

Appendix A



East Herts District Council Capital Strategy 2020 Onwards

Contents

Introduction	3
Influences on Capital Investment	4
Capital investment ambition by Corporate Priority	9
Commercial Investment Strategy	12
Capital Investment Plan	14
Risk Management	18
Capital Investment Appraisal Process	24
Governance	27
Appendix A – Capital Programme by Corporate Strategic Plan priority	29

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.

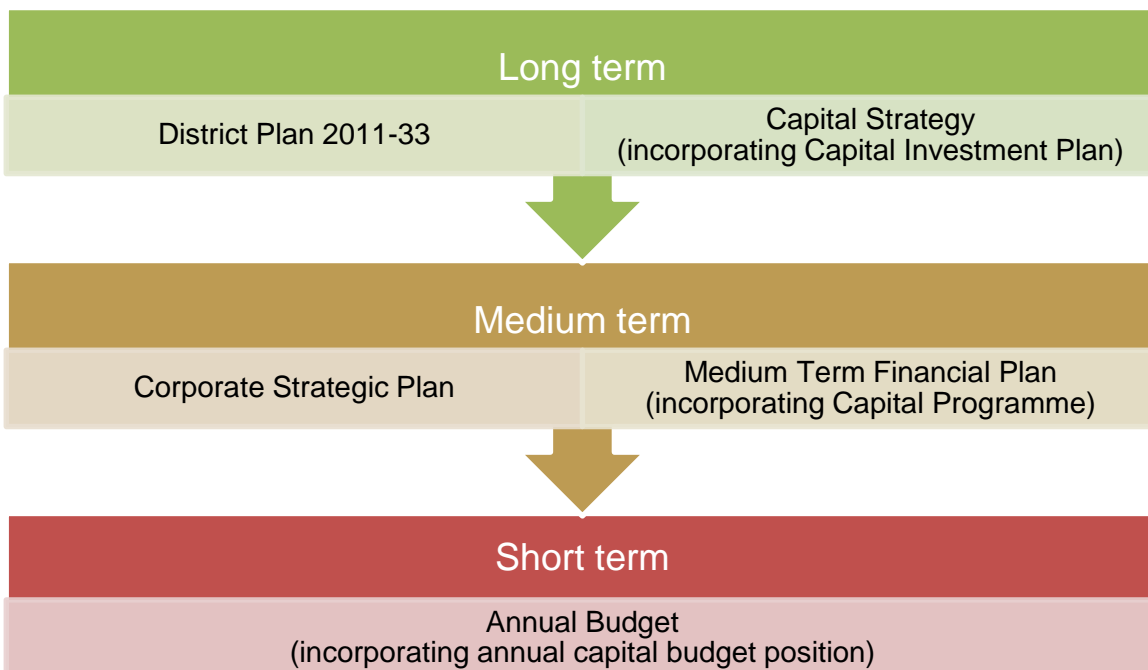
The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.

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.

