for 2020/21.

2.14 New Homes Bonus

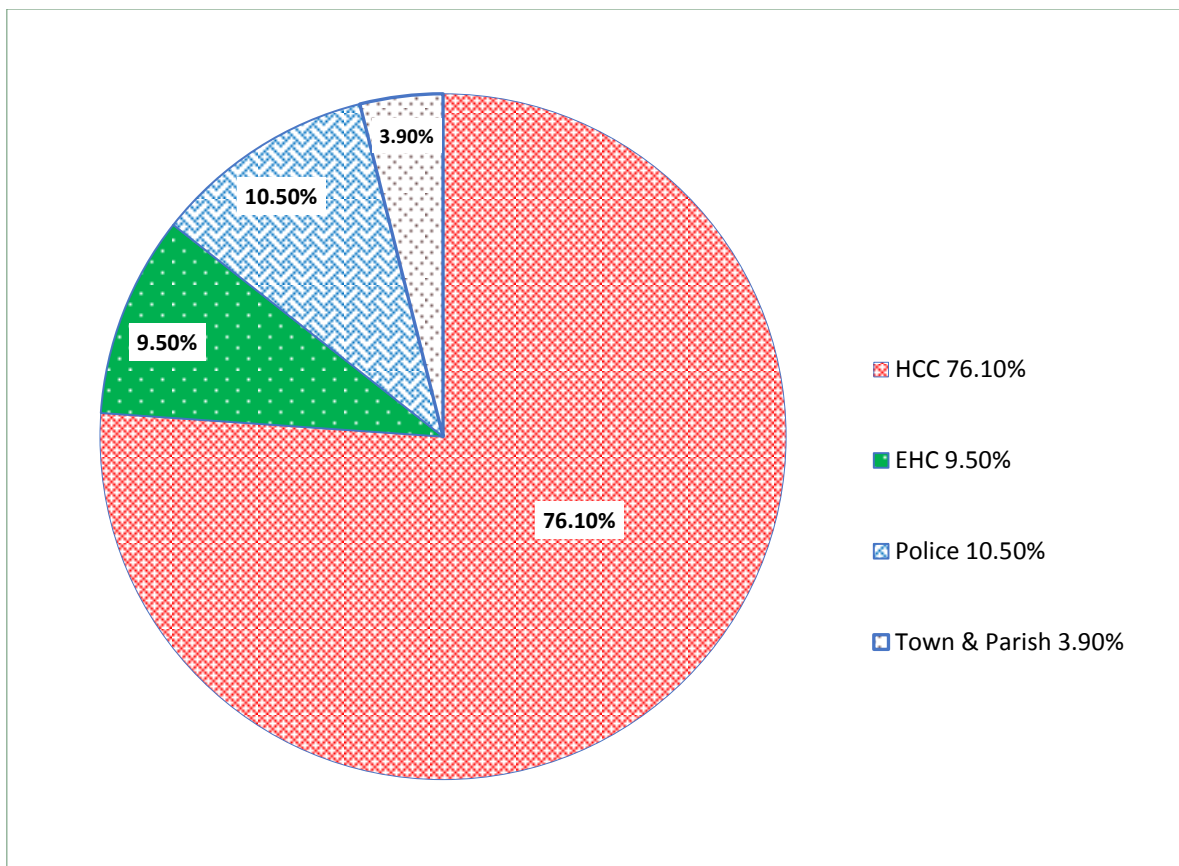
- 2.14.1 In 2010 Central Government announced the introduction of the New Homes Bonus scheme (NHB) with the aim of encouraging local authorities to grant planning permission for housing developments.
- 2.14.2 The Government agreed to match council tax raised on each new house for 6 years, this was subsequently reduced to 4 years and a national baseline of 0.4% additional housing before NHB was available was introduced from 2018/19.
- 2.14.3 The NHB is not ring-fenced which gives the council flexibility on how to utilise the funding, however, NHB funding is not a guaranteed funding source for East Herts Council; the Spending Review 2019 statement highlighted this uncertainty and confirmed that legacy payments will be honoured but the scheme for 2020/21 is still for discussion with ministers. It is likely the New Homes Bonus Grant will cease to exist from 2023/24 so has been removed from the Medium Term Financial Plan.

2.15

Council Tax

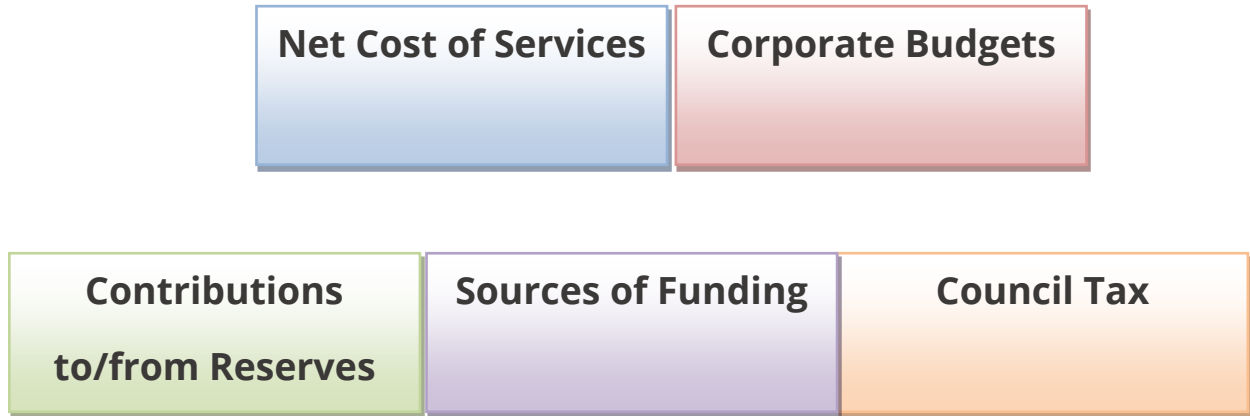
Council Tax is a local tax on domestic properties which East Herts collects on behalf of Hertfordshire County Council, Hertfordshire Police and also Town and Parish Councils. The split of this collection for 2019/20 is set out in the table below:

Table 5 – 2019/20 Council Tax Split



2.16 In setting the 2019/20 budget and onwards it was agreed that East Herts will increase its share of the Council Tax by £5 per year, the maximum increase allowed in any year without a referendum. This level of increase will be built into the Medium Term Financial Plan on an ongoing basis to mitigate the effects of the potential reductions from the Fairer Funding regime and changes to the Business Rates Retention scheme.

2.17 Consolidating the 5 Building Blocks of the budget



2.17.1 These five blocks make up the overall budget summary for 2020/21 as set out below:

Table 6 – Budget Summary

| | Revised Budget 2020/21 |
|---------------------------|---------------------------|
| | £000 |
| Net Cost of Services | 16,091 |
| Corporate Budgets | 290 |
| Contributions to Reserves | 732 |
| Total Expenditure | 17,113 |
| Sources of Funding | (6,256) |
| Council Tax | (10,667) |
| Revised Budget Gap | 190 |

2.18 Budget Pressures and Risks

2.18.1 The Council's Medium Term Financial Plan is a complex model subject to many factors and the forecasts are by necessity subject to continuous review and refinement to reflect the latest information as it emerges.

2.18.2 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.

2.18.3 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 will be included as financial risks that, if costs materialise in year, will be met from the available reserves or balances.

2.18.4 Pay Awards / NJC Pay review

2.18.5 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.

2.18.6 In line with previous information, a salary increase of 2.75% has been assumed within the Medium Term Financial Plan budget planning process.

2.18.7 Inflation and Growth

2.18.8 Provision for inflation has been made in the MTFP for all contractual uplift costs based on terms and conditions set out in contractual agreements and for inflation on business rates in respect of council owned properties.

2.19 2020/21 Budget Preparation and Engagement

2.19.1 During October 2019, Members and Officers were encouraged to participate in a number of budget engagement workshops to look at the authority's Medium Term Financial Plan and to explore both money saving and money making opportunities to bridge the funding gaps in future years . These workshops looked at prioritising competing calls on expenditure in the future and exploring alternative income streams. The results feed into the 2020/21 Medium Term Financial Plan budget setting process.

2.19.2 The Budget Gap and Savings Proposals

2.19.3 An initial review of the Medium Term Financial Plan set out a funding gap of £1.037m attributable to 2020/21. The work carried out by officers has found solutions to some of the early year budget gaps especially in 2020/21. So, the budget has been re-evaluated and a summary of the budget gap and the required budget savings is shown on Table 7.

Table 7 – Budget Gap

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| Budget gap @30.10.18 | 538 | 607 | 509 | 0 |
| Revised Service and Funding Pressures | 499 | 1,267 | 1,122 | 2,059 |
| Budget gap as at 01.11.19 | 1,037 | 1,874 | 1,631 | 2,059 |
| Additional Net Cost of Services changes | (106) | 0 | 0 | 0 |
| Budget Outturn realignment | (241) | 0 | 0 | 0 |

| | | | | |
|---------------------------------|-------------------|---------------------|---------------------|---------------------|
| Additional Millstream Income | (100) | (200) | (300) | (400) |
| Financial Sustainability Income | (200) | (400) | (600) | (800) |
| Car parking income | (200) | (400) | (600) | (800) |
| Revised Annual Budget Gap | <u>190</u> | <u>874</u> | <u>131</u> | <u>59</u> |
| Cumulative Budget Gap | <u>190</u> | <u>1,064</u> | <u>1,195</u> | <u>1,254</u> |

2.19.4 The budget paper for 2019/20 presented at Council on the 19th December 2018 detailed a number of potential savings projects that were investigated throughout 2019/20.

2.19.5 A Financial Sustainability Strategy 2019-25 (agreed by Council at its meeting on 5th March 2019) was adopted by the authority to be used as the key methodology for delivering the Medium Term Financial Plan 2020 onwards. This strategy is delivered by the Financial Sustainability Committee which considers various initiatives and manages an action plan on how the authority could raise income or reduce expenditure whilst still maintaining an expected level of service and not compromising the delivery of statutory services. An additional £200k income is expected to be delivered per annum.

2.19.6 The directors of Millstream, the council's wholly owned company, have been asked to bring forward annual business plans to deliver an additional £100k income each year for the life of the Medium Term Financial Plan. The company's business plan for 2020/21 onwards will be considered at full Council on 29th January 2020 with revised business plan being brought to Council each year with proposals to ensure the

level of income required by the council.

2.19.7 Car park charging has not increased for 6 years. It is proposed that a target of a minimum of £200k per annum is included within the budget report.

2.19.8 Table 7 shows the current budget position. 2020/21 has a budget gap of £190k that will need to be funded from savings. Appendix 'A' provides a number of potential solutions to this funding gap.

2.19.9 PAGO are requested to review these savings and recommend them to the Executive for consideration and onward transmission to Council for approval.

2.20 Reserves

2.20.1 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.

2.20.2 Table 3 in paragraph 2.12 sets out the proposed contributions to and from reserves over the next four years. It is anticipated that the New Homes Bonus Grant will cease to exist from 2023/24 so has been removed from the Medium Term Financial Plan.

2.20.3 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.

2.21 Capital Programme

- 2.21.1 The Capital Programme for 2020/21 to 2023/24 is included in this report at Appendix C.
- 2.21.2 The forecast outturn for the 2019/20 capital programme is £15.4m.
- 2.21.3 The details of any changes in planned expenditure for the Capital Programme are monitored and reported quarterly to Executive within the Budget Monitoring report.
- 2.21.4 Any slippage on significant capital projects during 2019/20 will be considered at the end of the financial year
- 2.21.5 The capital programme for 2020/21 onwards contains a number of newly agreed capital schemes and also the rolling schemes agreed in previous years.
- 2.21.6 Currently the review of the Capital programme is undertaken as part of the quarterly budget monitoring 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.
- 2.21.7 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 budget monitoring report.

2.21.8 The complete proposed capital programme can be found in Appendix C including schemes already approved in previous years.

2.21.9 Prudential Code Implications

2.21.10 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.

2.21.11 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.

2.21.12 It is recommended that the capital programme being proposed in this budget report is affordable, prudent and sustainable. The Treasury Management Strategy for 2020/21 will address any funding requirements for future years.

2.22 IT update

2.22.1 The ICT Partnership Strategy 2019/20 – 2021/22 was adopted by Council on 18th December 2019 and the Medium Term Financial Plan has been updated to include the revenue and capital investments set out in that Strategy.

2.23 2020/21 Revenue Schedule of Fees & Charges

2.23.1 The proposed schedule of charges are set out within **Appendix D**.

2.23.2 Table 8 below shows the impact of the changes proposed in the schedule of charges to the 2020/21 budget.

Table 8 – Fees & Charges

| SERVICE | 2019/20 budget | Impact of proposed average 2.5% charges increase | 2020/21 budget |
|--------------------------|-------------------|--|-------------------|
| | £ | £ | £ |
| Hertford Theatre | 158,500 | 4,000 | 162,500 |
| Clinical Waste | 50,850 | 1,300 | 52,150 |
| Domestic Waste | 82,600 | 2,100 | 84,700 |
| Commercial Waste | 769,250 | 19,400 | 788,650 |
| Env Health Promotions | 2,050 | 50 | 2,100 |
| Env Health Licences | 24,350 | 600 | 24,950 |
| Taxi Licensing | 148,500 | 3,750 | 152,250 |
| Development Management | 129,150 | 3,300 | 132,450 |
| Legal Fees | 32,300 | 800 | 33,100 |
| Markets | 12,000 | 300 | 12,300 |
| Residents Parking | 138,000 | 3,500 | 141,500 |
| Parking - Season Tickets | 32,550 | 800 | 33,350 |
| | 1,580,100 | 39,900 | 1,620,000 |

2.23.3 The fees and charges included in **Appendix D** have increased by an average of 2.5%, the estimated impact of this increase is additional income of £39.9k in 2020/21.

3.0 Reason(s)

- 3.1 The council is required to set a balanced budget in advance of the beginning of each financial year in accordance with the provision of the Local Government Finance Act 1992.

4.0 Options

- 4.1 The budget process included consultation and discussion around alternative savings options. This paper presents the recommended options.

5.0 Risks

- 5.1 The Budget report considers emerging risks to the funding the council receives and sets out the mitigation of those risks.
- 5.2 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.
- 5.3 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
 - 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 1992 for a balanced revenue position.

5.4 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.

6.0 Implications/Consultations

Consultation was undertaken with staff and members to assist in these budget options.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 None

Contact Member

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Appendix A

Savings Proposals

| | 2020/21 £'000 | 2021/22 £'000 | Comments |
|---|------------------|------------------|---|
| Projected budget gap | 190 | 874 | |
| | | | |
| Savings options | | | |
| PCSO - reduce funding over 2 years | (44) | (44) | This efficiency equates to a reduction of three FTE PCSOs. The council has liaised closely with the Chief Inspector for East Herts Police and although a reduction in funding has not been welcomed, the Chief Inspector understands the need for public sector organisations to work together to deliver efficiencies. This efficiency is being proposed within the context of a 14.6% increase in Hertfordshire Police's council tax precept in 2019/20; the overall Police budget in the county now includes £84m of council tax precepts. |
| Citizens Advice Services / Community Voluntary Services (CVS) - £20k reduction over 2 years | (10) | (10) | Both Citizens Advice Services and CVS are key partners of the council. While reductions have not been welcomed, through discussion with both agencies, this profile of efficiencies is now proposed. The cumulative £20k efficiency, achieved in 2021/22, represents around 10% of the council's contribution to both organisations in 2019/20. |
| Remove member refreshments | (12) | | |
| Improve recycling rates (5%) | (40) | | Improve recycling communications to reduce waste going into residual (black) bins (income from |

| | | | |
|--|------------|------------|---|
| | | | materials). |
| Improved income levels for trade waste | (25) | | Attain approx. 20 more business customers for trade waste collection |
| Review customer services as part of the joint waste contract | (20) | | Investigate cost and quality of aligning waste customer service interactions with North Herts |
| Implement phase 2 of accommodation review | (25) | | |
| Additional savings to be identified | (15) | | |
| Option for Green Waste charging | | (400) | Option to explore charging for the garden waste service |
| New Projected gap | (1) | 420 | |

Cumulative Income Generation

| Description | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
|------------------------------|------------------|------------------|------------------|------------------|
| Financial Sustainability | (200) | (400) | (600) | (800) |
| Millstream additional income | (100) | (200) | (300) | (400) |
| Car Parking income | (200) | (400) | (600) | (800) |
| Total | (500) | (1,000) | (1,500) | (2,000) |

| PROJECTED BALANCES ON RESERVES | | | | | |
|--|--|--|--|--|--|
| ORIGINAL LAYOUT | | | | | |
| | 2019/20 Est Balance 31 Mar '20 £000 | 2020/21 Balance 31 Mar '21 £000 | 2021/22 Balance 31 Mar '22 £000 | 2022/23 Balance 31 Mar '23 £000 | 2023/24 Balance 31 Mar '24 £000 |
| General Fund | 3,854 | 3,854 | 3,854 | 3,854 | 3,854 |
| General Reserve | 756 | 660 | 564 | 564 | 564 |
| Other Earmarked Reserves | | | | | |
| Interest Equalisation Reserve | 1,636 | 1,636 | 1,636 | 1,636 | 1,636 |
| Insurance Fund | 943 | 943 | 943 | 943 | 943 |
| Emergency Planning Reserve | 36 | 36 | 36 | 36 | 36 |
| LDF - Public Exam / Green Belt Review | 62 | 62 | 62 | 62 | 62 |
| Housing Condition Survey | 54 | 68 | 82 | 96 | 60 |
| Provision for future whole Council elections | 0 | 28 | 56 | 84 | 112 |
| Sinking Fund - Leisure utilities / pension | 228 | 228 | 228 | 228 | 228 |
| Performance reward grant | 10 | 10 | 10 | 10 | 10 |
| Waste recycling income volatility reserve | 103 | 103 | 103 | 103 | 103 |
| Footbridge over the River Stort | 150 | 150 | 150 | 150 | 150 |
| DCLG Preventing Repossessions | 18 | 18 | 18 | 18 | 18 |
| New Homes Bonus Priority Spend | 5,967 | 6,566 | 6,918 | 7,233 | 7,120 |
| Collection Fund Reserve | 285 | 285 | 285 | 285 | 285 |
| DEFRA Flood Support for Local Businesses Grant Reserve | 4 | 4 | 4 | 4 | 4 |
| Neighbourhood Planning Grant | 15 | 15 | 15 | 15 | 15 |
| IER grant | 55 | 55 | 55 | 55 | 55 |
| MTFP Transition Funding Reserve | 730 | 730 | 730 | 730 | 730 |
| Flexible Homelessness Grant | 230 | 230 | 230 | 230 | 230 |
| Preventing Homelessness New Burdens | 31 | 31 | 31 | 31 | 31 |
| Healthy Lifestyle Promotions | 33 | 33 | 33 | 33 | 33 |
| Land Charges New Burdens | 30 | 30 | 30 | 30 | 30 |
| HB Subsidy Volatility | 165 | 165 | 165 | 165 | 165 |
| Total Earmarked Reserves | 10,785 | 11,426 | 11,820 | 12,177 | 12,056 |
| Total Reserves | 15,395 | 15,940 | 16,238 | 16,595 | 16,474 |

NEW RESERVE LAYOUT

| 2019/20 Estimated Balance 31 Mar '20 £000 | 2020/21 Balance 31 Mar '21 £000 | 2021/22 Balance 31 Mar '22 £000 | 2022/23 Balance 31 Mar '23 £000 | 2023/24 Balance 31 Mar '24 £000 |
|--|--|--|--|--|
|--|--|--|--|--|

| | | | | | |
|------------------------|-------|-------|-------|-------|-------|
| General Fund | 3,854 | 3,854 | 3,854 | 3,854 | 3,854 |
| General Reserve | 756 | 660 | 564 | 564 | 564 |

Earmarked reserves

| | | | | | |
|--------------------------|-------|-------|-------|-------|-------|
| Equalisation & Insurance | 4,330 | 4,372 | 4,414 | 4,456 | 4,448 |
| Invest to save | 5,967 | 6,566 | 6,918 | 7,233 | 7,120 |
| Grants | 488 | 488 | 488 | 488 | 488 |

| | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Earmarked Reserves | 10,785 | 11,426 | 11,820 | 12,177 | 12,056 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|

| | | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Total Reserves | 15,395 | 15,940 | 16,238 | 16,595 | 16,474 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|

| |
|---|
| CAPITAL PROGRAMME 2020/21 TO 2023/24 |
|---|

| APPROVED SCHEMES | 2020/21 Original Budget £000 | 2021/22 Original Budget £000 | 2022/23 Original Budget £000 | 2023/24 Original Budget £000 |
|-------------------------|---|---|---|---|
|-------------------------|---|---|---|---|

| | | | | |
|---|---------------|--------------|---------------|---------------|
| Head of Strategic Finance & Property | | | | |
| Investment in operational assets | 250 | 250 | 250 | 250 |
| LED Lighting Upgrades | 210 | 60 | | |
| Car Park Resurfacing | 155 | 410 | | |
| Improve, maintain & renew structures along rivers and watercourses | 48 | 48 | 48 | 48 |
| Land Management Asset Register & Associated Works | 50 | 50 | 50 | 50 |
| Northgate End, MSCP, Residential and Commercial | 15,900 | 0 | 0 | 0 |
| Arts Centre - ORL | 250 | 9,000 | 10,000 | 10,250 |
| Repayment of Loan | 6,000 | 0 | 0 | 0 |
| Financial Sustainability | 5,000 | 0 | 0 | 0 |
| Total Strategic Finance & Property | 27,863 | 9,818 | 10,348 | 10,598 |
| Head of Shared Business & Technology Services | | | | |
| Rolling programme to be utilised on ICT projects subject to ITSG review | 803 | 450 | 450 | 450 |
| Total Head of Shared Business & Technology Services | 803 | 450 | 450 | 450 |
| Head of Operations | | | | |
| Leisure Facilities Strategy | | | | |
| Grange Paddocks Leisure Centre | 14,354 | 5,759 | 0 | 0 |
| Bridge Works | 250 | | | |
| Hartham Leisure Centre | 6,484 | 0 | 0 | 0 |
| Leisure Facilities Sustainability | 1,000 | 0 | 0 | 0 |
| Fixtures Fittings and Equipment (Both Centres) | | 2,150 | | |
| Hartham pool filtration works | 420 | | | |
| Ward Freman | 881 | 0 | 0 | 0 |
| Hertford Theatre | 1,000 | 9,700 | 8,700 | 0 |
| Open Space Improvements at the Wash, Hertford | 0 | 0 | 50 | 0 |
| Folly View Open Space Improvements, Hertford | 0 | 15 | 0 | 0 |
| Cannons Mill Lane Open Space improvements, Bishops Stortford | 0 | 0 | 30 | 0 |
| Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19) | 50 | 50 | 50 | 50 |
| Castle Park - HLF - Delivery Phase | 1,400 | 600 | 0 | 0 |

| | | | | |
|-------------------------------------|---------------|---------------|--------------|------------|
| Total Head of Operations | 25,839 | 18,274 | 8,830 | 50 |
| Head of Housing & Health | | | | |
| Decent Home Grants | 120 | 120 | 120 | 120 |
| Community Capital Grants | 80 | 80 | 80 | 80 |
| Energy Grants | 20 | 20 | 20 | 20 |
| Castle Weir Micro Hydro Scheme | 0 | 192 | 0 | 0 |
| Total Health & Housing | 220 | 412 | 220 | 220 |

