

CABINET AGENDA



**TUESDAY 20 JUNE 2023 AT 7.30 PM
CONFERENCE ROOM 2 - THE FORUM**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Tindall (Leader)	Councillor Symington
Councillor Bromham	Councillor Weston
Councillor Dhyani	Councillor Wilkie
Councillor England (Deputy Leader)	

For further information, please contact Corporate and Democratic Support or 01442 228209

AGENDA

1. MINUTES (Pages 3 - 5)

To confirm the minutes of the last meeting

2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

3. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

(ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct for Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation.

5. REFERRALS TO CABINET

There were no referrals to Cabinet

6. CABINET FORWARD PLAN (Pages 6 - 7)

7. PROVISIONAL OUTTURN REPORT (Pages 8 - 57)

8. STRATEGIC ASSET REVIEW (Pages 58 - 69)

9. EXCLUSION OF THE PUBLIC

To consider passing a resolution in the following terms:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the items in Part 2 of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that, if members of the public were present during those items, there would be disclosure to them of exempt information relating to the financial and business affairs of the Council and third party companies/organisations.

Local Government Act 1972, Schedule 12A, Part 1, paragraph 3.

10. UK SHARED PROSPERITY FUND (Pages 70 - 82)

11. APPOINTMENT OF CONTRACTOR PARADISE DEPOT (Pages 83 - 107)

MINUTES

CABINET

25 APRIL 2023

Present:

Members:

Councillors: Williams (Leader)
Griffiths (Deputy
Leader)
Anderson
Banks
Barrett

Officers:	Mark Brookes	Assistant Director - Legal and Democratic Services (Monitoring Officer)
	David Barrett	Head of Development
	Oliver Donohoe	Housing Development Officer
	Fiona Jump	Head of Financial Services (Deputy S151)
	Adelle Stapleton	Legal
	Darren Welsh	Chief Housing Officer

Also Attendance: Cllr Tindall & Cllr Douris

The meeting began at 7.30 pm

CA/40/21 **MINUTES**

The minutes of the meeting held on 22 March were agreed by Members present and signed by the Chair.

CA/41/21 **APOLOGIES FOR ABSENCE**

There were apologies from Cllr Elliot

CA/42/21 **DECLARATIONS OF INTEREST**

There were There was no public participationno declarations of interest.

CA/43/21 **PUBLIC PARTICIPATION**

There were no referrals to Cabinet.

CA/44/21 **REFERRALS TO CABINET**

There were no referrals to Cabinet.

CA/45/21 CABINET FORWARD PLAN

Cllr Anderson requested the Herts prosperity fund and the release of CIL funds go to the June Cabinet.

CA/46/21 APPOINTMENT OF CONTRACTOR PARADISE DEPOT

Decision

To be read in conjunction with Part II.

1. To seek approval to award the main contract and appoint a Principal Contractor to construct 56 flats and a stand-alone commercial building at Paradise Depot.
2. To provide delegated authority to the Council's Assistant Director (Legal & Democratic Services) to execute and complete all legal agreements ancillary to the JCT Design & Build Contract 2016 and/or reasonably required to complete the Project, including (but not limited to):
 - a. all professional appointments;
 - b. collateral warranties; and
 - c. Agreements under
 - S.38, & S.278, of the Highways Act 1980;
 - S.247, Part III of the Town and Country Planning Act 1990;
 - S.104 of the Water Industry Act 1991, and
 - S.50 of the New Roads and Street Works Act 1991.

Corporate Priorities

A clean, safe and enjoyable environment
Building strong and vibrant communities
Ensuring economic growth and prosperity
Providing good quality affordable homes, in particular for those most in need
Ensuring efficient, effective and modern service delivery
Climate and ecological emergency

Statutory Officer Comments:

Monitoring Officer:

The appropriation powers have been set out in the body of the report. The use of appropriation power needs to be justified by a clear 'public interest' case that overrides the individual rights of potential affected third party owners and occupiers of nearby properties.

The report explains the rationale for the public interest test and it is concluded the relevant tests are met.

The procurement of the contractor has followed an open market tender process which should ensure that the Council obtains value for money.

Deputy S151 Officer:

The appropriation of General Fund property and land to the HRA requires a technical adjustment to reduce the Capital Financing Requirement (CFR) of the General Fund and adjustment to increase the CFR of the HRA by the market value of the transfer. The CFR is an indication of the Council's underlying need to borrow as a result of capital investment, and hence this ensures the GF and HRA CFRs are correct.

Advice

Cllr Griffiths introduced the report and was happy to take questions.

Cllr Williams mentioned there was a part 2 item and if anyone wished to discuss that they could move into part 2.

Cllr Griffiths mentioned that she felt this was great that this was moving forward. Dens moved out last summer and they are struggling for space and the quicker we can get them back in to this facility.

CA/47/21 EXCLUSION OF THE PUBLIC

Exclusion of the Public

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the items in Part 2 of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that, if members of the public were present during those items, there would be disclosure to them of exempt information relating to the financial and business affairs of the Council and third party companies/organisations.

Local Government Act 1972, Schedule 12A, Part 1, paragraph 3

The Meeting ended at 7.40 pm

CABINET FORWARD PLAN

DATE	MATTERS FOR CONSIDERATION	Decision Making Process	Reports to Monitoring Officer/ S.151 Officer	CONTACT DETAILS	BACKGROUND INFORMATION
20/06/23	Provisional Outturn Report		01/06/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
20/06/23	Quarterly Strategic Risk Register		01/06/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
20/06/23	Strategic Asset Review		01/06/23	Nigel Howcutt – Chief Finance Officer & David Barrett Assistant Director Strategic Housing Nigel.howcutt@dacorum.gov.uk David.barrett@dacorum.gov.uk	
20/06/23	UKSPF expenditure plan		01/06/23	Diane Southam – Assistant Director – Place, Communities and Enterprise Diane.southam@dacorum.gov.uk	
20/06/23	Paradise Depot Contract Award Approval		01/06/23	David Barrett – Assistant Director – Strategic Housing David.barrett@dacorum.gov.uk	
18/07/23	Planning Enforcement		29/06/23	Phil Stanley – Head of Development Management Philip.stanley@dacorum.gov.uk	
18/07/23	Town Centre Strategy		29/06/23	Diane Southam – Assistant Director – Place, Communities and Enterprise Diane.southam@dacorum.gov.uk	
18/07/23	Approval to purchase - 3 Bryfield Cottages, Hemel Hempstead		29/06/23	David Barrett – Assistant Director – Strategic Housing David.barrett@dacorum.gov.uk	
18/07/23	Contract award – Marchmont affordable housing development.		29/06/23	Darren Welsh – Chief Housing Officer Darren.welsh@dacorum.gov.uk	
12/09/23	Q1 Financial Monitoring Report		24/08/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
12/09/23	Legal Shared Service		24/08/23	Mark Brookes – Assistant Director Legal & Democratic Mark.brookes@dacorum.gov.uk	
12/09/23	Quarterly Strategic Risk Register		24/08/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
17/10/23	Annual Treasury Report		28/09/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
17/10/23	South West Herts Joint Strategic Vision		28/09/23	James Doe – Strategic Director Place James.doe@dacorum.gov.uk	
17/10/23	Mid Term Financial Strategy		28/09/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
21/11/23	Financial Monitoring Report		02/11/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
21/11/23	Quarterly Strategic Risk Register		02/11/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
12/12/23	Budget		23/11/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
12/12/23	Council Tax Base Report		23/11/23	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
30/01/24	Committee Dairy		11/01/24	Mark Brookes – Assistant Director Legal and Democratic Mark.brookes@dacorum.gov.uk	

	DATE	MATTERS FOR CONSIDERATION	Decision Making Process	Reports to Monitoring Officer/ S.151 Officer	CONTACT DETAILS	BACKGROUND INFORMATION
	30/01/24	Treasury Management Mid-Year Review		11/01/24	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
	13/02/24	Budget		08/02/24	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
	19/03/24	Financial Monitoring Report		29/02/24	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
	19/03/24	Annual AI programme approval		29/02/24	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
	19/03/24	Quarterly Strategic Risk Register		29/02/24	Nigel Howcutt – Chief Finance Officer Nigel.howcutt@dacorum.gov.uk	
	23/04/24			04/04/24		



Report for:	Cabinet
Title of report:	Provisional Financial Outturn 2022/23
Date:	20 th June 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A – General Fund Revenue Provisional Outturn 2022/23 Appendix B – Housing Revenue Account Provisional Outturn 2022/23 Appendix C – Capital Programme Provisional Outturn 2022/2 Appendix D Treasury Management Strategy 2023-24
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account

Report Author

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Responsible Officer

Fiona Jump, Head of Financial Services



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Corporate Priorities	<p>A clean, safe and enjoyable environment</p> <p>Building strong and vibrant communities</p> <p>Ensuring economic growth and prosperity</p> <p>Providing good quality affordable homes, in particular for those most in need</p>
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	Ensuring efficient, effective and modern service delivery Climate and ecological emergency
Wards affected	All
Purpose of the report:	To provide details of the provisional financial outturn 2022/23 for the: <ul style="list-style-type: none"> • General Fund • Housing Revenue Account • Capital Programme
Recommendation (s) to the decision maker (s):	<p>1 To note the provisional financial outturn position for the General Fund and Housing Revenue Account. The General Fund year-end financial performance is showing a surplus of £0.065m and the HRA is showing a deficit of £2.289m year-end position.</p> <p>2 To recommend to Council the following reserve movements:</p> <p>In respect of 2022/23 financial year:</p> <ul style="list-style-type: none"> • Drawdown from the Dacorum Development reserve for £0.050m for CIL admin costs to cover the shortfall in income collected for 2022/23 following the planning moratorium. • Transfer from the Funding Equalisation Reserve of £2.849m relating to timing differences on Collection Fund income (Council Tax and Business Rates) attributable to the Council. • Drawdown from the vehicle replacement reserve for £0.350m for financing of the Vehicle Replacement programme • Income collected to fund future mitigation work of £0.153m to be moved to a SANG Reserve. • £0.065m surplus in respect of the General Fund Budget for 2022/23 be moved to the Dacorum Development Reserve. <p>3 To recommend to Council to approve the following slippage on the capital programme:</p> <ul style="list-style-type: none"> • £3.073m to 2023/24 in respect of General Fund capital schemes • £5.741m to 2023/24 in respect of Housing Revenue Account capital schemes. <p>4 To recommend to Council to approve the following supplementary Capital budgets for 2022/23:</p> <ul style="list-style-type: none"> • £0.670m Hemel Garden Communities projects, funded by government grant funding received in 2022/23.

	<p>4 To recommend to Council to approve the following supplementary Capital budgets for 2023/24:</p> <ul style="list-style-type: none"> £0.415m Off-street Residential Charge point Scheme. The project is grant funded. <p>5 To recommend to Council to approve and adopt the Treasury Management Strategy 2023/24.</p>
Period for post policy/project review:	The Council's financial position is reported to committee on an ongoing, quarterly, basis.

1 Introduction/Background:

The report presents the provisional 2022/23 financial outturn position for the Council as at 31st March 2023. The final position for the year is subject to:

- Finalisation of reserve movements.
- The completion of the audit of the Council's accounts by the Council's external auditors Grant Thornton UK LLP.

This report reflects agreed directorate structures for 2022/23. Future reports and budgets will be aligned to the new structures in place for 2023/24.

2. Executive Summary

The General Fund revenue budget is forecasting an underlying surplus of £0.065m. A request will be taken to Cabinet to recommend to Full Council that this surplus be transferred to Dacorum Development reserve to fund future initiatives.

The Housing Revenue Account (HRA) is forecasting a residual pressure of £2.289m at year end. This pressure is proposed to be met from a drawdown from HRA revenue reserves. Full Council approved the draw-down of £0.830m from HRA reserves to support HRA pressures in February 2023. A request for a further draw down for the additional £1.459m will be taken to Cabinet to recommend to Full Council.

General Fund capital is reporting further slippage of £3.073m from the position report at quarter 3 2022/23 and an overspend of £0.075m.

HRA capital has additional slippage from the position reported at quarter 3 2022/23 of £5.741m and a broadly balanced provisional outturn position.

3. General Fund Revenue

Appendix A provides an overview of the General Fund forecast outturn position. The table below provides an overview by directorate.

Scrutiny Area	Current	Forecast	Variance	
	Budget £m	Outturn £m	£m	%
Finance & Resources	8.579	8.547	(0.032)	(0.4%)
Strategic Planning and Environment	10.987	12.768	1.781	16.2%
Housing & Community	1.949	1.548	(0.401)	(20.6%)

Operational Cost	21.515	22.863	1.348	6.3%
Core Funding	(21.516)	(22.928)	(1.412)	6.6%
Contribution (to)/ from General Fund Working Balance	(0.001)	(0.065)	(0.064)	

The table below provides an overview by scrutiny area.

Scrutiny Area	Current Budget £m	Forecast Outturn £m	Variance	
			£m	%
Finance & Resources	8.579	8.547	(0.032)	(0.4%)
Strategic Planning and Environment	10.987	12.768	1.781	16.2%
Housing & Community	1.949	1.548	(0.401)	(20.6%)
Operational Cost	21.515	22.863	1.348	6.3%
Core Funding	(21.516)	(22.928)	(1.412)	6.6%
Contribution (to)/ from General Fund Working Balance	(0.001)	(0.065)	(0.064)	

Key Budget Variances in the General Fund

The table below outlines the key financial variance by service area.

Directorate	Key Financial Variance £m	Description
Resident Services	0.704	Waste Services pressures include employee costs £0.686m, fuel costs £0.172m, vehicle hire £0.200m, and £0.143m commercial waste shortfall. Income offset some of these costs including (£0.574m) higher recyclable income in the first half of 2022/23 and a reduction in Disposal Costs of (£0.087m). A pressure on income from the crematorium and burial services of £0.164m.

