

Agenda item 3

MEDIUM TERM FINANCIAL PLAN

2021- 2024

Liberal Democrat Group



COUNCIL – 23 FEBRUARY 2021

X. FINANCIAL PLANNING 2021 - 2024

RECOMMENDATIONS OF THE LIBERAL DEMOCRAT GROUP

1. Council notes that there is significant uncertainty around the future level of Government financial support for local authorities, including redistribution of NNDR and New Homes Bonus, and that Council has adopted a prudent approach in assuming a significant reduction in future income from these sources.
2. Council further notes the following achievements, enabling services to be protected without steep increases in its council tax:
 - Cashable efficiency savings averaging £0.3m per year, sustained over the last sixteen years; and further cashable efficiency gains and additional income planned over the course of the medium term financial plan;
 - Increased income, excluding government grants and council tax, rising from £6.1m in 2013/14 to £9.2m in 2021/22. This includes returns on the investment into property assets of £1m.
3. Council agrees the following actions;
 - (a) That the 2020/21 revised revenue budget be approved giving a balance on the general fund at 31 March 2021 of **£4.483m**.
 - (b) That the revenue budget for 2021/22 totalling net expenditure of **£12.759m** and the draft revenue estimates for the period 1 April 2021 to 31 March 2024 giving a balance on the general fund at 31 March 2024 of **£2.969m** be approved. **(Appendix 1)**
 - (c) That **£2.0m** be considered as a prudent minimum balance for the general fund.
 - (e) That the total capital investment programme for 2020/21 of **£8.959** and the arrangements for funding the programme resulting in an estimated balance of capital resources at 31 March 2021 of **£5.878m** be approved. **(Appendix 2)**
 - (f) That the total capital investment programme for 2021/22 of **£4.408m** and the capital strategy (including the 2021/22 treasury management policy) for the period 1 April 2021 to 31 March 2024 be approved. **(Appendix 2)**
 - (h) That the financial and budgetary risks be approved and their management monitored by the Audit Committee. **(Appendix 3)**
 - (i) That the position on the financial reserves **(Appendix 4)** and the Director of Finance's advice on the robustness of the estimates and the adequacy of the financial reserves are noted.

STATEMENT OF CHIEF FINANCIAL OFFICER

Under Section 25 of the Local Government Act 2003, I have a duty to report on the robustness of the estimates and the adequacy of the financial reserves.

With regard to the robustness of the estimates, I have advised the Council that a minimum prudent revenue balance of £2.0m is appropriate having taken into account the risks identified in the financial planning reports presented to members.

The Liberal Democrat Group's proposals for the Medium Term Financial Plan;

1. allows for an increase of £5 in the district's average council tax charge for 2021/22, and thereafter.
2. uses the assumptions in the Officer base budget presented to the Policy and Resources Committee on 25 January 2021.
3. includes both the revenue and capital PID's (growth) which were presented to the Policy & Resources Committee on 25 January 2021. **(Appendix 1a)**

Under the assumptions used, the estimates have been correctly calculated, and do not significantly vary the level of risk already identified. They result in a revenue deficit of **£0.220m** in 2023/24 and an estimated general fund balance of **£2.969m**. Capital resources are estimated to be of **£0.808m** at 31 March 2024. These reserves are considered to be adequate.

