

# Agenda



**AGENDA for a meeting of the CABINET in COMMITTEE ROOM B, County Hall, Hertford on MONDAY, 23 JANUARY 2017 AT 2.00PM.**

**MEMBERS OF THE CABINET** (Executive responsibilities are as indicated).

(Quorum = 3)

D A Ashley	Environment, Planning & Transport
T L F Douris	Highways
R I N Gordon	Leader of the Council
C M Hayward	Resources & Performance
T C Heritage	Public Health, Localism & Libraries
R M Roberts	Children's Services
R A C Thake	Community Safety & Waste Management
J D Williams	Enterprise, Education & Skills
C B Wyatt-Lowe	Adult Care & Health

## AGENDA

Meetings of the Cabinet are open to the public (this includes the press) and attendance is welcomed. However, there may be occasions when the public are excluded from the meeting for particular items of business. Any such items are taken at the end of the public part of the meeting and are listed under "Part II ('closed') agenda".

The Committee Room is fitted with an audio system to assist those with hearing impairment. Anyone who wishes to use this should contact main (front) reception.

**Members are reminded that all equalities implications and equalities impact assessments undertaken in relation to any matter on this agenda must be rigorously considered prior to any decision being reached on that matter.**

### PART I (PUBLIC) AGENDA

#### 1. MINUTES

To confirm the Minutes of the Cabinet meeting held on 12 December 2016 (attached).

## 2. **QUESTIONS FROM MEMBERS OF THE COUNCIL TO EXECUTIVE MEMBERS**

To deal with any questions directed to the Leader of the Council and Executive Members. All such questions shall have been notified to the Chief Legal Officer at least 5 clear days before the meeting.

Questions will be answered at the meeting in the order in which notice was received. At the end of each reply the questioner may ask one supplementary question to the person to whom the original question was put, who may reply orally or may undertake to reply in writing within 7 days.

The period allocated to questions shall not exceed 15 minutes. Any remaining after that period has elapsed shall be answered in writing within 7 days.

[No questions had been received at the time of agenda despatch.]

## 3. **PUBLIC PETITIONS**

The opportunity for any member of the public, being resident in Hertfordshire, to present a petition relating only to a matter on the Cabinet Agenda which has not been considered by a Cabinet Panel and which contains 250 or more signatories who are either resident in or who work in Hertfordshire.

If you have any queries about the petitions procedure for this meeting please contact Deborah Jeffery, Assistant Democratic Services Manager, by telephone on (01992) 555563 or by email to [deborah.jeffery@hertfordshire.gov.uk](mailto:deborah.jeffery@hertfordshire.gov.uk).

## 4. **INTEGRATED PLAN 2017/18 – 2019/20**

### 4(i) **PUBLIC ENGAGEMENT ON THE INTEGRATED PLAN 2017/18 - 2019/20**

Report of the Chief Executive & Director of Environment

**NOTE:** This report has been circulated under separate cover to all Members of the County Council. **Please bring the report to the meeting.**

### 4(ii) **INTEGRATED PLAN 2017/18 - 2019/20 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)**

Report of the Director of Resources  
Agenda Pack 2 of 379

**NOTE:** This report and its appendices:-

Part A – Integrated Plan Overview  
Part B – Service Direction and Financial Consequences  
Part C – Equality Impact Assessment  
Part D – Treasury Management Strategy  
Part E – Insurance and Risk Strategy  
Part F – Capital, Asset Management and Invest to Transform Strategy  
Part G – Other Technical Information

have been circulated under separate cover to all Members of the County Council. **Please bring the report and its appendices to the meeting.**

## **PART II ('CLOSED') AGENDA**

### **EXCLUSION OF PRESS AND PUBLIC**

There is no Part II business on this agenda. If Part II business is notified and the procedures set out in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 have been complied with. The Chairman will move:-

*“That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph..... of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”*

If you require further information about this agenda please contact Deborah Jeffery, Democratic and Statutory Services on telephone no. (01992) 555563 or email [deborah.jeffery@hertfordshire.gov.uk](mailto:deborah.jeffery@hertfordshire.gov.uk)

Agenda documents are also available on the internet at <https://cmis.hertfordshire.gov.uk/hertfordshire/Calendarofcouncilmeetings.aspx>

**KATHRYN PETTITT  
CHIEF LEGAL OFFICER**

# Minutes



To: All Members of the Cabinet,  
Chief Executive, Chief Officers

From: Democratic & Statutory Services  
Ask for: Deborah Jeffery  
Ext: 25563

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## **CABINET 12 DECEMBER 2016**

### **ATTENDANCE**

#### **MEMBERS OF THE CABINET**

D A Ashley, T L F Douris, R I N Gordon (Chairman), T C Heritage, R M Roberts,  
J D Williams, C B Wyatt-Lowe

#### Deputy Executive Members attending on behalf of an Executive Member

A Stevenson (attending on behalf of C M Hayward)

#### **OTHER MEMBERS IN ATTENDANCE**

D Andrews

Upon consideration of the agenda for the Cabinet meeting on 12 December 2016 as circulated, copy annexed, conclusions were reached and are recorded below:

*Note: No conflicts of interest were declared by any member of the Cabinet in relation to the matters on which decisions were reached at this meeting.*

### **PART I ('OPEN') BUSINESS**

#### **1. MINUTES**

- 1.1 The Minutes of the Cabinet meeting held on 9 November 2016 were confirmed as a correct record and signed by the Chairman.

**CHAIRMAN'S  
INITIALS**

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**2. QUESTIONS FROM MEMBERS OF THE COUNCIL TO EXECUTIVE MEMBERS**

2.1 There were no questions from Members of the Council to the Executive.

**3. PUBLIC PETITIONS**

3.1 There were no public petitions.

**4. HERTFORDSHIRE DRUGS AND ALCOHOL STRATEGY 2016 - 2019**  
[Forward Plan Ref: A051/16]

**Decision**

4.1 Cabinet agreed:-

- i. the combined Hertfordshire Drugs and Alcohol Strategy 2016-19 and its delivery plan, attached at Appendices 1a and 1b to the report, and its proposed governance structure, attached at Appendix 2 to the report);
- ii. the Director of Public Health’s proposal to produce a combined Drugs and Alcohol Commissioning Plan to inform Commissioning of required services; and
- iii. the Director of Public Health’s proposal to explore the possible risks, benefits and legal framework for procuring a single drugs and alcohol treatment provider for all ages from April 2019.

**Reasons for the decision**

4.2 The Hertfordshire Drugs and Alcohol Strategy and its Delivery Plan outlines the County Council’s plans for reducing the harms caused by drugs and alcohol misuse to individuals, families and communities in Hertfordshire. It has been informed by the Drugs and Alcohol Needs Assessment, which was completed in 2015 and provided a comprehensive overview of issues relating to the misuse of drugs and alcohol in Hertfordshire. The Strategy is supported by a delivery plan to be overseen by the Drugs and Alcohol Strategic Board and delivered through additional topic groups. It addresses the misuse of both drugs and alcohol and considers the needs of all ages.

4.3 In approving the Strategy and its Delivery Plan, Cabinet considered the results of the equalities impact assessment undertaken, together with the action plan developed to mitigate any potential impact on those with protected characteristics; that no additional Public Health funding will be required to deliver the Strategy; and the endorsement of the Strategy from the Public Health, Localism & Libraries Cabinet Panel.

4.4 The next step will be the production of a commissioning plan that sets out

commissioning intentions to meet all aspects of the Strategy and responsibilities for the relevant commissioning teams.

**Any alternative options considered and rejected**

4.5 None.

**5. TOBACCO HARM REDUCTION: A POLICY STATEMENT ON ELECTRONIC CIGARETTES**

[Forward Plan ref: A050/16]

**Decision**

5.1 Cabinet approved the draft e-cigarette policy statement, as attached at Appendix 1 to the report.

**Reasons for the decision**

5.2 The policy statement is written primarily for policy makers who need to consider whether or not to permit the use of electronic cigarettes in workplaces, enclosed public places and external public areas. The potential approaches for different organisations and environments are described in Appendix 1B to the report. This draft policy statement has been developed in consultation with members of a national e-cigarette policy group (which includes representation from the Association of Directors of Public Health Action on Smoking and Health, Public Health England, the Chartered Institute of Environmental Health and stop smoking services), Hertfordshire Public Health Board and Hertfordshire Tobacco Control Alliance.

5.3 Whilst Hertfordshire County Council promotes responsibly the use of e-cigarettes to help smokers to quit or reduce smoking, the Authority acknowledges that e-cigarettes are not entirely without risk, and continues to monitor ongoing impact and evidence. This line is entirely consistent with national guidance and was included within Hertfordshire's Tobacco Harm Reduction Guidance which was endorsed by the Public Health & Localism Cabinet Panel in February 2015.

5.4 In approving the Policy Statement, Cabinet considered the equalities impact assessment undertaken and the action plan in place to mitigate any potential impacts; that there are no direct financial implications arising from the Policy Statement; and the recommendations from the Public Health, Localism and Libraries Cabinet Panel.

**Any alternative options considered and rejected**

5.6 None.

**6. EQUALITY STRATEGY 2016 - 2020**

[Forward Plan ref: A049/16]

**Decision**

6.1 Cabinet:-

- i. agreed the Equality Strategy 2016-20, attached as Appendix 1 to the report, taking into account the views of the Resources and Performance Cabinet Panel at its meeting on 9 December 2016; and
- ii. noted that the Diversity Board will oversee and monitor delivery of the top level actions set out in the Equality Strategy.

**Reasons for the decision**

6.2 The Equality Strategy 2016 – 2020, attached at Appendix 1 to the report, sets out the County Council’s commitment and vision for equality and diversity and the Authority’s pathway to achieving this. The Equality Act 2010 (Specific Duties) Regulations 2011 requires the Council to publish at least every four years one or more equality objectives it thinks will achieve any of the following:-

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.3 The County Council’s Equality Strategy 2016-20 demonstrates how it will continue to integrate equality across the range of its functions. It follows the themes set out in the Equality Framework for Local Government allowing the Authority to benchmark performance against other similar authorities.

6.4 In approving the Equality Strategy, Cabinet took into consideration that there are no direct financial implications arising from the Strategy and the recommendations from the Resources and Performance Cabinet Panel.

**Any alternative options considered and rejected**

6.5 None.

**7. HCC FINANCE REPORT – QUARTER 2, 2016/17**

[Forward Plan ref: A056/16]

**Decision**

7.1 Cabinet agreed:-

- i. that capital budgets of £16.296m, as set out in Appendix C to the report, be reprogrammed to 2017/18 or future years; and
- ii. that the Director of Resources be authorised to re-programme £1.6m of planned top-up to the Spend to Achieve Capital Receipts Reserve.

**Reasons for the decision**

7.2 As set out above.

**Any alternative options considered and rejected**

7.3 None.

**8. LAND AT HARPENDEN ROAD, ST ALBANS**

[Forward Plan ref: A068/16]

**Decision**

8.1 Cabinet authorised exclusion of the former playing field from the land at Harpenden Road, St Albans, shown edged red at Appendix 2 to the report, which Cabinet had previously agreed be sold.

8.2 This decision is to enable detailed consideration in the context of the Local Planning Authority's emerging District Plan of the possible need to use of the former playing field to meet the pressing demand for additional primary school places but without excluding its possible use as a public open space.

**Reasons for the decision**

8.3 Cabinet has previously resolved that the majority of this land, including the former playing field part, be sold and a planning application for the housing and re-provision of youth facilities has been prepared. Discussions have been held with St Albans City & District Council at pre-application stage and those included the possible transfer of the former playing field part of the land to that Council in order that it can be made available as additional public open space.

8.4 Arising from the forecast need for additional school places to serve central St Albans, suitable land needs to be identified and allocated within the Detailed Local Plan for the District. An options study has shown that the former playing

field at this site is potentially suitable for development as a 2 form entry primary school scheme and to be compatible with development of the other parts of the surplus land for housing and re-provision of youth facilities, as previously intended. The planning application for the housing and re-provision of youth facilities now needs to be amended to take account of these new circumstances and to exclude the area of land that might be suitable for development as a primary school so that it can comprise part of an evolving education strategy.

- 8.3 In reaching its decision, Cabinet considered the above together with the Council's statutory duty to provide sufficient school places to meet the demand for them; the current planning position; the current programme of works; the financial implications; and the recommendations from the Resources & Performance Cabinet Panel.

**Any alternative options considered and rejected**

None.

**9. TO CONSIDER WHETHER TO OBTAIN LAND IN STEVENAGE FOR STRATEGIC PURPOSES**

[Forward Plan ref: A067/16]

**Decision**

- 9.1 Cabinet agreed to acquire the freehold title of land at Q3 Building, Caxton Way, Stevenage, on terms to be approved by the Director of Resources in consultation with the Executive Member for Resources & Performance.

**Reasons for the decision**

- 9.2 The County Council owns an office campus site in Stevenage comprising of three adjoining office buildings with an undercroft car parking area. Two of the office buildings, Robertson House and Farnham House are used for the County Council's own use and the third building, Abel Smith House, is let out to third parties. In addition, part of Robertson House is used as a conference centre. Adjacent to the office campus site is the Stevenage Household Waste Recycling Centre (HWRC) which is also in the Council's ownership. Between the two sites is the Q3 building which is now vacant and has been offered for sale by the current owner. Given the land sits between the HWRC and the Stevenage Office Campus which are both in the Council's freehold ownership, the opportunity to acquire such a well located parcel of land is considered to be in the Council's strategic interest.
- 9.3 In arriving at its decision to approve the acquisition of the freehold title of the land at Q3 Building, Caxton Way, Stevenage, Cabinet considered the above, the Council's statutory power to transact, town planning consents which designate the site as an employment zone, the property implications of the

proposal including potential strategic uses for the site, the financial implications of the proposal set out in the Part I and Part II reports, the potential risks associated with acquiring the site, and the recommendations of the Resources and Performance Cabinet Panel.

**Any alternative options considered and rejected**

None.

**10. PART II ('CLOSED') AGENDA  
EXCLUSION OF PRESS AND PUBLIC**

**Decision**

That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**PART II ('CLOSED') AGENDA**

- 1. TO CONSIDER WHETHER TO OBTAIN LAND IN STEVENAGE FOR STRATEGIC PURPOSES**  
[Forward Plan ref: A067/16]

**Decision**

- 1.1 The decision reached on this item of business is set out at item 9 above.

**KATHRYN PETTITT,  
CHIEF LEGAL OFFICER**

**CHAIRMAN** \_\_\_\_\_

**CHAIRMAN'S  
INITIALS**

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Dear Member

**PUBLIC ENGAGEMENT ON THE INTEGRATED PLAN 2017/18 – 2019/20**

Please find attached a report on the 'Public Engagement on the draft Integrated Plan 2017/18 - 2019/20 Proposals'. Please bring the report to the following meetings:-

**23 January 2017 Cabinet**

**26 January 2017**

**& 2 February 2017 Overview & Scrutiny Committee**

**25 January 2017 Enterprise, Education & Skills Cabinet Panel**

**31 January 2017 Children's Services Cabinet Panel**

**1 February 2017 Environment, Planning & Transport Cabinet Panel**

**1 February 2017 Public Health, Localism & Libraries Cabinet Panel**

**3 February 2017 Adult Care & Health Cabinet Panel**

**7 February 2017 Community Safety & Waste Management Cabinet Panel**

**9 February 2017 Highways Cabinet Panel**

**10 February 2017 Resources & Performance Cabinet Panel**

**20 February 2017 Cabinet**

**21 February 2017 County Council**

Deborah Jeffery  
Assistant Democratic Services Manager  
Email: [deborah.jeffery@hertfordshire.gov.uk](mailto:deborah.jeffery@hertfordshire.gov.uk)  
Tel: 01992 555563 (Comnet 25563)  
12 January 2017

**HERTFORDSHIRE COUNTY COUNCIL**

**CABINET  
MONDAY, 23 JANUARY 2017 AT 2.00PM**

Agenda Item  
No.

**4(i)**

**PUBLIC ENGAGEMENT ON THE INTEGRATED PLAN 2017/18 - 2019/20**

*Report of the Chief Executive and Director of Environment*

Author: Nathalie Calonnec, Corporate Policy Team  
(Tel: 01992 555071)

Executive Member: Chris Hayward, Resources and Performance

**1. Purpose of report**

1.1 To report on the public engagement activities undertaken on the Council's budget and spending priorities for 2017/18 and beyond.

**2. Summary**

2.1 The results of the key public engagement activity undertaken on the Integrated Plan for 2017/18 – 2019/20 are set out in the paragraphs below.

2.2 The IP engagement process has primarily been focussed on informing and raising awareness with residents about the financial pressures faced by the County Council. A variety of techniques have been used to engage with the public on this. This has included an online survey for residents on budget priorities, events with community leaders and discussions with members of the Hertfordshire Youth Parliament.

2.3 This approach is largely a reflection of the fact that with the multi-year financial planning process employed by the County Council, any significant service changes will be subject to their own consultation exercises and Cabinet decisions.

**3. Recommendation**

3.1 That Cabinet notes the results of the public engagement activity undertaken and takes this into account when considering the proposed Integrated Plan for 2017/18 – 2019/20.



## **4. Background**

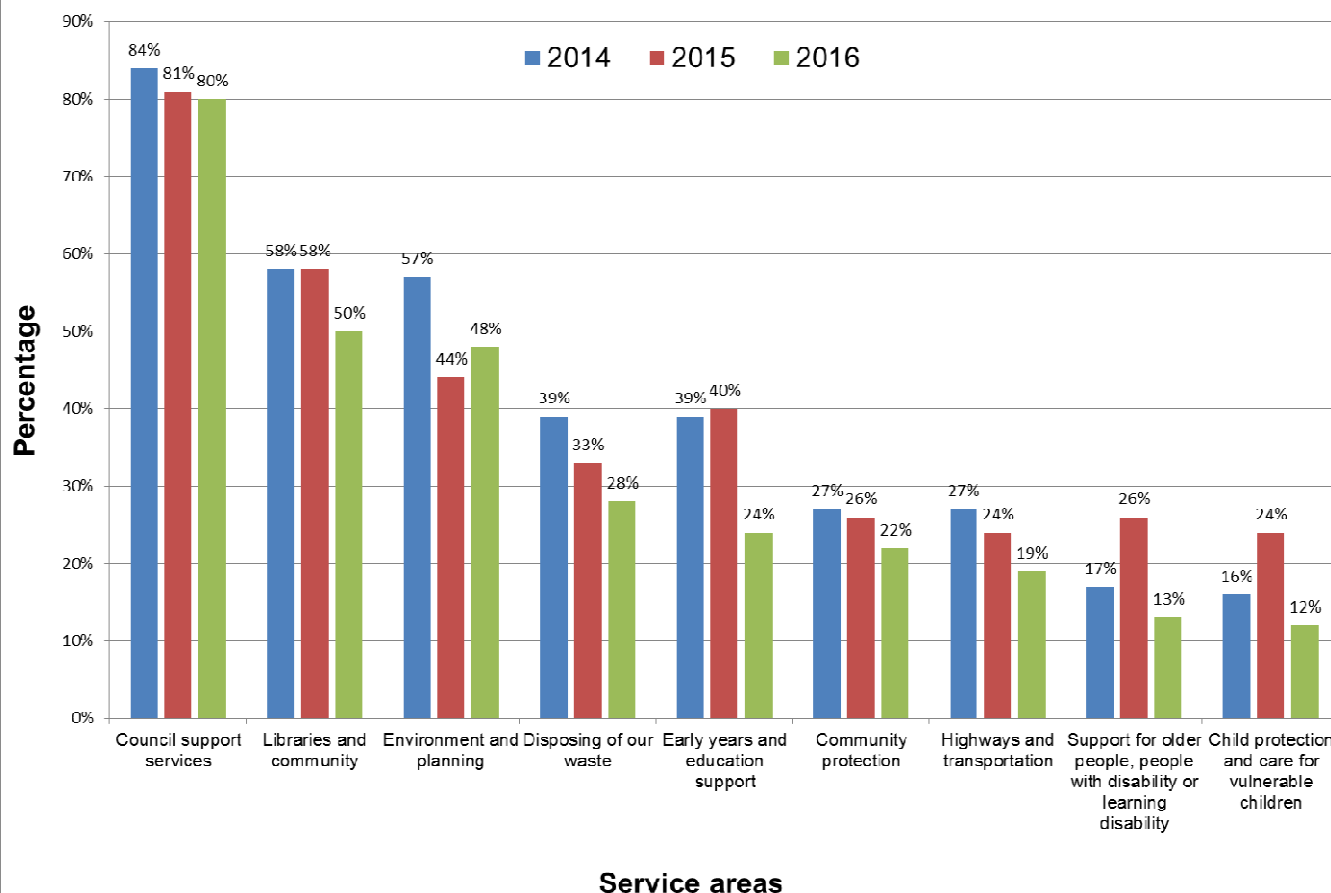
- 4.1 The County Council has a good track record of consulting and engaging with residents using a wide variety of methods. Ongoing dialogue concerning the financial issues the Council faces continues to be promoted through channels such as Herts Horizons, the Council website, and through stakeholder groups. It is continuing to develop its use of social media in order to widen participation and engagement.
- 4.2 Specific service-related proposals which affect the integrated plan are each subject to their own individual consultations, the outcomes of which are reported to Cabinet separately at the appropriate time.
- 4.3 Alongside this consultation activity, the County Council has engaged widely with service users and partners to help shape its future spending and service plans. Notable examples of this include:
- a) The Council's involvement in the key countywide partnerships such as Hertfordshire Forward, the Health and Wellbeing Board and the Hertfordshire Local Enterprise Partnership. Hertfordshire Forward's annual conference held on 30 June 2016, focused on the future challenges and opportunities for Hertfordshire in relation to health and social care integration.
  - b) Engagement with key partners such as the Hertfordshire Local Enterprise Partnership, the county's district and borough councils, the Highways Agency and the Department of Transport on major transport schemes.
  - c) Countywide conferences on health and wellbeing (24 June 2016), working with the voluntary and community sector (14 November 2016) and public health (coming up on 22 February 2017).
  - d) Work with the county's town and parish councils to develop closer working arrangements, including updating the appendix of our Shared Statement of Partnership Principles outlining areas in which Parish and Town Councils can work more closely with the County Council.
- 4.4 The following activities have been undertaken for this year's engagement with the public on the Integrated Plan:
- a) An online questionnaire inviting residents to feedback what is important to them and the priorities they consider the Council should be focusing on. A copy of the survey can be found at Appendix A. The results of this survey are summarised in this report.
  - b) A community leaders' engagement event took place on 1 December 2016.
  - c) Statutory consultation with the business community via the Hertfordshire Local Enterprise Partnership and Hertfordshire Chamber of Commerce is planned for January 2017.

- d) An engagement activity with members of Hertfordshire's Youth Parliament took place on 1 November 2016.

## 5. Online Questionnaire

- 5.1 An online questionnaire was created and published on the Council's website, which asked respondents a number of questions on their priorities and the service areas they considered spending could be reduced by the County Council. The survey opened on 10 October and ran until 11 December 2016.
- 5.2 Press releases were issued inviting people to have their say via the online questionnaire. Social media communications were also put out to direct people to the survey and two email bulletins were sent out to around 1000 subscribers of the Update Me email service.
- 5.3 An email was sent to members of the Hertfordshire Citizens Panel, a representative group of around 1500 Hertfordshire residents, inviting them to take part in the online questionnaire. A paper version was posted to those panel members who have not provided email addresses.
- 5.4 There were 1937 responses to the survey this year, which is nearly three times higher than the response rate last year. However, these respondents are not a direct representation of Hertfordshire's population. For example, young people aged 18-24 were under-represented, as in previous years, and people aged 35-54 were over-represented. Furthermore, there were a lot more female respondents (67%) compared to male respondents (33%).
- 5.5 In response to the question "**In which service areas do you feel that spending should be reduced?**" the participants answered broadly the same way as they have done in previous years. The most supported areas for spending reductions were 'Council Support Services', 'Libraries and Community services' and 'Environment and Planning'. The full results for this year (compared with 2014 and 2015) were as follows:

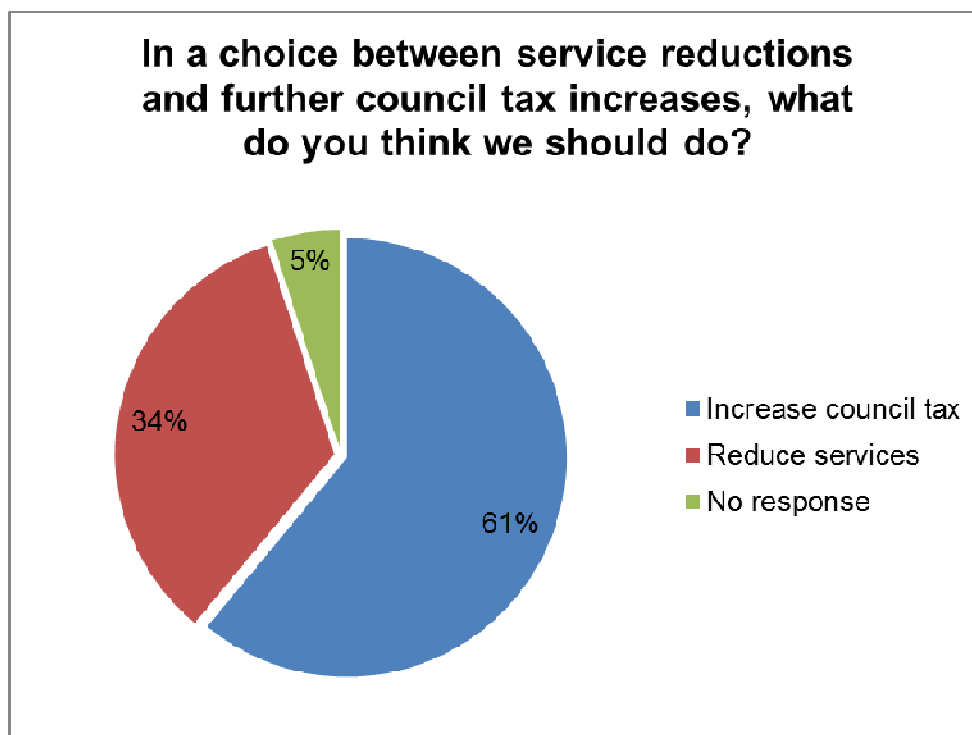
### Percentage of respondents supporting reduction in expenditure on services, by service (2014-16)



5.6 Although the services where respondents were willing to accept reductions were in a similar priority order to last year, the proportion of people willing to support service reductions is lower this year than last. For example, in 2015 40% of respondents were willing to accept reductions in ‘early years and education support’ – this year that fell to 24%. Similarly, 26% of respondents were willing to accept reductions in ‘support for older people, people with disabilities or learning disabilities’ in 2015, compared to just 13% this year. There was also a drop from 24% to 12% of respondents willing to accept reductions in ‘child protection and support for vulnerable children’ this year.

5.7 The only exception to this, however, is ‘environment and planning’, which is now supported by 4% more respondents compared to 2015, although it remains 9% lower than in 2014.

5.8 In response to the question, “**In a choice between service reductions and further council tax increases, what do you think we should do?**”, 61% preferred council tax to be raised than see reductions in services. This has fallen over the past two years, from 65% in 2015 and 69% in 2014.



Comments and Feedback

- 5.9 28% of survey participants (552) left additional comments covering a wide range of topics. Many comments covered several different subjects.
- 5.10 These comments present an interesting snapshot into some residents' views, but it is important to emphasise that they are not representative of the overall views of respondents to the survey as a whole.
- 5.11 Out of the 552 responses, 39% called for reductions (in one form or another) in the funding of services, whereas 22% wanted services to be maintained or improved. A further 17% of responses suggested alternative ways of working, 16% commented on the quality of existing services, and the rest (6%) made comments about the survey itself.
- 5.12 The most common suggestion for reducing spending was to make efficiency savings. Proposals ranged from using more technology (such as skype or self-service web portals) and improving staff efficiency to making better use of Council property. For example, some respondents argued for greater asset and property sharing, such as sharing buildings and operations across services and with district councils. Making energy efficiencies within property was also mentioned, as well as across services (such as cutting back on street lights or investing in LEDs).
- 5.13 The next most common theme in respondents' suggestions was around reductions in salaries and numbers of staff, particularly at the senior and management level. There were also a number of comments criticising the staff pension scheme this year. Some responses called for a reduction in expenses associated with councillors and council meetings, with a handful

suggesting reducing the number of councillors. Finally, there were a small number of responses calling for a reorganisation of local government.

- 5.14 Other suggestions for alternative ways of working included: more joined up working and building better partnerships; making better use of volunteers and encouraging communities to become more self-reliant; investing in prevention; exploring opportunities for income generation and/or commercialisation; and bringing outsourced services back in-house. The latter tended to emerge from concerns over existing services from external contractors, particularly in highways.
- 5.15 As with last year, many responses were targeted at specific service areas, such as comments about existing service provision within highways and waste disposal. General criticisms were made in particular around road quality, reductions in bus services, inadequate provision of street lights and reduced opening hours of recycling centres. Comments about libraries were split evenly between those calling for the service to be maintained and those suggesting a reduction in the number of libraries.
- 5.16 Additionally, there were still a significant number of comments in favour of continuing to support services for the vulnerable (including elderly people, disabled people, children and people with learning difficulties and their carers). Many respondents argued that the choices were incredibly difficult to make and/or that it is impossible to endorse any further reductions. Some showed an understanding of context and asked for the Council to make a stand against further cuts from central government. Others asked why there was a need for cuts and often even called for an increase in budgets.
- 5.17 As has been the trend in previous years, there were again a large number of comments and suggestions which related to a range of things which are either beyond the Council's control or which relate to services delivered by other organisations, such as housing, waste collection and planning and housing developments.
- 5.18 The 37 respondents who made comments about the survey itself were in general critiquing the lack of information available for them to make an informed decision. Some also argued that the survey was leading and said they would prefer a greater cost breakdown and/or to be able to choose options within services, not just choose a service area as a whole.

## **6. A Strategic Consultation and Engagement Event for Community Leaders**

- 6.1 On Thursday 1 December, community leaders from across Hertfordshire gathered for the Council's annual event 'Meeting Hertfordshire's Challenges.' Representatives from the voluntary and community sector and parish and town councils attended to hear about and discuss the council's budget and its spending priorities over the next few years.
- 6.2 The Executive Members for Resources & Performance, Highways, and Adult Care & Health all spoke about the financial challenges their portfolios face

and answered questions that arose from the audience. Guests were then given the opportunity to discuss the topic in groups, with a chance to feedback to the wider group at the end.

6.3 Community leaders responded and engaged well with the discussion. Their comments tended to focus around the following themes:

- Continuing to improve partnership working across the county
- Informing and engaging organisations at the grassroots level (including parish and town councils and small charities/non-governmental organisations (NGOs) from day one in planning and shaping policies and services
- Communicating inclusively with local residents and empowering them to co-design and co-produce services
- Giving small organisations more time, more training opportunities and simpler processes for responding to tenders when commissioning
- Providing adequate roads, transport and infrastructure to accommodate the growth in population following the construction of thousands of new homes
- Ensuring all Hertfordshire County Council's decisions are clear and transparent

6.4 The participants were thanked for their time and ideas. A more detailed summary of discussions at the event can be found in Appendix B.

## **7. Youth Engagement**

7.1 In conjunction with Youth Connexions, a discussion on the Council's priorities and budget was held with Members of the Hertfordshire Youth Parliament (MYP) on 1 November 2016. The feedback showed a good understanding of the services delivered by the County Council, including some benchmarking against the work of neighbouring councils.

7.2 There was little consensus amongst MYPs about where best to reduce funding. For example, a lively debate was held regarding whether or not keeping up with technological innovations should be a priority for the Council, or whether or not libraries should be viewed as an essential community asset. Whilst there was an agreement that adult care and children's services are very important, there was a divide between those that thought there was room for reduction due to the scale of funding in these areas, and those that didn't.

7.3 The MYPs did, however, agree on certain measures, such as improving partnership working, making more efficiency savings and where possible increasing the shared use of space in Council property. They also argued that more information was required about specific costs within each service area and what the implications would be if cuts were made, before they made any decisions.

7.14 A summary of the discussion can be found in Appendix C.

## **9 Consultation with the Business Community**

- 9.1 Following confirmation of the County Council's draft Integrated Plan at Cabinet on 23 January 2017, Hertfordshire businesses will be contacted, via the Hertfordshire Local Enterprise Partnership and Hertfordshire Chamber of Commerce, to encourage businesses to comment. This timing is in line with requirements under the Non-Domestic Ratepayers (Consultation) Regulations 1992.

## **10. Financial Implications**

- 10.1 The financial implications of the Integrated Plan are considered elsewhere on this agenda. This report relates to the public engagement and consultation on the draft plan and there are no financial implications for this work.

## **11. Equalities Impact**

- 11.1 The equalities implications of the Integrated Plan are considered elsewhere on this agenda.

### *Background Information*

County Council consultations webpage <http://www.hertfordshire.gov.uk/your-council/consult/>

## **Your Priorities Survey 2017/18**

We want to hear your views on how we should be spending your council tax money over the coming year.

Hertfordshire County Council provides vital services to everyone who lives in Hertfordshire, whether that's providing social care, maintaining the county's 3,000 miles of road or running the county's fire and rescue service.

The Council continues to face significant financial challenges. Since 2010, we have made savings of almost £250 million from our annual budget and we must make further savings of £75 million by 2020. This is because the Government has significantly reduced its grant to councils and because the number of people living in Hertfordshire is growing every year. As our population ages and more people require care, more of our budget will be spent on supporting older people. For instance, an additional £8.1 million was needed to support older and vulnerable people this year. We also have a growing number of children in the county who need school places.

Which is why it is important that we get your views so we can continue to provide the right services for the right people, making sure we are focusing on the most important things that matter to you and always ensuring that we are being as efficient as possible.

If you live in Hertfordshire, these decisions affect you, so please have your say.

Your feedback will be used to inform our decision-making process; you will be able to follow the discussion and find out the final outcome at the County Council Meeting on 21 February 2017

**Have your say by filling out this survey before the end of Sunday 11 December 2016.**




The Council will continue to explore ways of doing things better.

The services below are listed in the order of how much we spend on them (from largest to smallest).


**While recognising there are no easy answers, in which service areas do you feel spending should be reduced? (Please tick at least three areas)**

Your feedback will be used to inform our decision-making process; you will be able to follow the discussion and find out the final outcome at the County Council Meeting on **21 February 2017**


**1. Support for older people and those with physical disabilities, mental health support needs and learning disabilities**

	<p>(£312.5 million pounds in 2016/2017)</p> <p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Safeguarding adults at risk of abuse or neglect</li> <li>- Support to help people in need of care and support to leave hospital</li> <li>- Help for people to stay well and independent in their own homes</li> <li>- Help for older people and disabled people with activities such as getting up, washed and dressed</li> <li>- Day activities and other services for adults with disabilities, mental ill health, dementia and for older people.</li> <li>- Residential and nursing care</li> <li>- Information and advice</li> <li>- Support for carers to help them stay well and continue to provide care</li> </ul>	<p><b>Maintain budget</b></p>	<p><b>Reduce budget</b></p>

## 2. Child protection and care for vulnerable children

	(£102.6 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Keeping vulnerable children safe within their families</li> <li>- Providing foster carers and residential homes to support our children looked after</li> <li>- Finding new adoptive families for children looked after</li> <li>- Providing support to disabled children and their families</li> </ul>		


## 3. Early years and education support

	(£72.9 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Providing 82 Children's Centres delivering early support to children and families</li> <li>- Supporting families through parenting programmes</li> <li>- Continually improving early years nursery education and schools;</li> <li>- Ensuring sufficient school places are available</li> <li>- Ensuring vulnerable young people can access services they need</li> <li>- Working to keep children and young people healthy and happy</li> </ul>		

## 4. Council support services

	(£59.5 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Financial services</li> <li>- Legal services</li> <li>- Personnel</li> <li>- Information communication technology</li> <li>- Property services</li> <li>- Communications</li> <li>- Support to the democratic process</li> </ul>		


## 5. Highways and transportation

	(£59.3 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Maintenance of 3,000 miles of roads and pavements</li> <li>- Repairs and resurfacing</li> <li>- Road improvement schemes</li> <li>- Streetlights</li> <li>- Gritting in the winter</li> <li>- Subsidising and supporting bus services</li> <li>- Road safety</li> </ul>		

## 6. Disposing of our waste

	(£43.2 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Ensuring the waste you produce is legally and safely disposed of in well managed facilities.</li> <li>- Providing residents with a network of household waste recycling centres (tips/dumps).</li> <li>- Making arrangements for the reuse, recycling and composting of waste to reduce the amount sent for disposal (such as in landfill sites).</li> </ul> <p>* Your local district and borough council pays to collect rubbish and recycling from your home.</p>		


## 7. Community protection

	(£35.6 million pounds in 2016/2017)	<b>Maintain budget</b>	<b>Reduce budget</b>
	<p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Fire and Rescue Service</li> <li>- Trading standards (regulating local business)</li> <li>- Emergency planning and resilience</li> </ul>		

## 8. Libraries and other community services

	<p>(£14.1 million pounds in 2016/2017)</p> <p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- 46 public libraries (supporting literacy and access to reading, information and online services)</li> <li>- Registrars (registration of births, deaths, marriages and civil partnerships)</li> <li>- Hertfordshire Archives (preservation of local historical records)</li> </ul>	<p><b>Maintain budget</b></p>	<p><b>Reduce budget</b></p>
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## 9. Environment and planning

	<p>(£3.6 million pounds in 2016/2017)</p> <p><b>This pays for things like:</b></p> <ul style="list-style-type: none"> <li>- Working with district councils to ensure future growth is well planned with the right infrastructure</li> <li>- Ensuring up to date policies are in place from waste and minerals planning</li> <li>- Monitoring the impact of potential airport expansion in the South East and the growth of London</li> <li>- Looking after footpaths, bridleways and the environment</li> <li>- Flood management issues</li> </ul>	<p><b>Maintain budget</b></p>	<p><b>Reduce budget</b></p>
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**Do you have additional comments about how we could reduce spending in some areas?**

<p><b>In a choice between service reductions and further council tax increases, what do you think we should do?</b></p>	<p><b>Please tick one</b></p>
<p>Increase Council Tax</p>	
<p>Reduce services</p>	

**Meeting Hertfordshire's Challenges: Oak Room, Hertfordshire Development Centre, 6-8pm Thursday 1<sup>st</sup> December**

**Event Summary**

On Thursday 1<sup>st</sup> December, community leaders from across Hertfordshire gathered for Hertfordshire County Council's (HCC's) annual event 'Meeting Hertfordshire's Challenges.' Representatives from the voluntary and community sector and parish and town councils attended to hear about and discuss the Council's budget and its spending priorities over the next few years.

Cllrs Chris Hayward, Terry Douris and Colette Wyatt-Lowe all spoke about the financial challenges their portfolios face and answered questions that arose from the audience. Guests were then given the opportunity to discuss one of the following four questions in groups, with a chance to feedback to the wider group at the end.

1. In an era of rising demand and reduced resources, how can we better work together as partners to balance our need to provide statutory services whilst protecting and supporting our most vulnerable residents?
2. How could HCC further change its processes or behaviours to improve the relationship with the organisation/community you represent?
3. How can we encourage residents to take greater ownership over local issues and challenges, to take part in thinking of creative solutions, and to have a voice in local decisions that affect them?
4. Do you have any thoughts about how the Council's budget decisions could have had an impact on people regarding; being younger/older, ethnicity, religion or belief, sexual orientation, gender reassignment, disability, marriage/civil partnership?

The discussions ensuing from the presentations and questions focused mainly around the following themes:

**Working in partnership**

The need for a joined up approach where organisations work more closely to combine local expertise was echoed across the room. There was a commitment expressed towards making partnerships work to scale up achievements that are community-specific.

The need for both sides to follow and abide by the values and understandings of the Compact Agreement was reiterated to ensure mutual respect in all partnership

working. Concerns were raised that there is an assumption that the community sector is 'free' and made up only of volunteers. There were also concerns around staff turnover and a suggestion was raised to include the voluntary sector in staff inductions.

### **Communication with partners**

The view was expressed that parish and town councils and small NGOs/charities at the grassroots level need to be engaged further by HCC. Guests asked to be involved from day one in planning services so that they can help shape policy as opposed to being forced to react to it. They argued this would also avoid a 'condescending' servant/master relationship.

Suggestions for creating an environment for active and open listening included establishing a forum for discussion with NGOs and opening up a request system for councillors to attend meetings with smaller organisations. It was felt that, although services are there, they are not being broadcasted far enough by HCC.