Corporate and Commercial	0.117	Car Parking Income shortfall £0.514m and costs relating to Berkhamsted Leisure Centre £0.300m. Offset by reduction in car parking contract fees £0.134m, Garage repairs £0.283m and the removal of the additional National Insurance Contributions £0.280m.
Place	(0.528)	Commercial Property Income improved performance.
Place	0.161	Staffing Pressures, Planning Income and Utilities. Partly offset by Rental Income for the Forum, Planning Vacancies and Covid Outbreak Management Fund (COMF) funding.
Corporate Items	(2.435)	Treasury Investment Income including the crematorium loan interest (£1.530m), Interest payable reductions (£0.227m) due to the £10.5m loan repayment, government grants (£0.354m) and increased HRA Recharge (£0.305m).
All services	0.719	Impact of 2022/23 pay award.

Resident Services

The pressures in waste services employees and hire vehicles totals £0.968m for 2022/23. This is caused by the requirement to ensure staff resources are in place to deliver the service, increased rounds and maintaining additional fleet. Work is underway to review the service demands, following growth in the borough, and to re-plan the collection routes to reduce financial and operational risk. This work is expected to come into effect during 2023/24 and will address current issues and financial challenges. The route optimisation project is due to be initiated in July 2023 and is projected to reduce waste service costs by circa £1m.

A benefit of £0.570m was seen in 2022/23 for haulage and gate fee costs in relation to the waste disposal costs on recyclables. At the start of 2022/23, the basket price for recyclables was very high, generating an income for the authority. The market has since declined to previous levels and the disposal of these materials has returned to costs and therefore no benefit is expected in 2023/24.

Budgeted income for the cemeteries service, which includes income for the new crematorium saw a pressure of £0.160m, mainly being rental income from the crematorium.

Corporate and Commercial

Garages repairs and maintenance has an underspend of £0.280m. Stock condition survey results were received at the end of 2022/23. The outcome of this will allow the service to understand where to focus repair works moving forward. The major works have been delayed until the outcome of the stock condition survey and the next steps in the garage strategy are confirmed.

Car parking income for 2022/23 resulted in a pressure of £0.510m, as a result of reduced use of the car parks. Car parking contract costs have reduced which resulted in a reduction on the in e parking contract budget costs of £0.130m.

Leisure income exceeded budgeted income in 2022/23 by £0.330m , these funds will allocated to a leisure reserve to smooth any future budget implications resulting from the current leisure contract.

Following a review of technical treatment of spend previously recorded as capital expenditure in relation to consultancy and surveys at Berkhamsted Leisure Centre, this has been moved and allocated to revenue, £0.300m.

A surplus of £0.280m in respect of budget for the National Insurance contributions is gained following the reversal of the Government's introduction of the increased contributions for the Health care system. This budget has been removed from the 2023/24 budgets.

Legal and Democratic services have had a number of vacant posts in 2022/23. For Legal services interim cover has been used to cover the work within the service causing a pressure of £0.100m. This is offset by vacancies within member support and electoral registration of £0.080m.

Place

A pressure on planning income of £0.360m for 2022/23, which was driven by in-year legal restrictions on the issuing of planning decisions, that has since been lifted. Delays in planning applications are still being seen by the service as developers adjust to the new post moratorium arrangements. The wider economic uncertainty is expected to have an ongoing impact on planning income into 2023/24. In addition the above has had an impact on land charges income of £0.060m.

A number of vacant posts have been seen within the planning service in 2022/23 with recruitment and retention issues. Some of these posts have been filled by agency cover, however there is an underspend of £0.190m.

Investment property income has seen a surplus of £0.530m. For 2023/24 the income budgets have been increased, following reintroduction of pre covid income targets that were reduced following covid, together with savings agreed in the last financial year. In addition, The Forum continued to receive income for office space that was not budgeted for, generating income in 2022/23 of £0.230m.

The following requests will be taken to Cabinet to recommend to Full Council:

- To drawdown £0.050m from the Dacorum Development reserve for Community Infrastructure Levy (CIL) admin costs to cover the shortfall in income collected for 2022/23 following the planning moratorium.
- To transfer £0.153m of income collected to fund future mitigation work to a Suitable Alternative Natural Greenspace (SANG) Reserve.

People and Transformation

Filming income has an outturn pressure of £0.050m. Filming income consists of three income streams, namely 'Filming Fees and Charges', 'Venue Hire' and 'Parking'. Both 'Filming Fees and Charges' and 'Venue Hire' are in line or exceeding the proposed income targets. The shortfall in income is based on the parking income target set for the 2022/23 financial year. This income target was based on previous years parking income achieved from filming activities.

Pressure on Human Resources budgets of £0.110m relating to recruitment and staffing costs within the service. There has been a large volume of recruitment across the authority in 2022/23 resulting in associated cost pressures.

Impact of Cost of Living

Cost of living increases are creating additional costs to the Council for 2022/23. At outturn, within Waste Services and Clean Safe and Green there is a pressure of £0.170m against fuel that is considered attributable to the rising prices, resulting in a pressure of £0.410m across the General Fund.

In February 2023, Full Council approved a draw down from the Inflationary Pressures reserve to fund £0.284m of inflationary costs. The 2023/24 budgets have had inflationary increases of 20% for fuel and utilities and the fuel and utility costs along with the government's policy response to these pressures will be closely monitored.

HRA Recharge

Services within the Council's General Fund provide support to the Council's landlord function, the Housing Revenue Account. This includes Senior and Corporate management, Human Resources, Legal and Financial services, amongst others.

The tier 2 management restructure agreed at the start of the 2022/23 financial year impacted the recharge to the HRA, as have additional support services that have been provided to the HRA to assist with the Housing

Transformation Improvement Programme. The variance to the HRA recharge budget for 2022/23 is forecast to be £0.305m, made up as follows:

CLT Restructure	£0.100m
Additional HR Support	£0.059m
Enhanced Communications support	£0.022m
HRA Management Costs	£0.197m
Support Services Management Costs	(0.074m)

Corporate Items

The impact of the continuing rise in the Bank of England interest rates a return on the crematorium loan and high cash balances has had a positive impact on interest received on our cash balances for 2022/23; resulting in an additional £1.530m on budget.

Additional new burdens grant has been received in respect of work the Council has undertaken in 2022/23 in the administering of Covid schemes and other energy schemes. This grant, along with further government grants, provide a £0.350m surplus at year end.

There is a pressure of £6.000m against Taxation relating to the Collection Fund (Council Tax and Business Rates), supported by a combination of business rates grant and proposed reserve funding. During the year, the Council made an expected payment of £8.000m in respect of a Collection Fund deficit arising from the impact of the pandemic. Funding to support the payment was received from the government in previous financial years and transferred to the Funding Equalisation Reserve. Business rates grants received for 2022/23 have been higher than expected, meaning that a balance of £2.850m, proposed to be drawn down from the Funding Equalisation Reserve where it is held, is now required to support the deficit payment.

4. Housing Revenue Account (HRA)

The HRA has a pressure of £2.289m. This is summarised as follows

Housing Revenue Account	Current Budget £m	Forecast Outturn £m	Variance £m
Income	(60.198)	(61.556)	(1.358)
Expenditure	60.198	63,845	3.647
Net Deficit / Surplus	0.000	2.289	2.289

Appendix B outlines the overall Housing Revenue account provisional outturn. The table below shows the major variances to the budget.

Budgeted Surplus/Deficit	£m
Council tax liability on void properties.	0.126
Increase in interest rates are expected to generate increased income on treasury investments.	(1.042)
Increased cost of responsive and empty home repair costs, Damp and Mould works	5.242
Utilities due to increased energy prices	0.459

General Fund Recharges regarding additional resources supporting HRA	0.378
Asset Management Strategy/Team	0.195
Pay Award Impact	0.280
Bad Debt Provision	(0.474)
Revenue Contribution to Capital	(3.284)
Depreciation	0.815
Other Minor budget variances	0.272
Budget Monitoring - HRA Variance	2.289

In February 2023, Full Council approved the draw down £0.830m from reserves to support pressures in the HRA. A further request will be made for the additional £1.459m. Significant growth in repairs and maintenance arose as a result of inflationary increases and demand for works to our Housing properties. Pressures seen in 2022/23 are projected for 2023/24. The service has proposed mitigating actions for 2023/24. These include the development of efficiency plans with key contractors, work to reduce the average cost of empty home refurbishment costs and re-phasing works where possible.

5. Capital Budget Monitoring

Appendix C shows the forecast capital outturn in detail by scheme.

The table below summarises the forecast outturn for the capital programme by Scrutiny.

The current budget is the original budget approved by Cabinet in February 2022, plus approved amendments.

The 'rephasing' column refers to those projects where expenditure is still expected to be incurred, but it will now be in 2023/24 rather than 2022/23, or conversely, where expenditure planned initially for 2023/24 has been incurred in 2022/23.

	Current Budget	Rephasing	Revised Budget	Forecast Outturn	Variance	
	£m	£m	£m	£m	£m	%
Finance & Resources	1.944	-1.168	0.777	0.810	0.033	4.24%
Housing & Communities	3.496	-0.970	2.526	2.529	0.003	0.10%
Strategic Planning and Environment	2.286	-0.935	1.351	1.390	0.039	2.90%
GF Total	7.727	-3.073	4.654	4.729	0.075	1.60%
HRA Total	40.616	-5.741	34.875	34.884	0.009	0.03%
Grand Total	48.343	-8.814	39.529	39.613	0.084	0.21%

General fund capital budgets are reporting further slippage of £3.073m, relating to the following:

- Disabled Facilities Grants £0.344m due to continued carry forward of grant following covid.
- Waste Services IT Upgrade £0.080m due to the waste transformation project is ongoing and the requirements for the system are still being reviewed to ensure the system upgrade produces benefits.
- Depot Improvements £0.060m & Waste Transfer Site £0.262m due to increased costs for the works, the project is being reviewed and the scope of works being reassessed to complete essential works in line with the budget.
- Chipperfield Car Park resurfacing £0.200m, due to delays in contracting for the project. The project is due to be completed by Q2 of 2023/24
- Fleet Replacement Programme £0.294m due to continued delays are seen from reviewing requirements and options and supply chain delays.

- Car Parking refurbishment £0.135m due to review of drainage requirements being undertaken and ongoing work with the Environment Agency and contractors.
- Multi-Functional Devices (MFDs) £0.090m due to reduced usage since the pandemic meaning the life of the existing assets has extended. A review of document management across the Council is being undertaken and includes the requirements for the MFD's moving forwards.
- Hemel Garden Communities projects, including Nickey Line Improvements - £0.552m. Government grant was awarded in 2022/23 and the service is working with Hertfordshire County Council to complete the project to meet the grant requirements.
- Aragon Close £0.119m – the project has completed and final invoices are awaited from the supplier.

HRA capital budgets are reporting slippage of £5.741m. The housing development programme has been delayed due to the planning moratorium seeing a further £3.193m slippage. This includes Paradise Depot, Marchmont, Randalls Ride and Garage Sites. In addition Eastwick Row has been delayed following the contractor going into administration. Further slippage of £2.547m for Housing Property is a result of increased demand on revenue repairs and maintenance and procurement negotiations delaying planned projects.

The General Fund is reporting an overspend on capital projects of £0.075m. £0.056m relates to Wheeled Bins and Boxes. The service has experience continuing high level of demand for replacement bins following the deterioration of existing bins splitting and requiring replacement. A large proportion of the defective bins have now been replaced and therefore spend is expected to reduce inline for future years.

The following requests for Cabinet to recommend to Full Council are included in this report:

For 2022/23:

- To draw down £0.350m from the vehicle replacement reserve in 2022/23 for the financing of the Vehicle Replacement programme spend.
- To approve supplementary capital budget of £0.670m for Hemel Garden Communities projects, including Nickey Line improvements. This project is grant funded.

For 2023/24:

- To approve supplementary capital budget of £0.415m Off-street Residential Charge point Scheme. This project is grant funded.

The HRA is reporting a minor overspend of £0.009m on its capital programme for 2022/23.

6. Treasury Management Strategy 2023/24

The Council's Treasury Management Strategy is attached at Appendix D. This strategy was presented in full at Audit Committee in February 2023 and now requires formal adoption by Council in order to be implemented. The Council's Treasury Management arrangements are required to be compliant with CIPFA's Treasury Management Code (2021). This code identifies the primary policy objectives of local authority investment activities as the security and liquidity of its funds. Return on investments should be considered but not at the expense of security and liquidity.

The strategy covers:

- The Council's 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.
- An investment strategy (the parameters on how investments are to be managed).

The annual strategy is supported by Treasury Management Principles and Practices (TMPPs). These set out the manner in which the Council will seek to achieve those policies and objectives in the strategy and how it will manage and control treasury management activities.

Council treasury investments are either 'specified' or 'non – specified'. All specified investments are sterling investments of not more than one year in maturity and meeting the minimum 'high' rating criteria. All other investments are 'non- specified investments'.

As part of the proposed strategy, it is recommended that limits on investment products of over 12 months are increased to the maximum of the lower of 50% of the investment portfolio or £40m (currently the maximum of the lower of 50% of the investment portfolio or £20m). The purpose of this is to help maximise the return on the Council's investments whilst maintaining current high requirements around creditworthiness in our current investment portfolio.

7. Financial and value for money implications

These are set out in the body of the report.

8. Legal implications

There are no direct legal implications arising from this report.

9. Risk implications

Regular monitoring and reporting on the Council's financial position is one of the key ways in which the organisation manages the potential risk of the weakening of its financial resilience.

10. Equalities, Community Impact and Human Rights:

Community Impact Assessments are carried out by specific service when developing their service plans that support the budget setting process.

There are no Human Rights Implications arising from this report.

11. Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

12. Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

The implications for the financial resources of the Council are contained within the body of the report.

13 Statutory Comments

Monitoring Officer:

No comments to add to the report

Deputy S151 Officer:

This is a deputy s151 Officer report.

14. Conclusion


At provisional outturn 2022/23, there is a surplus of £0.065m against Council General Fund budgets. Housing Revenue Account budgets are reporting a deficit of £2.289m.

At provisional outturn 2022/23, General Fund capital budgets are reporting additional slippage of £3.073m with a pressure of £0.075m. Against Housing Revenue Account capital schemes, there is additional slippage of £5.741m and a pressure of £0.009m.