Alison Scott
Director of Finance (Shared Services)
23 February 2021

MEDIUM TERM FINANCIAL PLAN

Medium Term Financial Plan - Revenue Account (General Fund)					
Funding	2020/2021		2021/2022	2022/2023	2023/2024
	Original	Outturn	Proposed	Draft	Draft
	£	£	£	£	£
Council Tax Base (No.)	39,212.60	39,212.60	38,774.30	38,968.17	39,162.00
Council Tax Base Increase (%)	0.00	0.00	0.50	0.50	0.50
Band D Council Tax (£)	178.90	178.90	183.90	188.90	193.90
Council Tax Increase - TRDC (%)	0.00	0.00	2.79	2.72	2.65
Council Tax (£)	(7,015,134)	(7,015,134)	(7,130,594)	(7,361,088)	(7,593,512)
<i>Parish Precepts (£)</i>	<i>(2,063,812)</i>	<i>(2,063,812)</i>	<i>(2,114,610)</i>	<i>(2,156,920)</i>	<i>(2,200,060)</i>
Total Taxation (£)	(9,078,946)	(9,078,946)	(9,245,204)	(9,518,008)	(9,793,572)
Business Rates (£)	(2,895,000)	(2,895,000)	(2,495,000)	(2,495,000)	(2,495,000)
Collection fund deficit	0	0	0	0	0
New Homes Bonus Grant	(310,257)	(310,257)	(95,407)	(95,000)	(95,000)
Government Funding	0	0	(240,886)	(120,000)	(120,000)
Dividend (£)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Total Grant Funding (£)	(3,255,257)	(3,255,258)	(2,881,293)	(2,760,000)	(2,760,000)
Total Taxation & Grant Funding (£)	(12,334,203)	(12,334,204)	(12,126,496)	(12,278,008)	(12,553,572)
Financial Statement - Summary					
	2020/2021		2021/2022	2022/2023	2023/24
	Original	Outturn	Proposed	Draft	Draft
	£	£	£	£	£
Committee - Net Cost Of Services					
Infrastructure, Housing & Economic Development	1,437,150	1,999,446	1,523,399	1,567,749	1,567,749
Leisure, Environment & Community	4,585,173	6,167,387	4,448,208	4,433,503	4,433,503
Policy & Resources	4,826,093	3,419,106	4,869,424	5,056,984	5,056,984
Period 8 Variances		(331,408)	(222,374)	(471,928)	(681,540)
GROWTH- Pids			94,300	94,300	94,300
Sub-Total	10,848,416	11,254,531	10,712,957	10,680,608	10,470,996
Other					
Parish Precepts	2,063,812	2,063,812	2,114,610	2,156,920	2,200,060
Net Transfer from Reserves	(59,910)	(59,910)	(59,910)	(59,910)	(59,910)
Interest Payable & Borrowing costs	450,150	475,150	381,220	252,150	252,150
Interest Received	(530,634)	(530,634)	(390,011)	(90,000)	(90,000)
Sub-Total	1,923,418	1,948,418	2,045,909	2,259,160	2,302,300
Net Expenditure	12,771,834	13,202,949	12,758,866	12,939,768	12,773,296
Income from Council Tax, Government Grants & Business Rates	(12,334,203)	(12,334,204)	(12,126,496)	(12,278,008)	(12,553,572)
(Surplus)/Deficit	437,631	868,745	632,370	661,760	219,724
Movement on General Fund Balance					
	2020/2021		2021/2022	2022/2023	2023/24
	Original	Outturn	Proposed	Draft	Draft
	£	£	£	£	£
Balance Brought Forward at 1 April	(4,418,871)	(5,048,286)	(4,482,894)	(3,850,524)	(3,188,764)
Revenue Budget (Surplus)/Deficit for Year	437,631	565,392	632,370	661,760	219,724
Closing Balance at 31 March	(3,981,240)	(4,482,894)	(3,850,524)	(3,188,764)	(2,969,040)

GROWTH (PIDS)**Revenue**

	2021/22	2022/23	2023/24
Description	£	£	£
GIS Officer	54,300	54,300	54,300
W3RT CVS Infrastructure Support	40,000	40,000	40,000
Total	94,300	94,300	94,300

Capital

	2021/22	2022/23	2023/24
Description	£	£	£
Outdoor Fitness Zones	54,400	54,400	27,200
Funding from Capital Health & Wellbeing Fund	(20,000)	(20,000)	(20,000)
Net Growth	34,400	34,400	7,200

CAPITAL STRATEGY 2021 – 2024

- 1 The capital strategy (the Strategy) is designed to give a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:
- affordable, prudent and sustainable;
 - that treasury management decisions are taken in accordance with good professional practice; and
 - that local strategic planning, asset management planning and proper option appraisal are supported.

- 2 This capital strategy sets out how the Council will achieve the objectives set out above.

Capital Investment Programme - Expenditure

- 4 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure on:
- property, plant and equipment
 - heritage assets, and
 - investment properties.
- 5 Property plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.
- 6 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.
- 7 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.
- 8 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 9 The 2020/21 programme has decreased from the latest approved budget by due to re-phasing of schemes to 2021/22 and budget savings. Some of the larger schemes that contribute to this consist of the following:
- Rephasing of garage Improvements budget - £175,000
 - Budget saving on Leisure Facility- South Oxhey- £105,990
 - Rephasing of Retail Parades budget - £120,000

10 Following the re-phasing, the capital programme for 2020/21 now totals **£8,959 million**. The services capital programme included in MTFP shows schemes totalling **£4.408 million** in 2021/22; **£4.436 million** in 2022/23 and **£2.812 million** in 2023/24.

11 The larger capital schemes over the next three financial years include:

- Disabled Facility Grants (£1.672 million)
- Waste and Recycling Vehicles (£2.287 million)
- Waste Services Depot – (£0.670 million)
- Garage Improvements- (£0.625 million)

12 The Committee should note that for 2021/22 there is a proposal for one new scheme. A Project Initiation Document (PID) has been prepared and presented to the relevant service Committee at the November/December meetings.

13 The proposed new scheme is;

- Refurbishment of Outdoor Fitness Zones

Capital Investment Programme - Funding

14 The Capital Investment Programme can be funded from the following sources:

15 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.

16 Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy. Current Section 106 monies are guaranteed.

17 Capital Receipts Reserve: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Thrive Homes Ltd in 2008; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Thrive. The current MTFP forecasts that this reserve will be fully utilised to support the capital programme.

18 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.

19 Future Capital Expenditure Reserve: The Council has a general reserve which it has put aside for future capital expenditure. It has the ability, should it wish, to re-designate this reserve for revenue use.

20 New Homes Bonus Reserve: New Homes Bonus is a grant relating to the number of new homes delivered in a local authority area. There are no government restrictions on whether this is capital or revenue, nor is there any ring-fence imposed. It is

anticipated that there would be a reduction in the amount received from 2021/22 onwards.