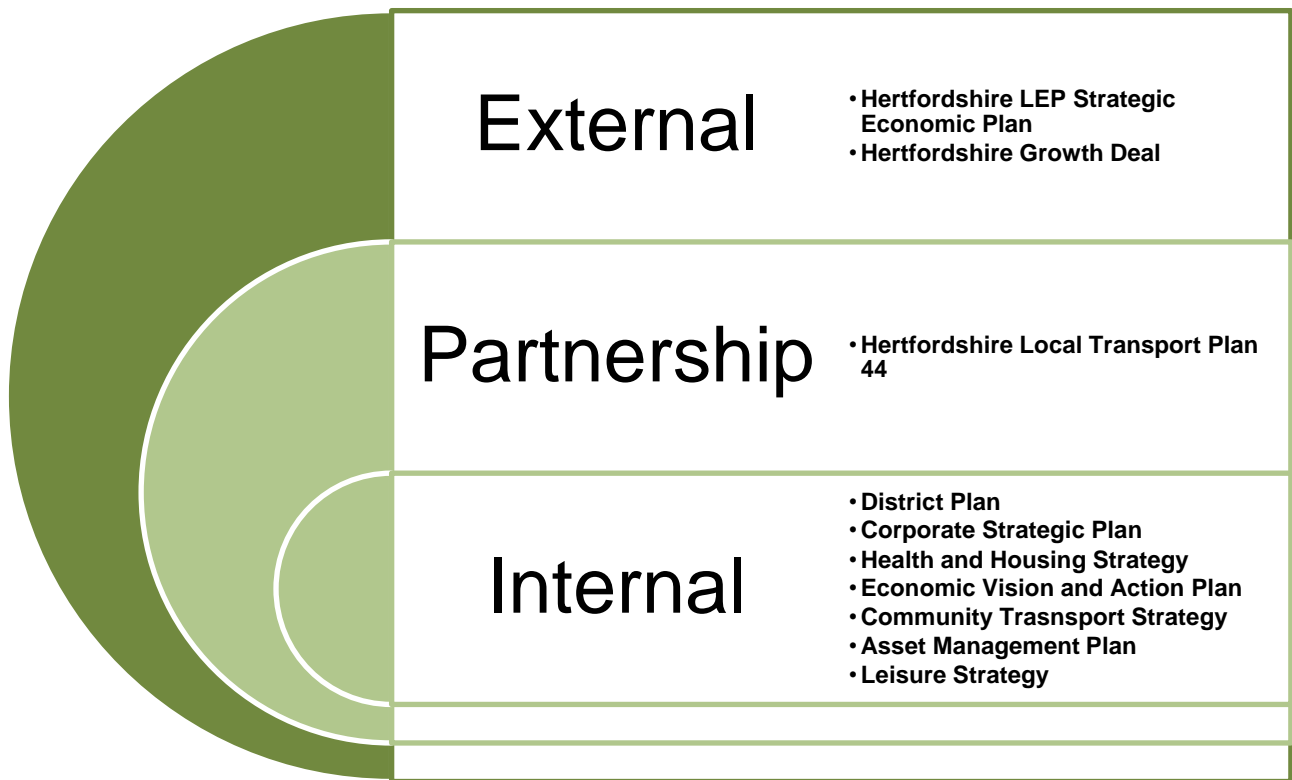
Influences on Capital Investment

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

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.

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

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

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

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

[Link to Hertfordshire Growth Deal](#)

Partnership influences

Hertfordshire County Council Local Transport Plan 4

We acknowledge the Hertfordshire Local Transport Plan and its main objectives.

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

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

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

Internal influences

District Plan

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

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

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

- Housing
- Town Centres
- Provision of leisure facilities

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

specific projects, as part of the capital investment plan.

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

Corporate Strategic Plan, 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 three priority areas. When the Corporate Strategic Plan is refreshed we will ensure that the Capital Strategy links the capital investment plan to the relevant strategic projects and will therefore demonstrate how the Council's capital investment will contribute to the achievement of the Plan priorities and more detailed aims.

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

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 currently up for approval**](#)

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 planned investment and demonstrates why this service area is being prioritised.

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

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

Vision for Leisure Facilities

In order to provide the guiding principles for the proposed direction of travel it was important to work with a vision for leisure centres across East Herts. It is proposed that the vision is one of enabling everyone to have the opportunity to participate. The Council has a pivotal role in providing pay and play opportunities which traditionally are not provided through other sectors. In this context the suggested vision is as follows:

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

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

Asset Management Plan

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

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

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

Background and Context

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

Financial sustainability

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

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

East Herts council will:

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

Core influences action plan:

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

Capital investment ambition by Corporate Priority

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

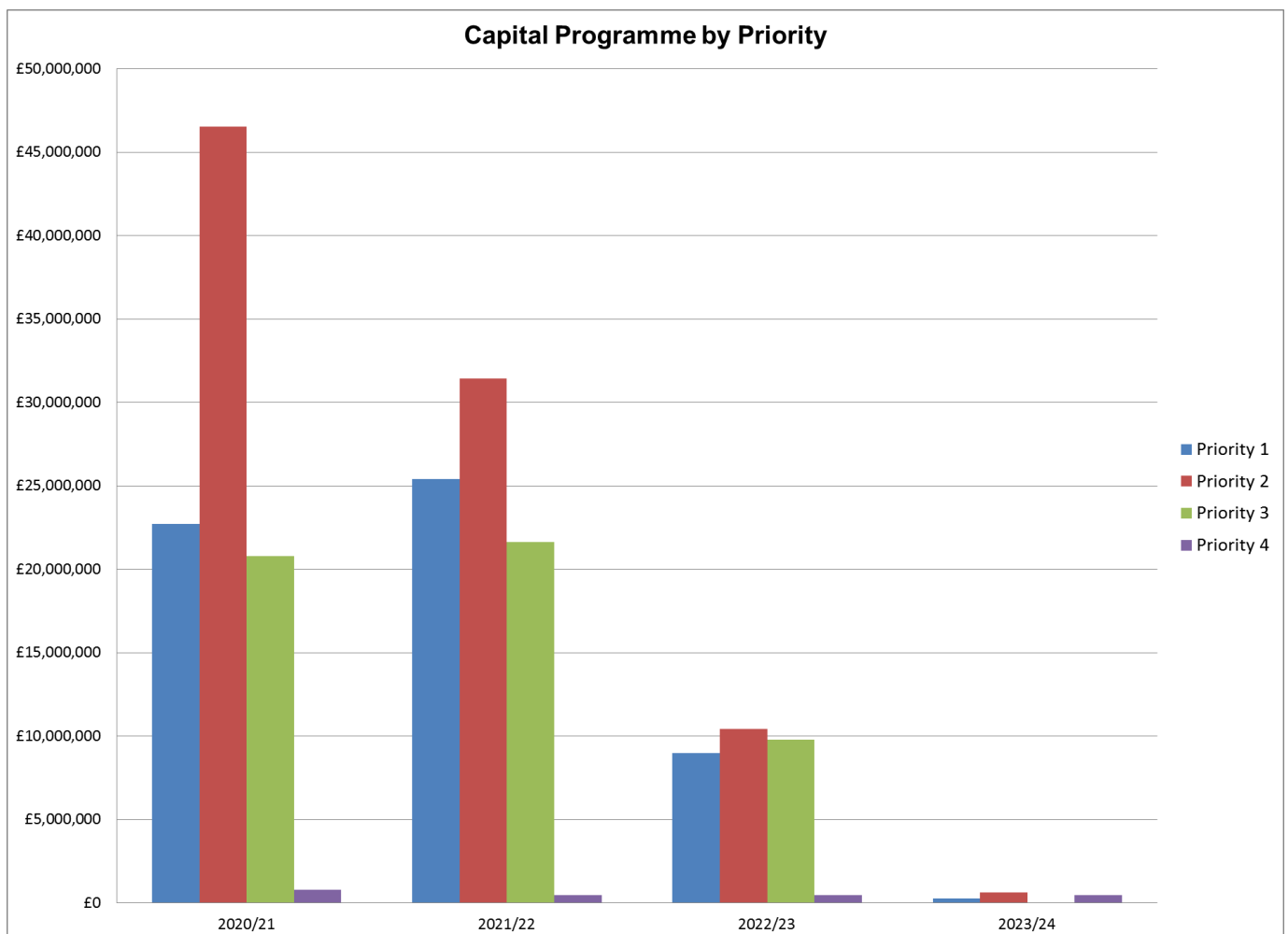
The Corporate Strategic Plan priority initiatives are currently going through the approval process. To demonstrate our current approach ahead of producing a longer-term capital investment plan, we have set out the Corporate Strategic Plan initiatives below which relate to capital investment:

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

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

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

Figure 3: Capital Programme by Corporate Priority



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

Corporate priority action plan:

Action	Why is this required?	Responsibility	Timescale
<p>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</p>	<p>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</p>	<p>Strategic Finance & Property, S151 Officer</p>	<p>During 2020/21</p>
<p>As the refreshed Corporate Strategic Plan emerges, we will ensure that the existing capital investment plan is reviewed to ensure that all planned schemes align with the updated corporate priorities</p>	<p>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</p>	<p>Strategic Finance & Property, S151 Officer</p>	<p>In line with Corporate Strategic Plan refresh timescale</p>

Commercial Investment Strategy

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

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

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

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

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

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

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

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

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

Millstream Property Investments Limited

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

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

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

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

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

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

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

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

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

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

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

Commercial investment strategy action plan:

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

Capital Investment Plan

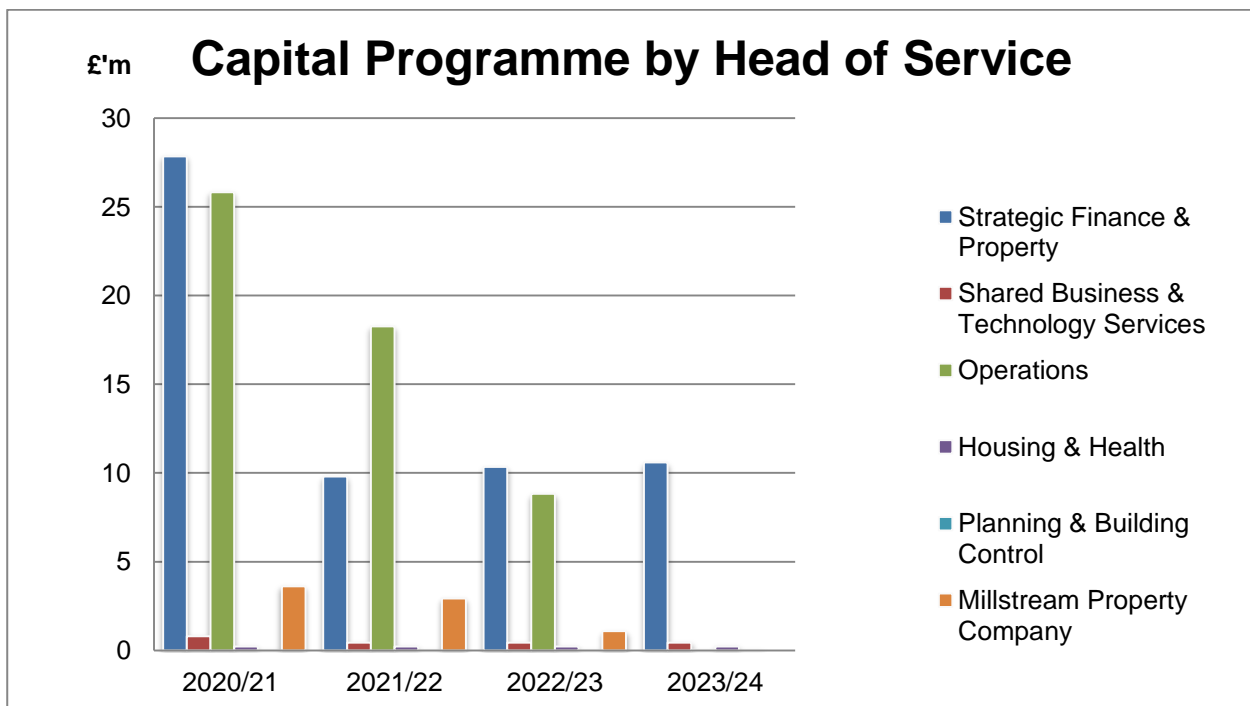
The following sections examine our starting point for a longer-term capital investment plan, the additional analysis that informs our Capital Strategy principles, our capacity to deliver and the potential options for addressing our capital investment ambition gap. We recognise that our Capital Programme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