Dacorum Borough Council
General Fund Revenue Provisional Outturn March 2023

	<i>Full Year</i>		
	Budget £000	Forecast Outturn £000	Variance £000
Cost of Services			
Finance and Resources	8,579	8,547	(32)
Housing and Community	1,949	1,548	(401)
Strategic Planning and Environment	10,987	12,768	1,781
Net Cost of Services	21,515	22,863	1,348
Other Items			
Investment Income	(300)	(1,830)	(1,530)
Interest Payments and MRP	1,029	802	(227)
Parish Precept Payments	1,034	1,015	(19)
Government Grants	(1,638)	(6,946)	(5,308)
Taxation (Council Tax and Business Rates)	(16,370)	(10,393)	5,977
Surplus / Deficit on Provision of Services	(16,245)	(17,352)	(1,107)
Transfers between Reserves / Funds			
Net Recharge to the HRA	(5,271)	(5,576)	(305)
Net Movement on General Fund Working Balance	(1)	(65)	(64)

 Housing Revenue Account 2022/23 Outturn Revenue Budget Monitoring Report				
	Budget	Forecast	Variance	
	£000	Outturn	£000	%
		£000		
Income:				
Dwelling Rents	(57,300)	(57,419)	(119)	0.2%
Non-Dwelling Rents	(102)	(97)	5	-4.9%
Tenants Charges	(1,517)	(1,466)	51	-3.4%
Leaseholder Charges	(592)	(622)	(30)	5.1%
Interest and Investment Income	(42)	(1,084)	(1,042)	2481.0%
Contribution towards Expenditure	(645)	(868)	(223)	34.6%
Total Income	(60,198)	(61,556)	(1,358)	2.3%
Expenditure:				
Repairs & Maintenance	11,513	16,544	5,031	43.7%
Supervision & Management	17,265	18,727	1,462	8.5%
Rent, Rates, Taxes & Other Charges	66	192	126	190.9%
Interest Payable	11,302	11,302	0	0.0%
Provision for Bad Debts	750	263	(487)	-64.9%
Depreciation	15,620	16,435	815	5.2%
HRA Democratic Recharges	398	382	(16)	-4.0%
Revenue Contribution to Capital	3,284	0	(3,284)	-100.0%
Total Expenditure	60,198	63,845	3,647	6.1%
Transfer to / (from) Housing Reserves	0	0	0	0.0%
HRA Deficit / (Surplus)	0	2,289	2,289	0.0%
Housing Revenue Account Balance:				
Opening Balance at 1 April 2022	(2,892)	(2,892)	0	0.0%
Deficit / (Surplus) for year	0	2,289	2,289	0.0%
Proposed Contributions to Reserves	0	0	0	
Closing Balance at 31 March 2023	(2,892)	(603)	2,289	

CAPITAL PROGRAMME MONITORING BY SCRUTINY COMMITTEE FOR MARCH 2023

Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
General Fund										
Finance and Resources										
Head of Digital										
51 Automation Programme	85,000	0	0	(80,000)	(80,000)	5,000	0	0	(5,000)	0
52 Firewall Renewal	95,000	0	0	0	0	95,000	95,000	95,000	0	0
53 Civica Customer Experience Software (Flare replacement)	100,000	0	0	(100,000)	(100,000)	0	0	0	0	0
54 Rolling Programme - Hardware	75,000	0	0	0	0	75,000	44,899	44,899	(30,101)	0
55 Software Licences - Right of Use	40,000	0	0	0	0	40,000	6,583	6,583	(33,417)	0
56 Future vision of CRM	100,000	98,600	0	(198,600)	(198,600)	0	5,225	5,225	5,225	0
	495,000	98,600	0	(378,600)	(378,600)	215,000	151,707	151,707	(63,293)	0
Head of Environmental Protection										
60 Health and Safety software system	40,000	0	0	(40,000)	(40,000)	0	0	0	0	0
	40,000	0	0	(40,000)	(40,000)	0	0	0	0	0
Head of Property Services										
64 Service Lease Domestic Properties	0	8,118	0	0	0	8,118	0	0	(8,118)	0
65 Old Town Hall - Cafe Roof and stonework renewal	0	60,000	0	(45,000)	(45,000)	15,000	0	0	(15,000)	0
66 Piccotts End Retaining Wall Rebuild	35,000	0	0	0	0	35,000	0	0	(35,000)	0
67 Tring Community Centre - new play area for Children's Nursery	0	11,144	0	0	0	11,144	23,050	23,050	0	11,906
68 Adeyfield Community Centre Structural Improvements	20,000	17,000	0	0	0	37,000	0	0	(37,000)	0
69 Boiler Replacement Programme	15,000	5,046	0	0	0	20,046	20,757	20,757	(0)	711
70 Tring Community Centre - Retaining Wall for New Play Area	0	20,000	0	0	0	20,000	33,600	33,600	0	13,600
71 Bennetts End Community Centre door upgrade work	15,000	0	0	0	0	15,000	14,990	14,990	0	(10)
72 External Refurb - Woodhall Farm Community Centre	40,000	0	0	0	0	40,000	27,020	27,020	(12,980)	0
73 Rossgate Shopping Centre - Structural Works	240,000	221,577	0	(290,000)	(290,000)	171,577	146,297	146,297	(25,281)	0
74 Commercial Properties - Renew Obsolete Door Entry Controls	25,000	0	0	0	0	25,000	23,278	23,278	(1,723)	1
75 100 High St (Old Town), Hemel - Window Replacement	0	14,000	0	(14,000)	(14,000)	0	0	0	0	0
76 Long Chaulden Roof	0	55,020	0	(55,020)	(55,020)	0	0	0	0	0
77 Bellgate - Walkway Renovation	0	19,550	0	0	0	19,550	7,450	7,450	(12,100)	0
78 Bennettsgate - Window Renewal	0	74,780	0	(74,780)	(74,780)	0	0	0	0	0
79 Queens Square Canopy Renewal	40,000	0	0	0	0	40,000	(72)	(72)	(40,072)	0
80 Renew Surface Water Drains to Henry Wells Square	0	19,100	0	0	0	19,100	21,620	21,620	0	2,520
81 Void Commercial Property Refurbishment	70,000	0	0	0	0	70,000	47,492	47,492	(22,508)	0
82 Bennettsgate - Structural Concrete Improvements & Façade Renewal	0	79,762	0	(51,712)	(51,712)	28,050	28,050	28,050	0	0
83 Bellgate - Concrete Renewal & Refurbishment	0	25,000	0	0	0	25,000	10,700	10,700	(14,300)	0
84 Village Centre - Soffits & Facias	0	45,000	0	0	0	45,000	41,050	41,050	(3,950)	0
85 9 High Street Tring, Electrical Works	0	14,793	0	0	0	14,793	10,500	10,500	(4,293)	0
86 Broadwater Road Resurfacing	0	93,000	0	(93,000)	(93,000)	0	0	0	0	0
87 Creation of new Community Facility and Foodbank at The Hub (Dens)	625,000	0	0	(625,000)	(625,000)	0	0	0	0	0
88 Damp proofing improvements to commercial properties	30,000	0	0	0	0	30,000	0	0	(30,000)	0
89 Kings Langley Charter Court - Separate Meter Supply	20,000	0	0	0	0	20,000	0	0	(20,000)	0
90 48-52 High Street - Fire Alarm System Renewal	15,000	0	0	(15,000)	(15,000)	0	17,432	17,432	15,000	2,432
91 Bellgate Canopy Renewal - Highfield	200,000	0	0	(200,000)	(200,000)	0	0	0	0	0
92 Rossgate Terrace Walkway Waterproofing	30,000	0	0	0	0	30,000	0	0	(30,000)	0
93 Public Conveniences - Improvement Programme	40,000	0	0	0	0	40,000	24,498	24,498	(15,502)	0
94 Maylands Business centre upgrade fire alarm	20,000	0	0	0	0	20,000	21,750	21,750	0	1,750
	1,480,000	782,890	0	(1,463,512)	(1,463,512)	799,378	519,461	519,461	(312,827)	32,910

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Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Head of Commercial Development										
98 Hemel Hempstead Sports Centre - Astro turf renewal	0	280,000	0	(280,000)	(280,000)	0	0	0	0	0
99 Berkhamsted Leisure Centre Redevelopment	14,150,000	(299,644)	0	(13,850,356)	(13,850,356)	0	0	0	0	0
100 Hemel Hempstead Sports Centre - Basketball Hoop Replacement	0	0	0	0	0	0	21,274	21,274	21,274	0
101 Car Park Refurbishment	0	135,000	0	0	0	135,000	0	0	(135,000)	0
102 Water Gardens North Car Park Drainage Improvements	0	35,000	0	0	0	35,000	0	0	(35,000)	0
103 Multi Functional Devices	0	90,000	0	0	0	90,000	0	0	(90,000)	0
	14,150,000	240,356	0	(14,130,356)	(14,130,356)	260,000	21,274	21,274	(238,726)	0
SD Place										
111 Nickey Line Improvements - HGC capital project	0	0	0	0	0	670,000	117,246	117,246	(552,754)	0
	0	0	0	0	0	670,000	117,246	117,246	(552,754)	0
Totals: Finance and Resources	16,165,000	1,121,846	0	(16,012,468)	(16,012,468)	1,944,378	809,688	809,688	(1,167,600)	32,910
Housing and Community										
AD Place, Community and Enterprise										
119 Adventure Playgrounds Improvement Programme	500,000	0	0	(500,000)	(500,000)	0	64,465	64,465	64,465	0
120 Capital Grants - Community Groups	20,000	4,500	135,000	0	135,000	159,500	159,500	159,500	0	0
	520,000	4,500	135,000	(500,000)	(365,000)	159,500	223,965	223,965	64,465	0
Head of Housing Property										
124 Disabled Facilities Grants	741,000	272,834	0	0	0	1,013,834	669,960	669,960	(343,874)	0
	741,000	272,834	0	0	0	1,013,834	669,960	669,960	(343,874)	0
Head of Development										
128 Affordable Housing Development Fund	311,000	487,594	0	0	0	798,594	339,757	339,757	(458,837)	0
129 Temporary Accommodation - creation of new units	0	275,201	0	0	0	275,201	203,536	203,536	(71,665)	0
130 Aragon Close - Creation of Affordable Housing Move-on Units	0	824,288	0	0	0	824,288	705,305	705,305	(118,983)	0
131 Rough Sleepers Accommodation Programme	0	0	0	0	0	300,000	300,000	300,000	0	0
	311,000	1,587,083	0	0	0	2,198,083	1,548,599	1,548,599	(649,484)	0
Head of Commercial Development										
135 Highbarns Land Stabilisation Project	0	0	0	0	0	0	2,600	2,600	0	2,600
	0	0	0	0	0	0	2,600	2,600	0	2,600
Head of Community Safety										
139 Rolling Programme - CCTV Cameras	25,000	11,290	0	(11,290)	(11,290)	25,000	0	0	(25,000)	0
140 Alarm Receiving Centre	0	33,627	0	(33,627)	(33,627)	0	0	0	0	0
141 CCTV Equipment Refresh	110,000	(55,460)	0	(54,540)	(54,540)	0	24,758	24,758	24,758	0
142 Verge Hardening Programme	150,000	114,036	0	(164,036)	(164,036)	100,000	58,743	58,743	(41,257)	(0)
	285,000	103,493	0	(263,493)	(263,493)	125,000	83,500	83,500	(41,500)	(0)
Totals: Housing and Community	1,857,000	1,967,910	135,000	(763,493)	(628,493)	3,496,417	2,528,624	2,528,624	(970,392)	2,600

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Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Strategic Planning and Environment										
AD Place, Community and Enterprise										
150 Urban Park/Education Centre (Durrants Lakes)	0	134,015	0	(108,915)	(108,915)	25,100	0	0	(25,100)	0
151 The Bury - Conversion into Museum and Gallery	0	53,150	0	(53,150)	(53,150)	0	0	0	0	0
	0	187,165	0	(162,065)	(162,065)	25,100	0	0	(25,100)	0
Head of Environmental Services										
155 Waste Services IT upgrade	80,000	0	0	0	0	80,000	0	0	(80,000)	0
156 Wheeled Bins & Boxes for New Properties	100,000	0	0	0	0	100,000	156,278	156,278	0	56,278
157 Litter Bin Upgrade	40,000	0	0	0	0	40,000	40,969	40,969	0	969
158 Play Areas & Open Spaces - replace equipment	250,000	0	152,486	(135,032)	17,454	267,454	265,015	265,015	(2,439)	(0)
159 Resurfacing Works and Building Improvement to Depot	0	60,000	0	0	0	60,000	0	0	(60,000)	0
160 Chipperfield Common Car Park Resurfacing	0	200,000	0	0	0	200,000	0	0	(200,000)	0
161 Gadebridge Park Walled Garden Pathway Improvements	30,000	0	0	0	0	30,000	23,628	23,628	0	(6,372)
162 Improvements to Sport Pitches	35,000	0	0	0	0	35,000	33,769	33,769	0	(1,231)
163 Waste Transfer Site Upgrade Works	400,000	0	0	0	0	400,000	137,539	137,539	(262,461)	0
164 Fleet Replacement Programme	919,988	1,943,640	0	(2,047,626)	(2,047,626)	816,002	522,296	522,296	(293,707)	0
	1,854,988	2,203,640	152,486	(2,182,658)	(2,030,172)	2,028,456	1,179,495	1,179,495	(898,606)	49,645
Head of Property Services										
168 Boxmoor War Memorial Structural Improvements	40,000	(500)	0	0	0	39,500	28,375	28,375	0	(11,125)
169 Gadebridge Park Roadway Improvements	110,000	0	0	0	0	110,000	109,978	109,978	0	(22)
170 Allotment Improvement Programme	40,000	16,750	0	(56,750)	(56,750)	0	8,780	8,780	8,780	0
171 Stone Works to Charter Tower	0	18,000	0	(18,000)	(18,000)	0	0	0	0	0
172 Nickey Line Bridge Refurbishment	0	50,000	0	(30,000)	(30,000)	20,000	0	0	(20,000)	0
	190,000	84,250	0	(104,750)	(104,750)	169,500	147,132	147,132	(11,220)	(11,148)
Head of Development Management										
176 Tablets for Planning	0	0	0	0	0	0	625	625	0	625
43 CIL Capital Projects	0	0	0	0	0	63,111	63,111	63,111	0	0
	0	0	0	0	0	63,111	625	625	0	625
Totals: Strategic Planning and Environment	2,044,988	2,475,055	152,486	(2,449,473)	(2,296,987)	2,286,167	1,390,363	1,390,363	(934,926)	39,122
Totals - Fund: General Fund	20,066,988	5,564,811	287,486	(19,225,434)	(18,937,948)	7,726,962	4,728,675	4,728,675	(3,072,918)	74,632