CAPITAL PROGRAMME 2020/21 TO 2023/24

| APPROVED SCHEMES | 2020/21 Original Budget £000 | 2021/22 Original Budget £000 | 2022/23 Original Budget £000 | 2023/24 Original Budget £000 |
|------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|

| | | | | |
|--|---|---------------|---------------|---------------|
| | | | | |
| Head of Planning & Building Control | | | | |
| Historic Building Grants | 20 | 20 | 20 | 20 |
| Total Head of Planning & Building Control | 20 | 20 | 20 | 20 |
| | | | | |
| TOTAL | 54,745 | 28,974 | 19,868 | 11,338 |
| | | | | |
| Millstream Property Company | Funding to be approved annually, see separate report. | | | |
| Capital Loan (10 x properties per annum) | 3,623 | 2,935 | 1,092 | 0 |
| | | | 0 | 0 |
| Total Millstream Property Company | 3,623 | 2,935 | 1,092 | 0 |

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Strategic Finance & Property | 27,863 | 9,818 | 10,348 | 10,598 |
| Shared Business & Technology Services | 803 | 450 | 450 | 450 |
| Operations | 25,839 | 18,274 | 8,830 | 50 |
| Housing & Health | 220 | 412 | 220 | 220 |
| Planning & Building Control | 20 | 20 | 20 | 20 |
| Millstream Property Company | 3,623 | 2,935 | 1,092 | 0 |

| | | | | |
|--------------|---------------|---------------|---------------|---------------|
| TOTAL | 58,368 | 31,909 | 20,960 | 11,338 |
|--------------|---------------|---------------|---------------|---------------|



Housing and Health

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Environmental Health Licences

| | | | | | |
|--|---------------|-------------------------|----------|----------|----|
| Animal licences - Grant or renewal cost of one licensable activity | Cost Recovery | Every 1 to 3 years | 346.45 | 355.10 | OS |
| Animal licences - Grant or renewal cost per additional licensable activity | Cost Recovery | Every 1 to 3 years | 220.38 | 225.90 | OS |
| Animal licences - Additional annual inspection fee for the hiring of horses, where a renewal inspection is not due (invoiced annually after each inspection) | Cost Recovery | Every 1 to 3 years | 191.68 | 196.50 | OS |
| Animal licences - Minor variation of a current licence (no site visit) | Cost Recovery | per variation | 31.47 | 32.30 | OS |
| Animal licences - Variation of a current licence (involving site visit) | Cost Recovery | per variation | 191.68 | 196.50 | OS |
| Animal licences - Re-evaluation of a licenced premises star rating | Cost Recovery | per inspection | 191.68 | 196.50 | OS |
| Animal licences - Re-evaluation of a licenced premises star rating per additional licensable activity | Cost Recovery | per inspection | 191.68 | 196.50 | OS |
| Animal licences - Additional charge for businesses found to be operating without a valid licence | Cost Recovery | per premises | 47.15 | 48.30 | OS |
| Zoos - New Licence (excl. vet fees) | Cost Recovery | per 4 year registration | 2,214.00 | 2,269.35 | OS |
| Zoos - Year 3 renewal licence inspection (excl. vet fees) | Cost Recovery | per inspection | 1,711.80 | 1,754.60 | OS |
| Zoos - Year 6 renewal licence inspection (excl. vet fees) | Cost Recovery | per 6 years | 1,711.80 | 1,754.60 | OS |
| Zoos - Transfer of Licence | Cost Recovery | per transfer | 869.20 | 890.90 | OS |
| Dangerous Wild Animals (excl. vet fees) | Cost Recovery | per 2 years | 271.60 | 278.40 | OS |
| Registration for Skin Piercing (Static/Home Business) | Cost Recovery | per business | 217.30 | 222.70 | OS |
| Registration for Skin Piercing (Person) | Cost Recovery | per person or premises | 136.30 | 139.70 | OS |
| Registration for Peripatetic Skin Piercing | Cost Recovery | per business | 217.30 | 222.70 | OS |
| Update to an existing Skin Piercing registration | Cost Recovery | per update | 136.30 | 139.70 | OS |
| Street Trading: Occasional Registered Charity (up to one month) | Cost Recovery | per month | 64.00 | 65.60 | OS |
| Street Trading: Occasional (up to one month) | Cost Recovery | per month | 125.80 | 129.00 | OS |
| Street Trading: Peripatatic (e.g. ice cream van) | Cost Recovery | per annum | 362.80 | 371.90 | OS |
| Street Trading: Static (e.g. burger van) | Cost Recovery | per annum | 368.50 | 377.70 | OS |
| Additional Licence fee for second reminder letter | Cost Recovery | per letter | 25.60 | 26.20 | OS |
| Additional Licence fee for chasing applications after the expiry of current licence | Cost Recovery | per licence | 55.20 | 56.60 | OS |
| Replacement of any environmental health licence, FHRS sticker or registration certificate | Cost Recovery | per licence | 20.50 | 21.00 | OS |

Training Courses



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|------------------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Foundation Level Food Safety Training | Cost Recovery | per person | 41.00 | 42.00 | OS |
| Foundation Level Food Safety Training (Online Course) | Cost Recovery | per person, per course | 15.00 | 15.40 | OS |
| Foundation Level Food Safety Training (up to 10 places at customer's premises) | Cost Recovery | per course | 369.00 | 378.20 | OS |
| Cancellation Fee (less than 10 working days before course) | Cost Recovery | per person, per course | 100% of fee paid | 100% of fee paid | OS |

Food Hygiene and Safety

| | | | | | |
|--|---------------|------------------|------------------|------------------|----|
| Food register | Cost Recovery | per single entry | 14.00 | 14.40 | OS |
| Food register | Cost Recovery | per category | 30.00 | 30.80 | OS |
| Food register | Cost Recovery | per full copy | 87.00 | 89.10 | OS |
| Issue of certificate following surrender of food (excl. disposal costs) | Cost Recovery | per hour or part | 55.00 | 56.58 | OS |
| Food export health certificate | Cost Recovery | per hour or part | 55.00 | 56.58 | OS |
| Replacement Food Hygiene Rating certificate | Cost Recovery | per certificate | 20.50 | 21.00 | OS |
| Letter confirming food premises registration | Cost Recovery | per letter | 20.50 | 21.00 | OS |
| Food Hygiene Rating Scheme Rescoring Visit | Cost Recovery | per visit | 163.00 | 167.10 | OS |
| Safer Food, Better Business Coaching Visit | Cost Recovery | per visit | 163.00 | 167.10 | S |
| Cancellation Fee for SFBB Coaching Visit (less than 10 working days before course) | Cost Recovery | per visit | 100% of fee paid | 100% of fee paid | S |

Miscellaneous Fees & Charges

| | | | | | |
|--|---------------|------------------|--------|--------|----|
| Contaminated Land/ additional land charge enquiry (simple land search) | Cost Recovery | per enquiry | 68.50 | 70.20 | OS |
| Contaminated Land/ additional land charge enquiry (detailed land search) | Cost Recovery | per enquiry | 170.00 | 174.25 | OS |
| Statement of fact for civil cases | Cost Recovery | per hour or part | 55.17 | 56.58 | S |
| Attendance at Exhumations | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Costs associated with public health burials | Cost Recovery | per hour or part | n/a | 56.58 | OS |

Private Water Supplies

| | | | | | |
|--|---------------|------------------|-------|-------|----|
| Risk Assessment (smaller supplies - Regulation 10) | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Risk Assessment (larger supplies - Regulation 9) | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Risk Assessment (Desktop) | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Sampling Visit (excl. analysis costs) | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Investigation (excl. analysis costs) | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------------------------|-----------------|--------------------|---------------------------------|---------------------------------|-----|
| | | | £ | £ | |
| Granting of Authorisation | Cost Recovery | per authorisation | 100.00 | 102.50 | OS |
| Granting of Authorisation | Cost Recovery | per hour or part | 55.17 | 56.58 | OS |
| Analysis Costs (Regulation 10) | Cost Recovery | per set of samples | full cost charged by laboratory | full cost charged by laboratory | OS |
| Analysis Costs (Check Monitoring) | Cost Recovery | per set of samples | full cost charged by laboratory | full cost charged by laboratory | OS |
| Analysis Costs (Audit Monitoring) | Cost Recovery | per set of samples | full cost charged by laboratory | full cost charged by laboratory | OS |

Private Sector Housing

| | | | | | |
|---|---------------|------------------|----------|----------|----|
| Standards inspection for immigration | Cost Recovery | per inspection | 165.50 | 169.66 | S |
| Housing Notices (excluding cost of additional reports such as electrical, EICR etc) | Cost Recovery | fixed charge | 380.60 | 390.10 | OS |
| Fixed penalty for failure to belong to an approved redress scheme | | fixed charge | 5,000.00 | 5,000.00 | OS |
| Licence for a HMO with no more than 5 bedrooms (initiated by applicant without LA intervention) | Cost Recovery | per licence | 910.00 | 932.75 | OS |
| Licence for a HMO with no more than 5 bedrooms (initiated by applicant with LA intervention) | Cost Recovery | per licence | 1,235.00 | 1,265.90 | OS |
| Additional bedrooms | Cost Recovery | each | 16.60 | 17.00 | OS |
| Variation of licence | Cost Recovery | per variation | 137.90 | 141.40 | OS |
| Renewal of HMO Licence | Cost Recovery | per licence | 755.60 | 774.50 | OS |
| Confirmation of empty home status for VAT reduction | Cost Recovery | per letter | 85.00 | 87.10 | OS |
| HMO Confirmation Letters for licensable HMOs after application has been received | Cost Recovery | per letter | 20.00 | 20.50 | OS |
| Housing Advice Visit | Cost Recovery | per hour or part | 159.00 | 56.58 | S |

Miscellaneous Engineering Fees

| | | | | | |
|---------------------|--|----------|-------|-------|----|
| Sewer Records/Plans | | per item | 30.00 | 30.80 | OS |
|---------------------|--|----------|-------|-------|----|

OTHER LICENCES

| | | | | | |
|---|--|---------------------|----------|----------|----|
| Sex Establishments | | per annum | 2,884.40 | 2,956.50 | OS |
| Sex Establishments | | per renewal | 2,553.80 | 2,617.70 | OS |
| Sex Establishments | | transfer | 82.75 | 84.80 | OS |
| Hypnotism Act 1952 - Occasional licensed premises | | | 154.50 | 158.40 | OS |
| Hypnotism Act 1952 - Occasional unlicensed premises | | | 595.50 | 610.40 | OS |
| Scrap Metal Site Licence | | per licence granted | 271.42 | 278.20 | OS |



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|---------------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Scrap Metal Site Licence | | per licence renewed | 201.90 | 207.00 | OS |
| Scrap Metal Site Licence - Variation, Name Change, Change of Site | | per change | 48.00 | 49.20 | OS |
| Scrap Metal Collectors Licence | | per licence granted | 245.50 | 251.60 | OS |
| Scrap Metal Collectors Licence | | per licence renewed | 175.70 | 180.10 | OS |
| Scrap Metal Collectors Licence - Variation, Name Change | | per change | 48.00 | 49.20 | OS |

TAXI LICENSING

| | | | | | |
|--|--|-----------------|--------|--------|----|
| Private Hire vehicle (new) - 1 year | | per new licence | 286.00 | 293.00 | OS |
| Private Hire vehicle (renewal) - 1 year | | per renewal | 280.00 | 287.00 | OS |
| Vehicle - either Hackney Carriage or Private Hire (new) only - 1 year HC | | per new licence | 390.00 | 400.00 | OS |
| Vehicle - either Hackney Carriage or Private Hire (renewal) HC only - 1 year | | per renewal | 310.00 | 318.00 | OS |
| Dual Driver or Private Hire Driver (new) - 3 year PH | | | 384.00 | 393.50 | OS |
| Dual Driver or Private Hire Driver (renewal) - 3 year PH | | | 277.00 | 284.00 | OS |
| Dual Driver or Private Hire Driver (new) - 1 year | | | 335.00 | 343.00 | OS |
| Dual Driver or Private Hire Driver (renewal) - 1 year | | | 308.00 | 315.50 | OS |
| Private Hire Operator - 5 year (new) | | | 295.00 | 302.00 | OS |
| Private Hire Operator - 5 year (renewal) | | | 289.00 | 296.00 | OS |
| Private Hire Operator - 1 year (new) | | | 263.00 | 269.50 | OS |
| Private Hire Operator - 1 year (renewal) | | | 263.00 | 269.50 | OS |
| Each additional vehicle above 6 | | | - | - | OS |
| Change of vehicle (new vehicle on old plate number) | | | 54.00 | 55.00 | OS |
| Change of vehicle (courtesy car) | | | 83.00 | 85.00 | OS |
| Vehicle Inspection (5 year check) | | | 32.00 | 33.00 | OS |
| Private Hire Driver converted to Dual Driver | | | 50.00 | 51.00 | OS |
| Private Hire Driver converted to Hackney Carriage | | | 99.00 | 101.00 | OS |
| Change of vehicle proprietor | | | 37.00 | 38.00 | OS |
| Change of DVLA details (registration number etc.) | | | 56.00 | 57.00 | OS |
| Change of Drivers address | | | 11.00 | 11.00 | OS |



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|----------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Knowledge test and training day (all new applicants) | | | 98.00 | 98.00 | OS |
| Resit of both routes and rules & regulations tests | | | 52.00 | 52.00 | OS |
| Resit of routes test only | | | 34.00 | 34.00 | OS |
| Update training for existing drivers | | | 59.00 | 59.00 | OS |
| Enhanced DBS Online | | | 62.00 | 62.00 | OS |
| Basic Disclosure Online | | | 43.00 | 43.00 | OS |
| Roof light (complete) | | per light | 74.00 | 74.00 | S |
| Roof light (top cover or base plate)(new cost for top cover only) | | per light | 37.00 | 37.00 | S |
| Roof Light (base) | | | 28.00 | 28.00 | S |
| Replacement badges | | | 24.00 | 25.00 | S |
| Replacement plate (or additional for a trailer) | | | 40.00 | 41.00 | S |
| Roof light bulbs | | | 3.00 | 3.00 | S |
| Magnets (sold as a pair) | | | 6.00 | 6.00 | S |
| Executive Disc (private hire vehicles only) | | | 11.00 | 11.00 | S |
| Refund per full calendar month of unexpired drivers licence PH (new) | | | 1.60 | 2.00 | OS |
| Refund per full calendar month of unexpired drivers licence PH (renewal) | | | 1.30 | 1.00 | OS |
| Refund per full calendar month of unexpired drivers licence HC (new) | | | 1.60 | 2.00 | OS |
| Refund per full calendar month of unexpired drivers licence HC (renewal) | | | 1.30 | 1.00 | OS |
| Refund per full calendar month of unexpired vehicle licence PH (new) | | | 3.70 | 4.00 | OS |
| Refund per full calendar month of unexpired vehicle licence PH (renewal) | | | 3.70 | 4.00 | OS |
| Refund per full calendar month of unexpired vehicle licence HC (new) | | | 3.70 | 4.00 | OS |
| Refund per full calendar month of unexpired vehicle licence HC (renewal) | | | 3.70 | 4.00 | OS |
| Refund per full calendar year of unexpired operators licence (new) | | | 10.40 | 11.00 | OS |
| Refund per full calendar year of unexpired operators licence (renewal) | | | 10.40 | 11.00 | OS |

PREMISES LICENCES

| | | | | | |
|---|---------------|---------------------|--------|--------|----|
| Application for premises, club premises certificate, variations (excluding change of name and address or designated premises supervisor) conversion/variation - Band A - rateable value £0-£4,300 | Statutory Fee | per band A premises | 100.00 | 100.00 | OS |
|---|---------------|---------------------|--------|--------|----|



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|-------------------------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Application for premises, club premises certificate, variations (excluding change of name and address or designated premises supervisor) conversion/variation - Band B - rateable value £4,301-33,000 | Statutory Fee | per band B premises | 190.00 | 190.00 | OS |
| Application for premises, club premises certificate, variations (excluding change of name and address or designated premises supervisor) conversion/variation - Band C - rateable value £33,001-£87,000 | Statutory Fee | per band C premises | 315.00 | 315.00 | OS |
| Application for premises, club premises certificate, variations (excluding change of name and address or designated premises supervisor) conversion/variation - Band D - rateable value £87,001-£125,000 | Statutory Fee | per band D premises | 450.00 | 450.00 | OS |
| Application for premises, club premises certificate, variations (excluding change of name and address or designated premises supervisor) conversion/variation - Band E - rateable value £125,000 and over | Statutory Fee | per band E premises | 635.00 | 635.00 | OS |
| PREMISES LICENCES (Holders of premises licences and club premises certificate) - Band A - rateable value £0-£4,300 | Statutory Fee | per band A premises per annum | 70.00 | 70.00 | OS |
| PREMISES LICENCES (Holders of premises licences and club premises certificate) - Band B - rateable value £4,301-33,000 | Statutory Fee | per band B premises per annum | 180.00 | 180.00 | OS |
| PREMISES LICENCES (Holders of premises licences and club premises certificate) - Band C - rateable value £33,001-£87,000 | Statutory Fee | per band C premises per annum | 295.00 | 295.00 | OS |
| PREMISES LICENCES (Holders of premises licences and club premises certificate) - Band D - rateable value £87,001-£125,000 | Statutory Fee | per band D premises per annum | 320.00 | 320.00 | OS |
| PREMISES LICENCES (Holders of premises licences and club premises certificate) - Band E - rateable value £125,000 and over | Statutory Fee | per band E premises per annum | 350.00 | 350.00 | OS |
| PERSONAL LICENCE | | per licence | 39.83 | 40.83 | OS |

OTHER FEES AND CHARGES

| | | | | | |
|---|---------------|----------------------------|-------|-------|----|
| Supply of copies of information contained in register | | per black & white A4 sheet | 0.11 | 0.11 | S |
| Supply of copies of information contained in register | | per black & white A3 sheet | 0.22 | 0.23 | S |
| Supply of copies of information contained in register | | per black & white A0 sheet | 1.22 | 1.25 | S |
| Supply of copies of information contained in register | | per colour A4 sheet | 0.22 | 0.23 | S |
| Supply of copies of information contained in register | | per colour A3 sheet | 0.55 | 0.56 | S |
| Supply of copies of information contained in register | | per colour A0 sheet | 1.87 | 1.91 | S |
| Application for copy of licence or summary on theft, loss etc. of premises licence or summary | Statutory Fee | per application | 10.50 | 10.50 | OS |
| Notification of change of name or address (holder of premises licence) | Statutory Fee | per change | 10.50 | 10.50 | OS |
| Application to vary or to specify individual as premises supervisor | Statutory Fee | per application | 23.00 | 23.00 | OS |
| Application to transfer premises licence | Statutory Fee | per application | 23.00 | 23.00 | OS |



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|----------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Interim authority notice | Statutory Fee | per notice | 23.00 | 23.00 | OS |
| Application for making of a provisional statement | Statutory Fee | per statement | 315.00 | 315.00 | OS |
| Application for copy of certificate or summary on theft, loss etc. of certificate or summary | Statutory Fee | per copy | 10.50 | 10.50 | OS |
| Notification of change of name or alteration of club rules | Statutory Fee | per change | 10.50 | 10.50 | OS |
| Change of relevant registration address of club | Statutory Fee | per change | 10.50 | 10.50 | OS |
| Temporary event notice | Statutory Fee | per notice | 21.00 | 21.00 | OS |
| Application of copy of notice on theft, loss etc. of temporary event notice | Statutory Fee | per copy | 10.50 | 10.50 | OS |
| Application of copy of licence on theft, loss etc. of personal licence | Statutory Fee | per copy | 10.50 | 10.50 | OS |
| Notification of change of name or address (personal licence) | Statutory Fee | per change | 10.50 | 10.50 | OS |
| Notice of interest in any premises | Statutory Fee | per notice | 21.00 | 21.00 | OS |

