



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 25 JANUARY 2022
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor Mark Pope (Chairman)

Councillors A Alder, A Curtis, R Fernando, A Huggins, T Stowe,
R Townsend and A Ward-Booth (Vice-Chairman)

Substitutes

Conservative Group: Councillors A Curtis and J Burmicz

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

CONTACT OFFICER:

MICHELE AVES

01279 502177

michele.aves@eastherts.gov.uk

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.)

Public Attendance

East Herts Council provides for public attendance at its meetings and will livestream and record this meeting. The livestream will be available during the meeting on the East Herts District Council website via this link:

<http://democracy.eastherts.gov.uk/ieListDocuments.aspx?CId=118&MId=3935&Ver=4&J=3>

If you would like further information, email democratic.services@eastherts.gov.uk or call the Council on 01279 655261 and ask to speak to Democratic Services. If you think a meeting you plan to attend could be very busy, you can check if the extra space will be available by emailing democratic.services@eastherts.gov.uk or calling the Council on 01279 655261 and asking to speak to Democratic Services.

Accessing the agenda pack

To obtain a copy of the agenda, please note the Council does not generally print agendas, as it now has a paperless policy for meetings. You can view the public version of the agenda for this meeting on the Council's website in the section relating to meetings of Committees. You can also use the ModGov app to access the agenda pack on a mobile device. The app can be downloaded from your usual app store.

Implementing paperless meetings will save East Herts Council approximately £50,000 each year in printing and distribution costs of agenda packs for Councillors and Officers. You can use the mod.gov app to access, annotate and keep all committee paperwork on your mobile device. Visit <https://www.eastherts.gov.uk/article/35542/PoliticalStructure> for details.

AGENDA

1. Apologies

To receive any apologies for absence.

2. Minutes - 9 November 2021 (Pages 7 - 30)

To approve as a correct record the minutes of the meeting held on 9 November 2021.

3. Chairman's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Budget Scrutiny - Budget 2022/23 and Medium Term Financial Plan 2022-25 (Pages 31 - 144)

6. Treasury Management Strategy Statement and Annual Investment Strategy 2022/23 (Pages 145 - 212)

7. Capital Strategy and Minimum Revenue Provision Policy 2022/23 (Pages 213 - 278)

8. Shared Internal Audit Service Internal Audit Plan 2021/22 Progress Report (Pages 279 - 292)

9. Financial Management 2021/22 – Quarter 2 Forecast to Year End (Pages 293 - 342)

10. Audit and Governance Committee Work Programme (Pages 343 - 358)

11. Urgent Items

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

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY 9
NOVEMBER 2021, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, A Curtis, T Stowe,
R Townsend and A Ward-Booth

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
Jackie Bruce	- Infrastructure Contributions and Spend Manager
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven Linnett	- Head of Strategic Finance and Property
Alison Street	- Finance Business Partner

ALSO IN ATTENDANCE:

Simon Martin	- Shared Internal Audit Service
Nazmin Miah	- Link Services

217 APOLOGIES

Apologies for absence were submitted on behalf of
Councillors Fernando and Huggins. It was noted that

Councillor Curtis was substituting for Councillor Fernando.

218 MINUTES - 14 SEPTEMBER 2021

The Chairman drew Members' attention to the fact that Councillor Alder's apologies at the last meeting had not been recorded in the Minutes and explained that she had apologised in advance of the meeting because of car difficulties.

It was moved by Councillor Townsend and seconded by Councillor Stowe, that the Minutes of the meeting of the Committee held on 14 September 2021, as amended, be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 14 September 2021, as amended be confirmed as a correct record and signed by the Chairman.

219 CHAIRMAN'S ANNOUNCEMENTS

The Chairman said that at the last meeting, the Head of Strategic Finance and Property explained that an additional meeting of Audit and Governance might have been necessary before Christmas. He informed Members that the audit had now been put back by EY LLP, due to their difficulties resourcing the audit, and was due to start on 3 January 2022 and that the sub-committee meeting planned for December would now be moved to February/March 2022.

The Chairman said that the Audit and the Treasury Management Outturn Appendix A had been erroneously posted under item 8, when it should have been attached to Agenda Item 7.

The Chairman reminded Members to kindly use their microphones when speaking to guide the camera for the website.

220 DECLARATIONS OF INTEREST

There were no declarations of interest.

221 TRAINING: TREASURY MANAGEMENT

The Chairman welcomed Nazmin Miah from Link Services who provided Members with training on Treasury Management.

Ms Miah explained the definition of treasury management adding that it was important that Members were provided with the necessary training, and knowledge when reviewing treasury management reports from the viewpoint of governance and scrutiny. Ms Miah outlined the legislation, statutory codes and codes of practice which regulated treasury management.

Members sought and were provided with clarification on a number of treasury management issues having considered the presentation. Ms Miah agreed to provide the slides following the presentation.

The Chairman, on behalf of Members, thanked Ms Miah for her detailed presentation.

222 BUDGET 2022/23 AND MEDIUM TERM FINANCIAL PLAN
2022/23 - 2026/27

The Head of Strategic Finance and Property introduced the report which set the scene for the Budget 2022/23 and the Medium Term Financial Plan (MTFP) 2022 – 2027. It was noted that the Executive had previously provided guidance to Officers that the budget proposals should be: based on a Council Tax increase of £5; contract inflation of up to 4%;; that there be no inflation in other goods and service budgets; and a provision of 3% for the national pay award be made (which could be reduced by 0.25% of the 2021/22 pay provision carried forward as a result of the 1.75% final pay offer from the employer's side). He further summarised the recommendations B – G as detailed within the report.

The Head of Strategic Finance and Property referred to savings requirements of £0.967 million in 2022/23 which was principally being driven by the costs in relation to Harlow and Gilston Garden Town (HGGT) and explained that there would be other costs in relation to the crossings over the River Stort. Furthermore, Compulsory Purchase Orders would impact on the ability to fund the costs from reserves. He referred to the establishment of a Major Applications Team which would oversee the HGGT applications which could generate work over a 20 year period.

The Chairman thanked the officer and referred Members to the seven recommendations in the report. He said that that there were a lot of positives

throughout the report.

Councillor Townsend referred to the Equalities Impact Assessment (EIA) and queried the depth of investigations needed. The Head of Strategic Finance and Property explained that the aim was to ensure that the budget did not impact on individuals who had protected characteristics and if it did, then an in-depth EIA investigation would be conducted. On the issue of the New Homes Bonus and the Government's response, the Head of Strategic Finance and Property said the Local Government Finance settlement in the second week in December. Based on the government consultation on the new system it was unlikely the council would receive any New Homes Bonus. Until the Settlement and the consultation response were announced, about the council did not know whether it would receive any New Homes Bonus.

Councillor Stowe referred to the possible savings from letting out floor space in 2022/23 i.e. an achievement of £100k in the first year. The Head of Strategic Finance and Property said that this referred to the overall savings estimate from the Transforming East Herts Programme and confirmed what the estimated transformation savings would be phased over several years and this was an initial estimate of delivery of those savings.

Councillor Curtis referred to the guidance to Officers on the budget and the request that there be no inflation in other goods and services and whether this was a reasonable assumption. He questioned what might happen if there was an inflationary increase of 4 or 5% in other costs budgets. The Head of Strategic

Finance and Property explained that if there was an increase in stationery for example, then officers would be advised that they could not buy any stationery unless all had been used in the building. He stated that inflationary provision had been made for major contracts, for example the waste contract, leisure and parks contracts and if utility bills increased, then there would be provision. All other budgets were frozen.

Councillor Curtis referred to risk, specifically in relation to the unknown risks. He referred to the impact of the pandemic and that it was important to acknowledge that it was good to consider the unknown risks and whether the council was protected and that it had sufficient resilience to those risks should they arise. He asked how unknown risks were planned for in relation to the development of the Medium Term Financial Plan.

The Head of Strategic Finance and Property explained that the council kept a general fund balance and a level of reserves which was designed to meet risk and as the Section 151 Officer, he was required to report the adequacy of those balances to Council under Section 25 of the Local Government Act 2003. He referred to the known risks and that the unknown risks were just that, unknown. He explained that there was a certain level of cash flow and contingency balances which he recommended the Council should keep to protect itself from risks, including unforeseen risks. Councillor Curtis referred to the Planning Department and welcomed the decision to have a major applications team, supported by a budget to handle the major applications coming through and in delivering the District Plan. In relation to funding and major

developments happening in East Hertfordshire, he asked if any approach had been made to Central Government to get financial assistance to help support the council and officers to get the right development in East Herts which complied with the District Plan and which ensured that section 106 monies were received on time.

The Head of Strategic Finance and Property explained how the work around Harlow and Gilston Garden Town development had been funded and of the possibility that funding could be withdrawn. He suggested that the Member write to the Head of Planning for a definitive response on this issue and also moving forward on governance issues.

It was moved by Councillor Ward-Booth and seconded by Councillor Townsend that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Executive be advised that Members have noted the guidance to officers, that the budget proposals should be based on a Council Tax increase of £5, contract inflation up to 4%, there be no inflation in other goods and services budgets and that the provision for the national pay award will be up to 3% (effectively 2.75% as 0.25% of the pay provision this year will be carried forward as a result of the 1.75% final pay offer from the employer's side);

(B) Members noted that the comprehensive spending review savings to be implemented in

2022/23 and 2023/24 as agreed by council in March 2021 and acknowledge the requirement of council that compensating savings, delivered to the same timescales, have to be put in place and reported to the next council meeting should the Executive decide that any savings proposals should not proceed, or are reduced by 10% or more.

(C) Members welcomed the Collection Fund updated estimate that the Business Rates deficit be spread over 3 years and be met in full by changes to the appeals provision removing a £0.900 million pressure on the General Fund and the forecast increase in Local Council Tax Support cases has not materialised and the Council Tax Base is now forecast to increase in future years;

(D) The assumption that the Transforming East Herts Programme will not start to result in revenue savings until the latter half of 2022/23 and into 2023/24, be noted.

(E) Noted that the Executive had agreed: the re-phasing of the capital programme and revenue impacts of capital financing; that existing minor projects should be subject to a full value for money test before proceeding; and that no new projects may come forward for the capital programme unless they are able to cover the capital financing costs in full or mitigate significant increases in revenue costs;

(F) The revised savings requirements of £0.967

million in 2022/23, £1.520 million in 2023/24 – 2025/26 rising to £1.901million in 2026/27 be noted; and

(G) Noted that the Executive had agreed that all service areas should review fees and charges and ensure that, where the council has discretion to set the charge, that charges should be set so as to: recover full costs; concessions should be explicitly linked to an Equalities Impact Assessment; and that services which are not currently charged for the introduction of a charge should be considered unless the service is provided generally under a statutory provision.

223 ANNUAL TREASURY REPORT 2020/21

The Head of Strategic Finance and Property introduced a report setting out the Council's treasury management activities for 2020/21 including the prudential indicators. The report set out the management of the council's investments, capital expenditure, its borrowing position and the control of associated risks. Members were reminded that the supporting Appendix to this item had been erroneously attached to the Agenda item 8.

Councillor Curtis referred to interest rate forecasts and questioned what might happen to bank rates given increases in inflation and the impact this might have in terms of the council's funds. He added that rates of return for bank deposits were below inflation and queried whether it was a good idea to have a lot of cash in bank accounts and whether investments in

equities and real estate investments might give a better rate of return.

The Head of Strategic Finance and Property explained that the council's cash balances were reducing as it has been paying capital expenditure and that it now had £12M in liquid funds and £20M in property funds. There were no proposals to liquidate property funds because of their rate of return in excess of 3%. He explained that the council might shortly be moving into a position where it will need to borrow. The Head of Strategic Finance and Property was of the view that interest rates would not increase in December but might in January 2022. This would be kept under review. He confirmed that the council was spending cash on the capital programme therefore investments were kept liquid as it was likely the cash would be needed to pay for capital expenditure. The Head of Strategic Finance and Property stated that it was unlawful for the council to invest in equities as there was no security of capital and this was not permitted under the Prudential Code.

The Chairman referred to short term borrowing, and asked what length of time could that be and the rate of interest compared to the Public Loan Works Board (PLWB).

The Head of Strategic Finance and Property explained that this could be up to 364 days and the rate of interest would be between 0.1% and 1% but that the alternative of the PLWB would limit the council to a borrowing period of over one year and at interest rates far in excess of the inter-local authority lending market. He explained that once capital schemes were

nearing completion the council could then take a better view of the council's debt structure to match when the assets came on line along with accrued levels of Minimum Revenue Provision so that debt could be repaid thus reducing interest costs and creating borrowing headroom to meet future capital programme spending requirements.

Councillor Curtis asked whether there was the possibility to investing in equities index funds as property funds were returning less than inflation. The Head of Strategic Finance and Property said that the council could not do this as there was no security of capital but that the council could invest in money market funds as this was spread over diverse portfolios, but that the Council did not have the cash to do this and was moving into a net borrowing position.

The Chairman summarised that Members had had an opportunity to examine and comment on the 2020/21 Treasury Management Activity and Prudential Indicators.

RESOLVED – that the report be considered and received.

224 TREASURY MANAGEMENT 2021/22 MID YEAR REVIEW

The Head of Strategic Finance and Property introduced a report setting out the council's treasury management activities for the first six months of the 2020/21 financial year including the prudential indicators before consideration by the Executive and then by Council. He summarised the council's capital spending and revised status and how this had been financed.

The Chairman sought clarification in relation to changes to financing of the capital programme specifically the reference to *"this direct borrowing need may also be supplemented by maturing debt and other treasury requirements"*. The Head of Strategic Finance and Property explained what this meant in relation to the one loan with the PLWB and the financial premium which would be incurred if this was redeemed.

The Head of Strategic Finance and Property referred to the reduced amounts of cash held by the council which had been used to fund the capital programme. He commented that there had been some slippage on a number of capital schemes, including Old River Lane, Bishop's Stortford, Hertford Theatre and Hartham Common Leisure Centre and that these would be re-forecasted. It was noted that Grange Paddocks had been completed and revenue from this leisure facility would be generated to meet borrowing costs.

Councillor Curtis referred to capital expenditure on major projects and the assets which were depreciating. He asked if the Council was making the necessary capital expenditure needed to counteract depreciation because the council was not investing in upgrades on its equipment. He queried whether the council should be borrowing from the PLWB to help fund replacement equipment i.e. investing to save.

The Head of Strategic Finance and Property explained that there was a need to think about the overall affordability of schemes and what money could and should be spent and that taking on borrowing had a direct impact on the revenue account, which meant

that savings had to be made elsewhere. Anything which needed to be made safe, useable and habitable would be made, but from the viewpoint of enhancement and improvement he said that spending had to be matched with resources available.

Councillor Curtis expressed concern that depreciation was not recorded as an expense. He felt that the council needed to think long term about large expenditures and how we dealt with this to maintain the services we provide. The Head of Strategic Finance and Property explained how depreciation was dealt within the council's accounts. He added that in the next report on the agenda the Annual Infrastructure Funding Statement would show how the council could invest in community resources, including maintenance, via Section 106 monies.

The Chairman referred to the council's Cash Flow Borrowing and the possible use of £15M from the council's balances. The Head of Strategic Finance and Property explained that where the council had reserves it could use this in the short term to finance capital expenditure.

It was moved by Councillor Curtis and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the report be considered and received.

2020/21

The Infrastructure Contributions and Spend Manager submitted the Infrastructure Funding Statement Report for 2020/21, which provided an update on the collection and allocation of section 106 contributions and the additional work undertaken by the Infrastructure Contributions and Spend Manager over the last year. The Manager explained that her role was to ensure that all funds were collected and allocated in an appropriate way. She explained that this year, there had been no late payment fees sent to developers and despite the pandemic, matters had been kept on track and significant income from Section 106 monies and expenditure would be achieved.

The Infrastructure Contributions and Spend Manager highlighted what projects had been allocated funds and explained the restrictions around how Section 106 monies could be spent. She explained that she worked closely with planning officers and developers to ensure these S106 contributions could be more easily spent including the development of community assets. She reminded Members that the council had 10 years to use the monies from the date of receipt.

It was noted that there was income generated from her role in terms of monitoring fee income and secondly where the Manager provided confirmation of the status of section 106 monies to solicitors in relation to house moves.

The Manager explained that this was the second report produced requiring publication before 31 December 2021 on the website and to central government, along with CSV machine readable files as required by Regulations. She explained that the statement had been produced in such a

way as to be accessible to those using screen readers and those with visual impairment.

The Statement detailed agreements signed, contributions spent and an overview of affordable housing units proposed. Last year, there were over 400 affordable homes delivered from S106 agreements. The statement gave an overview of spending and individual contributions for the last financial year. She explained that next year, she would be reporting on this financial year and to date the Council had collected an additional £2.2M and allocated £2.4M of contributions to projects.

Following a question from Councillor Townsend on the allocations, the Manager explained that the council was holding £8.8M in contributions collected and held on behalf of others, which would be spent in accordance with the legal agreements. It was noted that some contributions were coming up to the 10 year claw back date but work was ongoing with developers to ensure that this was not returned.

Councillor Ward-Booth thanked the Officer for her continued work adding that it was good to have a dedicated officer monitoring this important work.

Councillor Curtis thanked the Officer for her report. He asked how much the council could lose on those coming up to the 10 year claw back on funds. He sought assurances that the wording on the documents was as flexible as possible. The Manager confirmed that the council was not losing any money and that there was significant ongoing work to ensure that any historical contributions were spent in accordance with the agreement. She explained that in relation to a situation in

Gilston and the provision of outdoor equipment, the Manager had been working with developers and residents and the Parish Council to produce a Deed of Variation to be able to use the S106 contributions to cover community facilities and outdoor sports and so use the S106 monies in the locality.

The Chairman, on behalf of Members, thanked the Officer for an informative and well thought out document.

RESOLVED – that the Annual Infrastructure Funding Statement 2020/21 report, the update on the collection and allocation of section 106 financial contributions and the work of the Infrastructure Contributions and Spend Manager be noted.

226 STRATEGIC RISK REGISTER MONITORING - QUARTER 2:
2021/22

The Head of Strategic Finance and Property submitted a report detailing the changes to the Strategic Risk Register for Quarter two. He explained that this was considered in detail at the last meeting and tracked changes were shown on the document now submitted.

The Chairman referred to the issue of a cyber-attack that was being audited by Internal Audit which the Committee would receive at its next meeting which would inform the risk score in the report. The Shared Internal Audit Service Manager explained that there had been a delay as a result of resource issues but that the intention was to bring to Members an assurance map which would highlight the control framework for Members' consideration.

It was moved by Councillor Curtis and seconded by Councillor Townsend that the recommendation as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the 2021/22 Quarter two Strategic Risk Register be received.

227 ANTI-FRAUD AND CORRUPTION POLICY

The Head of Strategic Finance and Property submitted a new suite of refreshed anti-fraud and corruption policies for Members' consideration. He reminded Members that two of the reports for consideration, had been circulated after the agenda had been published. The suite of policies included:

- Anti-fraud and Corruption Strategy
- Anti-money laundering Policy
- Fraud Sanctions Policy
- Confidential Reporting Procedure (Whistleblowing) Policy

Members welcomed the policies, as detailed in the report.

It was moved by Councillor Curtis and seconded by Councillor Alder that the recommendation as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the suite of anti-fraud and corruption policies as detailed be approved.

228 SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN PROGRESS REPORT

The Shared Internal Audit Service ("SIAS") Manager submitted a progress report on Internal Audit in delivering the Internal Audit Plan to 22 October 2021; the findings for the period 10 July to 22 October 2021 including performance management. The report detailed the changes needed to the approved Internal Audit Plan and the status of previously agreed audit recommendations. The report also detailed the outcomes of the Internal Audit External Quality Assessment and revisions to the Audit Charter for 2021/22.

The SIAS Manager explained that, since the last meeting two further internal audits had been finalised. He confirmed that the work programme was progressing on track. He provided an update on two existing and one new high priority recommendations. He explained why it was necessary to carry out revisions to the Audit Charter to clarify terms as recommended by the external review.

The Chairman sought and was provided with assurances that the list of high priority and critical recommendations was reducing and that matters were relatively good.

Councillor Townsend thanked the Officer for the annotations within in the report which contributed to its clarity.

Members received the report an approved the Revised Audit Charter for 2021/22.

It was moved by Councillor Curtis and seconded by Councillor Ward-Booth that the recommendations as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Internal Audit Progress report be noted.

(B) The status of Critical and High Priority Recommendations be noted ; and

(C) the Revised Audit Charter for 2021/22 be approved.

229 EXTERNAL AUDIT NATIONAL PROCUREMENT OPT IN

The Head of Strategic Finance and Property submitted a report on the options available in relation to the appointment of external auditors and opting in to the External Audit National Procurement process. The report before Members recommended to the Executive Member to recommend to Council, that East Herts opt-in to a sector led body (Public Sector Audit Appointments Limited (PSAA)) and the advantages of such a decision.

Members supported this recommendation.

It was moved by Councillor Townsend and seconded by Councillor Curtis that the recommendation as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Members advise the Executive

Member to **RECOMMEND** to full Council, that under Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, East Hertfordshire District Council opts into the sector led body for audit appointments provided by Public Sector Audit Appointments Limited.

230 DATA PROTECTION UPDATE

The Information Governance and Data Protection Manager submitted an update report on data protection and information governance compliance, including the number of data breaches reported and responded to and the number of Subject Access Requests (SARs) within the six month reporting period as detailed in the report.

Members received the report.

It was moved by Councillor Curtis and seconded by Councillor Ward-Booth that the recommendation as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the content of the report be received and that any observations be provided to the Information Governance and Data Protection Manager.

231 STANDARDS UPDATE

The Head of Legal and Democratic Services and Monitoring Officer submitted an update report in relation to standards issues. He detailed a summary of what had been received since the last report and how

these had been dealt with saying that large volumes of complaints from Town and Parish Councils could often be petty and time consuming to go through. The Head of Legal and Democratic Services explained that Local Government Association Model Code of Conduct had been adopted by the District Council and was in the process of being rolled out to Towns and Parishes. This was an ongoing process.

The Head of Legal and Democratic Services referred to the Independent Person ("IP") and role they played in relation to standards matters. He hoped that he could invite him along to future meetings. The Head of Legal and Democratic Services explained the difficulties of having just one Independent Person when some authorities had up to three IP's and explained an additional Independent Person would build resilience into the process.

Members received the report and supported the recommendation to appoint an additional independent person.

It was moved by Councillor Curtis and seconded by Councillor Ward-Booth that the recommendation, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the report be received any observations be provided to the Head of Legal and Democratic Services; and

(B) that the recommendation for an additional Independent Person, as identified under s.28 of the Localism Act 2011, be sought

and, where appropriate, appointed, be approved.

232 AUDIT AND GOVERNANCE - WORK PROGRAMME

The Head of Strategic Finance and Property summarised the content of the Work Programme which would be presented to Members at each meeting. He proposed to include a further report on the Transformation Programme. The Head of Strategic Finance and Property said that the Audit Letter would not be presented to the January meeting. Additionally, he said that he would be discussing with the Head of Legal and Democratic Services how best to arrange a joint meeting with the Overview and Scrutiny Committee in January.

Following a suggestion by the Chairman, the Head of Legal and Democratic Services agreed that it might be prudent to look at the new Code of Conduct in terms of training.

Members considered that further training before meetings could cover:

- March 2022 – Risk
- September 2022 – the accounts / budget
- November 2022 – Standards and the Code of Conduct

Members supported this approach.

It was moved by Councillor Curtis and seconded by Councillor Stowe that the recommendation as detailed, be approved. After being put to the meeting and a

vote taken, the motion was declared CARRIED.

RESOLVED – that the work programme as set out in the report be approved; and

(B) the training requirements as detailed by Members be approved.

233 URGENT ITEMS

There were no urgent items of business.

The meeting closed at 8.43 pm

Chairman

Date

This page is intentionally left blank

East Herts Council Report Audit & Governance Committee

Date of meeting: 25th January 2022

Report by: Councillor Geoffrey Williamson, Deputy Leader and Executive Member for Financial Sustainability

Report title: Budget 2022/23 and Medium Term Financial Plan 2022/23 – 2026/27

Ward(s) affected: ALL

Summary –

The report sets out proposals on the following:

- the Medium Term Financial Plan 2022/23 – 2026/27
- the 2022/23 – 2026/27 Capital Programme
- the 2022/23 schedule of charges

All decisions and recommendations will be considered within the national context of continued financial uncertainty arising from the pandemic, the lack of a multiple year Comprehensive Spending Review and risks for local government, particularly the impact of Local Council Tax Support on the Council Tax base. Going forward questions remain over the total funding for local government and how this will be shared between authorities including the Fairer Funding review and the review of Business Rates as a tax and its potential replacement.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) To scrutinise the Executive's proposed budget and Medium Term Financial Plan and specifically consider the following:

- I. that the East Herts share of the Council Tax for a Band D property in 2022/23 be set at £184.09, an increase of £5, the maximum permitted within the draft Council Tax Referendum principles;
 - II. the updated position on the Budget 2022/23 and the Medium Term Financial Plan including the budget pressures and risks;
 - III. the capital programme set out in Appendix C and the impact on the revenue account of the borrowing costs; and
 - IV. the initial equalities impact assessment of the savings proposals set out in Appendix D so that Members can be assured that there is no adverse impact on those with protected characteristics.
- b)** Make any recommendations to Executive for consideration before the production of the recommended budget and Medium Term Financial Plan to be put to Council.

1.0 Proposal(s)

- 1.1** The report sets out proposals for East Herts Council's budget and element of the Council Tax for 2022/23 and a five year Medium term Financial Plan (MTFP) which members of Audit and Governance are asked to scrutinise and make any recommendations on the budget for consideration by the Executive prior to putting it to Council.

2.0 Background

- 2.1** The council has undergone significant change over recent years, facing pressures linked to the UK economic and wider global downturns and more recently Brexit uncertainty and Covid19.

2.2 The budget is built around the corporate priorities, which are **Sustainability, Enabling our communities, Economic growth, and Digital by design.** This underpins the organisation's direction of travel.

2.3 .1 The Executive approved the following guidance for the 2022/23 budget and Medium Term Financial plan, on 28 September 2021:

- Council Tax increase of £5
- contract inflation up to 4%
- no inflation in other goods and services budgets
- provision for the national pay award will be up to 3%

The MTFP has been updated for these, this can be found at appendix A

2.4 A report including a revised MTFP was taken to Audit and Governance Committee and the Executive in September 2021, which detailed the changing financial position since the MTFP approved by members in March 2021. The cumulative effect of the changes to planning assumptions was an improvement on the Councils financial position of £0.375m. Despite this improvement this still left savings to be identified of £0.967m in 2022/23 rising to £1.901m in 2026/27.

2.5 During October and November 2021 the Leadership Team considered a range of options to reduce the net cost of services. A total of £239k was removed from the budget for items which did not affect front line services such as reducing staff travel budgets by 25% and removing vacant posts that had not been recruited to. Further potential savings have been considered by Leadership Team and are shown in Appendix B for member scrutiny and approval. These savings are in addition to the three year savings plan which was agreed at Council in March 2021 and which will be implemented alongside the additional proposed savings. Members should also note that the budget

and MTFP also contains savings projections from the transforming East Herts Programme. A summary of the savings proposed are shown in the table below

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Three Year Savings Plan	(1,801)	(2,987)	(2,987)	(2,987)	(2,987)
Leadership Team budget reductions	(238)	(254)	(277)	(277)	(277)
New savings proposals for approval	(481)	(780)	(790)	(790)	(790)
Transforming East Herts Programme	(100)	(900)	(1,000)	(1,000)	(1,000)
Total	(2,620)	(4,921)	(5,054)	(5,054)	(5,054)

2.6 Members will note that these are significant reductions in net cost (representing a 33% reduction in the net cost of services) The Transforming East Herts Programme will now need to move from the discovery to the implementation phase and start to deliver substantial savings from modern ways of working which will require investment in technology to deliver end to end digital services.

2.7 The office accommodation requirement moving forward will be for less space than the current Wallfields campus provides. Officers are awaiting figures from the County Council for the cost of co-location at County Hall and officers will need to evaluate what works would be required at Wallfields to modernise the building to be able to rent out space. The running costs of Wallfields are relatively low and far below commercial letting rates for the equivalent space. However the building is in need of works and adaption for climate change and future pandemics (notably the lack of a ventilation system) and once this work has been completed a decision can be taken as to whether East Herts remains at Wallfields.

2.8 Officers are investigating a number of potential shared services opportunities with neighbouring authorities as part of the Transforming East Herts Programme which include potential expanded shared outsourced contracts, new and expanded

shared service provision and also the potential appetite of neighbours for a shared management team.

2.9 Members will appreciate that officers will increasingly be internally focused on delivering the Transforming East Herts Programme during 2022/23 and the minimum savings target of £1 million will need to be delivered as a key part of balancing the council's budget over the medium term.

2.10 The 2022/23 provisional Local Government Finance settlement was issued by the Department for Levelling Up, Housing and Communities (DLUHC) on 16th December 2021. This was a one year settlement in order that changes to the local government finance system can be introduced for the 2023/24 draft settlement. The Secretary of State announced an average 4% increase in core spending power for local government and made available a one off Services Grant to cushion the impact of COVID 19 worth £822 million. The proposed referendum limit for Council Tax is 2% or £5, whichever is the higher, for shire districts. Despite consulting on changes to New Homes Bonus the secretary of state surprised local government by making a one off payment based on the old methodology. Lower tier support grant was paid again and over 50% of the amount allocated to East Herts is effectively floor protection to ensure that the Council is not worse off in cash terms. The draft settlement was better than expected but still results in East Herts core spending power rising by only 0.03%. Members will recall that core spending power includes resources raised through Council Tax and that, even after the £5 proposed increase, the council's cash resources have effectively been frozen.

2.11 As DLUHC update the data and methodology for allocating government funding it is highly likely that East Herts will see reductions in resources for the medium term. Much will depend on how DLUHC design the system to protect losers, presumably through a floor protection mechanism which limits reductions.

The MTFP is constructed on the council being worse off each year of the MTFP by around £50k per annum after floor protection. There is a risk that this assumption is optimistic and that the floor could be set much lower, especially as resources will be redirected to less affluent areas in order to deliver levelling up. As a result there are new net cost reductions to be met in future years of £1.7 million by 2025/26. The council has to date, been able to deliver net cost reductions without any significant reduction in the service offer to residents and minimising redundancies. However, this will become increasingly difficult to achieve in the context of further on-going reductions in government funding. Members will be faced with hard decisions in the coming years. The council has insufficient reserves to bridge the current projected funding gap and using reserves to put off difficult decisions results in higher savings requirements in later years.

2.12 The report contains the following sections and Appendices:

Report Sections	
3.0	Budget Components
4.0	Net cost of services
5.0	Corporate budgets
6.0	Contributions to/from reserves
7.0	External funding
8.0	Council Tax
9.0	2022/23 Revenue budget
10.0	Consultation
11.0	Capital
12.0	Prudential Code
13.0	2022/23 schedule of fees and charges

Appendices	
A	Medium Term Financial Plan (MTFP)
B	Savings Proposals
C	Capital Programme

D	Reserves
E	Residents' Survey
F	Equalities Impact Assessment

3.0 Budget Components

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

3.1 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 and from reserves.

3.2 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.

3.3 Contributions to and from reserves: this represents funding within the revenue budget from earmarked reserves which has been allocated to fund specific purposes and funding received that is to be transferred into reserves. The impact of the use of reserves is a reduction on the total income demand on council taxpayers. Reserves are a finite source of funding and their use should represent value for money.

3.4 External Funding: these income budgets are general and non-service specific income sources. They include funding from Central Government and Non Domestic Rates income.

3.5 Council Tax: this income is also a general and non-service specific source of income.

4.0 Net Cost of Services

4.1 The proposed net cost of services for 2022/23 is £16.179 million. All budgets, with the exception of salaries, major contracts and business rate costs, have been capped at 2021/22 levels.

4.2 Salary inflation of 3% has been included in the net cost of services. Budgets for contracts have been increased by 4% for outsourced contracts such as refuse and grounds maintenance. These both reflect current increases in inflation which will result in higher contract indexation.

4.3 The table below shows the net cost of services broken down by service area:

Table1: Net Cost of Services

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
401	Chief Executive & PA's	378	349	359	370	381
1,386	Communications, Strategy & Policy	1,416	1,450	1,484	1,520	1,556
578	Human Resources & Org Development	534	546	531	542	553
2,653	Strategic Finance & Property	2,933	3,435	3,679	3,930	4,186
1,426	Legal & Democratic Services	1,484	1,507	1,546	1,587	1,629
2,571	Housing and Health	2,398	2,417	2,483	2,554	2,627
238	Capital Expenditure Charged to a Revenue Account	238	238	238	238	238
1,202	Planning & Building Control	1,954	2,014	2,076	2,139	2,204
3,058	Operations	2,282	2,082	1,604	1,616	1,695
709	Shared Revenues & Benefits Service	931	975	1,021	1,067	1,115
2,151	IT Shared service	2,213	2,313	2,313	2,313	2,313
-	- Transforming East Herts savings	(100)	(900)	(1,000)	(1,000)	(1,000)
-	- Savings proposals	(481)	(780)	(790)	(790)	(792)
-	- Contract renewals cost pressures	-	50	100	550	50
16,374	Net Cost of Services	16,179	15,693	15,643	16,635	16,754

5.0 Corporate budgets

5.1 The proposed income and expenditure budgets shown in table 2 cannot be directly attributed to specific services and relate to the authority as a whole.

Table 2: Corporate budgets

Corporate Budgets						
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
-	Fees & Charges Annual Review	(50)	(100)	(150)	(200)	(250)
-	Minimum Revenue Provision	20	943	1,636	2,240	2,286
-	Interest Payable on Loans	459	757	1,067	1,223	1,231
(750)	Investment Income	(750)	(750)	(750)	(750)	(750)
734	Pension Fund Deficit Contribution	754	800	800	800	800
-	Savings to be identified	-	(393)	(874)	(1,880)	(1,880)
(16)	Total corporate budgets	433	1,257	1,729	1,433	1,437

5.2 Fees and charges are being reviewed in line with the Council's Fees and Charges policy agreed at Full Council in December 2021. This sets out that the Council's fees and charges should normally fully recover the cost of providing the service. The income included is the estimated value of the increases to fees and charges. Further work to ensure that charges recover cost will be undertaken during the course of the year.

5.3 The capital programme will be largely funded by external borrowing going forward. Borrowing impacts the revenue account through the requirement to pay interest and also by the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans. Generally loans are repayable over 30 years so for every £1 million borrowed, the revenue account is charged £33,334 a year as well as the interest at the rate set for the life of the loan by the Public

Works Loans Board (PWLB). The new format of the capital programme will enable Members to connect the programme and its financing explicitly to the impact on the revenue budget.