Scheme	Original Budget	Prior Year Slippage	Adj's, Supps, Virements	Adjustments (Slip. C/F)	In-Year Adjustments	Current Budget	YTD Spend	Projected Outturn	Forecast Slippage	Projected Over / (Under)
Housing Revenue Account										
Housing and Community										
Head of Housing Property										
188 Planned Fixed Expenditure	7,942,600	1,358,640	0	(600,000)	(600,000)	8,701,240	8,275,603	8,275,603	(449,598)	23,961
189 Pain/Gain Share (Planned Fixed Expenditure)	0	0	0	0	0	0	(23,961)	(23,961)	0	(23,961)
190 M&E Contracted Works	1,200,000	0	0	0	0	1,200,000	1,637,303	1,637,303	437,303	0
191 Communal Gas & Heating	2,500,000	213,275	0	0	0	2,713,275	2,321,555	2,321,555	(391,720)	0
192 DBC Commissioned Capital Works	6,423,400	3,086,293	0	(3,394,436)	(3,394,436)	6,115,257	4,484,811	4,484,811	(1,630,446)	0
193 Special Projects	0	513,021	0	0	0	513,021	0	0	(513,021)	0
	18,066,000	5,171,229	0	(3,994,436)	(3,994,436)	19,242,793	16,695,311	16,695,311	(2,547,482)	(0)
Head of Development										
197 New Build - General Expenditure	184,000	(184,000)	0	0	0	0	4,239	4,239	0	4,239
198 Martindale	0	0	0	0	0	0	5,068	5,068	0	5,068
199 Bulbourne	1,317,354	901,594	0	(2,210,742)	(2,210,742)	8,206	9,806	9,806	1,600	0
200 Coniston Road	283,000	306,730	0	(187,415)	(187,415)	402,315	369,585	369,585	(32,730)	0
201 Eastwick Row	2,952,080	4,822,263	0	(3,531,291)	(3,531,291)	4,243,052	3,607,487	3,607,487	(635,565)	0
202 St Margaret's Way	1,032,741	216,916	0	(379,401)	(379,401)	870,256	1,239,970	1,239,970	369,714	0
203 Paradise Fields	10,739,486	1,949,209	0	(8,220,386)	(8,220,386)	4,468,309	3,313,722	3,313,722	(1,154,587)	0
204 Randalls Ride	3,169,961	1,069,885	0	(3,026,199)	(3,026,199)	1,213,647	1,318,162	1,318,162	104,515	0
205 Garage Sites - New Build Developments	2,763,580	2,239,042	0	(2,963,771)	(2,963,771)	2,038,851	3,900,483	3,900,483	1,861,632	0
206 Wilstone	1,026,897	659,593	0	(241,836)	(241,836)	1,444,654	1,420,233	1,420,233	(24,421)	0
207 Marchmont Fields	4,054,000	2,923,395	0	(3,392,712)	(3,392,712)	3,584,683	278,502	278,502	(3,306,181)	0
208 Paradise Depot	1,031,000	1,578,483	0	134,176	134,176	2,743,659	2,529,559	2,529,559	(214,100)	0
209 Cherry Bounce	(127,690)	367,643	0	(232,816)	(232,816)	7,137	16,973	16,973	9,836	0
210 Stoneycroft and Great Sturgess	0	0	0	289,236	289,236	289,236	91,652	91,652	(197,585)	0
211 Garage Sites B	0	0	0	59,064	59,064	59,064	39,064	39,064	(20,000)	0
212 Great Sturgess Road	0	0	0	0	0	0	43,323	43,323	43,323	0
213 RTB Buy-Backs	0	0	0	0	0	0	1,090	1,090	1,090	0
	28,426,409	16,850,753	0	(23,904,093)	(23,904,093)	21,373,069	18,188,917	18,188,917	(3,193,459)	9,307
Totals: Housing and Community	46,492,409	22,021,982	0	(27,898,529)	(27,898,529)	40,615,862	34,884,228	34,884,228	(5,740,941)	9,307
Totals - Fund: Housing Revenue Account	46,492,409	22,021,982	0	(27,898,529)	(27,898,529)	40,615,862	34,884,228	34,884,228	(5,740,941)	9,307
Totals	66,559,397	27,586,793	287,486	(47,123,963)	(46,836,477)	48,342,824	39,612,903	39,612,903	(8,813,859)	83,938

Dacorum Borough Council

Treasury Management Strategy Statement

**Minimum Revenue Provision Policy Statement and Annual
Investment Strategy**

2023/24

Introduction

1.1 Background

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

The second main function of the Treasury Management service is 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 the Council can meet its capital spending obligations. Longer term cash management may involve arranging long or short term loans, or using longer term cash flow surpluses, or restructuring debt 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 and hence the councils ability to meet spending commitments as they fall due, either on day-to-day revenue or in the medium term 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, adequate security of sums invested is paramount, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.2 Clauses to be formally adopted

1. Dacorum Borough Council will create and maintain the following for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management principles and practices (TMPPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. Full Council will receive reports on its treasury management policies and activities. As a minimum this will include a mid-year review, an annual year- end report and at least two other performance reports during the course of the financial year.

Responsibility is delegated to the Section 151 Officer for the implementation and regular monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions. They will act in accordance with the policy statement and TMPPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy, policies and monitoring before recommendation to Full Council.

1.3 Treasury Management Policy Statement

The Council defines its treasury management activities as:

The management of the organisation's borrowing, investments, cash flows, 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.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will support the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.4 Reporting requirements

Capital Strategy

The CIPFA revised 2021 Prudential and Treasury Management Codes requires 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 service provision
- an overview of how the associated risk is managed
- the implications for future financial sustainability

Treasury Management reporting

The Council is currently required to receive and approve, various reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement (this report) - The first, and most important report, covers:

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

A mid- year treasury management report (Quarter 2) – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report (Quarter 4) – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Financial monitoring report – an update on treasury management performance and all forward-looking prudential indicators will be formally reported on at least two further occasions during the financial year, via the Council's quarterly Financial Monitoring reporting process.

Scrutiny – The above reports are required to be scrutinised before being recommended to the Council. The Cabinet undertakes this role supported by the Audit Committee and 3 Overview and Scrutiny groups where relevant.

1.5 Treasury Management Strategy for 2023/24

The strategy for 2023/24 covers two main areas:

1. Capital issues
 - the capital expenditure plans and the associated prudential indicators;
 - the minimum revenue provision (MRP) policy.

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

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

1.6 Training

The CIPFA Code requires Councillors and Officers with responsibility for treasury management have appropriate skills and adequate training.

The Council will carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Ensure learning plans for treasury management officers and board/council members.
- Require treasury management officers and SLT/council members to undertake self-assessment against the required competencies.
- Through regular communication encourage Officers, SLT and Council members to highlight training needs on an ongoing basis.

The training needs of treasury management officers are regularly reviewed as part of the Council's performance development reviews. Records of Member training is kept by Member Support.

1.7 Treasury management consultants

The Council uses Link Group, Treasury Solutions as its external treasury management advisors. The Council recognises the value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure the terms of their appointment

and methods by which their value are assessed are properly agreed and documented, and subject to regular review.

The Council recognises responsibility for treasury management decisions remains with the organisation at all times and will ensure undue reliance is not placed upon our external service provider. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

2. The Capital Prudential Indicators 2023/24 – 2026/27

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

2.1 Capital expenditure

The first prudential indicator is a summary of the Council’s capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the capital expenditure plans and financing. Any shortfall of resources results in a borrowing need. Members are asked to approve the capital expenditure forecast:

Capital expenditure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
General Fund	8.248	7.361	32.470	25.779	5.820	3.581
HRA	17.400	40.616	81.248	62.011	38.868	42.906
Total	25.648	47.977	113.719	87.790	44.687	46.487
Financed by:						
Capital grants & S106	3.476	4.202	7.405	2.656	0.781	0.741
Capital receipts & reserves	17.087	40.491	56.522	23.479	24.304	25.470
Revenue contribution to Capital	5.085	3.284	2.538	2.498	0.000	0.000
Internal Borrowing- General Fund	0.000	0.000	11.848	25.038	2.734	0.000
Borrowing- HRA	0.000	0.000	35.406	34.118	16.869	20.276
Net financing need for the year	25.648	47.977	113.719	87.790	44.687	46.487

The financing need excludes other long-term liabilities, such as leasing arrangements. Capital Expenditure excludes Capital loans to other bodies.

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 the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council’s underlying borrowing need. Capital expenditure, which is not immediately paid for, increases the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which 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 long term liabilities like finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, they include a borrowing facility so the Council is not required to separately borrow.

The Council is asked to approve the CFR projections below:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actuals £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Capital Financing Requirement						
CFR – non housing	12.603	18.221	29.728	55.187	56.851	55.726
CFR – housing	332.448	331.077	364.174	394.958	407.384	422.023
Total CFR	345.051	349.299	393.901	450.144	464.235	477.749
Movement in CFR		4.248	44.603	56.243	14.091	13.514
Movement in CFR represented by:						
Net financing need for the annual approved Capital Programme		0.000	47.254	59.157	19.602	20.276
Net financing need for the year-Loans for Capital Purposes		5.950	(0.010)	(0.010)	0.000	0.000
Accounting changes in lease treatments		0.000	0.000	1.000	0.000	0.000
Minimum Revenue Provision & HRA Debt Repayment		(1.702)	(2.642)	(3.904)	(5.512)	(6.761)
Movement in CFR		4.248	44.603	56.243	14.091	13.514

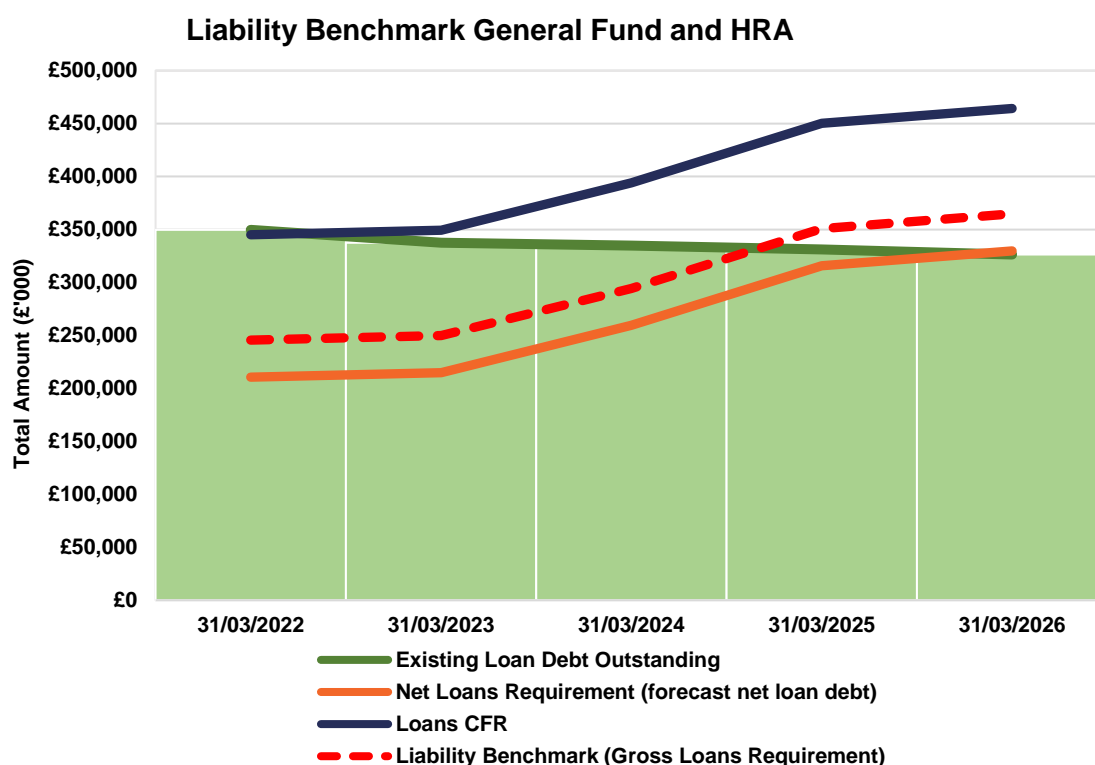
2.3 Liability Benchmark

A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. Existing loan debt outstanding: the Authority's existing loans still outstanding in future years.
2. Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The Council is asked to approve the LB projections below:



2.4 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the Capital Financing Requirement through a charge to revenue known as the minimum revenue provision (MRP). DLUHC regulations require full Council to approve an MRP Statement in advance of each year. A variety of options for calculating MRP are allowed so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

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 provides for a reduction in the borrowing need over approximately the asset’s life.

There is no requirement on the HRA to make a minimum revenue provision but a charge for depreciation must be made. Repayments included in finance leases are applied as MRP.

MRP Overpayments/Voluntary Revenue Provisions - DLUHC MRP Guidance allows that any charges made over the statutory minimum revenue provision (MRP), can be reclaimed in later years if deemed necessary or prudent. In order for MRP to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made. Up until the 31 March 2023, the total VRP overpayments are forecast at £0.481m.

The Council has and may provide loans to Parish Councils and other public sector bodies for capital purposes. The Capital Financing Requirement (CFR) will increase by the principal amount of the loan. The loan will be repaid in full and may include interest. The repayment of principal is classed as a capital receipt, and the CFR will reduce accordingly. As this is, a temporary arrangement and the

funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP charge.