### **Communication with residents**

One of the main concerns raised in this area was a lack of localised and inclusive communication. For example, with the move online, rural communities and non-IT users are at risk of becoming more isolated. One suggestion was to use bus timetables to reach these communities. Similarly, it was discussed that the location and formality of consultation meetings may result in the same people turning up to share their view. More informal meetings may attract a greater diversity of residents and improve the Council's reputation (as more 'human').

More generally, there were also discussions around the need for greater co-production with residents during the design phase of services, to empower them to get involved. It was also suggested that there is a need to manage the population's expectation of what the Council can provide, and with that greater encouragement of personal resilience.

### **Commissioning**

Many people in the audience expressed concerns about the bureaucracy of the commissioning process, particularly for smaller providers. It was argued that small providers need more time to organise to respond to tenders, simpler processes and less jargon in commissioning work. It was also suggested that greater training opportunities are offered to these providers, many of whom 'retain local knowledge and offer more personal services'.

## **Accountability**

There was some concern around the transparency and clarity of HCC's decisions, with a call for more open plans so everyone knows what is going on. One group suggested getting a local Mayor for 'better county accountability'.

## **Transport and infrastructure**

A question was raised about the growth in Hertfordshire's population size and how the Council's capital approach plans to address the need for roads and infrastructure following the construction of thousands of new homes. In particular, concerns were expressed about the pressure being put on existing built-up areas.

In response to the latter, Cllrs Chris Hayward and Terry Douris spoke of the need to work with other local councils and the Hertfordshire Local Enterprise Partnership to lobby the government for more money to fund large infrastructure projects, where Section 106 money does not cover it. In particular, the need to improve East-West links in the county was flagged.

A concern with the provision and reliability of buses was also raised, particularly regarding Sunday and night-time services.

**Discussion with Members of the Hertfordshire Youth Parliament (MYPs):  
Breaks Manor Youth Centre, Hatfield, Tuesday 1 November**

**Discussion Summary**

On Tuesday 1 November, an officer from the Corporate Policy Team attended a meeting of the Hertfordshire Youth Parliament. Each of the nine service areas from the 'Your Priorities' survey were discussed in turn, with regards to whether or not the MYPs thought there was capacity for budget reductions in each area. The notes below detail discussions had about each service, followed by more general comments expressed throughout the session.

**1. Support for older people and those with physical disabilities, mental health support needs and learning disabilities**

- There was general consensus that this service area was important and needed adequate funding. In a discussion about whether this budget or the library budget should be cut, one MYP said: "If Mrs Jones can't get dressed in the morning, she can't get to the library," highlighting the interdependencies between services and the importance of this particular service.
- However, the scale/size of the budget led a few of the MYPs to think there was room for reductions compared with other, smaller budgets. It was suggested that commissioning more services could help to reduce costs.

**2. Child protection and care for vulnerable children**

- It was agreed that this is a very important service area, but again some MYPs argued that there would be capacity for reductions because it was the second highest budget area.
- Suggestions included: commissioning more of the service, although there was disagreement as to whether this saves money; working more in partnership with the Police and Crime Commissioner and possibly even moving some responsibilities to them; reducing bureaucracy to make efficiency savings.

**3. Early years and education support**

- Again some MYPs argued that the size of the budget in this area suggests capacity for reductions. One suggestion was to reduce the number of smaller children's centres and have one larger centre that stays open for longer and covers a greater geographical area, as done in Oxford. However, one MYP cautioned against making children's centres inaccessible for people who can't travel far, especially given the vastness of Hertfordshire's geography.



- There was some debate over whether early years nurseries should be funded by local government, but this was countered with the argument that low income families need somewhere to put their children without a high cost.
- The decentralisation of education nationally was discussed and it was speculated that councils could reduce their role here to make savings.

#### **4. Council support services**

- The MYPs were divided over whether or not budget cuts should be made in this area. It was discussed that if other services were reduced, the need to maintain this service at the current level would consequently also be reduced.
- MYPs discussed that cuts in this area could impact staff, which could slow processes down and negatively impact on the services provided to residents.
- There was considerable debate about technology. Some MYPs argued that it is essential for the Council to stay up to date with progress in IT, commending the new website. Others questioned the need for the Council to have a great 'shiny' website and argued that automating services takes away valuable human contact and community value.

#### **5. Highways and transportation**

- It was agreed that Hertfordshire's roads are better compared with other counties (for example Essex). This led some MYPs to comment that there could be room for reductions.
- There was a detailed discussion around the potential to reduce subsidised bus services. It was largely agreed that a targeted review would be required to assess demand for the services.

#### **6. Disposing of our waste**

- Most MYPs were in agreement that this is an essential service, but there were varying levels of agreement on its capacity to withstand budget cuts.
- One MYP argued that given targets from national government, it would be very difficult to make any cuts. He also said that it is important to maintain a 'green image'. However, another MYP argued that this could be cut as there are more important services to spend money on, where issues are more prevalent/visible.

#### **7. Community protection**

- Reasons raised for not cutting this service included: it is not that much compared to other budgets and fire and rescue is vital; this budget has

already been cut considerably; and fires stations provide more than just emergency response, they can get really involved in developing communities.

- On the other hand, there was speculation about the need for considerable emergency planning in Hertfordshire, although this was countered by raising the issue of potential flood disasters (which may increase due to housing developments) or car crashes, as there are a lot of motorways.
- There was some discussion about the potential to consolidate fire stations, ie. closing smaller stations and making one big one.

## **8. Libraries and other community services**

- It was agreed that the budget for registrars needs to be maintained. Reasons cited for maintaining library budgets included: libraries can be core community centres/assets that bring people together; some older people rely on them; they have been cut many times already; and they are important for early development/welfare (such as through the Summer Reading Challenge or as a cheaper preventive measure against things such as mental health)
- A number of methods for reducing library budgets were also discussed, such as: hosting multiple services in the same building; consolidating libraries in close proximity to make efficiency savings; making greater use of school libraries; and reducing the need for staff by automating certain services.

## **9. Environment and planning**

- One MYP said that it is important that the county ensures it remains diverse in services and that monitoring airport expansion is topical and important.
- With regards to maintaining footpaths, it was discussed that savings could be made through working in greater partnership with the National Trust and other charities, and/or making greater use of volunteers or young offenders who are doing community service.

## **General Comments**

- A number of MYPs argued that they needed more information about the cost of specific items within services and what the implications would be if cuts were made to these before they could make any real decisions
- They agreed that all services were essential, so the real question was around what could be tightened, which is challenging
- One MYP continually expressed a need to maintain budgets for services that affect the largest amount of people and cut budgets where the least amount of people will be affected.
- When the MYPs were asked to choose which three services, if forced, they would reduce, not a single one chose the same three services.

Dear Member

**INTEGRATED PLAN 2017/18 - 2019/20 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)**

Please find attached a report on the Council's Integrated Plan proposals for 2017/18 – 2019/20. Please bring the report to the following meetings:-

**23 January 2017 Cabinet**

**26 January 2017  
& 2 February 2017 Overview & Scrutiny Committee**

**25 January 2017 Enterprise, Education & Skills Cabinet Panel**

**31 January 2017 Children's Services Cabinet Panel**

**1 February 2017 Environment, Planning & Transport Cabinet Panel**

**1 February 2017 Public Health, Localism & Libraries Cabinet Panel**

**3 February 2017 Adult Care & Health Cabinet Panel**

**7 February 2017 Community Safety & Waste Management Cabinet Panel**

**9 February 2017 Highways Cabinet Panel**

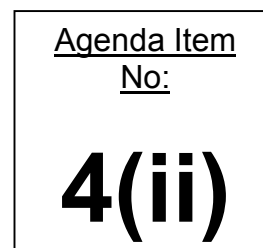
**10 February 2017 Resources & Performance Cabinet Panel**

**20 February 2017 Cabinet**

**21 February 2017 County Council**

Deborah Jeffery  
Assistant Democratic Services Manager  
Email: [deborah.jeffery@hertfordshire.gov.uk](mailto:deborah.jeffery@hertfordshire.gov.uk)  
Tel: 01992 555563 (Comnet 25563)  
12 January 2017

**HERTFORDSHIRE COUNTY COUNCIL**  
**CABINET**  
**MONDAY, 23 JANUARY 2017 AT 2.00PM**



**INTEGRATED PLAN 2017/18 - 2019/20 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)**

Report of the Director of Resources

Authors:

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Executive Member: Chris Hayward, Resources and Performance

**1. Purpose of report**

- 1.1 To propose a draft Integrated Plan for 2017/18 - 2019/20 for the Council taking account of the updated position from the provisional finance settlement for 2017/18.
- 1.2 To propose a Schools' budget for 2017/18, and obtain approval for release of Schools budget data/information to the Department for Education.
- 1.3 This cover report summarises the context and process for preparing the Integrated Plan, including the funding position. The Integrated Plan comprises:
  - an overview of the proposed revenue budget and capital programme, including a review of the budget estimates and adequacy of reserves (Part A);
  - Strategic Direction and Financial Consequences - by portfolio (Part B);
  - an Equalities Impact Assessment (Part C);
  - the Treasury Management Strategy (Part D)
  - the Insurance and Risk Strategy (Part E)
  - the Capital, Asset Management and Invest to Transform Strategy (Part F);
  - and
  - other technical information and finance summaries (Part G)
- 1.4 The draft Integrated Plan will be considered by Cabinet Panels (between 25 January and 10 February), the Overview & Scrutiny Committee (26 January and

2 February) and the Resources & Performance Cabinet Panel (10 February). The final recommendations will be made by Cabinet on 20 February, for determination by the County Council on 21 February 2017.

## **2. Summary**

- 2.1 The Integrated Plan brings together the financial impact of service plans and the available funding to resource these, over the next three years. Service budgets have been reviewed in the context of expected funding changes, based on information available prior to the Autumn Statement updated by the Provisional Settlement. Details of the Settlement are set out in part 4 of this report, with further details in the IP Overview (Part A).
- 2.2 The IP process is shaped by each portfolio's Strategic Direction summary which set out the future direction of services in the context of achieving substantial further savings. These have been informed by comparative benchmarking, both through published data and informal networks with other comparable authorities, to identify areas of potential efficiency gains. Services have identified additional savings of £32.3m to bring total savings to £41m in 2017/18, in the context of the continuing budgetary pressures and reduction in available funding as anticipated prior to the Provisional Settlement. Savings requiring a policy change have already been subject to member approval. The Council's Transformation Programme has continued to drive new ways of delivering services and innovative approaches to achieve these savings, both within and across services, including developing the digital agenda and enabling more efficient ways of working. The Invest to Transform fund has provided funding and impetus to achieve change.
- 2.3 The 2016/17 - 2019/20 Integrated Plan approved last year has been reviewed to reflect latest estimates of pressures in maintaining a standstill budget, estimated at £28.049 million in 2017/18. Demographic change in the elderly and child populations, together with growth in other social care client groups, continues to generate the greatest pressures. These forecasts have been subject to detailed review and challenge.
- 2.4 Details of key budget movements are set out in part 4 of this report, with further details in the IP Overview (Part A). Further analysis is detailed in the Strategic Direction and Financial Consequences (Part B) for each portfolio, with a breakdown by departments and summary movements shown in Other Technical Information (Part G). A summary movement statement of both resources and pressures is provided in Appendix A at the end of this report.
- 2.5 The IP process includes a review of the level of reserves and contingency. Further details on these, including specific risks regarding £17m budgeted contributions from Clinical Commissioning Groups towards the protection of social care, are detailed in Sections 3 and 4 of the IP Overview (Part A). It is proposed that general contingency is held at £4 million, to cover identified uncertainties, unexpected in-year pressures and the cost of redundancy payments and pension strain costs (necessitated through staff restructures); and

that given continuing risks including demographic pressures and the challenges of delivering increased savings, the General Fund balance be maintained at 4.0% of the Net Revenue Budget.

- 2.6 The Integrated Plan also includes the proposed Capital Programme for 2017/18 – 2019/20. All schemes from the 2016/17 – 2018/19 Capital Programme, approved in February 2016, have been reviewed and new or amended bids have been reviewed and challenged by senior officers.
- 2.7 The Integrated Plan includes information on the Council's commitment to equality and potential equality implications, at Part C. There are no equality implications associated with the Treasury Management Strategy (Part D).
- 2.8 The Treasury Management Strategy (Part D) has been prepared as required by statutory guidance and the CIPFA Treasury Management Code of Practice. It includes a proposed change to the Council's policy for calculating Minimum Revenue Provision, the charge required to be made to set aside funding for the repayment of borrowing. This will rephase charges to reflect more accurately asset life and the present value of these costs, while releasing significant savings in the short and medium term.
- 2.9 The Insurance Strategy (Part E) has been reviewed and updated. It sets out the Council's overall approach to risk retention and the management of its corporate insurance programme through relevant policies of insurance.
- 2.10 The Capital and Asset Management Strategy and Invest to Transform update (Part F) sets out the Council's approach to investment both in its fixed assets and in other programmes to enable service transformation and deliver a financial return. It includes its priorities for spending and how this is to be funded; and its approach to asset management including the Property Development Programme. It also includes an update for the Invest to Transform Fund, showing how this is being used to encourage innovation and transformation that will help meet the challenge of achieving a balanced budget in future years.

### **3 Recommendations**

- 3.1 That Cabinet agrees:-
  - i. the proposed Integrated Plan, including the revenue budget and capital programmes for 2017/18 – 2019/20, and proposed changes in the Treasury Management Strategy to the Council's policy for Minimum Revenue Provision. The Integrated Plan will then be presented for review by Service Cabinet Panels, Overview & Scrutiny Committee, and Resources and Performance Cabinet Panel, prior to the next Cabinet meeting on 20 February 2017.
  - ii. the release of schools budget data/information to the Department for Education (DfE), and notes that the Director of Resources may make any consequential amendments arising from current uncertainties.

### **3 Financial Context**

#### **Revenue Budget**

- 4.1 The current proposed revenue budget is £809.846 million in 2017/18. This represents a decrease in spending of 0.9% on last year's budget when adjusted for changes in function and funding for 2017/18. The revenue budget increases to £813.261 million by 2019/20 (a decrease of 0.5% from last year's adjusted budget).
- 4.2 A movement statement showing the analysis of these changes from the 2016/17 original budget over the years 2017/18 to 2019/20 is shown in Appendix A at the end of this report. Key changes are shown in individual Portfolio Strategic Direction Statements (Part B) and a detailed analysis of the resultant budget by service is shown in table 3 in Part G (Other Technical Information) of the Integrated Plan.
- 4.3 The original budget of £822.2 million has reduced by £12.336 million in 2017/18 and by £8.9 million by 2019/20.

#### *Inflation*

- 4.4 It is estimated that inflation for 2017/18 will cost £4.834 million, rising to £34.634 million by 2019/20. Within this, a rate of 1.0% has been assumed for pay awards in 2017/18 and subsequent years, with standard non-pay expenditure inflation frozen again for 2017/18 (2.0% thereafter).
- 4.5 Specific inflation rates for 2017/18 have been applied where more relevant inflation factors are available, either countywide or relating to specific service costs. Calculations include a review of rates assumed in the previous year's IP, compared with actual price changes over the period and any overprovision is adjusted.
- 4.6 All fees and charges are subject to an annual pricing review to ensure that full cost recovery is made and that any exceptions are identified in accordance with the Hertfordshire Charging Policy agreed by Cabinet in July 2010. Exceptions to the standard rate are shown in Table 7 in Part G – Other Technical Information.

#### *Pressures*

- 4.7 The cost of pressures (demography, legislative changes and other) reflects the additional expenditure required to continue to deliver the same level of service on the same basis as the previous year and to meet new responsibilities. Pressures for change have been estimated at £28.049 million in 2017/18 rising to £63.481 million by 2019/20.

#### *Savings*

- 4.8 A number of proposals for service change have been taken to Cabinet Panels throughout the year, for member decisions. At the same time, new efficiency

savings have been identified. If the savings are not achieved the Council would need to identify alternative savings, or draw on contingency.

- 4.9 As a result of this work, departments have identified a total £41.000 million savings in 2017/18. For future years, additional savings will be required, rising to £99.986 million by 2019/20, of which £44.779 million is yet to be identified.

### **Funding – Provisional Finance Settlement**

- 4.10 The Government announced the provisional Local Government Finance Settlement for 2017/18 on 15 December 2016, following the announcement of overall spending and funding plans in the Chancellor's Autumn Statement on 23 November.
- 4.11 This was the second of the Government's four year settlement offer for authorities who submitted an Efficiency Plan, including Hertfordshire. A number of the reductions to funding were therefore known in advance when preparing the proposed budget. The Settlement still gives a significant reduction in funding, with a £35m loss of Revenue Support Grant (RSG) between 2016/17 and 2017/18. Total Settlement Funding Assessment (SFA), the Government's calculation of need to be met by Revenue Support Grant (RSG) and business rates, has reduced by 17.2%.
- 4.12 In addition, Education Services Grant (ESG) has reduced by £8.748m. This follows the consultation on plans to remove the remaining general funding rate from 2017/18, to achieve the full £600m savings (nationally) announced at the 2016/17 Spending Review. The Government has now confirmed ESG will cease to be paid to local authorities from September 2017; and the rate per pupil for the period April to September 2017 will reduce from £77pp to £66pp. Some grant funding has been replaced through DSG and the Schools Improvement Grant: these figures are not yet confirmed, and it is likely that Schools Improvement Grant will be mandated for additional schools improvement functions.
- 4.13 The Provisional Settlement also confirmed details of the changes to New Homes Bonus, including revised payments from six years to five years in 2017/18; and to four years from 2018/19. A baseline threshold is also being introduced, higher than indicated in last year's consultation: authorities will need to achieve growth of greater than 0.4 per cent before they receive any NHB funding.
- 4.14 Additionally, a new Adult Social Care (ASC) Support Grant has been announced for 2017/18, using savings from the reform of the New Homes Bonus. HCC will receive £4.153m ASC Support Grant.

### **Response to Provisional Settlement consultation**

- 4.15 The consultation period on the provisional settlement closes on 13 January 2017. While we welcome the new flexibilities on the social care precept and the additional Adult Social Care Support grant, HCC's response highlights the following issues:



- The methodology for RSG distribution is unchanged from 2016/17 and is based on a dated needs assessment, distorted by authorities with a relatively high council tax income, and double counts the ability of authorities to generate income from council tax.
- While the Settlement acknowledges pressures for authorities providing Adult Social Care, the reduction in RSG for county councils far outweighs the potential for raising funding via the Precept. The new flexibilities which allow authorities to raise additional precept in 2017/18 and 2018/19 do not change the total allowable precept over the remaining years of the Spending Review and there is no additional funding by 2020. There is still a long term concern that new funding for Adult Social Care will not be sufficient given the demographic and other pressures in this area.
- The baseline threshold for New Homes Bonus is being introduced at 0.4%, higher than indicated in last year's consultation. The grant assumes that a general level of growth will be achieved without specific action by authorities, and bonus is only paid on growth above this level.
- Hertfordshire has taken a robust approach to managing balances, ensuring that it maintains an optimum level to respond to uncertainty in wider funding and the risks associated with budget pressures. The council continues to review reserves regularly and ensures that specific reserves are still required for their original purpose. They include funds held for investment that will enable the delivery of savings in future years. Whilst it is possible to draw on some reserves in the short term, this does not address the longer term funding issues facing the Council.

### **Council Tax and Social Care Precept**

- 4.16 The figures in this report assume a council tax increase of 1.99% in 2017/18 and future years, subject to agreement by County Council in February. This reflects the increasing pressures and funding reductions outlined later in this document, and the projected medium term financial position.
- 4.17 In 2016/17 the Chancellor introduced a new power for local authorities to raise a precept of up to 2% of council tax, specifically to fund social care pressures. The settlement confirms additional flexibility for authorities by allowing the Social Care precept to rise by an additional 1% in 2017/18 and 2018/19 (3% in total per year), on condition that the total increase to 2019/20 does not exceed 6%. For Hertfordshire, the additional 1% increase generates £5.157m in 2017/18, and in effect brings the potential increase in cash forward rather than generating any further annual revenue by the end of the period.
- 4.18 County Councils will be required to seek the approval of their local electorate in a referendum if, compared with 2016/17, they plan to set a general council tax

increase which exceeds 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure).

- 4.19 With a 4.99% increase (made up of £1.99% basic and 3% for the SCP), the Band D Council Tax for the County Council in 2017/18 would be £1,245.85. The amount of tax calculated for each valuation band is shown in Table i. Raising an additional 1% social care precept adds £11.86 per year to the average Band D council tax bill.

**TABLE i: HCC Council Tax Bands**

Band	2016/17 Council Tax			2017/18 Council Tax (1.99%+3.00%)		
	Basic	SCP	Total	Basic	SCP	Total
A	£775.87	£15.21	£791.08	£791.31	£39.25	£830.55
B	£905.18	£17.75	£922.93	£923.19	£45.79	£968.98
C	£1,034.49	£20.28	£1,054.77	£1,055.08	£52.33	£1,107.40
<b>D</b>	<b>£1,163.80</b>	<b>£22.82</b>	<b>£1,186.62</b>	<b>£1,186.96</b>	<b>£58.87</b>	<b>£1,245.83</b>
E	£1,422.42	£27.89	£1,450.31	£1,450.73	£71.95	£1,522.68
F	£1,681.04	£32.96	£1,714.01	£1,714.50	£85.03	£1,799.53
G	£1,939.67	£38.03	£1,977.70	£1,978.27	£98.12	£2,076.38
H	£2,327.60	£45.64	£2,373.24	£2,373.92	£117.74	£2,491.66

- 4.20 The precepts amounts required from the district/borough councils are shown in Table ii below. (to be updated for Feb Cabinet)

**TABLE ii: HCC Precepts**

	£
Borough of Broxbourne	xxx
Dacorum Borough Council	xxx
East Hertfordshire District Council	xxx
Hertsmere Borough Council	xxx
North Hertfordshire District Council	xxx
St Albans City & District Council	xxx
Stevenage Borough Council	xxx
Three Rivers District Council	xxx
Watford Borough Council	xxx
Welwyn Hatfield Borough Council	xxx
<b>Total</b>	<b>xxx</b>

4.21 Additional information on funding is required before the 2017/18 budget can be finalised:

- a) final estimate figures for the council tax base, the collection fund balance and levies;
- b) final estimates for business rates collection;
- c) final Local Government Finance Settlement expected early February; and
- d) other outstanding Government grant announcements.

#### 4 Schools Budget

5.1 Part B – Schools Budget sets out the proposed schools’ revenue budget for 2017/18. Cabinet are requested to agree this schools’ element of the IP in advance of the main budget process, in order to meet the Department for Education deadline in early January.

#### 6 Capital Programme, Funding and Financing Charges

6.1 All schemes in programme years 2017/18 to 2018/19 have been reviewed to confirm that the budget is still required for its original purpose, and to make adjustments for changes in external funding and cashflow profiles. Services have been required to identify external sources of funding wherever possible. New bids have been submitted and business cases scrutinised by senior officers, to ensure these meet the Council’s priorities for investment set out in Part F Capital and Investment Management Strategy. Table iii shows the total proposed programme and funding.

**Table iii: Summary Proposed Capital Programme 2017/18 – 2019/20**

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Adult Care & Health	17.410	20.028	30.544	<b>67.982</b>
Children’s Services	20.839	19.181	18.801	<b>58.821</b>
Community Safety & Waste Management	4.358	7.648	1.698	<b>13.704</b>
Enterprise, Education & Skills	53.177	39.378	37.315	<b>129.870</b>
Environment, Planning & Transport	39.119	23.350	11.450	<b>73.919</b>
Highways	67.367	98.537	71.279	<b>237.183</b>
Public Health, Localism & Libraries	2.304	2.719	1.896	<b>6.919</b>
Resources & Performance	14.713	4.701	4.132	<b>23.546</b>
<b>Total</b>	<b>219.287</b>	<b>215.542</b>	<b>177.115</b>	<b>611.944</b>

Financed by:

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Borrowing	75.448	71.463	61.216	<b>208.127</b>
Capital Receipts	10.000	10.000	10.000	<b>30.000</b>
Grant	94.966	74.219	60.555	<b>229.740</b>
Contributions	36.037	58.860	43.594	<b>138.491</b>
Reserves	2.836	1.000	1.750	<b>5.586</b>
<b>Total</b>	<b>219.287</b>	<b>215.542</b>	<b>177.115</b>	<b>611.944</b>

- 6.2 The Council continues to invest significantly in infrastructure. The proposed 2017/18 - 2019/20 Capital Programme includes new and revised schemes totalling £119.369m, of which £64.335m is HCC funded. These include further primary and secondary schools expansion, largely externally funded; completion of the LED street lighting programme; and purchase of sites that can unlock future development potential. A number of these schemes will therefore support the delivery of savings included in revenue budgets in this IP, for example the LED streetlighting; or will enable further investment to achieve future financial returns.
- 6.3 Budgets for Highways maintenance have been reworked to calculate the level of spend required to continue to meet current standards over the IP period. The proposed programme includes annual increases of £2.392m for carriageway maintenance (together with £1.293m from the government's Potholes Fund for 2017/18), £1m for Drainage Resilience and £0.9m for Footways and Cyclepaths.
- 6.4 The proposed Programme also includes a refreshed bid for a further extension of highspeed broadband. As well as being delivered on time and benefitting 20,000 Hertfordshire homes and businesses, the first phase of this programme has come in significantly under budget and has started to attract clawback monies from the investment made. This is in line with the contractual agreement put in place with BT and government. This has resulted in approximately £1.86m of capital being available for reinvestment as a result of efficiencies and high take up rates. While proceeding with Phase 3 means continued commitment of some Council funding that would otherwise be repaid to HCC, withdrawal is not recommended as there is still significant demand for improved broadband services within the remaining areas; and match funding will provide approximately two – thirds of the £1.86m investment available.
- 6.5 In recent years, the Council has used revenue contributions, one-off underspends and Capital Financing and Capital Receipts Reserves to sustain the capital programme without the need for new borrowing, delivering savings in the costs of interest and of Minimum Revenue Provision (MRP – the amount the Council is required to set aside in its revenue budget for debt repayment).
- 6.6 There are some flexibilities in how MRP is calculated, and many councils are reviewing their MRP policies to ensure that the charge more accurately reflects

asset life and also releases revenue savings. Officers have worked with the Council's external auditors to agree a prudent approach, and a change of policy is now proposed, to be considered by County Council in February, as part of the Treasury Management Strategy.

- 6.7 There are two elements of MRP, and the proposed changes to each are:
- a) Relating to pre 2008 spend: currently charged on a 4% reducing balance. It is proposed to change to repayment over 50 years, which reflects the life of the assets and gives an earlier provision for completing repayment of this debt. The repayments would be calculated on an annuity basis, to reflect the time value of money; this reduces the charge in the early years of the repayment profile. The change in policy will be backdated to 2008, and the backdated savings spread across the remaining years, reducing the charge for future taxpayers across the life of the assets.
  - b) Relating to spend from 2008: this will continue to be charged across the expected life of the assets. However, the charge will also now be calculated on an annuity basis (using PWLB rates effective at the time spend was incurred).
- 6.8 Together these changes will deliver savings of £10.4m in 2017/18, reducing in subsequent years. In addition, backdating the provision for existing debt on spend since 2008 will release revenue savings estimated at £19m (subject to confirmation of annuity rates and the outturn position for 2016/17). It is proposed that this £19m, which will be released over three years, is set aside in an Investment Reserve for capital financing or related investment, which could reduce the need for future borrowing and hence MRP. This will be particularly advantageous if capital receipts are reduced in the short term (see below). It will also provide some flexibility for funding revenue expenses relating to the Property Company or similar development opportunities. The use of this reserve will be reviewed annually.
- 6.9 In determining the funding of the proposed Capital Programme, current lower interest rates make borrowing relatively attractive, particularly where capital investment will generate revenue benefits through additional income or reduced costs. At the same time, the Property Company programme has identified surplus sites that may be suitable for development to generate a revenue income stream, with the possibility of future capital receipts. While these proposals could make an important contribution to the revenue budget, in the short term the level of capital receipts achieved will fall. All capital receipts generated by end 2016/17 are expected to be applied to fund 2016/17 spend.
- 6.10 As MRP requires a revenue charge across the life of the asset, it is preferable for borrowing to be used for longer life assets only. Proposed funding for the Capital Programme therefore assumes £10m funding for short life assets from capital receipts, if necessary supplemented from the Investment Reserve created from one off MRP savings.

- 6.11 New borrowing of £75.448m is forecast for 2017/18, £71.463m in 2018/19 and £61.216m in 2019/20. Given current market conditions it is proposed that this borrowing is taken as a mix of short and long term, to reduce the revenue impact whilst locking in some borrowing to the relatively low interest rates available. The Minimum Revenue Provision for this additional borrowing will be £1.409m for 2018/19; £2.938m for 2019/20 and £3.479m for 2020/21.
- 6.12 The Spend to Achieve Capital Receipts Reserve was created in 2014/15 to fund the costs of works or other requirements to generate capital receipts which are then available to fund future schemes, reducing the borrowing requirement. The 2016/17 IP proposed to top up this reserve by £3m per annum, from capital receipts. Whilst this level is forecast to be needed for 2017/18, it is proposed that the level and source of top up for subsequent years be reviewed in future Integrated Plans.

*Background information referred to by the authors*

Hertfordshire County Council Integrated Plan 2016/17 to 2019/20, February 2016  
<http://www.hertfordshire.gov.uk/your-council/cpdrp/budbook/ip16171920/>.

Department for Communities and Local Government - Provisional Local Authority Finance Settlement for 2017/18, 15 December 2016  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018>

Appendix A:

**Table 1: Summary Budget Movement Statement (2017/18 – 2019/20)**

<b>2016/17</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>828.732</b>	<b>Original Budget</b>	<b>822.182</b>	<b>822.182</b>	<b>822.182</b>
(5.660)	Technical Adjustments	(4.219)	(5.803)	(7.050)
8.933	Inflation	4.834	19.734	34.634
<b>832.005</b>	<b>Base Budget</b>	<b>822.797</b>	<b>836.113</b>	<b>849.766</b>
	<b>Pressures for change:</b>			
0.025	Previous Policy Decisions	(0.250)	(0.200)	(0.250)
10.079	Demography	19.454	25.003	34.654
8.681	Legislative	6.029	10.730	15.313
0.342	Capital Financing	-	1.859	3.563
3.602	Other	2.816	8.349	10.201
<b>22.729</b>	<b>Total Pressures for Change</b>	<b>28.049</b>	<b>45.741</b>	<b>63.481</b>
<b>854.734</b>	<b>Subtotal</b>	<b>850.846</b>	<b>881.854</b>	<b>913.247</b>
	<b>Savings:</b>			
(16.263)	Existing efficiencies - ongoing impact	(12.863)	(17.162)	(20.075)
(0.281)	Existing Policy Choice - ongoing impact	(5.039)	(5.084)	(5.084)
(13.478)	New efficiencies	(22.663)	(27.996)	(28.500)
(2.530)	New Policy Choice	(0.435)	(1.004)	(1.548)
-	Further savings required (to close gap)	-	(23.752)	(44.779)
<b>(32.552)</b>	<b>Total Savings</b>	<b>(41.000)</b>	<b>(74.998)</b>	<b>(99.986)</b>
<b>822.182</b>	<b>REVENUE BUDGET (excluding funding specifically allocated to service area)</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>
(0.385)	Use of Reserves	-	-	-
<b>821.797</b>	<b>Resultant Budget</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>

**Table 2: Funding Statement**

2016/17 £m		2017/18 £m	2018/19 £m	2019/20 £m
49.847	Business Rates Income	46.327	47.818	49.519
64.231	Business Rates Top-Up Grant	69.531	71.768	74.320
79.992	Revenue Support Grant	44.535	22.599	1.890
<u>194.069</u>		<u>160.393</u>	<u>142.185</u>	<u>125.730</u>
	Non-ringfenced Grants:			
	Compensation for impact of changes to			
2.552	Business Rates (S31 grant)	2.552	2.552	2.552
12.009	Education Services Grant (ESG)	3.261	-	-
6.635	New Homes Bonus	5.648	4.100	3.934
0.263	New Homes Bonus Adjustment	-	-	-
0.746	SEN Reform	-	-	-
2.141	Independent Living Fund	2.070	2.005	1.944
7.760	Transition Grant	7.849	-	-
-	Adult Social Care Support Grant	4.153	-	-
1.100	Other non-ringfenced grants	1.085	1.000	1.006
<u>33.207</u>		<u>26.619</u>	<u>9.658</u>	<u>9.436</u>
	Ringfenced Grants:			
34.504	Public Health Grant	33.659	32.784	31.932
15.543	Public Health - Health visitors	15.154	14.760	14.376
2.605	Adult Skills and Community Learning grant	2.605	2.605	2.605
1.111	Local Authority Bus Subsidy Grant (formally Bus Service Operators Grant)	1.111	-	-
1.122	Unaccompanied Asylum Seeking Children Grant (UASC)	1.122	1.122	1.122
1.837	Troubled Families Grant	2.467	2.217	2.267
1.258	Music Education Grant	1.258	1.258	1.258
-	School Improvement Grant tbc	-	-	-
0.815	Youth Justice Good Practice Grant	0.815	0.815	0.815
<u>58.795</u>		<u>58.191</u>	<u>55.561</u>	<u>54.375</u>
	Other Income:			
18.949	NHS funding - Better Care Fund	18.949	23.676	31.858
499.136	Council Tax	516.097	530.578	545.466
9.787	Council Tax relating to Social Care Precept (3% 17/18 and 18/19, 0% 19/20)	25.597	42.698	43.896
9.907	Collection Fund Balance - Council Tax	5.500	4.000	4.000
(2.053)	Collection Fund Balance - Business Rates	(1.500)	(1.500)	(1.500)
<u>535.727</u>		<u>564.643</u>	<u>599.452</u>	<u>623.720</u>
<b>821.797</b>	<b>TOTAL</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>



**INTEGRATED PLAN**  
**PART A – OVERVIEW**

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## 1. Integrated Planning Process

- 1.1. The Integrated Plan sets out the Council's plans for service delivery within available funding. It brings together services' key priorities and plans for delivering these, alongside the strategies that shape how the Council manages its resources.
- 1.2. The Integrated Plan comprises:
  - an overview of the proposed revenue budget and capital programme, including a review of the budget estimates and adequacy of reserves (Part A);
  - Strategic Direction and Financial Consequences - by portfolio (Part B);
  - an Equalities Impact Assessment (Part C);
  - the Treasury Management Strategy (Part D)
  - the Insurance and Risk Strategy (part E)
  - the Capital, Asset Management and Invest to Transform Strategy (part F); and
  - Other technical information and financial summaries (Part G)
- 1.3. For the 2017/18 process, resource planning continues to be shaped by the need to meet challenging financial targets, with demographic, legislative, inflationary and other pressures alongside constrained funding. This report includes details of the overall funding context including the impact of the government's Provisional Settlement for Local Government, announced on 15 December 2016. Further details of the funding context will become known during January and will be included in the IP Proposals reported to Cabinet (20<sup>th</sup> February 2017) and County Council (21<sup>st</sup> February 2017).
- 1.4. Strategic Direction summaries have been produced, which set out the future direction, by Cabinet Panel portfolio, in the context of achieving substantial further savings. These have been informed by comparative benchmarking, both through published data and informal networks with other comparable authorities, to identify areas of potential efficiency gains.
- 1.5. Services have continued to identify efficiency savings to meet the projected funding gap, and policy decisions have been taken by Cabinet Panels where required. Given the extent of savings required from 2018/19 onwards, it will be necessary to continue to develop proposals for savings for consideration by Cabinet Panels and Cabinet. It is becoming progressively more difficult to find further savings, and these are likely to require more significant service redesign, and hence lead times, before they are achieved. Specific workstreams have been set up under the Transformation Programme to develop new ways of delivering services, including preventative and other early interventions that reduce demand for more complex services. Cross cutting workstreams are looking at how the Council can be smarter in how it runs its business and utilises property and digital approaches, to ensure we meet the challenges of future demand and funding constraints.
- 1.6. Services have also reviewed the existing Capital Programme, and identified new capital bids, which have been subject to officer challenge. Further details of this process are given in section 5.

## **2. Revenue Budget and Funding**

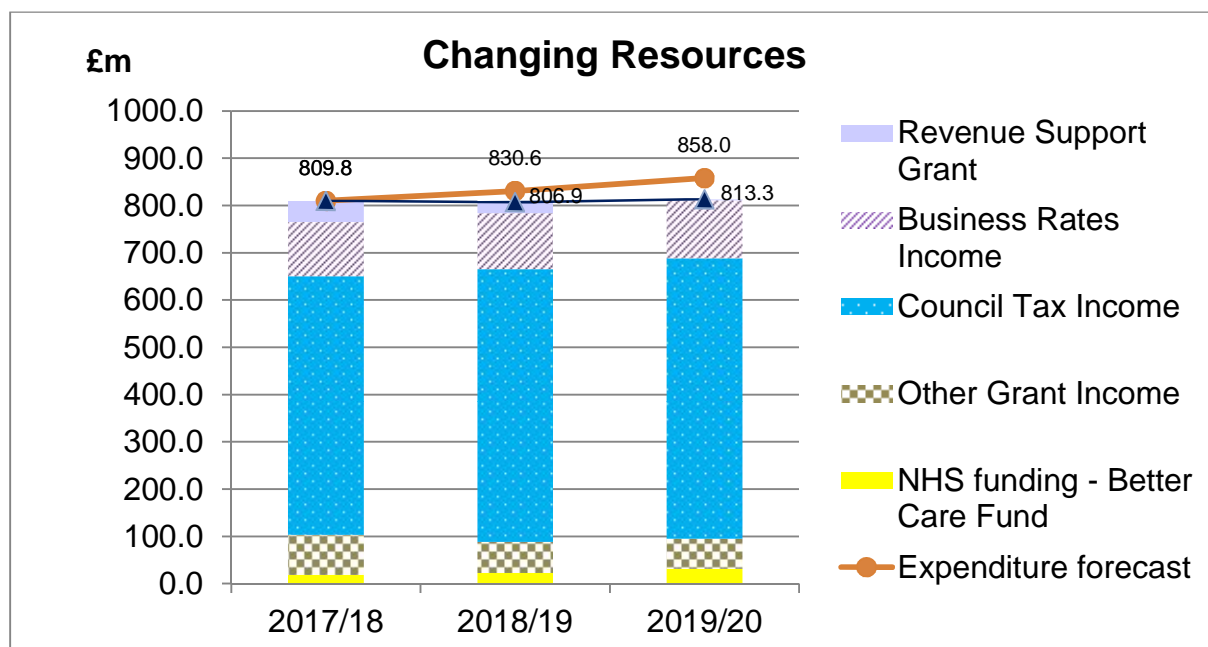
- 2.1. The current proposed revenue budget is £809.846m in 2017/18. This represents a decrease in spending of 0.95% on last year's budget when adjusted for changes in function and funding for 2017/18. The revenue budget increases to £813.261m by 2019/20 (a decrease of 0.18% from last year's adjusted budget).
- 2.2. A movement statement showing the analysis of these changes from the 2016/17 original budget over the years 2017/18 to 2019/20 is shown at 2.26 (table 1). A detailed analysis of the resultant budget by service is shown in table 3 in Part G (Other Technical Information) of the Integrated Plan.

### **Provisional Finance Settlement**

- 2.3. The provisional Local Government Finance Settlement 2017/18 announced on 15 December was the second of the Government's four year settlement offer for authorities who submitted an Efficiency Plan, including Hertfordshire. A number of the reductions to funding were therefore known in advance when preparing the proposed budget. The Settlement still gives a significant reduction in funding, with a £35m loss of Revenue Support Grant (RSG). Total Settlement Funding Assessment (SFA), the Government's calculation of need to be met by Revenue Support Grant (RSG) and business rates, has reduced by 17.2%.
- 2.4. The funding position at table 2 shows the latest estimates of available Central Government funding based on the provisional Settlement, together with projections of other income sources including Business Rates income and Collection Fund balances.
- 2.5. The Social Care Precept was introduced last year by the then Chancellor George Osborne, allowing authorities providing social care to raise an additional precept of up to 2% of council tax, provided that they can demonstrate that this is needed to meet increased costs of social care. The 2017/18 Provisional Settlement further expands on this, and gives authorities more flexibility by allowing the precept to rise by an additional 1% in 2017/18 and 2018/19 (3% in total per year), on condition that the total increase to 2019/20 does not exceed 6%.
- 2.6. The Provisional Settlement also confirmed the changes to New Homes Bonus (NHB) which were consulted on last year. The length of time that the bonus is paid will reduce from six years to five years in 2017/18; and to four years from 2018/19. A baseline threshold is also being introduced, higher than indicated in last year's consultation: authorities will need to achieve growth of greater than 0.4 per cent before they receive any NHB funding. The Government will not withhold payments in 2017/18 from local authorities that have not submitted their local plan, but will revisit this from 2018/19. It intends to withhold payments for residential development that has been allowed on appeal, from 2018/19. These changes have resulted in a loss of NHB of £1.251m in 2017/18.
- 2.7. Additionally, a new Adult Social Care (ASC) Support Grant has been announced for 2017/18, using savings from the reform of the NHB. HCC will receive £4.153m ASC Support Grant. Combined with the loss of NHB, there is a net inflow of £2.9m for the Council. NHB for districts within Hertfordshire has reduced by a total of £5.2m, giving a net outflow across the county of £2.3m.