5.4 Investment income includes interest received from the Councils investment in Millstream and in the property funds that the Council holds.

5.5 The Hertfordshire Local Government Pension Fund assets are approximately 114% of the fund liabilities. It is anticipated that with the triennial actuarial reviews of the local government pension scheme in 2023/24 and 2026/27 additional contributions for past service deficit payments may be required from the Council but these have been substantially reduced to reflect the 114% funding in the scheme. Under the LGPS Regulations contribution holidays are no longer permitted as experience of contribution holidays in the 1980s were the root cause of the substantial fund deficits that occurred following asset volatility in the markets. The intention going forward is that local government will continue to make contributions and that excess assets will provide a cushion from market volatility and prevent the return of large contribution increases to ensure that the fund meets its liabilities over the 3 year actuarial valuation period.

6.0 Contributions to/from reserves

6.1 The budget process invariably includes items that are not annually re-occurring and that require finance from the council's reserves. The proposed reserves contributions are summarised in the table below and include new movements for the irrecoverable losses in the collection fund grant. See Appendix D for more detail.

Table 3: Reserve contributions

Reserves						
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
3,369	Contributions to Earmarked Reserves	438	190	190	190	35
(769)	Contributions from Earmarked Reserves	(1,555)	(1,585)	-	-	-
-	Planned Use of General Fund Balance	-	-	-	(265)	205
299	New Homes Bonus Cont to Reserve	1,383	-	-	-	-
2,898	Total reserves	265	(1,395)	190	(75)	240

6.2 The reserves are an important part of the budget setting process, there are minimum levels of reserves which the section 151 officer sets out in his statutory report on the adequacy of reserves. 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 protect a healthy minimum reserves position that provides sufficient cover for unforeseen events and provides resources to deliver the transformation programme at the fastest possible speed. Another key element of reserves is to provide cash flow for the council, particularly in early April and January to March when the council has less cash available. Earmarked Reserves are shown in Appendix D.

6.3 Contributions from reserves relate to the Business rate deficit and the NNDR compensation grant, in line with accounting regulations.

6.4 As announced in the provisional 2022/23 Local Government Finance Settlement the Council will receive New Homes Bonus in 2022/23, it is not anticipated that this will continue beyond 2022/23. It is proposed that the total New Homes Bonus grant is transferred to reserves to protect the Councils financial position

and for use in implementing transformation plans. The section 151 officer advises that the whole of the one off New Homes Bonus grant is taken to earmarked reserves to provide an important cash liquidity cushion. At present the council will need to temporarily borrow for cash flow purposes in order to pay staff, Members and suppliers. It would be imprudent to anticipate income for future years when there are no proposals from government to model any potential awards, so no income has been assumed for New Homes Bonus allocations going forward.

7.0 Sources of External Funding

7.1 The 2022/23 Provisional Local Government Finance Settlement was published on 16th December 2021, this provides details of provisional grant allocations and baseline figures within the Business Rate Retention scheme. Full details can be found on the DLUHC website. The table below shows the forecast funding.

Table 4: Funding

Funding						
2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
(150)	Capital Salaries	(150)	(150)	(150)	(150)	(150)
(2,721)	NDR	(3,616)	(5,000)	(4,950)	(4,900)	(4,850)
(4,666)	Section 31 Grants	(1,900)	-	-	-	-
2,455	(Surplus)/Deficit on Collection Fund	2,386	1,585	-	-	-
(874)	Government Grant	(689)	-	-	-	-
(2,244)	New Homes Bonus	(1,383)	-	-	-	-
(8,200)	Total Funding	(5,352)	(3,565)	(5,100)	(5,050)	(5,000)

7.2 The Collection Fund is made up of two elements – Council Tax and Business Rates. Each one of these taxes can make a surplus or deficit for the year and those surpluses deficits are shared

between East Herts and Principal Preceptors for Council Tax and the County Council and government for business rates. The deficit shown relates Business Rates.

7.3 Final business rates figures will not be available until the end of January once the council has completed the NNDR1 return to DLUHC. Once that is completed we will have definitive business rates and section 31 grant figures which at this stage are best estimates from officers. Members should be aware that there is a risk that the Business Rates do not yield the funding level assumed in the budget and MTFP.

7.4 In 2022/23 East Herts will be part of the Hertfordshire business rates pool. The benefits of being in the Pool is that the use of the provisions built up, when released, will result in additional rates income being retained in Hertfordshire, benefitting both the district and county council and also providing resources to the Hertfordshire Growth Board. Being outside the Pool has allowed the council to build strong provisions and some councils currently in the Pool will leave in order that they can build up provisions which they did not have the flexibility to do whilst delivering the growth amounts for retention in Hertfordshire. Pool membership is for a year and then the make-up of the Pool (should Pooling be permitted once the settlement mechanism is changed) will be reviewed. The council would be releasing provisions anyway to manage the carried forward collection fund deficit and being in the Pool ensures we can retain a greater element of the increased rates income than would be possible outside the Pool.

7.5 In line with the assumptions in the MTFP and the government's consultation on changing the formula to allocate New Homes Bonus there was no expectation for receipt of New Homes

Bonus. The 2022/23 provisional Finance Settlement announced a strictly one-off payment of New Homes Bonus of £1.38m for East Herts. This will be paid with the last legacy amount for 2019/20 plus the allocation for 2022/23. The 2020/21 and 2021/22 'in year' allocations did not have future years legacy payments included. Members should note that the 2022/23 new award is a single year payment only and there will be no legacy amount payable in the future. There is no guarantee that New Homes bonus will be received in future years and therefore is not included in the MTFP.

8.0 Council Tax:

- 8.1** The Provisional 2022/23 Finance settlement published in December 2021, confirmed that district councils will be allowed to apply the higher of the referendum limit of 2% or £5.
- 8.2** In setting the council's proposed budget, the maximum of £5 has been used in all years of the MTFP, giving a band D equivalent Council Tax of £184.09 for 2022/23. This maximum increase was guidance approved by the Executive in September 2021. The £5 amount represents a 2.8% increase which is below the rate of inflation of 5.1% for the year to November 2021.

9.0 Revenue Budget 2022/23

- 9.1** The council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement. The proposed budget for 2022/23 is shown below:

Table 5: 2022/23 Revenue budget

	2022/23
	£'000
Net Cost of Services	16,179
Total corporate budgets	433
Total reserves	265
Funding	
Capital Salaries	(150)
Non Domestic Rates	(3,616)
Section 31 Grants	(1,900)
(Surplus)/Deficit on Collection Fund	2,386
Government Grant	(689)
New Homes Bonus	(1,383)
Total Funding	(5,035)
Demand on Collection Fund	11,526

10.0 Consultation

10.1 No consultation has taken place with the public on the overall budget proposals. Individual savings proposals which have a significant impact will be subject to consultation exercises on their implementation.

10.2 The Council has repeated the same resident's survey about council services as last year. Further detail is given in Appendix E

11.0 Capital Programme

11.1 During October and November 2021 re-phasing of the capital programme has been undertaken to reflect the slippage from 2020/21 and changes to programming in 2021/22. The five year Capital programme from 2022/23 can be found in Appendix C and continues to deliver the substantial capital ambitions of the council with major investments in leisure, culture, and the revitalisation of Bishop's Stortford.

11.2 Going forward, the capital programme will need to be financed predominately by borrowing with resulting revenue costs in terms of interest and Minimum Revenue Provision (MRP). MRP is a statutory requirement to ensure that the council sets aside revenue to repay the loan principal and Council will be requested to approve the MRP Policy as part of the Capital Strategy. It is proposed that MRP will be on the asset life method which has several advantages. Firstly, MRP is not payable whilst the asset is under construction which can take two to three years. Once the asset is brought into use the asset life must be set and once set it is fixed and cannot be changed. MRP then becomes payable only in the first full year the asset is in service. Asset lives have to have regard to the statutory guidance and are set by the s.151 officer. We will usually phase loan repayments to utilise the MRP accrued and to create borrowing headroom. Generally the useful asset life will be 30 years for buildings. Whilst this might, on the face of it, seem too short for a building, the various components of the building are likely to need substantial replacement after 30 years (windows, wiring, plumbing, roof, fixtures and fittings and so on.). When undergoing major refurbishment, the building is often stripped back to the core structural elements therefore a useful life of 30 years covering loan debt structured to be paid down over 30 years is a prudent method. The 30 year life is strongly mandated in government guidance on MRP and any attempts to use longer asset lives will involve long and protracted discussion with the external auditor and DLUHC.

11.3 Members will also note that Revenue Expenditure Funded as Capital Under Statute (REFCUS) is now charged to the revenue account. Borrowing is not a suitable financing method for REFCUS because it results in no asset for the council. Home Improvement Grants are now offered as loans secured against the equity in the property going forward and the loan and interest only becoming due on the sale of the property. The funds returned represent capital receipts and over the next five

years the council should start to see this funding starting to return to the council where it can be reused to offer further home improvement loans reducing the revenue costs in the budget.

12.0 Prudential Code implications

12.1 The council is required under the Local Government Act 2003 to 'have regard' to the requirements of the CIPFA Prudential Code which requires that certain performance indicators and limits known as Prudential Indicators are calculated.

12.2 The Prudential Indicators must be approved by Council before the beginning of each financial year. Their purpose is to help the council ensure that its capital investment plans are affordable, prudent and sustainable.

12.3 In the opinion of the Head of Strategic Finance and Property the capital programme being proposed in this budget report is affordable, prudent and sustainable. However, it should be noted that the Minimum Revenue Provision Policy, is subject to validation with the Council's external auditor. The policy contains a proposed treatment of historic set aside capital receipts which can only be utilised for repaying borrowing. The Policy utilises receipts to repay borrowing but there is a risk that if the external auditor does not agree with the treatment of the historic set aside receipts that the council will need to revisit the capital programme and its financing

13 2022/23 Revenue schedule of fees and charges

13.1 Fees and charges have been increased in line with the Council's fees and charges policy approved at Council on 15th December 2021. Detailed Fees and Charges are shown in Appendix F.

14. Reason(s)

14.1 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.

15. Options

15.1 The budget process has required further savings options to be developed and the number of options available that do not affect the service offer have now dwindled and Leadership Team have presented the only viable options deliverable for the next financial year. Work continues on savings for the Transforming East Herts Programme and the minimum £1 million saving targeted from modernising the way the council works

16 Risks

5.1 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.

5.2 The budget report considers emerging risks to the funding the council receives and issues are set out in the appropriate parts of the report.

5.3 Section 25 of the Local Government Act 2003 requires the Statutory s151 Officer (Head of Strategic Finance and Property) to give advice to Council on the level of reserves held and the robustness of the budgets of the budgets at the time Council makes its decision on the budget proposals

5.4 COVID-19 – remains a risk to the council's income and operational costs. The Omicron variant appears to be much milder than the Delta variant but there remains a risk that a further mutation can occur which is more deadly and would probably result in a full lockdown. Once COVID has made the

transition from pandemic to endemic disease there remains the acknowledged risk that a new pandemic may emerge, particularly as animals are displaced from remote habitats as a result of climate change.

- 5.5** Climate change continues to present a risk to the council's operations and consideration will need to be given to achieving net zero targets by 2030 alongside adaption of buildings and working practices, e.g. refuse and recycling rounds may need rethinking to respond to extreme weather events.

6.0 Implications/Consultations

- 6.1** An on-line residents' survey was conducted to inform Members of the current levels of satisfaction with the services provided by East Herts Council. The full results are included in Appendix F. A summary of the results is detailed in the paragraphs below.
- 6.2** Number of respondents this year was significantly lower than last year: 207 responses, 174 of which were fully completed. This compares to 853 and 696 respectively last year
- 6.3** % of those satisfied or very satisfied with the way we run things has decreased from just under 55% last year to just under 35% this year
- 6.4** Awareness of the East Hert's element of council tax has increased from 32% last year to just under 40% this year. However at the same time those satisfied or very satisfied that East Herts provides value for money has decreased from just over 45% last year to just under 33% this year. Free text comments are varied. Some relate to potholes/ pavements and highways led Covid changes to town centres (HCC functions). A number of comments also point out that not knowing exactly what the district council does makes it hard to determine

whether value for money is provided. There is a strong theme around street cleanliness and litter. Only 7 of the 70 comments mentioned green waste charging.

- 6.5** Waste and recycling services had satisfied or very satisfied ratings of over 85% last year. This has dropped to a little under 62% this year. Looking at the comments in the free text this does not appear to be driven by the introduction of the green waste charge. Only 6 of 130 comments mention this whereas many more refer to overall street cleanliness and litter bin emptying (likely to have been influenced by lockdown behaviours). Given this is still the most popular service there are also a number of positive and supportive comments about the service, specifically waste collection
- 6.6** Satisfaction for Parks and open spaces has also decreased from just over 71% satisfied or very satisfied to just over 55%. However, dissatisfaction has only increased marginally whereas the % of people who answered “neutral” or “don’t know” has increased from 17% to 27%. There are very few comments about parks so we are unsure what is driving this trend, other than some comments linking anti-social behaviour to parks
- 6.7** Satisfaction with leisure services has stayed broadly similar to last year (Just over 36% satisfied or very satisfied last year compared to just over 35% this year). To some extent this is surprising given the council's £30m investment in Grange Paddocks however it is only likely to be residents in the North and East of the district who are likely to be aware of the new facility. There some comments related to delays with the Hartham Leisure project.
- 6.8** Responses to satisfaction with business support, housing and homelessness support and anti-social behaviour remain broadly similar to last year with most respondents saying “neutral” or

“don’t know”. As specialist services that relatively few residents interact this is to be expected

6.9 Satisfaction with planning services has dropped slightly from 18% last year, to 13.5% this year. However the % of people responding “neutral” or “don’t know” has increased from almost 46% last year to almost 58% this year. Dissatisfaction has also marginally decreased. This year’s survey asked a pre question on planning about whether the respondent has had any direct dealing with the planning department and this may be responsible for the changes which is likely to have driven this change (43% said they hadn’t). It is a possible that those respondent’s who have had no interaction have gone on to answer don’t know or neutral. There are several comments regarding planning in the free text, mostly negative and mostly drawing on individual examples of where residents have not been happy with a planning decision or their interaction with planning. Equally there are comments related to housing growth and the pressure on local infrastructure which could have come from those same individuals who answered don’t know or neutral.

6.10 Satisfaction with parking services has decreased from just over 32% last year to just under 25% this year. However dissatisfaction has also decreased (from 38% last year to 29% this year) and the % of those answering “neutral” and “don’t know” has gone up from 30% last year to over 46% this year. As with planning we asked a screening question to see who regularly used a council car park or lives in an RPZ (65% said they don’t). This may have influenced the increase in don’t know or neutral answers and the reduced levels of dissatisfaction. There are lots of references to parking in the free text section. This is mostly a mixture of residents who want more

enforcement of parking violations and/ or whom have not been happy at being ticketed (indicating even if the respondent is does not use a council car park or live in an RPZ they may have still have reported dissatisfaction).

Community Safety

The budget underpins delivery of the council's policies and priorities in relation to community safety.

Data Protection

The costs of monitoring and complying with Data Protection regulations are included in the base budget. There are no resources set aside to meet any possible fines and these would have to be funded from reserves.

Equalities

The council has a number of statutory duties under the Equality Act 2010. These includes the requirements on the council to have due regard to the need to eliminate discrimination and harassment, to advance equality of opportunity, to foster good relations and to remove or minimise disadvantages suffered by persons who share protected characteristics.

In setting the budget, decisions on some matters may be particularly relevant to the discharge of this duty and an equalities impact assessment will be undertaken at the implementation phase to assess and ensure compliance with this duty.

Environmental Sustainability

The budget underpins policies and priorities in relation to the environmental and sustainability areas e.g. it provides staffing and capital investment resources.

Financial

All financial implications are included in the report.

Health and Safety

The council's budget provides resources to discharge its health and safety duties in relation to staff as employer and to the public as service users.

Human Resources

The budget will provide a provision for a pay award of up to 3% but the actual award is subject to national NJC negotiations. Progression up the incremental scale has been included in the base budget salary costings.

Human Rights

No

Legal

The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of reserves to the Council when it is considering the budget.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the full Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issuing of a Section 114 report requires the Full Council to meet within 21 days to

consider the report and during that period the Council is prohibited from entering into new agreements involving the incurring of expenditure.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Budget 2022/23 and Medium Term Financial Plan 2022 -2025

Preparation - Executive – 28th September 2021

Appendices	
A	Medium Term Financial Plan (MTFP)
B	Savings Proposals
C	Capital Programme
D	Reserves
E	Residents' Survey
F	Equalities Impact Assessment

Contact Member

Councillor Geoffrey Williamson, Deputy Leader
& Executive Member for Financial Sustainability

geoffrey.williamson@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel. No. Ext 2050

steven.linnett@eastherts.gov.uk

Report Author

Alison Street, Financial Planning Manager

alison.street@eastherts.gov.uk

This page is intentionally left blank

GENERAL FUND REVENUE BUDGET AND MEDIUM TERM FINANCIAL PLAN

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
401	Chief Executive & PA's	378	349	359	370	381
1,386	Communications, Strategy & Policy	1,416	1,450	1,484	1,520	1,556
578	Human Resources & Org Development	534	546	531	542	553
2,653	Strategic Finance & Property	2,933	3,435	3,679	3,930	4,186
1,426	Legal & Democratic Services	1,484	1,507	1,546	1,587	1,629
2,571	Housing and Health	2,398	2,417	2,483	2,554	2,627
238	Capital Expenditure Charged to a Revenue Account	238	238	238	238	238
1,202	Planning & Building Control	1,954	2,014	2,076	2,139	2,204
3,058	Operations	2,282	2,082	1,604	1,616	1,695
709	Shared Revenues & Benefits Service	931	975	1,021	1,067	1,115
2,151	IT Shared service	2,213	2,313	2,313	2,313	2,313
-	Transforming East Herts savings	(100)	(900)	(1,000)	(1,000)	(1,000)
-	Savings proposals	(481)	(780)	(790)	(790)	(792)
-	Contract renewals cost pressures	-	50	100	550	50
16,374	Net Cost of Services	16,179	15,693	15,643	16,635	16,754

Corporate Budgets

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
-	Fees & Charges Annual Review	(50)	(100)	(150)	(200)	(250)
-	Minimum Revenue Provision	20	943	1,636	2,240	2,286
-	Interest Payable on Loans	459	757	1,067	1,223	1,231
(750)	Investment Income	(750)	(750)	(750)	(750)	(750)
734	Pension Fund Deficit Contribution	754	800	800	800	800
-	Savings to be identified	-	(393)	(874)	(1,880)	(1,880)
(16)	Total corporate budgets	433	1,257	1,729	1,433	1,437

Reserves

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
3,369	Contributions to Earmarked Reserves	438	190	190	190	35
(769)	Contributions from Earmarked Reserves	(1,555)	(1,585)	-	-	-
-	Planned Use of General Fund Balance	-	-	-	(265)	205
299	New Homes Bonus Cont to Reserve	1,383	-	-	-	-
2,898	Total reserves	265	(1,395)	190	(75)	240

Funding

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£'000		£'000	£'000	£'000	£'000	£'000
(150)	Capital Salaries	(150)	(150)	(150)	(150)	(150)
(2,721)	NDR	(3,616)	(5,000)	(4,950)	(4,900)	(4,850)
(4,666)	Section 31 Grants	(1,900)	-	-	-	-
2,455	(Surplus)/Deficit on Collection Fund	2,386	1,585	-	-	-
(874)	Government Grant	(689)	-	-	-	-
(2,244)	New Homes Bonus	(1,383)	-	-	-	-
(8,200)	Total Funding	(5,352)	(3,565)	(5,100)	(5,050)	(5,000)

11,056	Net Expenditure financed by Council Tax	11,526	11,990	12,462	12,942	13,431
---------------	--	---------------	---------------	---------------	---------------	---------------

(11,056)	Demand on Collection Fund	(11,526)	(11,990)	(12,462)	(12,942)	(13,431)
61,734	Council Taxbase	62,610	63,410	64,210	65,010	65,810
179.09	Council Tax at Band D (£)	184.09	189.09	194.08	199.08	204.09

Percentage Increase in Council Tax
£ increase in Council Tax

2.78%
5.00

2.72%
5.00

2.64%
5.00

2.58%
5.00

2.51%
5.00

APPENDIX B

BUDGET 2022/23 SAVINGS PROPOSALS

Economic Development

Corporate Priority: Economic Growth
Portfolio Holder: Jan Goodeve
LT Lead: Ben Wood

Description of Service: Membership fees for economic development

Description of Transformation/Efficiency Proposal:

We currently pay into the following organisations as follows:

- London Stansted Cambridge Corridor: £10,000 per annum (no timescales for review). Regional economic partnership (private and public sector) which lobbies for additional investment for government and undertakes marketing for inward investment for businesses
- Digital Innovation Zone (DIZ): £10,000 per annum (initially for 2 years – 2019/20 and 2020/21). East Herts and West Essex partnership (public and private) which shares best practice on digital collaboration and lobbies/ bids for digital infrastructure investment
- Central Zone Alliance (CZA): £15,000 per annum (Initially for 2 years – 2020/21 and 2021/22 sub-group of 5 districts in the in the LSCC who want to raise their profile. Currently this is not budgeted for and is paid supported through underspends elsewhere in the service
- Visit Herts: £5000 per annum (aligned to LEP contract with VH which expires 2021/22) contracted to deliver destination management and tourism services for Hertfordshire on behalf of LEP and 8 districts.

On the basis that for every organization except the LSCC we have entered temporary/ fixed term arrangements we can honour our agreements and then cease funding thereafter.

The LSCC and DIZ Boards have Executive Member presence on their Boards.

Generally speaking withdrawing from the CZA and BBfA would be the least controversial options.

What do the public say?:

None of these organisations - with the possible exception of Visit Herts who have a website to promote business and attractions – are widely known to the public.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2020/21	2021/22	2022/23	2023/24
Revenue	£0	£0	£15 (BBfA, DIZ and VH)*	£15
Capital	0	0	0	0

*doesn't include £15,000 saving from the CZA as it isn't budgeted for

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)		
Expenditure:	Income:	Net Budget:
£38	£0	£38

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	No
What are the key issues raised in the EQIA?	N/A

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
Revenue savings	<p>Potential loss of profile and reputation amongst other organisations who are members (especially with regards to LSCC and DIZ)</p> <p>In the case of Visit Herts some businesses may feel we are not supporting the tourism sector.</p>

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Limited impact	Withdrawing from the LSCC and Visit Herts would be seen as being less supportive of businesses	Limited impact	The DIZ is a large part of our partnership working within this theme

LEGAL IMPLICATIONS
None

Resilience Partnership

Corporate Priority:	Enabling Communities
Portfolio Holder:	Cllr Peter Boylan
LT Lead:	Jonathan Geall

Description of Service:

Emergency planning-related contracts – Hertfordshire Resilience Partnership

Description of Transformation/Efficiency Proposal:

Reduce the payment to the Hertfordshire Emergency Planning / Resilience Partnership from £26k per year to £16k to reflect the reduction in hours devoted by the Partnership to East Herts that has already been made. At the same time, incorporate any remaining functions into the work of existing East Herts officers.

What do the public say?:

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£10)	(£10)	(£10)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
£26	£0	£26

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	No
What are the key issues raised in the EQIA?	N/A

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL

POSITIVE	NEGATIVE
<ul style="list-style-type: none"> No significant reduction to public services as it believed duties can be absorbed into existing East Herts staff base 	<ul style="list-style-type: none"> Increased pressures on existing EHC officers

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design

<p>LEGAL IMPLICATIONS</p> <p>None</p>
--

Community Transport

Corporate Priority:	Enabling communities
Portfolio Holder:	Cllr Graham McAndrew
LT Lead:	Jonathan Geall

Description of Service: Grant support to operators of community transport

Description of savings proposal:

Public transport is a county function in a two tier area. In the past, East Herts Council created a budget to assist with the start-up of community transport schemes in the wake of a reduction in some timetabled bus services. A number of schemes, plus a community car scheme, are now established and it arguably time to withdraw council funding.

The proposal:

- During the 2021/22 budget-setting round members approved a staged reduction in resources for grants for operation of community transport from £84k in 2020/21 to £21k in 2023/24.
- This new proposal is to (a) remove £21k from the 2022/23 budget (leaving £21k) and (b) remove the remaining £21k in 2023/24.

Of note:

- Recipients of community transport subsidy have been told for a few years now that the council's funding will reduce with a view it being withdrawn as the schemes become established.
- Recipients of community transport subsidy are all towns/parish councils (apart from the community car club operated by CVS) and so there is an ability for the town/parish to meet any ongoing need for subsidy from precepts.
- From this year, the Lynx demand responsive transport is in operation in the north of the district, arguably reducing the need for community transport schemes.

What do the public say?: No consultation conducted

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£21)	(£21)	(£21)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
£63,000 in 2021/22 £42,000 in 2022/23 £21,000 in 2023/24	£0	£63,000 in 2021/22 £42,000 in 2022/23 £21,000 in 2023/24

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	No
---	----

What are the key issues raised in the EQIA?	It is likely that those with protected characteristics are over-presented in the passengers of community transport. If current operators were unable to continue services without council subsidy, these residents would be disproportionately affected. There are, however, potential mitigations (Lynx demand responsive transport in the north of the district, greater support from parish councils, access to the council's community grants to aid the transition to no council subsidy)
--	--

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
1. Reduced revenue expenditure 2.	1. Possible reputational risk should someone wish to criticise the council for withdrawing its funding for community transport at a time of promoting greener travel

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design

LEGAL IMPLICATIONS

B&B Charges

Corporate Priority: Enabling communities
Portfolio Holder: Cllr Peter Boylan
LT Lead: Jonathan Geall

Description of Service: Provision of bed and breakfast accommodation as temporary accommodation for single people when the council's hostels are full

Description of savings proposal: Increase the charge from single people in bed and breakfast from £110.40 per week to £129.33 which represents the maximum that can be funded in full from housing benefit funds (from the government rather than East Herts). Based on an estimate of 408 total weeks a year for single people in B&B, this uplift equates to £7,723.44 **income** to the council from national housing benefit resources

What do the public say?: Views have not been sought on this

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£8)	(£8)	(£8)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
£128,520 – estimate B&B costs	£45,043 – hb coverage	£83,477

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	No
What are the key issues raised in the EQIA?	None – the recipient of the accommodation will not see any impact. The proposal is a means of maximising income to offset the council's costs

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL

POSITIVE	NEGATIVE
1. Increased income 2. 3.	1. 2. 3.

CORPORATE PRIORITIES ASSESSMENT

Sustainability	Economic Growth	Enabling Communities	Digital by Design

LEGAL IMPLICATIONS

Grants

Corporate Priority:	Engaging communities
Portfolio Holder:	Cllr Jonathan Kaye
LT Lead:	Jonathan Geall

Description of Service: Revenue grants to third sector / voluntary organisations to support the council's priorities

Description of savings proposal:

From 2021/22, the funding for both the council's revenue and capital community grants comes from the council's revenue budget. Thus, the two pots can be considered as one with, for the first time, members being able to determine the split between revenue and capital grant expenditure.

Proposals:

- Reduction of 25% in 2022/23 in the combined revenue and capital grants budget, that is £31k.
- Reduction of a further 25% (£31k) in the combined revenue and capital grants budget in 2023/24 giving total saving of £62k (50% in total).
- From 2022/23, replace £8k of the council's revenue spend on the combined revenue and capital grants budget with monies accruing in the East Herts Lottery Community Chest Fund. Note: the Community Chest monies are currently held in a suspense account pending a decision on their use.
- In 2024/25, end the sports development budget of £10k with the transition to potential s106 funding/external funding from 2024/25 enabled by funding from HCC Healthy Hub monies in 2022/23 and 2023/24 thus giving a corresponding saving to the council's revenue budget in these two years.
- Reduction in the council's grants to Citizens Advice (from a total of £152,018 from base budget and homelessness grant in 2021/22) by £13k in 2022/23, then another £10k in 2023/24 (giving a total reduction of £23k) and then another £10k in 2024/25 (giving a total reduction of £33k).

To note:

- The current split of community grants is £45k revenue and £80k capital. It is proposed to reduce the combined pot over the coming two years to then be £63k from 2023/24 onwards. Members now have the freedom to vary the balance of expenditure between revenue and capital grants and so could choose to continue to prioritise the existing level of revenue grant spend while reducing the capital spend.
- Town and parish councils can apply for community grants, although applications and allocations are low (in 2020/21 three capital grants totalling £24k were made and so far in 2021/22 two capital grants totaling £4k and one revenue grant of £200 were made). It is proposed to remove town and parish councils' access to the council's grants pot as they have the ability to raise their precepts to fund expenditure and it could be considered that they are diverting monies from community, voluntary and third sector groups with less ability to raise their own resources.
- With regard to the Citizens Advice Service, officers are aware that a number of authorities are reducing their grant level; Broxbourne BC no longer provides any grant to the local Citizen's Advice Service.
- Until 2020/21, East Herts Citizens Advice used £16k of its funding to pay the council for office space. We understand that they no longer have any office base and so could, in theory, absorb a reduction in council funding from lower office overheads.
- The council does and will continue to provide ad hoc to Citizens Advice. Previously, the

council has funded them to advice with EU citizen settled status applications and Covid work.

- The council will continue to support Citizen Advice's bids for external funding and indeed council officers are facilitating a range of third sector organisations coming together to put a combined bid to national funding sources, notably, the Big Lotto Fund.

What do the public say?: No consultation conducted

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)				
	2021/22	2022/23	2023/24	2024/25
Combined revenue and capital community grants	£0	£31k <i>Giving a revised combined grants budget of £94k</i>	£62k <i>Giving a revised combined grants budget of £63k</i>	£62k <i>Giving a revised combined grants budget of £63k</i>
Replacement of council funding for community grants with contribution from the East Herts Lottery Community Chest		£8k <i>No impact on £94k grants budget as this refers to how the grants pot is funded</i>	£8k <i>No impact on £63k grants budget as this refers to how the grants pot is funded</i>	£8k <i>No impact on £63k grants budget as this refers to how the grants pot is funded</i>
Sports development grant		£10k <i>No impact on £10k grants budget as it will be funded from HCC Healthy Hub monies in this year</i>	£10k <i>No impact on £10k grants budget as it will be funded from HCC Healthy Hub monies in this year</i>	£10k <i>HCC Healthy Hub support ends; option for continued funding from s106 and/or external sources</i>
Grant to East Herts Citizens Advice Service		£13k <i>Revised grant to Citizens Advice of £139k</i>	£23k <i>Revised grant to Citizens Advice of £129k</i>	£33k <i>Revised grant to Citizens Advice of £119k</i>
Total revenue saving to the council		£62k	£103k	£113k
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)		
Expenditure:	Income:	Net Budget:
£287k	£19k – homelessness grant used to fund Citizens Advice	£268k

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	No
What are the key issues raised in the EQIA?	Given the council's grants policy, a number of recipients with protected characteristics are likely to be disproportionately impacted in an adverse way – notably older people, those with physical disabilities, those with learning difficulties. See discussion above regarding mitigation

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
<ol style="list-style-type: none"> 1. Reduced revenue expenditure 2. Potential for staff time saving related to the processing of fewer grants 3. Increased drive to self-sufficiency among community groups 	<ol style="list-style-type: none"> 1. Some people with protected characteristics likely to be negatively impacted by lower grant giving to groups offering services to them 2. Reputational risk of reducing money for support groups at time of recovery from pandemic 3.

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design

LEGAL IMPLICATIONS

Parking – RPZ Permits

Corporate Priority:

Portfolio Holder:

Cllr Graham McAndrew

LT Lead:

Jess Khanom-Metaman

Description of Service:

Increase the price Resident Parking Zone (RPZ) permits to reflect full cost recovery in line with new fees and charges policy.

Description of savings proposal:

This proposal seeks to uplift the charge to residents for RPZ permit to ensure full cost recovery to the Council is achieved in line with the pending fees and charges policy.

Resident Permit Parking Permit Charge Calculation 2020/21

15% of patrol time spent in RPZs	2020-21 contract costs	
FY 2020-21 contractor Costs (<i>excludes P&D and cashless parking target costs</i>)	£628,000.00	
15% of contractor total costs	£94,200.00	
Permits / Voucher procurement cost (hard copies)	£10,000.00	
Customer Service engagement 5% salary pro rata	£36,610.00	
Parking Service staff engagement (N/A)	£0.00	
Business Support engagement 70% salary pro rata	£66,008.18	
Signing & Lining annual budget RPZ	£8,000.00	
Total Operating Costs	£214,818.18	
Income RPZ Related (Permit & Voucher sales)	£105,431.50	
Net cost of service provision	£109,386.68	
2020/21: Total number of Permits in use #	1275	
	£85.79	Net Cost Per Permit to break even
Current		
# 1st permit	£41.00	1019
# 2nd permit	£82.00	256
Proposal		
# 1st permit (revised cost) maintaining current price differential	£72.00	1019
# 2nd permit (revised cost) maintaining current price differential	£144.00	256

--

What do the public say?: No consultation undertaken. Formal consultation is required via Traffic Regulation Order advertisement.
--

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)				
	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£100)	(£105)	(£110)
Capital	£0	£0	0	

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)		
Expenditure:	Income:	Net Budget:

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	Initial assessment carried out as part of wider proposals
What are the key issues raised in the EQIA?	Low impact

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
1. Full cost recovery – service not subsidized by Council	1. Perception the proposed charge is unfair

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design

LEGAL IMPLICATIONS Formal consultation is required to implement the change of substance in East Herts car parks via Traffic Regulation Order.

Parking – Standard tariff 7 days

Corporate Priority:

Portfolio Holder:

Cllr Graham McAndrew

LT Lead:

Jess Khanom-Metaman

Description of Service:

Introduce standard car park tariff charges on Sundays across Council managed car parks.

Description of savings proposal:

As part of the 2020/21 savings proposals the Council agreed to introduce a flat rate £1 fee on Sundays which will go live in October 2022 to replace the current free Sunday parking. Given that a number of businesses are open on Sundays could be managed in the same way as the rest of the week. This proposal means customers will pay for parking on Sundays in line with the current Monday to Saturday charging structure.

The formula applied to produce the estimated financial returns: car park revenue divided by 6 (number of days currently charged) to produce a typical “daily” value and divided by one quarter on basis 25% of normal charges are achieved.

What do the public say?:

No consultation undertaken as yet. Formal consultation is required via Traffic Regulation Order advertisement.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£70)	(£126)	(£138)
Capital	£0	£0	£10	£2

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	Initial assessment carried out as part of wider proposals
What are the key issues raised in the EQIA?	Impact low

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL

POSITIVE	NEGATIVE
----------	----------

1. Equitable charging structure applied across the week. Consistent. 2. Ensure practical use of the council's asset 3. Introduce additional revenue stream	1. Perception the proposed charge is unfair 2. Some Members may not be supportive 3. Negative sentiment: local residents, local businesses, media - due the long standing free / subsidized offer
--	---

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Car park charge may deter car use	Income generation		

LEGAL IMPLICATIONS Formal consultation is required to implement the change of substance in East Herts car parks via Traffic Regulation Order.