2.5 Core funds and expected investment balances

The use of funds to finance capital expenditure or 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 and anticipated day to day cash flow balances.

Year End Resources	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Fund balances / reserves	58.723	40.609	41.561	42.633	44.534	45.885
Capital receipts	47.131	37.802	2.292	0.000	1.744	2.355
Provisions	7.971	5.000	5.000	5.000	5.000	5.000
Other	0	0.000	0.000	0.000	0.000	0.000
Total core funds	113.825	83.411	48.853	47.633	51.278	53.240
Working capital		5	5	16	16	10
(Under)/over borrowing		(11.665)	(38.499)	(63.284)	(62.550)	(61.769)
Expected investments		76.746	15.354	0.349	4.729	1.471

2.6 Affordability prudential indicators

Prudential indicators are required to assess the affordability of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.7 Ratio of financing costs to net revenue stream

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

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	1.26%	0.70%	-0.11%	0.20%	1.00%	1.05%
HRA	19.32%	17.23%	17.29%	18.39%	18.53%	18.05%

2.8 HRA ratios

	2021/22 Actual	2023/24 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
HRA debt £m	332.45	331.08	349.17	379.96	392.38	407.02
HRA revenues £m	58.72	60.897	63.939	70.804	72.485	74.013
Ratio of debt to revenues %	566%	544%	546%	537%	541%	550%
Number of HRA dwellings	9,972	9,957	10,084	10,211	10,186	10,161
Debt per dwelling £	33,338	33,251	34,627	37,211	38,522	40,057

3. Borrowing

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

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2022 and for the position as at 31 December 2022 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	Actual 31.3.22 £k	Actual 31.3.22 %	Current 31.12.22 £k	Current 31.12.22 %
Treasury investments				
Banks	60,590	44%	60,117	45%
Building societies - rated	51,000	37%	26,000	32%
Local authorities	0	0%	0	0%
DMADF (HM Treasury)	9500	7%	32,000	12%
Money market funds	18,000	13%	15,000	13%
Total managed in house	139,090	100%	133,117	100%
Total managed externally	0	0%	0	0%
Total treasury investments	139,090	100%	133,117	100%
Treasury external borrowing				
PWLB	349,680	100%	339,152	100%
Total external borrowing	349,680	100%	339,152	100%
Net treasury investments / (borrowing)	(210,590)	0	(206,035)	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.

There are a number of key indicators to ensure the Council operates its activities within well-defined limits. One is that the Council needs to ensure 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 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures borrowing is not undertaken for revenue purposes or to generate a profit. The Council complies with this indicator.

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt						
Debt at 1 April	353.502	349.680	337.446	355.214	385.672	400.497
Expected change in Debt	(3.822)	(12.233)	17.768	30.458	14.826	14.295
Other long-term liabilities	0.188	0.188	0.188	1.188	1.188	1.188
Actual gross debt at 31 March	349.868	337.634	355.402	386.860	401.685	415.980
The Capital Financing Requirement	345.051	349.299	393.901	450.144	464.235	477.749
(Under)/over borrowing	4.817	(11.665)	(38.499)	(63.284)	(62.550)	(61.769)

3.2 Treasury Indicators: Limits to borrowing activity

- a) **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Debt	349.680	355.214	385.672	400.497	414.792
Other long term liabilities	0.188	0.188	1.188	1.188	1.188
Total	349.868	355.402	386.860	401.685	415.980

- b) **The authorised limit for external debt.** This represents a limit beyond which external debt is prohibited and needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable long term.

Under section 3 (1) of the Local Government Act 2003, the Government can control the total of all councils' plans or those of a specific council. The Council is asked to approve the following authorised limits to 2026/27:

Authorised limit	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Debt	400.0	400	420	420	450
Other long term liabilities	10.0	10.0	10.0	10.0	10.0
Total	410.0	410.0	430.0	430.0	460.0

The table below shows projections of CFR and borrowing:

Capital Financing Requirement including leases						
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
HRA CFR	332.448	331.077	364.174	394.958	407.384	422.023
GF CFR	12.603	18.221	29.728	55.187	56.851	55.726
Total CFR	345.051	349.299	393.901	450.144	464.235	477.749
External Borrowing	349.680	337.446	355.214	385.672	400.497	414.792
Other long term liabilities	0.188	0.188	0.188	1.188	1.188	1.188
Total Debt	349.868	337.634	355.402	386.860	401.685	415.980
Authorised Limit*		410	410	430	430	460
Operational Boundary		349.868	355.402	386.860	401.685	415.980

3.3 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 2023/24		
	Lower	Upper
Under 12 months	0.00%	2.00%
12 months to 2 years	0.00%	2.00%
2 years to 5 years	0.00%	5.00%
5 years to 10 years	2.00%	15.00%
10 years and above	5.00%	90.00%
Maturity structure of variable interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0.00%	1.00%
12 months to 2 years	0.00%	2.00%
2 years to 5 years	0.00%	2.00%
5 years to 10 years	0.00%	0.00%
10 years and above	0.00%	0.00%

3.4 Borrowing strategy

The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, specifically in relation to refinancing, delaying capital expenditure and taking on new borrowing. 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 value for money and that the Council can ensure security of such funds.

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

3.6 Prospects for Interest Rates

The Councils Treasury Advisors provided the following view for interest rates on 19th December 2022. The Bank Rate is the Bank of England base rate of interest. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave eamings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave eamings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

3.7 Investment and borrowing rates

Links central forecast for interest rates was updated on 19 December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Link forecasts the bank rate to peak at 4.5% in the first half of 2023.

Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are controlled – but that timing will be crucial: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

Yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%. The overall longer-run trend is for gilt yields and PWLB rates to fall back as inflation starts to fall through 2023. Links view that the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

3.8 Debt rescheduling

Debt rescheduling involves the Council paying off its debt prior to the agreed maturity date. The Council repaid early £10.5m of PWLB general fund loans in 2022/23 to take advantage of discounted early repayment rates. This reduced general fund debt interest payments by £0.34m per annum and the value of principal to be repaid by £0.6m.

If further rescheduling and/or early repayment of existing debt is to be undertaken, this will be reported to Cabinet at the earliest meeting following completion of the repayment.

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

The Council's current source of borrowing is the PWLB. Other borrowing sources available to the Council to finance its capital programme are:

- Local authorities
- Financial institutions
- Municipal Bonds Agency

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources. This Authority may use these alternative sources of borrowing as and when appropriate.

4. Annual Investment Strategy

4.1 Investment policy

The DLUHC 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.

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 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021.

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

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

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This enables diversification and avoidance of concentrated risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- 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 also takes account of information that reflects market opinion. The Council will engage with its Treasury advisors Link Asset Services to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- Other information used will include the financial press and share prices in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- Dacorum Borough Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 1 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 originally classified as non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with a high credit quality, but lower than specified investments, 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.
- Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being the lower of 50% of the total investment portfolio or £40m.
- Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table described in paragraph 4.2.
- Transaction limits are set for each type of investment in Appendix 1.
- The Council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.5).
- Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.2).
- The Council has engaged external consultants, (see paragraph 1.7), 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.
- All investments will be denominated in sterling.
- As a result of the change in accounting standards 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. DLUHC have extended the current statutory temporary override to delay implementation of IFRS 9 to March 2025 to allow English local authorities time to adjust their portfolio of all pooled investments. There is no currently no impact for the Council.

The Council 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 4.7). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

Dacorum uses the creditworthiness service provided by the Link Group. This service employs a modelling approach using credit ratings from the three main credit rating agencies.

The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;

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

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of credit default swap spreads resulting in 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 (Nationalised or semi nationalised UK Banks only)
- 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. Using a risk weighted scoring system, it does not give undue preponderance to 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 weekly. The Council is alerted to changes to ratings of all three agencies through its use of Link's 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 Senior Financials benchmark and other market data daily via Passport website, provided exclusively by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will use market data and market information, information on any external support for banks to help support its decision making process.

The expected significant levels of downgrades to short and long-term credit ratings have not materialised since March 2020. In the main, where they did change, any alterations were limited to outlooks. However, more recently the UK sovereign debt rating has been placed on negative outlook by the three major rating agencies in the wake of unfunded tax-cut policies. Although the markets have now calmed, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

4.3 Country limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors. The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. Officers will remove counterparties from this list should ratings change in accordance with this policy. Counterparties will only be added with approval from the Section 151 Officer.

4.4 Local Authority Counterparties

In light of some Local Authorities issuing s114 notices (issued by an authority's s151 office is of the view that expenditure of the authority is likely to exceed the resources available to meet that expenditure), the Council has taken advice in respect of Local Authority counterparties. This states that local authorities continue to represent a low risk investment. The Council will continue to include Local Authority counterparties in its list of potential investment counterparties.

4.5 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).

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: Links forecast in paragraph 3.7 includes a forecast for Bank Rate to reach 4.5% in the second quarter of 2023. The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Later years	2.80%

As there are so many variables, caution must be exercised in respect of all interest rate forecasts.

Investment treasury indicator and limit

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

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

Upper limit for principal sums invested for longer than 365 days			
£m	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.	Lower of 50% of portfolio or £40m.

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 compounding of interest.

4.6 Treasury Management Counterparty Limits.

The Investment limits for counterparties is set as part of the annual Treasury Management Strategy. The counterparty limits were increased in 2021/22, no changes have been made for 2023/24. The Council is asked to approve the limits in the table below:

Table 1: Counter Party Limits .

Average Forecast DBC Investment balance 2023/24: £110m

Counterparty Limits		
Colour Band (duration	Limit £m	Current limit as a % of total average investment balance*
Green (3 months)	9	8.20%
Red (6 months)	11	10.03%
Orange (1 year)	12.5	11.39%
Purple (2 years)	12.5	11.39%
Blue (1 year, incl. NatWest own Bank)	14.5	13.22%

*the Council is able to invest in 'yellow' banded counterparties (duration up to 5 years), which are not shown in this table. These include investments with the DMO and MMFs.

4.7 Investment performance / risk benchmarking

These benchmarks are simple guides to minimise risk; so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

The purpose of the benchmark is that officers will monitor the position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Cabinet, with supporting reasons in the mid-year and annual report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables is 0.010%.

Liquidity – in respect of this area the Council seeks to maintain:

- Maximum bank overdraft - £0.25m
- Liquid deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be around 100 days

Yield - local measures of yield benchmarks for investments is to achieve internal returns above the 7 day SONIA (Sterling Overnight Index Average) rate.

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

4.8 Transactional Limits

There may be occasions that the council is in receipt of large income transactions from land and property sales etc. In instances such as these, every effort is made to ensure the council remains within the counterparty limits as set by the Treasury Management Strategy. Due to the nature of these types of transactions, a provision of 'one working day' is given in order to allow for any surplus funds to be redistributed from the Councils bank to available counterparties as per the creditworthiness policy in 4.2.

4.9 External fund managers

The Council does not currently use fund managers. If deemed appropriate in the future, the decision go through Cabinet for recommendation to Full Council.

4.10 Non - Treasury Investments

The Council recognises investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful management. Such activity may include loans to support service outcomes, investment in subsidiaries and investment property portfolios and is covered by the Council's normal approvals processes for revenue and capital expenditure. The Council's portfolio of investment properties are managed as part of the Council's asset management strategy.

Appendix 1: Credit and Counterparty Risk Management

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 below categories.

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

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

	Minimum Credit criteria/ colour band	Use
Debt Management Agency Deposit Facility	Yellow	In-house & Fund Managers
Term deposits – UK Government (including other local authorities)	Yellow	In-house & Fund Managers
Term deposits – banks and building societies	See 4.2	In-house & Fund Managers
Term deposits – housing associations	See 4.2	In-house & Fund Managers
Certificates of deposit issued by banks & building societies	See 4.2	In-house & Fund Managers
UK Government Gilts	Yellow	In-house & Fund Managers
Money Market Funds (CNAV)	AAA	In-house & Fund Managers
Money Market Funds (LVNAV)	AAA	In-house & Fund Managers
Money Market Funds (VNAV)	AAA	In-house & Fund Managers
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house & Fund Managers
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house & Fund Managers
UK Government Treasury bills	Yellow	In-house & Fund Managers

Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
UK part nationalised banks	See Link's Creditworthy list	In-house and Fund Managers	£14.5M per institution	12 months

Non-specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of the lower of 50% of the portfolio, or £40m will be held in aggregate in non-specified investment.

	Minimum Credit Criteria	Use	Max. maturity period
Term deposits – UK Government and Other Local Authorities	Yellow	In-house & Fund Managers	5 years
Term deposits – housing associations	See 4.2	In-house & Fund Managers	5 years
Term deposits – banks and building societies	See 4.2	In-house & Fund Managers	5 years
Certificates of deposit issued by banks and building societies	See 4.2	In-house & Fund Managers	5 years
Gilt Funds	UK sovereign rating	In-house & Fund Managers	5 years
UK Government gilts	Yellow	In-house & Fund Managers	5 years
Bonds issued by multilateral development banks	AAA	In-house & Fund Managers	5 years

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

Appendix 2- Treasury Management Principle 1: Risk Management (Extract from Treasury Management Principles and Practices)

Treasury Management Practice 1: Risk Management

The responsible officer will, in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements:

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk;*
- *Report at least annually on the adequacy/suitability thereof;*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect;*

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.

1. Liquidity Risk Management

Dacorum Borough Council (DBC) will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives.

DBC will only borrow in advance of need where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities.

Liquidity risk is the risk cash will not be available when required. This can jeopardise the ability of the Council to carry out its functions, or disrupt those functions being carried out in the most cost-effective manner. The Council will ensure its cash flow forecasting gives as accurate a picture as possible of income and expenditure, and the resulting daily cash balances.

Amounts of Approved Minimum Cash Balances and Short-term Investments

The Treasury Management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day, to minimise credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged, in conjunction with 'auto-sweeping' of balances, to achieve this aim.