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- 2.8. Education Services Grant (ESG) has reduced by £8.748m in 2017/18. The Government have confirmed that ESG will cease to be paid to local authorities from September 2017; and the rate per pupil for the period April to September 2017 will reduce from £77pp to £66pp. £2.798m of this reduction however is expected to transfer to DSG, to reflect the retained functions to be delivered by the authority. There is also some new funding available through the Schools Improvement Grant but the amount to be received, and the functions the Council will be required to deliver, have not yet been confirmed.
- 2.9. The final Local Government Finance Settlement 2017/18 will confirm the level of available funding from Central Government. Early estimates of Collection Fund balances and taxbase provided by district councils indicate some additional ongoing income. Final figures will be provided at the end of January.
- 2.10. The graph below shows a breakdown of how the authority's resources are funded. The gap between forecast expenditure and resource funding is widening over the period of this Integrated Plan.



### Business Rates

- 2.11. Business Rates income is received as a proportion of income collected by local District/Borough councils, plus a “top up” from central government to an assessed baseline level of need, which is fixed until the first reset that the Government intends will take place by 2020. Income increases each year by the nationally set rate, 2.0% for 2017/18 (based on September RPI).
- 2.12. Under the Business Rates Retention Scheme introduced in April 2013, authorities can benefit directly from supporting local business growth by allowing them to keep a proportion of any increases in business rates income. The County Council receives 10% of all such growth above baseline funding.

- 2.13. The first revaluation under the scheme has taken place, with effect from 1 April 2017, and rateable values (the value on which Business Rates is applied) have been updated for latest market conditions. The revaluation exercise is net neutral on total rates collected nationally; the Department for Communities & Local Government (DCLG) have therefore updated the Business Rates multiplier for 2017/18, and transitional arrangements for ratepayers will be in place following revaluation, funded through Section 31 grants.
- 2.14. Given changes to the property valuations within regions, to ensure no Local Authority is adversely affected by the revaluation exercise, DCLG also confirmed revised top-ups and tariffs for 2017/18. Estimates of business rates income in Hertfordshire will be confirmed at the end of January.
- 2.15. The Business Rates Retention Scheme also allows the formation of Business Rates Pools, which allow local authorities to combine to retain and share a higher proportion of growth in business rates income (currently non – pooled Districts pay a 50% levy to central government on the share of growth above baseline funding level). However, there is an element of risk, as the cost of any Safety Net payments, made where an authority's business rates income would otherwise fall by more than 7.5%, must be borne by the pool rather than being met by central Government.
- 2.16. Following a review of the options for membership of the business rates pool it is proposed to continue with the existing pool members: Broxbourne, Hertsmere and Welwyn Hatfield Borough Councils and North Herts and Three Rivers District Councils, subject to final estimates of pooling gains and any associated risks. A final decision on the continuation of the Pool will be taken with Districts in early January.

### **Non-ringfenced Grants**

- 2.17. Table 1 shows the non-ringfenced grants provisionally announced for 2017/18. These are subject to final confirmation.

### **Ringfenced Grants**

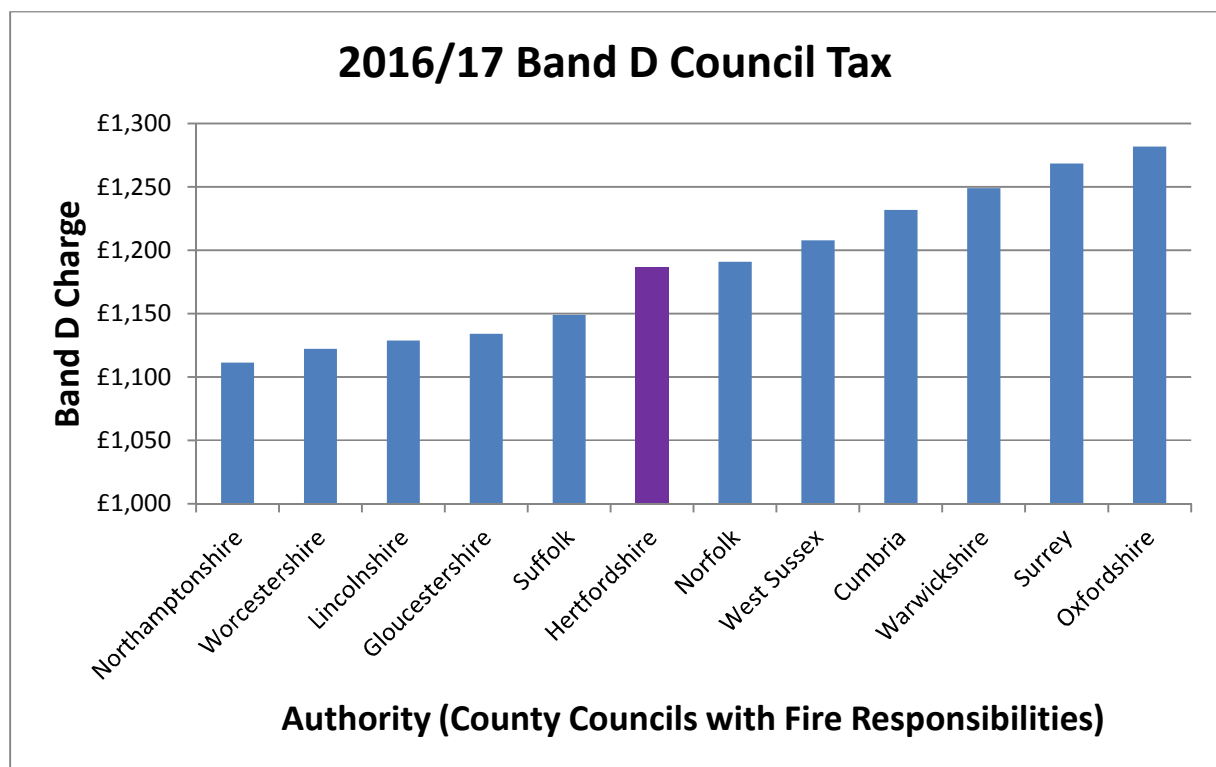
- 2.18. Ringfenced grant is received for Public Health responsibilities. There is a reduction in 2017/18 of £1.2m (2.5%) to the grant, rising to a reduction of £3.7m (7.5%) by 2019/20. From 2018/19, this funding will no longer be ringfenced.
- 2.19. Other grants received for the provision of specific services are shown as direct funding against the relevant service budget; significant grants are detailed in the funding statement at Table 2.
- 2.20. There are still a number of outstanding Government grant announcements, including some smaller non-ringfenced grants. Capital grants to be confirmed include the new highways maintenance and infrastructure funds announced in the Autumn Statement.

### **Council Tax and Social Care Precept**

- 2.21. The figures in this report assume a council tax increase of 1.99% in 2017/18 and future years. This reflects the increasing pressures and funding reductions outlined later in this document, and the projected medium term financial position.

- 2.22. The Chancellor introduced in 2016/17 a new power for local authorities to raise a precept of up to 2% of council tax, specifically to fund social care pressures. For 2017/18, additional flexibility of a further 1% precept per annum is granted as outlined in 2.5. Despite this the total allowable precept increase over the remaining years of the Spending Review remains the same and there is no additional funding by 2020 – although the frontloading will be helpful in meeting immediate pressures. Nationally, the precept will raise different amounts of money for social care in different parts of the country unrelated to need, and will add an extra financial burden to council tax payers. The figures in this report have been produced assuming the council raises the precept by 3% in 2017/18 and 2018/19 and 0% in 2019/20.
- 2.23. The average council tax increase in 2016/17 was 3.1% for England and 3.81% for county councils with fire responsibilities.
- 2.24. The Band D Council Tax for Hertfordshire County Council in 2016/17 was £1,186.62 which compares with a county council with fire responsibilities average of £1,188.46, ranging from £ 1,111.25 (Northamptonshire) to £ 1,281.64 (Oxfordshire). See graph below.

Comparative Data, 2016/17 Band D Council Tax



- 2.25. The final council taxbase and collection fund balance estimates for both Council Tax and Business Rates will be provided by district/borough councils and notified to the County Council by end of January 2017. Both reflect changes in the tax bases for Council Tax and Business Rates, together with the collectability of income, impact of reliefs and business rates appeals (which may have a significant backdated element). Early forecasts indicate a higher than projected surplus on the Council Tax Collection Fund at end 2016/17, as well as tax base increases from housing growth and revised assumptions for Council Tax Support. Together these are expected to give at least an additional ongoing £3m per year.

2.26. For the Business Rates Collection Fund, a deficit of £1.5m is assumed, in recognition of the continued risk from appeals and collection rates.

**Table 1: Summary Budget Movement Statement**

<b>2016/17</b> <b>£m</b>		<b>2017/18</b> <b>£m</b>	<b>2018/19</b> <b>£m</b>	<b>2019/20</b> <b>£m</b>
<b>828.732</b>	<b>Original Budget</b>	<b>822.182</b>	<b>822.182</b>	<b>822.182</b>
(5.660)	Technical Adjustments	(4.219)	(5.803)	(7.050)
8.933	Inflation	4.834	19.734	34.634
<b>832.005</b>	<b>Base Budget</b>	<b>822.797</b>	<b>836.113</b>	<b>849.766</b>
	<b>Pressures for change:</b>			
0.025	Previous Policy Decisions	(0.250)	(0.200)	(0.250)
10.079	Demography	19.454	25.003	34.654
8.681	Legislative	6.029	10.730	15.313
0.342	Capital Financing	-	1.859	3.563
3.602	Other	2.816	8.349	10.201
<b>22.729</b>	<b>Total Pressures for Change</b>	<b>28.049</b>	<b>45.741</b>	<b>63.481</b>
<b>854.734</b>	<b>Subtotal</b>	<b>850.846</b>	<b>881.854</b>	<b>913.247</b>
	<b>Savings:</b>			
(16.263)	Existing efficiencies - ongoing impact	(12.863)	(17.162)	(20.075)
(0.281)	Existing Policy Choice - ongoing impact	(5.039)	(5.084)	(5.084)
(13.478)	New efficiencies	(22.663)	(27.996)	(28.500)
(2.530)	New Policy Choice	(0.435)	(1.004)	(1.548)
-	Further savings required (to close gap)	-	(23.752)	(44.779)
	<b>Total Efficiency / Business</b>			
(32.552)	<b>Transformation Savings</b>	(41.000)	(74.998)	(99.986)
<b>822.182</b>	<b>REVENUE BUDGET (excluding funding specifically allocated to service area)</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>
(0.385)	Use of Reserves	-	-	-
<b>821.797</b>	<b>Resultant Budget</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>



**Table 2: Funding Statement**

2016/17 £m		2017/18 £m	2018/19 £m	2019/20 £m
49.847	Business Rates Income	46.327	47.818	49.519
64.231	Business Rates Top-Up Grant	69.531	71.768	74.320
79.992	Revenue Support Grant	44.535	22.599	1.890
<u>194.069</u>		<u>160.393</u>	<u>142.185</u>	<u>125.730</u>
	<u>Non-ringfenced Grants:</u>			
	Compensation for impact of changes to			
2.552	Business Rates (S31 grant)	2.552	2.552	2.552
12.009	Education Services Grant (ESG)	3.261	-	-
6.635	New Homes Bonus	5.648	4.100	3.934
0.263	New Homes Bonus Adjustment	-	-	-
0.746	SEN Reform	-	-	-
2.141	Independent Living Fund	2.070	2.005	1.944
7.760	Transition Grant	7.849	-	-
-	Adult Social Care Support Grant	4.153	-	-
1.100	Other non-ringfenced grants*	1.085	1.000	1.006
<u>33.207</u>		<u>26.619</u>	<u>9.658</u>	<u>9.436</u>
	<u>Ringfenced Grants:</u>			
34.504	Public Health Grant	33.659	32.784	31.932
15.543	Public Health - Health visitors	15.154	14.760	14.376
2.605	Adult Skills and Community Learning grant*	2.605	2.605	2.605
1.111	Local Authority Bus Subsidy Grant (formally Bus Service Operators Grant)*	1.111	-	-
1.122	Unaccompanied Asylum Seeking Children Grant (UASC)	1.122	1.122	1.122
1.837	Troubled Families Grant	2.467	2.217	2.267
1.258	Music Education Grant*	1.258	1.258	1.258
0.815	Youth Justice Good Practice Grant	0.815	0.815	0.815
<u>58.795</u>		<u>58.191</u>	<u>55.561</u>	<u>54.375</u>
	<u>Other Income:</u>			
18.949	NHS funding - Better Care Fund	18.949	23.676	31.858
499.136	Council Tax	516.097	530.578	545.466
	Council Tax relating to 2% Social Care			
9.787	Precept	25.597	42.698	43.896
9.907	Collection Fund Balance - Council Tax	5.500	4.000	4.000
(2.053)	Collection Fund Balance - Business Rates	(1.500)	(1.500)	(1.500)
<u>535.727</u>		<u>564.643</u>	<u>599.452</u>	<u>623.720</u>
<b>821.797</b>	<b>TOTAL</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>

\*funding still to be confirmed

## Key Revenue Budget Movements

- 2.27. The original budget of £821.797m has reduced by a net £12.336m in 2017/18 and £8.921m by 2019/20.

### *Inflation*

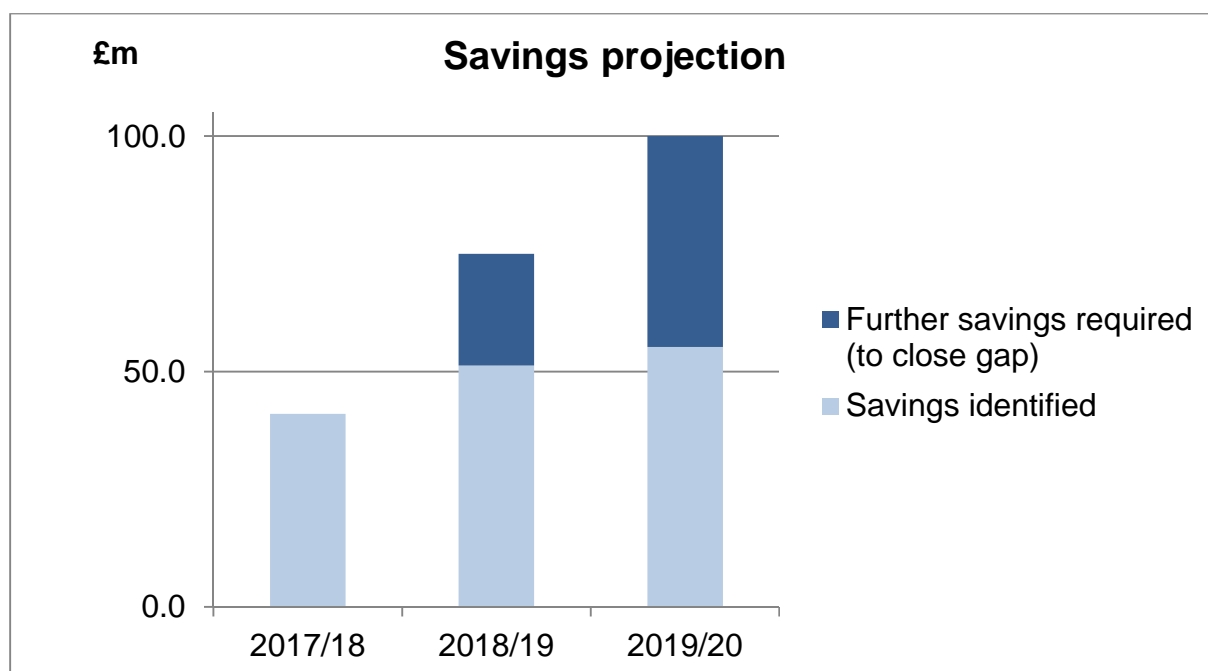
- 2.28. It is estimated that inflation for 2017/18 will cost £4.834m, rising to £34.634m by 2019/20. Within this, a rate of 1.0% has been assumed for pay awards in 2017/18 and subsequent years, with standard non-pay expenditure inflation frozen again for 2017/18 (2.0% thereafter).
- 2.29. Specific inflation rates for 2017/18 have been applied where more relevant inflation factors are available, either countywide or relating to specific service costs. Calculations include a review of rates assumed in the previous year's IP, compared with actual price changes over the period and any overprovision is adjusted.
- 2.30. All fees and charges are subject to an annual pricing review to ensure that full cost recovery is made and that any exceptions are identified in accordance with the Hertfordshire Charging Policy agreed by Cabinet in July 2010. Exceptions to the standard rate are shown in Table 7 in Part G – Other Technical Information.

### *Pressures*

- 2.31. The cost of pressures (demography, legislative changes and other) reflects the additional expenditure required to continue to deliver the same level of service on the same basis as the previous year and to meet new responsibilities. Pressures for change have been estimated at £28.049m in 2017/18 rising to £63.481m by 2019/20.

### *Savings*

- 2.32. A number of proposals for service change have been taken to Cabinet Panels throughout the year, for member decisions. At the same time, new efficiency savings have been identified. If the savings are not achieved the Council would need to identify alternative savings, or draw on contingency.
- 2.33. As a result of this work, departments have identified £41.000m savings in 2017/18. For future years, additional savings will be required, rising to £99.986m by 2019/20, of which £44.779m is yet to be identified, as shown in the following graph.



#### *Other movements*

- 2.34. For further details of movements within a portfolio please refer to the key budget movements in the relevant Part B, Strategic Direction and Financial Consequences.
- 2.35. For summary technical adjustments, inflation, pressures and savings tables please also refer to the 'Part G: Other Technical Information' document that forms part of this Integrated Plan.

### **3. Risk Management, Uncertainties, Contingency and Sensitivity Analysis**

#### *Risk Management*

- 3.1. Service departments have reviewed the risks attached to delivering the 2017/18 budget and reflected any significant risks in the Corporate Risk Register. The Corporate Risk Register is reported regularly to the Resources and Performance Cabinet Panel as part of the Quarterly Performance monitor.
- 3.2. The Audit Committee has delegated functions, in relation to risk management, to advise the Executive on relevant audit matters including the risk management system and risk related issues. This function has been exercised through the submission of regular reports concerning the operation and effectiveness of the Corporate Risk Process and updates on other risk management activity. To strengthen the Committee's effectiveness in this oversight role, the Committee also considers, at each meeting, a report that focuses on a risk or risks from the Corporate Risk Register based on a particular theme.

## *Uncertainties*

- 3.3. A number of uncertainties exist over the medium term which could potentially increase or decrease costs, including:
- risk of not achieving delivery of savings, examples include:
    - care purchasing and client income due to the requirement to meet statutory care needs and the fragility of the independent care market
    - mental health savings dependent on collaboration with Hertfordshire Partnership Foundation Trust
    - CCG contribution
    - early years transfer to DSG, subject to Schools Forum approval;
  - demand led budgets:
    - impact of increases in the number of Unaccompanied Asylum Seeker Children (UASC)
    - impact of economic activity and housing growth on recycling and waste volumes;
  - highways maintenance: risk of road repairs due to severe winter weather and potential exceptional maintenance e.g, A10 Viaduct fencing;
  - potential income from business rates growth; success of the Local Enterprise Partnership; impact of business rate appeals following revaluation and changes to the appeals system; outcomes of proposed Business Rates Pooling arrangements;
  - the Collection Fund balance and council tax base for future years, as well as council tax support schemes and wider council tax reforms;
  - outstanding grant announcements;
  - inflation: non-pay inflation including exceptional inflation, an example being the potential for higher than expected increases in energy costs;
  - interest rates, impacting on borrowing costs and investment income; and
  - ability to sell assets and secure capital receipts.
- 3.4. There remain particular uncertainties on some funding from the Clinical Commissioning Groups within Hertfordshire, who since 2015/16 have been contributing to the protection of social care services that reduce demand on health services. East and North Herts CCG have confirmed their contribution of £8.5m for 2017/18, albeit £1m of this is subject to confirmation with regards to treatment in respect of the Better Care Fund. Discussions with Herts Valleys CCG are ongoing. If there is a full or partial shortfall against this planned £8.5m contribution from Herts Valley CCG, we would need to consider the potential to deliver further savings through policy and service changes in Adult Care services and/or the use of one-off HCC reserves to meet any shortfall in funding. This decision may need to be taken after the agreement of the budget in February 2017. Given its significance, it is anticipated that this would be subject to further Cabinet process.

## *Contingency*

- 3.5. The figures included in this report provide for a general contingency of £4.0m in 2017/18. Consideration has also been given to uncertainties when establishing the level of contingency. This level of contingency has been taken into account when assessing the robustness of estimates and adequacy of reserves.

## Sensitivity Analysis

- 3.6. The Council's budget is constructed using best estimates for both the levels and timing of spending, cashable savings and resources. Table 3 below gives an indication of the sensitivity of the overall budget to movements in the assumptions underpinning our budgets.

**Table 3: Impact of changes in our assumptions**

	Cash Impact £'000	Impact on council tax % *
<b>Variable Change</b>		
1 (person change in) Asylum seeking minor (with All Rights of Appeal Exhausted) seeking to attend University	25	0.00
1% change in numbers of Children Looked After (10) per year	517	0.10
10% increase in Unaccompanied Asylum Seekers (9 per year)	198	0.04
1% change in older people client numbers (25) in residential/nursing care per year	490	0.09
1% change in older people home care hours (18,848) per year	324	0.06
1% change in physical disability client numbers (1) in residential /nursing care per year	76	0.01
1% change in learning disability client numbers (9) in residential/nursing care per year	629	0.12
1% change in learning disability client numbers (9) in supported living per year	344	0.07
1% increase in waste management spending	450	0.09
10 extra precautionary salting service outings for bad weather	306	0.06
10% change in emergency repairs needed on the highway (category 1)	550	0.11
1% increase in operational fire and rescue response activities	230	0.04
1% change in pay inflation	2,247	0.44
1% change in standard/income price inflation	6,326	1.23
+1% change in interest rates	205	0.04
-1% change in interest rates	117	0.02
1% change in Business Rates Retention Scheme	508	0.10
1% change in other non-ringfenced grants	232	0.04
£1 million change in collection fund balance	1,000	0.19
1% change in Council Tax	5,161	1.00

\* This is shown only to quantify the theoretical impact in the context of council tax. It does not presume that if there were any such movement that it would be passed on through increased council tax.

## 4. Reserves

- 4.1. In accordance with the Local Government Act 2003, the Chief Financial Officer must undertake a review of the robustness of the budget estimates and the adequacy of reserves.

## **(A) Robustness of Estimates**

- 4.2. The Council's process for producing budget estimates involves senior managers and finance professionals in evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments, efficiency savings and service changes. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates, and projected levels and timing of income and potential liabilities.
- 4.3. Estimates are reviewed by Cabinet Panels and by Overview & Scrutiny Committee, before the recommendation of the final budget by Cabinet for Council determination.
- 4.4. The Council's Financial Regulations require Chief Officers to ensure that net expenditure does not exceed the total of their service's approved budgets, i.e. budgets are cash limited; and this system of budgetary control has been in place for a number of years.

## **(B) Adequacy of Reserves**

- 4.5. The Council retains several named reserves to respond to specific issues. These are projected to be £116.044m as at 31 March 2017 and £110.332m as at 31 March 2018. These specific reserves are described in Table 10 in Part G of the Integrated Plan, together with estimated opening and closing balances. These reserves are reviewed regularly (at least annually) as part of the Integrated Planning Process. The largest specific reserve (£58.423m at the end of 2016/17) is the accumulated schools balances.
- 4.6. In assessing the adequacy of the Council's reserves, the robustness of the estimates, the identified risks and uncertainties and the level of the general contingency all need to be considered. The General Fund balance needs to provide cover for such areas as uninsured losses, litigation, business continuity failures, civil emergencies, failure of information systems, budgetary control failures, and economic risks.
- 4.7. The General Fund balance as at 1 April 2016 was £32.112m and the budget proposals for 2017/18 assume no further addition to, or use of, the General Fund. Last year a General Fund balance of 4.0% of the Net Revenue Budget was seen as adequate: for 2017/18, this would equate to £31.261m.

## **5. Capital Programme 2017/18 – 2019/20**

- 5.1. A Capital Programme for 2016/17 to 2019/20 totalling £524.552m was approved by County Council in February 2016. This included £162.257m of capital expenditure in 2016/17.
- 5.2. All schemes in this programme have now been reviewed to confirm that the budget is still required for its original purpose and adjustments made for changes in external funding and cashflow profiles. The proposed 2017/18 – 2019/20 Capital Programme (table 4a) includes £16.296m re-programming to 2017/18 and future years identified in the 2016/17 quarter 2 Finance Monitor. Officers have reviewed Capital budgets for ongoing annual programmes. New and revised bids are presented in the portfolio reports.

## Funding of the Capital Programme

- 5.3. The programme assumes the use of £94.966m of grant funding in 2017/18 and a total of £229.740m across all years to 2019/20. This consists of unspent grant balances from previous years, known future grant allocations and, in some instances, estimated future grant allocations based on previous years. Any shortfall in grant allocations will need to be financed through borrowing or a reduction in expenditure: the proposed programme includes some projects that would previously have been funded from Adult Social Care Capital grant (£2.3m in 2015/16) that is now discontinued. Significant grant allocations still to be confirmed for 2017/18 include potential additional funding for Highways following the Autumn Statement.
- 5.4. The Council is currently expecting to have no Capital Receipts unspent at end 2016/17, and is forecasting £15m of receipts in 2017/18 and £4m in 2018/19, based on sites currently identified for disposal. This is lower than previous years, because a number of sites are being held for potential development to deliver a revenue stream and/or enhanced receipt in future years. Of the receipts available, it is proposed that £3m be used to top up the Spend to Achieve Capital Receipts reserve in 2017/18. The proposed Capital Programme assumes utilising £10m of capital receipts per annum to fund the general capital programme. To the extent that receipts are not available, it is proposed to use reserves set aside for capital financing and investment.
- 5.5. The Capital Programme requires new borrowing in 2017/18- 2019/20 of £75.448m in 2017/18, £71.463m in 2018/19 and £61.216m in 2019/20. The 2017/18 borrowing has increased from the £52.304m in the IP approved in February 2016 due to re-profiling of cashflows on projects and the addition of new schemes. Any increase in borrowing places additional revenue pressures on the Council in terms of interest on borrowing and the statutory requirement to put funds aside to repay the borrowing. Every £1m of capital expenditure funded by borrowing equates to a revenue pressure of approximately £0.075m per annum.
- 5.6. The Capital Programme for 2017/18 to 2019/20 expenditure is summarised by portfolio in table 4a below. This includes new bids and re-programming.

**Table 4a: Capital Programme Expenditure 2017/18 to 2019/20 by Portfolio**

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
Adult Care & Health	17.410	20.028	30.544	67.982
Children's Services	20.839	19.181	18.801	58.821
Community Safety & Waste Management	4.358	7.648	1.698	13.704
Enterprise, Education & Skills	53.177	39.378	37.315	129.870
Environment, Planning & Transport	39.119	23.350	11.450	73.919
Highways	67.367	98.537	71.279	237.183
Public Health, Localism & Libraries	2.304	2.719	1.896	6.919
Resources & Performance	14.713	4.701	4.132	23.546
<b>Total</b>	<b>219.287</b>	<b>215.542</b>	<b>177.115</b>	<b>611.944</b>

- 5.7. The total Capital Programme 2017/18 to 2019/20 is £611.944million and for 2017/18 is £219.287million. A detailed breakdown of the Capital Schemes and their funding sources can be found in each Portfolio's Part B Future Service Direction document.
- 5.8. The financing of the Capital Programme 2017/18 to 2019/20 is shown in table 4b below:

**Table 4b: Financing of the Capital Programme 2017/18 to 2019/20**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	75.448	71.463	61.216	208.127
Capital Receipts / Reserves	10.000	10.000	10.000	30.000
Grant	94.966	74.219	60.555	229.740
Contributions	36.037	58.860	43.594	138.491
Reserves	2.836	1.000	1.750	5.586
<b>Total</b>	<b>219.287</b>	<b>215.542</b>	<b>177.115</b>	<b>611.944</b>



# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Adult Care & Health Portfolio**

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# Adult Care & Health Portfolio

**Strategic Direction:** Services for adults who need care and support promoting independence, personalisation and choice

## Scope - key services provided

Care and support services for :

- Older People
- Adults with Learning Disabilities
- Adults living with Mental Health problems
- Adults with Physical Disabilities
- Family Carers
- Strategic oversight and development of provider market
- Safeguarding services for vulnerable adults
- Working with NHS to deliver integrated services

## Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£312.4m	£322.8m	£326.1m

## Summary of key priorities and programmes

- Transforming operational teams to further embed Care Act
- Returning to budget balance and delivering efficiencies
- Developing accommodation strategies for all user groups in partnership with key stakeholders
- Transforming Care Programme for people moving out of long-stay hospitals
- Progressing health integration initiatives
- Creating new 0-25 Service to support transition to adult care
- Establishing combined Disability Service for people with learning disabilities and people with physical disabilities
- Creating a combined money advice and work solutions service
- Developing a new Telecare strategy
- Setting up a Home Improvement Agency shared service with district councils

## Summary of key savings proposals

- Demand management, and community based and technological alternatives
- Improving value for money in care purchasing including from the voluntary sector
- Service redesign – day services, accommodation strategies
- Improving productivity and streamlining back office functions
- Joint working with NHS

## Key risks in achieving IP proposals

- Population pressures and fragility of care market
- Achieving financial balance in context of previous year overspend and new efficiency targets
- Ensuring adequate resource to deliver major proposals
- Maintaining financial contribution from NHS

## Capital Programme

	17/18	18/19	19/20
Capital Programme	£17.4m	£20.0m	£30.5m

## Key capital schemes:

- Care Home re-provision
- Capital works in establishments
- Vehicle replacement
- Disabled Facilities

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## Health and Community Services Portfolio: Future Strategic Direction

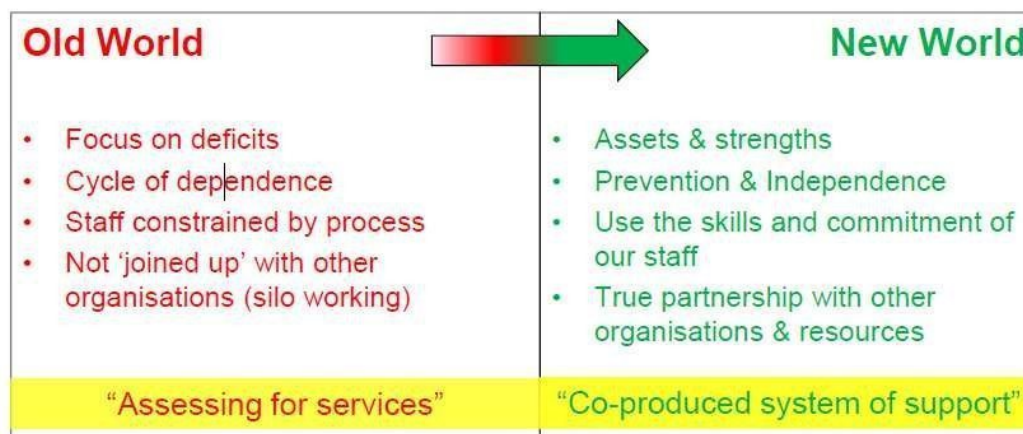
### 1. What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

Adult social care is one of the core responsibilities of local authorities and is by far the Council's single biggest area of net spend. It is also one of our most noble duties, ensuring that those who are in need of care and support can receive it or be supported to live independently and within their own homes and families. Getting it right therefore matters.

In Hertfordshire, as across the East of England, adult social care faces considerable challenges arising from:

- demographic pressures from rising population (D08-D11)
- the changing expectations and needs of people who rely on care and support
- rising care costs (L04)
- the fragility of the care market leading to supply side shortages, recruitment difficulties, and risk of supplier failure which create difficult market conditions
- the duties arising from the 2014 Care Act, which represents a fundamental shift in social care provision and less predictable demand

### The Care Act challenge - a 'fundamental shift' ...



The **Hertfordshire Health and Community Services Three Year Plan** guides Hertfordshire's response to the challenging environment and our continued work on the Care Act 2014; and provides the strategic direction and priorities for the Health and Community Services (HCS) Department:

- To inform, advise and advocate for people and their family carers
- To develop community based services – to help communities support each other
- To enable people for the future – keeping people independent and safe
- To personalise people's care choices and support services
- To commission quality services and safeguard adults when they are vulnerable.

We are working closely with partners as far as we are able to deliver these priorities, and this has been particularly seen in relation to work with and support NHS partners as they develop Sustainability and Transformation Plans. Hertfordshire's Health and Wellbeing Board is leading our ambition to integrate services with the NHS so that social care and health professionals work together to provide the best service for individuals. Services for people with learning disabilities or mental health conditions are already integrated, and integrated services for older people and younger people with complex needs are in development.

**Example**

'HomeFirst' and 'Rapid Response' initiatives in Hertfordshire mean that social care and health professionals work together to deliver access to rapid support within 60 minutes. This helps older and vulnerable people to remain at home rather than going into hospital or residential and nursing care.

A fundamental component of the Care Act is the 'suitability of accommodation' in meeting the care and support needs of older and vulnerable people. The Act sets an ambition for housing to support a more integrated approach. Partnership working with our local strategic housing authorities has therefore been a developing theme for us, and one which is set to grow in importance in the year ahead. We want to make sure that we influence and promote the development of good quality housing for local people with social care needs in Hertfordshire.

A large number of service providers deliver social care, and we work closely with the Hertfordshire Care Providers Association (HCPA), the provider umbrella organisation. Our work to sustain the market includes:

- High profile marketing initiatives to promote the importance, value and job satisfaction of working in the care professions
- Carefully targeting our financial resources to support the labour market, for example in supporting sustaining rates of pay so that the 'Hertfordshire Care Wage' remains competitive compared to other parts of the labour market (L04)
- Ensuring the high quality of service and monitoring performance against the Hertfordshire Care Quality Standard
- Strategies for mitigating cost pressures in the market, such as jointly commissioning with the NHS, procurement strategies, and use of technological solutions such as telecare (HCS04).

Family members and friends who act as unpaid carers are a critically important part of the care system in Hertfordshire. We will continue to prioritise support for carers so that they can continue to make their invaluable contribution. This involves:

- Information and advice
- Providing breaks for carers
- Financial and employment advice and support
- Peer support and support groups with other carers.

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During 2016 a new Co-Production Board has been established to provide a forum for early strategic discussions with people who use services – working with them on reshaping care and support within the cash envelope available and taking their view on departmental priorities and projects.

The Department has seen significant cost pressures in the 2016/17 year and it will be a priority to ensure a return to financial balance in the year ahead.

It will be a priority for the Department to begin a strategic planning exercise that will coincide with the refreshing of the HCC Corporate Plan and the review of HCS’s own Three Year Plan. This will be an important opportunity to work with all our stakeholders to consider the long term vision for social care in Hertfordshire.

## 2. What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?

The implementation of the **Care Act in 2015** changed national eligibility criteria, gave local authorities new duties and gave more entitlements to family carers to help them maintain their caring role. 2015/16 was the first full year of the new legislation and demand for a greater level of services is evident for carers and for people with learning disabilities, autism and Asperger’s where new eligibility criteria can be interpreted as being wider.

**Population expansion means demand for support continues to grow** as shown in the table below. Through to 2030 Hertfordshire is expected to see a 49 per cent growth in the population over 65, well above the UK average rate of 35.6 per cent. Substantial growth in the over 85 population is also anticipated. (D08-D11)

**Table of population growth forecasts**

	Older People 65+	Older People 85+	Adults with Learning Disabilities	Adults with Physical Disabilities
Current population (2015)	194,300	28,500	21,100	71,000
% Rise in population since 2010	13.1%	15.9%	4.5%	3.3%
Forecast population by 2020	225,500	46,700	22,100	75,200
Forecast population by 2030	290,900	67,700	24,200	79,100
Percentage increase 2015-2030	49.72%	57.9%	14.69%	11.40%

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In addition, people who rely on care and support **have changing expectations and needs**:

- Younger people with disabilities are living longer with more complex health and care needs. They may have increasingly challenging behaviour. They want to have fulfilling things to do in the daytime and feel safe to be part of their community. They want their services to be personalised to their specific care and support needs. They want to see an effective transition of their support and services when they become adults.
- People with mental health problems say they want to participate in high quality recovery programmes and have the stigma associated with mental ill-health be eliminated.
- The average age of older people who need support gets higher every year, with more people being frail with multiple long-term health conditions like heart disease and diabetes – but with a desire to stay at home and be as independent as they can.

**Changes to the benefits system** including disability benefits, and housing policy changes have also impacted some lower income households and we have seen an increase in demand for financial advice and for additional care services to keep people independent at home that might previously have been met informally within families.

Strategies to deal with the impact of rising volumes and greater complexity of requirements involve:

- Ensuring social care services are offered only where there appropriate levels of need which cannot be met by an individual's own personal care and support network, such as a family carer or local community groups (HCS01; HCS02; HCS12; HCS13)
- Supporting unpaid carers to sustain their caring responsibilities
- Fostering approaches such as Specialist Care at Home which promote independence and rehabilitation, rather than dependence on formal care (HCS03)
- Facilitating and enabling people who want to be responsible for arranging for themselves how they will meet their care and support needs which can make for more cost-effective solutions
- Working with NHS partners on new ways to support growing need and complexity
- Designing improved ways of supporting young people in making a planned transition to adult services via the council's new 0-25 Service
- Using telecare and consolidating provision of alarm technology to ensure people have the confidence to remain independent in their own homes and help reduce pressure for more costly forms of care (HCS04; HCS09)
- Developing our work solutions service to create stronger linkages across support for people seeking to return to employment and adult learning services. (HCS20)

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- Maximising the efficiency of our workforce by improving our technology to facilitate mobile working thereby freeing productivity and capacity to meet rising demand. (HCS23)

There are strong indications of the **care market across the East of England becoming strained** in terms of its sustainability. Factors influencing this include:

- High employment, an ageing care workforce, coupled with high vacancy and turnover rates and greater competition with other sectors to fill vacancies. Recent survey work with a number of lead providers indicates ongoing challenges in relation to turnover and recruitment.
- Pressure to increase the rates we pay for care, as workforce pressures in particular lead to higher care costs. This is particularly acute when emergency action needs to be taken to guarantee ongoing support when providers fail, or in securing placements to facilitate prompt discharge from hospital.
- Closer working with the NHS and the drive to provide the most appropriate care at the lowest cost has indirectly led to cost pressures for social care. For example, closer working on hospital discharge means older people are discharged earlier than before from acute care and require larger care packages or short-term bed-based services to enable them to return home. The average size of a homecare package in the East of England has increased from 7.5 hours per week to 11 hours over the last 2 years. Success in new enablement schemes has mitigated this to an extent.
- An increasing shortage of home care services, which is a significant and ongoing concern. On a typical day in Hertfordshire, there are around 200 people on the 'pending list' waiting for long-term homecare services. Work on homecare capacity undertaken earlier this year identified a shortfall of 6,100 hours in mainstream homecare (3.6% of mainstream homecare hours required) for the month of April, demonstrating the lack of availability in the market.
- The impact of self-funders who pay significantly more for residential and nursing care fees than local authorities; this makes some providers reluctant to take local authority-funded placements at lower rates.

Market pressures can make it difficult for providers to sustain the quality of care they give, and the council has had to take action to respond to cases of provider failure during the year. Further, people say that they want to see the same staff delivering their care to build up a relationship with them and not have to repeat their needs. This is a basic expectation which, when not met, translates to higher complaints from people and pressure on care providers.

The Care Act 2014 requires local authorities to ensure there is a **sustainable and diverse market** for care and support, and to this end we are:

- Working actively to promote and develop the care workforce. Our Good Care campaign saw the Executive and Deputy Portfolio Member helping to showcase

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the crucial role of care professionals across high profile local media channels, with a view to raising the profile of careers in the sector

- Maintaining wage rates in the care sector following the introduction of the National Living Wage (L04)
- Taking over the collection of service user contributions for residential and nursing care, reducing bureaucracy and helping provider cash flow
- Championing the Herts Care Standard to promote the vital importance of good quality care and carrying out monitoring of care providers to spot and work to resolve problems before services fall into serious concerns procedures
- Working with HCPA to support providers to succeed, grow and be sustainable
- Continually reviewing our market strategies and making these widely available through our 'Market Position Statements' which show how we wish to see the market develop
- Closely monitoring and challenging rates paid to providers to avoid price escalation
- Looking at innovative ways for the council to respond to the risk of provider failure
- Working increasingly with NHS partners to commission and procure care services in a joined up way, using our combined leverage to influence the market.