Parking – Annual price increase

Corporate Priority:

Portfolio Holder:

LT Lead:

Cllr Graham McAndrew

Jess Khanom-Metaman

Description of Service:

Annual uplift in parking charges from April 2023

Description of savings proposal:

This proposal seeks to uplift parking charges on an annual basis in line with CPI in September (6 months prior the charge being implemented) but no less than 2.5% per annum from April 2023. Based on a 2.5% increase it is anticipated that this will generate approximately £75,000 per annum (assuming parking behavior does not alter significantly).

It is important to note that the applicable percentage uplift will be applied where it is practical to do so on tariffs and rounded up or down to align to the nearest 10 pence.

What do the public say?:

No consultation undertaken. Formal consultation is required via Traffic Regulation Order advertisement.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	£0	(£75)	(£75)
Capital	£0	£0	0	£5

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	Initial assessment carried out as part of wider proposals
What are the key issues raised in the EQIA?	Impact low on protected characteristics

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL

POSITIVE	NEGATIVE
3. Annual uplift in income in line with a number	2. Perception the proposed charge is unfair

of other authorities	
----------------------	--

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Increase prices may deter driving			

LEGAL IMPLICATIONS Formal consultation is required to implement the change of substance in East Herts car parks via Traffic Regulation Order.

Playgrounds

Corporate Priority:

Portfolio Holder:

Cllr Eric Buckmaster

LT Lead:

Jess Khanom-Metaman

Description of Service: Parks & Open Spaces – Playground transfer to Town or Parish Councils

There are 63 play areas managed by EHC.

Description of savings proposal:

The proposal seeks to permanently transfer 10% (six) of play areas. The budget for playground inspections is approximately £100,000, broadly speaking this will provide a £10,000 saving. At this stage the proposal does not include any exit costs with the contractor for reducing the inspection work by 10%.

Members will need to agree the criteria for which play areas will be eligible for transfer

What do the public say?:

Whilst a neighbouring authority; North Herts, reduced spending by rationalising their play offer in 2018, this was achieved by transferring ownership of some play areas to Parish Councils and as part of a wider investment programme. Play areas in rural areas are generally already in the ownership of Parish Councils in East Herts.

East Herts has maintained a good record of safety across its play areas.

As part of our public engagement exercise to inform the development of a new Parks & Open Spaces Strategy, 179 customers completed an online questionnaire. 43% of respondents listed “opportunities for play” as one of the three most important things that people believe a park should offer. To put this into context, the highest choice was “habitats for wildlife” at 61% then “places to walk” at 45%.

Of the 94 separate comments, eight felt there should be no commercialisation and of these, one reflected that such an approach could alarm residents that play areas might be closed.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue		(£5)	(£10)	(£10)
Capital	n/a	n/a	n/a	n/a

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)		
Expenditure:	Income:	Net Budget:
£103		

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	Initial assessment carried out as part of wider proposals
What are the key issues raised in the EQIA?	Low impact

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
4. Small budget saving 5. Offsets inspection pressure for client team monitoring .	1. Prevents closure and need to reduce facilities for young people potentially undermining the Council's corporate objective; "Enabling our communities" to invest in our places, ensure all voices in the community are heard and support our vulnerable residents

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design

LEGAL IMPLICATIONS
<p>Some exit implications with grounds contractor will need to be investigated further</p> <p>Members should also note that as Town and Parish Council operate play areas then EHC provision represents "double taxation" and should be remedied by either transfer of the asset to Town and Parish Councils, ceasing this provision or levying a special expense for council tax purposes. Generally the special expense route will be more expensive for the local taxpayers than the town or parish council taking over the playgrounds. Further detailed advice to parish councils on double taxation is available by following this link: NALC Guidance on double taxation</p>

Paper Recycling Boxes:

Corporate Priority:

Portfolio Holder:

Cllr Graham McAndrew

LT Lead:

Jess Khanom-Metaman

Description of Service:

Paper Recycling Boxes

Description of savings proposal:

Removal of the 45L box option and lids for replacement containers. Standard 55L box offered for replacements.

Residents store 45L boxes inside recycling bin reducing recycling capacity of the bin.

45L boxes are broken and lost more frequently than 55L

45L boxes cost £3.14 more than the standard 55L box

55L boxes provide more recycling capacity

Availability of 45L boxes from manufacturers is increasing unreliable.

55L box is the standard box size in the majority of local authorities.

Lids can help reduce water content of paper – not all households use them.

Saving estimates are based on average purchase costs for 19/20, 20/21 and 21/22 YTD (4133 replacements). Further savings likely due to reduction in loss and breakages and consequently delivery costs.

In order to ensure there is service alignment within the shared service, work will need to be undertaken to achieve the same outcome for this proposal with North Herts where possible.

What do the public say?:

Some residents prefer the smaller box, because it fits inside the recycling bin.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2022/23	2023/24	2024/25	2025/26
Revenue	(£14)	(£14)	(£14)	(£14)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
47,000 (Actual expenditure 20/21 £110k)	0	47,000

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	An initial assessment has taken place as part of wider proposals
What are the key issues raised in the EQIA?	A full 55L box will be heavier than a full 45L box for elderly or disabled residents.

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
6. Reduction in loss/breakages (therefore waste) 7. Reduction in purchase & delivery costs 8. Increased capacity for recycling	3. Collected paper could have a higher water content if boxes are stored outside 4. Larger boxes are heavier 5.

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Reduction in waste and increase in recycling capacity			

LEGAL IMPLICATIONS
None

Charging for bin delivery

Corporate Priority:

Portfolio Holder: Cllr Graham McAndrew

LT Lead: Jess Khanom- Metaman

Description of Service:

Charging for new bin delivery at new developments and for replacement wheeled bins.

(Please note we are charging for delivery and not the bin which remains the property of the council). Where a replacement bin is required due to the contractor having lost or damaged the bin, then delivery will be free.

Description of savings proposal:

In 20/21 we replaced over 16,500 bins and boxes. The cost of replacing bins, boxes amounts to circa £200,000 across the services. This proposal is to charge for the delivery of replacement residual (black) bins only at a cost of £40 for a new 240L bin and £25 for a refurbished 240L residual (black) bin based on 40% of bins being refurbished and a 20% reduction in black bin replacement. Refurbished bins will be offered only when available. Other bins principally blue lidded recycling bins will also be refurbished but not charged to continue to encourage recycling participation.

What do the public say?:

Chargeable services are not popular, however we currently receive requests for replacements when they are not warranted.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2022/23	2023/24	2024/25	2025/26
Revenue	(£20)	(£40)	(£40)	(£40)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
170,000 (Expenditure in 20/21 was £197k)	0	170,000

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	Initial assessment as part of wider proposals
What are the key issues raised in the EQIA?	Impact low

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
9. Reduction in waste 10.Reduction in purchase & delivery costs 11.Income generation	6. Chargeable services unpopular 7. Online payment functionality would be required. 8. Longer call times at the Customer Service Centre

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Reduction in waste due to more repairs and less unnecessary replacement			Online payment systems need to be developed to facilitate contact handling.

LEGAL IMPLICATIONS
EPA 1990 S.46 allows local authorities to specify the receptacle for waste and make a charge.

Public convenience and CTS

Corporate Priority:

Portfolio Holder: Cllr Graham McAndrew

LT Lead: Jess Khanom- Metaman

Description of Service:

Transfer or closure of provision of public conveniences in Buntingford and cessation of the Community Toilet Scheme.

Description of savings proposal:

The proposal is for the transfer or cessation of the provision of public conveniences in Buntingford and the cessation of the Community Toilet Scheme. At the current time EHC maintains only one facility which is in Buntingford. All other facilities previously maintained by EHC have either been closed or transferred to a third party.

The Community Toilet Scheme has been operating for over 12 years. There is little public awareness of the scheme and the scheme does not provide improved coverage of toilet provision in the district over and above what is normally available.

What do the public say?:

It is unknown at this stage if the toilets are of value to the community.

Although no approaches have been made the Operations Team would explore opportunities for the transfer of responsibility for Buntingford Toilet.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2022/23	2023/24	2024/25	2025/26
Revenue	(£40)	(£40)	(£40)	(£40)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
£40,000	0	£40,000

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	Initial assessment as part of wider proposals
What are the key issues raised in the EQIA?	The closure of Buntingford would likely impact on elderly, disabled or pregnant visitors to the town as the more likely primary users of the facilities.

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
1. Reduction in revenue costs 2. Reduced need for Capital costs associated with refurbishment	1. Reduced availability of facilities for residents

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Facility is old in design with no consideration of sustainable design		The provision of toilets is seen as necessary by some users. However toilets are not provided in other towns.	

LEGAL IMPLICATIONS
<p>The provision of public toilets is non-statutory.</p> <p>Community Toilet Scheme contractual arrangements will require review.</p> <p>Any transfer of the Buntingford facility would require legal to draft an agreement.</p> <p>A contract variation would be required for the waste and street cleansing contract.</p>

Internal Audit Days

Corporate Priority: All
Portfolio Holder: Councillor Williamson
LT Lead: Steven Linnett

Description of Service:

Internal Audit Services provided by Hertfordshire Share Internal Audit Services (SIAS)

Description of savings proposal:

To reduce the number of audit days purchased from SIAS whilst still ensuring appropriate assurance is received on the Council's services. External audit no longer rely on the work of Internal Audit to reach an opinion on the statement of accounts and given the number of outsourced services the section 151 officer feels it is appropriate to reduce the number of audit days to 250 which would provide coverage of all major systems and with the changeover of audit approach to assurance mapping, Members should not see any reduction in the coverage of internal audit work.

The savings proposal will need to be discussed at Audit & Governance Committee. The Committee previously felt that 300 days was the minimum Internal Audit work required but this was before the introduction of the Assurance Mapping approach to internal audit as recommended by the ICAEW and other professional bodies. For comparison Stevenage BC which has a Housing Revenue Account and in-house services for waste and recycling has a total of 315 audit days.

What do the public say?: SIAS performs well and this is reflected in positive user surveys. The recommendations and reports provided are of a good standard. The public would not be aware of the work of SIAS.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£20)	(£20)	(£20)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)

Expenditure:	Income:	Net Budget:
£103k		

EQUALITY IMPACT ASSESSMENT

Has an EQIA been completed? (If yes, date to be added)	No
---	----

What are the key issues raised in the EQIA?	
---	--

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
12. Cost reduction will not impact on direct service provision 13. 14.	9. Increased risk of a lack of internal control, or a failure in internal control, being identified and rectified although assurance mapping approach will mean Members and management should be able to identify control gaps and rectify them far more easily than the traditional substantive testing approach. 10. 11.

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
	Savings can be used to fund revenue budget		

LEGAL IMPLICATIONS
<p>The Council is responsible for ensuring an adequate system of internal audit and the s.151 officer advises that an adequate system of internal audit can be delivered in 250 days, rather than the current 300, without affecting the adequacy of the system of internal audit.</p>

Gilston Planning Costs Pressure Reduction

Corporate Priority:

Portfolio Holder: Jan Goodeve

LT Lead: Sara Saunders

Description of Service:

The Gilston Area is identified in the District Plan as providing 10,000 new homes to 2033 and beyond. It forms a significant part of the Council's development strategy for the district and will provide a large contribution to the Council's overall housing supply. It also forms part of the Harlow and Gilston Garden Town which involves four new garden neighbourhoods in and around Harlow delivering 16,000 homes by 2033; Five local authority partners working together; a sustainable transport vision to achieve a 60% shift to sustainable modes of transport; and £172m of government support through the Housing Investment Grant (HIG) to help fund infrastructure and accelerate delivery. We are signed up, with partners, to deliver an ambitious programme of transformative development and healthy new places through the Garden Town Vision.

Description of savings proposal:

The planning of the Gilston Area is at a critical stage with the outline applications and river crossing applications due to be determined over the coming months. Other related work streams including masterplanning are already underway and require significant input in order to shape the detailed proposals. At the same time, the governance of the Harlow and Gilston Garden Town is being reviewed reflecting the shift in emphasis from the policy stage to the delivery stage.

Support for the planning of the Gilston area has been flagged an ongoing budget pressure. This includes an additional £247,000 to support the planning function for Gilston area. Having reviewing the planning support required this could be reduced by £40k bringing the planning costs down to £207,000.

What do the public say?:

Planning is an open and transparent service which can attract a significant amount of public interest.

VALUE OF PROPOSAL(S) PER YEAR (ESTIMATED)

	2021/22	2022/23	2023/24	2024/25
Revenue	£0	(£40)	(£40)	(£40)
Capital	£0	£0	£0	£0

CURRENT REVENUE BUDGET (NET DIRECT SERVICE COSTS)		
Expenditure:	Income:	Net Budget:
£620		£620

EQUALITY IMPACT ASSESSMENT	
Has an EQIA been completed? (If yes, date to be added)	No
What are the key issues raised in the EQIA?	

KEY ISSUES/ RISKS/ IMPACT OF PROPOSAL	
POSITIVE	NEGATIVE
15. Continued proactive and positive engagement in the planning of the Gilston Area.	12. Vision and ambitions for the Gilston area and the Harlow and Gilston Garden Town may not be realised.

CORPORATE PRIORITIES ASSESSMENT			
Sustainability	Economic Growth	Enabling Communities	Digital by Design
Continues to support sustainable development in line with the District Plan.	Continued support for economic growth.	Continues to engage with residents and communities in an open and transparent way.	Continues to support sustainable development in line with the District Plan.

LEGAL IMPLICATIONS

This page is intentionally left blank

EAST HERTS DISTRICT COUNCIL CAPITAL PROGRAMME 2022/23 TO 2026/27

APPROVED SCHEMES	Major Schemes expenditure to 31/03/21 £000	2021/22 Forecast Outturn £000	2022/23 Original Budget £000	2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	Scheme Total £000
Land and Buildings								
Investment in operational assets		205	250	250	250	250	250	1,455
Buntingford Depot		-	208	-	-	-	-	208
Grange Paddocks Leisure Centre	13,795	10,019	853	-	-	-	-	24,667
Hartham Leisure Centre - Extension	1,440	3,273	6,358	-	-	-	-	11,071
Ward Freman Joint Use Facilities		-	1,100	-	-	-	-	1,100
Temp Accom -Hostels		614	-	-	-	-	-	614
Car Park Resurfacing		491	134	-	-	-	-	625
Hertford Theatre	1,575	1,400	8,558	8,558	-	-	-	20,090
Northgate End Regeneration (MSCP, domestic and non-domestic units)	11,704	9,068	1,890	-	-	-	-	22,662
Old River Lane Regeneration and Arts Centre	2,815	500	2,000	9,000	9,077	-	-	23,392
Elizabeth Road Redevelopment		-	1,080	1,080	-	-	-	2,160
Pinehurst Community Centre		-	200	-	-	-	-	200
Total Land and Buildings	31,329	25,570	22,631	18,888	9,327	250	250	108,244
Vehicles and Equipment								
LED Lighting Upgrades		170	60	-	-	-	-	230
Council Chamber AV System		60	-	-	-	-	-	60
Heat Detection Unit at Buntingford Depot		-	305	-	-	-	-	305
ICT Rolling programme		470	612	450	450	450	450	2,882
Total Vehicles and Equipment		700	977	450	450	450	450	3,477

APPROVED SCHEMES	Major Schemes expenditure to 31/03/21 £000	2021/22 Forecast Outturn £000	2022/23 Original Budget £000	2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	Scheme Total £000
------------------	--	-------------------------------	------------------------------	------------------------------	------------------------------	------------------------------	------------------------------	-------------------

Community Assets								
<i>Open Space Improvements:</i>								
The Wash, Hertford		-	50	-	-	-	-	50
Cannons Mill Lane, Bishops Stortford		-	30	-	-	-	-	30
Trinity Close - Open Space Project		57	-	-	-	-	-	57
Phisiobury Park - HLF		100	-	-	-	-	-	100
Replacement play equipment across the district		-	50	50	50	50	50	250
Play Area and other projects, Hartham Common		105	-	-	-	-	-	105
Castle Park - HLF - Delivery Phase		50	1,500	83	-	-	-	1,633
Total Community Assets		312	1,630	133	50	50	50	2,225

Revenue Expenditure Funded as Capital Under Statute (REFCUS)								
Home Improvement Loans		20	120	120	120	120	120	620
Community Capital Grants		127	65	50	50	50	50	392
Green Deal Loans		20	20	20	20	20	20	120
Rivers and Watercourse Maintenance		48	48	48	48	48	48	288
Land Management Asset Register & Associated Works		50	50	50	50	50	50	300
Historic Building Loans		20	20	20	20	20	20	120
Total REFCUS		285	323	308	308	308	308	1,840
TOTAL CAPITAL EXPENDITURE	31,329	26,867	25,561	19,779	10,135	1,058	1,058	115,786

FUNDED BY:

Borrowing (Internal)		(1,658)	(368)	-	-	-	-	(2,026)
Borrowing (External)		(19,979)	(19,394)	(17,938)	(9,577)	(500)	(500)	(67,887)
Capital Receipts		(1,600)	(3,160)	(1,450)	(250)	(250)	(250)	(6,960)
Capital Grants Applied		(3,185)	(2,276)	(83)	-	-	-	(5,544)
Capital Expenditure Charged to a Revenue Account		(445)	(363)	(308)	(308)	(308)	(308)	(2,040)
TOTAL CAPITAL PROGRAMME FUNDING	(31,329)	(26,867)	(25,561)	(19,779)	(10,135)	(1,058)	(1,058)	(115,786)

APPROVED BUT NOT YET COMMITTED			2022/23 Original Budget £000	2023/24 Original Budget £000	2024/25 Original Budget £000	2025/26 Original Budget £000	2026/27 Original Budget £000	Scheme Total £000
--------------------------------	--	--	---------------------------------------	---------------------------------------	---------------------------------------	---------------------------------------	---------------------------------------	----------------------

Schemes approved not yet committed								
Transformation Programme			1,000	2,000	2,000			
Capital Contingency - Major Projects			2,500	-	-	-	-	-
TOTAL APPROVED BUT NOT YET COMMITTED			3,500	2,000	2,000	0	0	0

Funded by:

Borrowing			(2,500)	-	-	-	-	-
Capital Receipts			-	-	-	-	-	-
Capital Grants Applied			-	-	-	-	-	-
Use of Earmarked Reserves			(1,000)	(2,000)	(2,000)			
Capital Expenditure Charged to a Revenue Account			-	-	-	-	-	-
TOTAL APPROVED BUT NOT YET COMMITTED			(3,500)	(2,000)	(2,000)	0	0	0

NOTE:

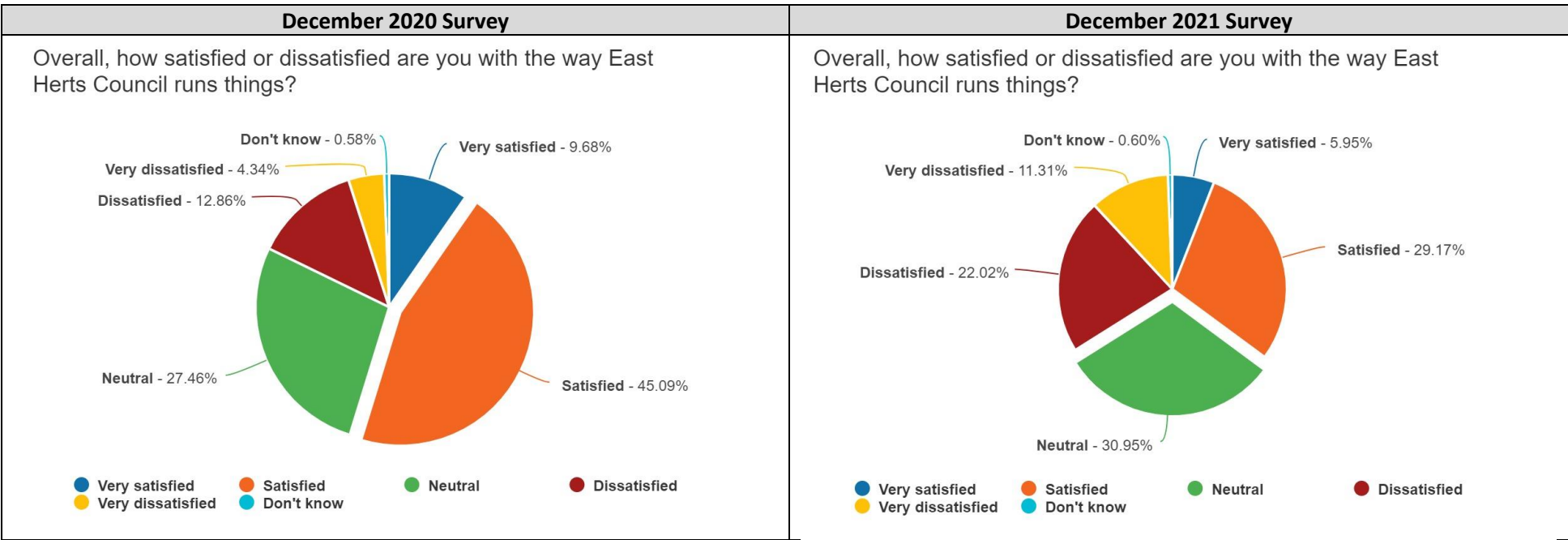
Schemes Approved but not yet Committed are those schemes where past experience has indicated there are traditionally underspends or there are specific issues with a scheme proceeding that is outside the control of the Council. Approval by Council provides protection for the budgeted scheme for the year(s) indicated. Schemes are Committed by the Head of Strategic Finance in consultation with the Executive Member for Financial Sustainability. Virements are forbidden from these budgets without the authority of Council to prevent these budgets being committed to cover overspends or for immediate transfer to new schemes that do not have Council approval.

This page is intentionally left blank

	2020/21		2021/22		2022/23		2023/24
	Balance	Movement	Balance	Movement	Balance	Movement	Balance
Service Reserves							
DEFRA Flood Support	3,950		3,950		3,950		3,950
Local Plan Reserve	62,289		62,289		62,289		62,289
Flexible Homelessness Grant reserve	354,055	164,036	518,091	247,863	765,954		765,954
Housing Condition Survey reserve	89,970		89,970		89,970		89,970
Leisure Sinking Fund Utilities/pension	228,367		228,367	154,855	383,222	154,855	538,077
Performance Reward Grant Reserve	10,439		10,439		10,439		10,439
Neighbourhood Planning Grant	64,573		64,573		64,573		64,573
Waste Recycling Reserve	102,577		102,577	-30,000	72,577		72,577
B/S Bridge Reserve	150,000		150,000		150,000		150,000
DCLG Preventing Repossessions Reserve	17,526		17,526		17,526		17,526
Preventing Homelessness New Burdens	30,655		30,655		30,655		30,655
MTFP Transition Funding Reserve	412,776		412,776		412,776		412,776
New Homes Bonus Priority Spend	6,068,324	2,243,975	8,312,299	1,382,997	9,695,296		9,695,296
Healthy Lifestyle Promotions Reserve	32,740		32,740		32,740		32,740
Land Charges New Burdens	30,391		30,391		30,391		30,391
	7,658,632	2,408,011	10,066,643	1,755,715	11,822,358	154,855	11,977,213
Elections Reserves							
Council Elections Reserve	27,500	35,000	62,500	35,000	97,500	-97,500	0
IER Grant	105,679		105,679		105,679		105,679
	133,179	35,000	168,179	35,000	203,179	-97,500	105,679
Risk Reserves							
Interest Equalisation Reserve	1,979,543		1,979,543		1,979,543		1,979,543
Emergency Planning Reserve	36,300		36,300		36,300		36,300
Collection Fund Reserve	2,554,552		2,554,552		2,554,552		2,554,552
HB Subsidy Volatility Reserve	49,812		49,812		49,812		49,812
NNDR Section 31 Reserve	10,607,500	-1,555,352	9,052,148	-1,555,352	7,496,796		7,496,796
Insurance Fund	908,171		908,171		908,171		908,171
	16,135,878	-1,555,352	14,580,526	-1,555,352	13,025,174	0	13,025,174
	23,927,689	887,659	24,815,348	235,363	25,050,711	57,355	25,108,066

This page is intentionally left blank

What do residents think of East Herts Council? Survey comparison between December 2020 and December 2021



APPENDIX E

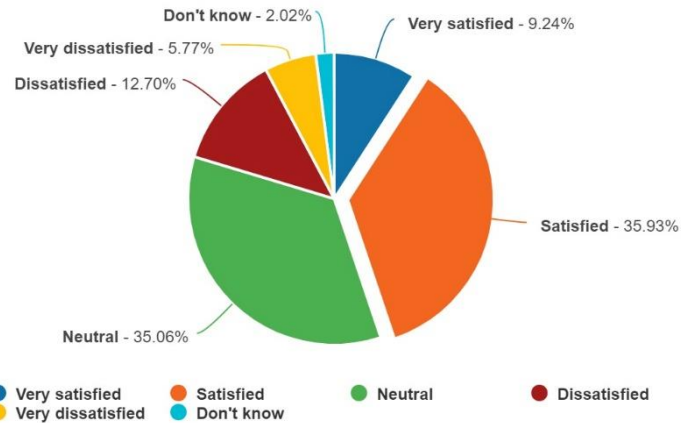
Did you know that for every £1 of council tax collected, East Herts only gets to keep 10p of it? Around the same amount is kept by the police and the majority (around 75p in every £1) goes to the County Council.



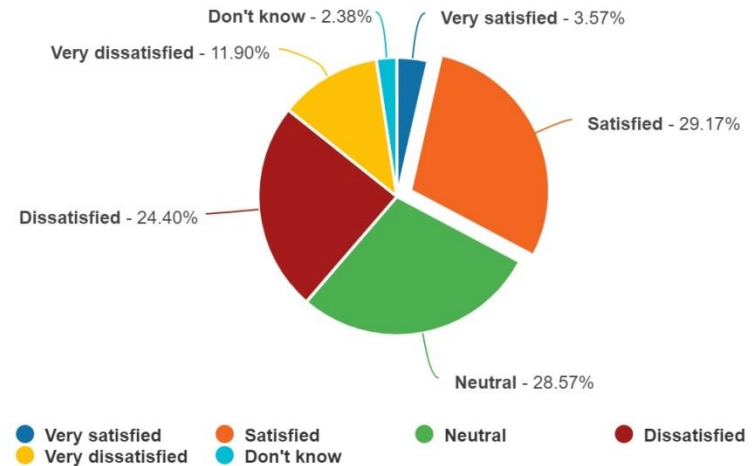
Did you know that for every £1 of council tax collected, East Herts only gets to keep 10p of it? Around the same amount is kept by the police and the majority (around 75p in every £1) goes to the County Council.









To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?









To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?



4. Recycling and waste collection? We collect black bins, blue lidded bins, brown bins and paper boxes from outside your homes. Please note the household waste centres are not run by East Herts Council.







Answer Choices			Response Percent	Response Total
1	Very satisfied		44.73%	310
2	Satisfied		40.69%	282
3	Neutral		6.06%	42
4	Dissatisfied		6.78%	47
5	Very dissatisfied		1.88%	13
6	Don't know		0.29%	2
			answered	693
			skipped	3

4. Recycling and waste collection? We collect black bins, blue lidded bins, and paper boxes from outside your homes. For those who have opted to pay for an additional service we also undertake green waste collection. Please note the household waste centres are not run by East Herts Council.







Answer Choices			Response Percent	Response Total
1	Very satisfied		18.93%	32
2	Satisfied		42.60%	72
3	Neutral		13.02%	22
4	Dissatisfied		13.02%	22
5	Very dissatisfied		13.02%	22
6	Don't know		0.59%	1
			answered	169
			skipped	5

APPENDIX E

5. Parks and open spaces? East Herts Council owns and manages around 120 open spaces including “village greens”, formal gardens, woodland and naturalised areas. We own and manage 45 main parks and 56 equipped play areas.







Answer Choices			Response Percent	Response Total
1	Very satisfied		20.12%	139
2	Satisfied		50.94%	352
3	Neutral		17.37%	120
4	Dissatisfied		7.67%	53
5	Very dissatisfied		1.74%	12
6	Don't know		2.60%	18
			answered	691
			skipped	5

5. Parks and open spaces? East Herts Council owns and manages 45 main parks, 56 equipped play areas and a number of other spaces including village greens, formal gardens and woodlands.







Answer Choices			Response Percent	Response Total
1	Very satisfied		8.88%	15
2	Satisfied		46.15%	78
3	Neutral		27.22%	46
4	Dissatisfied		10.06%	17
5	Very dissatisfied		4.73%	8
6	Don't know		3.55%	6
			answered	169
			skipped	5

APPENDIX E







6. Leisure services? East Herts Council funds or partially funds facilities including Hartham Leisure Centre in Hertford, Grange Paddocks Leisure Centre in Bishop@SQ@s Stortford, Fanshawe swimming pool and gym in Ware, Leventhorpe pool and gym in Sawbridgeworth and Ward Feeman swimming pool in Buntingford.







Answer Choices			Response Percent	Response Total
1	Very satisfied		6.66%	46
2	Satisfied		29.67%	205
3	Neutral		34.01%	235
4	Dissatisfied		11.14%	77
5	Very dissatisfied		3.33%	23
6	Don't know		16.21%	112
			answered	691
			skipped	5

6. Leisure services? East Herts Council funds facilities including Hartham Leisure Centre in Hertford and the new Grange Paddocks Leisure Centre in Bishop@SQ@s Stortford. East Herts Council also partially funds Fanshawe swimming pool and gym in Ware, Leventhorpe pool and gym in Sawbridgeworth and Ward Feeman swimming pool in Buntingford.













Answer Choices			Response Percent	Response Total
1	Very satisfied		5.92%	10
2	Satisfied		29.59%	50
3	Neutral		31.95%	54
4	Dissatisfied		10.06%	17
5	Very dissatisfied		8.28%	14
6	Don't know		14.79%	25
			answered	169
			skipped	5













APPENDIX E

7. Housing advice and support for homeless people?				
Answer Choices			Response Percent	Response Total
		2.76%	19	
		7.70%	53	
		28.20%	194	
		6.54%	45	
		2.47%	17	
		52.33%	360	
			answered	688
			skipped	8

7. Housing advice and support for homeless people?				
Answer Choices			Response Percent	Response Total
1	Very satisfied		0.00%	0
2	Satisfied		3.57%	6
3	Neutral		26.19%	44
4	Dissatisfied		4.76%	8
5	Very dissatisfied		1.79%	3
6	Don't know		63.69%	107
			answered	168
			skipped	6







APPENDIX E

10. Support for businesses? This includes giving out grants to eligible businesses as well as providing advice and guidance for operating safely under Covid-19 restrictions.					8. Support for businesses? This includes giving out grants to eligible businesses as well as providing advice and guidance on operating safely under Covid restrictions.				
Answer Choices			Response Percent	Response Total	Answer Choices			Response Percent	Response Total
1	Very satisfied		5.07%	35	1	Very satisfied		2.98%	5
2	Satisfied		13.62%	94	2	Satisfied		10.71%	18
3	Neutral		29.13%	201	3	Neutral		26.19%	44
4	Dissatisfied		4.20%	29	4	Dissatisfied		5.36%	9
5	Very dissatisfied		3.48%	24	5	Very dissatisfied		2.38%	4
6	Don't know		44.49%	307	6	Don't know		52.38%	88
			answered	690				answered	168
			skipped	6				skipped	6



11. Dealing with anti-social behaviour and nuisance?					9. Dealing with anti-social behaviour and nuisance?				
Answer Choices			Response Percent	Response Total	Answer Choices			Response Percent	Response Total
1	Very satisfied		2.17%	15	Very satisfied			0.00%	0
2	Satisfied		19.57%	135	Satisfied			11.24%	19
3	Neutral		31.30%	216	Neutral			28.40%	48
4	Dissatisfied		19.57%	135	Dissatisfied			24.26%	41
5	Very dissatisfied		9.13%	63	Very dissatisfied			12.43%	21
6	Don't know		18.26%	126	Don't know			23.67%	40
			answered	690				answered	169
			skipped	6				skipped	5

APPENDIX E







9. Parking services? This includes resident's permits zones, running town centre car parks and parking enforcement.

Answer Choices			Response Percent	Response Total
1	Very satisfied		5.92%	41
2	Satisfied		26.16%	181
3	Neutral		25.29%	175
4	Dissatisfied		25.29%	175
5	Very dissatisfied		12.86%	89
6	Don't know		4.48%	31
			answered	692
			skipped	4

10. Parking Services - do you live in a Residents Parking Permit Zone and/ or regularly use a council owned car park?







Answer Choices			Response Percent	Response Total
1	Yes		35.12%	59
2	No		64.88%	109
			answered	168
			skipped	6

11. How satisfied are you with Parking services?



Answer Choices			Response Percent	Response Total
1	Very satisfied		4.14%	7
2	Satisfied		20.71%	35
3	Neutral		33.73%	57
4	Dissatisfied		14.20%	24
5	Very dissatisfied		14.79%	25
6	Don't know		12.43%	21
			answered	169
			skipped	5

APPENDIX E







8. Planning services? This includes dealing with planning applications and planning enforcement.

Answer Choices			Response Percent	Response Total
1	Very satisfied		3.47%	24
2	Satisfied		14.60%	101
3	Neutral		26.01%	180
4	Dissatisfied		20.66%	143
5	Very dissatisfied		15.46%	107
6	Don't know		19.80%	137
			answered	692
			skipped	4







12. Have you had any contact with the planning service? (eg. applying for planning permission or commenting on a planning application)

Answer Choices			Response Percent	Response Total
1	Yes		43.45%	73
2	No		56.55%	95
			answered	168
			skipped	6

13. How satisfied were you with the planning service?

Answer Choices			Response Percent	Response Total
1	Very satisfied		2.45%	4
2	Satisfied		11.04%	18
3	Neutral		19.63%	32
4	Dissatisfied		11.66%	19
5	Very dissatisfied		17.18%	28
6	Don't know		38.04%	62
			answered	163
			skipped	11

Free Text Comments from 2021 survey:

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?				
Answer Choices			Response Percent	Response Total
1	Very satisfied		4.59%	9
2	Satisfied		29.08%	57
3	Neutral		29.59%	58
4	Dissatisfied		22.96%	45
5	Very dissatisfied		11.22%	22
6	Don't know		2.55%	5
			answered	196
			skipped	6
Comments: (70)				
1	Collect garden waste and food waste please.			
2	I have no idea of how much they spend and what on			
3	The state of some of the road surfaces in Bishop's Stortford are ridiculous. The people who work on them don't seem to have a clue what they're doing, take absolutely forever to complete a task & then have to come back after the job is 'finished' to correct their mistakes.			