21 **Borrowing:** The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Presently, the Council has borrowed to support the new leisure centre provision in South Oxhey, and the costs of this are covered in the income received from the leisure contractor.

22 The capital programme includes an assessment of likely available resources to finance capital expenditure and includes assumptions regarding capital receipts, which have been estimated at £1.100 million in 2021/22 and future years.

Future Investment

23 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:

- Schemes that generate a financial surplus for the Council; and in particular those that increase the supply of housing locally (for example through the joint ventures with Watford Community Housing and Thrive).
- Schemes that generate revenue budget savings for the Council.
- Schemes that allow the Council to benefit from future economic regeneration potential within the local area; especially those that attract additional investment into the local area from regional or national agencies.
- Schemes that provide additional or improved services to the Council's residents, in line with the Council's Corporate Framework.

Treasury Management

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

25 The Treasury Management Policy Statement details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of maximising the Council's returns without significantly increasing risk.

The Council's Borrowing Need - The Capital Financing Requirement (CFR)

26 The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash

(generated by holding reserves and through timing differences between income and expenditure).

27 The table below shows the estimate of the over the medium term.

	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£000	£000	£000	£000
Total Proposed Capex	8,959	4,408	4,436	2,812
<u>Capital Financing</u>				
Grants	500	520	520	520
Reserves	3,256	2,561	2,118	95
Capital Receipts	1,100	1,100	1,100	1,000
s.106 and CIL	0	0	510	71
Funding	4,856	4,181	4,248	1,686
Gap	4,103	227	188	1,126
Opening CFR	21,445	25,548	25,775	25,963
Closing CFR	25,548	25,775	25,963	27,089

Minimum Revenue Provision (MRP) Strategy and Policy Statement

28 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital I resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

29 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

30 Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is the Council's MRP statement:

For all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

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

This option provides for a reduction in the borrowing need over the asset's estimated life. Repayments of PFI or Finance Leases are allowable to use as a proxy for the above methods.

31 The Council's process is to produce for approval by the Director of Finance, in consultation with the Lead Member for Resources, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period commensurate with the period over which the expenditure provides benefits or makes returns.

- 32 No MRP provision is made in respect of investments or payments to the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset for service assets and over the life of the lease for investment properties.

Revenue Cost of Borrowing

- 33 Where the council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

Prudential Indicators

- 34 There are two limits on external debt: the ‘Operational Boundary’ and the ‘Authorised Limit’. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.

- 35 The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

It should be noted that the two financial investments do not increase net debt as any additional borrowing is offset by the value of the financial investment.

Treasury Management Indicator - The Operational Boundary

- 36 This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority’s plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise.

Operational Boundary	2020/21 Revised	2021/22 Proposed	2022/23 Draft	2023/24 Draft
Borrowing	£26m	£26m	£20m	£22m

Treasury Management Indicator - The Authorised Limit for External Borrowing

- 37 This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003

Authorised Limit	2020/21 Revised	2021/22 Proposed	2022/23 Draft	2023/24 Draft
Borrowing	£29m	£29m	£23m	£25m

Future Investments

- 38 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Three Rivers wider economic area. Current partners include Countrywide Properties for the South Oxhey scheme, along with Watford Community Homes and Thrive Homes as the two major local registered social providers.
- 39 The Council has established Three Rivers Commercial Services to allow it to work more closely with providers and exploit future commercial opportunities. The Council currently has two joint ventures with Watford Community Housing, Three Rivers Development LLP and Three Rivers Homes Ltd. The Council is currently in the process of setting up a similar structure with Thrive Homes to allow future joint schemes to be considered.

Skills and Knowledge and Professional Advice

- 40 The Council has a shared service with Watford Borough Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team. The council uses external advisers on all major projects.
- 41 The Council contracts with Link Asset Services for the provision of Treasury advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Councils VAT advisers are PSTax.

4 Risk

- 42 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.
- 43 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved.
- 44 The council currently has an income target of £1.0M pa from its commercial investment activities. This is equivalent to 4.2% of its total gross income (excluding housing benefit

reimbursements from central government). The Council does not receive RSG and is entirely dependent upon locally raised taxes and locally generated income to fund services.

- 45 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.
- 46 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council. This will be continually monitored to allow appropriate mitigation to be put in place should risks increase.