### 3. What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?

The Department has a range of programmes and projects through which to meet key objectives and deal with key pressures. Key projects to 'run the business' include:

- Reviewing our entire social work approach and practice to ensure we work in ways that **support independence and rehabilitation, building networks in the community** as an alternative to formal care (HCS01; HCS02; HCS12; HCS13). This ensures a personalised care planning approach for each person, maximising their independence at each stage and making connections for people in their local community.
- Continued work to transform our **day service opportunities** across our whole range of provision to make these more modern and flexible for people of all ages. These will include more opportunities for people to access mainstream leisure and community services, and the development of our day services to meet a wide range of needs and make better use of our buildings. Demand for something new is coming particularly from young people with disabilities who are transitioning to adulthood and want to work, volunteer or have very personalised services to meet their needs. (HCS16)
- Further work on our **accommodation programme for people with learning disabilities**. This involves a shift from residential care homes into modern

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supported living services where people are tenants rather than residents and the service has an emphasis on improving people's health, employment or volunteering opportunities and integration into their local community. (HCS12)

- Continuing our involvement in the national '**Transforming Care**' programme to move people with very high care needs out of long-stay independent hospitals into a personalised care package of support the community. (OP12)
- Developing relations with housing providers and district councils as strategic housing authorities to ensure that the future **accommodation needs** of all service user groups are fully understood and programmes to meet these are developed; particular areas of focus include our future approach to Flexi Care provision, accommodation for people recovering from mental ill health and our capital programme for care homes.

Key projects to 'change the business' include:

- Working with Children's Services on the implementation of 'SEND' reforms (Special Educational Needs and Disabilities) and the creation of the **single 0-25 Together Service**. This will help in managing demand for future services and supporting young people who are making the transition to adulthood and their parents.
- Creating a new **lifelong disability service** which will bring together teams that support people with physical disabilities and people with learning disabilities – all working to a long-term care management practice model that helps people develop their skills, maximise their independence and design a personalised care and support package for their life.
- Developing new approaches to services service to promote access to training and employment and promote financial independence. (HCS20)
- Key projects / programmes that will contribute to supporting HCC's cross-cutting Transformation programmes include:
- Development of a new strategy for **telecare and other assistive technology** to ensure an appropriate range of preventative services which allow people to remain independent in their own home, as part of the council's work on prevention. (HCS04; HCS09)
- Our **Enabling the Worker Programme** which is facilitating staff to work in a more mobile way, and will contribute to corporate targets to reduce the council's accommodation footprint. (HCS23)

Key collaborations include:

- Working with district council partners to create a **shared Home Improvement Agency** to deliver Disabled Facilities Grant services. The new service will aim to provide adaptations services which enable individuals to remain in their own home and prevent hospital admission

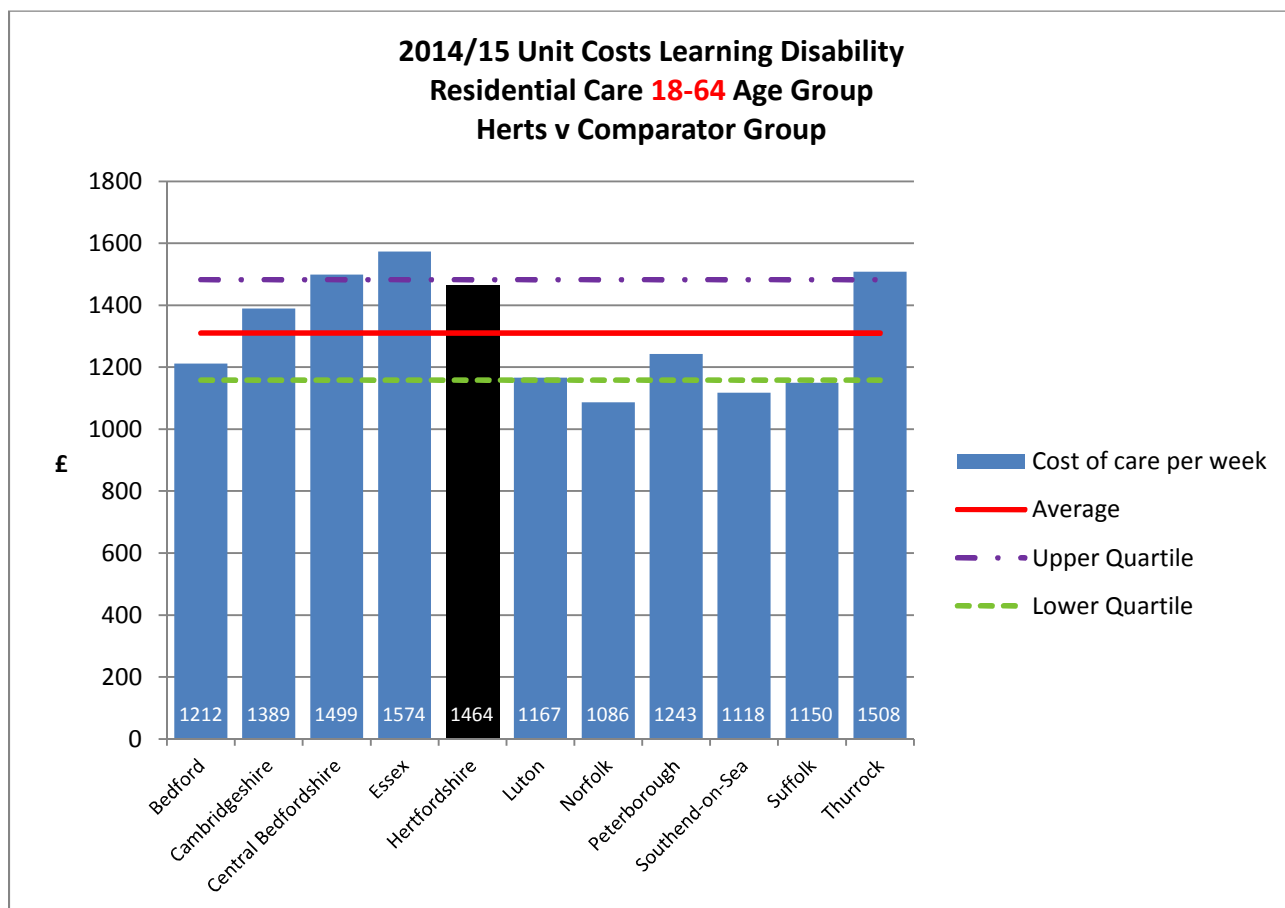
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- Continuing work on our comprehensive **health integration programmes** with the aim of blurring the lines between traditional adult social care and community nursing boundaries, with the available NHS and council resources being used more effectively to meet people's needs and not duplicate provision.

#### 4. How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?

The Department is able to compare performance with other authorities both in the East of England and nationally. In terms of benchmarking financial performance, expenditure and unit cost information on all authorities providing adult social care is available from the Health and Social Care Information Centre (HSCIC). In 2014/15 the basis for collecting cost information was changed and so figures are not comparable with previous years. Because of the change in approach there are data quality issues with the home care figures which make it difficult to compare across authorities.

However, the data on 2014/15 for residential and nursing accommodation for Learning Disabilities (£55.3m gross expenditure in 2014/15) shows Learning Disability unit costs running above the East of England average as demonstrated below.



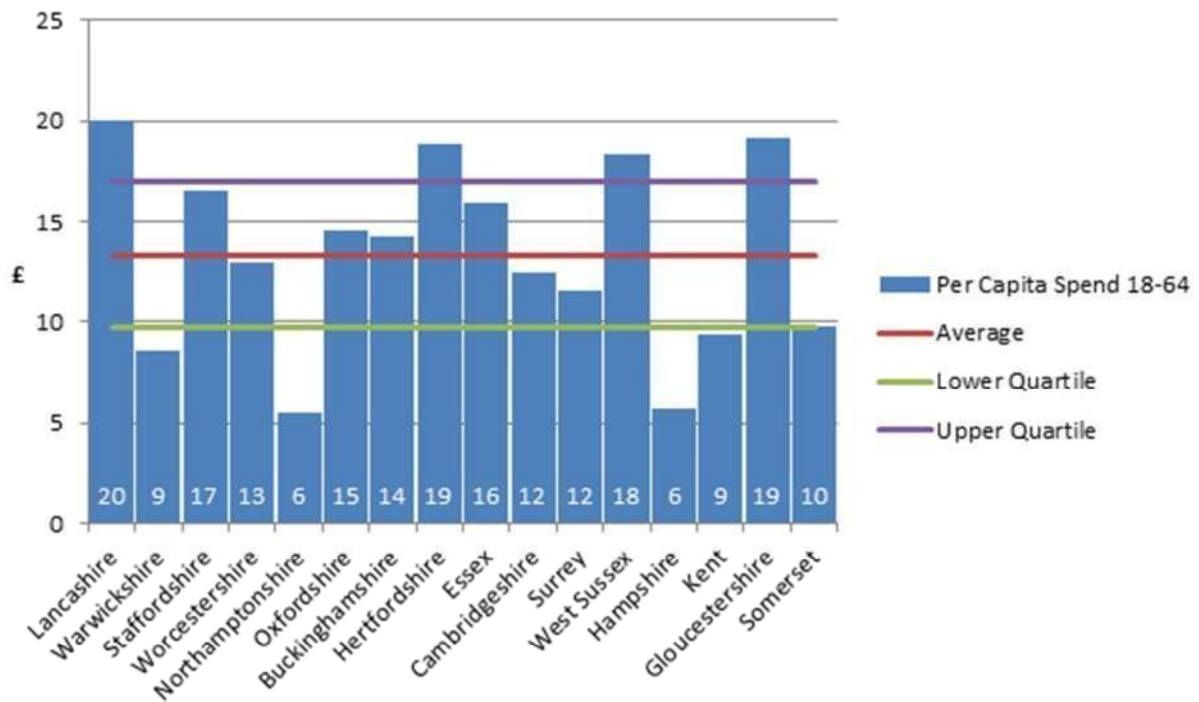
In response, a comprehensive Learning Disability Efficiency Programme is being developed which will ensure a systematic approach across all areas necessary to control LD spend, which comprise:

- Developing an in-depth knowledge of the people who are receiving help from them and an understanding of the costs being paid to meet those needs;
- Having clear aspirations to maximise the independence of all those who need services, and embedding this within practice
- Focussing on very personalised outcomes that each individual wants to achieve and looking at community options, their own circle of support and personalised care (including direct payments) to enable them to achieve this as independently as possible.
- Ensuring close working between Departments in relation to children transitioning into adult social care services
- Good partnership working with the NHS to ensure those with challenging behaviours are having their needs met
- Developing the workforce and appropriate skills sets in supported living
- A clear housing strategy to support those whose needs will best be met within supported living
- A clear strategy for the support of people with more complex needs
- A clear strategy for the role of day care
- Joined up working between all relevant parties.

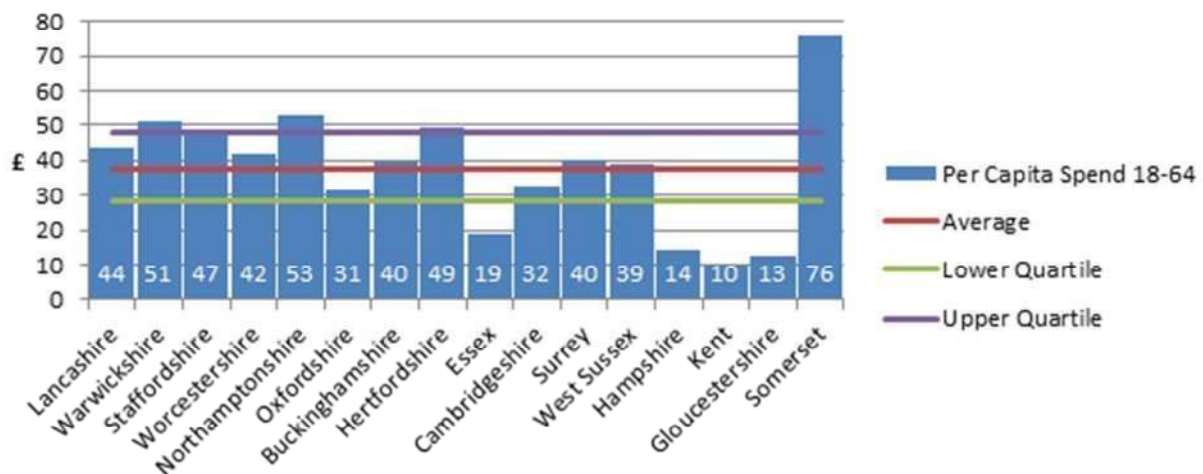
In the other major expenditure area of Physical Support, 2014/15 unit costs for residential and nursing accommodation run lower than the East of England Average for the 65+ age group (£40.8m gross expenditure in 2014/15), albeit higher for the 18-64 age group (£7.8m gross expenditure in 2014/15).

A detailed cost benchmarking exercise was carried out in relation to social care related mental health expenditure using Health and Social Care Information Centre data. In 2016/17 budgeted expenditure in this area totalled £21.8m. The work indicated scope for cost improvement and an efficiency target has been built into the 2017/18 integrated plan accordingly (HCS18). The work shows that Hertfordshire had higher per capita spend on long term mental health conditions as in the following graphs:

## 2014/15 Spend Long Term Mental Health per population aged 18-64 Herts v Comparator Group



## 2014/15 Per Capita Spend Long Term Mental Health 65 and Over Herts v Comparator Group



Operational performance data is collected nationally via the Adult Social Care Outcomes Framework (ASCOF) indicators. These represent a 'basket' of 27 measures across a variety of social care areas. In the latest available set of data relating to 2014/15 Hertfordshire obtained an average ranking of 73rd out of 152.

Hertfordshire's performance was better than that of the Eastern Region and England averages across 9 measures.

Hertfordshire performed particularly well against measures relating to carers, the level of control service users feel they experience over their daily life, the level of direct payments and proportions of service users receiving self-directed support; all of which are consistent with the HCS Three Year Plan commitment to keep people's well-being, choice and control at the core.

Areas with scope for further progress relate to the amount of social contact experienced by service users, delayed transfers of care and overall satisfaction.

Although national information is not yet available, Hertfordshire's own performance on the indicators for 2015/16 is known; in 14 of the 22 indicators which are comparable year on year performance has improved, including indicators relating to service user experience of services. Of the eight indicators where performance has not improved a number have been affected by work to improve data quality which has led to more accurate reporting; work is underway to explore the reasons for any decrease in performance and build improvement targets into service plans for 2017/18.

The Department participates actively in networking groups to learn from the experiences of others under the umbrella of the Association of Directors of Adult Social Services (ADASS). Care Act implementation progress has been a particular area in which benchmarking of progress has taken place, with Hertfordshire performing strongly in this area in comparison with other local authorities.

In November 2015 the Department invited a number of experienced Peer Reviewers to examine the Council's adult social care commissioning arrangements from a safeguarding viewpoint. Strengths and areas for future development were noted the Adult Care and Health panel approved an action plan for these in February 2016.

During 2016 senior managers have undertaken visits to Liverpool and Norfolk councils to share learning and identify good practice. In August 2016 a former Director of Social Services visited Hertfordshire to carry out a 'peer challenge' exercise as part of activity commissioned across all East of England authorities, providing an opportunity to consider how the Department might develop a very long term vision for social care within Hertfordshire.

In relation to preventative activity, HCS's response is led by the Community Wellbeing Commissioning Team which focuses primarily on preventative services that support adults in the community; assessment of these projects for the impact they have is an ongoing process.

The Team is working to establish ways of assessing the value of preventative activity. The approach being taken is to establish a base line/ average cost for our services, capture the outcomes in terms of what the services prevent (with an

evidence based cost against these items) and create a series of case studies to demonstrate the positive impact for individuals of using community services instead of statutory ones.

**5. What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

- The Department has a number of savings proposals which relate to demand management, and providing community and technological alternatives to formal provision. This will be achieved within a context of supporting individuals to remain independent in their homes for longer, build skills and connections with their local community - and promoting an 'enablement' approach for people leaving hospital. These proposals relate to all areas and service user groups. (HCS01; HCS02; HCS03; HCS04; HCS09; HCS11; HCS12; HCS13)
- A further range of proposals relate to continuing work to maximise income (HCS08; HCS14) and to improve the value for money achieved when care is purchased by robust procurement and cost control strategies (HCS05; HCS06; HCS13; HCS14)
- Service redesign proposals cover:
  - the development of Day Services (HCS16; HCS17),
  - the accommodation strategy for adults with learning disabilities (HCS12),
  - General efficiency and improved cost control in the In-house Supported Living Service (HCS10) and in services commissioned from Hertfordshire Partnership Foundation Trust (HCS18)
  - the combined money advice and work solutions service (HCS20).
- A number of proposals relate to maximising the productivity of the front-line work force, streamlining back functions, reducing establishment size in our commissioning, business support and project management teams (HCS21; HCS22; HCS23; HCS24).

**6. What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

Adult social care budgets have been under pressure for a number of years due to the ageing population and rising expectations of people who need care and their families. The risk that budgets are not enough to meet the demands of rising population are inherent in care purchasing budgets. The Department has experienced significant budget pressure in 2016/17 and will need to maintain robust budget management in order to progress back to financial balance.

The cost pressures emanating from the fragility of the care market and restricted supply of care create a risk of further escalation in prices for care.

These factors and the new and significant efficiency and savings targets for the Department coupled with reductions in back office support and capacity will mean that financial pressures are likely to re-arise unless utmost focus is maintained by budget managers and staff with care purchasing responsibilities throughout the department.

The Learning Disability Efficiency Programme (discussed above) has been developed in response to this, and the Older People and Physical Disability service has its own package of cost reduction measures including:

- Reviewing people's care looking for opportunities to build up their skills, enable them physically or in terms of their confidence and personalising a care package for their remaining eligible care needs
- Negotiating downwards high and medium cost packages with providers
- Focusing on reviewing additional support hours commissioned during crises
- Reviewing usage of direct payments
- Re-calibrating carer's direct payments consistency across the county
- Understanding the level to which direct payments are being used to purchase home care which risks distorting the market
- Maximising alternative funding streams
- Focusing on removing charging anomalies which benefit self-funders and long-stayers are charged.

Equally, the council must work hard to maintain the current levels of investment that the NHS already makes in social care, set against competing pressures in the health sector and there is a significant risk to the sustainability of the HCS budget if this resource is removed.

There are delivery risks associated with the projects and programmes necessary to achieve efficiency targets. For example the 'Accommodation for Independence' project has property-related dependencies which introduce a risk of delay. Rigorous project management arrangements across a number of efficiency areas are necessary to ensure achievement.



**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Technical Adjustment</b>	(71)	(136)	(197)
<b>Demography</b>	17,389	22,126	29,872
<b>Legislative</b>	5,596	9,406	13,568
<b>Other Pressures</b>	445	445	445
<b>TOTAL PRESSURES</b>	<b>23,430</b>	<b>31,977</b>	<b>43,885</b>
<b>Existing Efficiencies</b>	841	(3,127)	(5,977)
<b>Existing Policy Choice</b>	(4,635)	(4,680)	(4,680)
<b>New Efficiencies</b>	(8,069)	(9,180)	(9,180)
<b>TOTAL SAVINGS</b>	<b>(11,863)</b>	<b>(16,987)</b>	<b>(19,837)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
TA03	<b>Technical Adjustments</b> <u>Independent Living Fund</u> To reflect the transfer of funding from the national Independent Living Fund to local authorities from July 2015.	HCS	Technical Adjustment	(71)	(136)	(197)	2,141
	<b>Service Specific Inflation</b> None						
D08	<b>Pressures</b> <u>Older People</u> Around 56% of the Adult Care Services budget for older people is spent on the 85 and over age group, 30% on the 75 to 84 age group and 14% on the 65 to 74 age group. The projected increases in the numbers in these age groups have been used together with the estimated spends on these age groups to produce the year on year budget increases required to meet demographic pressures.	HCS	Demography	4,223	6,043	9,310	140,211
D09	<u>Learning Disability</u> The demographic pressure estimates for the Learning Disability client group has been based on a combination of the full year effects of the placements made and planned to be made in 2017/18 plus estimates of the number of net additional service users to be funded in future years.	HCS	Demography	12,596	14,972	18,972	142,425
D10	<u>Physical Disability</u> The projection for demographic pressures is based on the projected increase in number of clients and type of support based on previous years. New clients are a combination of those young disabled people turning 18, road traffic accidents and degenerative conditions which affect people in their adult life. The increase will support an additional 7 service users (2 residential / nursing placements and 5 homecare packages).	HCS	Demography	371	732	1,044	25,954

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
D11	<u>Mental Health</u> The projection for demographic pressures is based on the number of net new/additional clients estimated from activity data provided by Hertfordshire Partnership NHS Foundation Trust for the current year. The increase will support an additional 6 residential / nursing placements.	HCS	Demography	199	379	546	16,985
L04	<u>National Living Wage for Commissioned Homecare and Residential</u> As a result of the Government announcement to increase the minimum wage to a national living wage there will be an increase in costs for care providers.	HCS	Legislative	5,596	9,406	13,568	119,526
OP12	<u>Winterbourne View - Transforming Care</u> People with learning disabilities / challenging behaviour who are leaving NHS accommodation in independent hospitals into intensive community care packages at cost to the local authority. The increase will support an additional 11 Transforming Care placements.	HCS	Other Pressures	445	445	445	142,425
<b>Savings</b>							
HCS01	<u>Care Homes - use of community alternative to defer placement</u> Use of new hospital discharge pathways, including assessment outside the ward environment, as an alternative to long term care.	HCS	Existing efficiencies	(1,000)	(1,000)	(1,000)	72,194
HCS02	<u>Older People Homecare - use of community alternatives</u> Enhanced use of existing Universal services provided by community and voluntary organisations, leading to lower levels of statutory services commissioned and maximising of limited homecare capacity.	HCS	Existing Efficiencies	(525)	(1,800)	(1,850)	34,133
HCS03	<u>Positive outcomes for people through new specialist care at home schemes</u> Fewer on-going care packages required for people leaving hospital because new specialist intensive care at home schemes rehabilitate and aid independence	HCS	Existing Efficiencies	(300)	(600)	(900)	58,421
HCS04	<u>Preventative Telecare</u> Savings against the older people's care purchasing budget relating to the implementation of Telecare for 1000 targetted people - to delay their need for adult social care.	HCS	Existing Efficiencies	(400)	(800)	(800)	103,561
HCS05	<u>Older People and Physical Disability Care Purchasing</u> Maximisation of block contract usage on short stay and day care.	HCS	Existing Efficiencies	(100)	(200)	(200)	1,851
HCS06	<u>Physical Disability - expert care purchasing</u> Negotiation with care providers to achieve better alignment of care fees with actual cost of care delivery, with no change to people's care packages.	HCS	Existing Efficiencies	(125)	(125)	(125)	4,084
HCS07	<u>NHS protection of social care and adherence to new national eligibility criteria</u> Budget adjustment reflecting lower than anticipated funding from the NHS.	HCS	Existing Efficiencies	3,000	3,000	3,000	95,388
HCS08	<u>Client Income</u> Client income has been increasing due to benefit changes, pensions triple lock and more supported living and direct payment packages.	HCS	New Efficiencies	(2,569)	(2,680)	(2,680)	(45,143)
HCS09	<u>Careline</u> Capitalisation of providing telecare equipment to users of the North Herts Careline service.	HCS	New Efficiencies	(300)	(300)	(300)	872
HCS10	<u>In-house Supported Living management action</u> General efficiencies and improved cost control.	HCS	New Efficiencies	(500)	(500)	(500)	16,585

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
HCS11	<u>Best Value Team target</u> Programme of reviewing Learning Disability provider costs and ensuring contractual compliance.	HCS	New Efficiencies	0	(500)	(500)	99,137
HCS12	<u>Learning Disabilities - use of community alternatives</u> Conversion of LD residential care homes to supported living services, maintaining quality but reducing costs to the county council. This item includes £1m reduction in saving due to underachievement in 2016/17.	HCS	Existing Efficiencies	500	(500)	(2,000)	99,137
HCS13	<u>Learning Disabilities - use of community alternatives</u> Recommissioning outdated models of care. Using community schemes as alternatives to formal social care.	HCS	Existing Efficiencies	(400)	(600)	(1,600)	99,137
HCS14	<u>Maximisation of alternative funding sources</u> Opportunities for substitution of council funding with funding from other sources.	HCS	New Efficiencies	(1,000)	(1,000)	(1,000)	115,722
HCS15	<u>National Living Wage Strategy</u> Adjustment of previous year's assumptions about National Living Wage costs	HCS	New Efficiencies	(2,500)	(3,000)	(3,000)	119,526
HCS16	<u>In House Day Services</u> Recommissioning of day opportunities using community facilities, universal services and promotion of volunteering and employment schemes where appropriate.	HCS	Existing Policy Choice	(1,100)	(1,100)	(1,100)	13,449
HCS17	<u>Transformation of External Day Services Provision</u> A new model of day opportunities which are less buildings-based, more community based and using local community capacity to deliver better outcomes for people. This level of savings is based on low impact changes as underutilised contracts expire.	HCS	Existing Policy Choice	(700)	(700)	(700)	11,096
HCS18	<u>Mental Health</u> The proposal is to introduce an efficiency requirement on reducing the amount of funding provided to the Hertfordshire Partnership Foundation Trust by HCC.	HCS	Existing Policy Choice	(1,040)	(1,085)	(1,085)	16,984
HCS19	<u>Herts Healthy Homes</u> Reduction in funding to Herts Healthy Homes, a service which supports individuals to remain in the community living independently.	HCS	Existing Policy Choice	(350)	(350)	(350)	500
HCS20	<u>Combined Money Advice / Work Solutions Service</u> To create a combined Money Advice / Work Solutions Service.	HCS	Existing Policy Choice	(700)	(700)	(700)	1,686
HCS21	<u>Savings on Strategic Centre Units</u> Reduction in commissioning, business support and project management resource given the scale of the financial challenge.	HCS	Existing Policy Choice	(570)	(570)	(570)	8,614
HCS22	<u>HCS Commissioning Unit</u> A reduction in staffing in the HCS Commissioning Teams.	HCS	Existing Policy Choice	(175)	(175)	(175)	1,592
HCS23 (X2)	<u>Enabling the Worker</u> Reduction in planned staffing in operational teams (and associated travel and accommodation costs) through implementation of mobile working technology and new touch-down bases.	HCS	Existing efficiencies	(294)	(979)	(979)	28,050
HCS27 (X1)	<u>Printer saving</u> HCS target relating to the reduced price which will be charged for printing with the introduction of the new mopier contract.	HCS	Existing efficiencies	(15)	(23)	(23)	46

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
HCS25	<u>Flexicare</u> Part reduction in 2016-17 saving which relates to a review of the care contract provision for Flexicare schemes.	HCS	Existing efficiencies	500	500	500	n/a
HCS26	<u>Recommissioning Public Health</u> A number of activities delivered by Health and Community Services will now be HCC commissioned public health functions, delivering a saving against the Health and Community Services Budgets	HCS	New Efficiencies	(1,000)	(1,000)	(1,000)	n/a
RES20	<u>Review of back office functions</u> Implementation of new provider portal technology eliminates the need for manual processing of financial returns from care providers and for direct payment recipients.	AC&H	New Efficiencies	(200)	(200)	(200)	1,415

**Note 1**

A number of pressures and savings impact on a serveral portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
96,113	<b>Health &amp; Community Services</b> <u>Older People (inc Specialist Mental Health Team)</u> Care and support services for older people who meet the council's eligibility criteria for social care including care home placements, homecare, day services and social work teams who assess those in need.	141,146	(42,235)	98,911	100,898	106,926
157,507	<u>Disability Services (People with a Learning Disability and People with a Physical disability or sensory loss)</u> Care and support services for people with a learning disability and physical disability who meet the council's eligibility criteria for social care including residential care home placements, supported living accommodation, support at home, day services and social work teams who assess those in need.	183,807	(14,956)	168,851	170,266	172,790
16,985	<u>Mental Health Services</u> Care and support services for people with mental ill-health who meet eligibility criteria for social care including residential care, support at home, day opportunities delivered by the voluntary sector and social work assessments delivered by Hertfordshire Partnership Foundation Trust on behalf of HCC.	21,317	(5,030)	16,287	16,683	17,122
14,350	<u>In House Day Care Services and Transport SLA</u> Front-line day services and associated transport delivered by county council staff from more than 20 locations countywide to older people and people with physical and/or learning disabilities.	14,686	(564)	14,122	14,122	14,122
16,984	<u>Preventative Services</u> Short-term services available to people who may need adult social care in the future but who can remain independent for longer including services delivered by the voluntary sector or enabling services that encourage people to regain functional skills at home.	17,262	(248)	17,014	16,585	16,585
10,424	<u>Strategic Centre</u> Central support services including Money Advice Unit, Work Solutions Team, commissioning teams and senior management overseeing statutory social care provision.	9,123	(1,493)	7,630	7,589	7,594
<b>312,363</b>	<b>Health &amp; Community Services Total</b>	<b>387,341</b>	<b>(64,526)</b>	<b>322,815</b>	<b>326,143</b>	<b>335,139</b>

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## **Proposed Adult Care & Health Services Capital Programme 2017/18-2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £67.982m and for 2017/18 is £17.41m. This includes all new bids and re-programming from 2016/17 at the end of quarter 2.

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
<b>HCC Funding</b>	11.758	14.376	24.892	<b>51.026</b>
<b>Grant</b>	5.652	5.652	5.652	<b>16.956</b>
<b>Total</b>	<b>17.410</b>	<b>20.028</b>	<b>30.544</b>	<b>67.982</b>

### **New Capital Bids**

Health and Community Services has proposed one new capital bid, as below.

Scheme	Total Cost 2017/18	HCC Funding 2016/17	Total Cost 2017/18 to 2019/20	Total HCC funding 2017/18 to 2019/20	
	£m	£m	£m	£m	
<b><u>Telecare Equipment</u></b> delivers assistive technology services to service users, particularly community alarms and telecare services.	<b>0.300</b>	0.300	<b>0.900</b>	0.900	Prior to 2016/17 these costs were treated as revenue expenditure. In 2016/17 these are being covered using the major works budget. Hertfordshire Careline is run by North Herts DC and provides a range of services to help older people, people living alone and people with long-term health needs to stay independent. On behalf of HCC NH Careline currently provides support for around 20,000 people in Hertfordshire and local areas, taking 1,000 calls a day, at least a third of which are life critical emergencies.
	<b>0.300</b>	<b>0.300</b>	<b>0.900</b>	<b>0.900</b>	

**Proposed revisions to the Capital Programme: Adult Care & Health Services Schemes requiring additional HCC funding over the next 3 years.**

In past Integrated Plans it has been assumed that the Council would receive an Adult Social Care Capital grant of £2.4m. This was used to fund all Adult Care & Health Services schemes except Quantum. This general grant is no longer available, which places an additional pressure on HCC funding.

In addition, there are proposed changes for the Accommodation for Independence project (A4IP), including reprofiling of spend from 2017/18 to later years and an overall increase in project costs of £0.100m, as below.

Scheme	Total Additional Cost 2017/18	HCC Funding 2017/18	Total Additional Cost 2017/18 to 2019/20	Total HCC funding 2017/18 to 2019/20	
	£m	£m	£m	£m	
Dial A Ride	0.140	0.140	0.527	0.527	2017/18 has increased due to reprogramming of delayed vehicle delivery in previous years.
Loss of Adult Social Care grant	2.400	2.400	7.200	7.200	This was used to fund all Adult Social Care schemes except Quantum.
<b><u>Accommodation for Independence (A4IP)</u></b> - combines the supported living/commissioning for independence and minor and major capital works budgets.	(0.200)	(0.200)	0.100	0.100	Project to ensure that Adults with Learning Disabilities and Complex Needs have greater choice and control about where they live & how services are provided to them in order to promote their sense of wellbeing & independence. The project will improve & ensure buildings are fit for purpose so as to: <ul style="list-style-type: none"> <li>• reduce the number of residential placements.</li> <li>• prevent unnecessary placements into residential services &amp; out of county.</li> <li>• prevent hospital admissions</li> <li>• deliver more efficient buildings</li> </ul>
	<b>2.200</b>	<b>2.200</b>	<b>7.300</b>	<b>7.300</b>	

## Proposed Adult Care & Health Portfolio's Capital Programme 2017/18-2019/20

	<b>Adult Care and Health Portfolio</b> New Request (N) , Existing Request (E) or Revised Request (R)	<b>Directorate</b>	<b>Annual Programme/ Scheme Cost</b>	<b>2017/18 Integrated Plan</b>			<b>2018/19</b>	<b>2019/20</b>
				<b>Cost</b>	<b>HCC Funding</b>	<b>Grant</b>	<b>Cost</b>	<b>Cost</b>
				<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1</b>	<b>Quantum Care (E):</b> delivers quality affordable residential care placements for the people of Hertfordshire. HCC has a cost and volume contract with Quantum for the delivery of residential care and day services at specified levels and rates. Capital Project to re-provide care home places in obsolete homes either by extensions to existing homes or new build on sites provided by HCC.	Health and Community Services	42,861	8,479	8,479	-	4,778	221
<b>2</b>	<b>Elderly Care Home reprovion Phase 2 (E)</b>	Health and Community Services	18,500	242	242	-	6,000	11,509
<b>3</b>	<b>Elderly Care Home reprovion Phase 3 (E)</b>	Health and Community Services	10,000	250	250	-	-	9,750
<b>4</b>	<b>Accommodation for Independence (A4IP):</b> project to ensure that Adults with Learning Disabilities and Complex Needs have greater choice and control about where they live and how services are provided to them in order to promote their sense of wellbeing and independence. The project will target investment to improve and ensure buildings are fit for purpose so as to: <ul style="list-style-type: none"> <li>• reduce the number of residential placements.</li> <li>• prevent unnecessary placements into residential services &amp; out of county.</li> <li>• prevent hospital admissions</li> <li>• deliver more efficient buildings, reducing the carbon footprint.</li> </ul>	Health and Community Services	1,300	1,300	1,300	-	1,300	1,300



	<b>Adult Care and Health Portfolio</b> New Request (N) , Existing Request (E) or Revised Request (R)	<u>Directorate</u>	Annual Programme/ Scheme Cost	2017/18 Integrated Plan			2018/19	2019/20
				Cost	HCC Funding	Grant	Cost	Cost
				£'000	£'000	£'000	£'000	£'000
<b>5</b>	<b>Telecare Equipment (N)</b> Hertfordshire Careline provides a range of services to help older people, people living alone and people with long-term health needs to stay independent. HCC choses Hertfordshire Careline to deliver assistive technology services to service users, particularly community alarms and telecare equipment. This budget would be used for HCC to provide a subsidy to cover equipment and installation. On behalf of HCC NH Careline currently provides support for around 20,000 people in Hertfordshire and local areas, taking 1,000 calls a day, at least a third of which are life critical emergencies.	Health and Community Services	300	300	300	-	300	300
<b>6</b>	<b>Day Services Modernisation (E):</b> Aims to modernise Day Services moving away from having day services based in large buildings which are segregated from community life, and instead developing a wider range of smaller services, integrated with other mainstream community facilities.	Health and Community Services	5,755	302	302	-	-	-
<b>7</b>	<b>HCS Minor Capital Works (E):</b> Payments to Aldwyck Housing Association to maintain the assets for service use.	Health and Community Services	Annual Programme	137	137	-	137	137
<b>8</b>	<b>HCS Vehicle Replacement (E):</b> covers the replacement cost for vehicles reaching the end of their useful life within HCS. The decision to replace a vehicle is taken in conjunction with the Fleet Management Service who provide advice and vehicle specific data to aid informed decision making.	Health and Community Services	Annual Programme	317	317	-	1,296	1,310
<b>9</b>	<b>Herts Equipment Service Vehicle Replacement (E):</b> covers the replacement cost for vehicles reaching the end of their useful life within Herts Equipment Service. The decision to replace a vehicle is taken in conjunction with the Fleet Management Service who provide advice and vehicle specific data to aid informed decision making.	Health and Community Services	Annual Programme	79	79	-	197	226

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	<b>Adult Care and Health Portfolio</b> New Request (N) , Existing Request (E) or Revised Request (R)	<u>Directorate</u>	Annual Programme/ Scheme Cost	2017/18 Integrated Plan			2018/19	2019/20
				Cost	HCC Funding	Grant	Cost	Cost
				£'000	£'000	£'000	£'000	£'000
10	<b>Disabled Facilities Capital Grant (N):</b> The Better Care Fund now includes the Government's capital grant contribution for Disabled Facilities Grants. This was previously provided to district councils directly from Central Government. In the light of this funding change we are considering how to integrate provision of help with home adaptations across housing, health and social care systems. We are participating in a project to ensure that all individuals in Hertfordshire who need housing adaptations to support independent living will have access to an appropriate service that is accessible and equitable. The aim is that the service will run more efficiently, be more resilient and help local authorities deal with increased budget pressures. Allocations yet to be announced so the 16/17 allocation has been used.	Health and Community Services	Annual Programme	5,652	-	5,652	5,652	5,652
11	<b>Dial-a-Ride Replacement Programme ( R):</b> The fleet is made up of specialist passenger vehicles engaged in the transportation of the elderly and disabled providing a door to door transport service within the local community. The decision to replace a vehicle is taken in conjunction with the Fleet Management Service who provide advice and vehicle specific data to aid informed decision making.	Health and Community Services	Annual Programme	292	292	-	308	79
12	<b>Community transport accessible vehicles (E):</b> HCC contributes revenue and capital funding to assist the main voluntary and community transport schemes, who provide door to door transport to elderly, disabled and rural residents enabling them to continue to live independently. By assisting the schemes to purchase/replace accessible vehicles the County Council supports the schemes to provide door to door transport for residents who cannot get into or drive cars or cannot get to or onto local buses. The funding will be used to contribute up to 25 – 30% of the cost of wheelchair accessible vehicles.	Health and Community Services	Annual Programme	60	60	-	60	60
<b>TOTAL ADULT CARE &amp; HEALTH PORTFOLIO</b>				<b>17,410</b>	<b>11,758</b>	<b>5,652</b>	<b>20,028</b>	<b>30,544</b>

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# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Children's Services Portfolio**

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# Children's Services Portfolio

Strategic Direction: to provide universal, targeted and specialist services to children and young people in Hertfordshire and their families.

## Scope

Hertfordshire's Children's Services provides universal services for all children and young people in Hertfordshire and also targeted services for those that are more vulnerable. In addition social care provides safeguarding services for children to remain safe and supported at home or if necessary in alternative provision such as foster care.

## Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£140.8m	£137.2m	£136.1m

## Summary of Key Priorities and Programmes

- Shaping the Future
  - The 0-25 Integration for Children and Young People with Additional Needs Programme
  - Family Safeguarding Programme
  - Families First Programme
- Reducing the number of children looked after strategy.

## Summary of Key Savings Proposals

- Managing and reducing demand via Families First and other programmes
- Reducing the Number of Children Looked After
- 0-25 integration
- Business efficiencies
- Identifying alternative sources of funding

## Key Risks in achieving IP proposals

- Demand and cost pressures for CLA and UACS
- Recruitment and retention of high quality foster carers
- Continuing to recruit and retain child protection social workers and managers

	17/18	18/19	19/20
Capital Programme	£20.8m	£19.2m	£18.8m

**Key Capital Schemes:**  
 The schools capital maintenance programme.  
 Developing IT solutions to support targeting of Early Help.

## CS Portfolio: Future Strategic Direction

### 1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

The Children's Services' Strategic Plan 2015-2018; Shaping the Future sets out the priorities for the next three years under the council priority of opportunity to thrive. Key projects are explained in more detail in section 3.

Within this, the key priorities are to maintain the quality and safety of services whilst improving business efficiency, reduce demand for safeguarding and specialist services in particular by reducing numbers of Children Looked After, and consequentially make the financial savings required to operate within the funding the Council is able to make available.

### 2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?

Set out below is a chart showing future projected changes in 0-19 population between 2016 and 2025. The overall 0-19 increase is 12.2% compared with 7.3% for the same age group nationally. The increases in Hertfordshire are particularly pronounced in the 10-14 age group (22.2% growth projected) and 15-19 age group (15.8% growth projected).