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

- | | |
|----|--|
| 4 | Over charges and constantly loose services or have extra charges implemented |
| 5 | Pavements are not maintained at all which means walking safely is difficult especially with children on school runs or with prams |
| 6 | Too many newspeak emails telling me how good you are whilst slashing services across the board. Not entirely your fault, but the council needs to adopt a private model to streamline and improve |
| 7 | I live in Hertford and can't fathom why you have decided to close Hartham gym and Hertford Theatre at the same time so they can be redeveloped. This is at a time when the town centre is also closed. There is nothing in the town for young people to do. Also, I question why the redevelopment of these two facilities even needs to happen when they were done not that long ago. It is a waste of money. |
| 8 | I have already answered the survey but meant to say that the bin men who collect our rubbish in Hertford are always incredibly friendly and always wave at my young son if we're outside and getting in the car when they come past. |
| 9 | Planning permission is given to poor quality developments that are allowed to not comply with the conditions imposed upon them. Eg permission condition included that all construction parking should be on site but developer is allowed to park workforce on residential streets. Planning department 'consults' with the community but decides to exclude parts of the community because they want to give permission |
| 10 | Disappointed with brown bin charge |
| 11 | Charging for garden waste after a very biased consultation survey was disappointing. |
| 12 | East Herts invests heavily in Hertford and Stortford while doing nothing for Ware. |
| 13 | The only thing that annoys me is the extra levy for the garden recycling bin. This should not have been brought in. |
| 14 | As a resident narrowboat owner I pay council tax but do not have many of the services afforded to other CT payers. |
| 15 | Without any figures on expenditure and what services you provide how can we be expected to answer this question accurately |
| 16 | opinion has been tainted by one particular service - planning enforcement |

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

- | | |
|----|---|
| 17 | Having to pay for brown bin collection, no longer collecting food waste. Playgrounds are not maintain improved or looked after. |
| 18 | Everything is funded for town residents. Nothing beyond waste and schools spent on villages. No sports, libraries, arts etc I |
| 19 | No interest in providing parking provision to residents or visitors |
| 20 | Living in Buntingford spending seems skewed to other towns.
We also have the highest council tax in the area, without the services to match. |
| 21 | Pot holes in roads are a definite problem though . |
| 22 | No bin bags for months, bin men that are rude throw recycling boxes in front garden once emptied. Trees not looked after leaves not cleared up.
Stupid planters left in roads in fore street etc where wares have been removed. Could go on but service in areas is shocking. |
| 23 | Street cleansing services in Stanstead Abbotts are not being performed to the contract. Many residents are complaining how awful the High St looks.
Failure to clear leaves causes flood risk. |
| 24 | Even more so now I know the % they receive |
| 25 | Rubbish everywhere down the high street, whole place needs more refurb/upkeep, generally looks tatty |
| 26 | I just wish EHDC and Broxbourne would get together to provide shared waste collection services, saving all of us money on staff, vehicles and resources,
rather than hanging onto small bit of localised control. It really doesn't make sense to have a separate arrangement. |
| 27 | Street sweeping, litter and street drain hole clearance woefully insufficient in Stanstead Abbotts |
| 28 | Some of the projects will add value but others (Northgate End and ORL) seem very disorganised |
| 29 | I don't know exactly what East Herts has to spend all the 10ps on so I can't tell if we are getting value for money or not. |

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

- | | |
|----|--|
| 30 | If all you get is 10p from every pound, then you are providing a good service for the cost. |
| 31 | Think they do the best they can under the difficult times we have had. Must be difficult juggling the cash pot. |
| 32 | I find the binmen really friendly & when I moved in I arranged an easy collection of my brown bin |
| 33 | There are only two street lights in my road, South Street. We have had no street cleaning for at least 3 years, There is no control over the size of the low loaders carrying boats to and from the marina - who travel along the pavement on one side because they are so wide. |
| 34 | There seems to be little care in the way the services are delivered by the contractors employed by the council, no pride whatsoever |
| 35 | Stanstead Abbots High Street rarely gets swept and I often have to send in complaints about unemptied public bins. |
| 36 | Without details it's hard to say but looking at the amount I pay in tax in relation to the quality of services etc. Available I would say it's poor - get the basics right. |
| 37 | Very hard to find information about how efficient East Herts Council is. Are services run well? Do tax payers get value for money? Would be nice to see more transparency. |
| 38 | We pay more council tax, yet get less service. No more garden waste collection (unless we pay extra), main road hardly ever swept, bins in the village overflowing |
| 39 | I now pay extra for my green bin to be emptied. |
| 40 | New homes building approval and management has been in my view poor. |
| 41 | A lack of bus services ; potholes ; grass cutting on verges; de icing of roads in Winter all could be improved. |
| 42 | The parking on Cambridge Road does not appear to be managed well. No clear demarcation line on driveways. Motorists partially blocking access to property, making entry and exit onto busy main road dangerous - blocking visibility of oncoming vehicles. |

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

- | | |
|----|---|
| 43 | Stortford Theatre development waste money and proposed 3G pitch Grange Paddocks should be at Woodside |
| 44 | Generally satisfied but it would be nice if side roads and litter bins were attended to more often
And they did miss emptying our bin once
On the plus side the new Westmill public refuse site is fantastic so well done there |
| 45 | Refuse collection is very efficient. Not happy that Kitchen waste is no longer recycled and goes into land fill. Have noticed that hedge cutting (along roads in the estates) is infrequently done and any dead trees and plants in public areas not cleared up despite contacting the council |
| 46 | The grass cutting this year was unacceptable and the contractors seem to get away it, they accept the terms of the contract and therefore should be made to do a decent job. |
| 47 | I have assisted bin collection and on several occasions recently my brown bin has not been emptied. |
| 48 | Wasting council taxpayers' money on a horrible multi-storey car park in Bishop's Stortford. Shame on you for ruining the environment and air quality |
| 49 | Roads are very bad. Pot holes and worn out road markings. Weeds on the pavements. |
| 50 | They don't do anything they promise to do . They have been in their position so long they just don't care . While the world is worried about trees and green spaces that are been taken over and covered with houses, art centres, shopping centres. There are enough empty shops that can be refurbished and the same with many empty houses . With all the houses going up the roads are gridlocked already . We were promised more doctors surgeries but nothing as yet , one new school. Bishop's Stortford is a shambles if I was younger I would definitely move from this awful town . It's not the town I was born in . |
| 51 | Can see the need for grounds men planting flowers and hanging baskets in the area, I object to motor vehicles being parked on footpaths as this is dangerous to pedestrians and obscures the besieged of oncoming traffic for motorists. |
| 52 | The Change to the Brown Bin /Garden Waste Charge has brought 2 Problems. Those Not Willing or Able to Pay 1st Burning whether by Bonfire [SMOKE / SMELL] or Incinerator SMELL FOR LONG PERIODS. IN N North West Bishops Stortford. 2nd those who did not Pay but putting Bins Out getting them Emptied without Paying. So Checks are Not Being Made or the system has failed.
I |

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

- | | |
|----|---|
| 53 | Undertakes costly projects that are not necessary ie:- Theatre upgrade. Money could have been put to better use in other areas. |
| 54 | The bin situation is ludicrous. You do one thing - and do it wrong!! |
| 55 | Planning is run appallingly. Waste services are nowhere near to contribute sustainability. |
| 56 | Insufficient information to make that judgement |
| 57 | wasting the money on massive car parks that we be empty for eternaty |
| 58 | <p>I reported to the highways department almost two years ago that the grass verges in Stapleford had not been cut, also the trees are overhanging the slip road behind the bus stop had not been pruned for years. It iis an eyesore in a village that seems to have been forgotten. In the summer the grass was at least a foot high. I did report this to the council and was given reference numbers (the grass verge being one department and the trees another). I telephoned about six months later as nothing had been done and was told that this had taken place (evidently the lady on the phone said it was south of the bridge, and there is no grass verge there).</p> <p>The bus stop and verges in question is north of the bridge. She said this would be reported, again. To date nothing has still been done. These works used to be carried out on a regular basis.</p> <p>Why are our taxes still increasing, but the service we pay for is not?</p> |
| 59 | The Town centre has been badly affected by the Bircherley Green redevelopment debacle. The continued use of the planters in Fore Street and beyond had had a major negative impact on shoppers who used to pop into town and use local shops - I have heard this in person from several shops keepers on fore street |
| 60 | It isn't clear there distinction between the services your provide versus Herts council so it is hard to comment. Planning control has been exceptionally poor, provision of facilities for non-motorized visitors to the town (cyclepaths that cars cannot park on, safe cyclepaths, the speed of traffic next to footpaths -i.e. Bengoe high street) all need attention. Is that East Herts jurisdiction? |
| 61 | Too much digging up of roads the re digging up roads I'm a night worker and had to endure over 6 months of this now I learned that it's getting dug up again for 18 months |
| 62 | Where I live our streets are always kept clean and rubbish bins are emptied. We also have gardens and there are always keep immaculate |

3. To what extent are you satisfied or unsatisfied that East Herts Council provides value for money?

63	Litter never seems to be collected or streets swept where I live.
64	Not that happy that the street lights are off at night plus not much gritting payments can cause accidents
65	Overall very good
66	The planning decisions taken in respect of former Green Belt land sacrificed for housing forecasts that are no longer valid will end up costing the council tax payer far more in the long run due to environmental clean-up bills and emissions offsetting in the future.
67	Excellent service collection of bin fantastic they work really hard well done to them always very tidy
68	you waste money very easy
69	It's been a difficult time and sometimes you have been short of staff but still the bins were emptied
70	Money is wasted on rebuilding the theatre and on on town centre

14. Please provide any other information here regarding your thoughts on our services.

Answer Choices		Response Percent	Response Total
1	Open-Ended Question	100.00%	130
1	Brown bins for all! Need to manage waste as well as we can - recycle and compost - the opt in cost for brown buns will put people off.		
2	<p>We live in area near the train station so have parking restrictions. We only see the parking officer about once a week. Cars regularly park illegally and get away with it.</p> <p>There is a huge increase in drug taking in the local parks, I feel very concerned about my teenage son visiting them as I don't feel he is safe</p>		
3	<p>The lack of funding/match funding for community projects is very disappointing, resulting in many organisations delivering district priorities to struggle. Additionally, the lack of support for new initiatives across local parks is frustrating, one particular officer has been blocking a number of great community led initiatives.</p> <p>Regarding traffic management and parking, there is a real issue on Sele Farm since the Ridgeway development, often resulting in buses getting stuck on Thieves lane and constantly beeping their horns to try and get cars to move. More yellow lines need to be implemented on bus routes.</p>		
4	<p>Traffic management needs addressing in Hertford. Particularly the Sele Farm area which has become far busier in recent years.</p> <p>This area would also benefit additional facilities for those unable to freely head into town.</p> <p>Regarding sports and leisure in general, Hertford would benefit from more affordable activities for residents. Not enough affordable options when it comes to swimming pools and not enough cycle route around town.</p>		
5	<p>On road bin collection could be better</p> <p>Reactive to reports and don't address issue of regularly overflowing bins and rubbish</p> <p>Door collection service excellent though</p>		
6	<p>To many people not paying into the system or paying little for a high return, residential canal boats don't pay council tax however are happy to moor all summer on Hartham Common leaving litter every where, charge them a mooring fee to cover the costs of cleaning it all up.</p>		
7	<p>Having dealt with parking and planning departments I feel they are both run in a shambolic fashion. Neither gives credible customer service parking meters that don't work when the sun shines on them which are installed facing the sun (Ware Priory car park). Quote by planning officer "if there's not</p>		

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|--|
| | been an obvious breach of planning regulations we're not going to look into it" shameful |
| 8 | I have recently set up a local your basketball team catering for children 9-14 years old. I have funded everything myself & have never heard of any grants or financial support available - what I do hear, is how thousands of pounds are spent on the rugby, cricket and football clubs to upgrade their facilities. What about people like me? Small business owners trying to help the local community. |
| 9 | Cut back in services provided in Buntingford yet still paying one of the highest council taxes in East Herts. Recycling at Aspenden gone and police services in the area cut back, why are we still paying a higher premium for reduced services? |
| 10 | Roads are shocking and need attention. Traffic is absurd! Too many houses being built without the roads to deal with it. It shouldn't take 40 mins to get from one side of town to the other! |
| 11 | Planning is a joke, plans are passed without thought to local community needs and requirements, EH rely too much on car parking charges that still make a loss because they're afraid to put them up, and building unnecessary new car parks (Bishops Stortford) or the stupidity of charging residents for on street parking until 8pm when the restrictions on local roads in town finish at 6.30pm. Allowing high rise developments in the town of Bishops Stortford destroying views across the valley from the higher points in town. Licensing rules for local businesses along the high street and south street in the town are preventing an evening 'cafe culture' that would bring life into the town in the evenings, shut the main high street off to traffic after 7pm and let cafes and bars open until late. Return the public space taken by wetherspoons and Skew back, so the public can enjoy the public space again without being hassled by security or staff from those establishments when all you want to do is congregated with friends by the river after a cycle ride or walk in what was a public space. |
| 12 | There is not enough leisure or social provision for young people in Hertford. Apart from sporting activities there is little for them to engage in. If there was more on offer then we might start to see anti social behaviour drop. |
| 13 | Anti-social behaviour is a concern. Lack of a visible police presence particularly over the weekend exacerbates this. |
| 14 | Pavements!!! Traffic in Bishops Stortford is a nightmare, Jackson Square car park is badly planned and we are all being encouraged to walk yet the pavements are not kept clear at all. It's so dangerous. |
| 15 | Reducing recycling is unacceptable. Problems with waste collections, litter collection, civic pride and road/pavement clearances are not good enough |
| 16 | I have said I am dissatisfied with a number of items. Firstly the parks and open space situation. Since Hartham play ground has been refurbished it is a lovely facility but it is packed. All the while my closest playground at the castle grounds is old and poorly maintained. If this is under EHDC control I would |

14. Please provide any other information here regarding your thoughts on our services.

- urge you to improve it. I am also concerned about antisocial behaviour being allowed to continue. There is a homeless lady who has been living in the Gascoyne Way car park for many weeks. She needs help herself but equally she is mentally unwell and shouts at people using the car park. How is this allowed to happen? I have had occasions to use the planning system and got planning permission granted but did not speak to a single person the whole time my application was in. That's fine but agents I used have complained bitterly about the lack of communication and delays in decisions. You can't just put a blanket statement on your website and expect people to be okay with that. Finally, get Hertford town back open again and stop businesses fleeing. It is becoming a ghost town and I question why I am sticking around when nothing is open. Thank you!
- 17 Finally, your car parking wardens are incredibly rude and give no one the benefit of the doubt and just slap tickets one cars left right and centre. I've even seen one standing and waiting by a car until the time ticks down so he can issue a ticket. Disgusting!
- 18
1. Another poorly worded questionnaire from east Herts council. Same as the recycling and waste questionnaire which didn't enable residents to properly comment on your proposed changes without bias in the questions. The questions were written in such a way that you generated the answers you wanted to enable you to push through your changes. Very poor communication strategy if this is the way you're going to continue with your survey design.
 2. Not to mention that you are now not appropriately disposing of household food waste. It's disgusting that you don't have a better recycling service in 2021. You should be doing everything to make the county greener not introducing policies that back track on progress.
 3. District counsellors should be more visible to the public. Let's have some flyers round introducing them all and telling people what they can contact them for.
 4. Invest in your environmental health teams as they are the boot leather of public and environmental health. They are understaffed, underpaid and under-appreciated. We need them to keep doing their preventative health work to keep the county in better physical and mental health. Food safety, housing conditions and noise all have huge impacts on peoples health and well-being. Bolster these services to help with pandemic recovery.
- 19 Parking department has unilaterally decided not to consult on a Residents parking Zone in Tamworth Road based on a couple of hours of survey, in June 2021 when many businesses had not fully resumed and ignoring developers intention to 'considerately' (sic) park 40 to 60 vehicles on local residential streets despite only 20k of S106 money out of over £1.5 mill being allocated to an RPZ
- 20 Great service, quick to respond when I reported muddy slippy dangerous long section of pavement. Thank you.
- 21 You take money from Southern Maltings while spending on other centres. You refuse to repair Fanshawe Pool while spending millions in other towns. There are no EV charging points in your car parks in Ware, plenty in Hertford. Your parking people are predatory in car parks, but ignore traffic violations on roads. Can't wait for your abolition for a unitary authority.
- 22 I thought it was an absolute disgrace when the brown recycling bin collection became chargeable - you cannot take something away and then expect people to pay for it to retain the service. Furthermore, the charging of this is ridiculous and inflexible. Why not adopt a PAYG scheme or the opportunity

14. Please provide any other information here regarding your thoughts on our services.

	to pay monthly ? Not everyone can afford £50 up front.
23	On the whole I think the council are doing a good job.
24	We need a New gym / swimming pool asap
25	Planning allows too many (not very affordable) homes without sufficient parking allocated leading to exacerbation of already chronic traffic problems getting through Hertford especially at rush 'hour' which runs from late afternoon through early evening. Developers allowed to make changes to agreed plans which leads me to believe the agreements were there as a sop to residents objections - not worth responding as nothing is done.
26	With the amount of properties being built in the town there doesn't seem to be enough infra-structure being provided to accommodate this. I have a neighbour that couldn't get her child into any school in Hertford and it is practically impossible to get a doctors appointment.
27	Please rethink food waste collection. Most of it must now go in the black bin. How is this good for the environment? Your planning enforcement team is very slow to respond and reluctant to take action. Please sort it out.
28	Planning search could be improved. Enforcement of parking in ACCESS ONLY areas is poor with always the argument 'Is it HCC or EHDC'?
29	There seems to be an increase in street rubbish and overflowing public bins.
30	Grange paddocks new leisure center car park is a joke. Not enough space for the amount of new people.
31	Bin collectors are efficient and helpful. The car parking wardens are helpful and cheery.
32	Planning service department is run ragged it is so busy it has had to cut some services offered. Please get more staff in to support the workload.
33	Maintenance of footpath, pavements and parks (public spaces in general) is poor if non existing. Lighting of footpaths is poor or non existing. Walking and cycling during the cooler months is often seen as too unsafe by too many people, increasing car usage. Public transport is limited, unreliable and expensive.

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|---|
| 34 | You seem to represent developer wishes and not the people of East Herts |
| 35 | Residents in villages should pay reduced rates, we have virtually no bus services, and can't access sports or art facilities in towns. We have no local library service nor arts yet we pay for those, which are only accessible by car . And council refusing to put e charging points in villages. Soon if petrol cars banned we will be totally isolated. But paying just as much council tax as town residents. And single people are discriminated against as we are charged 50% more per head than a couple are. So unfair and unjust. Parents with kids should pay more council tax , stop overcharging those of us on their own, who use little and produce little waste. Council should be encouraging local commerce and shopping facilities and prevent any commercial property being changed to residential use. Councils are responsible for dormitory state of some villages, reduce businesses rates! Tax large families!! |
| 36 | Planning not linking with licensing, planning state a time on decision notices for businesses to operate but then planning make no comment when the same business applies for an alcohol licence past the planning times. Even though planning are consulted as part of the licensing application. Its confusing for businesses. |
| 37 | You introduced no parking on bull plain Hertford, this is poorly enforced. Cars are often parked either side making it difficult for Folly Island residents to get through. You do not provide enough pink sacks for Folly Island residents waste, I really think it's about time we are given a bin to place our rubbish in, we are still having to place rubbish in bags outside our properties which get attacked by cats and foxes which results in food waste being all over the roads. Why is the residents parking in folly island not 24 hours (including Sundays)? On Sunday people who are not used to driving and parking in the tight roads end up hitting residents car's. This could be easily avoided by introducing 24 hour residents parking which should be enforced |
| 38 | My bin collection was missed last week despite putting the bin in the usual place at the boundary. Could have been a one off but I was very dissatisfied. I use the car park at grange paddocks leisure centre regularly at 10:30am on Thursdays for me and my daughter and since the new opening, have found there are not enough spaces. I am driving round like it's Christmas Eve at the supermarket every week and once the fields are complete there will be even more users. I am dissatisfied that parking was not a priority. It's all very well trying to be green, but you can't travel on a bike with a family. |
| 39 | I live on Southmill Road in Bishop's Stortford and would like the permit times to be extended to lo ger during the week and also for peak times over the weekend. Other than that, having moved from a London Borough I love living here and think East Herts give great value for money if they are only getting 10p out of the £1 |
| 40 | A lot of people raised valid concerns regarding the new Lea Wharf development and none of them were addressed. Parking services are a joke run by people who don't actually know Hertford town centre |
| 41 | Poor decision to charge for garden waste.
No provision for recycling or household waste disposal despite the increasing size of Runtingford, instead expecting residents to drive to Ware |

14. Please provide any other information here regarding your thoughts on our services.

	Poor planning decisions, resulting in inadequate schooling numbers, doctors etc.
42	I like being able to see and comment on planning applications online.
43	Just problem with pot holes on various roads.
44	Your environmental health service and support for residents is very poor
45	It would be useful to have more published updates on progress with major initiatives in the District e.g. Hertford Theatre, it has been closed now for over 6 months and not a great deal seems to be happening on site, have there been delays? I am supposed to receive updates but nothing has arrived recently.
46	Bin collections - waste is left all over the roads and is down to the residents to clear up. Planning - ridiculous amount of new houses and lack of public services. East Herts should leverage their power to gain meaningful facilities through Section 106 agreements rather than accept the bare minimum and shutting facilities. We do not need any more balancing ponds, we need another high st, in the village development, another doctors, dentist etc. Simply to service all the extra people you have bought to the town through greedy development!
47	Street and other rubbish bins need more regular emptying.
48	Shocking service live in permit area but have blue badge almost a ticket from over zealous warden as winter screen mister up/ice and he wanted to issue a ticket as he couldn't see badge ?
49	There is an increase in antisocial behaviour particularly around play parks in Hertford. We have also been without a swimming pool for years now at Hartham as a result of works beginning the week after COVID restrictions were lifted.
50	Litter bins need emptying more often
51	Parking is terrible on my road, partly because we live next to a residents parking scheme that hardly anyone seems to use. We offered to pay so we could get a parking permit but we don't live on the correct street.

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|---|
| | Can't wait for Hertford Theatre to be open again! :) |
| 52 | <p>Flytipping is not being tackled systematically. It is a huge issue.</p> <p>Withdrawing food waste collection is a backward step for the planet.</p> |
| 53 | Not sure where street cleaning including street bins comes within this survey! I feel there is lack of such service within the Stanstead Abbots Village. Bins constantly overflowing, which we know is largely due to the boating community who have limited facilities. Why not remove high street bins to encourage people to take their rubbish home or use recycling facilities? |
| 54 | Lived in my home for 28 year. Seen the road swept once. Drains need clearing out to prevent flooding in areas prone to flooding. More gritting on busy rural roads |
| 55 | Information is knowledge, great to see and hear more of what your doing |
| 56 | Generally very slow at everything |
| 57 | Rubbish bins have been taken away from Stanstead Abbots both in the high street and along the river. The few remaining ones get filled up too fast and spill over in the street. It is a disgusting mess all spring and summer. The large Amwell roundabout has the most ridiculous road markings to force traffic to use use it differently but it has made the problems worse. This roundabout needs traffic lights. Stopping the brown bin collection in this way has led to difficulties. If it was too expensive, try once a month rather than once a fortnight. There has been no moves to collect the unwanted brown bins months after collection stopped. |
| 58 | <p>I think the policy decision to start charging for green waste removal was a very poor choice. For those of us with a need for green waste but with limited disposable income, we're now forced to feel guilty about putting everything in landfill. More innovation required on balancing your books I think. I'd be happy to make some suggestions.</p> <p>Also, please can you try a little harder to encourage a more consistent approach to recycling, especially plastics? The advice is unclear and standalone, so us residents are confused about what exactly can go in and what needs to stay out. Again, I'd be happy to work with you to develop this from a citizen's perspective.</p> |
| 59 | No waste food collection, worst council in the country for green belt destruction |

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|---|
| 60 | Green spaces: too much emphasis on 'tidiness' and nowhere near enough on biodiversity and the environmental benefits of vegetation.
Planning: consultations are just box ticking exercises abd green washing without listening to public opinion or what is necessary to combat climate change and biodiversity loss. Any housing should prioritise social housing and not line developers pockets. |
| 61 | East Herts feels like a quiet council - would be good to see more initiatives |
| 62 | The only visible services we see you providing are bin collections - which have been late / missing ever since we had to start paying for the brown bins which is certainly not value for money and car parks where the card machines aren't working properly half the time. It's been a long time since I've seen anyone maintaining/emptying bins in the parks (and we use them daily) and the people cutting grass verges are ridiculous - can't we cut the budget by letting the grass grow a little longer before reducing the daisy's and dandelions to patches of mud - come on, we're in a climate emergency we need all the plants we can get! |
| 63 | I have always found East Herts Council very helpful when dealing with queries and any issues and reporting any problems the response is usually very quick and problems resolved quickly.
Your bin men are great too so pass on my thanks. |
| 64 | You do the best you can with limited funds. |
| 65 | We live in a cul de sac & my neighbours said they don't salt the roads here Cm234px (we moved here in January) |
| 66 | Weed spraying and the mowing of grass alongside roads and around roundabouts, if this comes within your remit, is appalling. Apart from the refuse collection and street lighting I am not satisfied with our level of service. |
| 67 | I live in Stanstead Abbotts and the council is meant to empty the bins and sweep the paths . This is not being done to any kind of acceptable standard . Dirty high street and overflowing bins |
| 68 | You just wave planning applications through and are destroying east Herts when will you stop! |
| 69 | Road/pavement cleaning pretty poor in Stanstead Abbotts, particularly in Autumn when leaves fall |

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|--|
| 70 | Enforcement of basic double yellow lines is non existent. Bin collection is in frequent and whilst most collections are very good you can tell some people can't be bothered as they just chuck bins around which is a struggle for those who have disabilities. |
| 71 | I live in Stanstead abbotts on the high street and regularly have to contact the council as litter bins are not emptied frequently enough and the high st is deep in litter and rubbish particularly in the summer when people visit to use river and walks |
| 72 | Would like more transparency - money used more efficiently. |
| 73 | Cleanliness & emptying bins in stanstead abbotts not happening village not being regularly cleaned |
| 74 | Our village (Stanstead Abbots) high Street Looks a mess. Broken railing by the traffic lights not repairs in almost two years. Rubbish on the street (although they are supposed to be swept several times a week, I have yet to actually see someone do it), rubbish bins overflowing regularly |
| 75 | <p>I think high street bins could be emptied more regularly in the towns and villages.</p> <p>I think waste collection including the green bin service are good!</p> <p>I think there's too much fly tipping and it'd be nice to see more action taken to clean it up and stop it happening.</p> <p>Planning permission department are very hard to contact for simple "free" advice on what types of works need permissions (from the perspective of living in a g2 listed property)</p> <p>There are a lot of local businesses in the village so if these are supported by EHC then I think that's great</p> |
| 76 | Planning - 2 weeks to get a phone appointment to ask a single question, appalling. Leisure facilities - swimming pools are very expensive so I'm not clear how you 'fund' them. Open spaces- you don't bother to cut trees on my road or clear leaves and gutters and leave residents to do it. |
| 77 | New homes building approval and management has been in my view poor. |
| 78 | <p>Two major issues:</p> <p>(1) failure to regularly empty waste and dog bins (although same may be Parish Council); and</p> <p>(2) failure to weed treat kerbs/pavements on estate roads. Many have considerable growth and look very unsightly</p> |
| 79 | see previous entry |

14. Please provide any other information here regarding your thoughts on our services.

80	Very disappointed by the unexplained delays in re-opening Hartham LC and specifically the pool. There seems to be a view in the ruling party that EHDC should not have to be accountable to council tax payers.
81	I believe there would not be a huge cost involved in painting demarcation lines on driveways to ensure safety of motorists and pedestrians on Cambridge Road.
82	Fix the pot holes in the road in Stortford by Jackson Square Parking. Sort out traffic flow out of JS Parking.
83	Overall very satisfied with services offered
84	Generally satisfied with services but it would be nice if you banned and enforced parking on footpaths and installed double yellow lines on junctions on more residential roads
85	The Council's Development Management process is not fit for purpose. There is an overall lack of focus on customers; lack of communication and customer care, and severe delays that has caused substantial financial losses to local businesses and residents alike. Harm is also being caused to the environment because of these delays. The system needs overhauling urgently.
86	Some of the street cleansing leaves something to be desired. I regularly have to complain about overflowing bins, especially by the riverside in Ware. Why are they not on a rota, or even replaced by BIGGER bins.
87	Very pleased that through these last 2 years with covid the wheelie bins have been emptied on time with no collections missed I commend the council and workers for this. Well done!
88	Planning appears to be a shambles, have had a application for planning permission since June and we are still waiting, have not had a e-mail or phone call informing us at which stage our application has reached. Paying for emptying Brown Bins, all this has done I would imagine is increase the waste going to land fill.
89	An underpass ref:401002288386, 401001909642, 401002402299 has been flooded for 18 months and despite reminders and emails it has still not been sorted. So some of the services provided are not satisfactory.

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|----|--|
| 90 | Planning, too many flats without adequate parking. Our county town is a disgrace, too many weeds growing through barriers, on and around fences and paths, the whole area looks run down. |
| 91 | My planning application was quickly and professionally dealt with |
| 92 | Always a problem when a council is almost a one party state - whatever the political colour. A strong opposition is necessary to ensure accountability |
| 93 | Bus service is poor from Thorley. No direct bus to Stansted or Harlow. |
| 94 | The planning department is a joke , they just don't listen to the people living in the affected areas. |
| 95 | I think you do your best in difficult circumstances, on the whole. |
| 96 | I don't have an especial understanding that any particular service I am using might be provided by EHC. When I am benefiting from such a service (whether with or without knowing it), I generally won't have an opinion as to its quality - it is just that - a service. Perhaps more awareness is needed on my part! |
| 97 | Council tax should be calculated on individuals earnings why should two retired people pay as much as four working people living in a similar property. Planning sort should be on an individual basis with planning officers in attendance where necessary to make informed decisions and not read from a script. |
| 98 | Recycling services have gone backwards. t |
| 99 | Parks and open Spaces NEED MORE WASTE BINS. More Action in Parking Scheme Areas to Stop Driving School Cars Parking Across Peoples Drives and Parking in Scheme Areas in General by People who ignore the Signs. Speed Enforcement in these and other Areas is VERY LAX. The Humps in Rye Street B/S should be RIGHT ACROSS THE ROAD TO STOP LARGE CARS AND LORRIES IGNORING THEM WHILE SMALL CAR OWNERS HAVING THEIR VEHICLES DAMAGED BECAUSE OF THEIR SMALL WHEELBASE SUFFERING RIPPED TYRES / BUCKLED WHEEL RIMS / BROKEN SPRINGS AND SHOCK ABSORBERS DESTROYED BY THE BROKEN EDGES OF PARTIAL HUMPS MY COSTS ARE APPROACHING [£3K] SINCE THEIR INTRODUCTION.;; YOU WOULD SAVE MONEY BY GOING STRAIGHT ACROSS ON MAINTAINANCE AND COMPLAINTS BECAUSE TOTAL COVERAGE WOULD ELIMINATE THIS. |

14. Please provide any other information here regarding your thoughts on our services.

100	The company that deal with the waste service seem to be ridiculous i hear the staff are very unhappy
101	Commented on Tamworth Road Re-Development but it was a complete waste of time. The Government has laid down a set of rules and, as long as the application is within the rules, then nothing else matters or is taken into account. Local consultation is a con.
102	Flytipping and litter isn't dealt with effectively, it ruins our country roads and footpaths. Also bins are not emptied along the high street (Stanstead Abbotts) regularly enough and are often overflowing as a result. The same goes for litter picking and street sweeping, sometimes the same piece of litter remains on the street for weeks!
103	Need to keep road works more up to date. A road near us was recently re-tarmaced after probably more than 2 years in the waiting, and the Disabled parking box has still to be repainted in.
104	Charging extra to use the parking app vs ydibg cash is madness. Other councils do not.
105	Parks: I'd like to see a lot more focus on biodiversity and natural spaces, rather than formal parks. Planning: the EH dept does not appear to have the staff and expertise to deal with the fog of misinformation presented by large developers. I know EH planning is not to blame here - it is just far too under-resourced.
106	Lack of enough genuine engagement with rresidents. Poor approach to planning, insufficient good staff not gough enough on developers..
107	Very difficult to understand the difference between East Herts and the County Council
108	There are never EO patrols in residential areas always in town centre where the EOs pair up! If you contact EHDC you are treated like a fly to be swotted away as soon as possible!
109	I think stopping recycling of food waste was a very bad decision, particularly when garden waste still gets recycled in the same way as before, so why can't those who use the garden waste facility still be encouraged to add their food waste? Most people do not have room for compost facilities and now food waste goes directly to landfill, how can this be accepted by the Council?
110	I'm generally happy, but disappointed in the brown bin service now being chargeable and the sub contracted company has not done a good job. I asked for the sticker for a housing association bin to be sent to my address and only by chance discovered it had been delivered to a resident who had thrown

14. Please provide any other information here regarding your thoughts on our services.

it away.

111 The council is not doing enough to combat climate change and it is putting money before it's environmental obligations.

Firstly there needs to be more parking in council run car parks that has chargers for electric cars. I'm thinking particularly of Bishops Stortford. Those spaces should be for electric car drivers only with parking penalties for anyone else using them. It's easy revenue for the council. Secondly, the change of the successfully run brown bin scheme for both food and garden waste to a chargeable garden waste system is disgraceful. This is not because of the charge, but because of the lack of provision of a separate food waste service now. Telling even the people that pay for the brown bin to put their food waste in to the black bins again, even though it can still be collected alongside garden waste and composted in the same way as it always was, is criminal. We know that this is because you can't officially tell them they can still recycle food waste in there, because you then can't legally charge for the garden waste. EHDC knows the cost to the environment, hasn't listened to the consultation where people even said they would now fly tip their garden waste, but has pressed ahead regardless. Saying you hope to bring in a separate food waste collection sometime in 2023 (when the government says all councils must provide one) is simply not good enough. Yes other local councils charge for garden waste collections, but those same councils also provide separate food waste collections. 2023 is not good enough, everyone in East Herts produces food waste and it could be making you money like it does other councils by turning it into biofuel instead of rotting in landfill and causing one of the worst greenhouse gasses - methane. As Boris Johnson told the worlds leaders at COP26 "Humanity has long since run down the clock on climate change. It's one minute to midnight on that doomsday clock and we need to act now." You are a Conservative Council, this is what our Conservative Prime Minister is telling the world, yet EHDC instead of prioritising the environment at a time we all have to do much more, has taken a huge step backwards.