Gambling Act 2005

| | | | | | |
|------------------------------|--|---------------|----------|----------|----|
| Bingo Premises | | per licence | 2,953.70 | 3,027.50 | OS |
| Bingo Premises | | per variation | 1,477.13 | 1,514.00 | OS |
| Bingo Premises | | per transfer | 1,012.70 | 1,038.00 | OS |
| Bingo Premises | | Annual Fee | 843.92 | 865.00 | OS |
| Adult Gaming Centre Premises | | per licence | 1,707.20 | 1,749.90 | OS |
| Adult Gaming Centre Premises | | per variation | 843.92 | 865.00 | OS |
| Adult Gaming Centre Premises | | per transfer | 992.20 | 1,017.00 | OS |
| Adult Gaming Centre Premises | | Annual Fee | 843.92 | 865.00 | OS |
| Betting Premises (Track) | | per licence | 2,110.34 | 2,163.10 | OS |
| Betting Premises (Track) | | per variation | 1,055.73 | 1,082.10 | OS |
| Betting Premises (Track) | | per transfer | 802.00 | 822.00 | OS |
| Betting Premises (Track) | | Annual Fee | 843.92 | 865.00 | OS |
| Betting Premises (Other) | | per licence | 2,537.26 | 2,600.70 | OS |
| Betting Premises (Other) | | per variation | 1,266.43 | 1,298.10 | OS |
| Betting Premises (Other) | | per transfer | 1,012.70 | 1,038.00 | OS |
| Betting Premises (Other) | | Annual Fee | 330.95 | 339.20 | OS |



Housing and Health

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|----------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Family Entertainment Centre Premises | | per licence | 1,687.83 | 1,730.00 | OS |
| Family Entertainment Centre Premises | | per variation | 843.92 | 865.00 | OS |
| Family Entertainment Centre Premises | | per transfer | 802.00 | 822.00 | OS |
| Family Entertainment Centre Premises | | Annual Fee | 633.21 | 649.00 | OS |
| Temporary Use Notices | | per notice | 551.58 | 565.40 | OS |
| Temporary Use Notices | | per copy | 27.58 | 28.20 | OS |
| Gaming Machine Permit 10 years (Up to 2 machines) | Statutory Fee | per permit | 50.00 | 51.20 | OS |
| Club Gaming Machine Permit 5 years (Up to 3 machines) | Statutory Fee | per permit | 100.00 | 102.50 | OS |
| Club Gaming Machine Permit | Statutory Fee | Annual Fee | 50.00 | 51.20 | OS |
| Small Lotteries | | per setup | 40.00 | 41.00 | OS |
| Small Lotteries | Statutory Fee | per renewal | 20.00 | 20.50 | OS |

CCTV Cameras

| | | | | | |
|---------------------------------|--|-----------|-----------|-----------|----|
| Ware Town Council | | per annum | 11,693.50 | 11,986.00 | OS |
| Hertford Town Council | | per annum | 23,530.30 | 24,119.00 | OS |
| Bishop's Stortford Town Council | | per annum | 24,048.80 | 24,650.00 | OS |

HOSTELS

| | | | | | |
|--|--|----------|--------|--------|---|
| Hillcrest Hostel Single Room (excl. service charges) | | per week | 195.00 | 195.00 | Z |
| Hillcrest Hostel Double Room (excl. service charges) | | per week | 220.00 | 220.00 | Z |
| Hillcrest Hostel Family Room (excl. service charges) | | per week | 230.00 | 230.00 | Z |
| Bed & Breakfast - Single person | | per week | 107.75 | 107.75 | Z |
| Bed & Breakfast - Single person | | per day | 15.40 | 15.40 | Z |
| Bed & Breakfast - Single person and one child | | per week | 142.80 | 142.80 | Z |
| Bed & Breakfast - Single person and one child | | per day | 20.40 | 20.40 | Z |
| Bed & Breakfast - Single person and two children | | per week | 155.20 | 155.20 | Z |
| Bed & Breakfast - Single person and two children | | per day | 22.20 | 22.20 | Z |
| Bed & Breakfast - Couple | | per week | 142.80 | 142.80 | Z |
| Bed & Breakfast - Couple | | per day | 20.40 | 20.40 | Z |

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|----------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Bed & Breakfast - Couple and one child | | per week | 167.60 | 167.60 | Z |
| Bed & Breakfast - Couple and one child | | per day | 23.90 | 23.90 | Z |
| Bed & Breakfast - Couple and two children | | per week | 176.70 | 176.70 | Z |
| Bed & Breakfast - Couple and two children | | per day | 25.90 | 25.90 | Z |
| Bed & Breakfast - Additional children up to 16 | | per week | 14.70 | 14.70 | Z |
| Bed & Breakfast - Additional children up to 16 | | per day | 2.10 | 2.10 | Z |



Hertford Theatre

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

HERTFORD THEATRE

HIRE CHARGES

| | | | | | |
|--|--|--|----------|----------|---|
| WEEKDAYS Auditorium am (9am to 1pm) | | | 277.00 | 284.00 | E |
| WEEKDAYS Auditorium am per hour | | | 69.00 | 71.00 | E |
| WEEKDAYS Auditorium pm (1pm to 6pm) | | | 425.00 | 436.00 | E |
| WEEKDAYS Auditorium pm per hour | | | 85.00 | 87.00 | E |
| WEEKDAYS Auditorium Evening (6pm to midnight) | | | 573.00 | 587.00 | E |
| WEEKDAYS Auditorium Evening per hour | | | 96.00 | 98.00 | E |
| WEEKDAYS Auditorium 9am-6pm (discounted rate) | | | 597.00 | 612.00 | E |
| WEEKDAYS Auditorium 1pm-midnight (discounted rate) | | | 841.00 | 862.00 | E |
| WEEKDAYS Auditorium 9am-midnight (discounted rate) | | | 1,066.00 | 1,093.00 | E |
| WEEKDAYS Studio am (9am to 1pm) | | | 105.00 | 108.00 | E |
| WEEKDAYS Studio am per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS Studio pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKDAYS Studio pm per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS Studio Evening (6pm to midnight) | | | 157.50 | 161.00 | E |
| WEEKDAYS Studio Evening per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS Studio 9am-6pm (discounted rate) | | | 210.00 | 215.00 | E |
| WEEKDAYS Studio 1pm-midnight (discounted rate) | | | 262.50 | 269.00 | E |
| WEEKDAYS Studio 9am-midnight (discounted rate) | | | 367.50 | 376.50 | E |
| WEEKDAYS River Room am (9am to 1pm) | | | 105.00 | 108.00 | E |
| WEEKDAYS River Room am per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS River Room pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKDAYS River Room pm per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS River Room Evening (6pm to midnight) | | | 157.50 | 161.00 | E |
| WEEKDAYS River Room Evening per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS River Room 9am-6pm (discounted rate) | | | 210.00 | 215.00 | E |



Hertford Theatre

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT £ | 2020/21 Charge Ex. VAT £ | VAT |
|--|-----------------|----------------|-----------------------------|-----------------------------|-----|
| WEEKDAYS River Room 1pm-midnight (discounted rate) | | | 262.50 | 269.00 | E |
| WEEKDAYS River Room 9am-midnight (discounted rate) | | | 367.50 | 376.50 | E |
| WEEKDAYS Foyer am (9am to 1pm) | | | 105.00 | 108.00 | E |
| WEEKDAYS Foyer am per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS Foyer pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKDAYS Foyer pm per hour | | | 26.25 | 27.00 | E |
| WEEKDAYS Foyer Evening (6pm to midnight) | | | 157.50 | 161.00 | E |
| WEEKDAYS Foyer Evening per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium am (9am to 1pm) | | | 340.00 | 348.50 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium am per hour | | | 85.00 | 87.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium pm (1pm to 6pm) | | | 478.00 | 490.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium pm per hour | | | 96.00 | 98.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium Evening (6pm to midnight) | | | 819.00 | 839.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium Evening per hour | | | 137.00 | 140.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium 9am-6pm (discounted rate) | | | 713.00 | 731.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium 1pm-midnight (discounted rate) | | | 1,139.00 | 1,167.00 | E |
| WEEKENDS AND BANK HOLIDAYS Auditorium 9am-midnight (discounted rate) | | | 1,427.00 | 1,463.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio am (9am to 1pm) | | | 105.00 | 108.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio am per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKENDS AND BANK HOLIDAYS Studio pm per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio Evening (6pm to midnight) | | | 157.50 | 161.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio Evening per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio 9am-6pm (discounted rate) | | | 210.00 | 215.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio 1pm-midnight (discounted rate) | | | 262.50 | 269.00 | E |
| WEEKENDS AND BANK HOLIDAYS Studio 9am-midnight (discounted rate) | | | 367.50 | 367.50 | E |
| WEEKENDS AND BANK HOLIDAYS River Room am (9am to 1pm) | | | 105.00 | 108.00 | E |

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT £ | 2020/21 Charge Ex. VAT £ | VAT |
|--|-----------------|----------------|--------------------------------|--------------------------------|-----|
| WEEKENDS AND BANK HOLIDAYS River Room am per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKENDS AND BANK HOLIDAYS River Room pm per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room Evening (6pm to midnight) | | | 157.50 | 161.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room Evening per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room 9am-6pm (discounted rate) | | | 210.00 | 215.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room 1pm-midnight (discounted rate) | | | 262.50 | 269.00 | E |
| WEEKENDS AND BANK HOLIDAYS River Room 9am-midnight (discounted rate) | | | 367.50 | 376.50 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer am (9am to 1pm) | | | 105.00 | 108.00 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer am per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer pm (1pm to 6pm) | | | 131.25 | 134.50 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer pm per hour | | | 26.25 | 27.00 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer Evening (6pm to midnight) | | | 157.25 | 161.00 | E |
| WEEKENDS AND BANK HOLIDAYS Foyer Evening per hour | | | 26.25 | 27.00 | E |
| WEEKLY Auditorium Mon - Sunday (amateur) | | | 5,644.00 | 5,785.00 | E |
| WEEKLY Auditorium Mon - Sunday (professional) | | | 7,087.00 | 7,264.00 | E |
| WEEKLY Studio Mon - Sunday | | | 2,258.00 | 2,314.00 | E |
| WEEKLY River Room Mon - Sunday | | | 2,258.00 | 2,314.00 | E |

CINEMA PRICES

| | | | | | |
|-------------|--|--|------|------|---|
| Adults | | | 6.08 | 6.25 | S |
| Concessions | | | 4.38 | 4.50 | S |

PIANOS

| | | | | | |
|---------------------|--|-------------|--------|--------|---|
| Concert Grand Piano | | per session | 136.67 | 140.00 | S |
| Piano Tuning | | per tune | 68.75 | 70.41 | S |
| Electric Piano | | per session | 40.25 | 41.25 | S |

STAGE LIGHTING EQUIPMENT

| | | | | | |
|--------------------|--|---------|-------|-------|---|
| VL200s (all floor) | | per day | 41.87 | 42.91 | S |
|--------------------|--|---------|-------|-------|---|



Hertford Theatre

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT £ | 2020/21 Charge Ex. VAT £ | VAT |
|--------------------------------|-----------------|----------------|-----------------------------|-----------------------------|-----|
| VL2000s (all floor) | | per week | 125.83 | 129.00 | S |
| UV floods | | per week | 27.50 | 28.16 | S |
| Rotating disco light (large) | | per week | 32.42 | 33.25 | S |
| Smoke machine (includes fluid) | | per week | 40.83 | 41.66 | S |
| Point source Hazer | | per day | 16.67 | 17.08 | S |
| Point source Hazer | | per week | 44.58 | 45.66 | S |

SOUND EQUIPMENT

| | | | | | |
|---------------------------------------|--|--------------------|--------|--------|---|
| Batteries | | each | 0.39 | 0.41 | S |
| Radio Microphones (single) | | per day | 31.67 | 32.50 | S |
| Radio Microphones (4) | | per day | 110.00 | 112.75 | S |
| Radio Microphones (8) | | per day | 215.00 | 220.41 | S |
| Radio Microphones (14) | | per day | 367.50 | 376.66 | S |
| Radio Microphones (single) | | per week | 78.75 | 80.83 | S |
| Radio Microphones (4) | | per week | 274.75 | 281.66 | S |
| Radio Microphones (8) | | per week | 537.25 | 550.66 | S |
| Radio Microphones (14) | | per week | 918.33 | 941.25 | S |
| Sound support tech (4 hour blocks) | | per radio mic hire | 62.92 | 64.50 | S |
| AKG 747 condensor microphones | | per day | 6.50 | 6.66 | S |
| SM57 microphone | | per day | 4.67 | 4.79 | S |
| SM58 microphone | | per day | 4.67 | 4.79 | S |
| Condensor microphones | | per day | 4.67 | 4.79 | S |
| Seinnheiser vocal mics | | per day | 5.50 | 5.66 | S |
| Seinnheiser bass mic | | per day | 5.50 | 5.66 | S |
| DI boxes | | per week | 6.50 | 6.66 | S |
| Portable PA system (mains or battery) | | per day | 49.17 | 50.41 | S |

PROJECTION EQUIPMENT

| | | | | | |
|-------------------------------------|--|---------|-------|-------|---|
| Epson data projector & small screen | | per day | 38.50 | 39.50 | S |
|-------------------------------------|--|---------|-------|-------|---|

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT £ | 2020/21 Charge Ex. VAT £ | VAT |
|---|-----------------|----------------|-----------------------------|-----------------------------|-----|
| Kodak slide projector & small screen | | per day | 11.42 | 11.66 | S |
| Barco cinema projector & screen with technician | | per hour | 55.00 | 56.33 | S |

STAFFNG

| | | | | | |
|---------------------|--|------------|--------|--------|---|
| Technician | | per hour | 16.67 | 17.08 | S |
| Followspot operator | | per hour | 16.67 | 17.08 | S |
| Projectionist | | per hour | 38.50 | 39.50 | S |
| Lighting Design fee | | per design | 137.92 | 141.33 | S |

| | | | | | |
|------------------------------------|--|----------|--------|--------|---|
| Seating Removal inc. rake | | | 131.25 | 134.50 | S |
| Rows A&B removal | | | 36.67 | 37.58 | S |
| Rows A to D removal | | | 63.00 | 64.58 | S |
| Studio tiered seating | | per day | 65.83 | 67.50 | S |
| Aluminium staging sections 2m x 1m | | per day | 21.87 | 22.41 | S |
| Starcloth | | per day | 22.50 | 23.08 | S |
| Starcloth | | per week | 91.67 | 94.00 | S |
| Gauze | | per day | 22.50 | 23.08 | S |
| Gauze | | per week | 91.67 | 94.00 | S |
| Stage Dance Floor | | per lay | 32.50 | 33.33 | S |

PYROTECHNICS

| |
|---|
| Effects prices vary - Prices on application |
|---|

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

ANIMAL CONTROL

| | | | | | |
|---|-----------|-----------------|-------|-------|-----|
| Stray dog with ID chip (unless first offence and dog is collected the same day) | | per dog | 25.00 | 25.50 | n/a |
| Stray dog without ID chip | Statutory | | 25.00 | 25.00 | n/a |
| Stray dog collected | | | 21.00 | 21.00 | n/a |
| Kennel Charges | | per night | 15.00 | 15.00 | n/a |
| ID chipping dogs (Ind) | | per chip | 19.75 | 20.41 | S |
| ID chipping dogs (Campaign) | | per chip | 9.41 | 9.66 | S |
| Assistance to third party organisations | | per hour | 32.75 | 33.58 | S |
| Provision of dog waste bag | | per box of 5000 | 32.75 | 33.58 | S |
| Dog Fouling Sign | | per sign | 13.83 | 14.16 | S |

Allotments

| | | | | | |
|----------------------------------|--|-----------|------|------|-----|
| Allotments (25.3m ²) | | per annum | 3.90 | 4.00 | n/a |
|----------------------------------|--|-----------|------|------|-----|

Pest Control

| | | | | | |
|--|--|---------|-------|-------|---|
| Concessionary fee for residents in receipt of income related benefit - waived in cases of hardship at the discretion of the Head of Environmental Services | | per job | 16.67 | 17.08 | S |
|--|--|---------|-------|-------|---|

Outdoor Exercise Group Activities *

Charges for personal trainers and organisations are levied to commercial organisations and individuals using EHC owned land for organised group activities where a charge is levied to participants either directly or through a membership scheme. These are ceiling prices and may be reduced at the discretion of the Head of Environmental Services for shorter time periods or where activities are undertaken in partnership with the Council in pursuit of corporate objectives relating to health and well being. These charges do not apply to the Council's own Leisure Services contractor.

| | | | | | |
|---------------------------------|--|--|----------|----------|-----|
| Organisations - per site | | | 1,356.00 | 1,390.00 | n/a |
| Personal Trainers - per trainer | | | 511.00 | 524.00 | n/a |



Waste Services

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

REFUSE COLLECTION - Commercial Refuse Collection

| | | | | |
|---|----------|-------------------|-------------------|---|
| Paid Collections (excl. HCC disposal costs) | medium | 81.67 | 83.33 | S |
| Paid Collections (excl. HCC disposal costs) | large | 169.17 | 173.33 | S |
| Mixed Heriditaments - charged according to the proportion of trade waste collected. | | Individual charge | Individual charge | |
| Commercial Events - Cleansing / Refuse Collection | per hour | 84.17 | 85.83 | S |

REFUSE COLLECTION - Domestic Refuse Collection

| | | | | |
|--|------------------|--------|--------|-----|
| Bulky Waste Collection - 1 Item | per collection | 28.00 | 29.00 | n/a |
| Bulky Waste Collection - 2 Items | per collection | 39.00 | 40.00 | n/a |
| Bulky Waste Collection - 3 Items | per collection | 49.00 | 50.00 | n/a |
| Bulky Waste Collection - 4 Items | per collection | 60.00 | 62.00 | n/a |
| Bulky Waste Collection - Load - small | per collection | 71.00 | 73.00 | n/a |
| Bulky Waste Collection - Load - medium | per collection | 104.00 | 106.00 | n/a |
| Bulky Waste Collection - Load - large | per collection | 156.00 | 160.00 | n/a |
| Bulky Collection Cancellation Fee | per cancellation | 11.00 | 11.00 | n/a |

REFUSE COLLECTION - Other

| | | | | |
|--|----------------------------|-------|-------|-----|
| Cleansing private land (Performance area - regular schedule) | per linear metre per annum | 25.83 | 26.66 | S |
| Cleansing private land - ad hoc litter picking | per hour | 81.25 | 83.33 | S |
| Abandoned Vehicles (end of life vehicles) surrendered and removed by LA | per vehicle | 45.00 | 45.83 | S |
| Abandoned Vehicles (end of life vehicles) surrendered and removed by LA | per caravan | 70.00 | 71.66 | S |
| Cleaning graffiti on private land (chemical cleaning only. Subject to damage waiver from land owner and site survey. Graffiti removal from private land is at the discretion of the Head of Environmental Services and will not be undertaken where there is a risk of damaging surfaces, traffic management requirements or significant health and safety implications. Individual charges may be waived at the discretion of the Head of Environmental Services as part of campaigns or in the interests of preventing or discouraging significant levels of crime and disorder) | per m ² | 59.00 | 60.00 | n/a |
| Cleaning graffiti - small items | per item | 36.00 | 37.00 | n/a |

REFUSE COLLECTION - Clinical

| | | | | |
|-----------------|--------------------|-------|-------|---|
| Charge per site | per visit (max 26) | 15.83 | 16.25 | S |
|-----------------|--------------------|-------|-------|---|



Waste Services

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT £ | 2020/21 Charge Ex. VAT £ | VAT |
|-------------------------------------|-----------------|----------------|--------------------------------|--------------------------------|-----|
| Sharps containers | | per container | 10.00 | 10.41 | S |
| Sacks - trade (infectious waste) | | per sack | 6.25 | 6.41 | S |
| Sacks - domestic (infectious waste) | | per sack | 1.29 | 1.30 | n/a |
| Sacks - trade (Offensive waste) | | per sack | 3.75 | 3.83 | S |
| Sacks - domestic (Offensive waste) | | per sack | 1.29 | 1.30 | n/a |
| Extra Sacks delivery charge | | per occasion | 27.92 | 28.58 | n/a |

COMMERCIAL WASTE

Note: The below are 'ceiling' prices and subject to the discretion of the Head of Environmental Services. For these commercial waste collection services the minimum contract period is 3 months. A minimum of 3 months notice must be given by the customer to cancel the contract. In the event of the customer cancelling the contract or the Council terminating the contract for non-payment, no refund will be given for the service not supplied during the notice period

| | | | | | |
|--|--|-------------------|----------|----------|-----|
| Commercial Waste Collection Services - sacks | | per 50 | 97.00 | 99.00 | n/a |
| Commercial Waste Collection Services - 240 litres | | per bin per annum | 441.00 | 452.00 | n/a |
| Commercial Waste Collection Services - 340 litres | | per bin per annum | 502.00 | 515.00 | n/a |
| Commercial Waste Collection Services - 660 litres | | per bin per annum | 862.00 | 664.00 | n/a |
| Commercial Waste Collection Services - 1,100 litres | | per bin per annum | 1,080.00 | 1,107.00 | n/a |
| Prescribed Waste Collection Service - Sacks | | per 50 | 56.00 | 57.00 | n/a |
| Prescribed Waste Collection Service - 240 litres | | per bin per annum | 327.00 | 335.00 | n/a |
| Prescribed Waste Collection Service - 340 litres | | per bin per annum | 349.00 | 358.00 | n/a |
| Prescribed Waste Collection Service - 660 litres | | per bin per annum | 585.00 | 600.00 | n/a |
| Prescribed Waste Collection Service - 1,100 litres | | per bin per annum | 633.00 | 649.00 | n/a |
| Prescribed Waste for Educational Establishments - Sacks | | per 50 | 56.00 | 57.00 | n/a |
| Prescribed Waste for Educational Establishments - 240 litres | | per bin per annum | 297.00 | 304.00 | n/a |
| Prescribed Waste for Educational Establishments - 340 litres | | per bin per annum | 331.00 | 339.00 | n/a |
| Prescribed Waste for Educational Establishments - 660 litres | | per bin per annum | 542.00 | 556.00 | n/a |
| Prescribed Waste for Educational Establishments - 1,100 litres | | per bin per annum | 585.00 | 600.00 | n/a |
| Bin removal & re-delivery charge following non-payment | | per occasion | 28.00 | 29.00 | n/a |
| Extra sacks delivery charge | | per occasion | 28.00 | 29.00 | n/a |