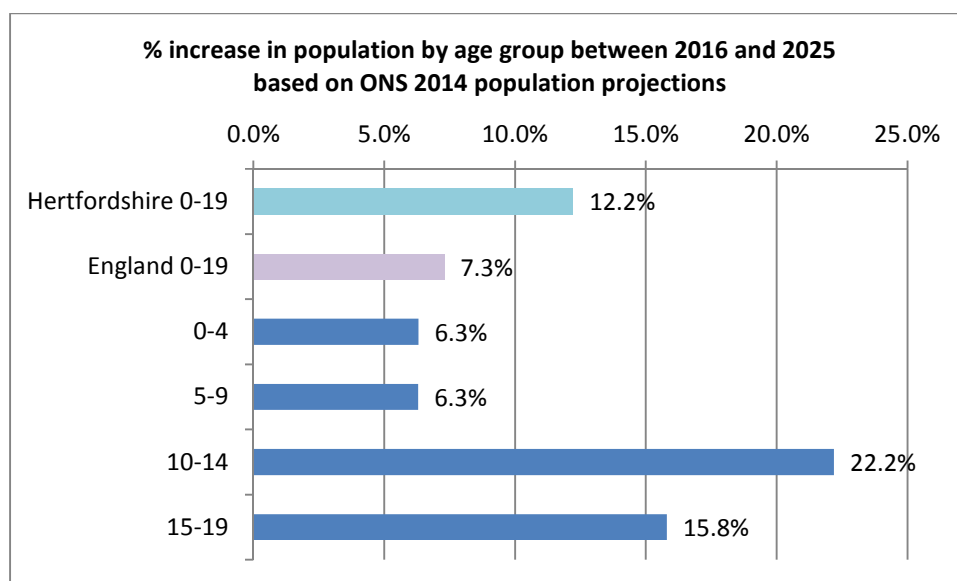


Figure 1: ONS Projected Population Increases for 0-19s 2016-2015

Consequences of 'Doing Nothing' – Standstill Impact of Demographic Increases Population on CLA, CP & CiN Populations

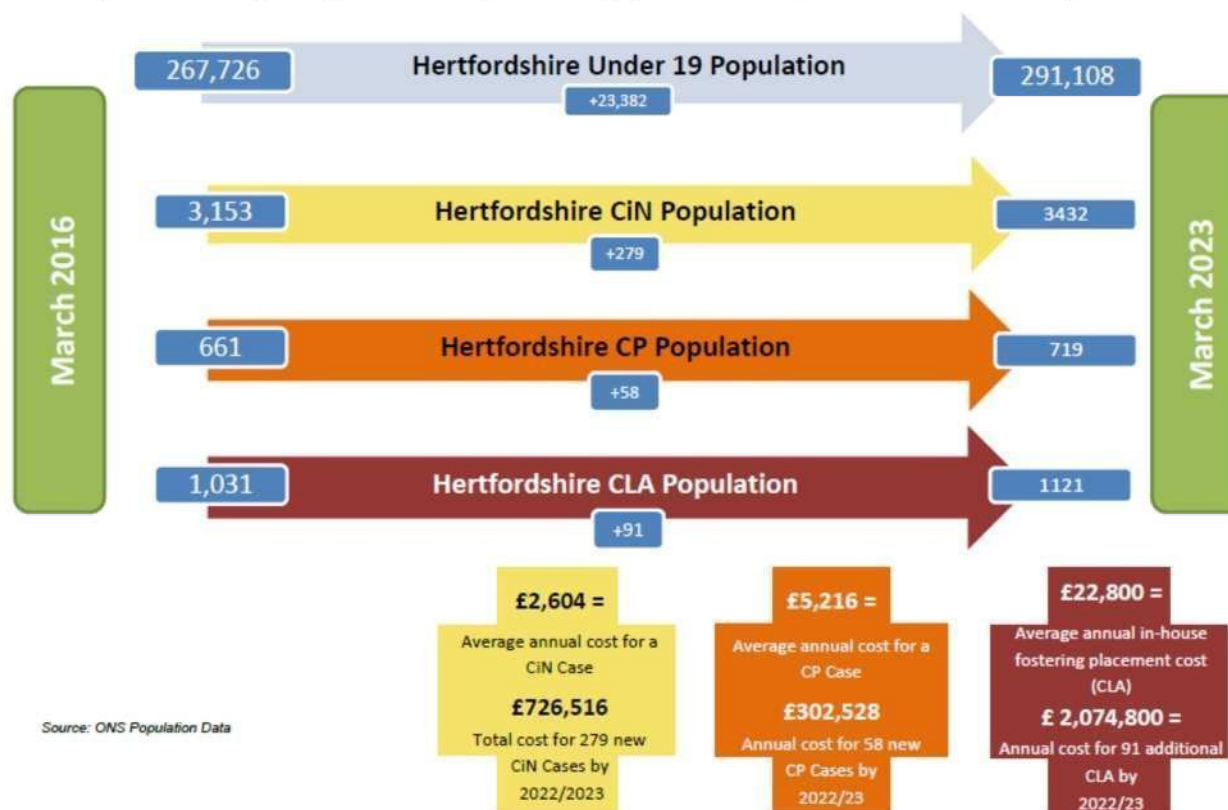


Figure 2: Consequences of doing nothing and impact of demographic

Future demographic pressures over the next few years will potentially increase demands on specialist services within Children’s Services by over £3m by 2022/23. Establishing more effective local early help provision and processes will stem the tide of referrals to social care and build sustainable resilience of families. Within Children’s Social Care Family Safeguarding is leading to reductions in the number of children subject to child protection plans despite a rising under 18 population and national increases in the percentage subject to child protection plans. Children Looked After (CLA) numbers are also reducing despite national increases, and despite the demographic changes which would otherwise be expected to lead to an increase.

In addition to demographic pressures there are additional pressures relating to Unaccompanied Asylum Seeking Children (UASC) and individuals with no recourse to public funds, and those for whom all rights of appeal have been exhausted.

The number of CLA needs to be considered alongside the growth of adoptions and Special Guardianship Orders (SGOs) where allowances are payable. Whilst there are detailed plans in place to reduce the number of CLA, the courts are increasingly requiring allowances to be paid to adoptive parents and those taking out Special Guardianship Orders. This means that, whilst the children or young people are no longer counted in the number looked after, the county council continues to have a financial commitment for them. The numbers of SGOs with allowances being made has increased significantly in recent years and therefore this is putting pressure on budgets.

£3.36m was spent on Special Guardianship Support in 15/16 with £3.52m budgeted for 16/17, a 4.7% increase.

During 2015/16 there was a considerable increase in the number of **unaccompanied asylum seeking children (UASC)** arriving in Hertfordshire with a total of 68 UASC being supported at the end of March 2016, an increase from 46 at the end of March 2015. The changes introduced by the Home Office for new cases from 1 July 2016 will reduce the funding gap for applicable cases from 25% to 10% (under 16 year olds), 44% to 28% (16-17 year olds) and 83% to 78% for over 18's. However, this only refers to the placement costs and not the associated case costs. Hertfordshire has taken in additional UASC from the Calais 'jungle' closure and is part of a rota system in the eastern region to transfer UASC from authorities where they have population equivalent to more than 0.07% of the under 18 population. As at 31<sup>st</sup> October 2016 there were 79 UASC in Hertfordshire which equates to 0.03% of the under 18 population.

In addition to demography, there is a further pressure for CLA placements due to more complex cases of children and young people who require residential placements or highly specialist foster placements. This continues to have an impact on the placements budget in the current year and although plans are in place to address this, pressure may continue into 2017/18.

The majority of CLA Placements are with our in-house foster carers whilst the remainder are mainly commissioned from the private and voluntary sector. The payment rates for foster care allowances are linked to National Fostering Rates and those for independent placements are required to consider whether the price paid for care allows providers to remain viable and provide a good quality of care. For private providers, where we negotiate each year, utilising regional commissioning arrangements where possible, cost increases are likely to be in excess of the standard inflation allowances.

Staying Put (which allows for care leavers to remain in their foster placements beyond the age of 18) increases pressure on fostering and support budgets. Hertfordshire has had policies in place to provide support to some members of this cohort for some time and indications are that at present numbers are not increasing significantly – however if numbers increase then this will put pressure on the Fostering budgets and potentially reduce capacity within the in-house service for CLA placements. At present the Staying Put entitlement only extends to young people in foster placements. However, nationally there has been some discussion about young people in residential care being able to 'stay close' which will have an impact on staffing levels. As at April 2015 there were 62 staying put placements, by April 2016 this had risen to 76 effectively leading to a loss in foster carer capacity of 14 placements over the period.

There continues to be public and political concern about the sexual abuse and sexual exploitation of children. This has led to an increased demand for residential placements that can manage high risk and self-harming behaviours. The setting up of a specialist Police team has led to better arrangements to identify young people who

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may be at risk. This is a significant pressure on the budget and looks likely to remain so for at least the next three years.

The **Children and Families Act 2014** has had significant implications for the way we support children and young people with Special Education Needs and/or Disability. The next two to three years will continue to see a period of embedding the necessary process and cultural changes to ensure Hertfordshire is compliant with the new statutory requirements and adopts the principles of greater choice and control for families underpinning the reforms.

The most significant pressure in this area is the need to complete conversion of approximately 4,000 statements of special educational need and 600 learning difficulty assessments into Education, Health and Care (EHC) plans by the end of the 2017/18 academic year. In addition, there is increasing demand in terms of new requests for assessments for an EHC plan (414 in first six months of 15/16 compared with 564 in same period in 16/17) leading to an increased demand on all services and potentially considerable extra expenditure on process-costs. This has also been experienced nationally.

**Recruitment and retention of child protection social workers and managers remains challenging at a national level.** Part of our strategy has been to adjust the intake of newly qualified staff into the Academy in 2013-15. Due to the high levels of positive media coverage of our Family Safeguarding innovation project, we have not needed to increase recruits in 2015/17. HCC is part of a regional agreement on payment levels to agency social workers in order to help stabilise the market locally.

The number of **young people involved in offending behaviour** reduced significantly year on year until 2013/2014. Young people involved in offending plateaued in 2014/15 and we are now seeing small increases in the numbers of offenders.

### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

#### **Reducing the Number of Children Looked After**

We need to reduce the number of children looked after and increase the proportion of those looked after placed in foster care (where appropriate) in order to contribute towards our considerable financial savings by 2019.

Key areas of activity include:

- Reducing the number of children entering care through earlier identification of vulnerable families
- Reducing the number of children entering care by expanding our capacity to intervene early to support children and families at risk
- Maximise the recruitment of in-house foster carers
- Strengthen our commissioning arrangements to ensure an appropriate range of independent placements that are cost effective

- CLA successfully leave care at the right time through early planning and robust care
- Ensure that where children are not able to return home, alternative permanence plans are progressed in a timely manner.
- Work proactively with our partners in housing, health and HCS to improve transition planning to reduce numbers returning to care

An agreed set of CLA population reduction targets has been established and disaggregated within specific age bands. The strategy aims to reduce the CLA population by 58 each year so that by March 2019 the total CLA population will be 825 and we are currently on track to achieve this. Savings between £2.8m and £7.7m will be made dependent upon the placement mix eg: Hertfordshire internal foster placements, independent fostering placements and residential placements. There is also scope for savings of approximately £1m in non-placement costs by the end of March 2020.

The **Shaping the Future Programme** was developed during Summer 2014 to ensure we focus our energy and resource to achieve Children's Services improvement priorities and improve outcomes for children and families in Hertfordshire. The Shaping the Future programme is outlined below:

The programme is driving forward family based commissioning, service design, structure and provision, working closely with partners including the two Clinical Commissioning Groups, Health providers, Schools and Hertfordshire Police.

### **The 0-25 Integration for Children and Young People with Additional Needs Programme**

In 2011 Hertfordshire was selected to become a Pathfinder Authority for the SEND Reforms, driven by the Support and Aspiration Green Paper, which was part of the Children and Families Bill. We worked as a Pathfinder until the Children and Families Act came into law in September 2014. In a time of reducing funding and a rising young population it is vital that we make the best use of our resources to ensure that the right help is available, at the right time and at the right cost and there are significant challenges to achieving this. The 0-25 Integration Programme seeks to address this and has been designated as a priority by the Health and Wellbeing Board. A savings target of £1m is on track for delivery.

The programme oversees:

- The implementation of the 2014 SEND Reforms
- The SEND Strategy
- The development of the 0-25 Together Service
- A review of Information, Advice and Guidance arrangements
- Development of further opportunities to align and integrate services for children and young people with SEND

Following the 2016 SEND Area Inspection current priorities going forwards are;

- increasing independence and earlier preparation for adulthood,  
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- the development of a clear outcomes framework and combined data set
- workforce development.

### **Families First Programme**

Over the next 12 months, the Families First programme will establish Families First Hubs which rather than establishing physical teams will be an umbrella approach to co-ordinate multi-agency early support in each District/ Borough. A key feature of this will be local triage panels which will address the need for early help before it needs to come into Children's Services. As a result we will expect to reduce the number of early help contacts coming into the Customer Service Centre by up to 75% by 2022/23. In addition, these changes will also contribute to achieving our existing Integrated Planning savings. Overall savings as a result of these changes are expected to be between £2.06m-3.57m over the next five years.

### **Family Safeguarding Programme**

Hertfordshire has implemented Family Safeguarding in Hertfordshire, using a £4.86m grant from the DfE Innovations fund. The purpose of the change was to deliver child protection services leading to positive changes for families in terms of reducing crime, substance misuse, neglect, and health improvements which in turn will be reflected in reduced demand on public services across Hertfordshire. The independent evaluation is nearing completion as at December 2016, with early indications of Family Safeguarding having a positive impact on outcomes.

Features of Family Safeguarding are:

- Reducing risk and improving outcomes by delivering protection services on a family basis through multidisciplinary Family Safeguarding Teams (FSTs) with the full range of skills necessary to address those highest-risk factors to children. These include parenting factors relating to domestic abuse, substance misuse and mental health, especially in families where all three factors exist together.
- Changing the way we work with families so we focus on engaging them in changing their behaviours that place children at risk rather than monitoring their compliance.
- Improved information sharing and reaching a better shared understanding of risk in families;
- Co-location of professionals in teams to reduce time spent on recording, travelling, meetings and writing separate reports; and
- Re-investing time saved to improve the quality of work with children and families and increase focus on achieving good outcomes.

## Business efficiency programme

Our Business Efficiency programme runs across the service, and largely but not exclusively depends on a programme of investment in technology to improve efficiency and reduce costs. Specifics include:

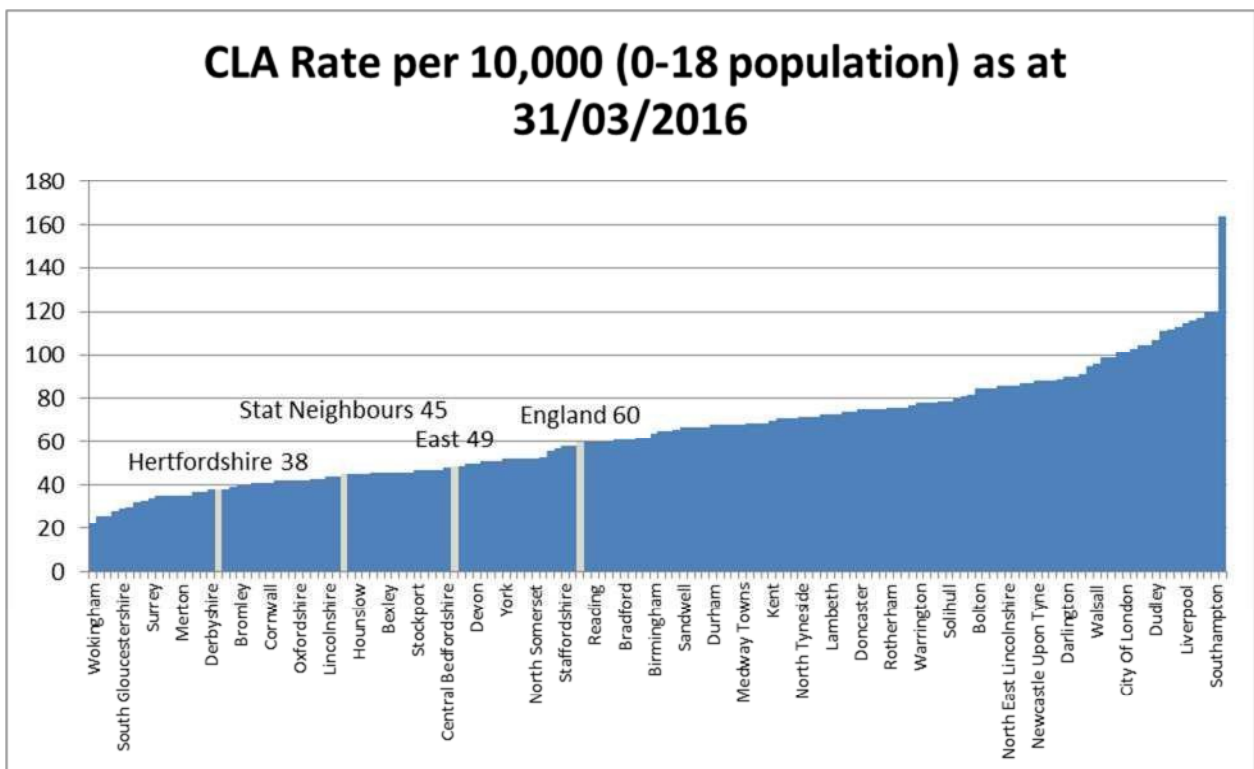
- Roll out of iPads to enable more flexible working, so that office accommodation and printing costs reduce
- Investment in enabling main case management and other systems to support mobile working
- Review of business support staff so that resources are used most effectively.

There is a continuing expectation on each service area to deliver efficiency savings annually.

In addition, Childrens Services Commissioning has been restructured with a view to improving value for money and reduce the cost and impact of commissioned services.

### 4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?

Hertfordshire is in the top quartile nationally for the lowest number of referrals to social care, numbers of children subject to child protection plans and numbers of children looked after. Performance is monitored against statistical neighbour indicators on a regular basis and where performance is below expected standards, this is challenged via performance meetings and specialist 'Performance Clinics' for areas of concern. Some recent examples of this include workshops around improving performance for attainment of children looked after, reducing the number of children looked after and improving placement stability.



As at end March 2016, Hertfordshire had the 18<sup>th</sup> lowest rate per 10,000 (0-18 population) for children looked after in England (38). This is lower than the England rate of 60 and the statistical neighbour rate of 45.

Hertfordshire is a lead authority for benchmarking in the Eastern Region and compares performance on an agreed set of performance indicators on a quarterly basis, together with coordinating 'deep dives' into performance areas agreed across the Region.

Hertfordshire is also a member of the CIPFA benchmarking club, which shows that our average unit cost per child looked after was £893 per week, compared with a benchmarking group average of £919.

<b>Estimated Average Weekly Cost Per Child Looked After – CIPFA Benchmarking</b>		
	<b>HCC</b>	<b>AVG</b>
2014/15	£970	£921
2015/16	£893	£919

The impact of the Family Safeguarding model has been reviewed by the University of Bedfordshire and their Research team will publish the full report early in 2017.

**5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

The programmes set out in Section 3, above, in terms of their financial dimensions are largely directed at achieving savings through managing and reducing demand. We are now part-way through these programmes and substantial savings are targeted in costs related to vulnerable children described under the Families First heading (£2.75m rising to £4.5m), and also at services for children/young adults with disabilities (£500,000, 0-25 integration).

A rigorous programme of review across each area of the service has required efficiency savings and staffing reductions to be identified and brought forward for 2017/18, running to about 2.5% of the service's total budget. This has involved reductions in costs for externally-purchased services, with some revisions to service specifications, reductions in staffing establishments, and the programme of back-office business efficiency referred to above. Efficiencies have been delivered in training budgets, and where possible alternative sources of funding sought for continuing activities.

**6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

As we enter year 3 of the Shaping the Future Transformation programme, considerable progress has been made in reducing demand for services and particularly in the areas of reductions in the numbers of those subject to child protection plans and numbers of children look after. However, there is a risk that reductions in numbers will not lead to

consequential savings at the level forecast, because of the impact of additional cost and demand pressures.

If the Service is unable to recruit and retain high quality foster carers, children and young people will need to be placed with independent agencies, some of which will be out of county. In order to mitigate this, the recruitment process is monitored on a regular basis to ensure there is year on year net growth in the number of in house council foster carers.

Another key risk is that if pay and conditions for staff and managers fail to remain competitive the council may not be able to retain highly qualified professionals. To mitigate this, the service via its HR partners are regularly monitoring market conditions to ensure pay and conditions are appropriate with targeted additional payments where required.

The following further significant risks exist in relation to the IP savings proposals put forward:

1. The planned funding of some Early Years staffing costs from the Dedicated Schools Grant (DSG) may not be possible because of regulatory and other constraints.
2. The number of Unaccompanied Asylum Seeking Children (UASC) may increase by more than predicted
3. The placement cost mix for UASC and Children Looked After (CLA) may be less favourable than predicted
4. The recruitment and retention of social work staff may become more difficult, increasing use of agency and consequently undercutting our salary budget savings assumptions
5. There is a risk that the numbers of families with no recourse to public funds and supported through the relevant budget continues to increase rather than remain stable at the current year's level
6. There is a risk that the numbers of Special Guardianship Orders (SGO) continue to rise at the same rate next year as over the last two months, exceeding prediction on which the budget is based.

The above risks describe the position after mitigation action has been taken.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
Technical Adjustment	630	380	430
Service Specific Inflation	461	461	461
Demography	2,012	2,763	4,577
<b>TOTAL PRESSURES</b>	<b>2,012</b>	<b>2,763</b>	<b>4,577</b>
Existing Efficiencies	(91)	(224)	(224)
New Efficiencies	(5,903)	(7,710)	(7,760)
<b>TOTAL SAVINGS</b>	<b>(5,994)</b>	<b>(7,934)</b>	<b>(7,984)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
TA01	<u>Troubled Families (TF) Grant</u> Thriving Families grant income has been amended to reflect the actual expected income in each year from the programme in line with the plan for Phase 2 of TF. This has been updated given there are restrictions on the amount of income expected from Payment by Results given that the requirements of the programme mean more (longer term) evidence is required before claims can be made.	CS	Technical Adjustment	630	380	430	1,837
	<b>Service Specific Inflation</b>						
	<u>Adoption (0.11% / 2.00%)</u> All Adoption based allowances are increased in line with the Fostering increase.	CS	Service Specific Inflation	10	10	10	3,681
	<u>Asylum Seeker - Leaving Care (ASLC) (1.34%) / Unaccompanied Asylum Seeking Children (UASC) (2.22%)</u> ASLC is linked to semi-independent placements and UASC is linked to fostering rates	CS	Service Specific Inflation	33	33	33	1,759
	<u>Disabled Children's Services - Direct Payments (1.00%)</u> Direct Payments inflationary pressures are linked to those calculated by HCS for their respective services.	CS	Service Specific Inflation	26	26	26	2,598
	<u>Disabled Children's Services - Homecare (3.73%)</u> Homecare inflationary pressures are linked to those calculated by HCS for their respective services.	CS	Service Specific Inflation	55	55	55	1,480
	<u>Fostering - Allowances &amp; Daycare (0.04%) / Fees (1.98%)</u> Fostering Allowances are increased in line with the National Minimum Fostering Allowance scheme.	CS	Service Specific Inflation	88	88	88	5,851
	<u>Leaving Care (0.96%)</u> Linked to benefit rates.	CS	Service Specific Inflation	5	5	5	523
	<u>Specialist Services - Independent Placements (-1.33% / 0.55% / 1.34% / 2.22%)</u> Price increases are calculated by analysing prices experienced at the end of the previous financial year and comparing them with current price levels. The difference is used as the most accurate approximation for the minimum expected pressure on prices which will be felt during the following financial year.	CS	Service Specific Inflation	244	244	244	23,427

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Pressures</b>						
D01	<p><u>Children Looked After (CLA)</u></p> <p>The demographic pressure estimates for CLA are based on an increasing child population in Hertfordshire and maintaining numbers of CLA at a specified rate per 10,000. The CLA savings assume a decreasing number of CLA based on reducing the target from 39 to 34 per 10,000 and are based on the current child population of 262,000. It is estimated that the child population will increase to 283,341 by 2019/20 and this pressure reflects the impact this will have to maintain CLA at the target rates per 10,000.</p>	CS	Demography	1,047	1,798	3,612	44,100
D02	<p><u>Child Protection</u></p> <p>The demographics pressure included in last year's IP resulting from increasing numbers of children on Child Protection Plans had been based on the costs of staff required to chair and support Child Protection Conferences and reviews. The pressure had assumed that numbers would reduce as a result of the family focus programme work, hence the reduced pressure in 2017/18 and beyond.</p>	CS	Demography	(132)	(132)	(132)	1,748
D04	<p><u>Adoption &amp; Special Guardianship Orders</u></p> <p>Increasing numbers of children being adopted and moving to Special Guardianship Orders (SGO) is putting pressure on the Adoption and SGO Allowances budget. It is anticipated that the number of SGOs with financial support will increase by 55 in 2017/18</p>	CS	Demography	346	346	346	7,394
D05	<p><u>No Recourse to Public Funds (NRPF)</u></p> <p>There has been an increasing number of families with NRPF who require support under Section 17 of the Children Act. Children's services have a duty under section 17 of the Children Act 1989 to provide support to children and families which are deemed destitute, while their claims for asylum or leave to remain in the country are being considered by the Home Office (HO). This is recognised as a growing issue here in Hertfordshire and as demand rises, the impact on the budget is steadily increasing. Family's status is also not being resolved quickly by the HO, which means we remain responsible for families for longer both for their subsistence and accommodation costs.</p>	CS	Demography	357	357	357	521
D06	<p><u>Unaccompanied Asylum Seekers</u></p> <p>The introduction of the National Transfer Scheme has a voluntary target of 0.07% of UASC to Child Population. Hertfordshire is part of the Eastern Region Group and will take additional UASC as part of this scheme. If the Target of 0.07% is to be reached this would increase our numbers by around 120. This will cause increasing pressure on placement and case management staffing budgets. Maximum Pressure estimated around £1.2m</p>	CS	Demography	394	394	394	1,512

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Savings</b>						
SSS01	<u>Family Focus</u> The number of Children Looked after in Hertfordshire is currently around 40 per 10,000 population. Introducing measures to seek to reduce this to 34 per 10,000 while keeping the same % mix of care packages across the care continuum should allow these savings to be achieved. However, it should be noted that only 11 other authorities are at this level or below.	CS	New Efficiencies	(2,750)	(4,500)	(4,500)	44,100
EEI03 & SSS02	<u>0-25 Integration</u> Exploring the opportunities to improve efficiencies and remove duplication across services through the introduction of cross service working and the development and implementation of the SEND Pathfinder model and maximise use of community based services to support independence and self reliance.	CS	Existing Efficiencies	(75)	(200)	(200)	33,563
			New Efficiencies	(280)	(300)	(300)	
SSS03	<u>Reduce training budget</u> Further reduction in the departmental budget for training including efficiencies	CS	New Efficiencies	(106)	(106)	(106)	670
EEI05 & SSS04 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	CS	Existing Efficiencies	(16)	(24)	(24)	n/a
EEI13	<u>Early Years spend transfer to DSG</u> It is planned to meet staff costs for operating the funding process for early years education, together with related management and planning costs. This is subject to appropriate consents and regulatory compliance.	CS	New Efficiencies	(640)	(640)	(640)	1,544
EEI15	<u>Families First ITT Bid</u> Savings from the ITT investment to set up the local triage model for early help for families	CS	New Efficiencies	0	(37)	(87)	n/a
EEI23 & SSS05	<u>Children's Services - Further Transformation Savings</u> 1% efficiency savings. This line shows a number of small efficiencies across the budgets in CS. Other elements of this efficiency are shown on other savings lines in the IP where appropriate	CS	New Efficiencies	(235)	(235)	(235)	179,019
SSS06	<u>Children Looked After Efficiency Savings</u> Further efficiency savings from across the children looked after budgets including independent placements, in-house fostering and residential services.	CS	New Efficiencies	(300)	(300)	(300)	44,100
SSS07	<u>Safeguarding &amp; Specialist Services Salary Savings</u> Planned reductions in salary budgets across safeguarding and specialist services including reductions in agency costs resulting from enhanced market forces supplements; reductions in Social Worker establishments; the first stage savings from Innovations (Family Safeguarding) project and savings resulting from Enabling the Worker (ETW) developments.	CS	New Efficiencies	(450)	(450)	(450)	32,384
SSS08	<u>Childcare Litigation</u> Further reductions in the budget for court fees and expert witness fees are expected as a result of plans to reduce the number of children entering the care system.	CS	New Efficiencies	(100)	(100)	(100)	865
SSS09	<u>Re-Commissioning Services</u> Targets for efficiencies arising from the recommissioning of services as contracts come up for renegotiation are estimated to deliver savings.	CS	New Efficiencies	(664)	(664)	(664)	2,838

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
EEI17	<u>Business Efficiency Programme</u> The efficiency measures to be taken will include the Business Efficiency Programme including reviews of printing, business support (admin) staff, savings flowing from ETW, and other process/back office efficiencies; continuing vacancy and staffing review; minor additions to income expectations.	CS	New Efficiencies	(280)	(280)	(280)	78,728
EEI18 & SSS11 (X2)	<u>Enabling the Worker (ETW)</u> This shows small ETW efficiencies across a number of service areas in CS with the remainder being included in other service lines.	CS	New Efficiencies	(98)	(98)	(98)	n/a

**Note 1**

A number of pressures and savings impact on a serveral portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)

Savings - Enabling the worker (X2)

Savings - Environment departmental overheads (X3)

(76) (113) (113)

(1,122) (1,807) (1,807)

(174) (174) (174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
21,656	<p><b>Safeguarding &amp; Specialist Services</b></p> <p><u>Safeguarding Operations</u></p> <p>This budget provides for pay and related expenditure for social work assessment teams, locality (child protection) teams, family assessment teams and children looked after teams. In addition the budgets in this area support commissioning costs of the Childcare Litigation Unit which provides the advice, advocacy and legal representation required in Children' Social Care.</p>	22,799	(969)	21,830	21,829	21,829
50,380	<p><u>Services for Children Looked After &amp; Leaving Care</u></p> <p>This Budget provides for the following:</p> <ul style="list-style-type: none"> <li>• Residential Services comprises accommodation and care for Children Looked After in 4 children's homes, two Adolescent Resource Centres providing specialist multi-agency outreach service for adolescents, specialist foster care and 3 short term residential beds, The Datchworth project providing specialist multi-agency outreach services for younger children and specialist foster care.</li> <li>• The Fostering Service budget funds all the fostering teams, including Recruitment, Family and Friends, Area Fostering teams, Fostering Panel administration and allowances &amp; fees to carers to support placements for Children looked After.</li> <li>• Independent Placements – Residential: This budget funds both residential placements for the whole age range of children and supported living arrangements for those aged 16 plus that are supplied by independent providers. Independent placements of this nature which are commissioned when there are no vacancies in our in-house provision.</li> <li>• Independent Placements – Fostering: This budget funds the costs of foster placements that are purchased from independent agencies. Independent providers are only used when in-house placements are at full capacity.</li> <li>• The Contact Service SLA provides some 3,000 supervised contact sessions a month for children in care proceedings to meet with their parents in a safe and child friendly environment through an SLA with Serco.</li> </ul>	50,749	(1,607)	49,142	48,142	49,956
9,187	<p><u>Adoption Services</u></p> <p>This budget funds two Area Adoption Teams, a Family Finder Team, the Adoption Support Team (AST), Adoption Panel administration and adoption and special guardianship allowances to carers. The AST provides a service to children and adults as well as those with special guardianships.</p>	9,647	(161)	9,486	9,486	9,486

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
10,572	<u>Disabled Children's Services</u> This service provides statutory and supportive social work services and short breaks to all children and young people residing in Hertfordshire, with a substantial disability. This includes providing support in the community and in residential settings where necessary and works closely with Adult Care Service to ensure that all young people requiring ongoing social care services receive an effective handover. In addition budget supports early help for children with a disability through Short Break Local Offer.	10,479	(2)	10,477	10,394	10,394
3,605	<u>Other Specialist Services</u> The budgets in this area include Child & Adolescent Mental Health Services and the Brokerage Service and other specialist services budgets.	8,260	(580)	7,680	7,710	7,710
3,079	<u>Child Protection &amp; Quality Assurance</u> The Child Protection and Statutory Review Service undertakes safeguarding functions such as child protection conferencing, independent reviewing of children's care plans, allegations management and child protection advice, support and training to schools. This service also leads on policy and practice development and quality assurance of social work practice.	3,417	(225)	3,192	3,192	3,192
<b>98,479</b>	<b>Safeguarding &amp; Specialist Services Total:</b>	<b>105,351</b>	<b>(3,544)</b>	<b>101,807</b>	<b>100,753</b>	<b>102,567</b>
15,507	<b>Education &amp; Early Intervention Services</b> <u>Services for Young People</u> Services for Young People include a number of budgets as detailed below: <ul style="list-style-type: none"> <li>• <b>Youth Connexions Service:</b> provides integrated youth support for young people aged 13 - 19 (up to age 25 for those with a learning difficulty or disability). This includes information, advice and guidance, access to positive activities and targeted support for more disadvantaged young people. The service also includes a specialist Personal Adviser team for young people with learning difficulties and disabilities.</li> <li>• <b>Targeted Youth Support Service (TYS):</b> provides support for the most vulnerable young people with a particular focus on those at significant risk of becoming 'Children Looked After'. TYS also incorporates:               <ul style="list-style-type: none"> <li>- Youth Justice Service: a statutory service to manage young offenders and reduce the likelihood of offending or re-offending.</li> <li>- Teenage Pregnancy Service: supports the delivery of our strategy for reducing teenage pregnancies and for supporting young mothers.</li> <li>- Young People's Substance Misuse: supports the delivery of provision that underpins the county's young person's substance misuse strategy. In addition the budget includes specialist services relating to counselling, resilience and teenage pregnancy strategies.</li> </ul> </li> </ul>	18,806	(3,696)	15,110	15,109	15,109

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
1,958	<p><u>Intensive Family Support Service</u></p> <p>Thriving Families aims to empower families with multiple and complex needs to achieve better outcomes and therefore prevent escalation of problems, by ensuring a safe and effective service, which responds quickly and intensively to the families' needs.</p> <p>This area also includes budget for the oversight of the Common Assessment Framework and the 0-18 Targeted Advice Service (TAS), which provide Early Intervention for 5-11 year olds.</p>	4,477	(2,545)	1,932	1,903	1,853
1,854	<p><u>Education Access &amp; Provision:</u></p> <p><i>Central</i></p> <p>The service monitors and forecasts supply and demand for school places, manages capacity and commissions additional school places to match demand (a statutory requirement), promote improvement in educational outcomes and other policy objectives. It identifies and secures external funding, manages relationships with DfE and formulates and sponsors any resulting capital projects and programmes. Major activities are developing and overseeing delivery of primary and secondary school expansion programmes (capital) with the Hertfordshire expansion programme one of the largest nationally. This includes the lead role in relation to new and converting academies, and free schools.</p>	1,745	(9)	1,736	1,536	1,536
13,280	<p><u>Early Childhood &amp; Early Help Commissioning</u></p> <p>Childhood Support Services (CSS) provide the countywide strategic, policy and service development lead for universal and preventative services for young children and their families under the age of 5. A key focus is on targeting those children and families at risk of poor outcomes and particularly children living in low income families.</p>	12,407	(2)	12,405	12,406	12,406
113	<p><u>HR Budgets</u></p> <p>This area of the budget relates to historic HR liabilities relating to specific groups of school staff such as caretakers and teachers that HCC are required to honour.</p>	112	0	112	112	112
0	<p><u>Milk &amp; Meals</u></p> <p>This budget covers the cost of running HCC's schools milk policy including purchase and sales of milk and the cost of operating the free school milk policy.</p> <p>Milk is run as a net nil cost service with any deficits met from DSG.</p>	801	(801)	0	0	0

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
0	<p><u>BSF PFI Schemes</u></p> <p>This budget relates to the PFI operational and unitary charges with respect to Marriotts &amp; Lonsdale schools. Whilst It was originally expected that the PFI funded schools would become operational and unitary charge payable to the operator (Balfour Beatty Education) from September 2012 the actual handover date was 7 January 2013.</p> <p>The scheme is still due to end on 31 August 2037 at which stage all assets will revert to the Council. The value of the Marriotts and Lonsdale Schools (land and buildings) at the date they became operational was £43.24m.</p> <p>There is a net nil budget; The expenditure charges are funded through a central government PFI Initiatives grant. In the early years of the scheme, it is anticipated the scheme will run at a surplus, which will be transferred to a specific reserve. This will be utilised to fund the deficit expected in the later years of the scheme.</p>	7,447	(7,771)	(324)	(125)	(125)
782	<p><u>Music Service</u></p> <p>Hertfordshire Music Service engages over 600 instrumental and vocal teachers teaching over 25,000 children in schools and music centres across the county. The service is committed to making every child's music matter, and to improving standards in schools through music.</p>	9,540	(9,096)	444	444	444
1,731	<p><u>Corporate Parenting</u></p> <p>The Corporate Parenting function of the Local Authority means it acts as a guardian for Children Looked After (CLA). The virtual school for CLA aims to improve the educational outcomes and life chances of this group of children and young people.</p>	1,543	(16)	1,527	1,527	1,527
<b>35,225</b>	<b>Education &amp; Early Intervention Total:</b>	<b>56,878</b>	<b>(23,936)</b>	<b>32,942</b>	<b>32,912</b>	<b>32,862</b>
6,582	<p><b>Children's Services Overheads</b></p> <p><u>Performance and Business Support</u></p> <p>The Performance and Business Support area contains the following areas which support the whole of CS department:</p> <ul style="list-style-type: none"> <li>• Performance and Improvement</li> <li>• IT Budget</li> <li>• Business Infrastructure Service</li> <li>• Children and Young People's Strategic Commissioning</li> </ul>	2,237	(2)	2,235	2,235	2,235
481	<p><u>CS Departmental Overheads</u></p> <p>This budget is Children's Services departmental overheads.</p>	220	0	220	212	212
<b>7,063</b>	<b>Children's Services Overheads Total:</b>	<b>2,457</b>	<b>(2)</b>	<b>2,455</b>	<b>2,447</b>	<b>2,447</b>

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### **Proposed Childrens' Services Portfolio Capital Programme 2017/18-2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £58.821m and for 2017/18 is £20.8m, almost all of which is grant funded. This includes re-programming from 2016/17 at the end of quarter 2. There are no revised or new Capital bids.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HCC Funding</b>	0.471	0.312	-	<b>0.783</b>
<b>Grant</b>	20.368	18.869	18.801	<b>58.038</b>
<b>Total</b>	<b>20.839</b>	<b>19.181</b>	<b>18.801</b>	<b>58.821</b>

## Proposed Children's Services Portfolio Capital Programme 2017/18-2019/20

		Total Scheme Cost	2017/18 Integrated Plan			2018/19	2019/20
			Cost	HCC Funding	Grant	Cost	Cost
<u>Children's Services</u>							
<i>New Request (N) or Existing Request (E) or Revised Request (R) if change to existing scheme requires additional HCC funds?</i>							
		£'000	£'000	£'000	£'000	£'000	£'000
1	<b>School's Repairs &amp; Maintenance - Schools Condition Allocation Grant ( E):</b> Budget to assist in maintaining and managing school buildings	Annual Programme	20,004	-	20,004	18,759	18,759
2	<b>Building Schools for the Future-ICT (E):</b>	4,763	364	-	364	110	42
3	<b>Liquidlogic Troubled Families Phase 2 Solution (E):</b> This project will deliver the IT solution to bring together information from across all agencies that are contributing to the success of early help. The new system would generate the performance monitoring intelligence to target interventions at those vulnerable families to prevent an escalation in need and, to evidence outcomes required for Hertfordshire to claim Payment by Results rewards.	286	66	66	-	-	-
4	<b>Liquidlogic – Early Help Module Implementation (E) :</b>	525	225	225	-	132	-
5	<b>Liquidlogic - LCS (Liquidlogic Children's System) (E) :</b> the ICT system that manages casework recording for the Safeguarding and Specialist Services.		180	180	-	180	-
<b>TOTAL CHILDREN'S SERVICES</b>			20,839	471	20,368	19,181	18,801



# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Community Safety and Waste Management Portfolio**

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## Community Safety & Waste Management Portfolio

The **Community Protection Directorate** aims to ensure that Hertfordshire remains a safe place to live, work and travel through by undertaking targeted and proportionate risk reduction activities to protect the public from rogue trading, scams, fire and other incidents. The Directorate also provides emergency response when necessary.