CAPITAL INVESTMENT PROGRAMME

Leisure, Environment & Community					
Community Safety & Partnership	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
ASB Casework Management System	18,750	0	18,750	0	0
Capital Grants & Loans	20,000	3,793	20,000	20,000	20,000
Community CCTV	6,000	6,000	6,000	6,000	6,000
Total	44,750	9,793	44,750	26,000	26,000
Leisure	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Countryside Management	10,000	10,000	10,000	10,000	10,000
Aquadrome	21,000	21,000	21,000	22,500	22,500
Allotments	5,000	3,000	0	0	0
Scotsbridge-Chess Habitat	0	0	11,390	0	0
Watersmeet External Roof Access	55,750	55,750	0	0	0
Watersmeet Stg Light Replace	64,000	112,000	0	0	0
South Oxhey Leisure Centre	6,000	6,155	0	0	0
Leisure Facilities Improvement	25,000	10,985	10,000	10,000	0
Open Space Access Improvements	50,000	123,000	50,000	50,000	50,000
Improve Play Area-Future Schemes	50,000	52,730	158,250	100,000	100,000
Aquadrome-Whole Life Costing	10,000	27,354	10,000	11,000	11,000
Watersmeet-Whole Life Costing	15,000	23,000	15,000	20,000	20,000
Pavilions-Whole Life Costing	10,000	12,316	10,000	11,000	11,000
Watersmeet - Hot Water pipework replacement	0	1,898	0	0	0
The Swillet - Play area Refurbishment	18,880	26,221	0	0	0
Cassiobridge Play Area Refurbishment	4,030	5,653	0	0	0
Outdoor Fitness Zones - Growth	0	0	54,400	54,400	27,200
Total	344,660	491,062	350,040	288,900	251,700
Environmental Services	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Waste Plant & Equipment	25,000	29,996	25,000	25,000	25,000
Waste Services Depot	1,000,000	665,672	670,000	0	0
Bulk Domestic Waste	20,000	31,528	35,000	40,000	40,000
Waste & Recycling Vehicles	500,000	164,110	0	1,887,000	400,000
Street Furnishings	10,000	10,000	15,000	15,000	15,000
Paladin Bins	25,000	39,121	40,000	60,000	60,000
Energy Performance Certificate	2,000	5,000	2,000	2,000	2,000
Cemetery-Whole Life Costing	5,000	6,697	5,000	5,000	5,000
Replacement Ground Maintenance Vehicles	93,000	390,590	120,000	280,000	180,000
Total	1,680,000	1,342,714	912,000	2,314,000	727,000
Total Leisure, Environment & Community	2,069,410	1,843,569	1,306,790	2,628,900	1,004,700

Infrastructure Housing & Economic Development					
<i>Economic Development</i>	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Cycle Schemes	25,000	9,583	55,000	25,000	25,000
Disabled Parking Bays	2,500	1,000	2,500	2,500	2,500
Controlled Parking	50,000	33,160	164,425	50,000	50,000
Princes Trust-Business Start-up	10,000	10,000	10,000	10,000	10,000
Listed Building Grants	5,000	3,000	2,500	2,500	2,500
South Oxhey Initiative	0	109,223	0	0	0
Parking Bay & Verge Protection	254,240	100,000	214,240	40,000	40,000
Highways Enhancement	147,620	47,620	150,000	50,000	50,000
Bus Shelters	9,000	19,580	9,000	9,000	9,000
Retail Parades	135,780	48,115	150,000	30,000	30,000
Carbon Neutral Council	0	4,000	0	0	0
Rickmansworth Work Hub	39,000	0	39,000	0	0
Car Park Restoration	10,000	10,000	10,000	35,000	35,000
Estates, Paths & Roads	20,000	20,000	20,000	20,000	20,000
TRDC Footpaths & Alleyways	20,000	20,850	40,000	25,000	25,000
Integration of Firmstep to uniform Licensing applications	0	19,000	0	0	0
Total	728,140	455,131	866,665	299,000	299,000
<i>Housing</i>	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Disabled Facilities Grant	500,000	474,108	500,000	586,000	586,000
Home Repairs Assistance	10,000	5,000	10,000	10,000	10,000
Total	510,000	479,108	510,000	596,000	596,000
Total Infrastructure Housing & Economic Development	1,238,140	934,239	1,376,665	895,000	895,000

Policy & Resources					
<i>Resources & Shared Services</i>	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Professional Fees-Internal	157,590	157,590	157,590	157,590	157,590
Election Equipment	6,000	3,000	6,000	6,000	6,000
Members' IT Equipment	16,260	0	46,690	16,260	16,260
Mod.Gov Com Mgmt System	15,000	15,000	0	0	0
ICT-Managed Project Costs	60,000	0	120,000	60,000	60,000
Hardware Replace Prog	40,000	267,002	40,000	40,000	40,000
Garage Improvements	355,000	180,000	325,000	150,000	150,000
ICT Licence Costs	100,000	99,072	100,000	100,000	100,000
Customer Contact Programme	0	39,449	0	0	0
ICT Website Development	0	14,870	0	0	0
ICT Elections	17,000	21,170	17,000	17,000	17,000
ICT Hardware Replacement Prog	45,000	27,897	45,000	45,000	45,000
TRH Whole Life Costing	135,000	56,968	250,000	170,000	170,000
Basing House-Whole Life Costing	6,000	0	30,000	60,000	60,000
Investment Prop-Shops	0	11,900	0	0	0
Business Application Upgrade	90,000	27,500	90,000	90,000	90,000
Three Rivers House Transformation	244,470	6,944	270,000	0	0
Property Information System	50,000	50,000	0	0	0
Total	1,337,320	978,362	1,497,280	911,850	911,850
<i>Major Projects</i>	Original Budget 2020/21 £	Forecast Outturn 2020/21 £	Proposed 2021/22 £	Draft 2022/23 £	Draft 2023/24 £
Leisure Facility - South Oxhey	1,527,943	2,877,391	226,823	0	0
South Oxhey Initiative	0	893,207	0	0	0
Local Property - Income Opportunity	2,295,000	0	0	0	0
Property Investment Board	0	312,360	0	0	0
Temporary Accommodation	1,156,000	1,120,128	0	0	0
Total	4,978,943	5,203,086	226,823	0	0
Total Policy & Resources	6,316,263	6,181,448	1,724,103	911,850	911,850
Total Capital Programme	9,623,813	8,959,256	4,407,558	4,435,750	2,811,550