Parking

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Parking

| | | | | | |
|--|--|---------------------|----------|----------|-----|
| Off Street Resident Season Ticket - Port Vale | | | 240.00 | 245.83 | S |
| Off Street Resident Season Ticket - Crown Terrace | | | 1,077.50 | 1,104.17 | S |
| Off Street Resident Season Ticket - Baldock Street - Ware | | | 841.25 | 862.50 | S |
| Off Street Business Permit - Charrington's House BS Long Stay | | | 1,086.66 | 1,113.33 | S |
| On Street Resident Season Ticket - 1st Permit | | | 41.00 | 41.00 | n/a |
| On Street Resident Season Ticket - 2nd Permit | | | 82.00 | 82.00 | n/a |
| On Street Resident Season Ticket - 3rd Permit (only available where possible in B1 (Stansted Rd, BS), B2 (Dunmow Rd, BS), B3 (Windhill BS), B7 Chantry BS), W2 (Coronation Rd Ware)) | | | 82.00 | 82.00 | n/a |
| On Street Resident Season Ticket - Motorcycle permit | | | 19.00 | 19.00 | n/a |
| On Street Resident Season Ticket - Contractor permit | | per week | 15.00 | 15.00 | n/a |
| On Street Resident Season Ticket - Business permit | | per annum | 320.00 | 320.00 | n/a |
| On Street Resident Season Ticket - Carers/ Special permits (discretionary) | | | 36.00 | 36.00 | n/a |
| On Street Resident Season Ticket - Visitors Vouchers | | per hour | 0.10 | 0.10 | n/a |
| On Street Resident Season Ticket - Visitors Vouchers | | per hour pensioners | 0.05 | 0.05 | n/a |
| On Street Resident Season Ticket - Charge for Temporary Dispensation from Parking Restrictions | | | 15.00 | 15.00 | n/a |
| On Street Residents Parking Permits - Folly Island - 2nd Permit | | | 56.00 | 56.00 | n/a |
| Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid within 21 days | | per PCN | 35.00 | 35.00 | OS |
| Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid after 21 days | | per PCN | 70.00 | 70.00 | OS |
| Penalty Charges issued under Regulation 9 of the General Regulations - Higher Level Penalty Charge - Paid after service of charge certificate | | per PCN | 105.00 | 105.00 | OS |
| Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid within 21 days | | per PCN | 25.00 | 25.00 | OS |
| Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid after 21 days | | per PCN | 50.00 | 50.00 | OS |
| Penalty Charges issued under Regulation 9 of the General Regulations - Lower Level Penalty Charge - Paid after service of charge certificate | | per PCN | 75.00 | 75.00 | OS |
| Penalty Charges issued under Regulation 10 of the General Regulations. - Higher Level Penalty Charge - Paid within 21 days | | per PCN | 35.00 | 35.00 | OS |
| Penalty Charges issued under Regulation 10 of the General Regulations - Higher Level Penalty Charge - Paid after 21 days | | per PCN | 70.00 | 70.00 | OS |

Parking

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|--------------------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Penalty Charges issued under Regulation 10 of the General Regulations. - Higher Level Penalty Charge - Paid after service of charge certificate | | per PCN | 105.00 | 105.00 | OS |
| Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid within 21 days | | per PCN | 25.00 | 25.00 | OS |
| Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid after 21 days | | per PCN | 50.00 | 50.00 | OS |
| Penalty Charges issued under Regulation 10 of the General Regulations - Lower Level Penalty Charge - Paid after service of charge certificate | | per PCN | 75.00 | 75.00 | OS |
| Bishop's Stortford market traders' tariff - Link Road | | per Thursday or Saturday | 3.00 | 3.00 | S |
| Bishop's Stortford market traders' tariff - Northgate End | | per Thursday or Saturday | 3.00 | 3.00 | S |
| Bishop's Stortford market traders' tariff - Apton Road | | per Thursday or Saturday | 3.00 | 3.00 | S |
| Old London Road - Hertford - Market Traders | | per day | 3.00 | 3.00 | S |
| Old London Road - Hertford - Coach / Lorry tariff | | per visit | 12.50 | 12.50 | S |



Legal and Democratic Services

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

LAND CHARGES

| | | | | | |
|---|-----------|--------------------|-------------------|-------------------|----|
| Registration of a charge in Part II of the register | Statutory | per charge | 67.00 | 67.00 | OS |
| Filing a definite certificate of the Lands Tribunal under rule 10 (3) | Statutory | per certificate | 2.50 | 2.50 | OS |
| Filing a judgement or order, or written request for the variation or cancellation of any entry in Part 11 of the register | Statutory | per item | 7.00 | 7.00 | OS |
| Inspection of documents filed in the register under rule 10, in respect of each parcel of land | Statutory | per parcel of land | 2.50 | 2.50 | OS |
| Office copy of any plan or other document filed pursuant to the rules | Statutory | per copy | Individual Charge | Individual Charge | OS |
| Standard search fee (LLC1 + CON29) | | Fixed | £116.35 | £116.35 | S |
| Extra parcel fee with standard search | | Fixed | £21.00 | £21.00 | S |
| Standard search including all CON29O questions | | Fixed | £364.15 | £364.15 | S |
| LLC1 | | Fixed | £22.05 | £22.05 | Z |
| CON29 | | Fixed | £94.30 | £94.30 | S |
| Con29O Qu.4 -21 | | Fixed | £12.60 | £12.60 | S |
| Con29o Qu.22 | | Fixed | £21.00 | £21.00 | S |
| Extra parcel fee (LLC1) | | Fixed | £5.25 | £5.25 | Z |
| Extra parcel fee (Con29) | | Fixed | £15.75 | £15.75 | S |

LEGAL CHARGES

| | | | | | |
|--------------------------------|---------------|-------|-----------------|-----------------|---|
| Authorised Guarantee Agreement | Discretionary | Fixed | 516.75 | 529.68 | S |
| Commercial lease assignment | Discretionary | Fixed | 699.58 | 717.08 | S |
| Leases | Discretionary | Fixed | 807.08 | 827.50 | S |
| Licences | Discretionary | Fixed | 376.66 | 386.08 | S |
| Deed of covenants | Discretionary | Fixed | £486.87 PLUS 3% | £499.16 PLUS 3% | S |
| Landlord licence | Discretionary | Fixed | 589.80 | 604.58 | S |
| Deed of variation (complex) | Discretionary | Fixed | 1,076.24 | 1,103.16 | S |
| Easements | Discretionary | Fixed | 1,076.24 | 1,103.16 | S |
| Drafting Rent Reviews | Discretionary | Fixed | 269.07 | 275.83 | S |
| s.106 DCPA 1990 - sample | Discretionary | Fixed | 1,076.24 | 1,103.16 | S |



Legal and Democratic Services

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|----------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| s.106 TCPA – complex | Discretionary | Fixed | 2,690.63 | 2,757.91 | S |
| Deed of Surrender | Discretionary | Fixed | 645.75 | 661.91 | S |
| Transfer of Open Space | Discretionary | Fixed | 861.00 | 882.50 | S |
| Licence of alternations | Discretionary | Fixed | 753.33 | 772.16 | S |
| Licence to assign leasehold premises | Discretionary | Fixed | 753.33 | 772.16 | S |
| Notice of Assignment | Discretionary | Fixed | 88.16 | 90.33 | S |
| Notice of charge | Discretionary | Fixed | 88.16 | 90.33 | S |
| Postponement of Charge | Discretionary | Fixed | 88.16 | 90.33 | S |
| Sale of land | Discretionary | Fixed | 807.17 | 827.33 | S |
| Footpath/Bridleway Creation or Diversion Agreement | Discretionary | Fixed | 1,614.37 | 1,654.75 | S |

Electoral Registration Fees

| | | | | | |
|---|-----------|---------------------------------------|--------|--------|---|
| Fee for sale of the full register and notices of alteration | Statutory | per sale provided electronically | £20.00 | £20.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £1.50 | £1.50 | Z |
| Fee for sale of the full register and notices of alteration | Statutory | per sale printed | £10.00 | £10.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £5.00 | £5.00 | Z |
| Fee for sale of the open Register | Statutory | per sale provided electronically | £20.00 | £20.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £1.50 | £1.50 | Z |
| Fee for sale of the open Register | Statutory | per sale printed | £10.00 | £10.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £5.00 | £5.00 | Z |
| Fee for sale of the list of overseas electors | Statutory | per sale provided electronically | £20.00 | £20.00 | Z |
| and an additional | Statutory | per hundred or part hundred entries | £1.50 | £1.50 | Z |

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|--|-----------------|---------------------------------------|------------------------|------------------------|-----|
| | | | £ | £ | |
| Fee for sale of the list of overseas electors | Statutory | per sale printed | £10.00 | £10.00 | Z |
| and an additional | Statutory | per hundred or part hundred entries | £5.00 | £5.00 | Z |
| Fee for sale of the marked document (register or absent voters list) | Statutory | per sale provided electronically | £10.00 | £10.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £1.00 | £1.00 | Z |
| Fee for sale of the marked document (register or absent voters list) | Statutory | per sale printed | £10.00 | £10.00 | Z |
| and an additional | Statutory | per thousand or part thousand entries | £2.00 | £2.00 | Z |
| Photocopies of Election expense returns | Statutory | Per side copied | £0.20 | £0.20 | Z |
| Certificate of Registration | Discretionary | per elector per year | £20.00 | £20.50 | Z |

Street Name & Numbering

| | | | | | |
|---|---------------|-------------------|--------|--------|---|
| Change/addition of house name | Discretionary | Per property | 80.70 | 83.00 | Z |
| Registering 1 plot | Discretionary | Single properties | 80.70 | 83.00 | Z |
| Registering 2-24 plots | Discretionary | Per plot | 53.80 | 55.00 | Z |
| Registering 25-49 plots | Discretionary | Per plot | 43.00 | 44.00 | Z |
| Registering 50-74 plots | Discretionary | Per Plot | 32.30 | 33.00 | Z |
| Registering 75-99 plots | Discretionary | Per Plot | 26.90 | 28.00 | Z |
| Registering 100+ Plots | Discretionary | Per Plot | 16.15 | 16.50 | Z |
| Naming a new street/block where the Council Chooses a Name | Discretionary | Per road name | 215.25 | 220.00 | Z |
| Naming a new street/block where the developer chooses a name (Subject to consultation**) | Discretionary | Per road name | 269.05 | 275.00 | Z |
| Renaming of street where requested by residents and/or the Town/Parish Council | Discretionary | Per address | 80.70 | 83.00 | Z |
| Change to new addresses due to development changing after the schedule has been issued (applies to all amended plots) | Discretionary | Per plot | 53.80 | 55.00 | Z |

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|---------------------------|---------------------------|-----|
| | | £ | £ | |

Freedom of Information Act 2000 / Environmental Information Regulations 2004 / Reuse of Public Sector Information Regulations 2005

| | | | | | |
|-------------|-----------|----------------------------------|------------------------------------|------------------------------------|--|
| FOI Request | Statutory | Under 18 hours of staff time | No charge other than disbursements | No charge other than disbursements | |
| FOI Request | Statutory | In excess 18 hours of staff time | £25 an hour | £25 an hour | |

- However, where possible, we will assist the applicant to refine the request and determine what might be achieved within the £450 limit.

| | | | | | |
|---|-----------|----------------------------------|---|---|--|
| Disbursements (photocopying, copying to different media, postage etc) | | | Free up to £10, above this will be charged at the full cost | Free up to £10, above this will be charged at the full cost | |
| EIR Request | Statutory | Under 18 hours of staff time | No charge other than disbursements | No charge other than disbursements | |
| EIR Request | Statutory | In excess 18 hours of staff time | £25 an hour + any additional fees identified in departmental fee structures | £25 an hour + any additional fees identified in departmental fee structures | |



Finance & Support Services

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Letting of Council Offices

| | | | | | |
|----------------------------|--|----------|-------|-------|-----|
| Council Chamber - Hertford | | per hour | 32.00 | 33.00 | n/a |
| Other Rooms - Hertford | | per hour | 20.50 | 21.00 | n/a |



Finance & Support Services

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Revenues

| | | | | | |
|---|--|------------------------|--------|--------|-----|
| Council Tax penalty for failure to promptly notify or provide information | | per first offence | 70.00 | 70.00 | n/a |
| Council Tax penalty for failure to promptly notify or provide information | | per subsequent offence | 280.00 | 280.00 | n/a |
| Summons and Liability Order | | per order | 80.00 | 80.00 | n/a |

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Misc Development Management Charges

| | | | | |
|---|---|--------|--------|-----|
| Copies of any documents | per black & white A4 sheet | 0.10 | 0.10 | n/a |
| Copies of any documents | per colour A4 sheet | 0.20 | 0.20 | n/a |
| Copies of any documents | per black & white A3 sheet | 0.20 | 0.20 | n/a |
| Copies of any documents | per colour A3 sheet | 0.40 | 0.40 | n/a |
| Copies of any documents | per black & white A2 sheet | 1.00 | 1.00 | n/a |
| Copies of any documents | per colour A2 sheet | 2.00 | 2.00 | n/a |
| Copies of any documents | per black & white A1 sheet | 1.50 | 1.50 | n/a |
| Copies of any documents | per colour A1 sheet | 3.00 | 3.00 | n/a |
| Copies of any documents | per black & white A0 sheet | 2.00 | 2.00 | n/a |
| Copies of any documents | per colour A0 sheet | 4.40 | 4.50 | n/a |
| Copies of documents provided on an electronic disc | per disc provided | 17.00 | 17.50 | n/a |
| Historical Research (where records available) | per hour (or part) | 87.00 | 89.00 | n/a |
| Legal obligation agreements - clause monitoring fee | per obligation issue | - | - | n/a |
| Legal obligation agreements - confirmation of compliance by third parties or where the monitoring fee has not been paid | per hour (or part of) after first hour | 85.00 | 87.00 | n/a |
| Fee for discharge of or compliance with a condition | per request (any number of conditions) relating to works of extension or alteration to an existing dwelling | 35.00 | 36.00 | n/a |
| Fee for discharge of or compliance with a condition | per request (any number of conditions) all other developments | 119.00 | 122.00 | n/a |
| Retrieval of externally stored microfilmed records | per microfilmed record | 5.00 | 5.00 | n/a |

PRE-APPLICATION ADVICE

| | | | | |
|-----------------------|-------------|--------|--------|---|
| Householder proposals | Initial fee | 131.67 | 135.00 | S |
|-----------------------|-------------|--------|--------|---|

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|--------------------------------|---------------------------|---------------------------|-----|
| | | | £ | £ | |
| Householder proposals | | Secondary fee | 61.25 | 62.92 | S |
| Request for informal confirmation that proposed development comprises 'permitted development'. (Not Lawful Development Certificate) | | Initial fee | 119.17 | 122.08 | S |
| Request for informal confirmation that proposed development comprises 'permitted development'. (Not Lawful Development Certificate) | | Secondary fee | - | - | S |
| Largescale Major Development Proposals | | Initial fee | Individually Quoted Price | Individually Quoted Price | S |
| Largescale Major Development Proposals | | Secondary fee | - | - | S |
| Smallscale Major Development Proposals | | Initial fee | Individually Quoted Price | Individually Quoted Price | S |
| Smallscale Major Development Proposals | | Secondary fee | - | - | S |
| Minor Development (single new or replacement dwellings and other development of less than 50sqm floorspace) | | Initial fee | 330.83 | 339.17 | S |
| Minor Development (single new or replacement dwellings and other development of less than 50sqm floorspace) | | Secondary fee | - | - | S |
| Minor Development (all other minor development) | | Initial fee | 413.24 | 423.58 | S |
| Minor Development (all other minor development) | | Secondary fee | - | - | S |
| Minor Development (all other minor development) | | Initial fee | 413.33 | 423.75 | S |
| Minor Development (all other minor development) | | Secondary fee | - | - | S |
| Any development where affordable housing is required by virtue of the Council's planning policies and is to be provided | | Initial fee | - | - | S |
| Other Development | | Initial fee | 110.00 | 112.75 | S |
| Other Development | | Secondary fee | 55.00 | 56.42 | S |
| Advertisement proposals | | Initial fee | 91.67 | 94.00 | S |
| Advertisement proposals | | Secondary fee | - | - | S |
| Heritage advice | | Initial fee | 119.17 | 122.17 | S |
| Heritage advice | | Secondary fee | 60.00 | 61.50 | S |
| Meetings - major and minor developments | | | Included in quoted fee | Included in quoted fee | |
| Meetings - all other development types | | per officer present / per hour | 39.17 | 40.17 | S |
| Provision of urgent advice | | within 5 working days | 2 X quoted fee | 2 X quoted fee | |

Self-build and Custom Housebuilding Register

| | | | | | |
|---|--|------------------|--------|--------|---|
| Entry onto Part 1 of the Register (Individuals) | | per officer rate | 240.00 | 246.00 | S |
|---|--|------------------|--------|--------|---|

| | Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|---|-----------------|------------------|----------------------------------|----------------------------------|-----|
| | | | £ | £ | |
| Entry onto Part 2 of the Register (Individuals) | | per officer rate | 95.84 | 98.25 | S |
| Entry onto Part 1 of the Register (Groups and Associations) | | per officer rate | 240.00 + 56.00 per individual | 246.00 + 57.41 per individual | S |
| Entry onto Part 2 of the Register (Groups and Associations) | | per officer rate | 95.00 + 56.00 per individual | 98.25 + 57.41 per individual | S |



Markets

| Basis of Charge | Unit of Charge | 2019/20 Charge Ex. VAT | 2020/21 Charge Ex. VAT | VAT |
|-----------------|----------------|------------------------|------------------------|-----|
| | | £ | £ | |

Markets

| | | | | | |
|--|---|--|----------|--------|-----|
| Hertford - Standard pitch 3m x 2.1m (10' x 7') | | per pitch | 22.90 | n/a | E |
| Hertford - Casual Trader pitch 3m x 2.1m (10' x 7') | | per pitch | 27.30 | n/a | E |
| Hertford - Additional space | | per 0.3m (per sq ft) | 1.50 | n/a | E |
| Ware - Standard pitch 3m x 2.1m (10' x 7') Where five consecutive weeks are taken, the fifth week will be free. | | per pitch | 14.70 | n/a | E |
| Ware - Casual Trader pitch 3m x 2.1m (10' x 7') | | per pitch | 16.40 | n/a | E |
| Ware - Additional space | | per 0.3m (per sq ft) | 1.30 | n/a | E |
| Charity Stall - Any Market | | | 11.40 | n/a | E |
| Electricity Fee Charges | | per stall per day | 3.40 | n/a | n/a |
| Market Licence - Commercial - up to 10 stalls | | | 35.30 | n/a | n/a |
| Market Licence - Commercial - up to 11 - 30 stalls | | | 59.10 | n/a | n/a |
| Market Licence - Commercial - up to 31plus stalls | | | 123.00 | n/a | n/a |
| Market Licence - Charity | | | 24.40 | n/a | n/a |
| Farmers Markets - Villages | | | 126.00 | n/a | E |
| Farmers Markets - Hertford (own stall) | | | - | - | E |
| Farmers Markets - Hertford (East Herts stall) | | | 29.40 | n/a | E |
| Farmers Markets - Jackson Square | | per quarter | 1,627.50 | n/a | E |
| Street Trading Consent (Static) | # | | 368.50 | 377.70 | OS |
| Street Trading Consent (Static) (registered charity) | | | 184.25 | 188.85 | OS |
| Street Trading Occasional | # | | 125.80 | 128.95 | OS |
| Street Trading Occasional (registered charity) | # | | 64.00 | 65.60 | OS |
| Street Trading Occasional for one day only | | | 31.45 | 32.24 | OS |
| Street Food Market - up to 10 stalls | | per event (includes electricity / promotion) | 200.00 | 205.00 | OS |
| Group consent - Commercial - up to 10 stalls | | per event (excludes electricity / promotion) | 35.30 | 36.20 | OS |
| Group consent - up to 11 - 30 stalls | | per event (excludes electricity / promotion) | 59.10 | 60.60 | OS |

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REVENUE BUDGET - MEDIUM TERM FINANCIAL PLAN

| 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------|---------|---------|---------|
| £'000 | £'000 | £'000 | £'000 |

| | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|
| Net Cost of Services | 16,091 | 16,416 | 16,721 | 17,298 |
|-----------------------------|---------------|---------------|---------------|---------------|

Corporate Budgets

| | | | | |
|--------------------------------------|------------|--------------|--------------|----------------|
| Fees & Charges Annual Review | (40) | (150) | (200) | (250) |
| NHB Grants to Town & Parish Councils | 708 | 252 | 143 | - |
| Interest Payments | 207 | 233 | 483 | 733 |
| Interest & Investment Income | (800) | (600) | (600) | (600) |
| Pension Fund Deficit Contribution | 715 | 734 | 754 | 976 |
| Savings proposals | (500) | (1,000) | (1,500) | (2,000) |
| Total corporate budgets | 290 | (531) | (920) | (1,141) |

Reserves

| | | | | |
|---------------------------------------|------------|------------|------------|--------------|
| Contributions to Earmarked Reserves | 42 | 42 | 151 | 151 |
| Contributions from Earmarked Reserves | (817) | (403) | (223) | (273) |
| Use of General Reserve | (96) | (96) | - | - |
| New Homes Bonus Priority Spend | 1,603 | 755 | 429 | - |
| Total reserves | 732 | 298 | 357 | (122) |

Funding

| | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| NDR | (3,124) | (2,786) | (2,840) | (2,894) |
| (Surplus)/Deficit on Collection Fund | (300) | (100) | 100 | 200 |
| New Homes Bonus | (2,832) | (1,008) | (572) | - |
| Total Funding | (6,256) | (3,894) | (3,312) | (2,694) |

| | | | | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Demand on Collection Fund | (10,667) | (11,225) | (11,651) | (12,087) |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|

| | | | | |
|-------------------|------------|--------------|--------------|--------------|
| Budget gap | 190 | 1,064 | 1,195 | 1,254 |
|-------------------|------------|--------------|--------------|--------------|

| | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|
| Council Taxbase | 61,272 | 62,681 | 63,294 | 63,921 |
| Council Tax at Band D (£) | 174.09 | 179.09 | 184.09 | 189.09 |

| | | | | |
|---|-------|-------|-------|-------|
| Percentage Increase in Council Tax | 2.96% | 2.87% | 2.79% | 2.72% |
| £ increase in Council Tax | £5.0 | £5.0 | £5.0 | £5.0 |

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East Herts Council Report

Council/Executive/Committee

Performance, Audit & Governance Oversight Committee

Executive

Council

Date of Meeting:

14th January 2020 PAGO

21st January 2020 Executive

29th January 2020 Council

Report by: Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: CAPITAL STRATEGY 2020 Onwards

Ward(s) affected: All

Summary

- The Ministry for Housing, Communities and Local Government have revised the Investment and Minimum Revenue Provision Guidance, which includes the introduction of a capital strategy.
- This report includes the second capital strategy since the revisions.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE OVERSIGHT COMMITTEE:

To endorse that the Executive considers the following for recommendation to Council, that:

- (a) the Capital Strategy 2020 onwards as shown in Appendix 'A'

be approved;

1.0 Proposal(s)

- 1.1 The report includes the East Herts Capital Strategy for 2020 onwards which members of the Performance, Audit & Governance Oversight Committee are asked to consider and, with or without amendment, endorse for consideration by the Executive.