### Scope

The Community Protection Directorate is responsible for the delivery of four main areas; Fire and Rescue Service, Trading Standards, Hertfordshire Community Safety Unit, Resilience and Emergency Planning. Community Protection has opportunity to influence and directly impact a wide range of prevention, protection and response activities through internal HCC and external partners. This includes diverse activities such as tackling rogue trading, supporting safe commerce and responding to emergencies. The Directorate is taking part in a considerable amount of cross-HCC activity, for example supporting Public Health through Safe & Well checks which assist in 'making every visit count'.

### Summary of Key Savings Proposals 17/18 (total £713k):

- Additional savings realised from Day Crewing Plus (£0.195m)
- Additional income from Trading Standards through Primary Authority work (£0.050m)
- Removal of Community Safety Task Force (£0.125m)
- Restructure of senior team (£0.058m)
- Response vehicles – change lease to capital (£0.075m)
- Limit recruitment until IRMP outcome (£0.210m - 17/18 only)

### Key Risks in achieving IP proposals

- IRMP drives community risk reduction activities for Hertfordshire – significant alteration to resources (high risk strategy) is likely to result in staff/public unrest
- Peer review highlighted lack of investment in estates and IT systems as very apparent and likely to hamper future effectiveness
- Succession planning – experienced managers retiring/leaving

### Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£35.6m	£35.2m	£35.4m

### Summary of Key Priorities and Programmes

#### Community Protection

- Integrated Risk Management Plan (IRMP) – the current plan expires in 2018 and must balance risk, cost and benefit – the document is a statutory requirement and is a key opportunity to seek, through consultation, public views on the shape of the Service for the future.
- Replacement of firefighting uniform and breathing apparatus which is now at end of life
- Data integration programme underway across CP and linking to HCC to build more cohesive intelligence picture

### Capital Programme

	17/18	18/19	19/20
Capital Programme	£3.4m	£2.0m	£1.7m

#### Key Capital Schemes:

- Fleet & Equipment – replacing vehicles & equipment at end of life to enable emergency response to be maintained
- Breathing Apparatus – replacing key safety equipment for firefighters
- ICT – ensuring that equipment such as mobile data terminals are able to support effective response

**Capital Strategy:** to ensure that the Directorate is able to maintain safety for staff and effectively deliver the requirements of the IRMP, through provision of the right vehicles and equipment

# Community Safety & Waste Management Portfolio

**Waste Management Strategic Objectives:** Ensuring the effective management of Hertfordshire's Waste.

## Scope

The Waste Management Unit:-

- Makes arrangements for the disposal and/or treatment of the 530,000 tonnes of waste arising in Hertfordshire each year
- Provides the Household Waste Recycling Centre service at 17 locations in Hertfordshire
- Makes recycling credit and transport subsidy payments to the District and Borough Councils
- Promotes sustainable waste management through support of the Hertfordshire Waste Partnership's WasteAware campaign
- Facilitates and supports the Hertfordshire Waste Partnership

## Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£43.2m	£43.1m	£46.5m

## Summary of Key Priorities and Programmes

- To ensure the effective management of Hertfordshire's waste
- To monitor delivery of the proposed Energy Recovery Facility at Ratty's Lane, Hoddesdon which is critical to provide a long term solution for the management and disposal of Hertfordshire's residual waste
- To work closely with Waste Collection Authorities through the Hertfordshire Waste Partnership
- To manage the considerable pressure on the services, in particular the provision of the HWRCs and future cost of waste disposal

## Summary of Key Savings Proposals

- Review of Alternative Financial Model (AFM) saving £0.334m in 2017/18 rising to £1m in 2019/20.
- Savings in external support saving £0.250m p.a. from 2018/19
- Central container servicing contract – saving £0.480m p.a.
- Recycling material income – saving £0.125m p.a.
- Reduction in compost contamination – saving £0.085m p.a.
- Wider introduction in re-use 'shops' saving £0.050m in 2017/18 rising to £0.150m p.a. in 2019/20

## Capital Programme

	17/18	18/19	19/20
Capital Programme	£1.0m	£5.6m	£0.00m

## Key Risks in achieving IP proposals

- The AFM changes have been agreed through the Hertfordshire Waste Partnership and can be considered as delivered. The possibility that there are insufficient sums, as a result of waste growth expenditure, is considered sufficiently remote during the period of this IP

## Key Capital Schemes (Waste Management):

- Development of the Ware HWRC.
- Necessary improvements and enhancements e.g. fire suppression system at the Waterdale Waste Transfer Station
- Household Waste Recycling Centre Improvements – including ANPR and CCTV provision

# Community Safety and Waste Management Portfolio : Future Strategic Direction

## 1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

### Community Protection:

The Community Protection Directorate is responsible for the delivery of four main areas:

- Fire and Rescue Service
- Trading Standards
- Hertfordshire Community Safety Unit
- Resilience and Emergency Planning

The combined cost of these Services is £35.6m. The majority of this funds the Fire and Rescue Service, mainly in the form of staff costs.

The Directorate aim is to ensure that Hertfordshire remains a safe place to live, work and travel through by undertaking targeted and proportionate risk reduction activities. Community Protection has opportunity to influence and, in some cases, directly impact a wide range of prevention, protection and response activities through internal HCC and external partners. This includes activities as diverse as tackling rogue trading, supporting victims of hate crime, supporting residents and business in preparing for severe weather and responding to emergencies where these occur.

Our current priorities are to:

1. Ensure that there are effective means to respond to emergencies and to ensure that resources are allocated on a risk basis to maximise efficiency and effectiveness.
2. Actively seek to reduce fires, road traffic collisions, other emergencies and to reduce deaths and injuries.
3. Work to achieve a safe and just trading environment, supporting the Hertfordshire economy and helping to reduce crime.
4. Work in partnership with other agencies and organisations to make Hertfordshire safer and support health and wellbeing through targeted proactive prevention, education and protection work.
5. Ensure effective arrangements are in place to plan for major emergencies and to provide support and advice to communities and businesses in ensuring that they make plans and take preventative measures themselves.

The financial backdrop means that the Directorate has had to review the way in which it delivers services. This will require changes to the way in which resources are distributed and activities undertaken and, require consideration as to the priorities for all four areas

within the Community Protection Directorate; Joint Protective Services (including Trading Standards), Hertfordshire Resilience, County Community Safety Unit and Fire and Rescue.

Under the Fire and Rescue Services Act 2004 every fire and rescue authority must publish an Integrated Risk Management Plan (IRMP). This document must balance the legislative duties, appropriate community safety activities, emergency response and financial sustainability to deliver a suitable risk management strategy.

#### Environment:

The service has a key role in running essential Waste Management Services for the residents of Hertfordshire and has a statutory responsibility as Waste Disposal Authority. The 2016/17 revenue budget for Waste Disposal and Household Waste Recycling Centres (HWRCs) is £43.131m

In terms of everyday services the County Council's waste management unit:

- Manages a network of 17 Household Waste Recycling Centres, handling approximately 80,000 tonnes per annum.
- Manages around 530,000 tonnes of local authority collected waste arising in Hertfordshire each year as the Waste Disposal Authority.

The department's key contractual relationships are:

- The County Council has a contract, with Veolia Environmental Services (VES), for the provision of a long term sustainable and affordable solution for the management of Hertfordshire residents' residual waste. The proposal for an Energy Recovery Facility (ERF) at Ratty's Lane, Hoddesdon, is subject to a planning application submitted by VES in late December 2016.
- Amey operate under contract to run the 17 HWRCs on behalf of the County Council until 2023.

Within available resources, our key priority for the next three years is to:

- Ensure effective management of the county's waste in conjunction with the Hertfordshire Waste Partnership, working with residents to reduce residual waste and increase re-use, recycling and composting.

## **2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?**

#### Community Protection:

The main area of pressure for Fire and Rescue is maintaining operational cover across Hertfordshire, particularly in the more rural areas that rely on retained firefighter cover. The evidence suggests that the pressure to continue to provide effective operational cover within existing arrangements may not be realistic.

The Service will face on-going challenges to meet Member approved Emergency Response Standards as traffic congestion continues to rise and risk moves away from properties and on to roads which follows a trend seen over the last decade.

In order to continue to meet the current standards it is becoming increasingly clear that investment to relocate fire stations from traditional town centre sites in order to be closer to high speed road infrastructure may provide an opportunity to continue to achieve attendance times whilst at the same time reducing overall service costs.

Considerable work continues to focus staff and public on prevention to reduce demand but Hertfordshire remains a busy County which is unlikely to see significant further reduction in demand for Community Protection Directorate services.

The data and trends from Health and Community Services indicate a continued growth in the number of elderly people living independently on their own, in their own homes, with complex needs. This group represents a disproportionately high number of deaths and injuries from fires in their own homes. The common risk factors associated with rogue trading incidents, fraud through scams and fire injury or worse is vulnerability, whether this is through age, living alone, ill health or a combination of factors.

It is vulnerable members of society that are targeted by Rogue Traders (the average age of victims for doorstep crime in Hertfordshire in 2015 was 79). Such crime results in high financial and emotional harm, frequently running into thousands and tens of thousands of pounds of detriment. Smoking and ill health/mobility issues markedly increase the risk of fatalities in fires, and working with people within our communities who are already known to partner agencies and identifying opportunities to enter into closer working arrangements with partners continues to be vital.

With the number of emergency calls to road related incidents continuing to grow in comparison with property fires the maintenance of skills is becoming an increasing risk. Attendance at property fires tends to represent the greatest risk to firefighters and so the need to ensure that the best possible training is delivered through the provision of high quality training interventions and equipment becomes increasingly important. The provision of suitable training environments will need to attract increasing investment in the future if firefighters are to continue to remain safe and the Service is to continue to operate effectively.

The retention and availability of retained firefighters is becoming increasingly difficult in many parts of Hertfordshire. Individual availability does mean that there is a direct impact on emergency cover in some areas of Hertfordshire, with a direct correlation between availability and the number of calls individuals can attend.

There is real uncertainty about the impact and effect of climate change. In recent years Hertfordshire and the UK has experienced unprecedented levels of wide area flooding to which the Fire and Rescue Services are key in providing an immediate response. This also has an effect on communities and how much they can do for themselves; they still need support and advice from Emergency Planning Officers, especially in the recovery and clean up phases.

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The Government continues to push for further and quicker Blue Light integration and work is well underway to consider how closer working relationships in Hertfordshire can create opportunities for improvements in efficiency and effectiveness for both organisations. The Police and Crime Bill will introduce wider legislative requirement to collaborate and much of the work referred to above will link to this. There is consideration within the Bill to Police and Crime Commissioners taking responsibility for fire and rescue services, though the economic business case for such a change in Hertfordshire has yet to be proven..

The work undertaken by the Directorate in relation to the SafeLives review of domestic abuse in Hertfordshire has made significant progress in 16/17 and this policy area will not form part of Community Protection from 17/18, although help to victims of domestic abuse in securing homes and providing reassurance will continue to be provided by the Herts Home Safety Service within JPS.

Trading Standards is responsible for enforcing a range of legislation and pressure continues to prevent the high risk of physical harm to the people of Hertfordshire by preventing unsafe goods and practices, illegal food and underage sales to children, amongst other practices.

The recent EU referendum result and the 'Brexit' decision could potentially have a significant resource implication for Trading Standards, given that a large percentage of its roles and duties (particularly in the areas of food and safety) emanate from EU legislation. The timescale and implications of Brexit are as yet unknown, but the strong regional and national arena in which the Trading Standards Service works will ensure efficiency and effectiveness of delivering any change (see Section 4).

Product safety is an important area of responsibility for the Trading Standards Service, with unsafe products presenting a high risk to the physical harm of the consumer, to the environment and financially to the economy through the undermining of legitimate business. High profits are made by criminals through the importation and distribution of cheap, unsafe goods and a significant proportion of high risk importers identified by Trading Standards have been linked to organised crime groups.

Preventing the sale of products such as fireworks, tobacco and alcohol to underage children remains a key challenge, with such sales linked to anti-social behaviour incidents; poor health and underage drinking linked to an increase in risk taking/risk of injury, violence, sexualised behaviour and low educational attainment.

Food Standards issues remain a priority, with illegal food posing a significant risk of harm, both physically and emotionally to consumers and financially to both consumers and the compliant business of Hertfordshire. Supporting these compliant businesses meets the corporate objectives of Hertfordshire County Council giving businesses the "opportunity to prosper" and strengthening the local economy remains a priority and pressure.

### Environment:

The Waste Management Service has a key role in relation to the long term future stewardship of Hertfordshire's quality of life. The key pressures and challenges facing the service arise from the geography of Hertfordshire, the pressure for growth and



development, population change and the high expectations of our communities. Maintaining day to day service delivery on the things that matter to local people and Members in the face of these pressures and anticipated growth is a major challenge.

The award of planning permission for the proposed ERF at Ratty's Lane, Hoddesdon is critical to meeting the County Council's need to develop a cost effective alternative long term solution for the management and disposal of Hertfordshire's residual waste.

The County Council will continue to work closely with the Waste Collection Authorities (WCAs) through the Hertfordshire Waste Partnership to review arrangements and identify savings based on a principle of whole system costs in accordance with the Hertfordshire Waste Partnership Agreement. Changes to services provided by the WCAs, such as charging for green garden waste, will be monitored closely.

High public expectations in terms of demand for our services, responsiveness to local need and the ability to influence will continue to place considerable pressure on our services, in particular the provision of the HWRCs. Managing expectations, ensuring good relations, and maintaining value for money will be major challenges requiring strong communication and a management of service user expectations.

### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

#### Community Protection:

As noted in Section 1 of this document the Fire and Rescue Services Act 2004 requires every fire and rescue authority to publish an Integrated Risk Management Plan (IRMP). The current IRMP for Hertfordshire requires review in time for publication in 2018. Members, in particular the Hertfordshire Fire and Rescue Authority (The Cabinet), will play an integral role in directing the development of the strategy which will also need to be the focus of public consultation. The development and publication of the next IRMP will provide a key opportunity to consider changes that may be possible, though the risk from public disquiet or staff unrest cannot be under-estimated if changes to emergency provision were to be proposed.

It will be essential that Members are given the opportunity to consider some of the fundamental principles behind the IRMP; principles such as the current attendance standards for Hertfordshire relating to the speed and weight of response to certain incident types. These principles will play a significant role in dictating what, if any, changes could be considered in the development of the next IRMP. For example, the volume of calls now being received could conceivably be dealt with by less than the current number of fire engines and crews, however a 'thinning out' of the existing provision would undoubtedly prevent the Service from meeting its 10 minutes attendance standard to property fires. This will therefore be a key question for the Fire Authority and will be an integral part of any public consultation exercise.

An important aspect of the IRMP is the balance between operational response to emergency calls and the need for prevention work to maintain and continue to reduce

fires, road traffic collisions and harm. Effective prevention activities have been shown to reduce the number of fires, and contribute to reduction in demand for other services such as HCS and Public Health. Community Protection staff are doing much to support a cultural shift to a prevention focus across HCC and are directly engaged in delivering activities such as Safe and Well for vulnerable adults, LiFE for disenfranchised young people and a wide range of other interventions.

Operational response is provided by both fulltime (wholetime) and part time (Retained Duty System or RDS) resources. The former are fully staffed and permanently available, the latter are called in from their homes or places of work when calls are received. However it has not been possible, at this time, to achieve 100% availability of all RDS crewed appliances primarily due to challenges in recruiting sufficient applicants to take on these extremely time consuming roles. An important project, in line with the development of the next IRMP, will be to undertake analysis of alternative approaches to recruitment, staffing and retention around the RDS system to ensure that the availability of resources can be guaranteed.

Given the significant and effective prevention work that the fire and rescue service has undertaken in the last decade, and the corresponding reduction in emergency incidents, experience levels amongst staff are reducing. This means that a greater emphasis must be placed on the provision of realistic training to replace that experience which is no longer gained via natural performance, i.e. at emergencies. A recent restructure of the Service Training and Development Centre and the introduction of more live fire training is helping to address this issue, however in the next year it will be essential to consider what additional resources and/or facilities are required to ensure that operational staff are provided with the right training to support continued safe and effective emergency response.

The East Coast and Hertfordshire Control Room Collaboration programme is funded by a DCLG capital grant and will connect Fire Control functions between Humberside, Hertfordshire, Lincolnshire and Norfolk. This will provide added resilience in the event of major incidents or infrastructure failures.

The Emergency Services Mobile Communication's Programme is a project to replace the existing communication network used by all emergency services across the UK. This is a centrally led project that will have major resource and management implications as it is introduced in to Hertfordshire from 2016 onwards, Hertfordshire Officers undertake key lead roles in relation to this Programme.

Combining locations to make best use of assets whilst protecting emergency response arrangements; the Operational Support Accommodation Programme has made a successful bid for DCLG funding that has allowed the Community Protection, Libraries and Property Teams to develop plans for the relocation of a small number of libraries in to existing fire stations. This is one example of a number of other proposals looking at property efficiencies.

Data integration – Work is being undertaken to replace existing, outdated software, applications and systems to reduce unnecessary duplication and provide a more integrated data management system, which will enable inter agency and cross-HCC sharing of data in a secure manner and encourage end users to manage, analyse and use data effectively.

Our Joint Protective Services (JPS – Trading Standards, the CCSU and fire Prevention and Protection activities) will continue to take action to prevent people being the victims of commercial crime in their own home, help businesses thrive during the current economic climate, disrupt traders from operating in the informal economy, prevent harm to children and nuisance caused by young people from access to restricted goods, prevent people being the victims of illegal money lenders and proactively support the health and well-being agenda, working with public health and other partners.

## **Collaboration**

A key component of the Policing and Crime Bill includes a duty on emergency services to work collaboratively to ensure that the overall service we provide our communities is effective, efficient and legitimate. To address this, we are already in discussion with colleagues from Hertfordshire Constabulary and the East of England Ambulance Service to scope 'potential' in several key areas, including the possibility for a more joined up:

- Estates Strategy
- Delivery of training; *including increased co-location on the Longfield site*
- Delivery of operational functions; *where appropriate.*
- Procurement
- Citizen Safety Strategies

In 2017/18 the CCSU will continue to provide intelligence products for Community Safety Partnerships including strategic assessments, ad hoc analytical requests and crime mapping tools.

Community Protection will continue to meeting the requirements of the new Competency Framework for Business Fire safety Regulators to provide business with the assurance that advice and / or enforcement activity are being delivered by properly trained and accredited personnel.

Further work will be undertaken with Carers, Care Agencies, Commissioners, Safeguarding Agencies and other partners to ensure high risk vulnerable adults and adults with complex needs are protected from a range of hazards and risks including postal and telephone scams, fires, doorstep crime, flooding and rogue trading. This will involve the establishment of awareness training for carers and the development of data sharing protocols.

Community Protection will continue to work with County Transport Access and Safety team and a range of other stakeholders to re-establish the County Strategic Road Safety Partnership. This will include supporting development of appropriate strategies to coordinate delivery of road safety initiatives to influence the most vulnerable and at risk road users.

## **Young People**

Community Protection will provide further opportunities for vulnerable young people to self-develop, gain skills, qualifications and experience to improve employment prospects and life skills. To include HCC looked after children.

Ensure a direct referral process for young people from the Thriving Families program into the wide range of CPD youth diversion and engagement opportunities.

## **Community Protection Volunteers**

Community Protection has an established and well developed volunteer team who assist in a wide range of activities ranging from Home Fire Safety Visits through to supporting at operational incidents as part of the Volunteer Incident Support Team and from supporting vulnerable victims of Rogue Traders and door step crime to carrying out arson patrols. The range of volunteer supported activities will continue to be expanded in the coming year.

## Environment:

Over the last four years, the waste management unit has made significant saving contributions to the county council's revenue budget. So far savings have largely been achieved through efficiencies, inter-authority and supplier negotiation, re-procurement and the implementation of service changes.

Looking ahead the focus will need to be on minimising expected pressures, reviewing standards of service, further developing partnership, exploring different forms of service delivery and making better use of technology to improve customer communication and reduce costs.

The re-procurement of the County's HWRC service will deliver savings of £6.4m over an eight and a half year period although user demand and expectations remain very high. The process has further delivered significant risk mitigation in the transfer of responsibility for marketing materials from the network of HWRCs. Work will also continue with the Hertfordshire Waste Partnership to identify efficiencies, including the delivery of savings through joint working opportunities.

The HWRC network is an ageing asset and some centres, while coping with demand, are no longer fit for purpose. Work will continue to try to secure new sites and resources to develop a rationalised network of 'supersites'. This is a significant challenge not least because finding appropriate and affordable land is very difficult and, despite the essential nature of the service, proposed new HWRCs do not receive great support. It is important that cooperation and active support from relevant borough and district councils is secured.

The delivery of a successful planning permission from Veolia for the ERF at Hoddesdon is critical. Without this it is anticipated there will be significant and escalating budget pressures on the Waste Disposal Authority.

#### 4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?

##### Community Protection:

##### **Performance**

The table below details the level of operational activity over the four year period, 2012/13 to 2015/16 and demonstrates that whilst, over the last decade, a significant overall reduction of incidents has been achieved that may not be a trend that it is possible to either continue or rely on as demonstrated by the figures for total incidents shown below.

<b>Performance measure</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>% change 2012/13 to 2015/16</b>
Total incidents	8,472	8,890	8,230	8,633	<b>2%</b>
Primary Fires	1,283	1,339	1,298	1,290	<b>0.55%</b>
Secondary Fires	871	985	1,010	1,062	<b>22%</b>
All Deliberate Fires	810	816	923	1,039	<b>28%</b>
Deliberate Primary Fires	245	234	280	311	<b>27%</b>
Deliberate Secondary Fires	565	582	643	728	<b>29%</b>
Dwelling Fires	570	588	527	512	<b>-10%</b>
Deaths from Fire	1	3	8	4	
Injuries from Fire	49	49	56	49	<b>0%</b>
False Alarms due to Automated Fire Alarm systems	2,480	2,719	2,324	2,508	<b>1%</b>
Malicious False Alarms	92	72	69	69	<b>-25%</b>
Non-domestic Fires	201	195	179	180	<b>-10%</b>
Special Services	2,046	2,165	1,926	2,028	<b>-1%</b>

Emergency response will clearly remain a key aspect of the Service and as overall incident numbers continue to decline the risk to operational crews will begin to rise as experience and opportunity to gain it reduce. The provision of high quality, realistic training to replace the experience lost through reduced operational incidents is therefore a key consideration for the future and will need to be supported by the continued provision of appropriate training and development facilities.

The changing nature of the incidents occurring in Hertfordshire will be considered in a review of the current firefighting strategy, this will focus on new and improved equipment and techniques to advance firefighter safety, service to the public and also provide potential for future financial savings.

Fire Protection teams continue to deliver initiatives to drive down the occurrence and cost of fires in non-domestic premises through a range of activities including an 'intelligence led' risk based inspection programme and providing advice and guidance at the planning stage to promote good practice in respect of fire safety design and construction.

Growing new Fire Safety Primary Authority Partnerships will be an important activity to support Hertfordshire businesses, these provide a mechanism for reducing bureaucracy, the cost of regulatory compliance and assist in securing greater coordination of regulatory and enforcement activities across the country.

The Fire Service has been extremely successful over the past decade in reducing fires in the homes through a targeted Home Fire Safety Visit programme. Building on this success HFRS are working in partnership with Public Health to expand this programme into Safe and Well visits. These visits focus on the key factors that affect the lifestyles of vulnerable residents. This shift in emphasis has been driven by a combination of national direction, through a variety of stakeholders including the Chief Fire Officers Association (CFOA) and Public Health England, and a realisation, following local research, which suggested that most of Hertfordshire's fire victims had one or more of the determinants of poor public health immediately prior to the fire. The ageing population will put excessive demand on the social care system and Safe and Well visits will have a role in helping to reduce this demand whilst promoting independent living. The benefits to be derived from this work are:

- A partnership approach providing the opportunity for key public health advice and referrals to be made to some of our most vulnerable citizens. This builds on the trusted brand of HFRS and does not require significant costs or resources as home visits are already part of HFRS outputs.
- In the longer-term a further reduction in fire deaths or injuries. Potential for prevention of poor health requiring NHS or social care intervention, through provision of advice and referral of vulnerable residents into appropriate services.

## **Budget – Value for Money**

Community Protection keeps budget and financial issues under close scrutiny and has a successful track record in terms of reviewing and reducing costs and reallocating finance to areas of the greatest need.

Despite a number of growing pressures in relation to operational activities, and the expanding role of the Fire and Rescue Service in terms of its contribution to the wider community agenda especially Public Health, Community Protection has successfully brought its budget in on or under target every year and become one of the most cost effective Fire and Rescue Services, Trading Standards and Resilience services to operate. The Chartered Institute for Public Finance and Accountancy (CIPFA) Value for Money (VfM) statistics, based on 2014/15 budgets, show HFRS as the fourth lowest cost per head

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of population of the fourteen County Council FRSs in England, with a budgeted expenditure of **£32.73** per head of the population.

Rank	County Council FRSs	<sup>1</sup> Budget cost per head £
1	Suffolk	29.22
2	West Sussex	30.02
3	Norfolk	30.54
4	<b>Hertfordshire</b>	<b>32.73</b>
5	Lincolnshire	32.83
6	Northamptonshire	33.53
7	Surrey	34.32
8	Gloucestershire	34.56
9	Warwickshire	34.80
10	Cumbria	40.23
11	Oxfordshire	40.73
12	Cornwall	47.08
13	Northumberland	48.64
14	Isle of Wight	50.83
-	<b>Average of all County Council FRSs</b>	<b>37.14</b>

The 2014/15 CIPFA VfM average for English County Council FRSs was **£37.14** per head of population, **£4.41** more than HFRS. An additional **£5.09 million** would need to be invested for the Service to reach the average, which equates to an increase of over **13%** of the total HFRS budget for 2014/15.

Strong partnership and collaborative projects are in place and new opportunities are being considered. These include expanding the very successful Princes Trust Scheme across Hertfordshire, continuing to run the LiFE Schemes for young people and receiving referrals for the Fire Setters advice programme.

Community Protection volunteers provide thousands of hours of very cost-effective public interaction per year and support a wide range of activities. Examples include supporting at pre-planned events such as Herts County Show, direct support for individuals through the Directorates Home Fire Safety Visit Programme or assisting in raising awareness within vulnerable groups of scams.

<sup>1</sup> CIPFA Value for Money (VfM) Toolkit 2012/2011/12 Budgeted Figures  
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The use of Hertfordshire Fire and Rescue Service and Trading Standards volunteers means that community support for projects targeting under-age sales of cigarettes and alcohol has been extended. Fire and Rescue Service volunteers are now extending their activities to help and assist people who have been flooded or had a fire and to help clean up and provide advice and support.

The Service has commenced, with support from East of England Ambulance Service, a trial co-responding arrangement which sees fire and rescue crews responding to reports of cardiac arrest in two major towns in Hertfordshire. Some very positive outcomes have already been achieved and early indications are that the successful trial could be expanded further. This is building on the already existing sharing arrangements whereby East of England Ambulance Service resources use fire and rescue stations as bases from which to operate. This does bring in an income to the County Council through shared costs agreements.

Collaborative work with Hertfordshire Constabulary continues to progress whilst regular joint training is assisting in developing working relationships and generating new opportunities for closer working and efficiency.

Hertfordshire Fire and Rescue Service has a number of specialist appliances that have been used extensively to support large scale incidents. Many of these operate as part of national emergency arrangements as well as providing emergency support arrangements to other fire authorities that border Hertfordshire.

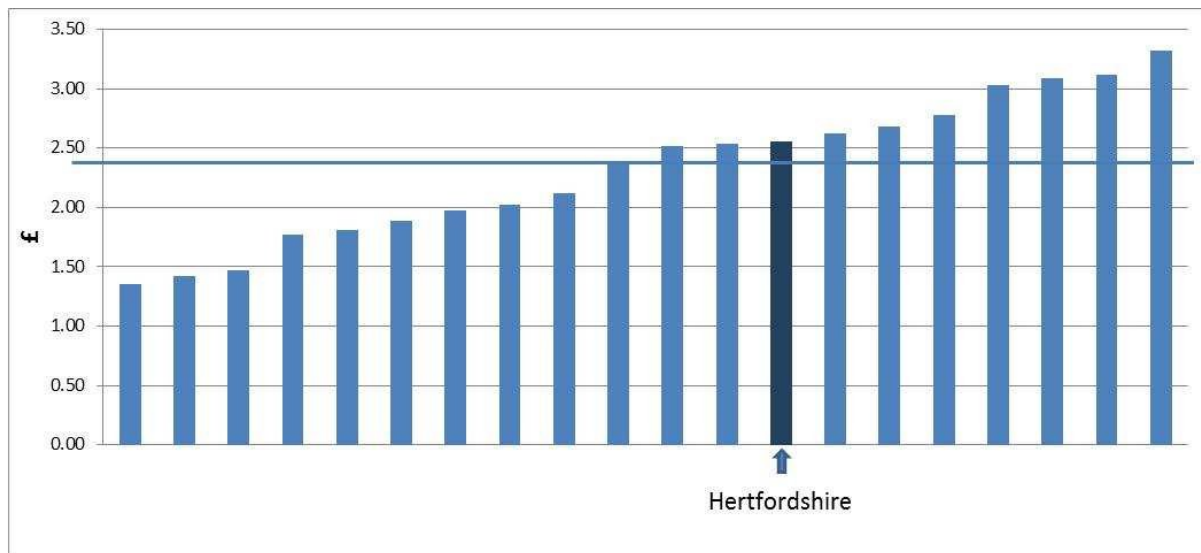
## **Trading Standards**

Hertfordshire Trading Standards is held in high regard both internally and externally for its innovative and effective service being part of the Community Protection Directorate and the multi-agency partnership arrangements play a vital role in this. Trading Standards works within a mature, efficient and cost effective local, regional and national collaborative environment. The service is part of the East of England Trading Standards Authorities (EETSA) which removes duplication and provides efficiencies in the areas of competence, training, and operational effectiveness. The most up to date CIPFA statistics show that the net expenditure for Trading Standards in Hertfordshire was £2.55 per head of the population in 2013/14. The average for English counties was £2.32 per head of the population (2013/14 figures)<sup>2</sup>.

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<sup>2</sup> Net Expenditure on Trading Standards from CIPFA Regulatory Services Statistics 2014 (figures not available for 5 of 25 County Trading Standards services). **Agenda Pack 124 of 379**





Satisfaction levels are excellent; Hertfordshire Trading Standards own surveying of business and other service users, (as part of Customer Service Excellence procedures) evidenced levels of satisfaction of at 86%, an increase of 1% on the satisfaction rate for 2014/2015. This is the highest score achieved in recent years and the seventh year in succession that figures have shown no reduction in satisfaction levels.

Hertfordshire Trading Standards, has developed a number of important Primary Authority Partnerships with some of the county’s most high profile businesses. Moving to a Primary Authority relationship has enabled us to provide, at no cost to Hertfordshire taxpayers, enhanced levels of advice and other support, helping Hertfordshire-based businesses to trade safely and fairly across the UK, raising standards of compliance whilst improving consumer protection. This year the excellence of our Primary Authority work received further national recognition in being awarded the prestigious Primary Authority Team of the Year by the government’s Better Regulation Delivery Office.

## Resilience

Very little comparative data is available to evidence relative performance of the Resilience Team. The Civil Contingencies Secretariat’s Enhancement Programme which accompanied the review of the Civil Contingencies Act developed a self-assessment tool which, in time, might become a valuable tool for benchmarking and evaluating relative performance. However, at present no datasets on relative performance are available. The County Council continues to be held in high regard both internally and externally for its emergency management arrangements and the strong multi-agency partnership in which it plays a pivotal role.

Performance is measured in terms of maintaining emergency response plans and delivering effective training so that County Council departments and staff are prepared to undertake the roles required of them. It’s essential that performance levels remain high so that the County Council can fully support any multi-agency emergency response.

The Herts Local Authority Resilience Partnership was established in September 2005 to provide professional support and expertise to districts in their duties under the Civil

Contingencies Act 2004. Hertfordshire County Council and seven of the ten district councils form this partnership. Hertsmere Borough Council are not officially in the partnership but have a standalone agreement with HCC to provide the same service.

Each year the districts complete a performance questionnaire regarding the quality of the service provided by the HCC District Resilience team and how the partnership has enhanced the districts' resilience preparedness. For 2015 the team reported high levels of general satisfaction with the traded service, with 87% of the 8 district councils felt their partner HCC Resilience Officer provided an excellent service. 100% of the 8 district councils felt the HCC Resilience Team provided an 'excellent' or 'very good' service.

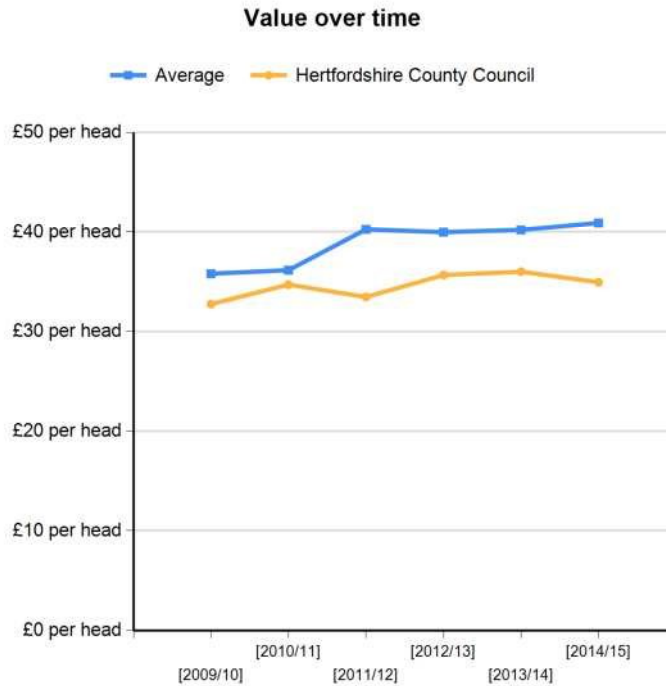
#### Environment:

The department has taken into account the following factors in developing its budget proposals:

- Demand for and pressures on the service and the department's capacity to deliver
- Comparative value for money (vfm) data from CIPFA, Benchmarking Clubs, Professional Bodies
- Statutory and non-statutory functions
- Efficiencies from re-procurement exercises, negotiations with contractors / partners
- Opportunities for trading, income generation
- Opportunities for partnership working, alternative models of delivery
- Review of team functions / structures
- Learning from other local authorities in term of innovation and approaches to savings
- Invest to save opportunities
- Business process re-engineering and channel shift
- Staff engagement and ideas

#### Waste Disposal

- The Public Sector Audit Appointments (PSAA) VFM dataset for County Councils shows Hertfordshire is a high performing Waste Disposal Authority. The cost of waste disposal has remained consistently lower than average, with an average spend per head in 2014/15 of £34.95 compared to £40.90, while high performance has been maintained. This means that Hertfordshire is £6.87m per annum cheaper than the average County Council comparator.



- The Recycling and Energy Recovery Facility proposal at New Barnfield was expected to deliver £667m of savings over a 25 year period but planning permission was not secured. Officers have secured interim disposal contracts as an alternative; these are delivering some savings against the identified pressures in this plan period.
- The authority remains in contract with Veolia Environmental Services and have accepted an alternative proposal, known as a Revised Project Plan, for dealing with local authority collected residual waste in Hertfordshire.
- The service changes following the re-procurement of the HWRCs have secured savings of £6.4m over the lifetime of the contract.

**5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

Community Protection:

Given that Hertfordshire Fire and Rescue Service accounts for the largest proportion of the Community Protection budget and that the Service must continue to meet the requirements of the existing IRMP there is a level of constraint around what can be achieved. However, as noted in section 3, there will be opportunity for the Fire Authority to consider the on-going requirements for emergency response and community safety in the development of the next IRMP for 2018.

In the meantime the following opportunities for savings in 2017/18 have been identified:

- Over the last three years changes have been made to the staffing arrangements for three previously wholetime fire stations; Rickmansworth, Potters Bar and Baldock & Letchworth Fire Stations have changed to the Day Crewing Plus shift pattern which allows a reduction in staff for stations where call volumes are relatively low without adversely affecting attendance times. When introduced it was expected that each station would make a saving of approximately £300k per station, however savings in excess of this have been achieved such that it is possible to reduce budgets for each of these stations by a further £65k per station – Total £195k
- A recent review of the Community Protection Strategic Leadership Group has resulted in a number of line management changes primarily to allow release of Assistant Chief Officer – Performance and Business Support to undertake a specific project primarily focussed on supporting victims of domestic abuse. That project is now complete, however it is apparent that the interim structure has worked effectively and the SLG line management responsibilities currently in place will therefore remain allowing the, now vacant, post of Assistant Chief Officer – Performance and Business Support to be deleted – Total £58k
- The Community Safety Task Force undertakes support for a number of community safety activities, however following a review it is felt that these arrangements can be delivered through alternative arrangements. This will release a total of £125k
- Officers are provided with blue light equipped vehicles to respond to emergency incidents and provide the necessary managerial support. It was identified that the condition of vehicles being returned to the lease company was invariably good and that this would allow an extension of vehicle life. This cannot be achieved through leasing and so the vehicles are now provided via the capital programme resulting in a saving of £75k in the next financial year.
- The Trading Standards Team has been extremely prominent in its Primary Authority work and has been able to attract some high profile customers for this area of work. It is predicted that this arrangement will continue to be attractive to businesses and that a further £50k of income could be achieved during 17/18.
- HFRS currently has a number of vacancies in the wholetime and RDS operational workforce. It would be possible, prior to approval of the next IRMP, to consider a freeze or reduction in recruitment activity during the next financial year, without impacting on operational delivery. This could result in a saving of around £210k but may present a risk that fire engines cannot be adequately crewed. Any savings achieved using this approach would be short-term with any future long term savings reliant upon implementation of the next IRMP.

#### Environment:

- Review of inter-authority funding mechanism, known as the Alternative Financial Model has concluded with an agreement to reduce funding over the IP period by £1m by 2019/20.
- Further changes to the provision of HWRCs and the manner in which the services are provided are being explored.

## **6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

### Community Protection:

The cost savings options specifically identified in section 5 above, do not present significant risk and will not adversely affect emergency provision or delivery of other services within Community Protection. They can therefore be achieved with confidence of a low risk of industrial unrest or public reaction.

The Integrated Risk Management Plan (IRMP) is both a key opportunity to consider the principles behind the Service and a risk in relation to public and staff views of resulting changes. The development of a new IRMP, as mentioned in section 3 above, will require the Fire Authority to consider a number of key principles, foremost of which will be the Authorities attendance standards, and the balance between emergency response and activities to prevent occurrences and reduce demand. The attendance standards are one of the key factors that determine, for example, how far apart fire stations can be placed. Any desire to maintain existing standards will have a limiting effect on the flexibility of provision that can be achieved in the future.

Recruitment of Retained Duty System (RDS) staff who provide a considerable amount of the emergency response provision across the rural areas of Hertfordshire are becoming increasingly difficult to attract, recruit and retain. This will have a direct impact on the ability to meet the requirements of the IRMP and would place at risk some of the savings that might be achievable as it may only be possible to guarantee emergency response in some areas through considerably more expensive full time (wholetime) resources. Work is already underway, and will continue in the coming year, to identify ways in which this issue can be addressed.

The welcome reduction in emergency calls discussed in section 3 and 4 is of significant benefit to the people of Hertfordshire, however a by-product of this success is the more limited opportunity to gain experience for operational firefighters. There is therefore the potential for an increase in risk to firefighters which will need to be addressed through the provision of a higher volume of high quality training. This will require investment and time. Work is underway to consider how best this can be addressed and some early initiatives to, for example, provide experiential learning opportunities in building scheduled for demolition has proven successful and been welcomed by staff and representative bodies.

The Directorate management team will continue to work closely with HR colleagues to ensure effective recruitment, retention and learning and development opportunities are established as and when required to ensure an effective and efficient workforce. The workforce profile is constantly monitored to ensure plans are in place to manage succession to key posts. However it is important to consider that any freeze or reduction in recruitment is likely to have an impact on the availability of fire appliances or the delivery of other statutory functions such as Fire Protection.

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## Environment:

The AFM changes have been agreed through the Hertfordshire Waste Partnership and can be considered as deliverable. The possibility that there are insufficient sums, as a result of waste growth expenditure, is considered sufficiently remote during the period of this IP.

The HWRC service change proposals will be Member dependent and any potential rationalisation carries associated planning, deliverability and funding risks.

The introduction of charging for the collection of green garden waste by the Waste Collection Authorities may adversely impact existing contracts for the disposal of organic waste. This risk will be monitored closely and disposal routes reconfigured to meet contractual guaranteed minimum tonnages to ensure the maximum possible mitigation measures.