Funding the capital programme

Capital Programme	2020/21	2020/21	2021/22	2022/23	2023/24
	Original	Outturn	Proposed	Draft	Draft
	£	£	£	£	£
Balance Brought Forward					
Govt Grants: Disabled Facility Grants	(421,908)	(722,153)	(808,468)	(808,468)	(808,468)
Other Contributions: Other external Sources	0	(92,308)	0	0	0
Section 106 Contributions	(2,637,699)	(581,286)	(581,286)	(581,286)	(71,435)
Capital Receipts Reserve	0	0	0	0	0
Future Capital Expenditure Reserve	(2,610,155)	(2,610,166)	0	0	0
New Homes Bonus Reserve	(939,748)	(4,930,516)	(4,488,083)	(2,022,755)	0
Borrowing	0	0	0	0	0
Total Funding Brought Forward	(6,609,510)	(8,936,429)	(5,877,837)	(3,412,509)	(879,903)
Generated in the Year					
Govt Grants: Disabled Facility Grants	(500,000)	(586,315)	(500,000)	(500,000)	(500,000)
Other Contributions: Other external Sources	0	0	(20,000)	(20,000)	(20,000)
Section 106 Contributions	0	0	0	0	0
Capital Receipts Reserve	(2,500,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,000,000)
Future Capital Expenditure Reserve		0	0	0	0
New Homes Bonus Reserve	(110,840)	(110,840)	(95,407)	(95,000)	(95,000)
Borrowing	0	0	0	0	0
Total Generated	(3,110,840)	(1,797,155)	(1,715,407)	(1,715,000)	(1,615,000)
Use of Funding					
Govt Grants: Disabled Facility Grants	500,000	500,000	500,000	500,000	500,000
Other Contributions: Other external Sources	0	92,308	20,000	20,000	20,000
Section 106 Contributions	1,500,000	0	0	509,851	71,435
Capital Receipts Reserve	2,441,370	1,100,000	1,100,000	1,100,000	1,000,000
Future Capital Expenditure Reserve	0	2,610,166	0	0	0
New Homes Bonus Reserve	203,500	553,273	2,560,735	2,117,755	95,000
Borrowing	0	0	0	188,144	1,125,115
Total Use of Funding	4,644,870	4,855,747	4,180,735	4,435,750	2,811,550
Balance Carried Forward					
Govt Grants: Disabled Facility Grants	(421,908)	(808,468)	(808,468)	(808,468)	(808,468)
Other Contributions: Other external Sources	0	0	0	0	0
Section 106 Contributions	(1,137,699)	(581,286)	(581,286)	(71,435)	0
Capital Receipts Reserve	(58,630)	0	0	0	0
Future Capital Expenditure Reserve	(2,610,155)	0	0	0	0
New Homes Bonus Reserve	(847,088)	(4,488,083)	(2,022,755)	0	0
Total Funding Carried Forward	(5,075,480)	(5,877,837)	(3,412,509)	(879,903)	(808,468)
South Oxhey Initiative					
Balance Brought Forward	0	0	0	0	0
Generated in the Year (Land Receipts)	(6,502,792)	(6,502,792)	(6,502,792)	0	0
Use of Funding (Spend)	0	0	0	0	0
Borrowing	6,502,792	6,502,792	6,502,792	0	0
Total	0	0	0	0	0
South Oxhey Leisure Facility					
Balance Brought Forward	0	0	0	0	0
Use of Funding (Spend)	1,527,943	2,983,381	226,823	0	0
Contractor Funded Borrowing	(1,527,943)	(2,983,381)	(226,823)	0	0
Total	0	0	0	0	0
Property Investment					
Balance Brought Forward	0	0	0	0	0
Use of Funding (Spend)	2,295,000	0	0	0	0
Borrowing	(2,295,000)	0	0	0	0
Total	0	0	0	0	0
Temporary Accommodation					
Balance Brought Forward	0	0	0	0	0
Use of Funding (Spend)	1,156,000	1,120,128	0	0	0
Borrowing	(1,156,000)	(1,120,128)	0	0	0
Total	0	0	0	0	0
Total Expenditure Capital Investment Programme	9,623,813	8,959,256	4,407,558	4,435,750	2,811,550

Treasury Management Policy

2021/22

1. Summary

- 1.1. The purpose of this report is to set out the Council's Treasury Management Policy.
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. This report supports the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity.
- 1.4. The Treasury Management Policy details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment policy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The policy allows the Portfolio Holder, in consultation with the Director of Finance, the delegated authority to approve any variation to the Treasury Management Policy during the year with the objective of maximising the Council's returns without significantly increasing risk.