112 There never seems to be drain clearance on the main roads, a problem in some areas when we have heavy rains. This would held to eliminate a lot of problems in some areas.

113 Please don't use surveys with leading questions that give you the answer you want e.g. the recent one on the continued use of the planters in Fore Street

114 Poor service by the planning department not supporting tax paying residents from inappropriate home improvements even after action paid for.

115 Parking charges for open spaces (no not happy) gas works cadent (not happy)
Amount of new build houses being put up (not happy) pot holes in roads (not happy) poorly lit streets (not happy) I'd love to come and speak to some of you regarding several issues and offer solutions

116 I think that pot holes in the roads need attention before they are allowed to get too big

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|-----|---|
| 117 | The contractors are not doing their job satisfactory, grass is left in a mess, litter bins not emptied regularly, where are the inspectors, they should be chancing the contractors to make sure their work is done properly. Weeds not removed around footpaths and verges, Hertford is looking like a third world town. |
| 118 | There is no enforcement of conservation areas. When was the last time anyone checked on the large number of satellite dishes on the front faces in these areas. Start with Port Vale for a start. There is around 20 there. |
| 119 | Dropping food collection from brown bins is awful in the summer, with food waste only collected fortnightly. |
| 120 | Refuse collection is excellent wish all depts were as good |
| 121 | The recent road retarmacing was excellent. Very efficiently delivered at night. Easy to understand announcements about it. Big improvement on the old surface and was much needed. |
| 122 | The developments in Sawbridgeworth are causing big problems for the local residents. How some of these developments got planning permission, lord only knows. They have been foisted on us and beginning to have families move into them but the school expansion to enable children who have moved into the local area has not started. Why was this not a provision to be in place early so that school places were available.
I could go on and on about what I feel about these developments getting planning permission but there is plenty of information about how local people feel in the public domain already an no one in East Herts take any notice so what is the point. |
| 123 | Planning process for the so called "Gresley Park" development was inherently flawed, and already the developer is effectively removing bridle paths in the area from use by equestrians by planning to reduce their width and run access roads for earth movers right next to them. Ever tried to control a horse being ridden next to a backhoe? I wouldn't recommend it. The bund has also been marked for destruction along 30% of it's length, which was not in the planning proposal. The whole project was based on an outdated and overinflated forecast for housing needs in East Herts, and will lead to overburdening of services in Stevenage (not East Herts) thereby making it neatly "Somebody Else's Problem". |
| 124 | Hartham Pool has been closed for too long. |
| 125 | I would like to mention the dust men. I think they do an excellent job. |
| 126 | All I use is the bin collection service which is excellent |

14. Please provide any other information here regarding your thoughts on our services.

- | | |
|-----|--|
| 127 | it always comes across to me that as a council tax payer we never get value for money and that the council has no one to answer too, every year our council tax goes up but the service is less, then to top it all we have to pay extra to have our brown bins emptied. as for the planning in east herts its a joke having objected to a small development in our road a few years ago ,it got turned down on first application when back few months later in hear second one,it was done deal ,waste of time turning up |
| 128 | Recycling collection staff are amazing, they have done a great job this year.
More money could be spent on leisure in Buntingford |
| 129 | With friends that have contact with Heritage all 3 couples have gone through hell they are very hard to get hold off and take forever to make a decision.
Which I'm does not make any sense whatsoever |
| 130 | Feels like Hertford loses out to the rest of the district while the district seems to give carte blanche to new developments like Blakemore Manor, Gilston, NE Ware and Birchall village |

answered

130

skipped

72

EQUALITY IMPACT ASSESSMENT

EAST HERTS COUNCIL

BUDGET SAVING PROPOSALS

Summary

This report sets out the approach taken to consider the cumulative equality impact of East Herts Integrated Plan proposals for 2022.

The process for Equality Impact Assessments is an evolving one, with assessments updated as projects and proposals develop. This cumulative assessment assesses potential equality impacts on the new savings targets for 2021 - 2022.

East Herts sets out guidance and support for staff on taking a proportional and meaningful approach to paying due regard to equality duties both in the design and delivery of policies, services and staff restructures.

1. Equality approach

- The Public Sector Equality Duty also requires the District to foster good relations and promote equality of opportunity between those with a protected characteristic and others. This work is implicit in all of our services.
- During formative stages of the budget planning process, and as part of business case development, individual Equality Impact Assessments (EqIAs) are required to be presented with each major policy proposal to help decision makers consider the impact that would be felt by the community if a service change was implemented. Available data from national and local sources is used to inform decision-making - in particular, community profile and staff diversity data
- The appropriate consultation, monitoring and review process for each project has been planned or carried out with stakeholders, staff, partners and the public where appropriate. This information has been used to feed into the equality analysis.

APPENDIX F

- Specific guidance on equality impacts is available as part of this.

The table below summarises the equality impact analysis of individual projects that collectively deliver the savings East Herts Budget Proposal.

2. Potential equality impacts identified by East Herts Budget proposals and the mitigating action either carried out or proposed.

Service area and potential for impact on people from protected groups	Impact Level	How we will mitigate against any possible impacts
ECONOMIC DEVELOPMENT: Membership fees		
The focus of this budget proposal looks to withdrawing funding from various schemes and activities including the London Stansted Corridor, the Digital Innovation Zone, Central Zone Alliance, and Visit Herts.	Low	<p>In consultation between the Equalities Officer and the Head of Communications, Strategy and Policy the equalities impact of a reduction to membership fees was discussed.</p> <p>The Dragon's Apprentice Programme works directly with younger people at primary and secondary school ages to develop business and entrepreneurial skills. Withdrawing funding means the scheme is likely to stop unless the CVS can find alternative provision through private sector partners. However overall numbers taking part in the scheme is relatively low (usually one group from 10-12 schools per year so perhaps up to around 40 young people a year would be affected). However, the programme is delivered within school time so this would be replaced by other learning/ activities within the relevant school curriculum. No data on the characteristics of those who take part are collected.</p> <p>The Dragon's Apprentice Programme does enable young people to work with a local charity and raise funds on their behalf. In the past this has been relatively successful and has included the Muscle Warriors (who support people with muscular dystrophy), Breathe Easy and Bury Rangers (All Inclusive). Total funds raised</p>

		<p>over the past years are around £3k for these groups. Withdrawing funding from the scheme will mean some groups have less capacity to undertake fundraising however the amounts are small and do not affect any core funding or fundraising activity (the Dragon's Apprentice scheme is effectively an "extra" means of generating money).</p>
Housing and Health		
RESILIENCE PARTNERSHIP: Emergency Planning-related contracts – Hertfordshire Resilience Partnership		
<p>This efficiency proposal looks to reducing payment to the Hertfordshire Emergency Planning/ Resilience Partnership from £26,000 to £16,000 to reflect the reduction in hours devoted by the Partnership to East Herts that has already been made. At the same time, incorporate any remaining functions into the work of already existing East Herts Officers.</p>	<p>Low</p>	<p>In consultation between the Equalities Officer and the Head of Housing and Health, the equalities impact of a reduction in payment to Emergency Planning and Resilience Partnership was discussed.</p> <p>From the impacts and external reports and findings below, it was found that the impact on residents as a result of this change is likely to be minimal. This is due to the mitigation of East Herts Officers taking up the responsibility where the partnership is reduced and therefore no equalities impacts were identified from reducing the budget.</p> <p>After consulting the Hertfordshire Risk Register published by Hertfordshire Resilience, the Equalities Officer assessed any impact of this budget cut across the nine protected characteristics and raised that there could potential age-based</p>

APPENDIX F

		<p>impact. Hertfordshire Resilience Partnership describes some of the risks to the County on their Risk Register:</p> <p>‘Infectious outbreaks and diseases, such as a flu crisis, could have a significant impact on health, particularly amongst the young and elderly’</p> <p>One of the positive impacts of the proposal was that there were no significant reductions to public services foreseen, due to the prediction that these duties can be absorbed into the existing East Herts Staff base.</p> <p>One of the negative impacts of this proposal was the potential increase in pressure on existing East Herts District Officers.</p> <p>The ‘Opinions and Wellbeing Survey’ from the Office for National Statistics describes that 45.8% of adults over 70 have their wellbeing affected by the COVID-19 pandemic, compared with all adults at 53.1%.</p> <p>(Coronavirus and the social impacts on Great Britain - Office for National Statistics (ons.gov.uk))</p> <p>However, due to the sharing of resources across the district officers, any external impacts of this budget reduction should be mitigated.</p>
--	--	--

COMMUNITY TRANSPORT: Grant support to operators of community transport		
<p>This budget reduction looks to reduce council funding towards the start-up of community transport schemes.</p>	<p>Low</p>	<p>In consultation between the Equalities Officer and the Head of Housing and Health, the equalities impact of a reduction towards community transport schemes was discussed.</p> <p>Prior to this consultation, the Equalities Officer undertook research with the Community Protection Manager, who shared that data on community transport via resident protected characteristic was not held centrally in their department.</p> <p>It was also discussed that those with protected characteristics could be over-represented in the passengers of community transport, however mitigations to these issues were discussed, such as: the Lynx bus service, a demand responsive transport service in the north of the district, greater support from parish councils and access to the council's community grants to aid the transition to no council subsidy.</p>
BED AND BREAKFAST CHARGES		
<p>The current service provision includes bed and breakfast accommodation as temporary accommodation for single people when the council's hostels are full. The budget change here is to increase the charge for single people in bed and breakfast from £110.40 per week to £129.33, which represents the maximum</p>	<p>Low</p>	<p>In consultation between the Equalities Officer and the Head of Housing and Health, the equalities impact of a subsidised fee for bed and breakfast charges was discussed.</p> <p>It was recognised that the increase in housing benefit coverage would not be visible to anyone placed in bed and breakfast accommodation as the housing benefit payment, which is</p>

APPENDIX F

that can be funded in full from government housing funds.		<p>funded from resources made available by national government, is paid directly to the Housing Service to in part cover the charges levied by the bed and breakfast hotels to the council. When a member of the public is placed in bed and breakfast, the cost is met in full from the council, with, as noted above, some of the cost recovered from housing benefit, although the amount recoverable is capped by government.</p> <p>Moreover, the number of households in the UK that are now. In East Herts there are 2,039 households on the waiting list for social housing.</p>
GRANTS: Revenue Grants to third sector/voluntary organisations to support the council's priorities		
For 2021/2022 the funding for both the council's revenue and capital community grants comes from the council's revenue budget. Thus, the two pots can be considered as one with, for the first time, members being able to determine the split between revenue and capital grant expenditure.	Low/Medium	<p>In consultation between the Equalities Officer and the Head of Housing and Health, the equalities impact of reduced revenue grants to third sector and voluntary organisations were discussed.</p> <p>It was concluded that given the council's grants policy, a number of recipients with protected characteristics could be disproportionately impacted in an adverse way, notably older people, those with physical disabilities and those with learning difficulties.</p> <p>The mitigating actions discussed for this were; (a) for Council to consider further prioritising those with protected characteristics with the council's grant giving policy so as to minimise such residents' exposure to grant reductions, (b) for officers to further publicise grant availability among community</p>

		group serving those with protected characteristics so as to maximise awareness of future funding grants. Other actions discussed with the Head of Housing and Health involve the council continuing to support the Citizens Advice Service's bids for external funding.
Operations		
BUDGET ADJUSTMENTS TO PARKING		<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of the following were discussed:</p> <ul style="list-style-type: none"> • Increasing the price of Resident Parking Zone permits • The introduction of standard car park tariff charges on Sundays across Council managed car parks • An annual uplift in parking charges from April 2023
PARKING – RPZ PERMITS	None	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of an uplift on RPZ permits were discussed.</p> <p>There are approximately 1200 permits in the district currently compared to around 60,000 households in East Herts. Therefore the impact will only be felt by a relatively small proportion of residents. No equalities data is collected on the residents.</p> <p>Price increases are not considered significant compared to the overall cost of running a vehicle compared to the benefit of being able to park more conveniently closer to home.</p>

APPENDIX F

		<p>However, the increase in charges will be implemented via a Notice of Variation and will be effective on the 1st April 2022. This will ensure adequate communication to all effected residents in good time.</p>
PARKING – SUNDAY CHARGING	Low	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of introducing a standard car park tariff charge on Sundays across Council managed car parks was discussed.</p> <p>Due to the timing of the proposal on a Sunday, the Equalities Officer noted that there could be an equalities impact on those for whom religion or religious belief is a protected characteristic of the Equality Act 2010. An additional group who may be effected are town centre workers who use council car parks and work in businesses that operate on a Sunday. Generally speaking those in the retail sector tend to earn less than other sectors which could mean an additional financial burden. There is some data at a national level which links protected characteristics to likelihood of being employed in the retail sector. This includes work from the Princes Trust that suggest 16-29 year olds are most likely to be employed in wholesale and retail (see Princes Trust report, “Facing the Future – prospects for young people in employment” 2021) There is also some national research that indicates those from an Asian/ “other Asian” and Pakistani and Bangladeshi backgrounds are over-represented in the retail sectors. https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/employment/employment-by-sector/latest</p>

		<p>However there is no similar data at a county or district level for age, ethnicity or other protected characteristics to identify this would be the case in East Herts. Given we do not collect data about Sunday car park users we are unable to identify any specific impacts on different groups locally.</p> <p>Pregnant women and women with babies younger than 6 months old are more likely to be reliant on cars for travel. They may therefore be negatively impacted by increased charges and maternity pay. However, the increase in permit charges is relatively low when compared to the overall cost of keeping and using a car</p> <p>As we do not collect data about the users of our car parks we are unsure about any potential disproportionate impacts of the proposals.</p> <p>However, a formal consultation is required to implement a change of substance in East Herts car parks via a Traffic Regulation Order and has not been carried out. This consultation would also assist the identification of equalities impacts amongst residents. The Equalities Impact Assessment will be further updated following feedback from the statutory consultation process as part of the Off-Street Parking Places Order.</p>
PARKING - ANNUAL PRICE INCREASE	None	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of an annual uplift in parking charges from April 2023 was discussed.</p>

APPENDIX F

		<p>The Equalities Impact Assessment will be further updated following feedback from the statutory consultation process as part of the Off-Street Parking Places Order.</p> <p>Pregnant women and women with babies younger than 6 months old are more likely to be reliant on cars for travel. They may therefore be negatively impacted by increased charges and maternity pay. However, the increase in permit charges is relatively low when compared to the overall cost of keeping and using a car</p> <p>It was concluded that the uplift may cause a socioeconomic issue for some residents, however as socioeconomic factors are not protected characteristics under the Equality Act 2010, then no legal equalities issues were forecasted in this instance.</p> <p>However, the increase in charges will be implemented via a Notice of Variation and will be effective in April 2023 ensuring communication to those who use the car parks is undertaken in good time.</p>
PLAYGROUNDS	Low	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of transferring 6 play areas in East Herts was discussed.</p> <p>The Equalities Officer consulted the Head of Children's Services for research data on any impacts, which were not found, and looked at the Parks and Open Spaces Strategy, which states, 'We will focus on our parks being: Attractive & Accessible to all Promoting equality and access for all whether its walking in our</p>

APPENDIX F

		<p>open spaces, accessible equipment in play areas or learning more about historic monuments in our parks and open spaces’.</p> <p>A transfer would have no impact.</p>
PAPER RECYCLING BOXES	None	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of removing 45 litre paper recycling boxes and replacing them with 55L recycling boxes were discussed.</p> <p>Due to the larger capacity that this may impact elderly due to the box being heavier. The mitigation is our assisted collection scheme</p>
CHARGING FOR BIN DELIVERY	None	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of charging for new bin delivery and for the replacement of wheeled bins were discussed.</p> <p>It was concluded that the uplift may cause a socioeconomic issue for some residents, however as socioeconomic factors are not protected characteristics under the Equality Act 2010, then no legal equalities issues were forecasted in this instance.</p>
PUBLIC CONVENIENCE AND CTS	Medium	<p>In consultation between the Equalities Officer and the Head of Operations, the potential equalities impact of transferring the Buntingford toilets to a third party or closing and ceasing the community toilet scheme.</p> <p>The Equalities Officer raised the challenge of accessibility issues for people with disabilities, older people and pregnant women,</p>

APPENDIX F

		<p>who would be likely to rely on the community toilet schemes in these areas.</p> <p>Public awareness of the community toilet scheme is low and no data on users is collected. Despite the small impact due to the limited public awareness of the scheme, there could be an equalities implication here, unless the mitigating action of signposting and wayfinding to alternative nearby public conveniences is provided.</p>
Head of Strategic Finance and Property		
This is a proposal to reduce the number of audit days purchased from the Hertfordshire Share Internal Audit Service (SIAS).	None	No equalities implications were foreseen for this proposal.
Head of Planning and Building Control		
This is a proposal to reduce the planning support required for the Gilston Area within the District Plan.	None	In consultation between the Equalities Officer and the Head of Planning and Building Control, the potential equalities impact of reducing the planning budget for the Gilston Area were discussed and no equalities implications were foreseen for this proposal.

3. An analysis of any potential cumulative impacts that spans services

The potential for compounded impacts on particular groups are identified in individual equality impact assessments, which generally involve engagement and consultation with a wide range of stakeholders. The process uses available data from national and local sources identified as relevant to the individual equality impact assessment as well as the results from any local consultation. Action planning and monitoring is part of the process, with the impact of any new policy or service only realised following implementation.

Project / Review	Age	Race	Gender Reassignment	Disability	Carers	Religion and Belief	Pregnancy and Maternity	Sex	Marriage and Civil Partnership	Sexual Orientation	Impact after mitigation
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence											
ECONOMIC DEVELOPMENT											
Resilience Partnership	✓	x	x	✓	x	x	x	x	x	x	Low
HOUSING AND HEALTH											
Resilience Partnership	✓	x	x	x	x	x	x	x	x	x	Low
Community Transport	x	✓	x	x	x	x	x	x	x	x	Low
Bed and Breakfast	x	✓	x	x	x	x	x	x	x	x	Low
Grants	✓	x	x	x	✓	x	x	x	x	x	Low/Medium

APPENDIX F

[illegible]

APPENDIX F

Project / Review	Age	Race	Gender Reassignment	Disability	Carers	Religion and Belief	Pregnancy and Maternity	Sex	Marriage and Civil Partnership	Sexual Orientation	Impact after mitigation
Key: ✓ = Potential impact: x = No impact; NK = Not known – insufficient evidence											
PLANNING AND BUILDING CONTROL											
Gilston Area	x	x	x	x	x	x	x	x	x	x	None

This page is intentionally left blank

East Herts Council Report

Date: 25th January 2022

Report by: Councillor Geoffrey Williamson, Deputy Leader and Executive Member for Financial Sustainability

Report title: Treasury Management and Annual Investment Strategy 2022/23

Ward(s) affected: None

Summary

The report contains the Council's Treasury Management and Annual Investment Strategy for 2022/23.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- (a) That Members review and comment on the Treasury Management and Annual Investment Strategy 2022/23. (*Appendix A*) and Prudential Indicators for approval (*Appendix B*)**

1.0 Proposal(s)

- 1.1 This report proposes that Members scrutinise and comment on the Council's Treasury Management and Annual Investment Strategy 2022/23.

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 security and adequate liquidity always 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 currently 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 2021-22 which are designed to assist members' overview and confirm capital expenditure plans.
- 3.7 Please also refer to the Credit and Counterparty Risk

Management paragraph 5.4 and Approved Countries List paragraph 5.5.

- 3.8 For clarity, all the Prudential Indicators and the creditworthiness policy and counterparty limits which Council will be asked to approve are summarised in Appendix B.

4.0 Options

- 4.1 Update the Treasury Management Strategy as required, at least once annually.

5.0 Risks

- 5.1 Risks are discussed in detail, within the Treasury Management 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

The Council's Treasury operations are limited by statute to term deposits, money market funds and banks. It is not possible to have an ethical investment strategy as there is no way to trace the use of, say, a five day Term Deposit with Barclays Bank who may use that cash to pay customers, some of whom would potentially be seen as

unethical, e.g. oil companies, weapons manufacturers etc.

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

The Council's Treasury operations are limited by statute to term deposits, money market funds and banks. It is not possible to have an ethical investment strategy as there is no way to trace the use of, say, a five day Term Deposit with Barclays Bank who may use that cash to pay customers, some of whom would potentially be seen as unethical, e.g. oil companies, weapons manufacturers etc.

Legal

All statutory requirements have been considered in preparing this report, specifically the requirement to have regard to the Prudential Code in drawing up this strategy.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A - East Herts District Council Treasury Management Strategy 2022/23 Onwards
- 7.2 Appendix B - Prudential Indicators 2022/23 for Approval

Contact Member

Councillor Geoffrey Williamson, Deputy Leader
& Executive Member for Financial Sustainability

geoffrey.williamson@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No: 01279 502050

steven.linnett@eastherts.gov.uk

Report Author

Nicola Munro, Finance Business Partner

nicola.munro@eastherts.gov.uk

East Herts Council

Treasury Management Strategy Statement and Annual Investment Strategy 2022/23



INDEX

1.1	Background	4
1.2	Reporting requirements	5
1.3	Treasury Management Strategy for 2022/23	6
1.4	Training	6
1.5	Treasury management consultants.....	7
2	THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25	8
2.1	Capital expenditure and financing.....	8
2.2	The Council's borrowing need (the Capital Financing Requirement)	8
2.3	Core funds and expected investment balances	9
2.4	Minimum revenue provision (MRP) policy statement	10
3	BORROWING	11
3.1	Current portfolio position	11
3.2	Treasury Indicators: limits to borrowing activity.....	13
3.3	Prospects for interest rates.....	14
3.4	Borrowing strategy.....	22
3.5	Policy on borrowing in advance of need.....	23
3.6	Debt rescheduling	23
4	ANNUAL INVESTMENT STRATEGY	25
4.1	Investment policy – management of risk.....	25
4.2	Creditworthiness policy	27
4.3	Other limits.....	31
4.4	Investment strategy	32
4.5	Investment performance / risk benchmarking.....	33
4.6	End of year investment report	33
5	APPENDICES	34
5.1	THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25	35
5.1.1	Capital expenditure.....	35
5.1.2	Affordability prudential indicators	35
	Ratio of financing costs to net revenue stream.....	35
5.2	INTEREST RATE FORECASTS 2021-2025.....	37
	PWLB forecasts are based on PWLB certainty rates.....	37

37

5.3 ECONOMIC BACKGROUND	38
5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1	48
5.6 APPROVED COUNTRIES FOR INVESTMENTS.....	52
5.7 TREASURY MANAGEMENT SCHEME OF DELEGATION	53
5.8 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER.....	54

1.INTRODUCTION

1.1 Background

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

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

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.

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."

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.

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 fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

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.

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

1.3 Treasury Management Strategy for 2022/23

The strategy for 2022/23 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, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

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. The last training was undertaken by members at Audit and Governance on 9th November 2021 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

1.5 Treasury management consultants

The Council uses Link Group, 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.

2 THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

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 and financing

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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Services Total	31.520	26.870	25.560	19.780	10.140

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 borrowing need.

Financing of capital expenditure £m	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital receipts	(0.420)	(1.600)	(3.160)	(1.450)	(0.250)
Capital grants and other 3 rd party contributions	(6.450)	(3.190)	(2.280)	(0.080)	-
Capital reserves	-	-	-	-	-
Revenue	-	(0.440)	(0.360)	(0.310)	(0.310)
Net financing need for the year	24.650	21.640	19.760	17.940	9.570

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 its 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 asset's 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 schemes 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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Capital Financing Requirement					
Services	24.650	21.640	19.760	17.940	9.570
Total CFR	6.110	27.750	47.490	64.490	72.420
Movement in CFR	24.650	21.640	19.740	17.000	7.930

Movement in CFR represented by					
Net financing need for the year (above)	24.650	21.640	19.760	17.940	9.570
Less MRP/VRP and other financing movements	-	-	(0.020)	(0.940)	(1.640)
Movement in CFR	24.650	21.640	19.740	17.000	7.930

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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Fund balances / reserves	28.760	31.660	30.540	29.020	29.210
Capital receipts	-	-	-	-	-
Other	0.220	-	-	-	-
Total core funds	28.980	31.660	30.540	29.020	29.210
Working capital*	2.940	3.000	3.000	3.000	3.000
Under/over borrowing**	4.610	6.270	6.620	5.680	4.030
Expected investments	36.530	40.930	40.160	37.700	36.240

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

2.4 Minimum revenue provision (MRP) policy statement

The full policy statement is published within the Capital Strategy, which is following the same council approval process, as this document.

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. The Council is recommended to approve the following MRP Statement:

For all capital expenditure including that incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This options provide for a reduction in the borrowing need over approximately the asset's life.

Repayments included in annual PFI or finance leases are applied as MRP.

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 31.3.21 and for the position as at 23.12.21 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.21	31.3.21	23.12.21	23.12.21
Treasury investments	£m	%	£m	%
banks	11.550	31%	9.850	30%
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	5.570	15%	2.570	8%
certificates of deposit	0	0%	0	0%
Total managed in house	17.120	46%	12.420	38%
bond funds	0	0%	0	0%
property funds	20.000	54%	20.000	62%
Total managed externally	20.000	54%	20.000	62%
Total treasury investments	37.120	100%	32.420	100%
Treasury external borrowing				
local authorities	0	0%	0	0%
PWLB	1.500	100%	1.500	100%
LOBOs	0	0%	0	0%
Total external borrowing	1.500	100%	1.500	100%
Net treasury investments / (borrowing)	35.620	0	30.920	0

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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt					
Debt at 1 April	7.500	1.500	21.480	40.870	58.810
Expected change in Debt	(6.000)	19.980	19.390	17.940	9.580
Other long-term liabilities (OLTL)	-	-	-	-	-
Expected change in OLTL	-	-	-	-	-
Actual gross debt at 31 March	1.500	21.480	40.870	58.810	68.390
The Capital Financing Requirement	6.110	27.750	47.490	64.490	72.420
Under / (over) borrowing	4.610	6.270	6.620	5.680	4.030

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 2022/23 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	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	40.0	41.0	59.0	69.0
Other long-term liabilities	10.0	7.0	6.0	4.0
Total	50.0	48.0	65.0	73.0

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	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt	150.0	73.0	75.0	77.0
Other long-term liabilities	10.0	8.0	7.0	5.0
Total	160.0*	81.0	82.0	82.0

** The authorised borrowing level for 2021/22 was set prior to the change in the PWLB borrowing regulations and when there was a different proposal for the Old River Lane project. As per the expected change in debt figures quoted above, we are not due to borrow at the original estimated high levels and the limit is reduced for 2022/23 onwards.*

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*

Over the last two years the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the

population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.

- **The Monetary Policy Committee** acts 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.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year,

without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. **As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

US treasury yields. During the first part of 2021, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional

Democratic ambition to spend \$1trn on infrastructure, (which was eventually passed by both houses later in 2021), and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when: -

1. A fast vaccination programme had enabled a rapid opening up of the economy during 2021.
2. The economy was growing strongly during the first half of 2021 although it has weakened overall during the second half.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
4. And the Fed was still providing substantial stimulus through monthly QE purchases during 2021.

It was not much of a surprise that a combination of these factors would eventually cause an excess of demand in the economy which generated strong inflationary pressures. This has eventually been recognised by the Fed at its December meeting with an aggressive response to damp inflation down during 2022 and 2023.

At its 3rd November Fed meeting, the Fed decided to make a start on tapering its \$120bn per month of QE purchases so that they ended next June. However, at its **15th December meeting** it doubled the pace of tapering so that they will end all purchases in February. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields will rise over the taper period and after the taper ends, all other things being equal. The Fed also forecast that it expected there would be three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation.

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ruptures in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as**

high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.

- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty

rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a “cost of carry” but also wishes to mitigate future re-financing risk. (*Amend as appropriate*).

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, (*amend as appropriate*), there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head of Strategic Finance and Property will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates*, then borrowing will be postponed.
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast*, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body 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.

Borrowing in advance will be made within the constraints that:

- It will be limited to no more than 10% of the expected increase in borrowing need (CFR) over the three-year planning period; and
- The authority would not look to borrow more than 36 months in advance of need.

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 there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

If rescheduling was done, it will be reported to the Council, at the earliest meeting following its action.

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

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved sources of long- and short-term borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (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: -

- DLUHC'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 Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places 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 5.4 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 or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding 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.
5. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of Y%.
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 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 2022/23 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 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 ending 31.3.23.

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 the Link Group. 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 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 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 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.

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 at time of investment)	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 – part nationalised – Council's own Bank***	blue	£40m	£30m	1 yr
Banks	red	£10m	£10m	6 mths
Banks	green	£10m	£10m	100 days
Banks	No colour	Not to be used	N/A	
Limit 3 category – Council's banker (where "No Colour")	No colour	£40m	£30m	1 day
Property Funds	-	£20m	£10m	Not a fixed term investment so no time limit
DMAF	UK sovereign rating	unlimited	unlimited	6 months
Local authorities	n/a	£10m (per Local Authority)	£10m	Unlimited
	Fund rating**	Money 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.*

**** Please note: this is a temporary limit to cover the administration of current COVID grants.*

Creditworthiness.

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other 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 treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 75% of the total treasury management 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 (*or equivalent*). 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 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.

The current forecast shown in paragraph 3.3, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February. December 2021 though there is a high risk that it could be delayed until quarter 1 or 2 of 2022.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

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.

Changes of investment strategy

There have been no fundamental changes to the investment strategy.

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 23.11.21 in excess of 1 year	2022/23	2023/24	2024/25
£m	£m	£m	£m
20.0	30.0	30.0	30.0

4.5 Investment performance / risk benchmarking

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

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. Prudential and treasury indicators
2. Interest rate forecasts
3. Economic background
4. Treasury management practice 1 – credit and counterparty risk management (option 1)
5. Treasury management practice 1 – credit and counterparty risk management (option 2)
6. Approved countries for investments
7. Treasury management scheme of delegation
8. The treasury management role of the section 151 officer

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

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.

5.1.1 Capital expenditure

Capital expenditure £m	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Land and Buildings	25.570	22.630	18.890	9.330
Vehicles and Equipment	0.700	0.980	0.450	0.450
Community Assets	0.310	1.630	0.130	0.050
REFCUS	0.290	0.320	0.310	0.310
Total	26.870	25.560	19.780	10.140

5.1.2 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:

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.

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Services	0.79%	2.93%	10.89%	17.54%

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

This ratio is increasing significantly, year on year, due to the need to borrow for major project spend. This should be offset by the increase in income projected in the major project business cases. E.g. the new leisure centres and theatres.

5.1.3 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 2022/23		
	Lower	Upper
Under 12 months	0%	95%
12 months to 2 years	0%	95%
2 years to 5 years	0%	95%
5 years to 10 years	0%	50%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	95%
40 years to 50 years	0%	50%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years to 20 years	0%	50%
20 years to 30 years	0%	50%
30 years to 40 years	0%	50%
40 years to 50 years	0%	50%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 INTEREST RATE FORECASTS 2021-2025

PWLB forecasts are based on PWLB certainty rates.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

5.3 ECONOMIC BACKGROUND

- **COVID-19 vaccines.** These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC meeting 16^h December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary

pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major expenditure unless it was very limited and targeted on narrow sectors like hospitality. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity"**. But it stressed that at the November meeting it had said it would raise rates if the

economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years’ time**, which at November’s meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a **“modest tightening”** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November’s statement that Bank Rate would be raised “in the coming months”. That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting

on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
Raising Bank Rate as "the active instrument in most circumstances".
Raising Bank Rate to 0.50% before starting on reducing its holdings.
Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3rd meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the

other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow roll out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases

- by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.
- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be

about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

5.4 TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT OPTION 1

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

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

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

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

	Minimum credit criteria / colour band	Max % of total investments	Max. maturity period
DMADF – UK Government	N/A	100%	6 months (max. is set by the DMO*)
UK Government gilts	yellow	100%	5 years
UK Government Treasury bills	yellow	100%	364 days (max. is set by the DMO*)
Bonds issued by multilateral development banks	yellow	40%	5 years
Money Market Funds CNAV	AAA	100%	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	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	yellow	100%	5 years
Term deposits with banks and building societies	Green	100%	12 months
CDs or corporate bonds with banks and building societies	Green	100%	12 months
Gilt funds	UK sovereign rating	100%	12 months

* DMADF – is the Debt Management Account Deposit Facility of HM Treasury

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	Green	In-house	100%	As per Credit Criteria
Certificates of deposit issued by banks and building societies	Green	In-house	100%	As per Credit Criteria
Corporate bonds	AAA	In-house and Fund Managers	50%	5 Years
Floating rate notes	AAA	In house and Fund Managers	50%	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

2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	N/A	In-house	75%	5 Years
Term deposits – banks and building societies	Green	In-house	75%	5 Years
Certificates of deposit issued by banks and building societies	Green	In-house	75%	5 Years
Certificates of deposit issued by banks and building societies	Green	Fund Managers	75%	5 Years
UK Government Gilts	UK sovereign rating	In-house and Fund Managers	75%	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%	10Years
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

5.6 APPROVED COUNTRIES FOR INVESTMENTS

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

Based on lowest available rating

AAA

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

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

THIS LIST IS AS AT 22.12.21

5.7 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) Audit and Governance Committee

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

5.8 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.*

This page is intentionally left blank

Prudential Indicators 2022/23 for Approval

1. Capital Expenditure

Year End Resources	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Services Total	31.520	26.870	25.560	19.780	10.140

Financing of capital expenditure	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital receipts	(0.420)	(1.600)	(2.600)	-	-
Capital grants and 3 rd party Contributions	(6.450)	(3.190)	(2.280)	(0.080)	-
Revenue	-	(0.440)	(0.360)	(0.310)	(0.310)
Net financing need for the year	24.650	21.640	19.760	17.940	9.570

2. Capital Financing Requirement

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Capital Financing Requirement					
Services	24.650	21.640	19.760	17.940	9.570
Total CFR	6.110	27.750	47.490	64.490	72.420
Movement in CFR	24.650	21.640	19.740	17.000	7.930

Movement in CFR represented by					
Net financing need for the year (above)	24.650	21.640	19.760	17.940	9.570
Less MRP/VRP and other financing movements	-	-	(0.020)	(9.940)	(1.640)
Movement in CFR	24.650	21.640	19.740	17.000	7.930

3. Core Funds and expected investment balances

Year End Resources	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Fund balances / reserves	28.760	31.660	30.540	29.020	29.210
Capital receipts	-	-	-	-	-
Other	0.220	-	-	-	-
Total core funds	28.980	31.660	30.540	29.020	29.210
Working capital*	2.940	3.000	3.000	3.000	3.000
Under/over borrowing	4.610	6.270	6.620	5.680	4.030
Expected investments	36.530	40.930	40.160	37.700	36.240

4. Actual External Borrowing

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
External Debt					
Debt at 1 April	7.500	1.500	21.480	40.870	58.810
Expected change in Debt	(6.000)	19.980	19.390	17.940	9.580
Other long-term liabilities (OLTL)	-				
Expected change in OLTL	-				
Actual gross debt at 31 March	1.500	21.480	40.870	58.810	68.390
The Capital Financing Requirement	6.110	27.750	47.490	64.490	72.420
Under / (over) Borrowing	4.610	6.270	6.620	5.680	4.030

5. Operational Boundary

Operational boundary	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt	40.0	41.0	59.0	69.0
Other long term liabilities	10.0	7.0	6.0	4.0
Total	50.0	48.0	65.0	73.0

6. Authorised Limit

Authorised Limit	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Debt	150.0	150.0	150.0	150.0
Other long term liabilities	10.0	10.0	10.0	10.0
Total	160.0*	160.0	160.0	160.0

* See Appendix A

7. Upper limit for principal sums invested for longer than 365 days

Current investments as at 23.12.21 in excess of 1 year maturing in each year	2022/23	2023/24	2024/25
£m	£m	£m	£m
20.0	30.0	30.0	30.0

8. Creditworthiness policy and counter-party limits

	Colour (and long term rating where applicable)	Money Limit per banking group (at time of investment)	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 – part nationalised – Council's bank	blue	£40m	£30m	1 yr
Banks	red	£10m	£10m	6 mths
Banks	green	£10m	£10m	100 days
Banks	No colour	Not to be used	N/A	N/A
Limit 3 category – Council's banker (where "No Colour")	No Colour	£30m	£30m	1 day
Property Funds	-	£20m	£10m	Not fixed term investment - no time limit
DMADF	UK sovereign rating	unlimited	unlimited	6 months
Local authorities	n/a	£10m (per local authority)	£10m	unlimited
	Fund rating	Money Limit (at time of investment)		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

9. Ratio of financing costs to net revenue stream

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Services	0.79%	2.93%	10.89%	17.54%	0.79%

10. Maturity structure of borrowing

Maturity structure of fixed interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	95%
12 months to 2 years	0%	95%
2 years to 5 years	0%	95%
5 years to 10 years	0%	50%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	95%
40 years to 50 years	0%	50%
Maturity structure of variable interest rate borrowing 2021/22		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years to 20 years	0%	50%
20 years to 30 years	0%	50%
30 years to 40 years	0%	50%
40 years to 50 years	0%	50%

East Herts Council Report

Date: 25th January 2022

Report by: Councillor Geoffrey Williamson, Deputy Leader and Executive Member for Financial Sustainability

Report title: Capital Strategy Minimum Revenue Provision Policy 2022/23 Onwards

Ward(s) affected: All

Summary

The report contains the Council's Capital Strategy and Minimum Revenue Provision (MRP) policy for 2022/23 onwards.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

(a) To scrutinise the Capital Strategy and Minimum Revenue Provision policy 2022/23 onwards (Appendix A to this report).