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

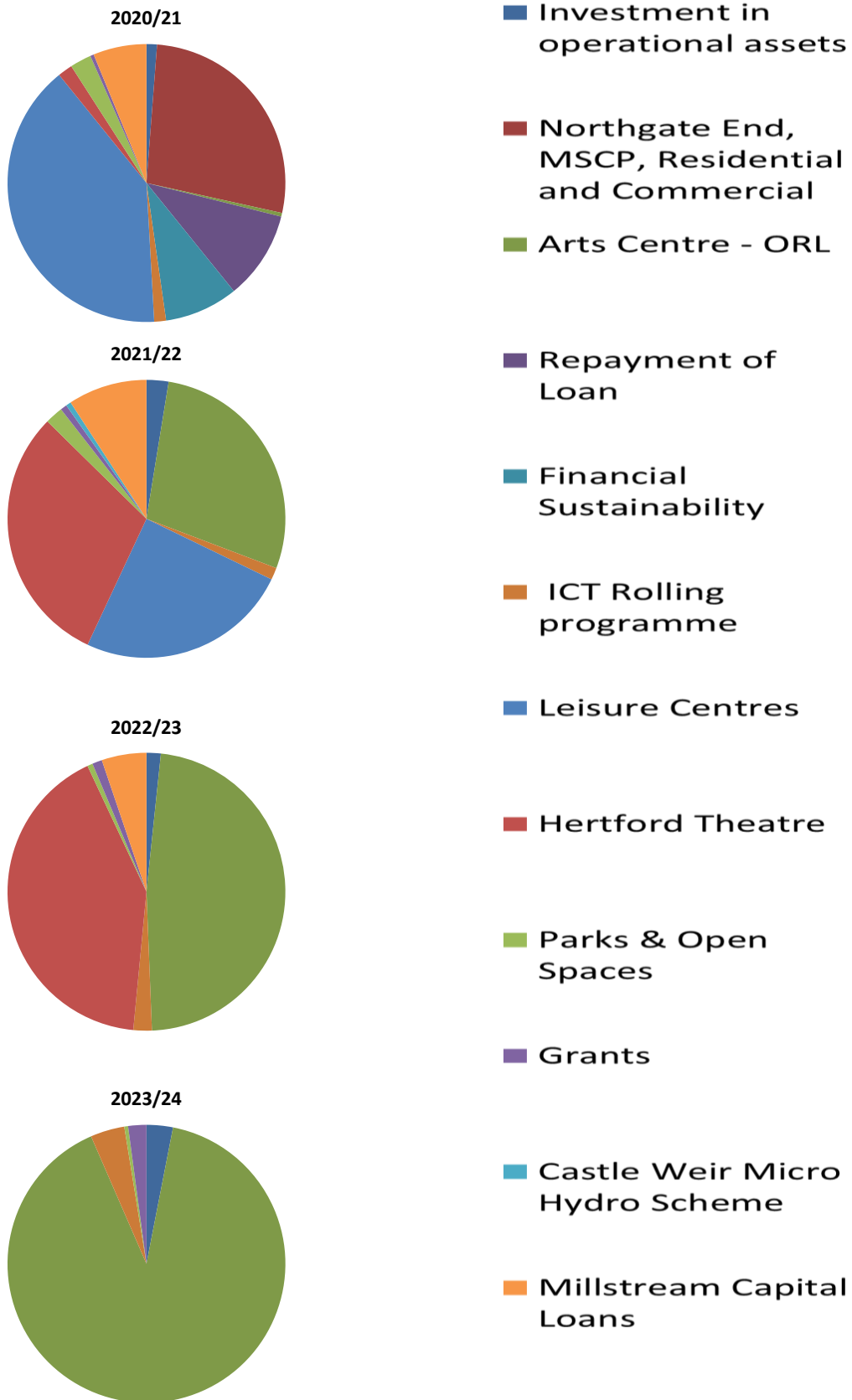
We will ensure that our risk assessment examines the risk against the affordability and deliverability assumptions, as the longer-term capital investment plan emerges, and this will inform the ongoing review of performance and update of the capital investment plan to ensure that it is effectively managed.

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

Figure 4: Capital Programme by Head of Service



Capital Programme by Scheme



Approach to capital investment prioritisation

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

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

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

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

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

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

The council is likely to undertake a number significant capital schemes within the medium term including Old River Lane, Bishop's Stortford. The scope and funding arrangements of such schemes are still in the early stages of project planning. However, it should be noted that East Herts may need to give careful consideration to its reserves provision in the forthcoming years and will potentially require a borrowing facility within this medium term financial period.