2. Risks

- 2.1. The strategy details the approach taken to management of Treasury Risk. This is principally through ensuring that the main Treasury risks are managed. These risks are:

Liquidity Risk

That the Council may not have the cash it needs on a day to day basis to pay its bills. This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

Interest Rate Risk

That the costs and benefits expected do not materialise due to changes in interest rates. This risk is managed through the placing of different types and maturities of investments, the

forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

Exchange Rate Risk

That losses or gains are made due to fluctuations in the prices of currency. The Council does not engage in any significant non-sterling transactions.

Credit and Counterparty Risk

That the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited

Refinancing Risk

That the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher. The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

Legal and Regulatory Risk

That the Council operates outside its legal powers. This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

Fraud, Error and Corruption

The risk that losses will be caused by impropriety or incompetence is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds

Market Risk

That the price of investments held fluctuates, principally in secondary markets. The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

3. Prudential Indicators: Limits to Borrowing Activity

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.
- 3.3. These indicators are set out in the Capital Strategy.

4. Borrowing Strategy

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small

amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.

- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

5. Investment Policy

- 5.1. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.
- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (ie: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. During 2020/21 the Council has made a small Money Market Fund investment with Royal London Asset Management to diversify placement of some longer term cash.

6. Creditworthiness policy

- 6.1. The Council will ensure:
 - It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.
- 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

7. Counterparty Categories

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**

The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.

- **Banks 2 – The Council’s Own Banker**

For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.

- **Bank Subsidiary and Treasury Operations**

The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.

- **Building Societies**

The Council will use all Societies which meet the ratings for banks outlined above.

- **Specific Public Bodies**

The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.

- **Money Market Funds AAA Rated**

The Council may lend to Money Market Funds in order to spread its investment risk.

- **Local Authorities**

A limit of £5m per authority will be applied.

- **Debt Management Deposit Account Facility**

A Government body which accepts local authority deposits.

- **Council Subsidiaries (non-specified)**

The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. For details of Specified and Non-Specified Investments see below.

8. Use of Additional Information Other Than Credit Ratings

8.1. Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of

counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

9. Time and Monetary Limits Applying to Investments

- 9.1. The time and monetary limits for institutions on the Council's Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

10. Exceptional Circumstances

- 10.1. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly, the time periods for investments will be restricted.
- 10.2. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

Negative Interest Rates

- 10.3. The Bank of England base rate is an historic low level of 0.10%. This low base rate has resulted in very low returns on short-term investments, and at the time of writing negative rates were in force with the DMADF. There remains a possibility that the Bank could move to set an interest rate below 0% as a measure to provide further economic stimulus in the face of the ongoing Covid-19 pandemic, which would likely feed through to negative rates on all low-risk short-term investment options.
- 10.4. In this event, security would be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

11. Investment Strategy

- 11.1. In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 11.2. Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. 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.

Treasury Indicator & Limit	2020/21	2021/22	2022/23	2023/24
Maximum Principal Sums invested for greater than one year (excluding property investment and loans to Council subsidiaries).	£10m	£10m	£10m	£10m

12. Investment Risk & Security Benchmarking

12.1. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report. In line with the Treasury Management Strategy, the Council has managed to invest with those institutions who offered the best rate and the investment portfolio is above the overall benchmark during the year to date.

Security

12.2. Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

Liquidity

12.3. The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £0.5m available with a week's notice.

12.4. The Council has the benefit of instant access to its funds on the general account with Lloyds.

Yield

12.5. The Council benchmarks the yield on its operational cash against SONIA (the **S**terling **O**vernight **I**ndex **A**verage). This is a measure of market rates for actual returns on overnight cash deposits.

Performance against this indicator will be reported in the reports produced at mid-year and year-end.

13. Reporting Requirements

- 13.1. End of Year Investment Report - the Council will report on its investment activity for the financial year completed as part of its Annual Treasury Management Report after the end of the financial year.
- 13.2. Mid-year Investment Report – the Council will report on its investment activity for that financial year as part of its Mid-Year Treasury Management Report at the end of September of that financial year.
- 13.3. Capital Strategy – the Council will produce the Strategy for the next three financial years towards the end of the current financial year.

14. Policy on the Use of External Service Providers

- 14.1. Link Asset Services are the appointed external advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 14.2. The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

15. Member and Officer Training

- 15.1. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council has addressed this important issue by:
 - Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
 - Keeping up to date with CIPFA publications on Treasury Management.
 - Regular briefings both by email and face to face with the Council's Treasury advisors;
 - Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

16. Annual Investment Strategy

The investment policy for the Council is:

Strategy Guidelines – the main strategy guidelines are contained in the body of the Capital Strategy and Treasury Management Policy

Specified Investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at Schedule 1.