Investment of Short-Term Funds

Each morning the Bank's forecast figures for the day are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers NatWest plc (RBS); or
- Placed in a Business Reserve Account with selected approved counterparties who offer this facility;
- Placed into a Money Market Fund.

All funds lodged in these ways are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

Bank Overdraft Arrangements

A £0.25m net overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and charged in line with the Bank Contract.

Short-Term Borrowing Facilities

Short-term borrowing is very rarely required. If undertaken, this is done through brokers on the London Money Market, or Public Works Loan Board. Approved borrowing limits are set out in the Treasury Management Strategy Statement.

Insurance/Guarantee Facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as adequate to cover all unforeseen occurrences.

2. Interest Rate Risk Management

DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as described in TMP6 Reporting Requirements and Management Information Arrangements.

The Council will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques. This will be done primarily to create stability and certainty of costs and revenues, whilst at the same time retaining a sufficient degree of flexibility to take advantage of unexpected (potentially advantageous) changes in the level or structure of interest rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Interest rate risk is the risk unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than budgeted. The Council will minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement including details on the approved interest rate exposure limit, trigger points and guidelines for managing changes to interest rate levels and minimum/maximum proportions of variable/fixed rate debt and interest. The strategy is produced before the start of each financial year and will be periodically reviewed during the year to see whether any modifications are required in the light of actual movements in interest rates.

Forward Dealing

Consideration will be given to dealing on forward periods dependent upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest this is appropriate. Any forward deals, whose maturity date is over one year hence at the time the

investment is agreed, will only be undertaken with the approval of the Section 151 Officer. Occasionally investments are agreed a few days in advance for administrative convenience (e.g. due to annual leave).

Callable Deposits

The Council will use callable deposits. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments included within the Treasury Management Strategy Statement.

3. Exchange Rate Risk Management

Dacorum Borough Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Exchange rate risk is the risk unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than budgeted. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will seek to minimise what risk it does have by using the policies below.

Approved Criteria for Managing Changes in Exchange Rate Levels

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean the Council will eliminate all material foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment

4. Credit and Counterparty Risk Management

Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Council will ensure its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first preserving the principal of the sums it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits

The Council places a strong reliance on its treasury adviser Link Group to help manage credit and counterparty risk. Link has much greater market expertise and direct access to market knowledge than the Council. None the less, the Council recognises all advice provided by its treasury adviser is precisely that, and full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1) Determining *'Specified and 'Non-Specified' Investments* criteria;
- 2) Determining *'Approved Lending Policy'*, which sets out minimum credit criteria, duration and monetary amount limits;
- 3) Managing the *Approved Lending List* (or list of counterparties).

Specified and Non-Specified Investments

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require *'minimal procedural formalities'*. Non-specified investments are any other type of investment. The maximum amounts and maturity periods along with the overall limits are set out in the Treasury Management Strategy Statement.

Lending Policy

The Lending Policy is based on Link guidance. This uses different ratings combinations and allocates those meeting the minimum criteria a colour as set out in the Treasury Management Strategy Statement. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require approval of Full Council.

Money Market Funds

Money Market Funds will be used in line with the Councils Treasury Management Strategy. Funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner.

Approved Lending List

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Link. The list includes domestic and

foreign banks, building societies, supranational institutions and multi-lateral development banks. It is supplemented by a ratings alert service for changes to the ratings of individual counterparties.

The Council is supportive of the Principles for Responsible Investment and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which incorporates ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

If the Council uses external fund managers, they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however the fund managers may use a subset of the derived counterparty list.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report.

5. Refinancing Risk Management

The Council will ensure its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Refinancing risk is the risk when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms reflecting assumptions made in formulating the budget.

Debt / Other Capital Financing Maturity Profiling, Policies and Practices

The Council holds debt that arose from the Housing Self Financing in March 2012. This transaction was subject to detailed reports and approvals, and a specific audit. Debt has been acquired over a thirty year period as fixed term loans from the Public Works Loan Board (PWLB).

The Council acquired new borrowing in May 2015 to support General Fund Capital Expenditure. Borrowing activities and strategies and limits are identified within the Treasury Management Strategy Statement.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;
- to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to Cabinet at the meeting immediately following its action.

Projected Capital Investment Requirements

Regular updates are made to the Authority's revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) forecast for forthcoming years, and this analysis is used to ensure the Council will have sufficient funds available in forthcoming years. In addition, the responsible officer will draw up a capital strategy report which will give a longer term view.

Capital expenditure and long-term liabilities definition will follow recommended accounting practice.

Policy Concerning Limits on Revenue Consequences of Capital Financing

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will take into account affordability in the longer term beyond this three year period. The Council will use the definitions in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, and other long-term liabilities.

Whenever major capital projects are planned, a full examination is undertaken of the potential revenue impact. Issues considered include revenue costs/benefits resulting directly from the project, and the impact on revenue of interest receipts foregone as a consequence of undertaking the capital investment.

Capital Receipts Generated by the HRA

For each Right to Buy council house disposal, the Council must pay a proportion to Central Government. The Council retains the '1-4-1' receipt, which can be used to fund 40% of new build expenditure within 3 years. Any unused '1-4-1' receipts are to be returned to Government.

The Council also has the ability to utilise 100% of its non- Right to Buy Housing receipts and a small proportion of right to buy council house sales relating to adjusted allowable debt and the local authority's share capital. Receipts under £10,000 are not subject to pooling.

6. Legal and Regulatory Risk Management

Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect

of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council also recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Legal and regulatory risk is the risk either the Council or a third party it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

Legislation

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003 and (Commencement No.1 and Transitional Provisions and Savings) Order 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and Amendments.
- Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004
- Local Government and Public Involvement in Health Act 2007 s238 (2) – power to issue guidance; to be used re: MRP
- The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- Localism Act 2011
- Accounts and Audit Regulations 2015
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

Guidance and codes of practice

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021
- CIPFA Prudential Code for Capital Finance in Local Authorities revised Guidance Notes revised 2021
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: A statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Formally the Financial Conduct Authority's Code of Market Conduct

Dacorum Borough Council

- The Council's Standing Orders;
- The Council's Financial Regulations;
- The Council's Scheme of Delegation;
- The Council's Treasury Management Strategy;
- The Council's Treasury Management Practices – Principles & Practices;

Procedures for Evidencing the Council's Powers / Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12;

Borrowing: Local Government Act 2003, section 1;

Required Information from Counterparties Concerning their Powers / Authorities

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and the Council's own data.

Statement on the Council's Political Risks and Management of these Risks

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

Monitoring Officer

The Monitoring officer is the Assistant Director Legal and Democratic Services. The duty of this officer is to ensure treasury management activities of the Council are lawful.

Chief Financial Officer/ S151 Officer

The Chief Financial Officer is the S151 Officer. The duty of this officer is to ensure financial affairs of the Council are conducted in a prudent manner and report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Head of Financial Services, who can deputise fully for the S151 Officer.

7. Fraud, Error and Corruption, and Contingency Management

Dacorum Borough Council will ensure that it has identified any circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Fraud, error and corruption risk is the risk the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- b) Fully document all its treasury management activities so there can be no possible confusion as to what proper procedures are;
- c) Ensure staff will not be allowed to engage in treasury management activities until they have had proper training in procedures; and are then subject to an adequate and appropriate level of supervision
- d) Ensure records are maintained of all treasury management transactions, so there is a full audit trail and evidence of the appropriate checks being carried out.

Details of Systems and Procedures to be followed, Including Internet Services

Authority

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are summarised in *TMP5*.

Investment and Borrowing Transactions

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments.

A detailed register of all investments is maintained within the Council's Investments system. This system includes full details of counterparty limits, along with other information including investment amounts, value and maturity dates, interest rates, and gross interest receivable.

All transactions placed through brokers, Link's Agency Treasury Services (ATS) or via direct dealing are confirmed, showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records. Any discrepancies are immediately reported to the Team Leader Financial and Regulatory Accounting for resolution. The Council does not send any confirmations of its own.

Regularity and Security

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counter party.

Most Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty), and investments are repaid direct from the counterparty into the Council's General Account. The exception is investments using Link Agency Treasury Services. These are paid into the Link ATS trustee account and repaid into the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officers who are authorised signatories. Updates of this list are notified to the bank when current authorised signatories leave, or new signatories join. Notifications of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories and the officer agreeing an investment cannot be one of the signatories for that particular investment.

Checks

The Investment System balances are reconciled to the balance sheet ledger codes at the end of each month and at the financial year-end. The System includes comprehensive reconciliation checks back to the Council's banking system to ensure all investments transactions are correctly recorded and processed.

Emergency and Contingency Planning Arrangements

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investment and banking systems are both internet based so can be accessed from any site or computer, subject to the user having the appropriate access and security information.

Insurance Cover Details

The Council has Crime insurance cover provided by Travelers Insurance Co Ltd. This policy covers loss resulting directly from any crime committed by any employee or any third party. The total limit of indemnity provided is £1,000,000, a policy excess of £100,000 for each and every claim applies.

The Council also has Officials Indemnity cover with Aspen Insurance UK Ltd. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties. The limit of indemnity is £5,000,000, a policy excess of £75,000 for each and every claim applies.

The Council has Business Interruption cover as part of its property insurance with Protector Insurance. This covers additional costs of working and loss of revenue if an insured event occurs.

8. Market Risk Management

Dacorum Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Market risk is the risk through adverse market fluctuations in the value of principal sums, the Council borrows and invests, its stated policies and objectives are compromised, against which it had failed to protect itself adequately. The Council does not currently have exposure to investments whose capital may fluctuate (gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Finance & Resources), and if the current Investment Strategy allows such investments.

9. Environmental, Social and Governance Factors

The Council is supportive of the Principles for Responsible Investment and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which incorporates ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement.

Appendix 3 – Link Asset Services’ Approved Lending List – UK Banks and Financial Institutions

Country	Counterparty	Approved Duration	DBC Current Limit (M)
U.K	Al Rayan Bank Plc	6 months	11
U.K	Bank of Scotland PLC (RFB)	6 months	11
U.K	Barclays Bank PLC (NRFB)	6 months	11
U.K	Barclays Bank UK PLC (RFB)	6 months	11
U.K	Close Brothers Ltd	6 months	11
U.K	Clydesdale Bank PLC	100 days	9
U.K	Goldman Sachs International Bank	6 months	11
U.K	Handelsbanken Plc	12 months	12.5
U.K	HSBC Bank PLC (NRFB)	12 months	12.5
U.K	HSBC UK Bank Plc (RFB)	12 months	12.5
U.K	Lloyds Bank Corporate Markets Plc (NRFB)	6 months	11
U.K	Lloyds Bank Plc (RFB)	6 months	11
U.K	NatWest Markets Plc (NRFB)	6 months	11
U.K	Santander Financial Services plc (NRFB)	6 months	11
U.K	Santander UK plc	6 months	11
U.K	SMBC Bank International Plc	6 months	11
U.K	Standard Chartered Bank	6 months	11
U.K	Coventry BS	6 months	11
U.K	Leeds BS	100 days	9
U.K	Nationwide BS	6 months	11
U.K	Skipton Building Society	6 months	11
U.K	Yorkshire BS	100 days	9
U.K	National Westminster Bank PLC (RFB)	12 months	14.5
U.K	The Royal Bank of Scotland Plc (RFB)	12 months	14.5

Appendix 4: Treasury management roles and scheme of delegation

Full Council

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

Cabinet

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

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;
- approving the selection of external service providers and agreeing terms of appointment;
- approving the use of non-UK counterparties as appropriate;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term time frame;
- ensuring the capital strategy is prudent, sustainable, affordable in the long term and provides value for money;
- ensuring due diligence has been carried out on all 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 (TM Code p54): -*
 - 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.*



Report for:	Cabinet
Title of report:	Strategic Asset Review
Date:	20 th June 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate & Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	N/A
Background papers:	N/A
Glossary of acronyms and any other abbreviations used in this report:	HRA - Housing Revenue Account GF - General Fund SAR – Strategic Asset Review

Report Author / Responsible Officer

David Barrett - Assistant Director, Strategic Housing and Delivery

Nigel Howcutt – Chief Finance Officer

Catherine Silva Donayre - Strategic Director, Corporate & Commercial Services



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Corporate Priorities	<p>A clean, safe and enjoyable environment</p> <p>Building strong and vibrant communities</p> <p>Ensuring economic growth and prosperity</p> <p>Providing good quality affordable homes, in particular for those most in need</p>
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	<p>Ensuring efficient, effective and modern service delivery</p> <p>Climate and ecological emergency</p>
Wards affected	ALL
Purpose of the report:	To present the Strategic Asset Review proposal.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. That Cabinet supports the proposals for the Strategic Asset Review programme and associated funding requirements. 2. Cabinet approves the allocation of £116k from the Dacorum Development reserve to finance the current shortfall in the General Fund financing for this project. 3. Cabinet approves the reallocation of £96k of Housing Revenue Account (HRA) contribution to capital budget, to support the HRA elements of this project.
Period for post policy/project review:	12 months

1 Introduction/Background:

The Council wishes to conduct a comprehensive Strategic Asset Review (SAR). This will support the Council's aims to deliver housing growth and regeneration throughout Dacorum, and to make best use of Council assets to generate long term income streams that support service delivery for the benefit of Dacorum's communities.

The Council has a series of key objectives that will support the delivery of these aims. These are:

- *To provide the right type of housing in the right places throughout Dacorum to help local people access good quality homes. That will require a delivery pipeline which includes social housing, affordable rent, market rent, rent to buy, shared ownership and private sale homes. These may be delivered through a range of delivery vehicles harnessing the optimum mix of public and private investment in delivery.*
- *To progress the regeneration of Hemel Town Centre and other urban/ neighbourhood areas throughout Dacorum, to contribute to wider Place Strategy objectives and drive economic growth and health and social wellbeing.*
- *To secure long term income streams for the Council through regeneration and development programmes, which will support the Council's ongoing financial sustainability and allow continued delivery of the corporate vision and objectives.*

The Council is ambitious for its places and wants to support quality growth and transformation for the borough. There is a pressing need for new homes, particularly affordable housing. The Council is developing its agenda to address current place-related issues, as well as seeking to promote and shape new development to support the Council's and Borough's, longer term economic future.