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

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

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

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

Capital investment plan action plan

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

Risk Management

Risk Management Strategy

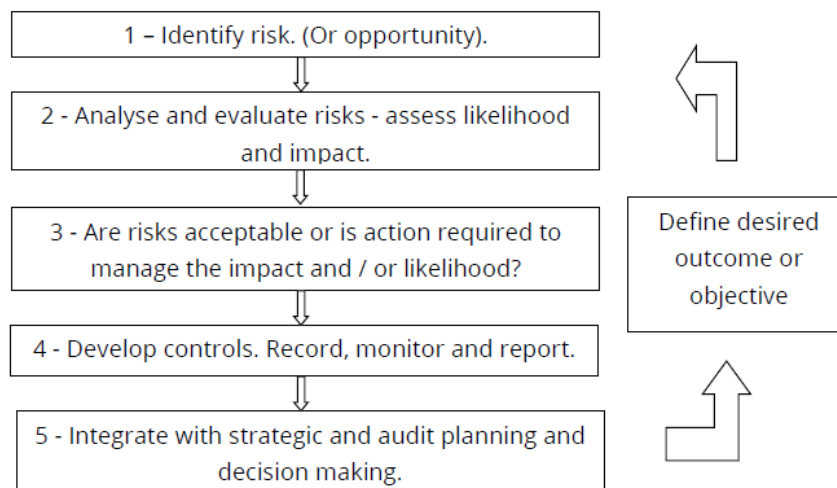
The Council's Risk Management Strategy was last reviewed in spring 2019 and is reviewed on an annual basis.

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

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

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

Figure 5: Stages of Risk Management



Risk Evaluation and Risk Appetite

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

Figure 6: Risk Scoring Mechanism

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

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

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

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

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

Roles and responsibilities

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

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

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

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

Monitoring

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

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

Capital Risk Register

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

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

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

Risk Management action plan

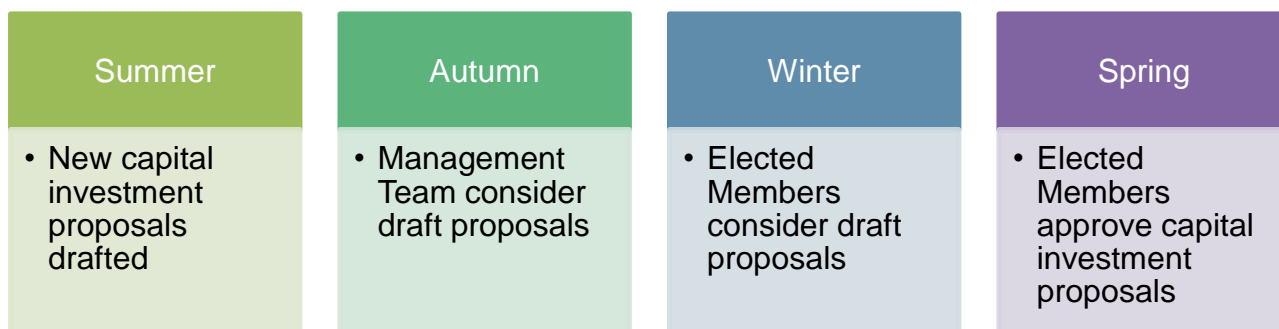
Action	Why is this required?	Responsibility	Timescale
Monitor operational and strategic risks and update relevant risk registers accordingly, reporting strategic risks annually or quarterly by exception	In order that opportunities are explored in full in a timely fashion, and that risks are acknowledged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