1.0 Proposal(s)

1.1 This report proposes that Council approves the Capital Strategy and the Minimum Revenue Provision policy 2022/23 onwards.

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.

- 2.4 The current capital programme was formulated over the last two years. As the council continues to deliver, review and update the capital programme, it will do so within the context of the council's Climate Change commitments, most notably the commitment to the council itself becoming carbon neutral by 2030. To that end, the council has devised a carbon assessment tool which it is now beginning to use to assess its existing major projects. As new proposals for capital funding come forward, a carbon assessment will be included as an integral part of the business case to inform decision-making.
- 2.5 Progress updates on the council's Sustainability Action Plan are posted on the council's website each month, with greater detail on projects' carbon assessments and the overall assessment of progress against the council's schedule to achieve carbon neutrality to be added shortly.

3.0 Reason(s)

- 3.1 Revised reporting was 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 fourth 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 in accordance with statutory requirements.

5.0 Risks

- 5.1 Risks are discussed in detail, within the Capital Strategy, including the uncertainty around future funding.

6.0 Implications/Consultations

- 6.1 None

Community Safety

Building and refurbishment schemes design out crime and safety issues and public realm works in particular are required to ensure that the community feel safe.

Data Protection

All investment in IT systems are required to check where data is held and that systems comply with data protection legislation.

Equalities

All capital schemes meet the necessary legislation and are subject to access audits. Design also takes into account dementia friendly design elements particularly around colour.

Environmental Sustainability

The council has established a carbon assessment tool that it is beginning to apply to existing capital projects. In the future, a carbon assessment of proposed capital projects will be included within the overall business case so as to inform decision-making. To date, individual schemes have sustainability features designed into them and may include, for example: meeting BREEAM ratings for buildings and refurbishments; flood resilience and sustainable underground drainage systems; opportunities for renewable energy generation; and carbon reduction such as replacement of the council's internal combustion engine vehicles with battery electric vehicles.

Financial

The strategy guides the capital programme and detailed financial implications are included with that in the budget report

Health and Safety

All contractors are required to have compliant health and safety policies. Where a health and safety issue requires capital expenditure it will be fast tracked to deal with the issue

Human Resources

None

Human Rights

None

Legal

A Capital Strategy is a requirement of the Prudential Code which the council is required to follow under the Local Government Act 2003.

Specific Wards

None

7.0 Background papers, appendices and other relevant material

7.1 Appendix A - East Herts District Council Capital Strategy and Minimum Revenue Policy 2022/23 Onwards

Contact Member

Councillor Geoffrey Williamson, Deputy Leader
& Executive Member for Financial Sustainability
geoffrey.williamson@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property
Contact Tel No: 01279 502050
steven.linnett@eastherts.gov.uk

Report Author


Steven Linnett, Head of Strategic Finance and
Property
steven.linnett@eastherts.gov.uk

This page is intentionally left blank


Capital Strategy and Minimum Revenue Provision Policy 2022 onwards



01279 655261

 @Eastherts

 EastHertsDC

 easthertscouncil

www.eastherts.gov.uk



Contents

Introduction	4
Influences on Capital Investment	6
Capital investment ambition by Corporate Priority	20
Commercial Investment Strategy	25
Capital Investment Plan	26
Minimum Revenue Provision (MRP) policy statement	32
Risk Management	38
Capital Investment Appraisal Process	51
Governance	55
Appendix 1: Capital Programme by Corporate Plan priority	59

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.

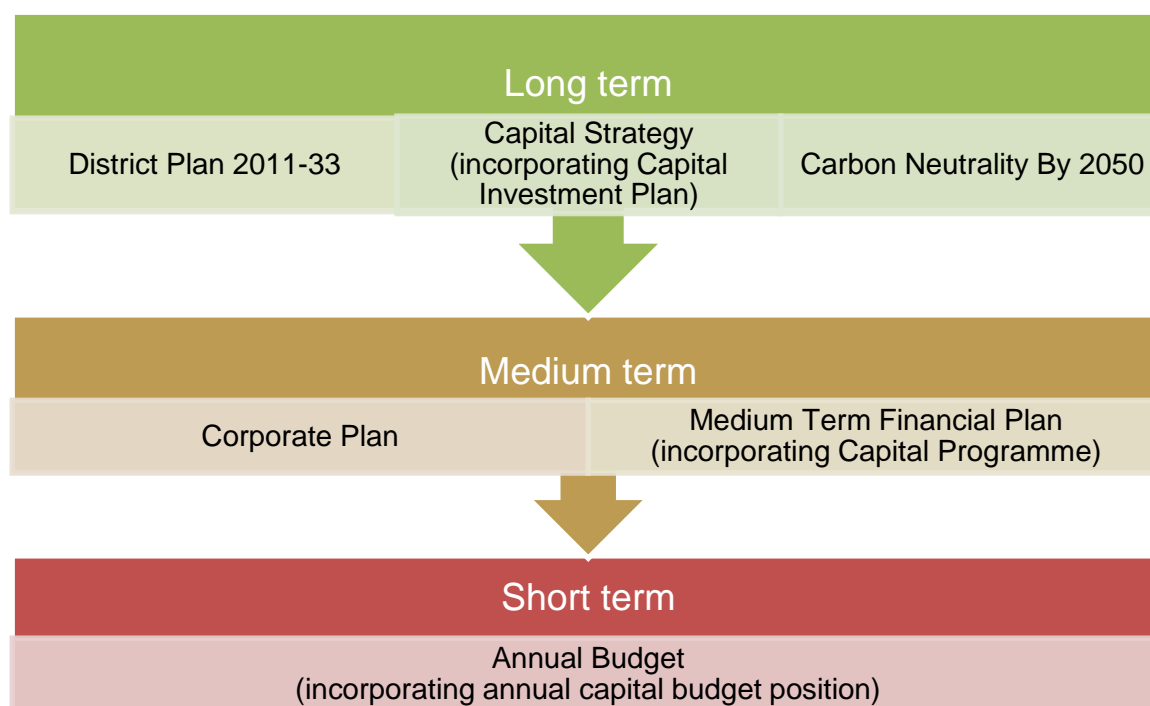
The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.

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.

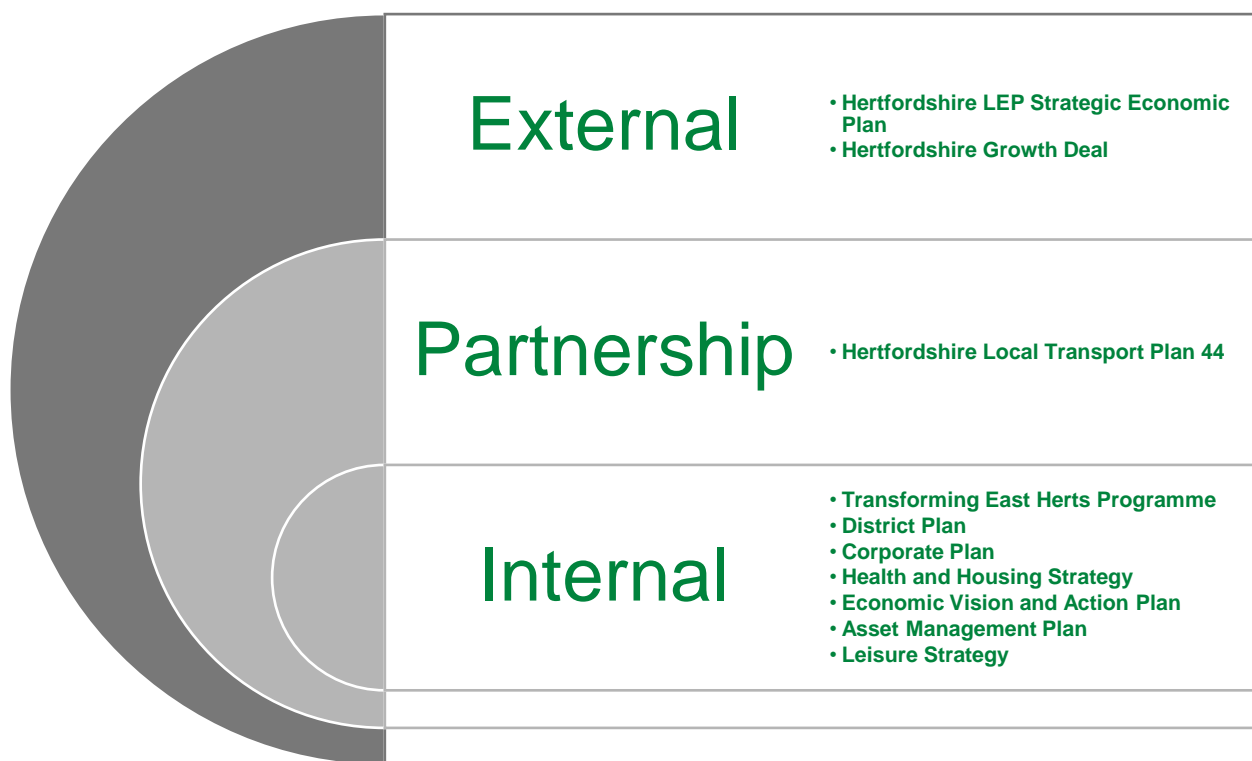
Influences on Capital Investment

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 and Hertfordshire Growth Deal
<p>The strategic priorities, as set out in the Hertfordshire Local Enterprise Partnership (LEP) Strategic Economic Plan (SEP), influence the Council's strategic financial planning direction.</p> <p>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.</p>

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.

This is on top of £221.5m of government funding already awarded to Hertfordshire to date to invest in its people, places and businesses. 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, now fully spent.

[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 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.

Each 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

Transforming East Herts Programme

The Transforming East Herts Programme is designed to modernise the council and produce at least £1 million in cashable savings. The overall vision of the programme is that 2025 East Herts Council will be a customer focused, financially sustainable and an effective organisation with flexible and empowered employees.

The vision is delivered through a number of workstrands:

Work strands and constituent work packages	
Commercial skills	
	Commercial strategy
	Charging policy
Lean processes	
	Corporate business support hub
	Customer Insight / Lean processes
Modern workforce development	
	Blended working policy
	Staff development allied to delivery of <i>Transforming East Herts</i> ,
Modern workspace	
	Office space needs
	Modern front of house/reception offer
	Asset management strategy
Service reviews - overall work strand	
	Service review framework
	Planning service review
Technology	
	Card payments review
	Microsoft 365 deployment, including MS Teams
	ICT equipment / telephony review and deployment

There are a number of potential capital investments that may be required to deliver the programme, particularly around technology with the replacement of the telephony system with a cloud based solution and the potential investment in software that will enable a single view of the customer and deliver end to end digital services on the web.

It is anticipated that the council's office space requirements will reduce significantly

with the closure of Charringtons, as part of the Old River Lane revitalisation and the freeing up of at least a floor of open plan office space at Wallfields, offering the potential to let out space to earn an income. However, there is a need to invest in modernising Wallfields to make it suitable for letting and to ensure the building is fit for the next 25 years. As the investment costs could potentially be quite large and are still subject to survey work being undertaken, consideration is also being given to co-location with the County Council at County Hall, thus avoiding capital costs and leaving Wallfields vacant for disposal. The costs of remaining and modernising versus moving to county hall will be the predominate factor governing the future of Wallfields and that decision will have a major influence on this capital strategy.

District Plan

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.

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, Economic Vision and Action Plan

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 four 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.

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 Action Plan](#)

[Corporate Plan 2020-2024](#)

Health and Housing Strategy

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](#)

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 current 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 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.”

[Grange Paddocks Leisure Centre Development Project](#)

[Hartham Leisure Centre Redevelopment Project](#)

Asset Management Plan

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](#)

Financial Sustainability Policy

As a result of the changes to the PWLB borrowing rules which prohibit investment principally for yield this section will be updated in due course, once guidance becomes clearer and the Financial Sustainability Committee has had time to consider an alternative strategy, that concentrates on investment in infrastructure which will yield income but is being principally provided to meet targets such as the district being carbon neutral by 2050.

Environmental Sustainability



One of the council's corporate goals is *to put sustainability at the heart of everything we do*. Council unanimously made a Climate Change Declaration in July 2019. This was accompanied by nine specific commitments to tackling climate change including the council becoming carbon neutral by 2030.

As the council continues to deliver, review and update its capital strategy and programme, it will do so within the context of these nine Climate Change commitments. Notably, the council has devised a carbon assessment methodology

which it will use to assess its existing major projects. As new proposals for capital funding come forward, a carbon assessment will be included as an integral part of the accompanying business case to inform decision-making.

Progress updates on the council's Sustainability Action Plan are posted on the council's website each month, with greater detail on projects' carbon assessments and the overall assessment of progress against the council's schedule to achieve carbon neutrality to be added shortly.

Core influences action plan:

Action	Why is this required?	Responsibility	Timescale
The Transforming East Herts Programme will produce business cases for capital investment that will enable at least £1 million of revenue savings per annum	To demonstrate how the Council's capital investment will contribute to the achievement of the Transforming East Herts Programme	Deputy Chief Executive	During 2022/23
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	Leadership Team	During 2022/23

Action	Why is this required?	Responsibility	Timescale
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 2022/23

Action	Why is this required?	Responsibility	Timescale
<p>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.</p>	<p>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</p>	<p>Leadership Team</p>	<p>In line with AMP refresh timescale</p>

Action	Why is this required?	Responsibility	Timescale
In order to deliver the council's Climate Change commitments, the capital strategy will continue to be developed with regard to the nine commitments, including evaluating the carbon impact of existing and emerging capital projects.	This action is integral to achieving the council's Climate Change commitments, notably, that the council will become carbon neutral by 2030	Head of Housing & Health	During 2022/23 and ongoing in line with individual capital project timescales

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.

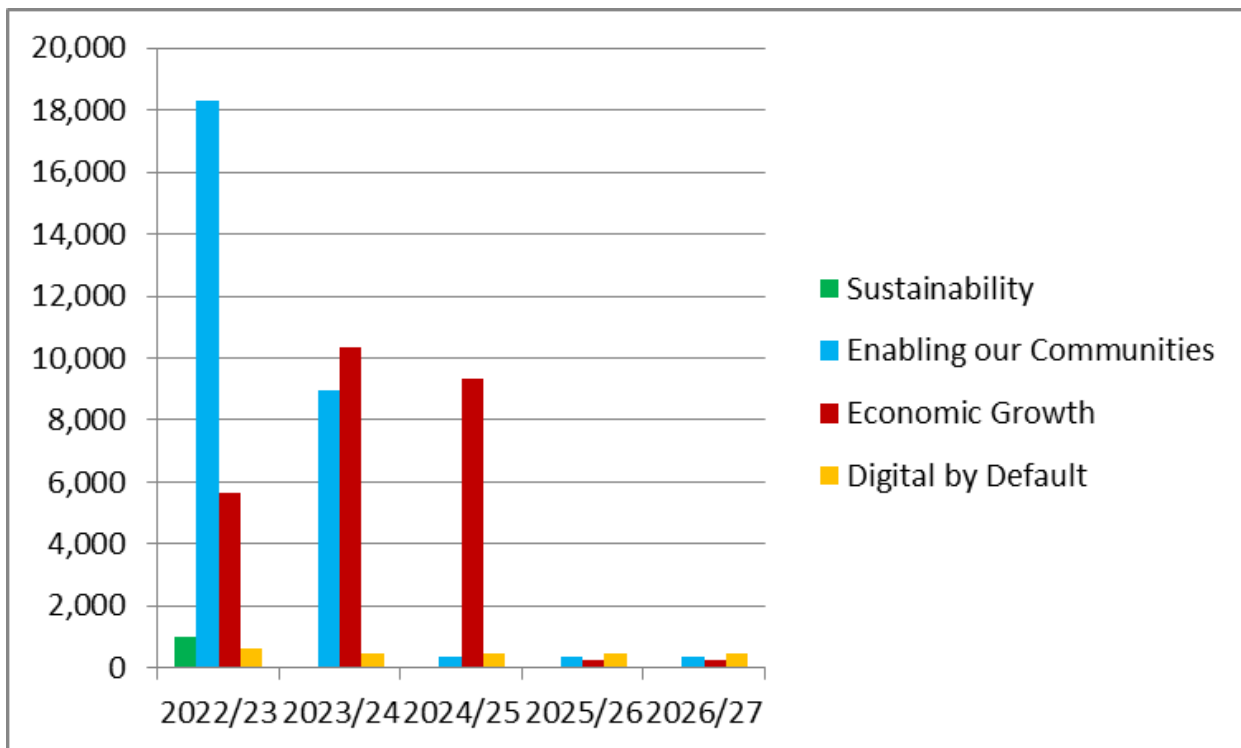
The Corporate Strategic Plan priority initiatives are currently going through the approval process. To demonstrate our current approach ahead of producing a longer-term capital investment plan, we have set out the Corporate Strategic Plan initiatives below which relate to capital investment:

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: for example, energy efficiency measures in leisure capital schemes; installing/upgrading LED lighting in our buildings and car parks – Ongoing <p><i>We will use our regulatory powers to promote action by others</i></p> <p>Installing rapid e-chargers in support of move to more e-taxis – Ongoing</p> <p><i>We will influence and encourage behaviour change</i></p> <ul style="list-style-type: none"> Providing financial incentives to increase sustainability: for example insulation grants and loans – Ongoing
Priority 2: Enabling our	<p><i>We will invest in our places</i></p> <ul style="list-style-type: none"> Investing £36m in our Leisure Centres in Hertford, Bishop's Stortford and Buntingford – Ongoing

Priority	Aims and initiatives
communities	<ul style="list-style-type: none"> Investing £20m in Hertford Theatre – Ongoing Delivering improvements in our green spaces (e.g. Castle Park) – Ongoing Providing community grants – 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 Increasing and improving our Homeless Accommodation – Ongoing
Priority 3: Encouraging economic growth	<p><i>We will develop new sources of income</i></p> <ul style="list-style-type: none"> Delivering Financial Sustainability through Green agenda investment purchases – Ongoing <p><i>We will support business growth</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 4: Digital by default	<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 2022/23 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 2022/23.

Figure 3: Capital Programme by Corporate Priority



Links between the 5-year capital programme and the corporate priorities are provided at Appendix 1.

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 2022/23
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	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

Action	Why is this required?	Responsibility	Timescale
corporate priorities			

Commercial Investment Strategy

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 Millstream Business Plan is now to hold its current property portfolio but make no new acquisitions as the returns from the company would be insufficient to meet all the external borrowing costs on a new property.

Capital Investment Plan

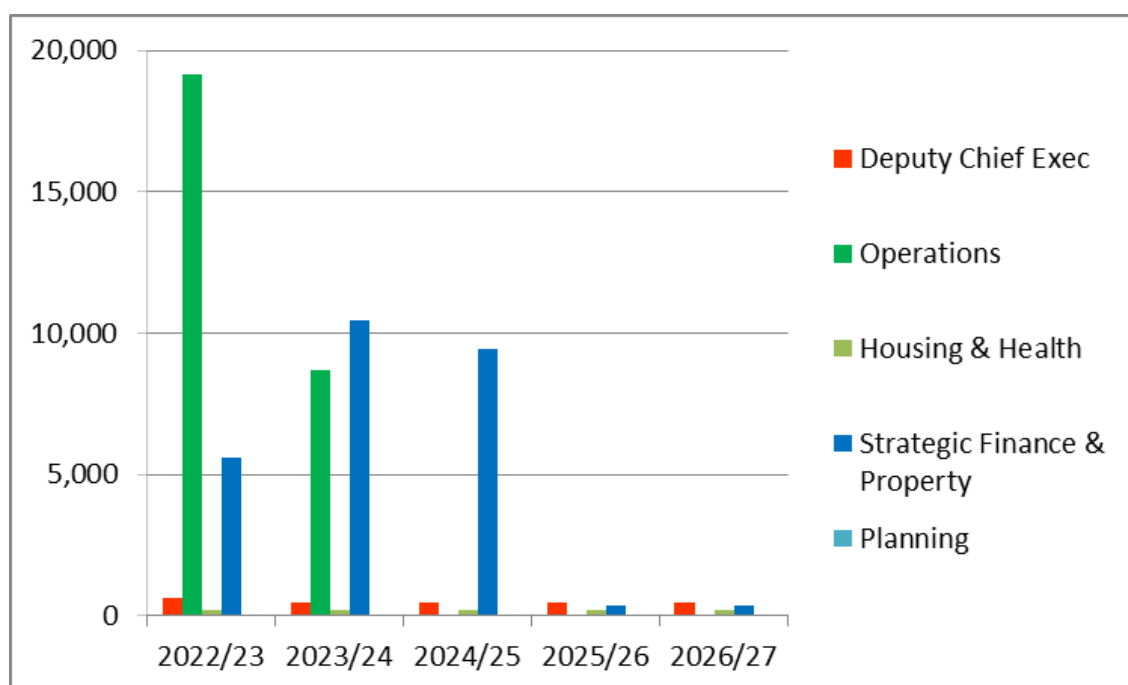
The following sections examine our starting point for a longer-term capital investment plan, the additional analysis that informs our Capital Strategy principles, our capacity to deliver and the potential options for addressing our capital investment ambition gap. We recognise that our Capital Programme currently plans for investment over a five-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 five-year investment plan from an expenditure perspective by Head of Service:

Figure 4: Capital Programme by Head of Service



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 5-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 2022 Budget report, the capital programme for 2022/23 onwards contains a number of ongoing major projects and also the rolling capital 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 further significant capital scheme at the Old River Lane, Bishop's Stortford site, within the medium term. The scope and funding arrangements for this scheme 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 require a borrowing facility within this medium term financial period.

As any new 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 those 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 2022/23
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	Leadership Team	During 2022/23
Improve the integration with the Council's financial plans and	To enable an overall view of the Council's delivery of a prudent, affordable and sustainable capital	Strategic Finance & Property, S151 Officer	During 2022/23

Action	Why is this required?	Responsibility	Timescale
strategies – particularly the MTFP, Treasury Management Strategy, Annual Investment Strategy and Reserves Strategy	investment plan that contributes positively to the achievement of the Council's corporate priorities		

Minimum Revenue Provision (MRP)

policy statement

Minimum Revenue Provision

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the council to have regard to the MHCLG Guidance on Minimum Revenue Provision, the most recent edition of which was issued in 2018.

The council is legally obliged to “have regard” to the guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The guidance offers four main options under which MRP could be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits. The requirement to ‘have regard’ to the guidance therefore means that:

1. Although four main options are recommended in the guidance, there is no intention to be prescriptive by making these the only methods of charge under which a local authority may consider its MRP to be prudent; and
2. It is the responsibility of each authority to decide upon the most appropriate method of making a prudent provision, after having had regard to the guidance.

There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding financial year.

The guidance also provides for the ability to reclaim any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) or overpayments, if deemed necessary or prudent. A detailed analysis of the council's Capital Finance Requirement and the balance sheet, in preparation for the Capital Financing Requirement turning positive and therefore MRP becoming payable, indicates that there is an historic set aside from capital receipts to repay debt of £117,406,522.84 as of 1 April 2007. This balance is fully cash backed and is evidenced by matching cash and investment balances each year in the balance sheet.

In order for this sum to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment position each year. It is also necessary to adjust this balance to take into account financing of capital expenditure and long term investment decisions made prior to 1 April 2020. This position is shown in the table below is tracked from 2007/08 when the Capital Adjustments Account was established. The table includes estimated capital expenditure to be financed from borrowing in 2021/22:

Year	Bfwd	Borrowing	Investment	Cfwd
2007/08	117,406,522.84	-7,894,055.77		109,512,467.07
2008/09	109,512,467.07			109,512,467.07
2009/10	109,512,467.07			109,512,467.07
2010/11	109,512,467.07			109,512,467.07
2011/12	109,512,467.07	-483,360.33		109,029,106.74
2012/13	109,029,106.74	-1,942,095.36		107,087,011.38
2013/14	107,087,011.38	-1,886,443.19		105,200,568.19
2014/15	105,200,568.19	0.00		105,200,568.19
2015/16	105,200,568.19	-18,815,490.41	-19,999,996.01	66,385,081.77
2016/17	66,385,081.77	0.00		66,385,081.77
2017/18	66,385,081.77	0.00		66,385,081.77
2018/19	66,385,081.77	0.00		66,385,081.77
2019/20	66,385,081.77	-4,531,075.15		61,854,006.62
2020/21	61,854,006.62	-24,650,000.00		37,204,006.62
2021/22	37,204,006.62	-21,640,000.00 ¹		15,564,006.62
2022/23	15,564,006.62	-19,960,000.00 ¹		-4,395,993.38

¹ Projected expenditure

The £7.894 million of historic debt brought forward has been deducted from the total set aside balance in 2007/08 and £6 million was repaid on the loan maturity date in 2019/20 using the set aside allowance.

The council's Capital Financing Requirement became positive in 2020/21 therefore the council's policy is to repay internal borrowing incurred on capital expenditure between 2011/12 and 2021/22 from the set aside balance in order that no MRP is required to be set aside. For external borrowing from 2021/22 and future years the Council will assess MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. The options available to the Council are as follows.

Option 1: Regulatory Method

Under the previous MRP regulations, MRP was set at a uniform rate of 4% of the CFR on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach requires the council to operate as if the 2008 Regulations must continue for all capital expenditure incurred in operate as if the 2008 amending Regulations had not revoked Regulation 28 and is only really advantageous to those authorities operating a Housing Revenue Account (HRA) to allow them to take advantage of adjustments relating to HRA debt. It can also only be used for new capital expenditure up to the amount which is deemed to be supported through the Supported Capital Expenditure annual allocation which is no longer published by the Government.

Option 2: Capital Financing Requirement Method

This is a variation on option 1 which is based upon a charge of 4% of the aggregate CFR without any adjustment for Adjustment A, or certain other factors which were brought into account under the previous statutory MRP calculation. The CFR is the measure of an authority's outstanding debt liability as depicted by their balance sheet.

Option 3: Asset Life Method

This method may be applied to most new capital expenditure, including where desired that which may alternatively continue to be treated under options 1 or 2.

Under this option, it is intended that MRP should be spread over the estimated useful life of either an asset created, or other purpose of the expenditure. There are two useful advantages of this option:

1. Longer life assets e.g. freehold land can be charged over a longer period than would arise under options 1 and 2 subject to a maximum life of 50 year for undeveloped land but developed land can have the same life as the asset on it and that can exceed 50 years; and

2. No MRP charges need to be made until the financial year after that in which an item of capital expenditure is fully incurred and, in the case of a new asset, comes into service use (this is often referred to as being an 'MRP holiday'). This is not available under options 1 and 2.

There are two methods of calculating charges under option 3:

1. equal instalment method – equal annual instalments; or
2. annuity method – annual payments gradually increase during the life of the asset.

Option 4: Depreciation Method

Under this option, MRP charges are to be linked to the useful life of each type of asset using the standard accounting rules for depreciation (but with some exceptions) i.e. this is a more complex approach than option 3. The same conditions apply regarding the date of completion of the new expenditure as apply under option 3.

Annual Minimum Revenue Provision Statement 2022/23

The Council's policy is to first utilise the available set aside capital receipts and will repay in full the internal borrowing debt relating to fully incurred capital expenditure or new assets brought into use in the first full year after they are brought into use. Once the available set aside capital receipts balance has been fully utilised to repay internal borrowing debt the Council, having evaluated the options for its MRP policy in respect of capital expenditure incurred, considers that the Asset Life - Equal Instalment Method is the most appropriate for it to use. This provides for a reduction in the borrowing need over approximately the useful life of the asset.

Estimated life periods will be determined by the Head of Strategic Finance and Property. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be

adopted by the council. However, the council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Repayments included in finance leases are applied as MRP.

Risk Management

Risk Management Strategy

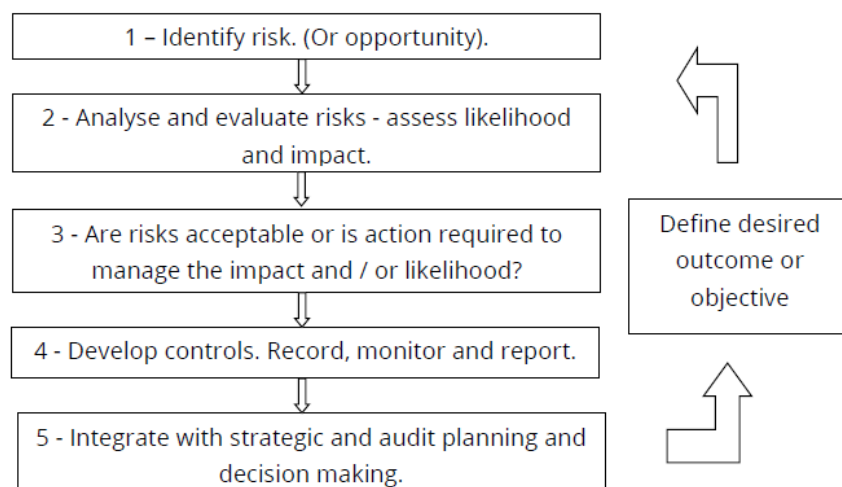
The Council's Risk Management Strategy was last reviewed in spring 2019 and is reviewed on an annual basis.

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				
<div>IMPACT</div> <div>LIKELIHOOD</div>	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>
Full Council	<p>Full Council recognises the importance of effective risk management and considers risk management issues when making decisions.</p>
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>

Role	Responsibility
	<p>Agree / set the Council's risk appetite.</p> <p>Allocate sufficient resources to address top risks</p>
Audit and Governance 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 reports each year detailing the strategic risks and actions taken to mitigate or control them..</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>

Role	Responsibility
	To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
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>
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</p>

Role	Responsibility
	<p>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 (review or implementation)	Owner	Residual Risk Score
Political	Change in local government structures	Timetable for any reorganisation would fall outside the substantial capital programme proposed and as already committed would not be stopped by a reorganisation prohibition on items not programmed to use up resources and deny them to the successor authority	Quarterly	Chief Executive	6

Risk Category	Description of Risk / Uncertainty	Mitigating Factors	Timescale (review or implementation)	Owner	Residual Risk Score
Finance	<p>There is uncertainty around future funding, both from Government and other areas such as income from commodities markets for recycled materials.</p> <p>The approach used in the MRP Policy of utilising set aside capital receipts from pre-2007 which can only be utilised for the repayment of borrowing to be applied to repay borrowing of the capital programme utilising the cash that backed the receipts is subject to validation by the external</p>	Funding situation is being carefully monitored..	Ongoing	Head of Strategic Finance & Property	7

Risk Category	Description of Risk / Uncertainty	Mitigating Factors	Timescale (review or implementation)	Owner	Residual Risk Score
	auditor				
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	Head of Legal & Democratic Services	6
Continuity / service	Risk of not having capacity / capability and flexibility to	Services are structured to ensure their service	Ongoing	Heads of Service	4

Risk Category	Description of Risk / Uncertainty	Mitigating Factors	Timescale (review or implementation)	Owner	Residual Risk Score
delivery	continue to deliver service levels over time.	offers meet customer demand and are efficient and effective. The Transformation Programme will drive digital self-service for customers and agile working will reduce the need for office accommodation space.			
	Risk of lack of defined process resulting in disrupted service	Standard business cases, project evaluation and	12 months	Head of Comms,	5

Risk Category	Description of Risk / Uncertainty	Mitigating Factors	Timescale (review or implementation)	Owner	Residual Risk Score
	delivery as decision making processes are impaired	scoring mechanisms to aid decision making and prioritisation of resources		Policy & Strategy	
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, South Mills and Bishop's Stortford Town Council, to ensure any enabling parts of the site	Ongoing	Head of Strategic Finance & Property	5

Risk Category	Description of Risk / Uncertainty	Mitigating Factors	Timescale (review or implementation)	Owner	Residual Risk Score
		are ready			
	Grange Paddocks Leisure Centre built on a flood plain resulting in risk of flooding of the ground floor areas.	The building is located on the boundary of the very low and no risk zone. Design and Access statement, flood risk strategy, and drainage plan produced resulting in 64% less drainage outflow. Plant located on the north side and all on raised plinths.	Ongoing	Head of Operations	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

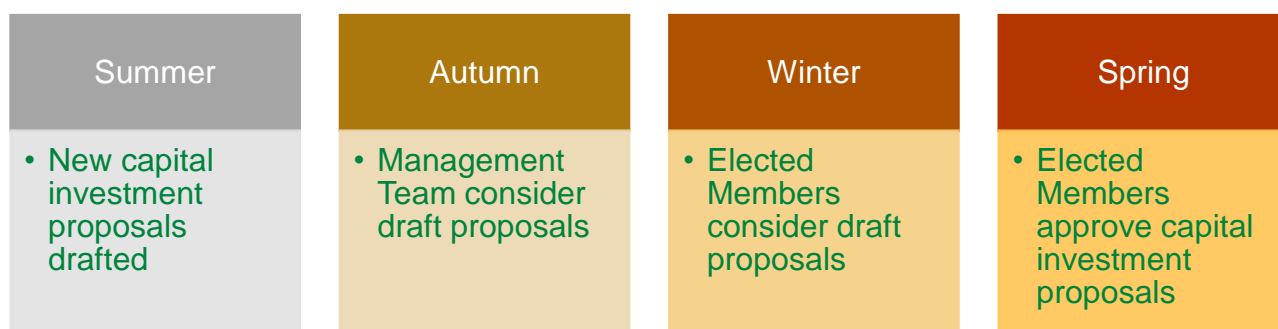
Process

Note: Due to the current high level of approved capital spend and affordability, there are currently no new capital schemes for approval and none expected, other than a potential re-configuration of the Old River Lane, Bishops Stortford, scheme.