There is a risk that the ERF at Ratty's Lane does not achieve planning permission and therefore does not proceed. In this eventuality there will be a need to approach the market to re-procure arrangements; affordability analysis indicates that, over the 30 year planned operational period of the ERF, alternative arrangements would be significantly more expensive.

Economic Housing and population growth are a risk although these been factored into the affordability modelling work when looking at long term residual waste arrangements and the suitability of the ERF at Ratty's Lane.

Under the contract with VES the Council holds the risk of movement in the foreign exchange rate until satisfactory planning permission is achieved. The falling value of the pound against the euro has eroded the value for money achieved by the contract. The sensitivities in the exchange rate have been modelled and continue to be carefully monitored.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
Service Specific Inflation	64	64	64
Legislative	287	767	1,188
Other Pressures	867	4,383	4,736
<b>TOTAL PRESSURES</b>	<b>1,154</b>	<b>5,150</b>	<b>5,924</b>
Existing Efficiencies	(357)	(398)	(438)
New Efficiencies	(1,584)	(2,007)	(2,390)
<b>TOTAL SAVINGS</b>	<b>(1,941)</b>	<b>(2,405)</b>	<b>(2,828)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
	None						n/a
	<b>Service Specific Inflation</b>						
	<u>Waste Management (Income 0.00%)</u> Marketing of all recycling materials (except residual waste) from Household Waste Recycling Centres is carried out by Amey (the contracted operator) who, as part of the contract negotiations, provided an undertaking to provide a minimum guaranteed level of income for the duration of the contract from June 2016, which has already been built into the budget.	Environment	Service Specific Inflation	64	64	64	(2,931)
	<b>Pressures</b>						
L02	<u>Impact of Landfill Tax - Waste Management (rate change)</u> Inflationary increase in rate of landfill tax to be applied from 1st April bringing the rate charged to around £86 per tonne from April 2017. Subsequent increases have been projected in line with the assumed Retail Price Index rates.	Environment	Legislative	146	479	748	
L03	<u>Environment Protect Act - Recycling credits</u> The nationally set 3% annual increase in the price per tonne that has to be paid as Recycling Credits to the waste collection authorities can no longer be contained in the overall waste management budget.	Environment	Legislative	141	288	440	
OP03	<u>Cessation of Edmonton Waste Disposal Contract</u> The current contract with the incineration facility at Edmonton comes to an end in 2017. The impact of this had originally been taken into account as part of the New Barnfield facility for which planning permission was refused. The alternative arrangements are likely to carry considerable extra cost.	Environment	Other Pressures	767	2,504	2,504	38,905
OP04	<u>Cessation of Interim Waste Disposal Contracts</u> As a consequence of the planning refusal for the facility at New Barnfield, interim short term waste disposal contracts were entered into which were gained at a relatively favourable rate. These contracts are set to end from 2018/19. N.B. The 2020/21 figure is still to be confirmed as is likely to be significantly higher than the £2.2m shown.	Environment	Other Pressures	100	1,879	2,232	38,905

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Savings</b>						
CP01	<u>Officer Response Vehicles - change from Lease to Capital Provision</u> A business case to change from revenue funded lease provision of officer blue light vehicles to provision via capital funding has been developed. This will result in a reduction in revenue requirement for leased vehicles over the coming years. These savings are reliant on approval of corresponding capital funding.	Community Protection	Existing Efficiencies	(75)	(115)	(155)	200
CP02	<u>Community Safety Task Force</u> Alternative delivery model for activities undertaken by Community Safety Task Force e.g. support of a range of community safety events, inc County Show, LiFE, etc.	Community Protection	New Efficiencies	(125)	(125)	(125)	127
CP03	<u>Trading Standards - Additional Income</u> Reducing level of free Trading Standards business advice.	Community Protection	New Efficiencies	(50)	(50)	(50)	(139)
CP04	<u>Review of Day Crewing Plus Savings</u> Further savings of £65k each at Baldock & Letchworth, Potters Bar and Rickmansworth fire stations.	Community Protection	Existing Efficiencies	(195)	(195)	(195)	2,471
CP05	<u>Restructure of Strategic Leadership Group (SLG)</u> Assistant Chief Officer – Performance and Business Support post to be removed.	Community Protection	Existing Efficiencies	(58)	(58)	(58)	103
CP06 & ENV02 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	Community Protection	Existing Efficiencies	(2)	(3)	(3)	10
CP07 (X2)	<u>Enabling the Worker</u> Target to deliver new savings from the increased efficiency of workers, through the reduction of mileage, printing and increased worker mobility.	Community Protection	Existing Efficiencies	(22)	(22)	(22)	n/a
CP08	<u>Staffing</u> Limiting recruitment until outcome of Integrated Risk Management Plan Refresh is completed.	Community Protection	New Efficiencies	(210)	0	0	21,659
ENV04	<u>Review of Discretionary Waste Disposal Payments</u> A review of the Alternative Financial Model (AFM) which is the mechanism with which Waste Authority incentivises and rewards Waste Collection Authorities to reduce residual waste has resulted in this saving.	Environment	New Efficiencies	(334)	(667)	(1,000)	38,905
ENV06	<u>Residual Waste Treatment Programme</u> Reduction in External Consultancy.	Environment	New Efficiencies	0	(250)	(250)	530
ENV07 (X3)	<u>Review of Departmental Overheads</u> Savings will be achieved in the department's overheads.	Environment	New Efficiencies	(10)	(10)	(10)	710
ENV09	<u>Additional Alternative Financial Model Savings</u> Anticipated savings accruing from changes in kerbside services in some districts.	Environment	New Efficiencies	(50)	(50)	(50)	
ENV10	<u>Household Waste Recycling Centres (HWRC) Re-Use Targets</u> The wider introduction of re-use 'shops' across the HWRC network has proved successful and should result in additional income.	Environment	New Efficiencies	(50)	(100)	(150)	3,435
ENV11	<u>ERP / Waste Staffing Savings</u> The merger of two teams should allow this saving to be realised.	Environment	New Efficiencies	(35)	(35)	(35)	1,534
ENV12	<u>Central Container Servicing Contract changeover confirmation</u> Savings from new contract for container provision and haulage from the HWRCs.	Environment	New Efficiencies	(480)	(480)	(480)	
ENV13	<u>Recycling Material Basket Income Guarantee (HWRCs)</u> The contractual guaranteed income from Amey from recycled material increases in 17/18.	Environment	New Efficiencies	(125)	(125)	(125)	(370)

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
ENV18	<u>Reduced compost contamination disposal costs</u> (also likely to be able to deliver some of this early in current year).	Environment	New Efficiencies	(85)	(85)	(85)	
ENV19	<u>New clinical waste contract</u> (also likely to be able to deliver some of this early in current year).	Environment	New Efficiencies	(30)	(30)	(30)	
ENV23 (X2)	<u>Enabling the Worker Savings</u> More extensive use of new technology, greater flexibility provided by remote working and a smarter approach to work planning will result in efficiencies and increased productivity.	Environment	Existing Efficiencies	(5)	(5)	(5)	n/a

**Note 1**

A number of pressures and savings impact on a serveral portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
23,674	<p><b>Fire &amp; Rescue Service</b></p> <p><u>Response &amp; Resilience</u></p> <p>* Operational Response attend over 10,000 emergencies each year including fires, road traffic collisions and hazardous incidents. This budget includes the costs of operational staff salaries, fire stations and the control centre.</p> <p>* The Resilience Team work with departments across HCC to support business continuity planning, a leading role is also played in the Hertfordshire Local Resilience Forum and the team provides a traded service supporting a number of district and borough councils across Hertfordshire with business continuity advice.</p>	23,679	(306)	23,373	23,373	23,373
6,246	<p><u>Service Support</u></p> <p>* Technical Services replace and maintain essential operating equipment, vehicles and appliances. The budget includes the costs of maintaining and replacing Personal Protective Equipment / Uniform, breathing apparatus, vehicles, hoses, ladders, pumps, thermal imaging equipment, hydraulic cutting equipment, road traffic equipment and fire appliances.</p> <p>* Training and Development Centre (Longfield) delivers training to new recruits, ongoing risk critical competence based training for all operational staff and Assessment and Development Centres. The HFRS training programme also includes cost effective external training such as incident command courses (delivered by the national Fire Service College), Inter Agency Liaison Officer training, national resilience training, and water safety training.</p> <p>* Digital Services provide fire specific emergency control room mobilising and incident ground communications (radios, mobile data terminals, station alerters, pagers etc), fallback/resilience and operational command technical support. The administration and licensing costs of core fire service specific ICT systems (mobilising, rota management, incident recording, risk information) are included here.</p>	6,844	(274)	6,570	6,530	6,490
633	<p><u>Performance &amp; Business Support</u></p> <p>Performance &amp; Business Support include the cost of senior management salaries, firefighter and non-operational staff recruitment, fire risk analysis, maintenance of operational guidance / policies, employee insurance, medical costs and resilience planning.</p>	1,371	(725)	646	856	856
<b>30,553</b>	<b>Fire &amp; Rescue Service Total:</b>	<b>31,894</b>	<b>(1,305)</b>	<b>30,589</b>	<b>30,759</b>	<b>30,719</b>

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
5,046	<p><b>Other Community Protection</b></p> <p><u>Joint Protective Services, Resilience and County Community Safety Unit</u></p> <p>* Trading Standards protect consumers and businesses by investigating unfair and illegal business practice and helping to ensure Hertfordshire has safe, strong and healthy communities. They enforce fair trading laws, advising manufacturers, importers, retailers and service providers on how to comply with the law ensuring that legitimate businesses are able to thrive and grow within the county. They inspect goods at all stages of production and distribution in factories, warehouses, shops and markets to make sure they meet legal standards. Samples of food and other products are purchased from a range of outlets and taken for analysis and safety testing. They work closely with the Police and other agencies in performing their role.</p> <p>* Community Fire Safety exists to promote safety and educate businesses, residents and communities on how they can stay safe, and to take enforcement action where there are failures to comply with fire safety legislation. Community safety advice is a statutory requirement under the Fire and Rescue Services Act and is provided to a wide range of vulnerable groups. Other activities with Community Fire Safety include youth engagement and diversionary schemes including work with the Princes Trust. It also includes work with other high risk groups such as older people, and includes the cost of providing high risk residents with smoke alarms and fire proof bedding in collaboration with HCS.</p> <p>* The Community Safety Unit is responsible for delivering the council's statutory responsibility to reduce both crime/disorder and the effects of drug and alcohol misuse on our communities. The unit works closely with the ten district councils, Hertfordshire Constabulary and a range of other agencies.</p>	5,270	(664)	4,606	4,606	4,606
<b>5,046</b>	<b>Other Community Protection Total:</b>	<b>5,270</b>	<b>(664)</b>	<b>4,606</b>	<b>4,606</b>	<b>4,606</b>
43,160	<p><u>Waste Management</u></p> <p>The county council has a duty to make disposal arrangements for the Local Authority Collected Waste (LACW) that hasn't been separated for recycling, as well as that received at its household waste recycling centres. The county's partnership with the district councils and the Waste Aware initiative has limited the rise in the total quantity of waste requiring disposal and substantially increased the proportion being recycled.</p>	45,778	(2,647)	43,131	46,494	46,885
<b>43,160</b>	<b>Waste Management Total:</b>	<b>45,778</b>	<b>(2,647)</b>	<b>43,131</b>	<b>46,494</b>	<b>46,885</b>

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## **Community Safety & Waste Management Capital Programme 2017/18 to 2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £13.704m and for 2017/18 is £4.358m. This includes revised bids and re-programming from 2016/17 at the end of quarter 2. HCC funding of £4.025m is requested in 2017/18 and £13.371m over the next 3 years.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HCC Funding</b>	4.025	7.648	1.698	<b>13.371</b>
<b>Grant</b>	0.333	-	-	<b>0.333</b>
<b>Total</b>	<b>4.358</b>	<b>7.648</b>	<b>1.698</b>	<b>13.704</b>

### **Revised Capital Bids increasing total HCC Funding- Annual Programmes**

Community Safety & Waste Management has 4 bids for annual programmes, of which 4 increase total HCC funding in 17/18. These 4 bids total £6.621m in HCC funding. An additional £0.859m of HCC funding/borrowing is required in 2017/18 compared to the previous Integrated Plan.

As these are annual programmes, these 4 bids are requesting an additional £2.847m of HCC funding over the next 3 years

Scheme	<b>Additional Cost 2017/18</b>	<b>Total HCC Funding 2017/18 to 2019/20</b>	<b>Additional HCC Funding 2017/18 to 2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Fire & Rescue Service Vehicle Replacement Programme	<b>0.453</b>	4.155	1.600
Fire & Rescue Service Equipment Replacement Programme	<b>0.062</b>	0.755	0.256
Fire & Rescue Service ICT Equipment	<b>0.303</b>	1.336	0.939
Flexi-Duty Officer Vehicle Replacement Scheme	<b>0.041</b>	0.375	0.052
<b>Total</b>	<b>0.859</b>	<b>6.621</b>	<b>2.847</b>

## Proposed Community Safety & Waste Management Portfolio Capital Programme 2017/18 - 2019/20

		2017/18 Integrated Plan			2018/19	2019/20	
<b>Community Safety and Waste Management</b>		Total Scheme Cost	Cost	HCC Funding	Grants	Cost	Cost
<i>New Request (N) or Existing Request (E) or Revised Request (R) if change to existing scheme requires additional HCC funds</i>							
		£'000	£'000	£'000	£'000	£'000	£'000
1	<b>Household Waste Recycling Centre - Eastern Hertfordshire (R):</b> The purpose of this project is to provide an improved Household Waste Recycling Centre (HWRC) for the Hertford and Ware region, at Westmill, near Ware (development of the existing site, subject to planning permission).	6,000	500	500	-	5,500	-
2	<b>Re-Use expansion at Household Waste Recycling Centres (N)</b> The project is for the provision of three new and/or expanded structures at the Rickmansworth, Waterdale and Harpenden Household Waste Recycling Centres (HWRCs) to enable the improvement of re-use options across the County. This is, not for any new money but instead for a carry forward of the existing Waste Infrastructure Capital Grant sums held by the Authority. Savings of approx £50k per year are expected.	333	333	-	333	-	-
3	<b>Waste Management System Development (R):</b> Provision of a replacement system that can be supported by Serco in line with HCC's other major applications. The replacement system would obtain greater value for money by aligning the development of any new system with the implementation of new supplier contracts for waste management and the new electronic duty of care approach. The new system would allow for the integration of contractor data and commitments in the budget monitoring process, developing current good practices to embrace newer technologies and drive further efficiencies.	250	125	125	-	125	-
4	<b>Vehicle Replacement Programme-HFRS (R):</b> Each of the vehicles identified for replacement has reached the end of its serviceable life based upon an individual risk assessment. Provision of the appropriate vehicles will also contribute to meeting the HCC standards for attendance to operational incidents and supports the published strategic aims; to maintain an excellent emergency response service and to deliver quality and targeted prevention work. Not replacing these vehicles would result in increased risk to the public, increased reputational risk and increased risk to firefighters as vehicles would be in danger of not operating effectively either by failing to start or complete journeys to incidents, or being unable to pump water for example once there.	Annual Programme	1,908	1,908	-	1,135	1,112

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		2017/18 Integrated Plan			2018/19	2019/20	
<b>Community Safety and Waste Management</b>		Total Scheme Cost	Cost	HCC Funding	Grants	Cost	Cost
<i>New Request (N) or Existing Request (E) or Revised Request (R) if change to existing scheme requires additional HCC funds</i>							
		£'000	£'000	£'000	£'000	£'000	£'000
5	<b>Equipment Replacement Programme - HFRS (R):</b> The Service has an equipment replacement plan to ensure that equipment is replaced at an appropriate time and to ensure that standards of service to the public are maintained. Some replacements, such as rope rescue harnesses have a fixed shelf life stipulated by the manufacturer or legislation, other equipment may be replaced due to wear and tear. The Service continually evaluates equipment and critiques its use and function. Internal processes such as the Operations User Forum encourage grass roots staff to play an active part in researching and testing new equipment, ensuring the Service stays at the forefront of modern technology.	Annual Programme	201	201	-	354	200
6	<b>Breathing Apparatus Replacement Programme (E):</b> Replacement of existing breathing apparatus equipment that is reaching the end of its serviceable life. This equipment is essential for the effective and safe delivery of firefighting actions and is a key item of equipment for firefighter safety.	500	500	500	-	-	-
7	<b>Community Protection ICT Equipment - HFRS (R):</b> the provision of essential ICT equipment including mobile data terminals on all vehicles in order to receive mobilising instructions and incident information. The equipment that is required to support emergency calls is not generic and is not part of the universal systems programme.	Annual Programme	491	491	-	459	386
8	<b>FDO Vehicle Capital Procurement Replacement Scheme (R)</b> Replacement of existing leased officer response vehicles with vehicles procured through capital funding. Using a capital procurement approach there is a saving on revenue costs and there is also the opportunity to extend the life of vehicles as many HFRS leased vehicles are returned with relatively low mileage and in good condition.	Annual Programme	300	300	-	75	-
<b>TOTAL COMMUNITY SAFETY &amp; WASTE MANAGEMENT</b>			4,358	4,025	333	7,648	1,698

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# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Enterprise, Education & Skills Services Portfolio**

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# Enterprise, Education & Skills Portfolio

Strategic Direction: to support economic development and education within Hertfordshire

## Scope

Education & Skills

To improve standards in schools while the council still has responsibility in this area, ensure there are sufficient school places to meet demand and work with schools in relation to continuing responsibilities for children with special educational needs and disadvantaged groups.

To promote the economic prosperity of business and residents in Hertfordshire in collaboration with the LEP and in line with the Strategic Economic Plan.

## Summary of budget

### Net Budget (Revenue)

*Enterprise*

16/17

17/18  
forecast

18/19  
forecast

£0.6m

£0.3m

£0.4m

*Education*

£34.8m

£29.0m

£27.8m

## Summary of Key Savings Proposals

- Home to school transport.
- Services to maintained schools funded from Education Services Grant (ESG).

## Key Risks in achieving IP proposals

- Unable to secure expansion of good quality MATS locally
- Falling school funding leads to progressive increase in schools budget deficits
- Inability to secure affordable and deliverable school sites to meet future need
- The outcome of LEP's GD3 bid to Government will affect whether or not the LEP can deliver its priorities set out in its Strategic Economic Plan.

## Summary of Key Priorities and Programmes

- To manage the council's exit from existing roles and activities, and reshape some of those that remain including supporting Herts for Learning to develop a multi academy trust (MAT).
- To seek to preserve and enhance for the future the existing high quality of educational provision in the county.
- To meet demand for additional school places, most particularly secondary places and places to support new housing development.
- To continue to work closely with the LEP to secure economic prosperity.
- To promote the tourism economy in Hertfordshire through Visit Herts

## Capital Programme

17/18

18/19

19/20

£53.2m

£39.4m

£37.3m

**Key Capital Schemes:** School expansions and Broadband  
**Capital Strategy:** To invest to meet demand for additional school places

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## Enterprise, Education and Skills Portfolio: Future Strategic Direction

### 1. What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

#### Enterprise

- One of The County Council’s Corporate Plan priorities is “Opportunity to Prosper”, which aims to build a strong economy for Hertfordshire and prosperity for its residents and business.
- The County Council does not have its own Economic Development service but delivers this priority by working closely with the Hertfordshire Local Enterprise Partnership and is represented on the Board by the Executive Member for Enterprise, Education and Skills. The County Council core funds the LEP to the value of £250,000 per annum, and has a Service Level Agreement in place for economic development services.
- The LEPs priorities as set out in its strategic Economic Plan are
  - Global excellence in science and technology (including Bioscience, life science and pharmaceuticals, film, digital animation and creativity).
  - Harnessing relationships with London and focussing on the county’s three transport corridors – M1, A1(M) and M11/A10.
  - Reinvigorating our places, including our New Towns.
  - Creating the foundations for growth – more housing, better infrastructure, better skills.
- The LEP secured over £220m through the first Growth Fund Round, and submitted a £87m bid to Government in June this year as part of Growth Deal Round 3. This is to advance a number of key projects around the county, including
  - Regeneration of Central Stevenage;
  - Enterprise Zone: Open Innovation Hub;
  - Enterprise Zone: Infrastructure Interventions;
  - Skills Equipment and Estate Fund;
  - Dacorum College of FE Campus Phase 2;
  - Essex Road Hoddesdon – Bridge and Industrial Estate access improvements;
  - A10 Buntingford Highway capacity improvements;
  - A414 Growth Corridor Study.
- A decision on the Growth Deal bid is expected from Government in the New Year.

## **Education and Skills**

The priorities for the portfolio are:

- To improve further existing standards in Hertfordshire maintained schools, for the period whilst HCC has responsibility in this area
- To manage the council's exit from existing roles and activities where necessary, and reshape some of those that remain.
- To seek to preserve and enhance for the future the existing high quality of educational provision in the county.
- To seek to maintain effective relationships between HCC and schools in relation to continuing responsibilities for SEND and disadvantaged children.
- To meet demand for additional school places, most particularly secondary places and places to meet needs arising from new housing development.

### **2. What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?**

#### **Enterprise**

- Hertfordshire has recovered well from the recession and the economy is picking up strongly.
- There are two key issues emerging from this:
  - The need to ensure future economic growth is smart and sustainable. This will rely on strong relationships between HCC, the LEP, the Districts and businesses to ensure the focus is on supporting our key sectors, attracting jobs and inward investment, encouraging entrepreneurship, and lobbying for resources.
  - Addressing the potential 'brakes' on the economy that could affect its success – lack of housing, labour and skills shortages and infrastructure to support future growth. This will rely on:
    - working closely with the Herts Infrastructure and Planning Partnership and Districts on bringing forward land for new homes and jobs;
    - Working with the LEP, DWP and Colleges of FE, and Business on the delivery of the Hertfordshire Skills Strategy;
    - developing a Transport Vision and a pipeline of new infrastructure projects to support growth;
    - maximizing the potential regeneration opportunities of our New Towns and other town centre locations for growth.

- HCC is not a ‘provider’ in this area and therefore our role in Economic Development is very much to work in partnership to deliver key projects. As the pace of the economy picks up, there is likely to be increased demand on County Council technical resources from competing projects and the need to find alternative sources / approaches to funding.

### **Education & Skills**

There are three major sets of pressures/challenges facing the service. These are:

- Financial;
- Legislative and regulatory change;
- Demographic;

The service’s response to these is described in Section 3.

### **Financial**

The service’s budgets are largely funded from the Dedicated Schools Grant. The allocation of this is planned by the Council working in partnership with the Schools Forum, which has a range of independent powers. DSG funded expenditure in 2017/18 is expected to be £919m, somewhat higher than the aggregate of all other HCC services. It is divided as between High Level Needs (SEN) services (£104m), Early Years (£80m), and schools-related budgets (£735m). In previous years, the second major source of funding was the non-ring-fenced Education Services Grant (ESG) which supported £7.3m of expenditure. HCC itself funds about £20m, 95% of which is home to school transport.

The first major strategic financial challenge for the next four years is managing DSG-funded services, and in particular schools, against a substantial real-terms reduction (after inflation and pressures). Our estimates for 2016/17 and 2017/18 are for an aggregate real terms reduction approaching 5% over the two years. Following that, prediction is more difficult. However, the National Audit Office has recently quoted DfE estimates that schools will face on average a reduction of 8.7% in real terms in their budgets between 2016/17 and 2019/20. This excludes the impact of the loss of ESG on Academies (about 2% of budgets).

Locally, it seems that the national funding formula will reduce secondary schools’ budgets by around 2.5%, with a modest increase in primary schools but very unevenly spread. This will largely be in place by 2019/20. Hertfordshire in aggregate will gain by c0.4%.

In summary therefore, secondary schools will generally experience a reduction in real terms budgets of about 12.5% by 2019/20, with primaries perhaps 8% on average (partly because they did not previously receive substantial ESG funding). It is unclear what impact such unprecedented changes will have on the operation of the local schools system.

As a result of real-terms budget reductions amongst other factors an increasing number of schools are falling into deficit. This problem will become progressively more severe as budgets fall over time. For maintained schools, HCC is responsible for intervention in support of these schools. For Academies, responsibility lies with the Education Funding Agency. Over the past year we have worked with schools to restructure and reduce their staffing, and support them with consequential programmes of redundancy. The wider impact of funding reductions over time will potentially be on standards, and also on the extent to which schools are willing to take responsibility for behaviour and other problems rather than to see these as matters for the local authority.

The second major challenge is to respond to the withdrawal of ESG. For this portfolio, the share of the reduction equates to £3m in 2017/18 rising to £5m in 2018/19. This will also impact on schools. Our IP proposals include the first stage (£3m) of reductions; proposals for the next stage are yet to be developed in detail. Major components are reductions in the cost to HCC of the contract we have with HfL, mitigated by increasing schools' contributions and increasing use of DSG. The operation of Herts Music Service is also undergoing major changes so as to reduce the contribution made by HCC to its costs to zero over time.

The major capital programme challenge over the next four years is developing and delivering a continuing programme of school expansions and new schools, both to meeting rising underlying demand for places, and to provide the schools infrastructure required as a result of major new housing developments. The capital programme for expansion of schools (and maintenance of maintained schools) is all externally-funded, largely through grant from the DfE. Annual expenditure is between £60-70m over time, but may increase with rising secondary aged pupils and the infrastructure requirements of large additional housing developments. The major new housing development at Bishops Stortford North will alone require more than £40m of investment in schools over the next few years.

Funding received from government for High Level Needs in the form of DSG on the other hand is set to rise over the next three years, with planning under way to adapt and develop our services to meet growing needs. Early education services are also expanding.

The success of the service, across the board, depends critically on the quality of relationships and partnerships with local schools, individually and collectively, and with the various arms of Government including particularly the Regional Schools Commissioner. Our ability to achieve both local educational objectives and wider objectives around disadvantaged children depend absolutely on this. A major task for senior management is the maintenance and development of the existing good structure of relationships and partnerships.

The wider policy context for the service's work is that it is in support of the council's priority of opportunity to thrive. The Children's Services' Strategic Plan 2015-2018;

Shaping the Future sets out the priorities for the next three years, and includes key projects/programmes which are discussed further below.

### **Legislative and regulatory change**

In March the Government published a White Paper which foreshadowed the ending of local authorities' role in management of and quality for mainstream education. The withdrawal of the funding which supports HCC in this role – ESG – as referred to above gives effect to this change albeit that legislation to remove and modify necessary statutory responsibilities has yet to follow. Responsibility for vulnerable children and for provision of school places remains.

Recently, the policy priorities of the DfE have changed, towards disadvantaged children including those just above the threshold for receipt of free school meals, encouraging social mobility, and increasing the capability of the education system. Academisation as such has taken a lower profile, but remains a clear longer-term aspiration for Government. The major challenge for the service over the next few years is therefore to manage HCC's exit from these responsibilities over an extended period in such a way as to preserve or enhance standards, limit financial costs, and maintain relationships that support our continuing role in relation to vulnerable children. In practice this means continuing and substantial involvement in the shaping of the process of conversion of schools to Academy status over the next few years.

For the time being improvement in standards in schools remains a central driver for HCC and inspection of local authorities against this is expected to recommence. Longer term funding for this role remains obscure.

The Government is also considering changes to arrangements regarding faith based education and selective admissions. Neither of these is likely to impact to a great extent on HCCs future responsibilities though they would be potentially significant changes in the local education system.

### **Demographic**

Growing numbers of school-aged children has driven a major programme of expansion of primary school places; the need for expansion is now increasing in the secondary phase.

## **3. What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

### **Enterprise**

As well as continuing to work with the LEP on delivering their Strategic Economic Plan and Growth Deal 3 projects, the County Council will need to support District Councils and partners on the development of their Local Plans and key projects including Stevenage First, the Hemel Enterprise Zone, Hatfield Regeneration, the

A414 corridor and the M11/East Herts/West Essex growth plans. The County Council will continue to work with the LEP, employers and DWP on the Hertfordshire Skills Strategy.

Ensuring the success and sustainability of Visit Herts the new Hertfordshire Destination Management Organisation and Tourism Partnership. A key decision on the re-procurement of this contract and HCC's continued funding will be made in the Autumn.

### **Education and Skills**

The major projects being undertaken are as follows:

School places: Delivery of continuing more-limited primary expansion programme and of the enhanced secondary expansion programme. This includes in particular completion of the acquisition of sites for new secondary school in SW Herts and Bishops Stortford, and progressing with the EFA and other partners a new secondary free school in Harpenden. Longer run site identification through the Local Plan processes continues to be critical in terms of meeting future needs.

Multi-academy trusts: Work with Herts for Learning in development of a local Multi-Academy trust (MAT) sponsored by HfL is a central component of our plans for a managed transition of schools to non-LA control. Relationships with the emerging large faith-based MATs are also significant.

Funding for school improvement: Work with HfL and schools round seeking continued de-delegation of funding to allow the continuation of school improvement and support will be critical to the maintenance of standards beyond summer 2017.

Intervention in schools in financial difficulties: The continuation of the major programme of involvement/intervention in schools with financial difficulties will continue, including any necessary consequent structural reforms, together with work to enable smooth transfer to academy status within suitable MATs.

#### **4. How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?**

##### **Enterprise**

The County Council's direct Enterprise Budget comprises;

£250k core funding for the LEP;

£50k for Visit Herts;

The latest available National Audit vfm tables show that the County Council spends £1.21 per head of population on economic development, compared to the County and single tier average of £13.13 per head. Hertfordshire overall employment rate, median weekly earning, number claiming Job Seekers Allowance, levels of

qualifications and number of active businesses are all in the upper quartile compared to the county and single tier average (source: Public Sector Audit value for money profiles 2013/1;

Feedback from Department of Business, Energy and Industrial Strategy (BEIS) in their annual strategic review of the Hertfordshire LEP confirmed the Herts LEP is seen as a well-managed high performing LEP, with over 90% of its 2015/16 Growth Deal fund committed or spent. The LEP's Assurance Framework has been audited twice in 2015/16 – once by the NAO, and also by HCC as Accountable Body. Both secured substantial assurance;

In 2015/16 the LEP was successful in securing an Enterprise Zone for Hertfordshire which should generate over £80m to support economic growth in the county. The LEP has supported over £135m of HCC Transport Schemes through the Single Local Growth Fund, including Croxley Rail Link, A120 and A602 schemes. The current Growth Deal bid also includes a number of highway/transport related projects including Central Stevenage, Essex Road, and A10 Buntingford;

The LEP manages the £60m EU funding allocation from Central Government. As part of this process HCC has been selected as a preferred provider for the £7m Better Opportunities Fund that aims to support young people and those with low skills into work;

The LEP's £500k core funding from BIS / DCLG is predicated on HCC also providing core funding. HCC's core funding of the LEP does offer HCC a degree of leverage at the LEP Board which has so far been positive and secured support for HCC projects and objectives. The LEP is currently looking at ways to be self-sufficient in terms of core funding, and HCC as Accountable Body will in future charge for any Legal/Financial services it provides to the LEP;

HCC's pump priming support for the Visit Hertfordshire is for 2 years (from September 2015) and is contractual. Visit Herts has secured £65K of funding from new local partners and £250k of national funding, since it was established in September 2015.

### **Education and Skills**

Schools-related services were funded by the (non-ring-fenced) Education `Services Grant (ESG). Historically we have spent significantly (20%) less than the grant provided by DfE. This is strong evidence of value for money, as DfE's assessment of need was based on its analysis of national patterns of expenditure, suitably reduced. By 2018/19 we will need to have moved to alternative sources of funding for schools-related services.

The other major revenue spend within the portfolio relates to home-to-school transport. We have progressively reduced the service entitlement to a statutory minimum only, so that the key driver of expenditure relates to the cost-effectiveness of the service provided, not to management of demand. There has been a lengthy

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review of all aspects of small vehicles procurement and management, with some limited savings. Limiting future cost increases remains challenging.

**5. What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

**Enterprise:**

No savings are proposed to the County Council's core funding to the Hertfordshire LEP. In November Members agreed to the continuation of funding and the procurement of the joint HCC/LEP Destination Management Service.

**Education and skills**

The service has two elements:

**Home to school transport and school place planning**

These are currently paid for by HCC. Savings have been made in recent years in HTS by removing all provision beyond the statutory minimum entitlement, and a range of measures to reduce costs, raise charges, reduce service specification and encourage alternative forms of provision to manage demand. Some savings in mainstream HTS costs as a result of these initiatives are included within our IP proposals. As regards transport for pupils with Special Educational Needs the service is currently substantially overspending its budget and it will not be possible to reduce costs below current budget levels. .

**Services to maintained schools funded from Education Services Grant (ESG)**

In response to the withdrawal of ESG from September each area of service to which it relates has been reviewed, with the intention of reducing expenditure to zero once the grant has been withdrawn in full in 2018/19. This will require removal of the HCC contribution to the Music Service, with consequential restructuring, price increases and service reductions to the extent required. Support for maintained schools provided by Herts for Learning will also cease in 2018/19 save to the extent that it can be funded externally, either by schools de-delegating funding to pay for its retention, or from DfE grant for school improvement, or from other funding sources. For 2017/18 we have been successful in supplementing residual ESG funding from schools and other sources.

**6. What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

**Enterprise**

The key risk to the Enterprise part of this portfolio is whether or not the LEP is successful in securing Growth Deal 3 funding which is critical to the delivery of major enterprise and skills projects.

Another key risk to the Hertfordshire economy is uncertainty caused by Britain's decision to leave the EU on business confidence and continued inward investment.

**Education and skills**

The key risks are as follows:

- De-delegation of funding for school improvement and support proves impossible after 2018/19 either as a result of DfE Regulation or lack of support from schools themselves, leading to deterioration in standards and quality;
- We are unable successfully to support and encourage schools in developing rapidly strong local MAT/Academy structures, in particular including a MAT sponsored by HfL;
- Schools' willingness to work in collaboration with HCC especially round the most vulnerable young people begins to diminish, for example as a consequence of progressive reduction in schools funding;
- Falling school funding leads to progressive increase in schools budget deficits;
- Longer term school place planning is undermined by inability to secure affordable and deliverable school sites to meet future need through the local plan process.

Some of these risks are difficult to mitigate, and the mitigation of others is part of our mainstream work. An example of this relates to activity continually being undertaken to identify and secure sites for future new school provision.

Two major areas of mitigation activity are as follows:

- Working with HfL to create an HfL-sponsored MAT, so as to give choices to schools about joining effective local MATs
- Working with maintained schools on a programme of financial activity intended to reduce costs and limit budget deficits, via joint Financial Action Groups.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Technical Adjustment</b>	(2,798)	(2,798)	(2,798)
<b>Demography</b>	22	22	22
<b>Legislative</b>	271	693	693
<b>Other Pressures</b>	637	887	887
<b>TOTAL PRESSURES</b>	<b>930</b>	<b>1,602</b>	<b>1,602</b>
<b>Existing Efficiencies</b>	(146)	(154)	(154)
<b>New Efficiencies</b>	(4,195)	(6,038)	(6,038)
<b>New Policy Choice</b>	(470)	(470)	(470)
<b>TOTAL SAVINGS</b>	<b>(4,811)</b>	<b>(6,662)</b>	<b>(6,662)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
TA02	<u>ESG</u> Retained Duties to be DSG Funded	CS	Technical Adjustment	(2,798)	(2,798)	(2,798)	2,798
	<b>Service Specific Inflation</b>						
	None						
	<b>Pressures</b>						
D03	<u>Corporate Parenting - Higher Education</u> As a result of an upward trend in academic attainment a larger number of students are expected to attend university in the 2016/17 Academic year. The number of students actively studying is expected to rise from 44 in 2014/15 (academic year) to 75 in 2016/17 (academic year). This increase in numbers is expected to cause a pressure on the budget to ensure appropriate support is provided and sufficient funding is available to support students.	CS	Demography	22	22	22	1,728
L01	<u>SEN</u> There is a potential pressure due to statutory duties arising from the Children and Families Act (2014) regarding the assessment and monitoring of children and young people with SEND aged 0-25 years. At present this is part funded by the SEND Reform Grant but as a finite resource provision will be required to continue the conversion to and monitoring of Education, Health and Care Plans, and associated duties and statutory responsibilities.	CS	Legislative	271	693	693	1,587
OP01	<u>SN HTS Transport</u> This pressure has arisen as a result of less competitive market place. An analysis of recently retendered contracts has been undertaken and, on average the costs for "like for like" contracts (ie where the number of pupils being transported has remained the same) has increased by 17%, whilst the number of contractors bidding for work has decreased by 48%. Whilst some of this may be a result of inflationary pressures, the majority is likely to be caused by improving market conditions, which allow companies to be more selective in the contracts they choose to undertake, and charge a premium for less attractive contracts.	CS	Other Pressures	437	887	887	12,456

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
OP02	<u>Hadham Road Development appeal costs</u> Planning application likely to be refused for this land which is a critical component of the funding package for schools development to support the new housing at Bishop's Stortford North. If this does not go ahead the Council are likely to lose an £8m capital receipt. An appeal is likely, and this pressure provides for costs falling in 2017/18.	CS	Other Pressures	200	0	0	148
EEI01	<u>Savings</u> <u>Home to School Transport</u> Encouraging the use of local SEN Provision and the changes in SEN Home to School Transport Policy should produce efficiency savings on the SEN Home to School Transport budget. Continuation of projects to encourage the parents of primary, SEND or ESC pupils to school on public transport or in their own vehicles, as opposed to requiring taxis, to promote independent travel.	CS	Existing efficiencies	(130)	(130)	(130)	5,440
EEI02	<u>Home to School Transport - Additional</u> Further reductions resulting from implementation of earlier policy changes, including behavioural changes by service users as a consequence of higher charges and withdrawal of escorts.	CS	New policy choice	(470)	(470)	(470)	5,440
EEI04	<u>Schools PFI contract</u> The most recent assessment of the financial position on the school PFI project is that there is scope for a continuing saving of £150,000. A one-off saving is also expected in 2017/18, but might be achieved earlier, in 2016/17.	CS	New efficiencies	(350)	(150)	(150)	7,736
EEI05 & SSS04 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	CS	Existing efficiencies	(16)	(24)	(24)	n/a
EEI06	<u>Herts Music Service</u> The service is in the process of reorganisation in order to reduce direct financial support provided by HCC by half in 2017/18, and in full the following year. A range of measures are planned to achieve this, including reducing funding provided to schools for initiatives and innovation, management and staffing reductions, review of the way in which concessions are provided on tuition costs, and review of charging policies.	CS	New efficiencies	(391)	(391)	(391)	782
EEI07	<u>Premature Retirement Cost and redundancy</u> Currently costs of redundancies in maintained schools are met centrally. The provision for this will be reduced and in consequence a greater part of such costs will need to be met from schools' own budgets, increasing their financial deficits in the short term.	CS	New efficiencies	(456)	(456)	(456)	4,818
EEI08	<u>School improvement (Herts for Learning)</u> It is proposed to reduce the HCC contribution to the contract with Herts for Learning by this figure from September 2017. The current service will be continue through additional money delegated by maintained schools, some reductions in service levels, and some use of DSG where justifiable.	CS	New efficiencies	(1,752)	(1,752)	(1,752)	3,425
EEI09	<u>Transfers of relevant spend from ESG to DSG</u> There are some items of expenditure which can in future be funded from High Level Needs DSG.	CS	New efficiencies	(92)	(92)	(92)	92
EEI10	<u>Off site visits:</u> Expenditure in providing advice to schools in this area will need to be fully funded from trading or cease from September 2017	CS	New efficiencies	(20)	(20)	(20)	44

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
EEI11	<u>Other ESG related reductions</u> The shortfall in funding added to DSG for " Retained Duties" is currently estimated at £149k in a full year. Reductions to meet this are being developed and will include elements of the attendance service, but the Regulations governing this area of expenditure have yet to be issued by DfE.	CS	New efficiencies	(149)	(149)	(149)	1,414
EEI12	<u>Further ESG related savings</u> ESG cuts in funding from September 2017	CS	New efficiencies	0	(2,043)	(2,043)	n/a
EEI14	<u>Virtual School Service Reduction and Grant Funding</u> There is scope to meet some of the costs of the service from pupil premium plus funding and the terms of provision of this funding make it appropriate to do so. A review of the operation of the service is also planned with the intention of realising further savings	CS	New efficiencies	(237)	(237)	(237)	1,728
EEI23 & SSS05	<u>Children's Services Efficiencies (excl. CLA)</u> 1% efficiency savings. This line shows a number of small efficiencies across the budgets in CS. Other elements of this efficiency are shown on other savings lines in the IP where appropriate	CS	New efficiencies	(151)	(151)	(151)	179,019
EEI18 & SSS11 (X2)	<u>Enabling the Worker (ETW)</u> This shows small ETW efficiencies across a number of service areas in CS with the remainder being included in other service lines.	CS	New efficiencies	(8)	(8)	(8)	n/a
EEI19	<u>School Place Planning Efficiencies</u> Efficiencies resulting from a review of requirement for revenue development budgets in school planning where opportunities exist for capitalising costs	CS	New efficiencies	(31)	(31)	(31)	1,851
EEI20 (X2)	<u>Integrated Services for Learning Efficiencies including ETW</u> Savings to be made from reduction of two posts and a switch of the cost of a further post to DSG. The post has historically been charged elsewhere but is part of a DSG funded service so this anomaly has been addressed.	CS	New efficiencies	(136)	(136)	(136)	6,604
EEI21 (X2)	<u>Thriving Families Efficiencies including ETW</u> This area is to be reviewed and the savings will come from a revised operational delivery model being implemented.	CS	New efficiencies	(48)	(48)	(48)	1,949
EEI22 (X2)	<u>Services to Young People Efficiencies including ETW</u> The Youth Connexions model and strategy are to be reviewed and revised, which will result in these savings.	CS	New efficiencies	(374)	(374)	(374)	15,336

**Note 1**

A number of pressures and savings impact on a several portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
6,623	<p><b>Education &amp; Early Intervention</b></p> <p><u>Integrated Services for Learning</u> Integrated Services for Learning (ISL) delivers services for children and young people with additional and special educational needs, including a number of statutory LA duties. The service comprises of 5 integrated local teams and some central teams. It includes Educational Psychology, Special Educational Needs, Early Years (Special Educational Needs and Disability - SEND), Attendance, Access to Education team for Refugees and Travellers.</p>	5,640	(128)	5,512	5,871	5,871
18,650	<p><u>Admissions &amp; Transport</u> The Admissions Service manages the school admissions process including coordinating in-year applications for all maintained schools. The majority of academies and voluntary aided schools within the county have also chosen to opt into the process. The service also manages and administers the eligibility and entitlement policies for home to school transport for all mainstream children and young people.</p>	18,348	(115)	18,233	18,683	18,683
4,676	<p><u>Education Services</u> Education Services includes responsibility for ensuring the statutory duties in relation to School improvement are met by the local authority. These services are now commissioned through Herts for Learning (HfL) the schools company.</p> <p>This area also contains budget for the development of 14-19 learning strategy which includes the provision of Apprenticeships.</p>	2,172	(150)	2,022	(20)	(20)
4,818	<p><u>Premature Retirement</u> This area of the budget relates to the liabilities arising from premature retirements in schools.</p>	4,455	0	4,455	4,455	4,455
<b>34,767</b>	<b>Education &amp; Early Intervention Total:</b>	<b>30,615</b>	<b>(393)</b>	<b>30,222</b>	<b>28,989</b>	<b>28,989</b>
340	<p><b>Children's Services Overheads</b></p> <p><u>Performance and Business Support</u> The Performance and Business Support area contains the following areas which support the whole of CS department:</p> <ul style="list-style-type: none"> <li>• Performance and Improvement</li> <li>• IT Budget</li> <li>• Business Infrastructure Service</li> <li>• Children and Young People's Strategic Commissioning</li> </ul>	105	0	105	105	105

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
(356)	<u>Education &amp; Early Intervention Central</u> This area of the budget covers the general overheads of running the department. It includes Integrated Education System (IES) support costs and Directorate spend. Also included within this area is the allocation of DSG income to cover support costs for DSG funded LA managed services.	(973)	(328)	(1,301)	(1,309)	(1,309)
(16)	<b>Children's Services Overheads Total:</b>	<b>(868)</b>	<b>(328)</b>	<b>(1,196)</b>	<b>(1,204)</b>	<b>(1,204)</b>
572	<b>Environment</b> <u>Economic Development and Local Enterprise Partnership</u> Working in partnership with the Hertfordshire Local Enterprise Partnership (LEP) ,this budget aims to ensure Hertfordshire develops and maintains a strong economy and promotes economic prosperity for all.	827	(500)	327	436	436
572	<b>Environment Total</b>	<b>827</b>	<b>(500)</b>	<b>327</b>	<b>436</b>	<b>436</b>

## **Proposed Enterprise, Education & Skills Portfolio Capital Programme 2017/18-2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £129.870m and for 2017/18 is £46.177m. This includes all new bids and re-programming from 2016/17 at the end of quarter 2. The programme is largely funded from grants and external contributions, with £2.877m of HCC Funding requested over the IP period.