2.0 Background

- 2.1 The East Herts Council Capital Strategy provides a valuable opportunity for engagement with Full Council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.
- 2.2 The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.
- 2.3 The Strategy will continue to develop and evolve as external influences do and will be updated as required in order that this Strategy is responsive to the challenges, opportunities, priorities and objectives that the Council must consider.

3.0 Reason(s)

- 3.1 Revised reporting is required from the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements

surrounding any commercial activity undertaken under the Localism Act 2011.

- 3.2 This report includes the second capital strategy since the revisions. The first version of the report was welcomed by members last year and no comments or suggestions for improvement have been received from either internal or external audit.

4.0 Options

- 4.1 Update the Capital Strategy as required, at least once annually

5.0 Risks

- 5.1 Risks are discussed in detail, within the Capital Strategy, including the uncertainty around future funding, both from Government and other areas.

6.0 Implications/Consultations

- 6.1 No.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A - East Herts District Council Capital Strategy 2020 Onwards

| | |
|-----------------------|--|
| Contact Member | Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability geoffrey.williamson@eastherts.gov.uk |
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|------------------------|--|
| Contact Officer | Bob Palmer, Interim Head of Strategic Finance and Property bob.palmer@eastherts.gov.uk |
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| Report Author | Nicola Munro, Finance Business Partner Nicola.munro@eastherts.gov.uk |
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Appendix A



East Herts District Council Capital Strategy 2020 Onwards

Contents

| | |
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| Capital investment ambition by Corporate Priority | 9 |
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Introduction

The East Herts Council Capital Strategy provides a valuable opportunity for engagement with Full Council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.

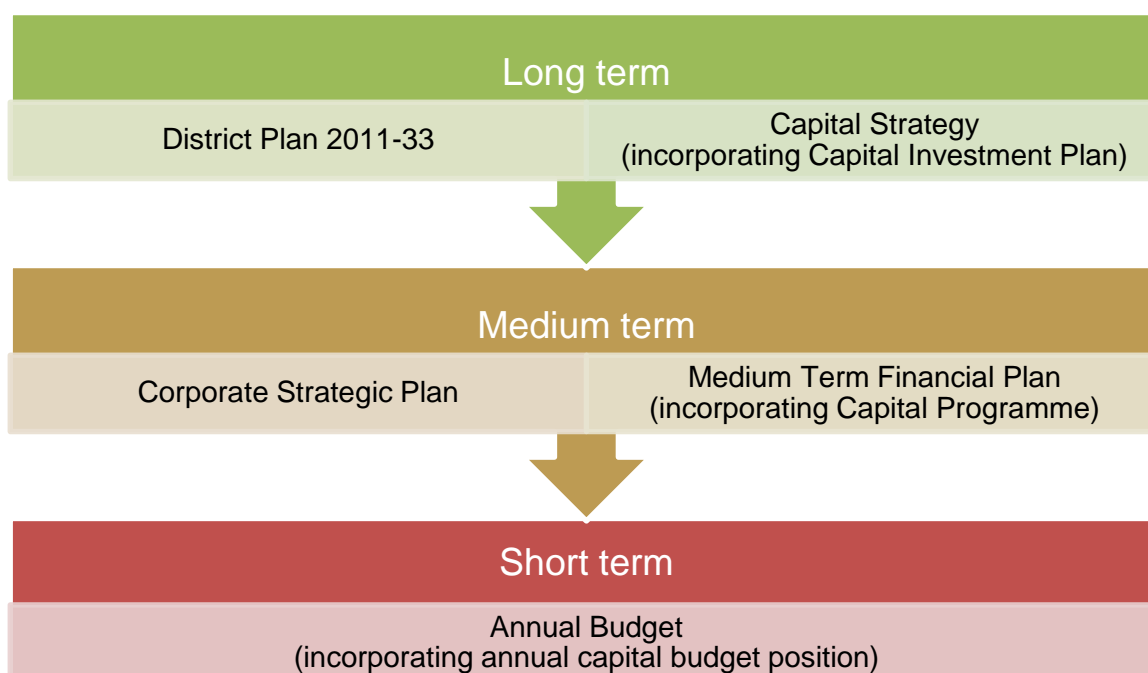
The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.

The Strategy will continue to develop and evolve as external influences do and will be updated as required in order that this Strategy is responsive to the challenges, opportunities, priorities and objectives that the Council must consider.

The CIPFA Prudential Code, updated in 2017, includes the requirement for local authorities to produce a Capital Strategy.

The Capital Strategy has not been developed in isolation. The diagram below summarises the relationship between this Capital Strategy and other key corporate strategies and plans.

Figure 1: Long, medium and short term strategic planning at East Herts Council



The Capital Strategy is closely aligned with the priorities and objectives contained within the above, as well as a number of external strategies and plans, which will be explored further in Section 2 of this Strategy.

The East Herts Capital Strategy includes a number of important actions, which will help to implement the Capital Strategy across the organisation and improve overall financial planning in the long term. We recognise the benefits of long term strategic financial planning and therefore this Capital Strategy is seen as key to looking beyond the medium term to fully explore the opportunities which may lie ahead and the role the Council will play in shaping the future for our residents, communities and businesses.

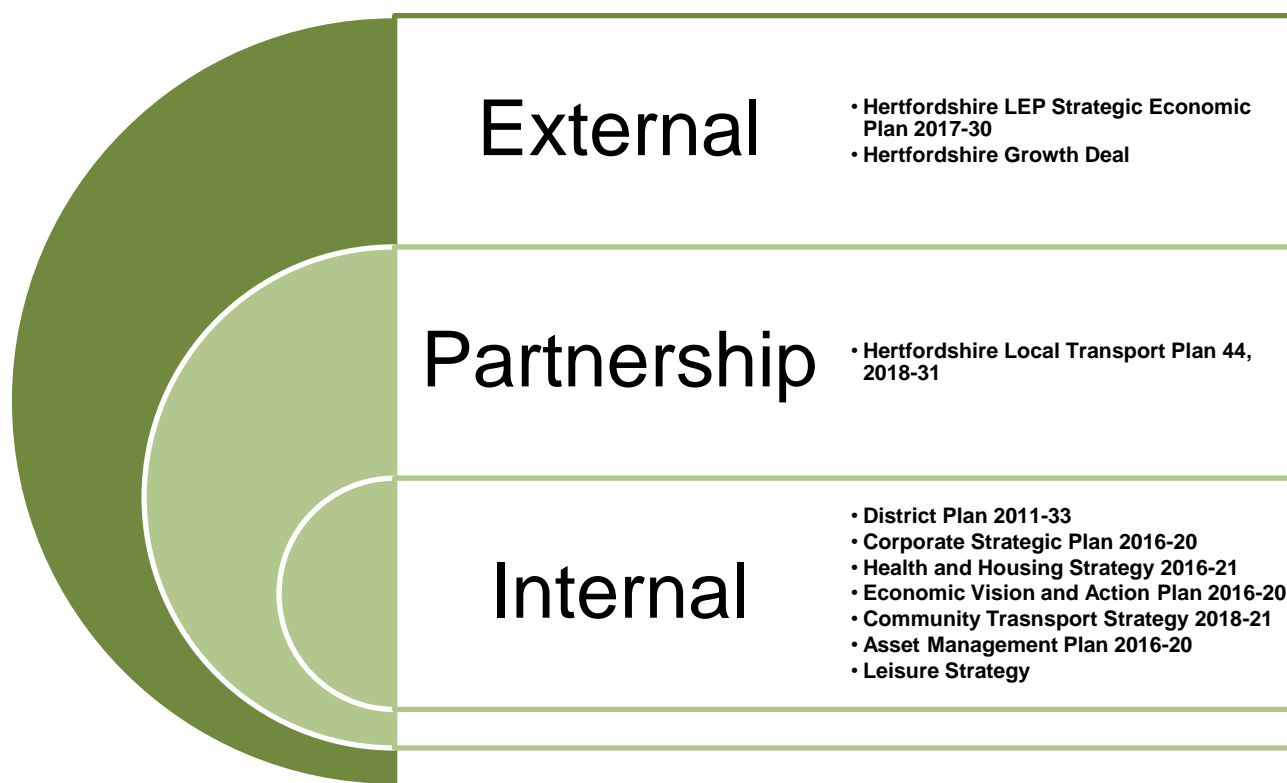
Influences on Capital Investment

The Capital Strategy is influenced by many different factors, which must be taken into account before establishing the appropriate strategy for contributing to the delivery of our corporate priorities.

Our Capital Strategy has considered external, partner and internal influences when shaping our approach. There are many strategies and plans that inform and influence our capital investment plan. It is important to ensure that consideration is given to the aims and objectives that could influence the Council's capital investment ambition over the longer term.

An examination of external and partner influences assists us with supporting decision making on individual capital investment schemes. In future we will therefore use external objectives / targets, alongside our own corporate priorities, to inform decision making when prioritisation needs to be applied to available funding.

Figure 2: Core influences on the Capital Strategy



Our Capital Strategy has taken account of the external, partner and internal influences in shaping our approach. The following sections provide a summary of main points for consideration in each case:

External influences

Hertfordshire LEP Strategic Economic Plan 2017-30 and Hertfordshire Growth Deal

The strategic priorities, as set out in the Hertfordshire Local Enterprise Partnership (LEP) Strategic Economic Plan (SEP) 2017-2030, influence the Council's strategic financial planning direction.

The Gilston Area Concept Framework is referenced as a key element of the SEP priorities, with the new Garden Town of Harlow & Gilston acknowledged by government as one of three new Garden Towns nationally.

The new Garden Town initiative for Harlow & Gilston, links through to the now adopted District Plan, working to the detailed Gilston Area Concept Framework and the project governance that is in place via the Gilston Steering Group.

The Growth Deal expanded further in 2017, with additional investment of £43.95m. The Council made a successful bid for Growth Deal funding for Bishop's Stortford Town Centre, an allocation of £9.6m in the form of grant and loan funding.

[Link to Hertfordshire LEP Strategic Economic Plan 2017-30](#)

[Link to Hertfordshire Growth Deal](#)

Partnership influences

Hertfordshire County Council Local Transport Plan 4

We acknowledge the Hertfordshire Local Transport Plan (LTP 4 2018-2031) and its main objectives.

The relationship with Hertfordshire County Council (HCC) is very important when considering the longer-term Capital Strategy for the Council. As a planning authority and billing authority, the Council is in a very influential position when it comes to setting the scene for the future development and growth in the area and considering the impact on funding streams at both the County and District level.

Over the coming year, we will examine any County capital schemes that are focused in the East Hertfordshire area, in order that the Council has sight of these schemes as they progress and any potential implications they may have for capital schemes being delivered by the Council, particularly related to our property partnership with the County and the green transport plan.

[Link to Hertfordshire County Council Local Transport Plan 4, 2018 to 2031](#)

Internal influences

District Plan 2011-33

The vision and strategic objectives contained within the District Plan influence the Council's investment ambition directly. It is important to provide a good view of the long-term impact of the District Plan in the Capital Strategy and the part that the Council's capital investment will play in contributing to meeting the long term needs of the local population and area.

The strategic objectives link to important regional activity, such as the London Stansted Cambridge Corridor Core Area, working with partner authorities, namely Broxbourne, Epping Forest, Harlow and Uttlesford across Hertfordshire and Essex County boundaries.

We currently determine that the District Plan has strategic influence on the following areas of important investment for the Council:

- Housing
- Town Centres
- Provision of leisure facilities

We will ensure that the Capital Strategy demonstrates the links to the District Plan strategic objectives and

specific projects, as part of the capital investment plan.

[Link to District Plan 2011-33 \(adopted October 2018\)](#)

Corporate Strategic Plan 2016-20

The Corporate Strategic Plan drives the Council's capital investment ambition. The Corporate Strategic Plan includes reference to strategic projects for each year against the aims that support the three priority areas. When the Corporate Strategic Plan is refreshed we will ensure that the Capital Strategy links the capital investment plan to the relevant strategic projects and will therefore demonstrate how the Council's capital investment will contribute to the achievement of the Plan priorities and more detailed aims.

This will help with the evaluation and prioritisation of future capital schemes, where a business case needs to consider the contribution to the achievement of priorities, as well as non-financial and financial benefits.

[Corporate Plan 2020-2024 currently up for approval](#)

Health and Housing Strategy 2019-23

We recognise that it is important for the objectives in the Health and Housing Strategy to be reflected in the Council's Capital Strategy both from a direct capital investment perspective and an enabling perspective. The Council plays a vital role in ensuring that the District Plan is delivered in terms of projects, housing mix, health focus and timescale.

The Health and Housing Strategy highlights the importance of working in partnership, particularly related to affordable and suitable housing to meet identified needs. Any associated capital investment requirement can be put into this context in the Capital Strategy to demonstrate how this investment is contributing to the achievement of important health and housing targets.

[Link to Health & Wellbeing Strategy 2019-23](#)

Economic Vision and Action Plan

The Economic Vision for East Herts sets out the strategic areas of focus in order to achieve this vision. The Economic Vision is backed up by a detailed action plan, which assists with making links to the Hertfordshire LEP SEP, Corporate Strategic Plan and District Plan.

The Economic Vision picks up the thread for major projects, such as the development of a planning framework for Bishop's Stortford Town Centre, which has since resulted in a significant funding package via the Hertfordshire LEP from the Growth Fund. Also, the London Stansted Cambridge growth corridor initiatives, where mention is made of lobbying for the right infrastructure.

The Council has already achieved success in lobbying and bidding for regional funding. As the Capital Strategy is developed it will further contribute strong evidence of local need and highlight where the Council cannot deliver as an individual authority and / or has not got sufficient available capital resources.

[Link to Economic Vision](#) and [Link to Action Plan 2016-2020](#)

Emerging Leisure Strategy

It is important to consider the Council's Leisure Facilities Strategy in the Capital Strategy to make the direct strategic link to the capital investment plan. This provides strong justification for the significant planned investment and demonstrates why this service area is being prioritised.

These are very important initiatives, which are directed at the Council's community, to improve health and wellbeing across the area, working with health partners, town and parish councils, voluntary sector and community groups. This is important context for the significant planned capital investment by the Council, already included in the Capital Programme.

As the delivery of the Leisure Facilities Strategy progresses, we will reflect the emerging expected outcomes in future Capital Strategy updates, both from a financial and outcome perspective.

Vision for Leisure Facilities

In order to provide the guiding principles for the proposed direction of travel it was important to work with a vision for leisure centres across East Herts. It is proposed that the vision is one of enabling everyone to have

the opportunity to participate. The Council has a pivotal role in providing pay and play opportunities which traditionally are not provided through other sectors. In this context the suggested vision is as follows:

“The Council will provide attractive facilities available to the whole community which complement the wider provision of recreation opportunities in the community and voluntary sector. In addition, it will ensure that leisure facilities contribute fully to the health and wellbeing objectives of the Council.”

[Link to Grange Paddocks and Hartham development](#)

Asset Management Plan 2016-20

The importance of the link between the Asset Management Plan (AMP), and its constituent asset categories, is stressed in the CIPFA Prudential Code. There is no doubt that the Asset Management Plan should inform the Capital Strategy, but this also works both ways. The vision and ambition that is articulated in the Capital Strategy should set the scene for the direction that the asset management, in any particular area of operation, should take.

There is an emphasis on the investment property portfolio in the aims, priorities and ambitions in the AMP. Highlighting the Council's good management of the current portfolio and the approach to due diligence and strong decision making for new property investment. There is also an emphasis on town centre improvements, which links to major projects, such as the work in Bishop's Stortford and the master-planning in the District Plan.

The key improvement priorities have been mapped to corporate priorities, outcomes, key milestones and timescales in the current AMP. We will ensure that this links effectively with the capital investment plan as work gets underway to refresh the AMP over the coming year.

[Link to Asset Management Plan 2016/20](#)

Financial Sustainability Policy

The Council's Financial Sustainability Policy is very important at a time when the spotlight has been put on local authority behaviour in addressing significant funding difficulties, particularly with regard to commercial activity.

The Council's commitments, set out in the Policy, will be closely linked with the Council's view on risk, proportionality and financial resilience in terms of reserves, as expressed in this Capital Strategy.

Background and Context

Like many local authorities East Herts council finds itself expected to deliver more and higher quality services while funding from central government reduces.

Financial sustainability

The sustainability agenda in terms of finance refers to councils which, often using the powers of General Competence from the Localism Act 2011, have explored and set-up different funding streams to ensure a sustainable mid to long term financial position.

Local authorities are finding new ways to raise money (and reduce spend) by making investments and initiating projects that create profit to organisational continuity.

East Herts council will:

- *Move into other areas of business to raise revenue from new sources*
- *Find newer and more efficient ways of working*
- *Explore new ways of working with business and charity sector as an enabler, not just provider*
- *Invest for return in new ventures such as commercial property investments*
- *Do this with sensitivity to market conditions and operators not giving ourselves undue advantage within the market.*

Core influences action plan:

| Action | Why is this required? | Responsibility | Timescale |
|---|---|--|---|
| We will ensure that the Capital Strategy demonstrates the links to the District Plan strategic objectives and specific projects, as part of the development of the capital investment plan | In order to identify how we can strengthen our decision making and prioritisation process, informing what we are doing directly towards these objectives via capital investment | Management Team | During 2020/21 |
| When the Corporate Strategic Plan is refreshed we will ensure that the Capital Strategy links the capital investment plan to the relevant strategic projects | In order to continue to demonstrate how the Council's capital investment will contribute to the achievement of the Corporate Strategic Plan priorities and more detailed aims | Strategic Finance & Property, S151 Officer | In line with Corporate Strategic Plan refresh timescale |
| As the delivery of the Leisure Facilities Strategy progresses, we will reflect the emerging expected outcomes in future Capital Strategy updates, both from a financial and outcome perspective | In order to demonstrate the importance of this major element of the capital investment plan and the intended outcomes for the future | Strategic Finance & Property, S151 Officer | During 2020/21 |
| The key improvement priorities have been mapped to corporate priorities, outcomes, key milestones and timescales in the current Asset Management Plan , we will ensure that this links effectively with the capital investment plan as work gets underway to refresh the AMP over the coming year. | In order to strengthen the influence of the AMP on the Capital Strategy and also enable the Capital Strategy intention and ambition to inform the emerging refreshed AMP | Management Team | In line with AMP refresh timescale |

Capital investment ambition by Corporate Priority

The intention of this section is to set out the long-term ambition for capital investment in terms of the contribution made towards achieving the priorities identified in the Council's Corporate Strategic Plan. The future intention will be to articulate the capital investment plan in terms of achievement of priorities, intended outcomes for all key stakeholders and intended timescales.