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 Head of Service / Directorate following which, the proposals will be considered by Leadership 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 overleaf 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

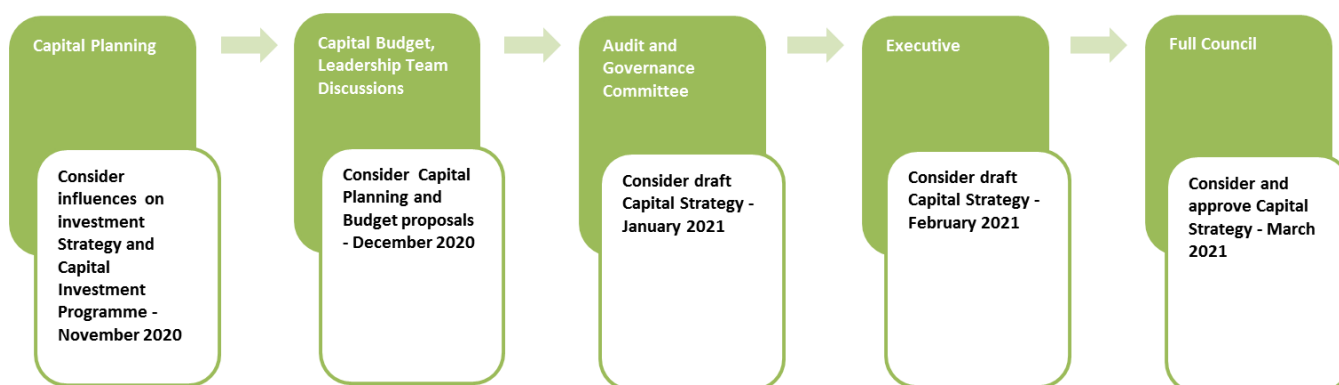
Action	Why is this required?	Responsibility	Timescale
Embed the council's carbon assessment tool within standardised business case documentation so as to ensure sustainability issues inform decision-making	To support officers in capturing and maintaining project information, from proposal to project close down, in order to help inform decision making and prioritise investment	Head of Housing & Health	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

Role	Responsibility
Leadership / 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 communicate these 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 that staffs 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	Leadership 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	Leadership Team	12 months

Appendix 1: Capital Programme by Corporate Plan priority

	Sustainability at the heart of everything we do	Enabling our communities	Encouraging economic growth	Digital by design
Investment in operational assets	✓	✓	✓	
Grange Paddocks Leisure Centre	✓	✓		
Hartham Leisure Centre	✓	✓		
Ward Freeman		✓		
Car Park Resurfacing		✓	✓	
Northgate End, MSCP, Residential and Commercial	✓	✓	✓	
Arts Centre – Old River Lane	✓	✓	✓	
Hertford Theatre	✓	✓	✓	✓
LED Lighting Upgrades	✓	✓		
ICT Rolling Programme				✓

Appendix 1

	Sustainability at the heart of everything we do	Enabling our communities	Encouraging economic growth	Digital by design
Open Space Improvements	✓	✓		
Improve, maintain & renew structures along rivers and watercourses	✓	✓		
Land Management Asset Register & Associated Works		✓		
Fixtures, Fittings and Equip		✓		
Grants	✓	✓		



East Herts Council Audit and Governance Committee

25 January 2022
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as of 7 January 2022
- 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 Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2021/22 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2021 to March 2022) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2021/22 Internal Audit Plan to 7 January 2022.
 - The findings for the period 23 October 2021 to 7 January 2022.
 - Details of any changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information to 7 January 2022.

Background

- 1.2 Internal Audit's Annual Plan for 2021/22 was approved by the Audit and Governance Committee at its meeting on 16 March 2021. The Audit and Governance Committee receive periodic updates against the Internal Audit Plan. This is the third update report for 2021/22.
- 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 changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As of 7 January 2022, 57% of the 2021/22 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Progress Report to the Audit and Governance Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Property Investment 2021/22	November 2021	Substantial	None
Contract Management 2021/22	December 2021	Reasonable	Three Medium Priority
COVID-19 Pandemic Response 2021/22	December 2021	Not Assessed	None
Safeguarding 2021/22	December 2021	Reasonable	One Medium Priority
Business Rates 2021/22	January 2022	Substantial	One Medium Priority
Economic Development 2021/22	January 2022	Reasonable	One Medium and One Low Priority

- 2.3 The table below summarises the position regarding delivery of the 2021/22 approved projects to 7 January 2022. Appendix A provides a status update on each individual project within the 2021/22 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	9	35%
Draft Report Issued	2	8%
In Fieldwork/Quality Review	1	4%
In Planning/Terms of Reference Issued	7	27%
Allocated	3	11%
Not Yet Allocated	0	0%
Cancelled/Deferred	4	15%
Total	26	100%

Proposed Audit Plan Changes

- 2.4 The following Audit Plan change was agreed with management and is reported to the Committee:
- a) Resources Utilisation (12 days) – audit intended for quarter 3 but now cancelled after discussions with the Head of Strategic Finance and Property. Audit days have been returned to contingency.

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. No new Critical or High Priority recommendations have been added to the schedule.

Performance Management

- 2.7 The 2021/22 annual performance indicators were approved at the SIAS Board meeting in March 2021.

- 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 7 Jan 2022
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	60% (163/273 days)	57% (155.5/273 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	54% (12/22 projects)	50% (11/22 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (1 High Agreed)

Note (1) – 1 received in 2021/22, this relating to a 2020/21 audit where the final report was issued after 1st April 2021.

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

2021/22 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 – 71 days									
Provision for full or targeted audit of one or more key financial systems. Mapping the remaining key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (full audit)	Substantial	0	0	1	0	71	Yes	26.5	Final Report Issued
Council Tax (full audit)									Draft Report Issued
Housing Benefits (full audit)									Draft Report Issued
Treasury Management (mapping)									In Planning
Debtors (mapping)									In Planning
Creditors (mapping)									In Planning
Payroll (mapping)									In Planning
Main Accounting (mapping)									Allocated
Operational Audits – 115 days									
Resources Benefits Realisation						0	N/A	0	Cancelled
Capital Programme Delivery						12	Yes	0.5	In Planning
Corporate Capacity						1	N/A	1	Cancelled
Contract Management	Reasonable	0	0	3	0	10	Yes	10	Final Report Issued
COVID-19 Pandemic Response	Not Assessed	0	0	0	0	12	Yes	12	Final Report Issued
Fly-Tipping	Reasonable	0	0	5	2	11	Yes	11	Final Report Issued
Property Investment	Substantial	0	0	0	0	10	Yes	10	Final Report Issued
Licensed Premises						10	Yes	0	Allocated
Economic Development	Reasonable	0	0	1	1	12	Yes	12	Final Report Issued
Equalities	Not Assessed	0	1	5	1	12	Yes	12	Final Report Issued
Safeguarding	Reasonable	0	0	1	0	10	Yes	10	Final Report Issued
Temporary Accommodation/Rough Sleepers						10	Yes	0	Allocated

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Homes England grant compliance audit	Unqualified	0	0	0	0	5	Yes	5	Complete
Follow Up Audits – 6 days									
Follow Up 1						0	N/A	0	Cancelled
Follow Up 2 (Payment Card Industry – Data Security Standards)						6	Yes	0.5	Deferred to Q1 2022/23
Risk Management and Governance – 12 days									
Provision for full or targeted audits or mapping the lines of assurance to inform the annual assurance opinion						12	Yes	1.5	In Planning
IT Audits – 16 days									
IT Resilience						6	Yes	0	In Planning
Cyber Security Assurance Mapping						10	Yes	7.5	In Fieldwork
Shared Learning and Joint Reviews – 6 days									
Joint Review(s) – Topics to be confirmed by SIAS Board						6	No	1.5	Allocated
Follow Up of Audit Recommendations – 4 days									
Follow up of critical and high priority audit recommendations						4	Yes	3	Through Year
Completion of 2020/21 Projects – 3 days									
Various						3	Yes	3	Complete
Contingency – 27 days									
Contingency						27	N/A	0	Through Year
Strategic Support – 40 days									
Head of Internal Audit Assurance Opinion 2020/21						3	Yes	3	Complete
External Audit Liaison						1	Yes	1	Through Year
Audit Committee						8	Yes	6.5	Through Year

APPENDIX A - PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Client Meetings & Ad hoc Advice						7	Yes	4	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	8.5	Through Year
SIAS Development/External Quality Assessment						5	Yes	5	Complete
Audit Planning 2022/23						4	Yes	0.5	Through Year
EHC TOTAL		0	1	16	4	300		155.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit and Governance Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
1.	Payment Card Data Security Standard (2020/21).	<p><u>Recommendation:</u> <u>PCI-DSS Self-Assessment & Compliance Structure.</u> The Council has not completed a SAQ and does not have a formal PCI-DSS compliance strategy/program in place to meet required data security standards. As the option for non-compliance was taken several years ago and since that point there have been multiple personnel changes, the Council should re-assess the level of risk and decide if the non-compliant route is still the most preferred option. A cross-Council PCI-DSS working group should be established to focus on assessing the level of risk presented by sustained non-compliance with the PCI-DSS. This group's primary objective should be to determine whether to accept the level of risk and continue to pay the monthly penalty imposed by WorldPay or agree roles and responsibilities to engineer and maintain compliance with the published standards. Should the decision be made to focus on compliance, the Councils are recommended to consult the best practice guidance produced by the PCI DSS Council in January 2019.</p> <p><u>Agreed Management Action(s):</u> The s.151 officer has advised that the level of risk and the monthly fines for non-compliance does not represent proper management of financial affairs. In addition, the expansion of the number of services to be put on the web, which require the ability to have payment facilities, means that the Council must be PCIDSS compliant in order to proceed. Having previous experience of ICON it is not possible to achieve PCIDSS compliance with this software and suitable replacement software has been identified. This will be implemented jointly with Stevenage BC. A revised Information Security Policy has been developed and will be distributed to staff annually as part of the compliance process. This emphasises card security measures in the short term.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>July 2021.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>October 2021.</u> The replacement of ICON has been included in the Transforming East Herts Programme as part of the Technology Workstream. We are currently working with Stevenage Borough Council to replace ICON at both councils, as a joint transformation project. We are on target to hit the 29/10/2021 target for a business case. The revised information security policy will be issued to all staff using ICON on 1 November 2021, which will be the annual date for the reissuing of the policy to all users. <u>January 2022.</u> Verbal update to be provided.</p>	Partially implemented.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
2.	Payment Card Data Security Standard (2020/21).	<p><u>Recommendation:</u> <u>Roles and Responsibilities.</u> As a subsequent output from the formation of the cross-Council PCI-DSS working group, there should be named individuals assigned to steering the Councils compliance journey. Traditionally, the ownership of the compliance process may be the Head of Finance, as they generally occupy the position of signing off the annual Attestation of Compliance (AoC). But it must also be noted that much of the compliance structure content relates to technical configuration, so the Council should designate roles based on this dual ownership. Whilst Finance owns the overall compliance objective, the IT work stream owns the infrastructure that the payment systems sit on. Both departments should have an equal vested interest in compliance.</p> <p><u>Agreed Management Action(s):</u> The above will lead the new system implementation and compliance as he has done this at a previous authority. To achieve compliance the new system will not permit card number entry by staff. Instead, customers choosing to phone up to pay will be handed off to a secure IVR system and will need to enter card details on their phone keypad. Subsequent payments, providing it is for a service with an account number for the customer, e.g. Council Tax, then the system uses a secure token that shows the last 4 digits of the card number and the expiry date. The customer is asked to confirm the expiry date and payment can be taken from that card with no need for card input unless the card is replaced/renewed. About 60% of PCIDSS compliance relates to firewalls, encryption and network security and requires best practice testing and maintenance which will be usefully checked for PCIDSS compliance as well as the standard annual cyber security checks.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>July 2021.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>October 2021.</u> See comment at 1. above. <u>January 2022.</u> Verbal update to be provided.</p>	Partially implemented.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Jan 2022)
3.	Equalities (2021/22).	<p><u>Recommendation:</u> <u>Governance Structure.</u> The Equalities Officers Group should be reinstated.</p> <p>A clear terms of reference should be devised that covers:</p> <ul style="list-style-type: none"> • Key roles and responsibilities. • Routes for escalation of issues. • How the Equalities Officers Group interacts with the Overview Scrutiny Committee. • Monitoring and oversight requirements for the new Equalities Strategy. • Frequency of meetings. • Membership, which should include staff that are able to drive progress against the strategy. <p><u>Agreed Management Actions:</u> Work has begun on this using the template provided and learning from existing structures within Herts County Council. We hope to have the first meeting of the group in September/ October.</p>	<p>Responsible Officer: Equalities Officer.</p> <p>Due Date: 31 December 2021.</p>	<p><u>October 2021.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>January 2022.</u> The Equalities Officer Group has met twice and has established a terms of reference.</p>	Implemented.

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2021 TO MARCH 2022) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Quarter 1	Quarter 2	Quarter 3	Quarter 4
Corporate Capacity Cancelled	Contract Management Final Report Issued	Local Taxation/Housing Benefits Final/Draft Reports Issued	Financial Systems In Planning
Fly Tipping Final Report Issued	COVID-19 Pandemic Response Final Report Issued	Resources Benefits Realisation Cancelled	Licensed Premises Allocated
Equalities Final Report Issued	Property Investment Final Report Issued	Capital Programme Delivery In Planning	Temporary Accommodation / Rough Sleepers Allocated
Audit Follow up Cancelled	Safeguarding Final Report issued	Economic Development Final Report Issued	Risk Management & Corporate Governance In Planning
	Homes England – Compliance Audit Final Report Issued	Cyber Security In Fieldwork (c/f from Q2)	IT Resilience In Planning
			Audit Follow up Deferred to Q1 22/23 (c/f from Q3)

APPENDIX D – ASSURANCE / PRIORITY LEVELS

Audit Opinions		
Assurance Level		Definition
Assurance Reviews		
Substantial		A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable		There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed		This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews		
Unqualified		No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified		Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion		Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion		Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels		
Priority Level		Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
Service	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

East Herts Council Report

Audit and Governance Committee

Date of Meeting:

25th January 2022

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

Report title: Financial Management 2021/22 – Quarter 2 Forecast to Year End

Ward(s) affected: ALL

Summary

- To provide a report on financial monitoring for East Herts Council for 2021/22 as at 30th September 2021.
- The net revenue budget for 2021/22 is £11.056m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 30th September 2021 predicts an overspend of £132k at the year end.
- The revised capital budget for 2021/22 is £57.060m, with a forecast underspend of £15.825m, which will be carried forward to 2022/23.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a. The net revenue budget forecast overspend of £132k in 2021/22 be noted (table 1);**

- b. That the revised capital budget for 2021/22 of £57.060m, with a forecast underspend of £15.825m, which will be carried forward to 2022/23 (appendix A) be noted.**

1.0 Proposal(s)

- 1.1 Not applicable

2.0 Background

- 2.1 This report sets out the financial position for the financial year 2021/22 to date and provides forecasts for the outturn position.
- 2.2 The Council's revenue budget is made up of 5 areas; these are shown in table 1. The report that follows provides details of the forecast outturn position against these areas.

Table 1 – 2021/22 Revenue Forecast Outturn

Original Budget 2021/22	Forecast outturn	Variance
--	-----------------------------	-----------------

	£'000	£'000	£'000
Net Cost of Services	16,787	16,778	(9)
Corporate Budgets	(16)	(66)	(50)
Net Use of Reserves	2,485	2,382	(103)
Funding	(8,200)	(7,906)	294
Net Revenue Spend	11,056	11,188	132
Funded by Council Tax	(11,056)	(11,056)	-
Overspend / (Underspend)	-	132	132

2.3 The report contains the following sections and Appendices:

Background Report Sections	
2.4	Net Cost of Services

2.18	Corporate budgets
3.0	Reserves
4.0	Funding
5.0	Capital budgets
6.0	Debtors

Appendices	
A	Capital
B	Debtors
C	Strategic Risk Register

2.4 Net Cost of Services

2.5 The Councils net cost of services budget for 2021/22 is £16.787m, which includes carry forwards from previous year's budget of £414k of which £404k is for Shared Business and Technology and £10k for Housing and Health.

2.6 An underspend of £9k is forecast in 2021/22. Table 2 overleaf shows this current forecast outturn position broken down by service area.

2.7 As reported previously, the Councils income and expenditure continues to be impacted by the Covid-19 pandemic. This report contains estimates of the Covid-19 income loss scheme funding from the government to support the loss of fees and charges income and also Local Authority support grant.

2.8 For the first quarter of 2021-22, the sales, fees and charges compensation grant scheme will operate on the same basis as last year's scheme which involves a 5% deductible rate, whereby councils will absorb losses up to 5% of their budgeted sales, fees and charges income,

with the government compensating them for 75p in every pound of relevant loss thereafter. This will then allow the budgets for the remaining quarters to be better profiled to reflect seasonal changes in budgeted income.

Table 2 – Net Cost of Services

	Original Budget 2021/22	Forecast outturn	Grant funding	Revised outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Chief Executive & Directors	401	385	-	385	(16)
Communications, Strategy & Policy	1,386	1,315	-	1,315	(71)
HR & Organisational Development	566	535	-	535	(31)
Strategic Finance & Property	2,670	2,810	-	2,810	140
Housing & Health	2,577	2,595	(25)	2,570	(7)
Democratic and Legal	1,411	1,419	-	1,419	8
Planning & Building Control	1,202	1,454	(129)	1,325	123
Operations	3,058	3,331	(144)	3,187	129
Shared Revenues & Benefits Service	1,724	1,720	-	1,720	(4)
Revenues & benefits retained costs	(465)	(672)	-	(672)	(207)
Housing Benefit Subsidy	(550)	(586)	-	(586)	(36)
Shared Business & Technology Services	2,570	2,533	-	2,533	(37)
CERA	238	238	-	238	-
Total Net Cost of Services	16,787	17,076	(298)	16,778	(9)

2.9 The use of reserves to fund Net Cost of Services expenditure is included in section 3.0.

2.10 Communications, Strategy & Policy

A forecast underspend of £71k is reported against this service. This is mostly driven by salary underspends

across communications and customer services due to limited reception opening hours. This will be kept under review.

2.11 HR & Organisational Development

A forecast underspend of £30k is reported. Most of this relates to an underspend on salary budgets due to no further recruitment of apprentices mostly driven by changing ways of working.

2.12 Strategic Finance & Property

A forecast overspend of £140k is reported, this relates to:

- £106k reduced rental income from Charrington's House due to redevelopment of site.
- £21k increase in service charge and business rates costs due to vacant space Charrington's House as site is to be redeveloped.
- £20k reduction in rental income from Wallfields old building due to termination of Citizens Advice Bureau's contract. This vacant space is being utilised as storage for items from Hertford Theatre which would have incurred a cost if stored elsewhere

2.13 Planning & Building control

A forecast overspend of £123k is reported against this service, net of anticipated government grant income to cover losses in fees and charges. Most of this relates to an increase in costs relating to the Harlow Gilston Garden Town project, which will be offset by funding from reserves.

2.14 Operations

A forecast overspend of £129k is reported against the Operations service, which is net of anticipated

government grant income to cover losses in fees and charges. Part of this relates to a reduction in income from the closure of joint use pools in leisure services from Q1 due to the pandemic. Additionally, due to the uncertainty of Covid-secure guidance for live shows, the Hertford Theatre Xmas show production will be reduced to minimise loss in income.

2.15 Revenues & Benefits Retained Costs

The revenues and benefits retained costs budget is forecast to overachieve by £207k. This consists of additional central government new burdens funding net of expenses as a result of the pandemic.

2.16 Housing Benefit Subsidy

The housing benefit subsidy budget is forecast to overachieve by £36k. This is due to grant income being higher than anticipated.

2.17 Shared Business & Technology Services

A forecast underspend of £37k is reported against this service. 50% of this relates to savings identified on licence costs to date and the remainder due to slippage of IT projects. As mentioned previously, £404k unspent from 2020/21 budgets has been carried forward into this financial year, this will be spent in 2021/22.

2.18 Corporate Budgets

Corporate budgets are costs and income received by the Council that are not service specific; these include income from the Council's investments and pension deficit contributions. Table 3 shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2021/22 forecast outturn

Original Budget 2021/22	Forecast outturn	Variance
£'000	£'000	£'000

Interest & Investment Income	(750)	(800)	(50)
Pension Fund Deficit contribution	734	734	-
Corporate Budget Total	(16)	(66)	(50)

2.19 The interest & investment income budget is forecasted to overachieve by £50k. This is due to returns being higher than anticipated

3.0 Reserves

3.1.1 The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Table 4 reflects the forecast outturn position as at 30th September 2021.

Table 4: Use of reserves 2021/22

	2021/22 Budget	2021/22 Forecast Outturn	Variance
	£'000	£'000	£'000
Contributions to reserves	3,369	3,146	(223)
Contributions from reserves	(769)	(649)	120
Use of General reserve	(414)	(414)	-
Contribution to Priority spend Reserve	299	299	-
Use of Reserves:	2,485	2,382	(103)

3.1.2 It is forecast that there will be a contribution from reserves of £649k in 2021/22, which is £120k less than budgeted for. This is mostly due anticipated reserve funding not required to fund net cost of services at present.

3.1.3 It is forecast that contribution to reserves will be £223k lower than budgeted for. This is due to utilising government grant expenditure in year to fund net cost of services.

3.1.4 The use of reserves will continue to be monitored and an update will be provided at quarter 3.

3.1.5 As mentioned previously and in addition to above, £414k will be utilised from the General reserve. This consists of carry forwards from unspent budgets in the previous year with £404k for Shared Business and Technology service and £10k for Housing and Health service.

4.0 Funding

These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 30th September 2021.

Table 5: 2021/22 funding

	Original Budget 2021/22	Forecast Funding 2021/22	Variance
Business Rates	(2,721)	(2,721)	-
(Surplus)/Deficit on collection fund	2,455	2,455	-
Gov. support grant	(874)	(652)	222
Section 31 grants	(4,666)	(4,666)	
Capital salaries	(150)	(78)	72
New Homes Bonus	(2,244)	(2,244)	-
Total Funding	(8,200)	(7,906)	294

4.1.1 The impact on collection rates for both Council Tax and Business Rates as a result of Covid-19 is being closely monitored by officers.

4.1.2 A variance of £222k is reported against the Government support grant in the table above. This is due to grant income accounted for within the net cost of services.

4.1.3 Additionally, a variance of £72k is reported against the Capital salaries budget in the table above. This is due to funding lower number of posts through

capital than anticipated.

5.0 Capital Programme

5.1.1 The revised capital budget for 2021/22 is £57.060m, with a forecast underspend of £15.825m, resulting from delayed major project spend, which will be carried forward to 2022/23.

5.1.2 The revised budget has increased by £514k, being the agreed budget to fund the purchase of a new hostel and required conversion costs.

5.1.3 Appendix A provides a breakdown of the 2021/22 revised capital budget against the forecast outturn and 2022/23 carry forward. Other than the delayed major project underspend, there are no further variations to budget to report this quarter.

6.0 Debtors

6.1.1 The total outstanding debt as at 30th September 2021 is £3.499m, an increase of £1.116m since reported at Q1. Two large invoices totalling over £1m were raised in late September, one of which has since been paid and the other due to be paid imminently. A large long term debt is currently with Legal Services who are pursuing the contractual dispute resolution route prior to potential court action for recovery.

6.1.2 The outstanding debt over 120 days totals £943k, a decrease of £831k from the position reported at Q1

6.1.3 As reported previously there has been an increase in aged debt due to the current nationwide pandemic. However officers have been proactively working with debtors in agreeing payment plans/deferrals in

order to pursue the debt.

6.1.4 As mentioned previously, an exercise to write off old debts due to bankruptcy etc. is still under way and will be reported to Executive for approval.

6.1.5 Appendix B analyses the profile of aged debtors.

7.0 Reason(s)

- 7.1 Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit & Governance Committee and the Executive with expenditure forecasts to the year end.
- 7.2 The Executive must consider the budget forecasts and ensure that action is taken in relation to any expenditure over spends or any underachievement of income so that the Council's financial resources are not exceeded.

8.0 Options

- 8.1 Members have the option to accept the forecast budget overspend or to ask officers to identify budgeted spending that could be stopped in order to rebalance the budget in-year. At present, the forecast overspend is relatively small and related to external economic factors and Members are recommended to accept the forecast overspend.

9.0 Risks

- 9.1 Costs may increase and income may decrease due to the pandemic if a vaccine resistant variant should emerge resulting in the resumption of lockdowns.
- 9.2 As recommended by Audit and Governance Committee, the Strategic Risk Register is appended to this report so that Members of the Executive are aware of strategic risk and the potential impacts on the budget. Please see appendix C

10.0 Implications/Consultations

Consultation was undertaken with budget managers/finance contacts to assist in writing this report.

Community Safety

None arising directly from this report

Data Protection

None arising directly from this report

Equalities

None arising directly from this report

Environmental Sustainability

None arising directly from this report

Financial

All financial implications are included in this report.

Health and Safety

None arising directly from this report

Human Resources

None arising directly from this report

Human Rights

None arising directly from this report

Legal

Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit & Governance Committee and the Executive with expenditure forecasts to the year end.

The Executive considers the budget forecasts and ensures that action is taken in relation to any expenditure over spends or any

underachievement of income so that the Council's financial resources are not exceeded.

Specific Wards

None

11.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

Appendix C: Strategic Risk Register

Contact Member

Councillor Geoffrey Williamson, Deputy Leader
& Executive Member for Financial Sustainability

geoffrey.williamson@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

steven.linnett@eastherts.gov.uk

Report Authors

Alison Street, Financial Planning Manager

alison.street@eastherts.gov.uk

Nasir Miah, Finance Business Advisor

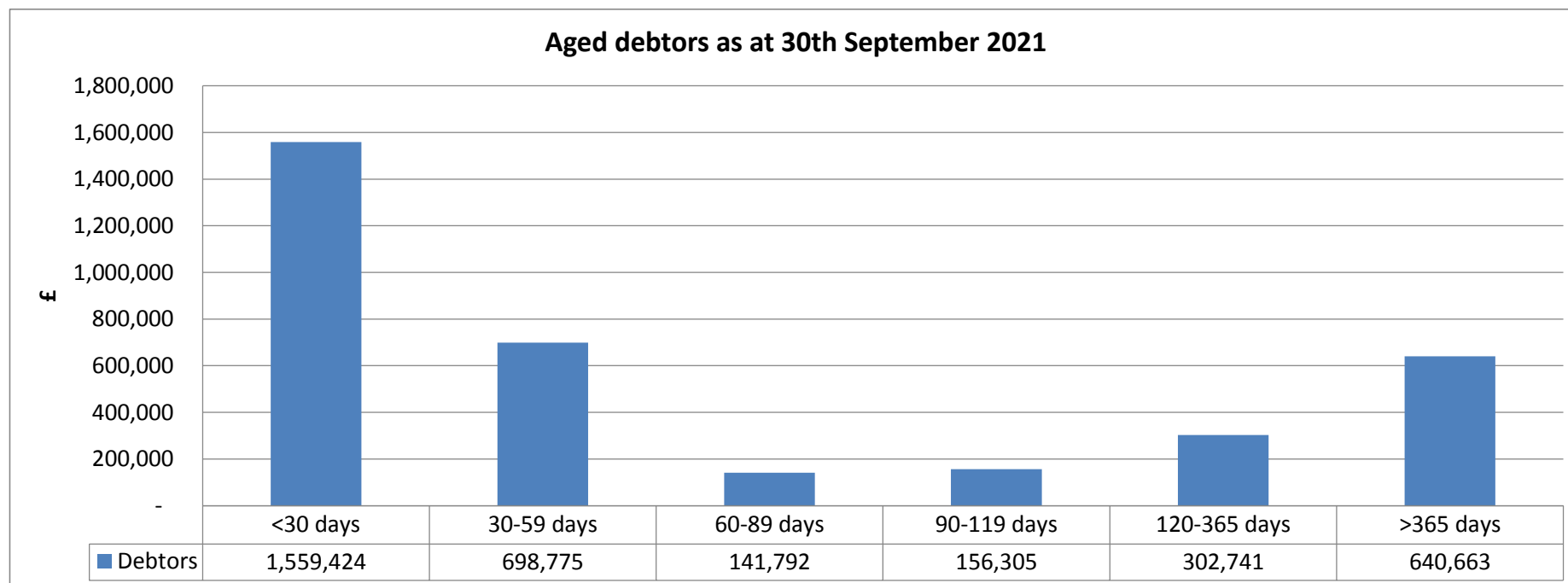
nasir.miah@eastherts.gov.uk

Capital Forecast Outturn Quarter 2 September 2021
--

	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance 2020/21 £'000
Land and Buildings			
Investment in operational assets	209	209	0
Grange Paddocks Leisure Centre	10,872	9,940	(932)
Hartham Leisure Centre	10,101	3,278	(6,823)
Ward Freman Leisure Centre	610	610	0
Hertford Theatre	9,700	1,630	(8,070)
Car Park Resurfing	585	585	0
Arts Centre - ORL	10,248	10,248	0
Northgate End	10,139	10,139	0
Buntingford Depot site works for Residual Waste	127	127	0
New Hostel	514	514	0
Vehicles and Equipment			
Rolling programme to be utilised on ICT projects subject to ITSG review	1,235	1,235	0
LED Lighting Upgrades	253	253	0
Heat Detection Unit at Buntingford Depot	277	277	0
Hostels - Fencing	11	11	0
Hostels - CCTV and associated works	233	233	0
Community Assets			
Folly View, Herford - Open Space Improvements	15	15	0
Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19)	50	50	0
Play Area and other projects, Hartham Common, Hertford	106	106	0
Castle Park - HLF	1,433	1,433	0
Trinity Close - Open Space Project	57	57	0

Revenue Expenditure Funded as Capital Under Statute (REFCUS)			
Home Improvement Loans	20	20	0
Improve & renew structures along rivers and watercourses	48	48	0
Land Management Asset Register & Associated Works	50	50	0
Green Deal Loans	20	20	0
Historic Building Loans	20	20	0
Community Capital Grants	127	127	0
Current Capital Programme Budget Total	57,060	41,235	(15,825)

The following graph shows the age of the £3.499m of debts outstanding as at 30th September 2021



This page is intentionally left blank

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
1	A 4	Financial Resources	<p>Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income.</p> <p>Failure to realise capital receipts from disposals to support capital expenditure.</p> <p>External auditor challenges MRP Policy and capital financing decisions</p> <p>Council Tax Referendum levels set too low to generate sufficient tax revenue. Sudden economic Down turn results in negative Tax Base figures because of increased local Council Tax support claims</p>	<ul style="list-style-type: none"> • Reductions in services required • Performance against community expectations and targets reduced • Investment in improvement not possible or severely reduced • Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration • Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units • Large numbers of staff redundancies • Major media 	Head of Strategic Finance & Property	<ul style="list-style-type: none"> • Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years) • Modelling of impact of grant settlement scenarios and function and funding changes • Three year MTFP savings programme • Transformation Programme in scoping stage to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement with target of £1 million cashable savings. • Transforming East Herts Commercial Strategy will specify commercial skill sets and set out the council's approach to risk appetite

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>Members do not agree significant savings at budget setting leading to an unbalanced budget leading to a s.114 report.</p> <p>Delay and/or significant cost over runs on major projects</p>	<p>engagement</p> <ul style="list-style-type: none"> Potential for MHCLG intervention <p>Delay leads to cost increases beyond the ability of the council to finance the capital costs</p> <ul style="list-style-type: none"> Delays and cost overruns lead to non-delivery of savings requiring service offer reductions to compensate Projected savings not achieved after project completion due to 		<p>and give guidance on how income generating ideas should be taken forward.</p> <ul style="list-style-type: none"> New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others. Business case reviews to ensure that projects make a return Cost and income estimates commissioned from industry expert consultants to feed into business case Project delivery by Major Projects Team with quarterly reports on

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
				changes in market away from service offer <ul style="list-style-type: none"> • Significant local media engagement • Reputational damage. 		progress to Leadership Team and Executive. <ul style="list-style-type: none"> • Construction insurance presentation held in November and quotes to be sought for relevant covers. • Capital Programme is phased and financed across years and contingency built into budgets so can be re-phased if required.