Non-Specified Investments – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of

these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

Non Specified Investment Category	Limit (£ or %)
<p>Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).</p>	£5m
<p>The Council's own banker if it fails to meet the basic credit criteria.</p>	In this instance balances will be minimised as much as possible
<p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>	£2m
<p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Portfolio Holder, in consultation with the Director of Finance. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>	£10m limit for any single loan
<p>Other unspecified investments</p> <p>The strategy allows the Portfolio Holder, in consultation with the Director of Finance, in consultation with the Lead Member, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

The Monitoring of Investment Counterparties

The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services Treasury Solutions as and when ratings change, and counterparties are checked promptly.

The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories.

On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

Institution Type	Minimum Short Term Ratings			Schedule 1 (A) – UK Banks & Building Societies			
	Fitch	Moody's	S&P				
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.			
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1	Long Term Credit Rating: AA(F), Aa2(M), AA(S&P)	Long Term Credit Rating: Single A (All agencies)	Long Term Credit Rating: Lower than A (All agencies)	Long Term Credit Rating: Lower than A
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1				
UK Building Societies (Credit Rated)	F1	P-1	A-1				
UK Building Societies (Unrated)				Assets over £15bn	Assets over £5bn	Assets of £2.5bn	Assets of £1bn
				£10m 364 Days	£10m 6 Months	£10m 3 Months	£10m 1 Month

Schedule 1 (B) – Other Entities

Specific Public Bodies	As approved by Members – up to £10m for up to 10 years
Debt Management Deposit Facility (UK Government)	Unlimited – this is the Council’s Safe-Haven Deposit facility with the UK Government
Money Market Funds (AAA Rated)	£5m per fund
Municipal Bond Agency	As approved by Members
UK Local Authorities	<p>A Maximum of £5m applies per Authority.</p> <p>The Council can invest in all UK Local Authorities whether rated or not.</p> <p>The Council will not lend to an authority which is subject to a s.114 notice without member approval.</p>

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).

FINANCIAL & BUDGETARY RISKS

Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners
Sep-15	FIN07	Director of Finance	Strategic	The Medium term financial position worsens.	In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register. The financial impact of COVID 19 will place a burden on the Councils Revenue account through loss of income and additional expenditure.	4	4	16	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; Early identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process; Audited Statement of Accounts, including Annual Governance Statement.	Head of Finance	3	3	9	→	More regular budget monitoring reports to be taken to P&R. Work on budget strategy to be commenced in the summer. Impact on collection fund to be identified. Government financial support is crucial to the Council achieving a sustainable budget	Heads of Service/ Head of Finance
Apr-06	FIN08	Director of Finance	Budgetary	Revenue balances insufficient to meet estimate pay award increases	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. Unions have submitted a pay claim in excess of this amount	3	3	9	Maintain reserves to guard against risk. Early identification of new pressures. Budget Monitoring	Head of Finance	2	1	2	↓	Agreed 2020/21 pay award of £2.75% against a budget of 3%	Head of Finance
Apr-06	FIN09	Director of Finance	Budgetary	Revenue balances insufficient to meet other inflationary increases	Other than contractual agreements, budgets have been cash limited where possible. Inflation currently running below assumptions.	1	3	3	Monitor future inflation projections. Actively manage budgets to contain inflation. Maintain reserves.	Service Heads/Head of Finance	1	2	2	↓	Continue to monitor inflation levels	Head of Finance
Jan-15	FIN10	Director of Finance	Budgetary	Interest rates resulting in significant variations in estimated interest income	The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy continues to place uncertainty on the investment strategy. The PIB strategy has diversified investment income to provide a more certain rate of return.	2	3	6	PIB strategy has diversified interest rate risk to provide income security.	PIB/Head of Finance	3	2	6	→	Monitoring ongoing income levels. Monitoring stepped up in the light of Covid 19 - bulk of income from High St banks.Reduced income from short term investments due to lower bank base rate	PIB

Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income	See Key Budget Indicators shown in the latest Budget Monitoring report. Green Waste and Parking charges monitored by Management Board at each meeting. MTFP agreed for next 3 years	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/Head of Finance	2	2	4	➡	Fees and Charges to be monitored as part of budget monitoring. Review to ensure full cost recovery. Govt announced an income guarantee scheme to support Councils of 70% of loss of income on fees & charges due to C19	Service Heads	ongoing
Apr-06	FIN12	Director of Finance	Budgetary	Revenue balances insufficient to meet loss of partial exemption for VAT	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total VATable expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. This is mitigated by close monitoring of exempt supplies and prudent VAT planning. The Council elects to tax on development schemes.	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	➡	Partial Exemption Review commissioned. Continue to opt to tax.	Head of Finance	ongoing
Dec-13	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains are not achieved	Savings identified and included in the budget will be monitored as part of the budget monitoring process. Property income target of £1m will be achieved once recent acquisitions are completed. See fees and charges above. MTFP agreed for next 3 years.	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be taken.	Service Heads/Head of Finance	2	2	4	➡	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	ongoing
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks	The Council has no outstanding litigation cases.	2	3	6	Council procedures are adhered to	Solicitor to the Council	1	3	3	➡	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing
Dec-13	FIN18	Director of Finance	Budgetary	Fluctuations in Business Rates Retention	From April 2020 the system was due to be subject to reset and increase to 75% retention. This was originally postpone to 2021/22 and has been further postponed. Impact of Covid 19 on collection fund will impact in 2021/22	3	4	12	Membership of the Hertfordshire pool for 2020/21. Maintain reserves against risk.	Head of Finance	3	3	9	⬆	Hertfordshire CFOs have commissioned work from LG Futures to assess the impact. SDCT also looking at impact nationally.	Director of Finance	Jul-20
Mar-16	FIN19	Head of Property Services	Budgetary	Failure to deliver the South Oxhey Initiative to desired outcomes and objectives	This is a key project. This appears as item no.7 in the Council's strategic risk register. Phase 1 delivered. Enhanced next phase agreed. Work was temporarily suspended but remains broadly on track.	2	3	6	Project management team appointed to advise Council; Project management processes in place and reviewed regularly; Policy and Resources Committee receive regular reports on progress of project	Head of Property Services	2	2	4	➡	Continue to manage project	Head of Property	ongoing

Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an ICT platform. If this were to fail then potentially there will be a loss of functionality occurring during any downtime	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	↓	Monitor reliability	Head of Finance	ongoing
Mar-18	FIN21	Director of Finance	Budgetary	Property Investment	The Council set up a Property Investment Board in 2017 to manage its property portfolio in order to secure additional income of £1 million to support its general fund. Risk moving forward relates to ongoing income.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFS is updated.	Head of Property Services	1	3	3	→	PIB to assume responsibility for ongoing oversight. Loss of income for 20/21 is £50K due to a sub tenant having an approved reduced rent	Head of Property Services	Continuous
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council is currently exploring other commercial options to improve self sustainability. Currently there is a commercial income target of £1M which has been met.	3	2	6	Oversight mechanisms to be put in place to ensure oversight by PIB or similar mechanism. Council to determine approach to risk and level of income dependency within budget.	Head of Finance	2	2	4	→	Monitor new developments	Head of Property Services	Continuous
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important. Director of Finance and Head of Finance currently interim appointments.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	3	3	9	→	Permanent appointment to Director of Finance role to be made. Review of ongoing need for additional capacity.	Chief Executive/ Director of Finance	Feb-21

APPENDIX 4

RESERVE BALANCES

Name of Reserve	Purpose of Reserve	Balance at	2020/21	Balance at	2021/22	Balance at	2022/23	Balance at	2023/24	Balance at
		At 1 April	Estimated Movement	At 31 March	Estimated Movement	At 31 March	Estimated Movement	At 31 March	Estimated Movement	At 31 March
<u>Capital</u>		£000	£000	£000	£000	£000	£000	£000	£000	£000
Government Grants and Other Contributions	Disabled Facility Grants and other contributions	(814)	6	(808)	0	(808)	0	(808)	0	(808)
Section 106 Contributions	Developers contributions towards local facilities	(581)	0	(581)	0	(581)	0	(71)	71	0
Capital Receipts Reserve	Generated from sale of Council assets	0	0	0	0	0	1,872	0	0	0
Future Capital Expenditure Reserve	Reserve set aside for supporting capital expenditure	(2,610)	2,610	0	0	0	0	0	0	0
New Homes Bonus Reserve	Government grant set aside for supporting capital expenditure	(4,931)	442	(4,488)	2,465	(2,023)	(111)	0	0	0
	Total	(8,936)	3,059	(5,878)	2,466	(3,412)	1,761	(879)	71	(808)
<u>Revenue</u>										
General Fund Balance	Working balance to support the Council's revenue services. £2M is a suggested prudent minimum	(5,048)	565	(4,483)	632	(3,851)	662	(3,189)	220	(2,969)
Economic Impact	To support the funding of unexpected/unplanned Council expenditure as a result of fluctuations in the economy.	(2,103)	(303)	(2,406)	0	(2,406)	0	(2,406)	0	(2,406)
Building Control	To provide against future losses and/or borrowing against Hertfordshire Building Control Ltd	(178)	0	(178)	0	(178)	0	(178)	0	(178)
Housing Benefit Equalisation	To provide against future deficits on the Housing Benefit account	(174)	0	(174)	0	(174)	0	(174)	0	(174)
	Total	(7,502)	262	(7,240)	632	(6,608)	662	(5,946)	220	(5,726)
<u>Other</u>										
Environmental Maintenance Plant	Reserve to fund expenditure on plant & machinery	(124)	0	(124)	0	(124)	0	(124)	0	(124)
Leavesden Hospital Open Space	To maintain open space on the ex hospital site	(769)	0	(769)	0	(769)	0	(769)	0	(769)
Abbots Langley - Horsefield	Developers contributions towards maintenance of site	(1,165)	0	(1,165)	0	(1,165)	0	(1,165)	0	(1,165)
Community Infrastructure Levy (CIL)	Developers contributions towards Infrastructure	(4,174)	(771)	(4,945)	(500)	(5,445)	(500)	(5,945)	(500)	(6,445)
	Total	(6,232)	(771)	(7,003)	(500)	(7,503)	(500)	(8,003)	(500)	(8,503)
	Total	(22,670)	2,549	(20,121)	2,598	(17,522)	1,923	(14,828)	(209)	(15,037)