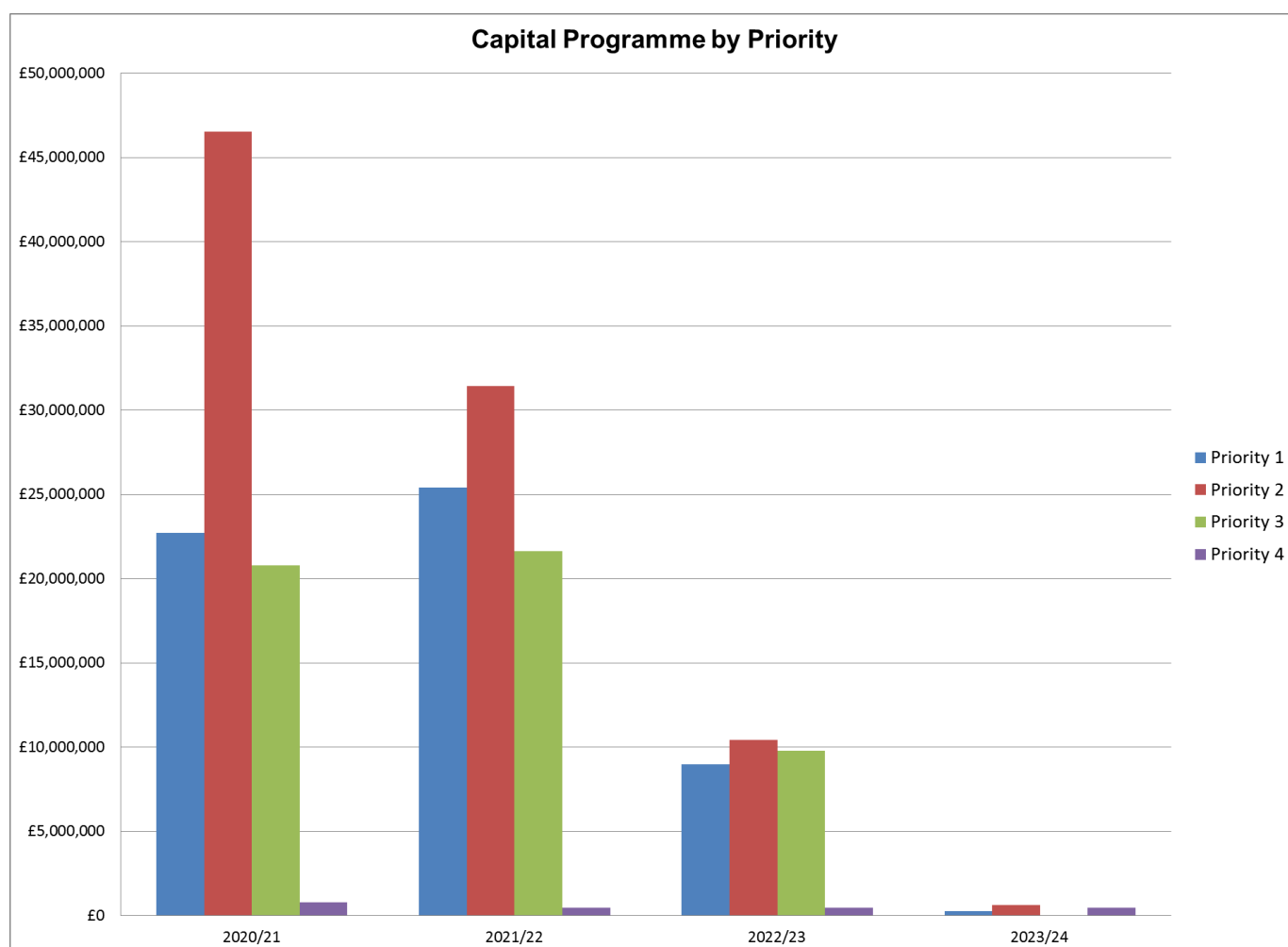
The Corporate Strategic Plan priority initiatives are currently going through the approval process. To demonstrate our current approach ahead of producing a longer-term capital investment plan, we have set out the Corporate Strategic Plan initiatives below which relate to capital investment:

| Priority | Aims and initiatives |
|--|--|
| Priority 1: Sustainability at the heart of everything we do | <p><i>We will make changes to our own premises, people and services</i></p> <ul style="list-style-type: none"> Making direct investment in energy efficiency schemes: e.g. energy efficiency on leisure capital schemes; Hertford Hydro and installing/upgrading LED lighting in our buildings and car parks - Ongoing <p><i>We will influence and encourage behaviour change</i></p> <ul style="list-style-type: none"> Providing financial incentives to increase sustainability e.g. insulation grants and loans - Ongoing |
| Priority 2: Enabling our communities | <p><i>We will invest in our places</i></p> <ul style="list-style-type: none"> Investing £30m in our Leisure Centres in Hertford, Bishop's Stortford and Buntingford – Ongoing Investing £20m in Hertford Theatre – Ongoing Delivering improvements in our green spaces (e.g. Castle Park) – Ongoing Providing community grants – Ongoing Support the Herts 2020 Year of Culture – Ongoing <p><i>We will ensure all voices in the community are heard</i></p> <ul style="list-style-type: none"> Growing our digital communication channels (twitter, Facebook, Instagram, network) to keep residents informed – Ongoing <p><i>We will support our vulnerable residents</i></p> <ul style="list-style-type: none"> Delivering affordable homes – Ongoing |
| Priority 3: Supporting economic growth | <p><i>We will develop new sources of income</i></p> <ul style="list-style-type: none"> Delivering the Millstream Property Investments Ltd business plan – Ongoing Delivering Financial Sustainability through investment purchases – Ongoing <p><i>We will support businesses grow</i></p> <ul style="list-style-type: none"> Delivering the Old River Lane project to improve Bishop's Stortford Town Centre – Ongoing Expanding the Launchpad – Ongoing <p><i>We will create viable places</i></p> <ul style="list-style-type: none"> Delivering the district plan – Ongoing Ensuring developer contributions are used effectively – Ongoing |

| Priority | Aims and initiatives |
|-------------------------------|--|
| Priority 4: Digital by design | <p><i>We will improve the customer experience for those who use council services</i></p> <ul style="list-style-type: none"> • Increase our investment in digital technology – Ongoing <p><i>We will work with partners to ensure our communities are digitally enabled</i></p> <ul style="list-style-type: none"> • Delivering Harlow and Gilston Garden Town as a fully sustainable and digital 'place' – Ongoing • Agreeing a countywide digital infrastructure strategy – Ongoing |

The planned capital investment programme for 2020/21 onwards, from an expenditure perspective, is undergoing the same approval process as this strategy. At this stage we have undertaken a simple mapping exercise to demonstrate the contribution of planned capital investment to each Corporate Strategic Plan priority. This will be developed further as the Capital Strategy is strengthened during 20/21.

Figure 3: Capital Programme by Corporate Priority



In terms of focus and prioritisation, it is important to note that 78% of the planned capital expenditure in the 4-year Capital Programme (from 2020/21) relates to just three key capital schemes (37% Old River Lane, 25% Leisure Centres and 16% Hertford Theatre). Links between the 4-year capital programme and the corporate priorities are provided at Appendix A.

Corporate priority action plan:

| Action | Why is this required? | Responsibility | Timescale |
|--|--|--|---|
| As the longer-term capital investment plan emerges, we will undertake a more detailed mapping exercise against each capital scheme – initially in the capital programme and eventually in the longer-term capital investment plan | This will assist Members and other key stakeholders recognise the contribution that the capital investment is making towards the achievement of the Council's corporate priorities | Strategic Finance & Property, S151 Officer | During 2020/21 |
| As the refreshed Corporate Strategic Plan emerges, we will ensure that the existing capital investment plan is reviewed to ensure that all planned schemes align with the updated corporate priorities | This will ensure that existing investment plans still meet the identified needs of the District and emerging pipeline schemes are aligned to the newly approved priorities | Strategic Finance & Property, S151 Officer | In line with Corporate Strategic Plan refresh timescale |

Commercial Investment Strategy

In our Financial Sustainability Policy, we set out a vision statement:

For East Hertfordshire District Council to be an innovative authority that safeguards its future through maximising financial independence from government funding sources. It will do this by raising its own revenue through non-traditional ways and smarter spending.

Financial sustainability is about ensuring the council can continue to discharge its duties to the public whilst keeping a balanced and sustainable budget, proving itself a responsible custodian of the public purse.

We also set out our intention, saying that we will:

- Move into other areas of business to raise revenue from new sources
- Find newer and more efficient ways of working
- Explore new ways of working with business and charity sector as an enabler, not just provider
- Invest for return in new ventures such as commercial property investments
- Do this with sensitivity to market conditions and operators not giving ourselves undue advantage within the market.

With regard to our approach to investment properties, our Asset Management Plan states the following:

These assets are held in order to generate a return on investment for the council. The investment property portfolio generates a source of income for the council which makes a significant contribution to the ongoing financing of council services, ensuring the financial sustainability of the council as government funding reduces.

These assets are subject to a review process to ensure that the return on investment is maximised and opportunities for development are actively explored to secure these returns in the medium to long term.

Where opportunities to acquire further investment properties occur, these will be explored, subject to the relevant due diligence processes. The council will also seek to hold investment properties in the most suitable structure including joint venture/partnership arrangements or wholly-owned local authority trading companies.

Millstream Property Investments Limited

In line with the Council's corporate priorities, and commercial investment ambition, Millstream Property Investments Limited was incorporated in February 2018.

The council, as the company's sole shareholder, has entered into a Shareholder Agreement with the company. The Shareholder Agreement obliges the company to annually review its business plan and produce a revised 30-year business plan, rebasing the forthcoming financial year as the first year of this 30-year period.

The company presented its 30-year business plan for 2019/20 in December 2018, the revised plan for 2020/21 is due to be presented in January 2020. As required by the Shareholder Agreement, the company's 30-year business plan includes:

- a schedule of properties and/or sites to be acquired in the next financial year whether described by name or the number and/or value of specific types of property at least differentiating residential and commercial and existing built properties and sites
- a financial business plan covering not less than 30 years based on development and management and maintenance of existing assets and acquisition of planned new assets

- a procurement plan which shall include details of contracts coming to an end and contracts to be tendered
- an asset management plan including management, maintenance, disposals and acquisitions plans
- key performance indicators with previous performance and targets for the coming financial year; and
- estimates, assumptions regarding reinvestment of profits, distribution of dividends and capitalisation of profits for the coming financial year including the amounts it will be prudent to retain in order to meet operational costs in the coming financial year and the amounts available for distribution to the Shareholder.

The council has asked the company to take a longer view of property acquisitions, development and disposals than just the coming year and so the proposed business plan includes a number of proposals which would see a pipeline of additional properties coming into the company's ownership up until 2022/23.

In overall terms, the company sought approval of its business plan which will:

- increase the company's portfolio of residential properties from three properties at December 2018 to 48 properties by 2022/23, consisting of a mix of private rented homes, affordable rented homes and low-cost home ownership properties;
- provide the council with an annual revenue income stemming from interest on commercial loans extended to the company, sale of services to the company and dividends payable by the company;
- require loan capital and grant funding from the council.

A revised Millstream Business Plan is due to be submitted to Council, for approval on 29th January 2020.

We aim to develop a more detailed commercial investment strategy, as part of the further development of the Capital Strategy, as we recognise that there is continuing scrutiny of local government commercial activity and the effective management of the risk position by individual authorities.

The CIPFA Prudential Code, Treasury Management Code of Practice and the MHCLG Investment Guidance have all been updated, with a particular focus on commercial activity. The announcement of the provisional settlement for local government for 2019/20 included a statement on the potential for government intervention, with further guidance published from CIPFA in November 2019 entitled 'Prudential Property Investment'.

Commercial investment strategy action plan:

| Action | Why is this required? | Responsibility | Timescale |
|--|--|-----------------|----------------|
| Develop a more detailed commercial investment strategy , as part of the further development of the Capital Strategy for 2021/22 | This will ensure that we are clear on our intention and expected outcome from commercial investments, which links to our process for undertaking new investments and effectively managing the commercial portfolio | Management Team | During 2020/21 |

Capital Investment Plan

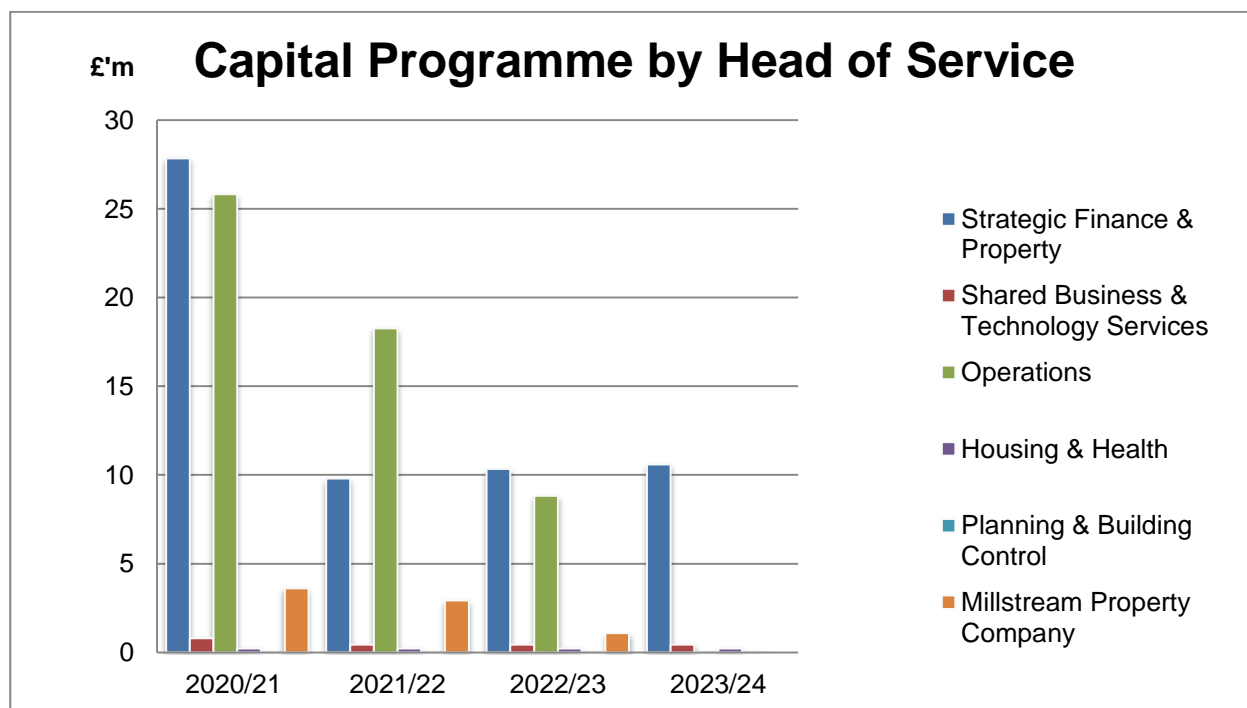
The following sections examine our starting point for a longer-term capital investment plan, the additional analysis that informs our Capital Strategy principles, our capacity to deliver and the potential options for addressing our capital investment ambition gap. We recognise that our Capital Programme currently plans for investment over a four-year period, which is a medium-term view and there is further work to do to extend our plans up to 10 years.

When our strategic planning becomes more mature, and we have identified our plans beyond the four-year horizon, we will update our process for evaluation and prioritisation, to ensure that there is clarity on the level of affordability, based on available capital resources, including a potential borrowing position. It is also important for the Council to establish its potential lobbying position to seek to secure future funding packages from appropriate funding bodies, building on successful bids to date.

We will ensure that our risk assessment examines the risk against the affordability and deliverability assumptions, as the longer-term capital investment plan emerges, and this will inform the ongoing review of performance and update of the capital investment plan to ensure that it is effectively managed.

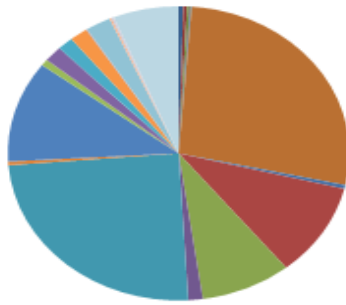
The following charts provide a view of the current four-year investment plan from an expenditure perspective by Directorate:

Figure 4: Capital Programme by Head of Service

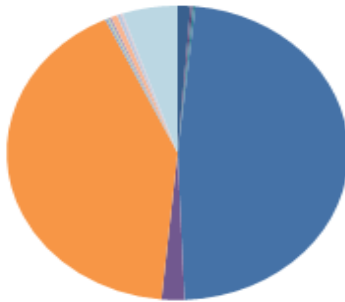


Capital Programme by Scheme

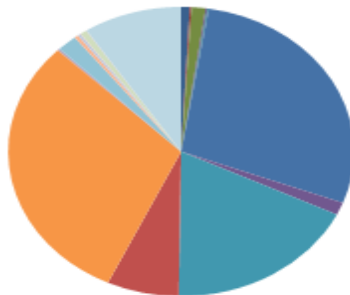
2020/21



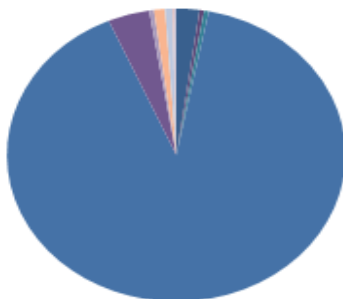
2022/23



2021/22



2023/24



- Investment in operational assets
- LED Lighting Upgrades
- Car Park Resurfacing
- Improve, maintain & renew structures along rivers and watercourses
- Land Management Asset Register & Associated Works
- Northgate End, MSCP, Residential and Commercial
- Arts Centre - ORL
- Repayment of Loan
- Financial Sustainability
- Rolling programme to be utilised on ICT projects subject to ITSG review
- Grange Paddocks Leisure Centre
- Bridge Works
- Hartham Leisure Centre
- Fixtures Fittings and Equipment (Both Centres)
- Hartham pool filtration works
- Leisure Facilities Sustainability
- Ward Freman
- Hertford Theatre
- Open Space Improvements at the Wash, Hertford
- Folly View Open Space Improvements, Hertford
- Cannons Mill Lane Open Space improvements, Bishops Stortford
- Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19)
- Castle Park - HLF - Delivery Phase
- Decent Home Grants
- Community Capital Grants
- Energy Grants
- Castle Weir Micro Hydro Scheme
- Historic Building Grants
- Capital Loan (10 x properties per annum)

Approach to capital investment prioritisation

The Medium Term Financial Plan (MTFP) is refreshed annually to accommodate changes in service delivery and financial landscape. Service and financial planning are combined in one report, which demonstrates that we have got an integrated approach to financial planning both from a revenue and capital perspective.

The MTFP is forecast over a 4-year period, in line with the Council's general corporate planning approach. The MTFP sets out the national policy context and describes the impact of this at a local level. It must be recognised that, when looking at a four-year period, the current level of uncertainty makes this an increasingly challenging exercise.

When considering an appropriate long-term period for the Capital Strategy, we are potentially looking at a 20-30 year period but a more realistic period for the capital investment plan, say up to 10 years. This longer-term approach enables a much more robust 4-year Capital Programme forecast and a strong annual budget.

We recognise that the MTFP should be able to articulate the Council's revenue and capital investment plans in the context of a longer-term approach. On this basis, our view is that the MTFP approach needs to be dynamic and aligned to the Council's Corporate Strategic Plan priorities, following an appropriately detailed business planning approach. We feel that the budget setting and service planning process goes a long way towards achieving this approach, however, when it comes to the capital planning process we recognise that we need the process to be less reactive and much more proactive.

As stated in the January 2020 Budget report, the capital programme for 2020/21 onwards contains a number of newly agreed capital schemes and also the rolling schemes agreed in previous years.

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.

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.

As any of these schemes are agreed and the funding requirements become more definite they will be included in the capital programme presented within the quarterly health-check report.

As we develop the Capital Strategy we intend this to become better informed over time and strengthened by the capital investment plan, which will stretch up to 10 years. We recognise that it is important to identify all required capital investment commitments, to ensure that all existing capital commitments are required, particularly in light of any refresh of the Corporate Strategic Plan, and that potential commitments from emerging new proposals and ideas are reflected.

We also recognise that, if we have any business as usual commitment missing from our capital investment plan, capital schemes that will no longer deliver against corporate priorities, known capital investment ambition not reflected and a short to medium term delivery profile, it is difficult for us to have a strong capital financing requirement, which in turn will not give us a good view of our potential borrowing requirement in the future.

As we develop our Capital Strategy further in the coming financial year we will make sure that our capital investment plan is comprehensive and profiled realistically, so that the revenue consequence, both positive and negative, are as robust and risk aware as possible, to feed into the budget and the medium term financial plan.

Capital investment plan action plan

| Action | Why is this required? | Responsibility | Timescale |
|---|---|--|----------------|
| Agree an appropriate long-term period for the Capital Strategy – potentially up to 20 years, based on the timeframe of the Council's current strategies, plans and commercial activity | To enable the Council to plan much more effectively for the future – affording time to be clear about risk appetite, management of risk and management of financial resilience | Council | During 2020/21 |
| Develop a longer-term capital investment plan – potentially up to 10 years, based on an appropriate timescale to suit the agreed period of the Capital Strategy | To enable the Council to improve its capital planning process, strengthen the Capital Programme and assist the effectiveness of delivery against plan | Management Team | During 2020/21 |
| Improve the integration with the Council's financial plans and strategies – particularly the MTFP, Treasury Management Strategy, Annual Investment Strategy and Reserves Strategy | To enable an overall view of the Council's delivery of a prudent, affordable and sustainable capital investment plan that contributes positively to the achievement of the Council's corporate priorities | Strategic Finance & Property, S151 Officer | During 2020/21 |

Risk Management

Risk Management Strategy

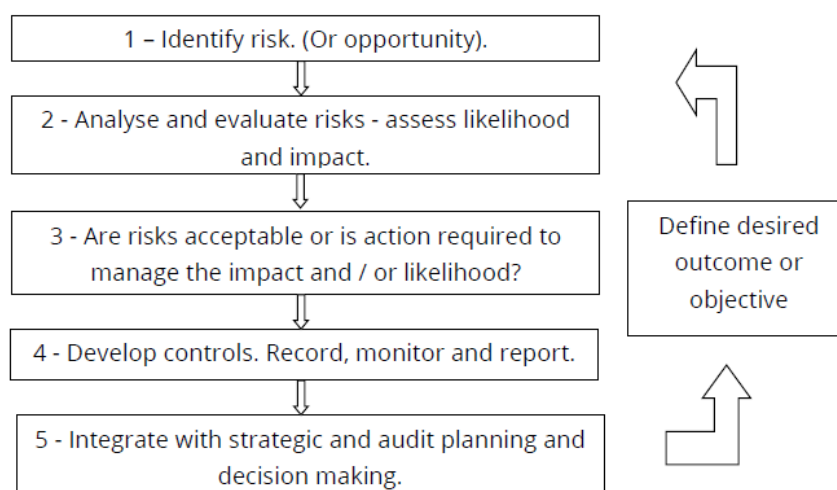
The Council's Risk Management Strategy was last reviewed in spring 2019 and is reviewed on an annual basis.

The Strategy contains a clear definition of risk management as follows:

The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).

The five stages of risk management are summarised in the diagram below, extracted from the Risk Management Strategy.