Update on current position

1		<ul style="list-style-type: none"> • In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. This includes: <ul style="list-style-type: none"> ○ The impact of operating in an economy recovering from the Covid driven recession. The Government will have to consider how it begins to pay off the borrowing it has undertaken during the pandemic – this could mean a mixture of higher taxation, with possible impact on economic recovery, and reductions in public service expenditure. Both would impact on the Council's income and ability to spend; ○ The shape of the post-Brexit and post-Covid economic and policy agenda, the impact of new post-EU funding regimes and the Government's Levelling Up programme; ○ Specific uncertainty over the future of local government funding, and delays to key reforms. The level of Government funding that the council will receive from 2022/23 onwards is not confirmed; Spending Review 2020 was for a single year and therefore funding for this planning period will be announced at Spending Review 2021 which is likely to be in the autumn. Additionally, the Fair Funding Review and Business Rate
---	--	---

Page 314	Update on current position
	<p>Retention reform have now been confirmed delayed until at least 2022/23. These are significant areas of change that currently are not fully understood and cannot be fully quantified but will have potentially significant financial impact.</p> <ul style="list-style-type: none"> ○ The lasting impact the pandemic will have on young people in terms of education and employment opportunities; ○ The growing impact of climate change, the national and local commitments to achieve carbon neutrality and the introduction of a range of new measures through the Environment Bill; ○ The impact of Government reviews and reforms of public services and changes in policy– for example changes to infrastructure, transport and planning and potential structural changes; ○ The ongoing need to support post-Covid recovery and adjustment, both in our services and for society and the economy, against a backdrop of residual risk of further waves of infection and the potential need for an ongoing vaccination programme; and ○ Reviewing the way that we work and accelerating our planned changes to move towards a more hybrid way of working, and evolving our working practices to ensure we have modern, flexible workspaces and workstyles as part of the Transforming East Herts Programme. <ul style="list-style-type: none"> • The Council's business and financial planning is underpinned by the Corporate Plan and its four priorities, which provide a clear focus for decisions about spending and savings and direct activity across the Council. The four priorities are: <ul style="list-style-type: none"> ○ Sustainability at the heart of everything we do; ○ Enabling our communities; ○ Encouraging economic growth; and ○ Digital by default. • Officers will continue to explore options to further reduce net cost to meet the savings target for submission to the Executive. This will include examining non-statutory service provision levels and also reviewing and benchmarking contracts to ensure the prices remain competitive. A recent review of the office furniture contract resulted in an indicative 68% saving by switching to an alternative framework. A procurement strategy and indicative procurement

Update on current position		
Page 315		<p>timeline both featured in the improvements identified in the Annual Governance Statement endorsed by Audit & Governance Committee.</p> <ul style="list-style-type: none"> • Rent payments on investment properties have no significant defaults to date. Rent reductions have been agreed for 2 tenants in Charringtons but this has to set against compensation that would have been payable when we need to move tenants out for handover for the Old River Lane regeneration as we have included appropriate break clauses as part of the new rent agreement. • Government has committed to the income compensation scheme for the first quarter of 2021/2 and it is possible that they would extend the scheme to cover periods of restrictions beyond quarter 1. • Savings plans for 2021/22 is on target with garden waste sign up being on budget assumption with a high on-line sign up of 92.5% and direct debit payments at 82% • Corporate policy on charging developed to ensure consistency across charges – there have been a number of below cost charges agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services. Due for approval by Executive in November. • Grange Paddocks construction completing October 2021 and Northgate End construction work is substantially complete. • Hartham contract awarded and works commenced late March. • Old River Lane /Arts Centre change in scope progressing and approved by Council in March alongside the business plan. Development Agreement and Development Management Agreement draft to be agreed with s.151 officer and monitoring officer input. • Hertford Theatre delayed due to non-award of contract as tendered prices too high. • All major capital projects are at risk of price increases as a result of the combined impact of COVID / BREXIT related inflationary pressures. In addition to the increasing cost of materials, there is a significant shortage of labour supply for the construction and M&E industries, which is in turn pushing up the price of labour. This is a national issue. • The national shortage of HGV drivers is driving up pay and this will lead to pressures on the cost of the waste contract as well as the cost and delivery of building materials.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
2	B 3	Corporate Governance and external political environment	<p>Brexit trade deal risks</p> <p>Planning Policy Changes</p>	<ul style="list-style-type: none"> • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties. • Non-Tariff barriers leading to supply chain price increases and longer replenishment times. Some UK businesses may relocate to the EU making current domestic supplies into imports. • Government policy changes to introduce development zones, ends s.106 and CIL for government infrastructure levy • Government impose unitary authorities and reduce exchequer grants by savings made 	Chief Executive	<ul style="list-style-type: none"> • Address issues of labour shortage with contractors at progress meetings. Raise skills shortages at the LEP to ensure we train young people. • Consider forward funding stockpile of materials subject to delays as part of contract mobilisation • Consider risks to supply chain as part of procurement exercises • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies • Both officers and Members are engaged in Herts Growth Board

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>Local government reorganisation / Devolution</p> <p>Climate Change / Zero Carbon / Build Back Greener</p> <p>Changes to local taxation</p>	<ul style="list-style-type: none"> District required to be carbon neutral from 2030 and Government targets set with fines for non-achievement Business Rates and or Council Tax replaced with Land Value Tax or Local Income Tax Potential protests and non-payment campaigns Measure may end land banking with developers commencing on multiple sites to build out permissions and avoid LVT Uncertainty as to tax yields and redistribution mechanisms cause difficulties budgeting Change in leadership politically sets radically 		<ul style="list-style-type: none"> Work underway to progress carbon reduction and also exploring potential investments that support this aim but would also produce income for the council in the medium term. Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies. LVT is in operation in Denmark, Estonia and Latvia and there are suggested routes to implementation already published. Local Income Tax would require key data from HMRC before implications could be understood. Corporate Plan process Member induction and training

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			<p>Leadership / Management change</p> <p>Recession leading to increase in unemployment, business failure; low business growth and commercial property values decreasing significantly.</p>	<p>different policy agenda and tone</p> <ul style="list-style-type: none"> • Change in Leadership Team structure • Unemployment. • Empty properties / shops. • Lower rental income from council property portfolio. • Increased demand on council services. • Reduction in Council Tax Base due to LCTSS being a discount. • Reduction in Business Rates income to the safety net level 		<ul style="list-style-type: none"> • Code of conduct • Monitoring Officer/ s.151 officer • HR policies • Estimates of workload v capacity • Corporate Plan process • European Regional Development Fund / MHCLG project to support businesses with advice and support on growing. Ware and Bishop's Stortford Launchpad to be grown. • COVID support grants and business rates reliefs for 2020/21 and 2021/22 to support businesses through the pandemic. • Broxbourne BC and CVS digital / employment skills support

Page 320	Update on current position	
2		<ul style="list-style-type: none"> • Despite challenges from the pandemic, Brexit and global supply issues Grange Paddocks Leisure Centre is due to open on time and within budget in October 2021. Costs of other key capital projects (Hartham, Northgate End and ORL, Hertford Theatre) are being kept under constant review • Number of residents with an East Herts address applying for Settled Status exceeded 7,000 (well above the estimated 4000) • • Officers are considering the lessons from how the Council has been able to operate during the pandemic within the Transforming East Herts Programme. It is evident that working from home is possible on a greater scale and this will have implications for our future accommodation needs and reduce travel leading to lower carbon emissions • Council is actively targeting food waste reduction. The Climate Change Committee say that for the UK's next carbon budget food waste must be reduced by 75% i.e. the vast majority of carbon emissions are from the production and transportation of food that is wasted. The UN report on food waste said that almost a billion tons of food was wasted and led to carbon emissions that if it were a country, would be third behind the USA and China • 2 stage approach to mitigating recession following COVID-19: In the first lockdown the council supported over 2,200 businesses with £30m of government funded grants and £18m of reliefs. A further £6.8m has been paid out since November through different government grant schemes and a further 600 businesses have benefitted on top of the 2,200 above. • £132,000 of RHSS funding has been allocated to support safe re-opening of High Streets and has covered work such as traffic management on high streets to encourage social distancing. Due to the second national lockdown retail businesses are again facing significant challenges and our most recent response has been to introduce a shop local campaign focused on on-line buying and takeaways / click and collect services. The funding was also used to purchase hand sanitisers in town centres and planters to replace temporary traffic barriers. A second round of this funding has also been allocated to East Herts for the 2021/ 22 year. All 5 towns and 6 parish councils have received funding to undertake further cleaning, advertising and promotion of village/ town centres and provide additional seating • A new grant scheme was also launched in August aimed at encouraging new businesses to open up premises (or

Update on current position		
		<p>take on empty premises) in the district. As at the end of September 5 organisations have been tentatively awarded a grant.</p> <ul style="list-style-type: none">• Council also commissioned a new service with Broxbourne Borough Council and the CVS to support newly unemployed residents get back into work by supporting them with digital skills such as interviewing over Zoom and MS Teams. Service launched 5th October 2020. As at 31 March 2021, just 41 individuals had made use of the scheme however in the last 6 months there have been over 150 referrals, possibly linked to the winding down of furlough

Risk No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
3	A3	Performance, resilience and security of IT systems	<p>Data and/or information lost causing breach of Data Protection Act</p> <p>Cyber-attack results in total loss of data and systems</p> <p>Investment in ICT does not result in savings</p>	<ul style="list-style-type: none"> • Substantial fine from Information Commissioner • Major media engagement • Reputational damage • Disruption to services potentially long-running • Inability to carry out enforcement as no records to check against • Resources devoted to recovery moved off to assist police investigation delaying recovery • Major media engagement • Reputational damage • Council becomes financially unsustainable 	Deputy Chief Executive	<ul style="list-style-type: none"> • Network Virtual Desktop configuration prevents download of data to local storage devices • Network firewall and security systems tested and monitored • Staff training • Confidential waste shredded • Massive reductions in printing since pandemic • Projects to include estimated benefits and monitored through benefits realisation reports. The investment requirements are tried and tested systems that have resulted in savings elsewhere.

Update on current position		
3		<ul style="list-style-type: none">January's report showed that:<ul style="list-style-type: none">3,298 spam emails were blocked out of 248,920 received.19 impersonation attempts were blocked.20 emails containing malware were blocked.A dedicated GDPR/Data Protection Officer has been recruited and has taken up the post.Recent weekend shutdowns have enabled the disabling of old technology that was no longer supported or updated. New firewalls and switches have been installed and although slightly behind due to resourcing issues, all major projects are progressing well.As the ICT upgrade projects progress there have been several incidents that have resulted in the loss of IT for staff and members. A day and a half of productivity was lost in June. The issue was identified and rectified but this has further exposed how our aging infrastructure is starting to impact on the organisation. A further 3 days was lost in September but the council successfully migrated to the new network. This new network has eliminated 99% of the single points of failure we had on the old network. We can now communicate across the network using more connections so traffic can be routed around problems, if they occur, and it is connected to the internet via 2 fibre cables and the security of the microwave link between the Stevenage data centres. This means that the likelihood and frequency of ICT outages should now be low. It also means that we have cleared a major hurdle in the way of starting to deploy the latest version of VMWare Horizon virtual desktops with Windows 10 and Microsoft 365.SBC (IT Shared partner) are developing a scope to be agreed by both parties for a review to be undertaken at the request of the respective council leaders, to provide assurance going forward and SOCITM has been appointed. In addition additional resourcing is being investigated to see if the replacement programme can be accelerated.The Shared Internal Audit Service is undertaking an audit of data security and cyber risk.A new interim ICT Partnership Manager came into post during August and is making changes in project delivery arrangements and major incident protocols.The cyber insurance market has contracted significantly and cover may prove difficult to procure when insurance contracts are tendered in spring 2022, or prohibitively expensive. Scoping exercise with IT proposed to enable council to obtain our broker's view on the prospects of securing cover.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
4	B 2	Staff capacity and skills to deliver services	<p>Loss of key staff</p> <p>Staff capacity unable to deliver projects</p> <p>Unable to recruit to key posts</p>	<ul style="list-style-type: none"> • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Staff cannot undertake level or volume of work to meet all priorities • Council does not deliver performance expectations • Opportunities lost to improve outcomes • Partners lose confidence in ability to deliver • Public lose confidence in ability to deliver • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Disruption to Council 	Head of Human Resources and Org Development	<ul style="list-style-type: none"> • Staff development including the on-line learning pool • Succession planning for key staff within Services • Use of flexible retirement to ensure continuity of experienced staff whilst bringing on staff into roles • Prioritisation of work through the Corporate Plan and Executive Members • Major projects taken forward with corporate project management standards via the Major Projects Team • Market supplements where appropriate • Selective use of external resources and contingent labour through neutral vendor to drive down costs. • Internal communications emphasising welfare and mental health • Contingency planning

Update on current position						
			Industrial action	services <ul style="list-style-type: none"> • Poor customer service • Non-delivery of projects 		<ul style="list-style-type: none"> • Contingency planning

Update on current position						
4		<ul style="list-style-type: none"> • The number of leavers in Q4 did increase and it remains challenging to recruit senior planning officers especially as agency terms are more favourable than direct salaries, the service is being restructured in 21-22 to try to improve the structure and create more opportunities for growth and retention (Golden Hellos are already used where appropriate as is 100% funding for qualifications. The service has now recruited a second service manager and created some team leader roles which have been filled and vacancies are being filled more often first time. The area remains a priority for grow your own through apprentice and career graded posts and these are used but currently there is not a valid apprentice framework to utilise. • In Q1 of the 21/22 annual period turnover increased: There were 12 leavers in Quarter 1 (April – June 2021) giving a turnover rate for the quarter of 3.6%. Based on the number of leavers so far in Quarter 1, it is estimated that the turnover rate for the annual period 2021/22 will be 14.5%. This is higher than the annual projections in the same quarter in the previous year (4.8% in Quarter 1 in 2020/21 which was impacted by the pandemic) and it is higher than the local government average currently available (14% for 2018/19 for Local Authority districts in the UK). With the exception of 2020/21, historically turnover in Quarter 1 every year has been high (26.3% in 2018/19, 16.4% in 2019/20) and then it gradually decreases throughout the rest of the year. It is anticipated that turnover for 2021/22 will follow the same pattern. The increase has been reported to LT and HRC who have asked that it is monitored, looking at the reasons for leaving we have seen an increase in retirements and lifestyle changes, delayed leaving impacted by the pandemic. • In line with savings required all recruitment must be approved by Leadership Team with enhanced justification and a requirement to explore either restructures or process changes to eliminate the need for the post. 				

Update on current position

- The transformation programme also includes service reviews aimed at improving structure and ways of working i.e. to increase efficiency and effectiveness.
- The transformation programme includes a Modern Workforce Development strand which includes organisation development to support transformation (e.g. staff briefings, resilience training, six sigma training etc.), new staff and management competencies, a revised PDR, development to improve our one team culture as well as a blended work offer.
- The Blended Work Offer has been shared with staff, the trials have worked well and from 1/11/2021 staff who wish to and their role allows will be working up to 50% at home and 50% in the office. There will be rota based system continuing in the shared Revenues and Benefits service where staff will continue with higher levels of home working in line with the shared service and potential growth.
- The temporary labour supply arrangement went live in April 2020 which has reduced fees paid to agencies and ensures a wider pool of potential candidates. This is working fairly well with issues resolved with Matrix where they arise to improve the pooling.
- The Indeed EHC branded website is working ok but has not been as successful as hoped and is being replaced with a multi-site package which will use several of the top recruitment platforms as well as indeed. This is being implemented through an Applicant Tracking System (ATS) which will include an improved online application form, online shortlisting, name blind shortlisting and improve our presence online. The new system will also aid onboarding again improving the candidate/new starter experience.
- Ongoing work has continued with the Communications team and HR to improve the online presence and promote the employer brand further. Case studies are being developed to support welcoming diversity.
- Career graded posts are continuing to be used and proving successful for hard to recruit posts with all four Lawyer roles successfully filled. All four have started in post which is already really improving the legal capacity of EHC.
- A review of apprentices is continuing to both manage costs and support succession. This has been slowed by the pandemic, but we now recruiting into customer services as this allows progression into a range of services. We are awaiting a new planner framework and will use this to bring further planning apprentices.
- Once completed, Northgate End, Hertford Theatre and Old River Lane sites will all require IT and Facilities

Update on current position		
		Management support over extended operating hours.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
5	C 4	Poor performance or failure of key partner or contractor	<p>Poor performance or failure of key partner or contractor</p> <p>Failure to mobilise major outsourced contracts properly and/or on time</p>	<ul style="list-style-type: none"> • Disruption to all Council services • Additional costs resulting from response • Demand to partner organisations to provide mutual aid to support our response • Cost and time involved in unplanned procurement exercises • Major media engagement • Reputational damage • Disruption to council services • Damage to relations with outsourcing partner and potential damages claim • Major media engagement 	Head of Operations	<ul style="list-style-type: none"> • Risk of contractor failure increased due to COVID. Regular discussions are continuing with contractors and key third sector partners to ensure no failures in delivery particularly during the pandemic • Credit risk scores are obtained for major contractors during the operation of the contract and particular attention is paid to trade news concerning contractors' financial health. • Offer of open book accounting to examine any potential cost increases as a result of changing circumstances.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
				<ul style="list-style-type: none"> Reputational damage 		<ul style="list-style-type: none"> Waste-related business continuity plans are also regularly reviewed. Brexit restrictions and the closure of Asian export markets will impact on the sale of materials and income may cease and costs may increase. Talks are ongoing with other Hertfordshire authorities to determine alternative recycling operators. The council is investigating a circular economy option for the plastics waste stream in particular.

Update on current position

5		<ul style="list-style-type: none"> Risk of business failure has increased due to COVID. Business continuity plans refreshed and regular dialogue maintained with contractors who have been informed the council would look sympathetically at cost increases provided the council was told in advance and the contractor undertook to use reasonable endeavours to resolve cost pressures themselves utilising furlough and other central government support. Successful bid to the National Leisure Recovery Fund in partnership with SLM to support costs whilst reopening with reduced activities and reduced class sizes to maintain social distancing.
---	--	---

Update on current position		
		<ul style="list-style-type: none"> Contingency plans to step in should contractors fail. Principal route will be to use a TEKAL company to provide the service pending retendering as the company vehicle preserves the private sector T&Cs of employment. Council has and is prepared to offer loans to help contractors with cash flow, subject to an assessment that they are a going concern Requirement for higher recycled packaging content has caused some plastic materials prices to increase.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
6	C 3	Judicial Review and or major legal challenge	<ul style="list-style-type: none"> Council loses case 	<ul style="list-style-type: none"> Council policies may no longer be fit for purpose Unregulated activity until soundly based policy put in place Large costs award against Council Reputational damage Major media engagement Monitoring Officer and/or s.151 officer issues Report in the Public Interest Department for Levelling Up, Housing and Communities intervention 	Head of Legal and Democratic Services	<ul style="list-style-type: none"> All Executive, Committee and Council reports require sign off by legal and finance to ensure compliance with budget and policy framework and current legislation. List of policies maintained with review dates. Information Governance function strengthened to ensure compliance with data protection. Policies should be backed by evidence and Leadership Team consideration involves constructive challenge as well as formal Monitoring

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
				<ul style="list-style-type: none"> Potential requirement to repeat procurement exercise and compensate unsuccessful bidders in first exercise Additional and or abortive costs 		Officer and s.151 officer.

Update on current position

6		<ul style="list-style-type: none"> All four new solicitors are now in post. The Contracts Lawyer, who started in March 2021, has been advising on the Council's major projects, allowing for much greater control. The Council's Information Governance and Data Protection Manager who started at the beginning of 2021, has undertaken a great deal of work with regards data mapping and updating the Council's policies, providing the Council with greater resilience against data breaches. Work being outsourced has more or less ceased, meaning that, where legal advice is required, East Herts Legal Team are now consulted throughout, reducing the risk of problems arising further down the line.
---	--	--

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
7	A 1	District Plan	Failure to refresh District Plan to timescales and /or	<ul style="list-style-type: none"> Planning becomes developer led rather 	Head of Planning	<ul style="list-style-type: none"> Evidence based planning policy decisions

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
			refreshed District Plan found to be unsound at examination	<p>than planning policy led through 5 year land supply test</p> <ul style="list-style-type: none"> • Additional costs to redo work Additional costs of planning appeals and possible judicial reviews • Reputational damage • Loss of affordable housing and S.106 / community infrastructure levy benefits • Failure to meet 5 year Housing Land Supply requirements • Possible intervention by MHCLG 		<ul style="list-style-type: none"> • Strong focus on Member, Parish, partner and community buy-in

Update on current position

7		<ul style="list-style-type: none"> • The District Plan was adopted in October 2018 following a successful examination in public. • Planning in East Herts is therefore 'plan-led' rather than 'developer-led'. • The majority of strategic sites now have an agreed Masterplan. • Following the Housing Delivery Test results in January, the Council has maintained the minimum 5% buffer and therefore can demonstrate a five year land supply in excess of 6 years.
---	--	--

Update on current position	
	<ul style="list-style-type: none">• The Council has also continued its trend of annual improvements on the Housing Delivery Test, this year being able to demonstrate a 104% delivery rate meaning that the Council is meeting its housing need and addressing the undersupply of previous years as well.• A total of 994 dwellings were completed in 2020/21. Of these, 326 were affordable homes which represents 32.8% of all completed dwellings in the district.• To be effective plans need to be kept up-to-date. The National Planning Policy Framework states policies in local plans, should be reviewed to assess whether they need updating at least once every 5 years, and should then be updated as necessary. Officers are currently considering whether a review of the District Plan is required.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
8	A 4	Climate change	Severe Weather causing major incident (includes flood, wind, snow, cold and heat)	<ul style="list-style-type: none"> • Disruption to Council services as staff diverted to response • Additional costs of response • Service changes required if long recovery phase • Service change required to adapt e.g. heatwave early day starts • Major media engagement • Disruption to some services through water restrictions • Additional costs of support to vulnerable service users • Public health issues • Non-availability of capital resources may cause working conditions on some days to be unbearable. • Instances of abandoning assets where hold the 	Head of Housing & Health	<ul style="list-style-type: none"> • Business Continuity Plan Severe Weather section • Emergency Plan including specific response plans to flooding etc. • Health and Safety Policy details severe weather response • Council reducing carbon footprint for the district
			Drought			<ul style="list-style-type: none"> • Emergency Plan • Business continuity plan • Council reducing carbon footprint for the district
			Weather extremes require substantial retrofit costs for asset adaptations			<ul style="list-style-type: none"> • New modern workspace work stream of the Transformation Programme will address climate change issues in the design

Score	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
234				line defences against floods no longer viable <ul style="list-style-type: none"> Increasing attacks by non-native species causing biodiversity loss Increased costs arising from new operating requirements, e.g. sustained +30 degree heat requires refuse freighter insides to be degreased and jetted out regularly to prevent oils and fats combusting 		

Update on current position						
8		<ul style="list-style-type: none"> Climate change motion agreed July 2019. Multi-agency environmental and climate change forum continues. Energy efficiency modifications to key existing buildings and new electricity contract is from renewable sources. Review underway of motor fleet with extended use of e-vehicles. Carbon footprint reducing as a consequence of pandemic and homeworking. Future agile working will support. Food waste minimisation campaign to reduce carbon footprint by food being wasted as well as the disposal route. List of achievements posted on website at https://www.eastherts.gov.uk/about-east-herts-0/environmental-sustainability/sustainability-get-involved. Training commenced for officers. Attended by 101 employees to date. 				

Update on current position						
						<ul style="list-style-type: none"> • Clean Air Day campaign held. • Engagement with insurers over design / materials for new buildings. Use of sustainable materials and modern methods of construction proving problematic. Insurers want more emphasis on property protection (in addition to life saving standards). Major developments are also situated in or adjacent to flood zones. • The new Grange Paddocks site will complete in October 2021 and reduce the carbon footprint for the facility.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
9	A 1	Child / Vulnerable Adult Protection	Child / Vulnerable Adult protection failure	<ul style="list-style-type: none"> • Possible legal action for damages • Possible prosecution • Major media engagement • Reputational damage 	Head of Housing & Health	<ul style="list-style-type: none"> • Safeguarding policy • Annual training for staff and Members

Update on current position						
9						<ul style="list-style-type: none"> • 90% of Members have received safeguarding training or briefings. • Officer training on safeguarding annually. Targeted training took place for 10 officers in quarter one with 40 booked to future sessions. Further training being provided to Community Safety Partnership Board and Joint Advisory Group Partners. • Quarterly safeguarding report submitted to Leadership Team. • Hertfordshire Safeguarding Adults Board self-assessment complete. • Domestic Abuse Policy will be considered by HR committee in November.

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
10	A 2	Equalities	Council found to discriminated against individuals or communities with protected characteristics OR council has made a decision without considering equalities and diversity implications.	<ul style="list-style-type: none"> Possible legal action for damages Possible enquiry and report by Equalities & Human Rights Commission Major media engagement Reputational damage 	Head of Comms, Policy & Strategy	<ul style="list-style-type: none"> East Herts into a shared service for equalities and diversity support with HCC in November 2020. New strategy being developed to address challenges and embed equalities and diversity in decision making.

Update on current position

10		<ul style="list-style-type: none"> New strategy was approved by Council on 28 July. Since then significant work has been undertaken on training staff on the equalities impact assessment process and forming a staff equalities group
----	--	---

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
11	B 2	Internal control	Failure of internal control or unethical behaviour	<ul style="list-style-type: none"> Qualified accounts Possible Police involvement if fraud involved Major media engagement 	Head of Strategic Finance and Property	<ul style="list-style-type: none"> Key reconciliations carried out regularly. Internal audit work planned and undertaken on key areas. Assurance Mapping

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
				<ul style="list-style-type: none"> • Reputational damage • Increased costs as a result of loss or fine or compensation payments 		<ul style="list-style-type: none"> • Electronic workflow where controls much harder to circumvent • Separation of duties appropriate to the staffing numbers

Update on current position						
11		<ul style="list-style-type: none"> • Audits remain mostly on track and there is sufficient audit scope for an assurance opinion to be given • Assurance Mapping approach to be introduced which will show visually where assurance is gained and also identifies duplications and unnecessary steps which will inform officers undertaking lean process reviews and help Audit & Governance Committee to see where there are risks and then internal audit resources can be directed there. • Full suite of updated anti-fraud and corruption policies to be submitted to Leadership Team in October and Audit and Governance Committee in November 2021. Intranet and website content to be updated once agreed. The new policies will be publicised to all employees. • The Shared Anti-Fraud Service will meet with teams to provide training and increase awareness, starting with Parking (blue badge misuse), Licensing and Housing from October 2021. 				

No	Score	Vulnerability	Trigger	Consequence	Risk owner	Mitigation / control
12	A 4	Outbreak of disease in humans	Pandemic and/or Public Health Emergency Declared	<ul style="list-style-type: none"> • Loss of staff and/or key skills due to illness and related absenteeism • Requirement to enable entire workforce to work from home • Requirement for Council and Committees to meet via video conference • Loss of income/additional costs • Loss of essential services /utilities/ suppliers • Demand from partner organisations to provide staff and other resources to support their response • Major media engagement • Disruption to all Council services • Increased risk of fraud from support programmes 	Head of Housing and Health	<ul style="list-style-type: none"> • Business Continuity Plan • Emergency Plan • Dynamic risk assessments and keeping office open and COVID secure in line with government guidance. • Agile working introduced and scaled up to ensure social distancing • Fraud alerts on pandemic circulated by SAFS

Update on current position		
12		<ul style="list-style-type: none"> • Updates on financial compensation are included under Risk 1 • Updates on recovery work on supporting the local economy are detailed under Risk 2 • Alternative working methods instigated as a result of Covid 19 including home working and IT communications solutions (Zoom, Teams, WhatsApp and the like) • Blended working arrangements to commence autumn 2021 with staff working 50% at the office and 50% from home. • Detailed, up-to-date risk assessments in place including frequent Covid self-testing • Live Well, Work Well programme amended to incorporate greater emphasis on staff mental health • Joined up working with key partners, notably HCC and the police, to ensure coherent and planned use of financial and staff resources, for example Covid marshals and joint visits/advice/enforcement actions re: businesses. (Covid marshal scheme extended during quarter one.) Shop safe, shop local campaign held. • Restart grants for businesses and community covid recovery grant schemes opened. • Public facing recovery plan published in April. • In-person Member meetings resumed.

Update on current position		
		<ul style="list-style-type: none"> Review of IT Disaster Recovery Plan to take place.

Likelihood	Description		Likelihood of occurrence	Probability of occurrence
	4	High	Monthly	The event is expected to occur or occurs regularly
	3	Medium	Annually	The event will probably occur
	2	Low	1 in 5 years	The event may occur
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances

Impact	Description		Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

This page is intentionally left blank

East Herts Council Report Audit and Governance Committee

Date of meeting: 25 January 2022

Report by: Head of Strategic Finance and Property

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: All

Summary – To present to Audit and Finance Committee the work programme for the year of finance and audit business with a brief summary of each report so that Members can see the business that will come before the Committee at each meeting.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

- a)** Approve the work programme as set out in the report; and
- b)** Specify any training requirements.

1.0 Proposal(s)

1.1 Audit and Governance Committee's audit functions are:

- 1.1.1 Approving the Council's statement of accounts.
- 1.1.2 Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- 1.1.3 Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- 1.1.4 Be satisfied that the Council's assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly

- reflect the risk environment and any actions required to improve it.
- 1.1.5 Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6 Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8 Receive the annual report of the head of internal audit.
 - 1.1.9 Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies, and monitor management action in response to the issues raised.
 - 1.1.10 Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11 Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12 Oversight of the Council's commercial projects.
- 1.2 Audit and Governance Committee's finance functions are:
- 1.2.1 Receive budget monitoring reports and risk management reports.
 - 1.2.2 Lead the cross Member scrutiny and consideration of the Council's draft annual budget and medium term financial plan.

- 1.2.3 Scrutinise the Council's Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report and Annual Treasury Management Report and through review gain assurance that systems of governance and control for Treasury Management are effective.
 - 1.2.4 Where appropriate, assisting the Council and the Executive in the development of its budget and policy framework by in-depth analysis of financial, procurement and governance related policy issues.
 - 1.2.5 Where relevant to the audit or finance functions of the Committee, overseeing and scrutinising all Internal, Corporate and Corporate Governance functions of the Council.
- 1.3 In order to fulfil these functions a series of reports will be brought to Members to provide:
- 1.3.1 Assurance that the council's financial affairs are being properly managed and that the council is making the best use of resources;
 - 1.3.2 An adequate and effective system of internal audit is operating and that it's approved plan is being delivered;
 - 1.3.3 The Council's governance arrangements are adequate;
 - 1.3.4 That key business risks have been identified, evaluated and are being managed;
 - 1.3.5 That key systems and controls are operating effectively giving assurance that the Statement of Accounts is materially correct and can be approved;
 - 1.3.6 Receive and consider the external auditor's Audit Plan, report and Annual Audit Letter; and

- 1.3.7 Receive copies of Executive budget monitoring reports, for information, so that the final accounts outturn position can be compared to forecasts during the year.

2.0 Training

- 2.1 Training for Members of the Committee will in future be delivered for the first 30 minutes of the Committee meeting and will be related to the business before the Committee.
- 2.2 Members are recommended to review the proposed work programme and suggested training and identify any other training needs they require.

3.0 Work Programme

- 3.1 The Committee will recall that the external audit of the council's accounts was due to start in October and conclude in December. EY have delayed the start to the audit until 3 January 2022. Therefore the Accounts Approval Sub-Committee will now not need to sit in December but may need to sit in March.
- 3.2 The work programme for the Committee is proposed to be as follows:

Committee	Date	Report Title	Report Summary
Statement of Accounts Approval Sub-Committee	February / March 2022	Receipt of the External Auditor's Annual Governance Report	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Finance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
		Annual Governance Statement	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.

Committee	Date	Report Title	Report Summary
		Approval of the Statement of Accounts	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
Audit & Governance	29 March 2022	Training: Risk Management	Presentation on risk management and its importance for the council
		Strategic Risk Register Monitoring Q3 2021/22	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 3.
		Annual Review of Risk Management Strategy	To present to Audit & Governance Committee the annual review of the council's risk management strategy.
		External Audit Planning Report 2022/23	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.
		Financial Management Quarter 3 Forecast to Year End	To provide Audit and Finance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 3.

Committee	Date	Report Title	Report Summary
		Review of Internal Audit	To present to Audit and Governance Committee the review of the effectiveness of Internal Audit. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance	31 May 2022	Training	The role of internal audit
		Annual Report on Internal Audit Activity	To present to Audit and Governance Committee the Annual Report on Internal Audit Activity for the preceding financial year.
		2021/22 Provisional Outturn	To provide Audit and Governance Committee with a copy, for information, of the Executive Report with the provisional outturn position on revenue spending and the capital programme as at the end of the financial year and Quarter 4.

Committee	Date	Report Title	Report Summary
Audit & Governance		Strategic Risk Register Monitoring Q4 2021/22	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
	29 September 2022	Training: Statement of Accounts	Presentation to Members on the key elements Statement of Accounts and the inter-relationship of the core statements.
		Receipt of the External Auditor's Annual Governance Report	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Finance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.

Committee	Date	Report Title	Report Summary
		Annual Governance Statement	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.
		Approval of the Statement of Accounts	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
		2021/22 Provisional Outturn	To provide Audit and Governance Committee with a copy, for information, of the Executive Report with the provisional outturn position on revenue spending and the capital programme as at the end of the financial year.

Committee	Date	Report Title	Report Summary
		Financial Management 2022/23 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 1
		Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Strategic Risk Register Monitoring Q1 2022/23	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance	November 2022	Training:	Shared Anti-Fraud Service
		Budget 2023/24 and Medium Term Financial Plan 2023/24 – 2027/28	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against the original proposals, forward budget and planning assumptions for scrutiny.
		Annual Treasury Report 2021/22	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.

Committee	Date	Report Title	Report Summary
		Treasury Management 2022/23 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report
		Strategic Risk Register Monitoring Q2 2022/23	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Annual Infrastructure Funding Statement Report 2021/22	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2020/21
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year
Audit &	January 2023	Budget Scrutiny - Budget 2023/24 and	To present to Audit and Governance

Committee	Date	Report Title	Report Summary
Governance		Medium Term Financial Plan 2023-27	Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
		Investment Strategy 2023/24 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.
		Capital Strategy and Minimum Revenue Provision Policy 2023/24 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
		Receipt of the External Auditor's Annual Audit Letter 2021/22	To present to Audit and Governance Committee the external auditor's Annual Audit Letter covering the Council's financial audit and Value For Money assessment. The Committee receives the report on behalf of the Council and may make observations to Executive who can decide to take action to improve performance based on the external auditor's assessment.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Financial Management 2021/22 –	To provide Audit and Governance Committee

Committee	Date	Report Title	Report Summary
		Quarter 2 Forecast to Year End	with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 2.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

4.0 Reasons

- 4.1 To ensure that Audit and Finance Committee is aware of the work programme and ensure that Members have the opportunity to request any training or briefing around upcoming items.

5.0 Risks

- 5.1 Risk Management is reported to the Committee regularly.

6.0 Implications/Consultations

Community Safety

No

Data Protection

Data Protection reports and policies will be brought before the Committee as appropriate.

Equalities

No

Environmental Sustainability

No

Financial

The report details the Committee's responsibilities in relation to finance.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Legal requirements are noted in the report summaries in the table in this report.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 None

Contact Officer

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk

Report Author

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk

This page is intentionally left blank