The emerging Hemel Place Strategy (www.thinkhemel.com) is forming a coherent plan and compelling offer to the investment market. Over the next 30 years, Hemel Hempstead's population is projected to rise by 50% to approximately 150,000 through a combination of development plans. These include Hemel Garden Communities, a vibrant new development to the town's north and east based on garden city and sustainability principles providing 11,000 new homes and 10,000 new jobs; and ambitious regeneration in the town centre and along the line of the Grand Union Canal to the south. Furthermore, the Council is progressing with place strategies for the three towns – Hemel Hempstead, Berkhamsted, and Tring.

It is acknowledged that there is a need to ensure that new development is not at the expense of the need for urban renewal and regeneration, and that Hemel does not become a 'two-speed town'. Thus the importance of a focus on Place and neighbourhood renewal alongside planning for new development.

The Council's Commercial Strategy acknowledges the need to increase the Council's financial envelope and improve financial resilience; seeking opportunities to generate income so that the Council can continue to support its communities as the Borough grows and develops.

It is many years since the Council's HRA and General Fund assets have been reviewed. Some assets are tired and need investment, some are no longer economically viable and some may have a purpose which may no longer fit with the Council's priorities. Opportunities for development or re-purposing assets to support the Council's objectives should be considered.

The Council wants to better understand the potential of all assets that contribute towards its Place, housing and commercial objectives. It also wants to consider how they can be best used to attract investment (intra-borough and external, public and private), support commercial revenue income and business growth, drive footfall into Hemel Hempstead Town Centre, deliver the housing the borough needs, and support the wider corporate priorities set out in the Corporate Plan.

It is proposed to undertake a Strategic Asset Review to consider the Council's overall portfolio of assets at a strategic level. This will provide a holistic overview of asset categories held by the Council; provide benchmarking and assessment of their performance; and identify strategic opportunities that might deliver increased benefits and support Place making, housing, regeneration and commercial objectives.

In addition to the overarching Strategic Asset Review, there are a series of in-depth reviews currently planned for asset segments within the overall portfolio; specifically for in-depth reviews of HRA assets and the General Fund garage portfolio. The outcomes of these initial reviews will be considered and further work may be commissioned as Phase 2, which could include a more in-depth review of the General Fund Commercial Property Portfolio.

2 Key Issues/proposals/main body of the report:

The Strategic Asset Review programme has the following work streams scoped and planned:

Workstream 1 – High level Strategic Review of Dacorum's portfolio of assets.

This will include a high level performance review of the Council's overall asset portfolio. It will include a review of assets' strategic purpose, how the portfolio supports the Council's priorities and objectives for regeneration, Place, economic development and housing delivery, as well as the contribution to the Council's financial sustainability. Consideration will be given as to how the Council can make strategic improvements across its asset portfolio, and harness key investment opportunities through strategic development and management of its asset portfolio.

The review will also assess the categorisation and available data of these segments, and provide recommendations on improvements that will allow better strategic oversight of the portfolio, its opportunities, and aid future decision-making and management.

Workstream 2 – Detailed reviews of individual asset segments; and development of potential programmes for change

Work will be carried out within this workstream to conduct more detailed reviews of asset segments, and develop proposals for future developments that might improve contribution to housing, commercial, regeneration and place making agendas. These will be undertaken through separate commissioning activity, to secure the most appropriate expertise to support each review.

At present, the asset reviews planned within this work stream are for the Garage Portfolio, Housing and Sheltered Housing assets. Other work is also ongoing to consider key town centre sites in Hemel Hempstead. It is anticipated that the initial Strategic Asset Review may inform further detailed reviews of other General Fund assets, such as Commercial Property.

Asset segments/categories within the Council's overall portfolio include the following:

- Commercial Property Portfolio
- Garage portfolio
- Housing Estates (incl, Housing & Sheltered Housing)
- Key town centre Hemel Town Centre sites
- Neighbourhood centres
- Corporate Estate & other GF land and assets
- Community & cultural assets

For the initial phase of asset reviews, the portfolios that will be assessed in detail within this work stream are the Garage portfolio and Housing Estates. The other asset categories will be assessed at a higher level within the overarching Strategic Asset Review in work stream 1. Opportunities identified within that review may lead to recommendations for more detailed reviews in a Phase 2. This would require additional funding and would be the subject of a further report to Cabinet.

Workstream 3 - Assessment of delivery vehicles:

This workstream will assess delivery vehicles that might support the Council's housing, commercial, regeneration and place-making objectives, including generation of additional long term income streams. For example, opportunities relating to Housing Development companies, joint ventures or public/ private investment partnerships will be assessed.

It will identify, assess and recommend delivery vehicles for the Council, develop potential timelines for establishment of vehicles, and align with proposals for an initial 'pipeline' of development for delivery. This will provide a robust assessment of options that will help inform future decision-making.

Project Costs

The various related workstreams that are currently planned to review the Council's assets are estimated to cost approximately £516k in total as listed in Table 1. These costs can be partly funded from existing budgets however there is a combined shortfall across the housing revenue account and the General Fund of £211k required to deliver the work streams currently anticipated, as set out in Table 2.

Table 1

Work stream	Estimated cost HRA	Estimate cost GF	Total Estimated cost
Strategic Asset High Level Review	£60,000	£60,000	£120,000
Garage Portfolio	£0	£75,000	£75,000
Sheltered Housing Review	£30,000	£0	£30,000
Housing Estate Review	£150,000	£0	£150,000
Assessment of Delivery Vehicles	£0	£30,000	£30,000
Developing an outline pipeline (Work stream detail TBC)	£12,500	£12,500	£25,000
*Contingency and new tasks	£18,000	£18,000	£36,000
Interim internal project management resource	£25,000	£25,000	£50,000
Total cost	£295,500	£220,500	£516,000

* Contingency based on 7.5% of the total projected costs of the programme.

Table 2

	Estimated cost HRA	Estimate cost GF	Total Estimated cost
Total Estimated cost including contingency	£295,500	£220,500	£516,000
Approved funding:			
Strategic Asset Review (GF- Head of Property)	£0	-£40,000	-£40,000
Investment Team consultancy funding	-£200,000	£0	-£200,000
Commercial strategy budget	£0	-£65,000	-£65,000
Subtotal- approved funded	-£200,000	-£105,000	-£305,000
Additional Funding Request	£95,500	£115,500	£211,000

There is little expectation of capitalisation at this point but, as the work develops and is completed, the outputs will be reviewed to ensure any capitalisation of this investment is undertaken to reduce the impact to revenue budgets.

Interim Resource – It is envisaged that the first phase of the SAR project in workstream 1 would sit with the Property Services team who do not currently have the capacity to fully commit to this project. The appointed resource would work part time and have a strategic/commercial Asset background to directly support the overall project delivery and create the agility within the team to deliver the required focus and outputs. The estimated cost is based on a 6 month engagement secured through an agency.

The key outputs of the resource would include, but are not limited to the following:

- Project management of the SAR project
- Conduit for information to and from the Council and the appointed consultants
- Coordination and undertaking the creation of a commercial portfolio Asset Register
- Additional resource for the Property Services team creating the agility to maximise the outputs of the appointed consultants
- Scrutiny of outputs when presented as an initial draft

Programme

It is anticipated that the procurement of the work and completion of the Strategic Asset Review, Garage review and assessment of delivery vehicles will take somewhere in the region of 9 to 12 months for the various workstreams. The Housing review timescales will require further review and development.

3 Options and alternatives considered

There is not capacity internally to undertake the reviews. As noted above, it is many years since the Council's HRA and General Fund assets have been reviewed.

4 Consultation

Officers have been consulted as appropriate in the development of this proposed review.

5 Financial and value for money implications:

There is a requirement for the allocation of £96k in HRA funds to undertake the housing elements of the review and £116k of one off General fund (GF) reserves. There is scope within the Dacorum Development reserve to fund the £116k of GF funding.

A one off reduction to the 2023/24 HRA revenue contribution to capital will support the HRA funding requirement of £96k, this further reduces the available reserves to the HRA going forward.

6 Legal Implications

The Council's legal team will be involved in the reviews where required to ensure legal implications are being fully considered before final recommendations are proposed.

7 Risk implications:

The review will include a rigorous risk identification and assessment process before any recommendations are proposed.

8 Equalities, Community Impact and Human Rights:

Community Impact Assessment – There are a range of reviews planned. No positive or negative impacts on the protective characteristic groups have been identified at this point, and this will be further considered as part of each review.

Human Rights – There are no Human Rights Implications arising from this report.

9 Sustainability implications (including climate change, health and wellbeing, community safety)

Any sustainability implications will be considered as part of the review.

10 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

Any infrastructure implications will be considered as part of the review.

11 Statutory Comments

Monitoring Officer:

There are no issues to highlight at this stage and the legal team will ensure that relevant advice and guidance is provided as the project progresses to the delivery options appraisal stage under workstream 3.

S151:

The Dacorum Development reserve was set up to support future development opportunities. This project's core aim is to assess the most appropriate investment opportunities and methods of achieving the greatest outcomes, so use of this reserve is appropriate.

The HRA budget has a revenue contribution to capital in place to provide funds for future investment. This project will outline the most appropriate and efficient investment opportunities relating to the HRA assets and hence the use of this one-off financing is appropriate.

12 Conclusions:

Further reports will be presented to Portfolio Holders, Finance & Resource Overview and Scrutiny Committee and Cabinet following the completion of each review.

Dacorum BC Community Impact Assessment (CIA) Template

Policy / service / decision

Strategic Asset Review

Description of what is being impact assessed

What are the aims of the service, proposal, and project? What outcomes do you want to achieve? What are the reasons for the proposal or change? Do you need to reference/consider any related projects?

Stakeholders; Who will be affected? Which protected characteristics is it most relevant to? Consider the public, service users, partners, staff, Members, etc.

It is advisable to involve at least one colleague in the preparation of the assessment, dependent on likely level of impact

The Council wishes to conduct a comprehensive Strategic Asset Review (SAR). This will support the Council's aims to deliver housing growth and regeneration throughout Dacorum, and to make best use of Council assets to generate long term income streams that support service delivery for the benefit of Dacorum's communities.

Evidence

What data/information have you used to assess how this policy/service/decision might impact on protected groups?

(Include relevant national/local data, research, monitoring information, service user feedback, complaints, audits, consultations, CIAs from other projects or other local authorities, etc.). You should include such information in a proportionate manner to reflect the level of impact of the policy/service/decision.

Within the borough of Dacorum and the wider county of Hertfordshire, there is a shortage of social and affordable housing. Demand for the social and affordable housing in Dacorum continues to be high.

The number of people threatened with becoming homeless has continued to increase for several reasons. Most recently, we have seen the impact of the rising cost of living, which is resulting in households struggling to cover costs. Making affordable housing even more important to people in Dacorum.

This scheme would increase the affordable housing stock with Dacorum. Positively impacting both home seekers and support to reduce pressure on temporary accommodation.

Who have you consulted with to assess possible impact on protected groups? *If you have not consulted other people, please explain why? You should include such information in a proportionate manner to reflect the level of impact of the policy/service/decision.*

No consultations have been carried out, this will be reviewed once the initial strategic work has been undertaken.

Analysis of impact on protected groups (and others)

The Public Sector Equality Duty requires Dacorum BC to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service/decision will achieve these aims. Using the table below, detail what considerations and potential impacts against each of these using the evidence that you have collated and your own understanding. Based on this information, make an assessment of the likely outcome, **before** you have implemented any mitigation.

- *The PCs of Marriage and Civil Partnership and Pregnancy and Maternity should be added if their inclusion is relevant for impact assessment.*
- *Use “insert below” menu layout option to insert extra rows where relevant (e.g. extra rows for different impairments within Disability).*

Summary of impact		Negative impact / outcome	Neutral impact / outcome	Positive impact / outcome
Protected group	<i>What do you know? What do people tell you? Summary of data and feedback about service users and the wider community/public. Who uses / will use the service? Who doesn't / can't and why? Feedback/complaints?</i>			
Age	Dacorum's population grew by 7.1% between 2011-2021. The age distribution is similar to the average in England, but Dacorum has a slightly larger proportion of young people than the national average. 61.9% of the population are working age (16-64), with 83% of the overall population of Dacorum in employment. This has fallen over time as the population ages, which is a trend projected to continue in the future.	□	□	☒

Disability (physical, intellectual, mental) <i>Refer to CIA Guidance Notes and Mental Illness & Learning Disability Guide</i>	There are no identified positive or negative impacts on this characteristic	□	⊗	□
Gender reassignment	There are no identified positive or negative impacts on this characteristic	□	⊗	□
Race and ethnicity	There are no identified positive or negative impacts on this characteristic.	□	⊗	□
Religion or belief	There are no identified positive or negative impacts on this characteristic.	□	⊗	□
Sex	There are no identified positive or negative impacts on this characteristic.	□	⊗	□
Sexual orientation	There are no identified positive or negative impacts on this characteristic.	□	⊗	□

<p>Not protected characteristics but consider other factors, e.g. carers, veterans, homeless, low income, loneliness, rurality etc.</p>	<p>There are no other areas to consider</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p>Negative impacts / outcomes action plan</p> <p>Where you have ascertained that there will potentially be negative impacts / outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.</p>				
<p>Action taken/to be taken <i>(copy & paste the negative impact / outcome then detail action)</i></p>	<p>Date</p>	<p>Person responsible</p>	<p>Action complete</p>	
<p>N/A</p>			<input type="checkbox"/>	
			<input type="checkbox"/>	
<p>If negative impacts / outcomes remain, please provide an explanation below.</p>				

N/A

Completed by (all involved in CIA)	David Barrett
Date	18/05/2023
Signed off by (<i>AD from different Directorate if being presented to CMT / Cabinet</i>)	Simon Rowberry
Date	08.06.23
Entered onto CIA database - date	
To be reviewed by (officer name)	
Review date	



Report for:	Cabinet
Title of report:	UK Shared Prosperity Fund - Allocations
Date:	20 th June 2023
Report on behalf of:	Councillor Sheron Wilkie, Portfolio Holder for Place
Part:	I
If Part II, reason:	The appendix to this report contains information relating to potential grant recipients which are still subject to due diligence and are yet to be approved. Local Government Act 1972, Schedule 12A, Part 1, paragraph 3
Appendices:	<ol style="list-style-type: none"> 1. UKSPF Investment Plan (Part II) 2. Community Impact Assessment
Background papers:	N/A
Glossary of acronyms and any other abbreviations used in this report:	DLUHC – Department for Levelling Up, Housing and Communities UKSPF – UK Shared Prosperity Fund EOI – Expression of Interest LEP – Local Enterprise Partnership

Report Author / Responsible Officer

Diane Southam, Assistant Director (Place, Communities and Enterprise)



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Corporate Priorities	A clean, safe and enjoyable environment Building strong and vibrant communities Ensuring economic growth and prosperity
Wards affected	All

<p>Purpose of the report:</p>	<ol style="list-style-type: none"> 1. To note the award of £1,763,392 of funding under UKSPF to the Council and its approach for allocation of the funding. 2. To provide an overview of the Investment Plan themes and the approach being taken to making grant funding allocations to applicable projects.
<p>Recommendation (s) to the decision maker (s):</p>	<ol style="list-style-type: none"> 1. To note the award of £1,763,392 of funding under UKSPF to the Council and its approach for allocation of the funding. 2. To delegate authority to the Strategic Director for Place in consultation with the Portfolio Holder for Place to determine the final funding awards to grant recipients and to enter into necessary associated agreements in respect of UKSPF funding awards.
<p>Period for post policy/project review:</p>	<p>12 Months</p>

1 Introduction/Background:

1.1 This report provides an overview of the UK Shared Prosperity Fund, outlines the headline priorities within the Council's associated Investment Plan, and sets out the approach for allocation of funds to proposed and potential grant recipients.