Figure 5: Stages of Risk Management



Risk Evaluation and Risk Appetite

The Risk Management Strategy includes a scoring matrix to be used in analysing and evaluating risks as outlined in the image overleaf.

Figure 6: Risk Scoring Mechanism

| | | | | |
|---|---|---|---|---|
| 4 - HIGH >£300,000 and / or national criticism and / or catastrophic fall in service quality | | | | |
| 3 - MEDIUM £150,000 to £300,000 and / or regional criticism and / or major long term fall in service quality | | CONTINGENCY | CRITICAL | |
| 2 - LOW £50,000 to £150,000 and / or long term local media criticism and / or minor long term or major short term fall in service quality | | CONTROL | CAUTION | |
| 1 - NEGLIGIBLE <£50,000 and / or short term local media criticism and / or short term fall in service quality | | | | |
| IMPACT LIKELIHOOD | 1 - RARE The event could occur in exceptional circumstances | 2 - UNLIKELY The event could occur less frequently than every three years | 3 - POSSIBLE The event is likely to occur within, or more than one in three years | 4 - PROBABLE The event is likely to occur within a year |

The Strategy includes a definition of the Council's risk appetite i.e. the level of risk that it is prepared to tolerate without need for ongoing monitoring or reporting.

A material risk is deemed to be any risk rated higher than 2:2 on the scoring mechanism above. Where a risk rating exceeds this 'control' area of tolerance, demonstrable evidence of how risks are being mitigated will be required, together with proposals for future controls.

The Risk Management Strategy acknowledges that with increasing pressure on public finances, Local Authorities are obliged to have more appetite for risk. The Council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The Council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

Roles and responsibilities

Roles and responsibilities are contained within the Risk Management Strategy and summarised here for ease of reference:

| Role | Responsibility |
|-----------------|--|
| Elected Members | <p>Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed.</p> <p>All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.</p> <p>All Members can access strategic risks on Pentana Performance (formerly called Covalent).</p> |

| Role | Responsibility |
|---|--|
| Full Council | Full Council recognises the importance of effective risk management and considers risk management issues when making decisions. |
| Executive | <p>To receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk scoring and the reasons why.</p> <p>Agree the Risk Management Strategy on an annual basis, or if significant changes require a revision.</p> <p>Agree / set the Council's risk appetite.</p> <p>Allocate sufficient resources to address top risks.</p> |
| Performance, Audit and Governance Oversight Committee | <p>To develop policy options and to review and scrutinise the policies of the Council including Risk Management.</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council.</p> <p>Receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk scoring and the reasons why.</p> |
| Chief Executive and Leadership Team | <p>To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.</p> <p>Take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff. Advise the Executive and Council on the risk management framework, policy, strategy and processes.</p> <p>Advise on the management of strategic and other significant risks.</p> <p>Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, managers and staff.</p> <p>To report to Members on the management of strategic risks.</p> <p>To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.</p> |
| Heads of Service | <p>To be individually responsible for their service risks.</p> <p>Be actively involved in the identification and assessment of risks through the service planning process.</p> <p>Ensure that all reports of a strategic nature written for Members include risk commentary.</p> <p>To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.</p> <p>Ensure that significant service risks are considered by Leadership Team quarterly.</p> |

| Role | Responsibility |
|--------------------------------|---|
| Strategic Finance and Property | <p>Co-ordinate risk management activities and prepare related reports for management and Members.</p> <p>Review and develop the Risk Management Strategy and processes.</p> <p>Facilitate / arrange risk management training for staff and Members.</p> <p>To co-ordinate the Business Continuity Plan.</p> <p>Support the risk based audit planning process.</p> |
| Shared Internal Audit Service | <p>To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.</p> <p>To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the Council based on work undertaken in the previous year.</p> <p>Review and challenge the effectiveness of the risk management framework.</p> |

Monitoring

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.

Strategic risks are subject to one detailed annual report with quarterly reports on an exception basis only.

Capital Risk Register

| Risk Category | Description of Risk / Uncertainty | Mitigating Factors | Timescale (for review / implementation) | Owner | Residual Risk Score |
|---------------|--|---|---|-----------------|---------------------|
| Political | | | | | |
| Finance | There is uncertainty around future funding, both from Government and other areas such as income from commodities markets for recycled materials. | Funding situation is being carefully monitored. | Ongoing | Management Team | 3 |

| Risk Category | Description of Risk / Uncertainty | Mitigating Factors | Timescale (for review / implementation) | Owner | Residual Risk Score |
|--------------------------------------|---|---|--|------------------|----------------------------|
| Social | | | | | |
| Technological | | | | | |
| Legislative / Legal | Challenges to legal powers being employed to deliver capital ambition | Robust technical, expert and legal advice to be sought as required in order to demonstrate that the Council's actions are justified | Ongoing | Management Team | 6 |
| Continuity / service delivery | Risk of not having capacity / capability and flexibility to continue to deliver service levels over time. | Services have restructured to ensure their services meet customer demand and are efficient and effective. Digital East Herts will support this transformation. | Ongoing | Heads of Service | 4 |
| | Risk of lack of defined process resulting in disrupted service delivery as decision making processes are impaired | The Management Team are to consider standardisation of business cases, project evaluation and scoring mechanisms to aid decision making and prioritisation of resources | 12 months | Management Team | 5 |

| Risk Category | Description of Risk / Uncertainty | Mitigating Factors | Timescale (for review / implementation) | Owner | Residual Risk Score |
|---------------|---|--|---|-----------------|---------------------|
| Environmental | Development of Old River Lane, Bishop's Stortford: impact on surrounding area | Site options being developed by urban designers and property consultants. Discussions ongoing with other partners such as Hertfordshire County Council, Rhodes and Bishop's Stortford Town Council, to ensure any enabling parts of the site are ready | Ongoing | Head of Service | 5 |

Risk Management action plan

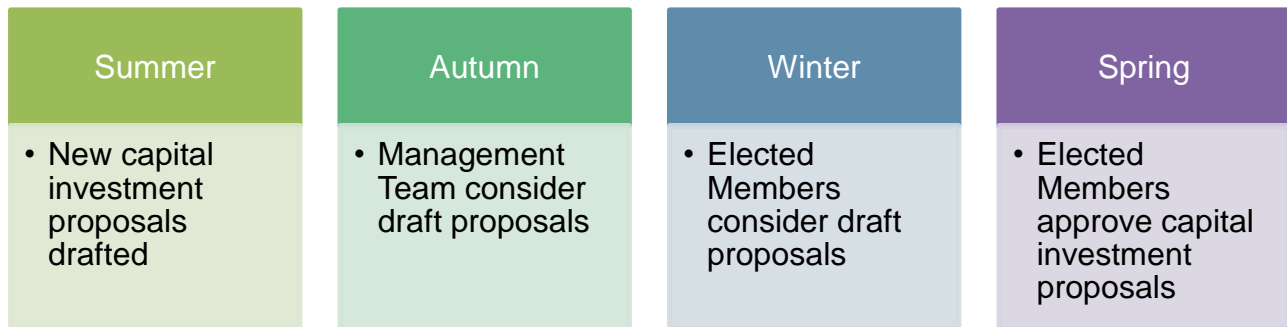
| Action | Why is this required? | Responsibility | Timescale |
|--|--|----------------|---|
| Monitor operational and strategic risks and update relevant risk registers accordingly, reporting strategic risks annually or quarterly by exception | In order that opportunities are explored in full in a timely fashion, and that risks are acknowledged and managed effectively through project lifecycles | All | As required and at least on a quarterly basis |

Capital Investment Appraisal Process

Business planning process

The current business planning process for developing investment proposals to be included within the Council's future financial plans is summarised in the diagram below.

Figure 7: Business Planning Process



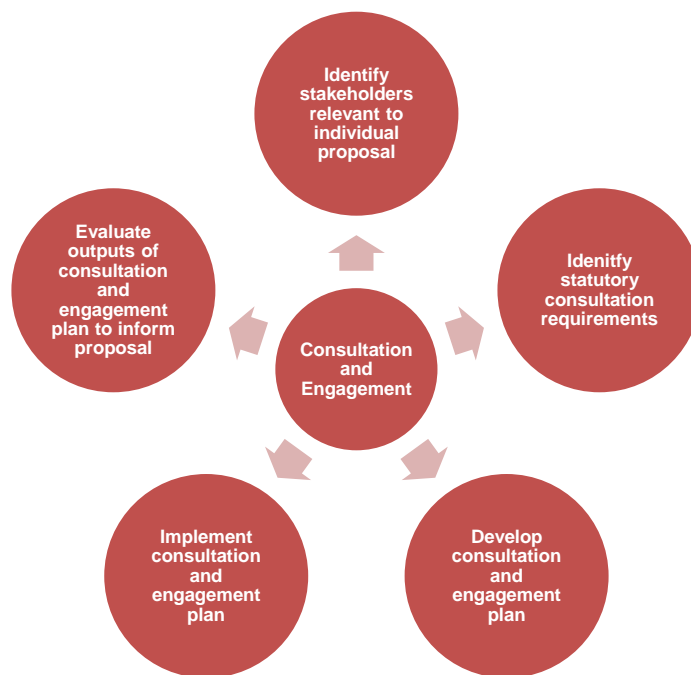
New proposals are developed by individual Project Managers, approved for consideration at service level by the Service / Directorate Manager following which, the proposals will be considered by Management Team and successful proposals will progress for consideration and approval as part of the annual budget cycle.

Investment proposals – consultation and stakeholder engagement

Consultation and engagement is a key part of developing individual proposals and will be tailored to the individual proposal and relevant stakeholders both internal and external to the Council. Stakeholder engagement and consultation can take place throughout the lifecycle of a proposal (from initiation to close down) and the outputs of any engagement or consultation undertaken should be used to inform the proposal as this progresses.

The diagram below summarises the elements to consider in developing capital investment proposals.

Figure 8: Stakeholder engagement and consultation in developing investment proposals



Developing capital investment proposals – description of current processes

Project and Service Managers are encouraged to consider a range of options in developing individual proposals to determine an appropriate way forward, and to capture project details as a business case. However, although new proposals are required to develop a business case, there is as yet no standardised business case template used consistently across the Council to capture key information. This can lead to gaps in information being captured.

The Council has therefore identified that a standardised business case template is required, to support Officers in recording and maintaining project information and inform decision making. Business case must include estimates of capital costs, revenue implications and how the individual proposal aligns with Council plans and strategies and any partnership or external plans and strategies as relevant. Risks should also be documented as part of developing the proposal, along with mitigating actions and relevant timescales.

Business cases would then be maintained throughout the lifecycle of a project to maintain accurate information relating to delivery and lessons learned should be captured as part of project closure reports.

Prioritising capital investment

The intention is for the standardised business cases referenced above to then be subject to a standardised evaluation process, the outcome of which will be the prioritised capital investment programme. Local authorities continue to face financial challenges and as a result, the need to prioritise and target investment is ever present.

The Council has identified that in order to effectively assess investment proposals against one another, a standardised evaluation process and scoring mechanism may be beneficial to help aid decision making and prioritise investment.

Project appraisal process action plan

| Action | Why is this required? | Responsibility | Timescale |
|--|--|-----------------|-----------|
| Consider a standardised business case documentation and evaluation scoring mechanism in order to develop and assess capital investment proposals | To support Officers in capturing and maintaining project information, from proposal to project close down, in order to help inform decision making and prioritise investment | Management Team | 12 months |

Governance

Description of existing approval mechanisms

The existing process for development and approval of the Council's Capital Strategy is summarised in the diagram below.

Figure 9: Capital Strategy Approval process



The internal governance structure will need to be mindful of partners' and external governance mechanisms and will need to communicate and engage with these structures through delivery of the Council's overall capital ambition.

Roles and responsibilities

All Officers and elected Members have a role to play in informing and delivering the Capital Strategy. These roles and responsibilities are summarised below:

| Role | Responsibility |
|---|--|
| Elected members | To approve the Capital Strategy and monitor delivery of the Strategy through various scrutiny forums |
| Management Team | To develop and propose the Capital Strategy for approval |
| Programme / Directorate Managers | To help inform the Capital Strategy, identifying constraints and opportunities and communicating to both Senior Management and Project Teams |
| Project Managers | To manage delivery of individual projects aligned to the Capital Strategy and to develop and maintain project information which will inform decision making processes and the direction and delivery of the Capital Strategy |
| Project Team members | To contribute to the delivery of individual proposals which align with the Capital Strategy |

Skills and training

The Council benefits from the skills and experience possessed by both Officers and elected Members which will support delivery of individual capital proposals and the Council's overall capital ambition. The Council is also keen to support Officers and elected Members to continue to develop their skills sets and is therefore mindful of the implications capital proposals may have on the Council's workforce and future training opportunities and requirements.

The Council already has a programme of staff training available and will look to support those staff who wish to continue their professional development appropriate to their role and subject to appropriate budget availability. Relevant training for elected Members is also undertaken on a routine basis and refreshed as required.

Any skills or experience required which are not already possessed 'in-house' should be identified through individual capital proposals or business cases and will be procured externally as necessary, and in accordance with the Council's Corporate Procurement Strategy.

Capital Strategy engagement

The Capital Strategy is a corporate document which helps stakeholders understand the Council's capital investment objectives and decisions. The Council is therefore keen that the Capital Strategy is informed by knowledge and experience from across the authority.

There is still work to do in fully developing and implementing the Capital Strategy as a corporate strategic document. Therefore, the Senior Management Team will consider a consultation and engagement plan over the coming months which will look to raise awareness of the Strategy and gather stakeholder input for future iterations of the Capital Strategy.

Capital Strategy date for review

The Capital Strategy is intended to be a dynamic document, responsive to changes in policy, strategic influences and delivery.

The Capital Strategy will therefore be updated as required and at least once on an annual basis.

Governance action plan

| Action | Why is this required? | Responsibility | Timescale |
|---|--|-----------------|-------------|
| Update the Capital Strategy as required and at least once annually | To maintain a dynamic and responsive Strategy which evolves as the Council's priorities do | Management Team | As required |
| Consider an engagement plan for the Capital Strategy | To continue to develop and inform the Capital Strategy, and raise awareness of the Council's capital investment ambition | Management Team | 12 months |

Signed: Bob Palmer – Interim Head of Strategic Finance & Property, S151 Officer

Appendix A – Capital Programme by Corporate Strategic Plan priority

| | SUSTAINABILITY at the heart of everything we do | ENABLING our communities | SUPPORTING economic growth | DIGITAL by design |
|--|--|---------------------------------------|---|-----------------------------|
| Investment in operational assets | ✓ | ✓ | | |
| LED Lighting Upgrades | ✓ | ✓ | | |
| Improve, maintain & renew structures along rivers and watercourses | | ✓ | | |
| Land Management Asset Register & Associated Works | | ✓ | | |
| Northgate End, MSCP, Residential and Commercial | | ✓ | ✓ | |
| Arts Centre – Old River Lane | ✓ | ✓ | ✓ | |
| Repayment of Loan | | | | |
| Financial Sustainability | | | | |
| ICT Rolling Programme | | | | ✓ |
| Grange Paddocks Leisure Centre | ✓ | ✓ | | |
| Bridge Works | | ✓ | | |
| Hartham Leisure Centre | ✓ | ✓ | | |
| Fixtures, Fittings and Equip (Both Centres) | | ✓ | | |
| Hartham pool filtration works | | ✓ | | |
| Ward Freman | | ✓ | | |

| | SUSTAINABILITY at the heart of everything we do | ENABLING our communities | SUPPORTING economic growth | DIGITAL by design |
|--|--|---|---|------------------------------|
| Hertford Theatre | ✓ | ✓ | ✓ | |
| The Wash Open Space Improvements | | ✓ | | |
| Folly View, Open Space Improvements | | ✓ | | |
| Cannons Mill Lane Open Space improvements | | ✓ | | |
| Replacement play equipment across the district | | ✓ | | |
| Castle Park - HLF - Delivery Phase | | ✓ | | |
| Decent Home Grants | | ✓ | | |
| Community Capital Grants | | ✓ | | |
| Energy Grants | ✓ | | | |
| Castle Weir Micro Hydro Scheme | ✓ | ✓ | | |
| Historic Building Grants | | ✓ | | |
| Millstream Property Company Loans | | ✓ | ✓ | |

East Herts Council Report

Council/Executive/Committee

Performance, Audit & Governance Oversight Committee

Executive

Council

Date of Meeting:

14th January 2020 PAGO

21st January 2020 Executive

29th January 2020 Council

Report by: Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: TREASURY MANAGEMENT STRATEGY 2020/21

Ward(s) affected: All

Summary

- The report sets out the proposed Treasury Management and Annual Investment Strategy for 2020-21, including the prudential indicators.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE OVERSIGHT COMMITTEE:

To endorse that the Executive considers the following for recommendation to Council, that:

- (a) The Treasury Management Strategy and Annual Investment Strategy Appendix A, including the prudential indicators discussed in paragraphs 3.6 be approved;
- (b) The credit and counterparty risk management and approved countries list discussed in paragraphs 3.7 be approved.

1.0 Proposal(s)

- 1.1 The report includes the East Herts Treasury Management and Investment Strategy for 2020-21 which members of the Performance, Audit & Governance Committee are asked to consider and, with or without amendment, endorse for consideration by the Executive.

2.0 Background

- 2.1 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.
- 2.2 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.
- 2.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either

on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 2.5 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.6 This activity is supported by the council's appointed independent advisors – Link Asset Services.

3.0 Reason(s)

- 3.1 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.
- 3.2 Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report is forward looking and 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).

- 3.3 A mid-year treasury management report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- 3.4 An annual treasury report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.
- 3.5 The above reports are required to be adequately scrutinised before being recommended to the Council.
- 3.6 Prudential Indicators are included in Appendix 'A': Treasury Management Strategy and Annual Investment Strategy 2020-21 paragraphs 2.1, 2.2, 2.3, 3.1, 3.2, and 5.2. Which are designed to assist members' overview and confirm capital expenditure plans.
- 3.7 Please refer to the Credit and Counterparty Risk Management paragraph 5.4 and Approved Countries List paragraph 5.5.

4.0 Options

- 4.1 The treasury management strategy report is a statutory document, required by both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

5.0 Risks

- 5.1 One of the biggest areas of risks within treasury

management is interest rate risk, which is discussed in paragraph 3.3 of Appendix A Treasury Management Strategy and Annual Investment Strategy 2020-21.

- 5.2 East Herts aims to be one of a number of financially sustainable councils that achieve independence from Central Government funding. Such councils are diverse and take a wide range of approaches to achieve financial independence. However, one thing they all have in common is investments in commercial properties for a given rate of return.
- 5.3 East Herts has the appetite to consider opportunities inside and outside of the district, as there are limited options in the area and this could constrain the portfolio of investments which could result in reduced returns, excessive risk, or both.

6.0 Implications/Consultations

- 6.1 No.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A - Treasury Management Strategy and Annual Investment Strategy 2020-21

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East Herts District Council 2020/21

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement
and Annual Investment Strategy

| |
|--|
| Including commercial activities / non treasury investments |
|--|

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ABBREVIATIONS USED IN THIS REPORT

ALMO: an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.

LAS: Link Asset Services, Treasury solutions – the council's treasury management advisers.

CE: Capital Economics - is the economics consultancy that provides Link Asset Services, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the Council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU that use the Euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments that get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MHCLG: the Ministry of Housing, Communities and Local Government -the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision -a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

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 occasions, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

CIPFA defines treasury management as:

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

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

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

The aim of this capital strategy is to ensure that all elected members on the full council understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements, and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

1.2.2 Treasury Management reporting

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

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and 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).
- b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Performance, Audit, Governance and Oversight Committee.

1.3 Treasury Management Strategy for 2020/21

The Strategy for 2020/21 covers two main areas:

Capital issues

- the capital expenditure plans and the associated 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, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG 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. Training will be arranged before the end of the financial year.

The training needs of treasury management officers are periodically reviewed, with relevant seminars and workshops regularly attended.

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 the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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.

The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council uses its in-house property and estates team, who follow a process, set out within the Financial Sustainability Strategy 2019-2025.

This Strategy proposes the implementation of an investment board with an established annually agreed budget. The Board will consist of elected members and officers. It shall have two permanent individuals on it: the portfolio holder for Finance and Support Services and the Head of Strategic Finance. Other officers will contribute to the board as and when required.

The Board's delegated budget will be available for investment opportunities and they will review opportunities and assess them according to risk and return.

The Board will be looking purely for financial return with an emphasis on safe and secure investments.

A structure and analysis of any potential opportunity must pass a set of pre-determined risk matrix included as appendix 5.1.

East Herts aims to be one of a number of financially sustainable councils that achieve independence from central government funding. Such councils are diverse and take a wide range of approaches to achieve financial independence. However, one thing they all have in common is investments in commercial properties for a given rate of return.

East Herts has the appetite to consider opportunities inside and outside of the district as there are limited options internally and this could constrain the portfolio of investments to either result in reduced returns, excessive risk, or both.

2 THE CAPITAL PRUDENTIAL INDICATORS 2020/21 – 2022/23

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:

| Capital expenditure £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate* | 2021/22 Estimate* | 2022/23 Estimate* |
|--|---------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| Services | 3.7 | 8.8 | 33.8 | 28.8 | 19.9 |
| Commercial activities / non-financial investments ** | 2.5 | 6.3 | 24.5 | 2.9 | 1.1 |
| Total | 6.2 | 15.1 | 58.3 | 31.7 | 21.0 |

* Provision figures to be approved at Full Council 29th January 2020.

** Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

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

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

| Financing of capital expenditure £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Capital receipts | 3.4 | 3.0 | 1.0 | 1.0 | 1.0 |
| Capital grants | 0.1 | 2.1 | 7.7 | 0.6 | 0.0 |
| Capital reserves | 2.7 | 0.6 | 0.2 | 0.2 | 0.2 |
| Revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net financing need for the year | 0.0 | 9.4 | 49.4 | 29.9 | 19.8 |

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 it's underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, 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 Council's 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:

| £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Financing Requirement | | | | | |
| Total CFR | (23.1) | (13.7) | 35.7 | 65.6 | 85.4 |
| Net financing need for the year (above) | 0.0 | 9.4 | 49.4 | 29.9 | 19.8 |

A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 2.1 and the details above demonstrate the scope of this activity and, by approving these figures, members consider the scale proportionate to the Authority's remaining activity.

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.

| Year End Resources £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|-----------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Fund balances / reserves | 13.9 | 15.4 | 15.9 | 16.3 | 16.6 |
| Capital receipts | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total core funds | 15.8 | 15.4 | 15.9 | 16.3 | 16.6 |
| Working capital* | 37.2 | 27.8 | (7.4) | (7.3) | (8.1) |
| (Under)/over borrowing | 7.5 | 7.5 | (4.2) | (4.1) | (4.9) |
| Expected investments | 60.5 | 50.7 | 10.0 | 10.5 | 10.0 |

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

2.4 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).

MHCLG 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 currently nil and it is not anticipated that any MRP will be required for 2020/21.

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 overall treasury management portfolio as at 31 March 2019 and the position as at 30 November 2019 are shown below for both borrowing and investments.

| TREASURY PORTFOLIO | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| | actual 31.3.19 | actual 31.3.19 | current 30.11.19 | current 30.11.19 |
| | £000 | % | £000 | % |
| Treasury investments | | | | |
| banks | 40,700 | 67% | 47,685 | 70% |
| building societies - unrated | 0 | 0% | 0 | 0% |
| building societies - rated | 0 | 0% | 0 | 0% |
| local authorities | 0 | 0% | 0 | 0% |
| DMADF (H.M.Treasury) | 0 | 0% | 0 | 0% |
| money market funds | 0 | 0% | 0 | 0% |
| certificates of deposit | 0 | 0% | 0 | 0% |
| Total managed in house | 40,700 | 67% | 47,685 | 70% |
| bond funds | | 0% | | 0% |
| property funds | 20,000 | 33% | 20,000 | 30% |
| Total managed externally | 20,000 | 33% | 20,000 | 30% |
| Total treasury investments | 60,700 | 100% | 67,685 | 100% |
| Treasury external borrowing | | | | |
| local authorities | | 0% | | 0% |
| PWLB | (1,500) | 20% | (1,500) | 20% |
| LOBOs | 0 | 0% | 0 | 0% |
| BOND | (6,000) | 80% | (6,000) | 80% |
| Total external borrowing | (7,500) | 100% | (7,500) | 100% |
| Net treasury investments / (borrowing) | 53,200 | | 60,185 | |

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt | | | | | |
| Debt at 1 April | 7.5 | 7.5 | 7.5 | 31.5 | 61.5 |
| Expected change in Debt | 0.0 | 0.0 | 24.0 | 30.0 | 19.0 |
| Other long-term liabilities (OLTL) | 0.0 | 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 | 7.5 | 7.5 | 31.5 | 61.5 | 80.5 |
| The Capital Financing Requirement | (23.1) | (13.7) | 35.7 | 65.6 | 85.4 |
| Under / (over) borrowing | 7.5 | 7.5 | (4.2) | (4.1) | (4.9) |

Within the above figures the level of debt relating to commercial activities / non-financial investment is currently nil, a forward borrowing plan is being worked up and will be submitted for approval separately:

| | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| External Debt for commercial activities / non-financial investments | | | | | |
| Actual debt at 31 March £m | 0 | 0 | 0 | 0 | 0 |
| Percentage of total external debt % | 0% | 0% | 0% | 0% | 0% |

Within the range of 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 2020/21 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.

| Operational boundary £m | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt | 7.5 | 32.0 | 62.0 | 81.0 |
| Other long term liabilities | 0.0 | 0.5 | 0.5 | 0.5 |
| Commercial activities / non-financial investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 7.5 | 32.5 | 62.5 | 81.5 |

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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:

| Authorised limit £m | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt | 9.5 | 32.0 | 62.0 | 82.0 |
| Other long term liabilities | 2.0 | 1.5 | 1.5 | 1.5 |
| Commercial activities/ non-financial investments | 0.0 | 4.2 | 4.1 | 3.9 |
| Total | 11.5 | 37.7 | 67.6 | 87.4 |

3.3 Prospects for interest rates

A more detailed interest rate forecast and commentary are set out in appendices 5.3 and 5.4

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.

| Link Asset Services Interest Rate View | | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Bank Rate View | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 | 1.25 | 1.25 | 1.25 |
| 3 Month LIBID | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 |
| 6 Month LIBID | 0.80 | 0.80 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.30 | 1.40 | 1.50 | 1.50 | 1.50 | 1.50 |
| 12 Month LIBID | 1.00 | 1.00 | 1.00 | 1.10 | 1.20 | 1.30 | 1.30 | 1.40 | 1.50 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 |
| 5yr PWLB Rate | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 | 2.60 | 2.70 | 2.80 | 2.90 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 |
| 10yr PWLB Rate | 2.60 | 2.70 | 2.70 | 2.70 | 2.80 | 2.90 | 3.00 | 3.10 | 3.20 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 |
| 25yr PWLB Rate | 3.20 | 3.30 | 3.40 | 3.40 | 3.50 | 3.60 | 3.70 | 3.70 | 3.80 | 3.90 | 4.00 | 4.00 | 4.10 | 4.10 |
| 50yr PWLB Rate | 3.10 | 3.20 | 3.30 | 3.30 | 3.40 | 3.50 | 3.60 | 3.60 | 3.70 | 3.80 | 3.90 | 3.90 | 4.00 | 4.00 |

The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the General Election. In its meeting on 7th November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then the MPC were likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate at its 19 December meeting as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

Bond yields / PWLB rates. There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years, in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as

much now to have a major impact on consumer spending, inflation, etc. which has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years. We have therefore seen over the last year, many bond yields up to ten years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby ten-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated, as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. *(See paragraph 3.7 for comments on the increase in the PWLB rates margin over gilt yields of 100bps introduced on 9.10.19.)* There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts. At various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

One potential danger that may be lurking in investor minds is that Japan has become mired in a twenty-year bog of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that this condition might become contagious to other western economies.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt-fuelled boom that now makes it harder for central banks to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. (A doom loop would occur where the credit rating of the debt of a nation was downgraded which would cause bond prices to fall, causing losses on debt portfolios held by banks and insurers, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc.). In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. 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, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. 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.

Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

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 2019/20 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

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

The historic loan (bond) taken out by the council in 1995 for £6m, is due to mature in May 2020 and will be fully repaid.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

3.8 Approved Sources of Long and Short term Borrowing

| On Balance Sheet | Fixed | Variable |
|--|-------|----------|
| PWLB | ● | ● |
| Municipal bond agency | ● | ● |
| Local authorities | ● | ● |
| Banks | ● | ● |
| Pension funds | ● | ● |
| Market (long-term) | ● | ● |
| Market (temporary) | ● | ● |
| Local temporary | ● | ● |
| Local Bonds | ● | |
| Local authority bills | ● | ● |
| Overdraft | | ● |
| Negotiable Bonds | ● | ● |
| Internal (capital receipts & revenue balances) | ● | ● |
| Finance leases | ● | ● |

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. **Other information:** 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.
3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.5 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-

specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

5. **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio, (see paragraph 4.3).
6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.
7. **Transaction limits** are set for each type of investment in 4.2.
8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
10. This authority has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
11. All investments will be denominated in **sterling**.
12. As a result of the change in accounting standards for 2019/20 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.

The above criteria are unchanged from last year.

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:

- "watches" and "outlooks" from credit rating agencies;
- CDS spreads that may 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, and any assigned Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads. The end product of this 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 on a daily basis. 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 European Financials 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 addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.

| 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 |
| | | | Colour (and long term rating where applicable) | Money limit per banking group | Transaction limit | Time Limit | | |
| Banks * | | | yellow | £10m | £10m | 5yrs | | |
| Banks | | | purple | £10m | £10m | 2 yrs | | |
| Banks | | | orange | £10m | £10m | 1 yr | | |
| Banks – part nationalised | | | blue | £20m | £20m | 1 yr | | |
| Banks | | | red | £10m | £10m | 6 mths | | |
| Banks | | | green | £10m | £10m | 100 days | | |
| Banks | | | No colour | Not to be used | Not to be used | | | |
| Limit 3 category – Council's banker (where "No Colour") | | | XXX | £20m | 1 day | 1 day | | |
| Property Funds | | | - | £20m | £10m | Not a fixed term investment so no time limit | | |
| DMA DF | | | UK sovereign rating | unlimited | unlimited | 6 months | | |
| Local authorities | | | n/a | £10m (per local authority) | £10m | unlimited | | |
| | | | Fund rating** | Money and/or % Limit | | Time Limit | | |
| Money Market Funds CNAV | | | AAA | £10m (per fund) | £10m | liquid | | |
| Money Market Funds LVNAV | | | AAA | £10m (per fund) | £10m | liquid | | |
| Money Market Funds VNAV | | | AAA | £10m (per fund) | £10m | liquid | | |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | | | Dark pink / AAA | £10m (per fund) | £10m | liquid | | |
| Ultra-Short Dated Bond Funds with a credit score of 1.50 | | | Light pink / AAA | £10m (per fund) | £10m | liquid | | |

* 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 appendix 5.4.

** Please note: “fund” ratings are different to individual counterparty ratings, coming under either specific “MMF” or “Bond Fund” rating criteria.

UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

4.3 Country limits

Due care will be taken to consider the exposure of the Council’s total investment portfolio to non-specified investments, countries, groups and sectors.

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 75% of the total investment portfolio.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.
- c) **Other limits.** In addition:
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

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). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

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:

| | |
|-------------|-------|
| 2019/20 | 0.75% |
| 2020/21 | 0.75% |
| 2021/22 | 1.00% |
| 2022/23 | 1.25% |
| 2023/24 | 1.50% |
| 2024/25 | 1.75% |
| Later years | 2.25% |

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

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 following treasury indicator and limit:

| Upper limit for principal sums invested for longer than 365 days | | | |
|---|----------------|----------------|----------------|
| Current investments as at 30.11.19 in excess of 1 year maturing in each year | 2020/21 | 2021/22 | 2022/23 |
| £m | £m | £m | £m |
| 20.0 | 40.0 | 40.0 | 40.0 |

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 performance / 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 / un compounded

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 APPENDICES

1. Risk Matrix and acceptable levels of return for investment in commercial properties.
2. Prudential and treasury indicators and MRP statement
3. Interest rate forecasts
4. Economic background
5. Treasury management practice 1 – credit and counterparty risk management
6. Approved countries for investments
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

5.1 RISK MATRIX AND ACCEPTABLE LEVELS OF RETURN FOR INVESTMENT IN COMMERCIAL PROPERTIES

Example of Risk Scoring Investment table based on feedback from the Financial Sustainability Group.

This table can be updated and re-aligned as the Councils appetite for risk changes

Financial Sustainability Investment Decision table

| Category | Information | Score |
|---|--|-------|
| What is the Location of the site considered to be ? | Micro prime | 12 |
| What is the Tenant Covenant within the site? | Single tenant with good financial covenant | 16 |
| What are the current Lease Terms? | unencumbered lease | 15 |
| What is the Occupational Lease Length? | Greater than 20 years | 15 |
| How is the Building Quality rated? | Modern or recently refurbished with nominal capex required | 10 |
| What is the Tenure offered ? | Freehold | 10 |
| What are the Tenant Repair obligations? | FRI | 10 |
| What is the Lot Size valuation? | Between £4m and £6m | 5 |
| Total | | 93 |

If all information present:

MAX Score = 100

MIN Score = 20

The Risk Matrix supports member and officer decision making by flagging up the potential risk levels of any type of investment.

In turn the level of risk can be compared to a defined investment level required as referred to in the table below:

| Risk/purpose | Minimum acceptable return | Scoring levels based on risk table above |
|--------------------------|---------------------------|--|
| Higher risk/reward | 6% | 30 -50 |
| Standard risk/reward | 5% | 50-70 |
| Low risk/reward | 3% | 70-90 |
| Wider community benefits | 2% | Not included above |

5.2 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2020/21 – 2022/23 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.

5.2.1 Capital expenditure

| Capital expenditure £m | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| Head of Strategic Finance and Property | 0.1 | 1.2 | 7.0 | 9.8 | 10.3 |
| Head of Shared Business & Technology Services | 0.5 | 0.9 | 0.8 | 0.5 | 0.5 |
| Head of Operations | 1.8 | 6.0 | 25.8 | 18.3 | 8.9 |
| Head of Housing & Health | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Head of Planning & Building Control | 0.9 | 0.2 | 0.0 | 0.0 | 0.0 |
| Head of Communications, Strategy & Policy | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 |
| Total services | 3.7 | 8.8 | 33.8 | 28.8 | 19.9 |
| Commercial activities/ non-financial investments | 2.5 | 6.3 | 24.5 | 2.9 | 1.1 |
| Total | 6.2 | 15.1 | 58.3 | 31.7 | 21.0 |

5.2.2 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.

| % | 2018/19 Actual | 2019/20 Estimate | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate |
|----------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Services | 4.49% | 1.29% | 1.42% | 2.89% | 4.24% |

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

5.2.3 Maturity structure of borrowing

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:

| Maturity structure of fixed interest rate borrowing 2020/21 | | |
|---|-----|-------|
| | | |
| Under 12 months | 80% | £6.0m |
| 12 months to 2 years | 0% | £0.0m |
| 2 years to 5 years | 0% | £0.0m |
| 5 years to 10 years | 0% | £0.0m |
| 10 years to 20 years | 0% | £0.0m |
| 20 years to 30 years | 0% | £0.0m |
| 30 years to 40 years | 20% | £1.5m |
| 40 years to 50 years | 0% | £0.0m |
| Maturity structure of variable interest rate borrowing 2020/21 | | |
| | | |
| Under 12 months | 0% | £0.0m |
| 12 months to 2 years | 0% | £0.0m |
| 2 years to 5 years | 0% | £0.0m |
| 5 years to 10 years | 0% | £0.0m |
| 10 years to 20 years | 0% | £0.0m |
| 20 years to 30 years | 0% | £0.0m |
| 30 years to 40 years | 0% | £0.0m |
| 40 years to 50 years | 0% | £0.0m |

5.2.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.3 INTEREST RATE FORECASTS 2019 – 2021

PWLB forecasts are based on PWLB certainty rates.

| Bank Rate | | | | | | | | | | | | | | | |
|---------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Link Asset Services | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% |
| Capital Economics | 0.75% | 0.75% | 0.75% | 0.50% | 0.50% | 0.50% | - | - | - | - | - | - | - | - | - |
| 5yr PWLB Rate | | | | | | | | | | | | | | | |
| | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Link Asset Services | 2.36% | 2.30% | 2.40% | 2.40% | 2.50% | 2.50% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% |
| Capital Economics | 2.36% | 2.40% | 2.40% | 2.40% | 2.40% | 2.40% | - | - | - | - | - | - | - | - | - |
| 10yr PWLB Rate | | | | | | | | | | | | | | | |
| | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Link Asset Services | 2.61% | 2.60% | 2.70% | 2.70% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% |
| Capital Economics | 2.61% | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% | - | - | - | - | - | - | - | - | - |
| 25yr PWLB Rate | | | | | | | | | | | | | | | |
| | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Link Asset Services | 3.18% | 3.20% | 3.30% | 3.40% | 3.40% | 3.50% | 3.60% | 3.70% | 3.70% | 3.80% | 3.90% | 4.00% | 4.00% | 4.10% | 4.10% |
| Capital Economics | 3.18% | 2.90% | 2.90% | 2.90% | 2.90% | 2.90% | - | - | - | - | - | - | - | - | - |
| 50yr PWLB Rate | | | | | | | | | | | | | | | |
| | Now | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 |
| Link Asset Services | 3.04% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.50% | 3.60% | 3.60% | 3.70% | 3.80% | 3.90% | 3.90% | 4.00% | 4.00% |
| Capital Economics | 3.04% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | - | - | - | - | - | - | - | - | - |

5.4 ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **General Election** on 12th December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

While the Bank of England went through the routine of producing another **quarterly Inflation Report**, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

EUROZONE. **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be

particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels “at least through the end of 2019”, but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank’s eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum. At its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**; (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by ‘growth friendly’ fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP 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.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government

has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support (i.e. subsidies) to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, 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.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged

up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary 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**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

5.5 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. *(If a deposit is made for say 2 years, it starts as being a non-specified investment and remains as a non-specified investment even when its time to maturity falls under 12 months.)*

NON-SPECIFIED INVESTMENTS: These are any investments that 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:

| | Minimum credit criteria / colour band | ** Max % of total investments / £ limit per institution | Max. maturity period |
|--|---------------------------------------|---|------------------------------------|
| DMADF – UK Government | N/A | 100% | 6 months (max. is set by the DMO*) |
| UK Government gilts | UK sovereign rating | 100% | 12 months |
| UK Government Treasury bills | UK sovereign rating | 100% | 364 days (max. is set by the DMO*) |
| Bonds issued by multilateral development banks | AAA | 40% | 12 months |
| Money Market Funds CNAV | AAA | 95% | Liquid |
| Money Market Funds LNAV | AAA | 95% | Liquid |
| Money Market Funds VNAV | AAA | 95% | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | AAA | 95% | Liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.5 | AAA | 95% | Liquid |

| | Minimum credit criteria / colour band | ** Max % of total investments / £ limit per institution | Max. maturity period |
|--|---------------------------------------|---|----------------------|
| Local authorities | N/A | 100% | Unlimited |
| Term deposits with banks and building societies | Green | 100% | 24 months |
| CDs or corporate bonds with banks and building societies | Green | 100% | 24 months |
| Gilt funds | UK sovereign rating | 100% | 12 months |

* DMO – is the Debt Management Office of H.M.Treasury.

SPECIFIED INVESTMENTS:

(All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable)

| | Minimum 'High' Credit Criteria | Use |
|--|--------------------------------|----------|
| Debt Management Agency Deposit Facility | -- | In-house |
| Term deposits – local authorities | -- | In-house |
| Term deposits – housing associations | -- | In-house |
| Term deposits – banks and building societies | Green | In-house |

Term deposits with Nationalised Banks and Banks and Building Societies

| | Minimum Credit Criteria | Use | Max % of total investments | Max. maturity period |
|--|-------------------------|---|----------------------------|----------------------|
| UK part nationalised banks | Blue | In-house | 80 | 12 months |
| UK part nationalised banks | Blue | Fund Managers | 80 | 12 months |
| Banks part nationalised by high credit rated (sovereign rating) countries – non UK | Blue | In-house and Fund Managers | 40 | 12 months |
| UK Government Gilts | UK sovereign rating | In-house buy and hold and Fund Managers | | |
| Bonds issued by multilateral development banks | AAA | In-house buy and hold and Fund Managers | | |
| Bonds issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail | UK sovereign rating | In-house buy and hold and Fund Managers | | |
| Sovereign bond issues (other than the UK govt) | AAA | In-house buy and hold and Fund Managers | | |
| Treasury Bills | UK sovereign rating | In house and Fund Managers | | |

| Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): - | | |
|--|-------------------------|----------------------------|
| 1a. Money Market Funds (CNAV) | AAA MMF rating | In-house and Fund Managers |
| 1b. Money Market Funds (LVNAV) | AAA MMF rating | In-house and Fund Managers |
| 1c. Money Market Funds (VNAV) | AAA MMF rating | In-house and Fund Managers |
| 2a. Ultra-Short Dated Bond Funds with a credit score of 1.25 | AAA Bond fund rating | In-house and Fund Managers |
| 2b. Ultra-Short Dated Bond Funds with a credit score of 1.5 | AAA Bond fund rating | In-house and Fund Managers |
| 3. Bond Funds | AAA Bond fund rating | In-house and Fund Managers |
| 4. Gilt Funds | AAA UK sovereign rating | In-house and Fund Managers |

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

| | Minimum Credit Criteria | Use | Max % of total investments | Max. maturity period |
|---|---|----------------------------|--|--------------------------------|
| Fixed term deposits with variable rate and variable maturities: -Structured deposits | Orange | In-house | 75% | As per minimum Credit Criteria |
| Certificates of deposit issued by banks and building societies | Orange | In-house | 75% | As per minimum Credit Criteria |
| Commercial paper other | AAA | In-house and Fund Managers | 10% | 2 Years |
| Corporate bonds | AAA | In-house and Fund Managers | 10% | 5 Years |
| Floating rate notes | AAA | In house and Fund Managers | 10% | 5 Years |
| Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) | | | | |
| Corporate bond fund | AAA | In house and Fund Managers | 10% | 5 Years |
| Property Funds | 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

| | * Minimum Credit Criteria | Use | ** Max % of total investments | Max. maturity period |
|--|---|----------------------------|--|-----------------------------|
| Term deposits – local authorities | -- | In-house | 80% | 5 years |
| Term deposits – banks and building societies | Orange | In-house | 80% | 5 years |
| Certificates of deposit issued by banks and building societies | Orange | In-house | 80% | 5 years |
| Certificates of deposit issued by banks and building societies | Orange | Fund Managers | 80% | 5 years |
| UK Government Gilts | UK sovereign rating | In-house and Fund Managers | 80% | 10 years |
| Bonds issued by multilateral development banks | 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 |
| Corporate bonds | AAA | In-house and Fund Managers | 10% | 5 years |
| Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) | | | | |
| Property Funds | 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 |

5.7 APPROVED COUNTRIES FOR INVESTMENTS

This list outlined below, 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 (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets that have credit ratings of green or above in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

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

AA-

- Belgium
- Qatar

THIS LIST IS AS AT 16.12.19

5.8 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 Overview Committee

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

5.9 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.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
 - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
 - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
 - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

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