Capital Investment Appraisal Process

Business planning process

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

Figure 7: Business Planning Process



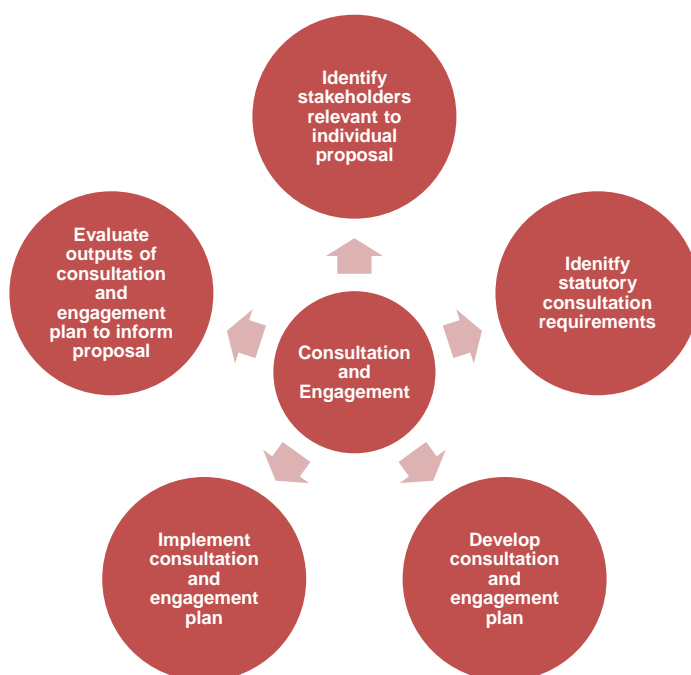
New proposals are developed by individual Project Managers, approved for consideration at service level by the Service / Directorate Manager following which, the proposals will be considered by Management Team and successful proposals will progress for consideration and approval as part of the annual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

Investment proposals – consultation and stakeholder engagement

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

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

Figure 8: Stakeholder engagement and consultation in developing investment proposals



Developing capital investment proposals – description of current processes

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

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

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

Prioritising capital investment

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

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

Project appraisal process action plan

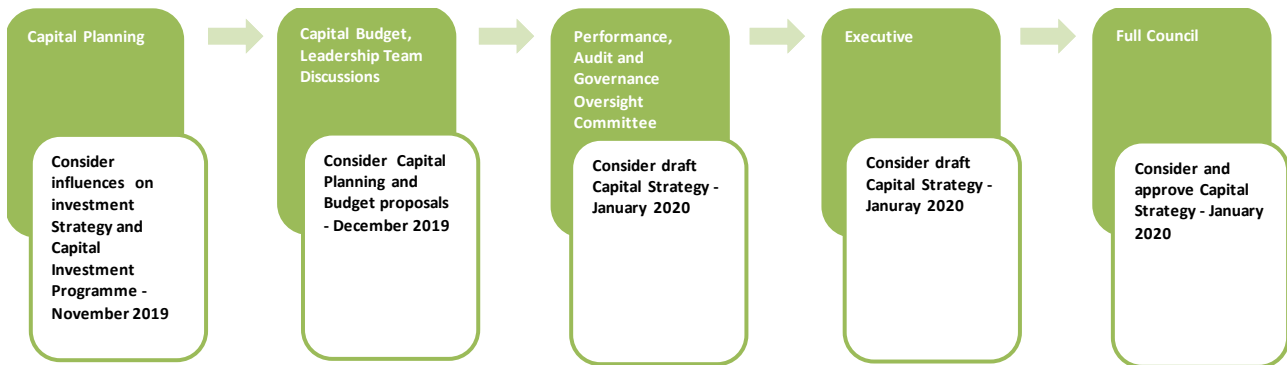
Action	Why is this required?	Responsibility	Timescale
Consider a standardised business case documentation and evaluation scoring mechanism in order to develop and assess capital investment proposals	To support Officers in capturing and maintaining project information, from proposal to project close down,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

Governance

Description of existing approval mechanisms

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

Figure 9: Capital Strategy Approval process



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

Roles and responsibilities

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

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

Skills and training

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

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

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

Capital Strategy engagement

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

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

Capital Strategy date for review

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

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

Governance action plan

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

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

Appendix A – Capital Programme by Corporate Strategic Plan priority

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

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