2 Key Issues/proposals/main body of the report:

2.1 The UK Shared Prosperity Fund (UKSPF) is the Government's domestic replacement for the European Structural and Investment Programme (ESIF) which was discontinued in 2023. The UKSPF forms part of the UK government's Levelling Up agenda and provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition.

2.2 The government has allocated the Council £1,763,392 for UKSPF spend over three years, ending 2024/25. To access the funds the Council submitted an Investment Plan setting out the approach that the Council would take to delivering funding priorities against the programme. The Council received notification from the Department for Levelling Up, Housing and Communities (DLUHC) that its Investment Plan was approved earlier this year.

2.3 It should be noted that any changes to the Investment Plan are likely to require DLUHC approval and this could cause a delay to the delivery of projects which, in turn, could ultimately result in funding having to be returned to the government if it is unspent within the allocation periods.

2.4 The Council's Investment Plan is structured against three programme areas of expenditure, in line with the UKSPF programme requirements:-

- **Clean, safe and enjoyable environment – Place theme.** This priority is intended to build resilient and safe neighbourhoods, through investment in quality places that people want to live, work, play and learn in, through targeted improvements to the built environment.
- **Building strong and vibrant communities – Skills theme.** This priority will boost core skills and support adults to progress in work, by targeting adults with no or low-level qualifications and skills in maths, and upskill the working age population, yielding personal and societal economic impact, and by encouraging innovative approaches to reducing adult learning barriers.
- **Ensuring economic growth and prosperity – Business theme.** This priority is intended to deliver outputs that will create jobs and boosting community cohesion, through investments that build on existing industries and institutions, and range from support for starting businesses to visible improvements to local retail, hospitality and leisure sector facilities, as well as to Promote networking and collaboration, through interventions that bring together businesses and partners within and across sectors to share knowledge, expertise and resources, and stimulate innovation and growth.

2.5 Under each of the themes, there are a number of proposed projects which make up the headline allocation. The Investment Plan was informed by a call for Expressions of Interest (EOIs) from Council departments, partner organisations, stakeholders and community groups, and working with partners to deliver projects is a key theme of the plan.

2.6 Under the Place theme, highlights of the programme include funding to support Hemel Imaginarium, a meanwhile use project to be developed in collaboration with local community groups etc. as well as developing a range of feasibility studies across the borough.

- 2.7 In order to deliver the Business and Skills themes, the Council has worked in partnership with Herts LEP and other local authority partners in Hertfordshire to deliver a co-ordinated approach, which will see funding allocated to a range of business support projects including Herts Growth Hub, Herts Opportunity Portal and Herts Film Office; as well as funding for skills through the Herts Pathways to Employment Programme, Herts Inclusive Employment Programme and Building Better Opportunities programme.
- 2.8 Expressions of Interest, submitted by local partners and groups, which are aligned with the Investment Plan programme areas are currently undergoing detailed due diligence in order to confirm final funding allocations, assessing deliverability, governance and risk management aspects prior to confirmation of award.
- 2.9 The Investment Plan is summarised in the table shown in Appendix 1. The table identifies the fixed projects approved by DLUHC as well as unallocated sums to be distributed to projects based on the expressions of interest received. Examples of projects being considered for the unallocated funding are identified in the table.

3 Options and alternatives considered

- 3.1 The Council has been awarded a sum of grant funding by a formula in order to deliver the outcomes of the UKSPF programme and the Council's Investment Plan. The fund itself is a replacement to the European Structural Fund and there are no alternative options within the Government's agenda for funding of these priorities.
- 3.2 The Council must therefore ensure deliverability of projects against its Investment Plan in order to ensure that outputs and outcomes of the programme are maximised. Projects have been identified through an Expressions of Interest process and evaluated to ensure alignment with the programme, and detailed due diligence will confirm deliverability.

4 Consultation

- 4.1 EOIs were invited through the UKSPF Partnership Group which provided guidance to applicants for funding at the time of submission. Engagement is being undertaken on external applications for funding requiring detailed due diligence.
- 4.2 Consultation has been undertaken with the Council's Strategic Leadership Team and the Portfolio Holder for Place.

5 Financial and value for money implications:

- 5.1 The Council has received an allocation of £1,763,392, of which £342k is capital. This allocation is paid annually to the Council:
- 2022/3 = £214,004
 - 2023/4 = £428,008
 - 2024/5 = £1,121,380
- 5.2 The Council is required to report upon expenditure and output delivery on a quarterly basis. At financial year end the Council must set out any anticipated underspend and demonstrate a 'credible plan' for expenditure in the following financial year. Since confirmation of the Council's Investment Plan was made late in the financial year 2022/3, the Council has put forward a case to reprofile its allocation of funds for last fiscal year into 2023/4.
- 5.3 Due diligence is being undertaken on EOIs to review deliverability and value for money implications.

6 Legal Implications

- 6.1 The terms upon which UKSPF must be administered are set out within the 'UKSPF Prospectus' and supporting 'UKSPF Additional Information'. As part of finalisation of the

Investment Plan process, the Council was required to enter into a Memorandum of Understanding with DLUHC which sets out the terms by which funding must be administered.

6.2 Partners awarded grant funding will be required to enter into a form of grant funding agreement which ensures that the obligations set out within the Memorandum of Understanding are transparently transferred to grant recipients. This agreement will include, but not limited to, use of branding, monitoring, reporting and anti-fraud measures.

6.3 In respect of projects that the Council will deliver in partnership with Herts LEP (as set out in 2.6), the Council will enter into a funding agreement.

7 Risk implications:

7.1 The Council must demonstrate progress against expenditure and outputs in order to retain funding for the following financial year. Detailed due diligence is being undertaken on external applicants of funding prior to confirmation of funding awards, who will be required to enter into a funding agreement. Monitoring arrangements will be embedded with the funding agreement with grant recipients to ensure that progress is monitored and outputs captured. Funding will be reallocated to projects which do not consistently perform against milestones, or that pose a risk to the project. Anti-fraud measures will be embedded within the funding agreement.

8 Equalities, Community Impact and Human Rights:

8.1 Community Impact – the Investment Plan has been developed and structured for maximum impact against UKSPF outputs, of which community impact is central. The Investment Plan and UKSPF funds are anticipated to have a positive impact in this area. Monitoring of outputs on a quarterly basis will ensure this impact is measured and reviewed. Due diligence is being undertaken to confirm allocations of funding to external applicants. It is envisaged that funding will have a positive impact on recipients, which may include protective characteristic groups, however this will be further considered as part of the due diligence process prior to any confirmation of award.

8.2 Human Rights – There are no Human Rights Implications arising from this report.

9 Sustainability implications (including climate change, health and wellbeing, community safety)

The Council's Investment Plan has been focussed around the three headlines of Place, Skills and Business support in line with guidance from government and projects selected will have

10 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

Legal services support will be required in order to prepare and enter into necessary agreements with funding recipients.

11 Statutory Comments

Monitoring Officer:

All funding provided to external partners must be supported with an appropriate funding agreement and monitored by the Council to ensure that the Council can accurately report spending to DLUHC.

S151:

The UKSPF grant was awarded on the basis of key specific grant criteria and the service needs to ensure these criteria are maintained through the award of funding. There is a requirement for the

service in conjunction with finance to scrutinise and approve the use of these funds on an annual basis prior to Chief Executive and S151 sign off.

12 Conclusions:

This report sets out the approach to delivering the Council's allocation of UKSPF funding and the overview of Investment Plan Themes and priorities, and the approach to progressing funding allocations to projects.

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

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Dacorum BC Community Impact Assessment (CIA)

Policy / service / decision

UK Shared Prosperity Fund

Description of what is being impact assessed

What are the aims of the service, proposal, project? What outcomes do you want to achieve? What are the reasons for the proposal or change? Do you need to reference/consider any related projects?

Stakeholders; Who will be affected? Which protected characteristics is it most relevant to? Consider the public, service users, partners, staff, Members, etc

It is advisable to involve at least one colleague in the preparation of the assessment, dependent on likely level of impact

The **UK Shared Prosperity Fund (UKSPF)** is the Government's domestic replacement for the European Structural and Investment Programme (ESIF) which was discontinued in 2023. The government has allocated the council £1,763,392 over 3 years, ending 2024/25. To access the funding, the council submitted an Investment Plan setting out the approach the council would take to delivering funding priorities. The Investment Plan was informed by a call for Expressions of Interest from council departments, partner organisations, stakeholders and community groups. Working with partners to deliver projects is a key theme of the plan. Expressions of Interest submitted by local partners and groups which are aligned with the Investment Plan programme areas are currently undergoing detailed due diligence in order to confirm final funding allocations, assessing deliverability, governance and risk management aspects prior to confirmation of award.

Evidence

What data/information have you used to assess how this policy/service/decision might impact on protected groups?

(include relevant national/local data, research, monitoring information, service user feedback, complaints, audits, consultations, CIAs from other projects or other local authorities, etc.). You should include such information in a proportionate manner to reflect the level of impact of the policy/service/decision.

The call for Expressions of Interest was offered to a wide range of groups as described above, covering all aspects of the community. Further consideration of those projects to ensure no negative impact on any protected groups will be given as part of the due diligence process and before any funding to those projects is confirmed.

Who have you consulted with to assess possible impact on protected groups? *If you have not consulted other people, please explain why? You should include such information in a proportionate manner to reflect the level of impact of the policy/service/decision.*

As part of the due diligence process, the council’s Diversity and Community Inclusion Lead Officer will be consulted to ensure there is no negative impact on protected groups before any funding is awarded.

Analysis of impact on protected groups (and others)

The Public Sector Equality Duty requires Dacorum BC to eliminate discrimination, advance equality of opportunity and foster good relations with protected groups. Consider how this policy/service/decision will achieve these aims. Using the table below, detail what considerations and potential impacts against each of these using the evidence that you have collated and your own understanding. Based on this information, make an assessment of the likely outcome, **before** you have implemented any mitigation.

- *The PCs of Marriage and Civil Partnership and Pregnancy and Maternity should be added if their inclusion is relevant for impact assessment.*
- *Use “insert below” menu layout option to insert extra rows where relevant (e.g. extra rows for different impairments within Disability).*

Summary of impact		Negative impact / outcome	Neutral impact / outcome	Positive impact / outcome
Protected group	<i>What do you know? What do people tell you? Summary of data and feedback about service users and the wider community/public. Who uses / will use the service? Who doesn't / can't and why? Feedback/complaints?</i>			

Age	*For all characteristics* The council's Diversity and Community Inclusion Lead Officer will be consulted to ensure there is no negative impact on protected groups before any funding is awarded.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Disability (physical, intellectual, mental) <i>Refer to CIA Guidance Notes and Mental Illness & Learning Disability Guide</i>	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Gender reassignment	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race and ethnicity	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Religion or belief	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sex	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sexual orientation	See above	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<p>Not protected characteristics but consider other factors, e.g. carers, care leavers, veterans, homeless, low income, loneliness, rurality etc.</p>	<p>See above</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
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Negative impacts / outcomes action plan

Where you have ascertained that there will potentially be negative impacts / outcomes, you are required to mitigate the impact of these. Please detail below the actions that you intend to take.

<p>Action taken/to be taken <i>(copy & paste the negative impact / outcome then detail action)</i></p>	<p>Date</p>	<p>Person responsible</p>	<p>Action complete</p>
<p>Not applicable.</p>	<p>Select date</p>		<input type="checkbox"/>
	<p>Select date</p>		<input type="checkbox"/>
	<p>Select date</p>		<input type="checkbox"/>
	<p>Select date</p>		<input type="checkbox"/>

	Select date		<input type="checkbox"/>
	Select date		<input type="checkbox"/>
	Select date		<input type="checkbox"/>
	Select date		<input type="checkbox"/>
If negative impacts / outcomes remain, please provide an explanation below.			
Completed by (all involved in CIA)	Diane Southam, AD Place, Communities and Enterprise		
Date			
Signed off by (AD from different Directorate if being presented to SLT / Cabinet)	Assistant Director – Housing Operations & Safe Communities		
			

Date	08/06/2023
Entered onto CIA database - date	
To be reviewed by (officer name)	
Review date	

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