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
<b>HCC Funding</b>	1.140	0.930	0.807	<b>2.877</b>
<b>Grant</b>	45.667	27.983	14.387	<b>88.037</b>
<b>Contributions</b>	2.070	0.465	1.048	<b>3.583</b>
<b>Reserves</b>	1.500	-	-	<b>1.500</b>
<b>S106</b>	2.800	10.000	21.073	<b>33.873</b>
<b>Total</b>	<b>53.177</b>	<b>39.378</b>	<b>37.315</b>	<b>129.870</b>

### **New Capital Bids**

The portfolio has proposed three new capital bids, as below. The new schemes have capital costs of £4.760m in 2017/18 and require £54.948m of capital expenditure over the next three years. £0.807m of HCC funding is required.

Scheme	Total Cost 2017/18	HCC Funding 2017/18	External Funding 2017/18	Total Cost project cost including 2017/18	Total HCC funding for the total project	Total External Funding for the project
	£m	£m	£m	£m	£m	£m
<b>Primary Expansion Programme 7:</b> Meeting the rising demand for school places for September 2017.	2.917	-	2.917	8.750	-	8.750
<b>New School Developments:</b> Spend anticipated within 2017/18 - 2019/20 to provide schools where future developments or a shortage of places is known.	1.843	-	1.843	44.343	-	44.343
<b>Broadband Delivery Project Phase 3: (N):</b> To ensure that the final percentage of Hertfordshire premises (residential and business) can receive access to superfast broadband.	-	-	-	1.855	0.807	1.048
	<b>4.760</b>	<b>-</b>	<b>4.760</b>	<b>54.948</b>	<b>0.807</b>	<b>54.141</b>



## Proposed Enterprise, Education & Skills Portfolio Capital Programme 2017/18-2019/20

	<b>Enterprise, Education and Skills</b> <i>New Request (N) or Existing Request (E) or Revised Request (R)</i>	<b>Total Scheme Cost</b>	2017/18 Integrated Plan					2018/19	2019/20	
			Cost	HCC Funding	Grant	S106	Contributions	Reserves	Cost	Cost
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>1</b>	<b>Remaining Furniture and Equipment budgets across School Expansions (E)</b>		200	-	200	-	-	200	137	
<b>2</b>	<b>Primary Expansion Programme 6 (E)</b>							-		
	Leavensden Green		2,350	-	920	1,430	-	-	-	
	Almond Hill junior School		1,875	-	1,875	-	-	-	-	
	Balance of Temp 6 Budget		895	-	895	-	-	-	-	
<b>3</b>	<b>Secondary School Expansion Programme (E)- SEC2 &amp; 2.5: Meeting the rising demand for school places.</b>	<b>20,527</b>	<b>18,908</b>	-	17,665	1,243	-	-	-	
<b>4</b>	<b>Primary Expansions Programme 7 projection (N):</b> Meeting the rising demand for school places for September 2018.	<b>8,750</b>	<b>2,917</b>	-	2,917	-	-	<b>5,833</b>	-	
<b>5</b>	<b>New School Developments (N):</b> Spend anticipated within 2017/18 - 2019/20 to provide schools where future developments or a shortage of places is known.	<b>44,343</b>	<b>8,843</b>	-	8,716	127	-	<b>21,250</b>	<b>14,250</b>	
<b>6</b>	<b>Bishop's Stortford North (E): 6FE Secondary School, plus 3FE and 2 FE Primary School:</b> Note that the configuration of schools has been assumed, this could be 6FE Secondary School, 2 x 2FE Primary Schools plus 1FE Primary School, which would have a higher Total Scheme Cost.	<b>57,290</b>	-	-	-	-	-	<b>10,000</b>	<b>21,073</b>	
<b>7</b>	<b>Secondary Schools Land Acquisitions (E) :</b> The purchase of land to serve Secondary School places.	<b>13,492</b>	<b>9,297</b>	-	9,297	-	-	<b>700</b>	-	
<b>8</b>	<b>Broadband Delivery Project Phase 2: (E) :</b> Phase 2 of a programme that is to ensure that 95% of Hertfordshire premises (residential and business) can receive access to superfast broadband. This project is a joint project with Buckinghamshire.	<b>12,210</b>	<b>7,892</b>	1,140	3,182	-	2,070	1,500	<b>1,395</b>	
<b>9</b>	<b>Broadband Delivery Project Phase 3: (N) :</b> To ensure that the final percentage of Hertfordshire premises (residential and business) can receive access to superfast broadband.	<b>1,855</b>	-	-	-	-	-	-	<b>1,855</b>	
<b>TOTAL ENTERPRISE, EDUCATION AND SKILLS</b>			<b>53,177</b>	<b>1,140</b>	<b>45,667</b>	<b>2,800</b>	<b>2,070</b>	<b>1,500</b>	<b>39,378</b>	<b>37,315</b>

# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Environment, Planning & Transport Portfolio**

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# Environment Planning & Transport Portfolio

**Strategic Objectives:** Promote safe, reliable and sustainable travel  
Protecting the physical and natural environment of Hertfordshire.

## Scope

- Promote and provide access to a sustainable transport network
- Manage 3200km public Rights of Way network, maintain and enforce users' rights. Maintain the Definitive Map and Statement.
- Develop site management plans for a range of green spaces including HCC owned woodlands within our National Nature Reserve and promote Health Walks
- Provide planning advice related to sustainable drainage, flood investigation work where relevant, ordinary water course consent and enforcement and the promotion of flood risk management schemes
- Provide planning advice on the historic environment, ecology, landscape and built environment

## Summary of Key Savings Proposals

- Saving of £0.100m p.a. in 2018/19, rising to £0.150m p.a. in 2019/20 from review of Row and CMS services by April 2018
- £0.121m p.a. saving from review and rationalisation of Transport Access and Road Safety functions.
- £0.390m following a review of support for TfL bus services that cross into the county.
- £0.100m saving from the savercard concessionary scheme
- £0.060m saving from a review of strategic planning

## Key Risks in achieving IP proposals

- Threat to county's trees from pests and diseases and the cost and disruption of dealing with it.
- Increasing frequency of extreme weather events resulting in intense and heavy rainfall leading to increased demand and expectation of services provided by HCC as the Lead Local Flood Authority
- Balancing the delivery of contracted (non-commercial) bus services with increasing expectations

## Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£22.3m	£21.2m	£22.2m

## Summary of Key Priorities and Programmes

- Assessing and responding to the Impact and implications of the Local Bus Bill
- Supporting the Local Bus network
- Home to school mainstream and special needs transport
- Education programmes such as Learn 2 Live
- Protecting the physical and natural environment of Hertfordshire through Health Walks, Volunteering Opportunities, Rights of Way and Countryside Management Services
- Overview of the local flood risk management strategy
- Flood risk mitigation
- The provision of timely, relevant and up-to-date advice related to the historic environment

## Capital Programme

	17/18	18/19	19/20
Capital Programme	£39.1m	£23.4m	£11.4m

## Key Capital Schemes:

- Croxley Rail Link (Metropolitan Line Extension)
- Passenger Transport Information Screens
- Rail improvement projects
- RoW Management and improvements

**P.T.O.**

## Environment Planning & Transport Portfolio

**Strategic Objectives:** Supporting the delivery of sustainable development underpinned by the right infrastructure.  
Supporting the creation of a strong economy and prosperity for all in Hertfordshire.  
Protecting the physical and natural environment of Hertfordshire.

### Scope

**Planning** comprises of:

- Working with LPAs on Local Plans and Infrastructure requirements
- Transport Policy and Planning
- Minerals and Waste Policy
- Dealing with and enforcing planning applications for County Council own development, and Minerals and Waste.
- Safeguarding the County Council interests in relation to growth pressures from London, surrounding areas and Airport expansion.
- Working with the LEP and LA's to coordinate growth and the delivery of key infrastructure and regeneration projects.

### Summary of budget

Net Budget (Revenue)

See overleaf

### Summary of Key Priorities and Programmes

- Development of Transport Vision and Local Transport Plan for Hertfordshire
- Review of the Minerals Plan
- Dealing with major planning applications for school expansion, waste facilities and Mineral sites, and Transport Infrastructure
- Review of Enforcement
- Responding to Local Plan submission, the Mayor for London's Growth Plan, Government decisions on Airport Policy, and growth at Stansted and Luton
- Improving rail services including Cross Rail 2, WAML and franchising bids.
- Working with the LEP and LPAs on major projects including the A414 Strategy, Stevenage First, Hatfield Regeneration, Hemel Enterprise Zone, the London-Stansted-Cambridge corridor, Birchall Garden Suburb.

### Summary of Key Savings Proposals

- See over

### Key Risks in achieving IP proposals

- The recruitment and retention of planners.
- The size and scale of growth and pace of development, key projects.
- Availability of resources (staff and funding) to respond to needs and volume of work involved.

Capital Programme

See overleaf

# Environment, Planning & Transport Portfolio: Future Strategic Direction

## 1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

1.1 Within available resources, our key priorities for the next three years are to:

- Develop a long-term transport vision for Hertfordshire
- Provide sustainable transport choices to communities, improve transport information, and encourage walking and cycling.
- To launch smart cards with bus operators for bus tickets and provide real-time information on bus times on 90% of buses across the county.
- To consult with other Risk Management Authorities (RMA's) and key stakeholders on the review and adoption of a new Local Flood Risk Management Strategy for Hertfordshire.
- Work with the Local Nature Partnership and other environmental organisations to protect and enhance the natural and physical environment.
- Work with the rail industry to secure better train services.
- Work with the Local Enterprise Partnership to support the creation of a strong economy and secure funding and investment for Hertfordshire and delivery of key growth projects.
- Support the delivery of sustainable development underpinned by the right infrastructure.
- Safeguard the interests of Hertfordshire in relation to growth pressures from London, surrounding areas and airport expansion.

## 2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?

- 2.1 The services in this portfolio have a key role in relation to the long term future stewardship of Hertfordshire's quality of life. The key pressures and challenges facing the services arise from the geography of Hertfordshire, the pressure for growth and development, population change and the high expectations of our communities.
- 2.2 Hertfordshire is a complex county with over 23 distinct towns ranging from major urban centres on the edge of London, to a cathedral city, market towns, villages, and new towns. The dispersed nature of our settlements, four national motorways, three international airports on our borders and three national rail lines, make Hertfordshire one of the busiest counties in the country. Traffic on our A roads is 85% higher than the national average and our population is expected to increase to 1.4m by 2037, an increase of 24%.
- 2.3 Over 95% of Hertfordshire is covered by some form of planning constraint – Green Belt, Areas of Outstanding Natural Beauty, and high grade agricultural Land. This makes planning for growth a major challenge. District Local Plans propose an additional 91,000 homes and up to 92,000 new jobs in the county by 2031. The scale of growth that Districts and the County Council now need to plan for is very significant. However, only four Districts have up-to-date adopted Local Plans and a Community Infrastructure Levy in place. There is a significant risk of a shortfall in funding available for future infrastructure.
- 2.4 The growth pressures from our surrounding areas (particularly London, Luton/ South Bedfordshire and Harlow and the M11 corridor) present a major challenge to Hertfordshire. The Full Review of the London Plan has now commenced and this will be

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attempting to plan for much higher levels of housing and employment growth, with major potential implications for the areas such as Hertfordshire that abut the capital.

- 2.5 The Government's decision to expand Heathrow; the decisions of the new owners of Stansted Airport and the rapidly growing Luton Airport will also affect Hertfordshire's infrastructure and potentially threaten our environmental quality unless properly planned for.
- 2.6 A key challenge is what role the County Council should have in the future planning of Hertfordshire. Although we are no longer required to produce a structure plan or input into regional plans, there remains a need to ensure a strategic overview of planning issues across the county to ensure effective management of growth and infrastructure. The county council already plays a coordinating role in relation to growth and infrastructure planning in key corridors such as the A414 and the A1 and at key growth locations. In addition, the County Council is playing a bigger role in the planning for major new development sites in the county such as Stevenage Town Centre, and Birchall Garden Suburb to ensure that sustainable communities are delivered with adequate levels of infrastructure.
- 2.7 The development of a longer term transport vision and a fresh set of transport projects to support future growth will be a key priority for the next few years, and could be controversial. Already levels of growth proposed in the county to 2031 in emerging local plans are proving to be extremely challenging in terms of the transport infrastructure required. The Transport Vision work will identify the next round of major transport investment in the county to meet those needs in the context of a longer term vision of growth and technological change to 2050, resulting in the adoption of a new Local Transport Plan for the county in 2017.
- 2.8 The economy of Hertfordshire is buoyant compared to other parts of the country and there are strong signs of economic recovery. This will increase the development pressures in and around Hertfordshire, particularly on our infrastructure, requiring us to think differently about future transport strategy and infrastructure funding. The number of planning applications and pre-application enquiries from developers is rising rapidly and this will put significant pressure on our development management teams and advisory services such as historic environment, landscape, ecology and flood management as well as on district councils. The need to maintain quality decision making and still meet performance deadlines will be challenging.
- 2.9 The level and extent of financial support the county council provides for passenger transport was reviewed in 2015 resulting in changes to evening and weekend services. There is always a tension between the need to direct limited resources wisely while ensuring the travelling needs of residents, particularly vulnerable groups, are met. A key challenge is how to make bus services economic and effective across a diverse county like Hertfordshire.
- 2.10 From a baseline in 2008 of 33.49 million bus passenger journeys made each year in Hertfordshire, passenger numbers have been on an upward trend, increasing by approximately 12% to 37.87million passenger journeys in 2015.
- 2.11 A series of key decisions on rail services and infrastructure will be taken by the rail industry during this period including HS2, Crossrail 2 and West Anglia Mainline improvements. A key challenge will be to ensure that Hertfordshire's interests are protected and opportunities for improvements taken, both in terms of rail infrastructure and services.

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2.12 As Lead Local Flood Authority (LLFA) HCC has a role in investigating certain flooding incidents to ascertain cause and try to identify possible mitigations to reduce future flood risk. This role enables HCC, subject to funding being available, to promote flood risk management schemes where a positive cost/benefit result can be achieved. It should be noted that timescales for delivery of such schemes can be the order of 5 to 8 years from identification of the issue to scheme delivery. Therefore expectations need to be managed to challenge the common perception that, as LLFA, HCC can resolve all flooding issues. The LLFA role is to investigate; it does not have powers to force others to take action to mitigate risk.

2.13 The department is already struggling to recruit and retain planning and engineering staff in the face of competition particularly from London. This is a major risk to the future delivery of these services and significant work has already been undertaken to review recruitment and retention strategies and to examine the development of future generations of planners and engineers through graduate training and apprenticeships.

### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

3.1 Planning and Growth: Much of the work of the spatial planning unit is statutory. However the planning system has been the subject of quite radical reform in recent years and there appears to be no change in direction resulting from recent political change.

3.2 Other Key areas of work for the future include:

- the development of the Transport Vision for the county and the formal revisions to the Local Transport Plan
- strengthening the role and effectiveness of Herts Infrastructure and Planning Partnership (HIPP) to improve strategic planning, growth and infrastructure
- helping the District Councils to get Local Plans in place;
- supporting the delivery of the LEP Strategic Economic Plan and contributing to future Single Local Growth Fund bids;
- preparation of the Minerals Local Plan;
- review of the Waste Local Plan;
- ensuring the interests of Hertfordshire are safeguarded by making appropriate representations on growth proposals affecting the County.

3.3 The Government has signalled its intent to keep raising the performance level for planning applications. Therefore further scope for change in this area appears limited. Most local authorities and the Local Government Association (LGA) are continuing to lobby to allow planning fees to be set locally so that they can reflect the real cost of delivering the service and result in more resources being made available.

3.4 As LLFA the county council is a statutory consultee for all major planning applications in respect of sustainable drainage. Increasing incidents of extreme rainfall are likely to have a significant impact on the demand for flood investigations (a statutory role) as serious incidents of surface water flooding become more frequent. A greater focus of the work of the Countryside Management Service (CMS) towards access and the management of maintenance of the public right of way network will continue. Linked to volunteering and direct action, this shift in emphasis will have multiple benefits for users of the network as well as ensuring the authority continues to comply with its statutory duties in this area.



- 3.5 Passenger Transport – to launch smart cards with bus operators for bus tickets which allow passengers to top up their cards and not need to worry about paying cash to travel. Funding to progress will be dependent upon a capital bid and potential funding through the DfT.
- 3.6 The future focus for the Access & Rights of Way and CMS will be on further clarifying HCC's future role in some areas; reviewing standards of service; working more in partnership; exploring different forms of service delivery and making better use of technology to improve customer communication and reduce costs. The services and functions will be reviewed to explore opportunities for further efficiencies of working more collaboratively together as well as across the wider Transport Access and Road Safety Unit.
- 3.7 The service will continue to keep its capacity, structure and ways of working under review to meet both the financial and service challenges over the next few years and seek to invest in new technology where this can drive productivity savings. A review of capacity, particularly in the Planning and Transport areas, is currently underway in light of emerging issues in relation to the growth agenda.

#### **4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?**

##### 4.1 Spatial Planning:

An in-depth assessment of the Development Management function was carried out by the Planning Officers Society in 2014. The review led in overall terms to efficiency savings that have been taken. The cost of the service was in the lowest quartile for all authorities (£0.37 per head of population compared to the national average of £1.14) in 2014/15.

- 4.2 Comparison of cost information for planning with other county councils has been made available from the Public Sector Audit Appointments (PSAA - formerly the Audit Commission) Value for Money profiles. The last available data for 2014/15 shows the planning policy function as being in the top 20% most expensive for a county council (£1.66 per head as compared to the national average of £1.14). For Economic Development the spending per head is £1.05 compared to an average for all county councils of £3.41 and relates solely to HCC core funding for the LEP and Visit Herts.

- 4.3 A Review of Enforcement Practice and Procedures is currently being undertaken. This will examine the current level of service against alternative models of service provision including outsourcing some parts of the service and also examine whether higher contributions can be sought from developers to fund a more robust monitoring and enforcement regime. This study will be complete and the results reported to Members in early 2017.

- 4.4 As part of work on the recruitment and Retention of Planners there have been a number of visits to other county planning authorities which have collected data regarding staffing levels. Once again, in general terms the county council's structure and staffing levels seem to be generally comparable with other similar Authorities such as Surrey, Essex and West Sussex. Cambridgeshire have adopted a more radical cost cutting regime with the abandonment of all policy planning on minerals and waste. However in the corporate Risk register the potential problems of this approach have been identified as one of the key risks to the Authority as a whole.

#### 4.5 Passenger Transport:

The Association of Transport Co-ordinating Officers (ATCO) Benchmarking Survey published January 2016, illustrates comparative data across all English shire counties. This survey, along with data from PSAA, shows Hertfordshire is relatively low cost and high performing when compared to the average of other Local Authorities. Punctuality, Passenger Satisfaction and service information indicators were also high compared to elsewhere.

4.6 Spend to support local bus services in Hertfordshire is £5.13 per head which is slightly above the average of English Shire Counties figure of £5.04. Punctuality of bus services for Hertfordshire is 95% compared to the national average of 82% (ATCO) – which ranks Hertfordshire as the joint best performing county. Passenger timetable information is displayed at 92% of bus stops, compared to the national average of 54.9% which ranks Hertfordshire third in the country. Real Time Passenger Information (RTPI) is displayed at 5.9% of our total stops, significantly better than average of 3.1% and the second highest performing shire county in the country. The service is linking with other authorities to show RTPI across the borders.

4.7 Previous measures to enhance channel shift in terms of the online processing of tickets through offering a £5 discount on buying SaverCards has been positive and with improvements to the website it is believed this will continue. Through improving our online processes there has been a significant shift to online application up from 25% in 2014 to 90% in August 2016. All SaverCards are now smart cards which mean that usage can be monitored giving the county council better data management on student travel patterns. The introduction of Mobile Ticketing has also enhanced usage and management information of passenger journeys.

#### 4.8 Environmental Management:

There is no national comparative data available for Rights of Way or the CMS. However local data shows that over 72% of our paths were assessed as easy to use (average over the previous 4 years is 69%) and we make extensive use of volunteers in helping with the maintenance and development of the network.

4.9 The Hertfordshire Health Walks initiative grew participation levels by 14% in 15/16. It has been identified to be the largest and best value scheme in the country following simple benchmarking at a national level. (Number of participants and cost per participant) A programme of work underway in 2016/17 will take this benchmarking deeper and aims to learn from other successful schemes nationwide including exploring alternative models of delivery. Furthermore, a data review and analysis will be undertaken to establish where future promotional activity will be best placed to maximise the investment for people's health.

### **5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

5.1 Significant savings have been achieved from services within this portfolio over recent years. These include :

- Since 2011/12 the Spatial Planning & Economy budget has been reduced by £350,000 or approximately 20% of its budget
- Savings of £75,000 were delivered in 16/17 as a result of restructuring in the Environmental Resource Planning team.

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- A significant review of the functions and resources of the Transport Access and Road Safety Unit was undertaken in 2016/17. This will deliver savings to the County Council of £271,000 by April 2017.
- The contribution to Transport for London for services that cross over into Hertfordshire was reviewed and has delivered a rolling annual saving of £390,000.
- A review of Row and CMS in 2017/18 is expected to deliver efficiency saving of £100,000 by April 2019.
- Alternative models for the delivery of the planning function and the scope to make further efficiencies have been examined in 2016. Major reform of the function has been rejected for the present although a programme of further efficiencies of £60,000 has been agreed for 2017/18.

**6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

- 6.1 The potential for further planning reform have been highlighted in Section 3. It is too early to have developed mitigations for these issues given that the eventual form that potential reform of the planning system will take is as yet unknown
- 6.2 Much of the work of the Spatial Planning Team is based on collaboration with other Agencies such as the District Councils, the LEP, the Environment Agency and Central Government Departments. The current programme of reductions in funding for the public sector as a whole and for local authorities in particular could have very significant impacts on the work of the team. At present, for example, it is not known how many of the Districts Councils in the county will continue to resource their planning functions at current levels. Further cuts for instance in funding for the HCC monitoring service which is delivered in a large part to support the District Council's plan making function and is largely funded by them, could have a very significant service impact.
- 6.3 Recruitment and Retention of planning staff is a critical issue for service provision. A significant piece of work was undertaken in 2015 to review Recruitment and Retention practice with a view to dealing with an emerging problem across the sector. A number of initiatives have been adopted which appear to have helped to increase the quantity of applicants at the graduate and early career grade stage of progression. However recruitment to more senior posts and to specialist areas such as Waste and Minerals Planning remains a problem. The county council is taking part in an LGA initiative to come forward with initiatives to confront these problems. Alternative service delivery models are being looked at for certain business critical areas of the service. However given that there are simply industry wide shortages of senior planners these alternatives are unlikely to deliver savings and indeed may be more expensive.
- 6.4 One of the key risks in terms of flood risk management is the increasing frequency of extreme weather events resulting in intense and heavy rainfall often across a short period of time. Existing drainage systems are often overwhelmed and are not designed to cope with these types of events. Improvements to existing drainage infrastructure to accommodate high volumes of surface water run-off from these extreme (in terms of rainfall levels) and increasingly common events is often not practical both in terms of

engineering and resourcing. A key role of the LLFA will be to try to influence and advise planning authorities to ensure new development and associated drainage is designed in such a way to minimise flood risk and better cope with extreme weather events.

- 6.5 In Transport Access and Road Safety, the new team structure is being rolled out and officers are concentrating on ensuring that all services and customer expectations are met while at the same time new teams and personnel are being inducted into the Unit. The unit has reduced by 13% in terms of personnel but the demand for services has remained constant.
- 6.6 Risks and expectations need to be managed in terms of access to local bus services. 94% of all bus services in Hertfordshire are operated on a commercial basis with no influence from the county council. However, for those services that are deemed not to be commercially viable, the county council has to make difficult decisions based on value for money and available resources concerning which to support with taxpayers money. This may mean that some services and areas of the county may not have access to a local bus service.
- 6.7 Officers are monitoring closely legislative developments in the emerging Local Buses Bill which is likely to receive Royal Assent and become the Bus Services Act during 2017. At this stage it is unclear what changes might be made as the Bill passes through the legislative process. The Bus Bill's proposals would be a step change in how bus services are planned and delivered with significant control and responsibility in the domain of local authorities. Unsurprisingly the commercial bus sector is very concerned about the loss of control and has voiced intentions to mount legal challenges.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Service Specific Inflation</b>	27	27	27
<b>Previous Policy Decision</b>	0	50	0
<b>Other Pressures</b>	0	0	(50)
<b>TOTAL PRESSURES</b>	<b>0</b>	<b>50</b>	<b>(50)</b>
<b>Existing Efficiencies</b>	(36)	(41)	(41)
<b>New Efficiencies</b>	(737)	(837)	(887)
<b>TOTAL SAVINGS</b>	<b>(773)</b>	<b>(878)</b>	<b>(928)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
	None						
	<b>Service Specific Inflation</b>						
	<u>Countryside Management Service (Income 0.00%)</u> Projects negotiated annually with District/Borough Councils	Environment	Service Specific Inflation	4	4	4	(190)
	<u>Passenger Transport (Income 0.00%)</u> Written agreements with district councils and other local authorities (cross boundary routes) that they will pay these amounts towards operator costs.	Environment	Service Specific Inflation	23	23	23	(1,032)
	<b>Pressures</b>						
PPD01	<u>County Travel Survey</u> A comprehensive travel survey is carried out every three years so that the county can identify changing needs and trends for its services and react accordingly.	Environment	Previous Policy Decision	0	50	0	
OP06	<u>Advice on Tree Health</u> This is the removal of a time-limited pressure that was added in 2016/17 to enable the country council to develop a strategy and coordinate its response to Ash dieback and other tree diseases likely to have a major effect on the tree population of Hertfordshire on County owned land.	Environment	Other Pressures	0	0	(50)	378
	<b>Savings</b>						
ENV02 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	Environment	Existing Efficiencies	(5)	(10)	(10)	
ENV03	<u>Restructure of Transport Access and Safety</u> Review and rationalisation of the Transport Access and Safety function.	Environment	New Efficiencies	(121)	(121)	(121)	2,570
ENV05	<u>Reduce Spend on TfL Bus Services</u> HCC is no longer contributing to TfL cross boundary services. This has not impacted the level of service provided.	Environment	New Efficiencies	(390)	(390)	(390)	390
ENV07 (X3)	<u>Review of Departmental Overheads</u> Savings will be achieved in the department's overheads.	Environment	New Efficiencies	(66)	(66)	(66)	710

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
ENV08	<u>Review &amp; Integrate Countryside Management Service / Rights of Way</u> By bringing these two teams together (made possible by a refocus of HCC funded CMS activity in to access and rights of way) it should be possible to deliver an efficiency saving, mainly from existing staff budgets.	Environment	New Efficiencies	0	(100)	(150)	1,326
ENV21	<u>Strategic Planning Savings in Future Years</u> Review of vacant posts has led to a saving in pay	Environment	New Efficiencies	(60)	(60)	(60)	1,219
ENV23 (X2)	<u>Enabling the Worker Savings</u> More extensive use of new technology, greater flexibility provided by remote working and a smarter approach to work planning will result in efficiencies and increased productivity.	Environment	Existing Efficiencies	(31)	(31)	(31)	
ENV24	<u>Passenger Transport - SaverCard Concessionary Scheme</u> Ongoing savings have been produced due to fewer entitled student tickets being issued through the SaverCard concessionary scheme. Additionally negotiations with operators for discounted tickets through the scheme has shown that a £100k saving can be made each year.	Environment	New Efficiencies	(100)	(100)	(100)	14,205

**Note 1**

A number of pressures and savings impact on a several portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)

Savings - Enabling the worker (X2)

Savings - Environment departmental overheads (X3)

(76) (113) (113)

(1,122) (1,807) (1,807)

(174) (174) (174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
18,652	<p><b>Environment</b></p> <p><u>Passenger Transport</u></p> <p>The primary use of the budget is to provide bus services by direct contract where these are not provided commercially and to operate the national elderly and disabled concessionary fares scheme. The unit also has a wider coordination of public transport role and manages home to school/college contracts on behalf of the Children's Services Department and a number of adult care transport services on behalf of the HCS department.</p>	20,196	(2,650)	17,546	18,705	18,655
2,298	<p><u>Environmental Management</u></p> <p>The group works with other organisations, notably district and parish councils, the business community and the voluntary sector, on environmental issues. Areas covered include Countryside Management, Rights of Way and Flood Risk Management</p>	2,783	(492)	2,291	2,190	2,090
1,307	<p><u>Spatial Land Use and Planning</u></p> <p>The purpose of spatial land use and planning is to maintain and enhance the high quality of Hertfordshire's physical and economic environment. In particular, to review and maintain planning strategies such that the integration of land use with transportation and other investment strategies for settlements is secured and to ensure that major greenfield development is kept to a minimum.</p>	1,646	(273)	1,373	1,263	1,263
<b>22,257</b>	<b>Environment Total</b>	<b>24,625</b>	<b>(3,415)</b>	<b>21,210</b>	<b>22,158</b>	<b>22,008</b>

## **Proposed Environment, Planning and Transport Capital Programme 2017/18 to 2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £73.919m and for 2017/18 is £39.119m. This includes all new bids and re-programming from 2016/17 at the end of quarter 2. HCC Funding of £15.727m is requested in 2017/18 and £27.194m over the next 3 years.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HCC Funding</b>	15.727	10.742	0.725	<b>27.194</b>
<b>Grant</b>	0.205	0.205	0.205	<b>0.615</b>
<b>Contributions</b>	23.187	12.403	10.520	<b>46.110</b>
<b>Total</b>	<b>39.119</b>	<b>23.350</b>	<b>11.450</b>	<b>73.919</b>

### **Revised Capital Bids increasing total HCC Funding- Annual Programmes**

Environment, Planning and Transport has 3 bids for annual programmes, of which 1 increase total HCC funding by £0.467m between 17/18 and 19/20. There is an decrease of £0.033m of HCC funding/borrowing in 2017/18 compared to the previous Integrated Plan.

Scheme	<b>Additional Cost 2017/18</b>	<b>Total HCC Funding 2017/18 to 2019/20</b>	<b>Additional HCC Funding 2017/18 to 2019/20</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Rail Improvement Projects	<b>(0.033)</b>	0.867	0.467	Reduction in 17/18 as no major projects planned. These will take place in later years and increased funding is requested to cover these.



## Proposed Environment, Planning & Transport Capital Programme 2017/18-2019/20

			2017/18 Integrated Plan				2018/19	2019/20	
<b>Environment, Planning and Transport</b>		<b>Portfolio</b>	<b>Total Scheme Cost</b>	<b>Cost</b>	<b>HCC Funding</b>	<b>Grants</b>	<b>Contribution</b>	<b>Cost</b>	<b>Cost</b>
<i>New Request (N) or Existing Request (E) or Revised Request (R)</i>									
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	<b>Croxley Rail Link (R)</b> : The Croxley Rail Link is a diversion and extension of the Watford Branch of the Metropolitan line to Watford Junction via Watford High Street. New stations will be provided on the new rail link at Ascot Road and Watford General Hospital serving the proposed Watford Health Campus. Government granted Full Approval to the Project in March 2015. This was in conjunction with an identified funding package for the project which includes contributions from Department for Transport (DfT), Transport for London (TfL) Hertfordshire County Council and Watford Borough Council as well as the LEP Growth Deal. Responsibility for the scheme has passed to London Underground, with any cost risk over the identified funding package being taken by TfL.	Environment, Planning & Transport	128,060	38,302	15,135	-	23,167	22,300	10,500
2	<b>Rights of Way - Management and Improvements (E)</b> : As Highway Authority we have statutory duties to manage the Rights of Way (RoW) network. The RoW network condition survey has identified where HCC is failing in this duty. There is an ongoing need for investment to cover repairs and maintenance to bring the network up to the required legal standard. The types of works involved include repair and replacement of bridges, foundrous surfaces, drainage, clearing obstructions, constructing new routes and improving routes for people with limited mobility.	Environment, Planning & Transport	Annual Programme	400	175	205	20	400	400
3	<b>Passenger Transport Information (R)</b> : The continuation of the County Council's role in the development and establishment of Passenger Transport Information including bus stop infrastructure, is set out in the Bus Strategy. Ultimately, improving the passenger experience is likely to lead to an increase in public transport patronage and viability with the inherent benefits to the economy, environment and accessibility of residents.	Environment, Planning & Transport	Annual Programme	250	250	-	-	250	250
4	<b>Rail Improvement Projects (R)</b> : The bid is to continue the county council's role in the development and establishment of rail interchanges and sustainable access to and at stations in co operation with the rail industry, as set out in the council's Rail and Bus strategies within the Local Transport Plan 3. The rail improvement projects contribute towards economic growth by making it easier to travel to and from locations where new jobs and housing are being developed, and will be in the future.	Environment, Planning & Transport	Annual Programme	167	167	-	-	400	300
				<b>39,119</b>	<b>15,727</b>	<b>205</b>	<b>23,187</b>	<b>23,350</b>	<b>11,450</b>

# INTEGRATED PLAN

## PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES

### Highways Portfolio

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# Highways Portfolio

**Strategic Objectives:** Ensuring a safe and efficient highways system & Promoting safe, reliable and sustainable travel.

## Scope

- Develop and implement transport strategies
- Deliver core maintenance services to keep the highway network safe and operational
- Work in partnership with others to reduce the numbers of people killed or injured on our roads
- Develop and deliver minor capital Integrated Transport Projects and major capital projects
- Undertake statutory network management and development management functions
- Encourage active travel by delivering cycle training to adults and children, and by ensuring cycling and walking facilities are as safe as possible

## Summary of Key Savings Proposals

- LED & CMS Street Lighting Phase 2 – saving £0.404m p.a.
- An invest to save bid for LED Street Lighting phase 4 could save £1.752m p.a. by 2020/21
- Additional Driver Training Income £0.100m p.a.

## Key Risks in achieving IP proposals

- Changes within the S106 and CIL regimes and fewer opportunities to match fund, leading to uncertain future funding availability
- Local construction inflation impacting on the sustainability of the Highways Service Term Contract
- Staff shortages due to the buoyant construction industry and the influence of London
- The contract for driver training will be reviewed in 2017/18 and there is a risk that HCC may not be the provider in future

## Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£41.0m	£41.9m	£41.2m

## Summary of Key Priorities and Programmes

- Seek continuous improvement of the Highways Service through the HST Contract and considering whether to extend or re-procure
- Achieve and sustain top tier performance for DfT Maintenance Incentive Funding
- Support the growth agenda by starting construction of A120 Little Hadham Bypass and A602 Stevenage to Ware and translating emerging strategies for Hemel East, Stevenage and A414 corridor into defined projects for delivery post 2021
- Complete the conversion of Hertfordshire's remaining conventional street lighting to LED and CMS technology
- Review the current financial arrangements in support of the safety camera partnership
- Cycle and driver training
- Education programmes such as 'Learn 2 Live'

## Capital Programme

	17/18	18/19	19/20
Capital Programme	£67.4m	£98.5m	£71.3m

### Key Capital Schemes:

- Programmes of structural maintenance and Integrated Transport Improvements
- Major Capital Projects such as Little Hadham bypass; A602 Ware-Stevenage and converting lights to LED & CMS

### Capital Strategy:

- To reduce the reliance on county council capital funding for highway works through seeking and deploying funding from alternative sources

## Highways Portfolio: Future Strategic Direction

### 1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

The key priorities of the Highways Service are to ensure a safe and efficient highway system to **deliver safe, reliable journeys, sustainably**. It will do this by:

- Developing and implementing transport strategies in support of the Local Transport Plan and, in particular, to support the economic and housing growth agenda.
- Delivering core services, which are determined and funded strategically, based upon need. Overall technical strategies and all the core programmes will be determined and delivered using most appropriate current practice and economies of scale. Reactive and responsive works will be related either to safety or asset protection and planned schemes will be conceived and delivered in technically derived programmes for maximum effectiveness and efficiency.
- Supporting elected members in taking decisions, within the overall policy framework, which affect their local area including discretionary Highway Locality Budget funded work using the most efficient methods available.
- Delivering effective network and development management.
- Minimising the draw on County Council resources for delivering maintenance services and infrastructure improvements to support the growth agenda by securing alternative sources and optimising income.
- Continuing development of a collaborative approach to identifying priorities and delivering further reductions in collisions, casualties, costs and community concerns through the Hertfordshire Road Safety Partnership.
- Encouraging active travel by delivering cycle training to adults and children, and by ensuring cycling and walking facilities are as safe as possible, in support of Public Health and environmental priorities.
- Continuing to deliver a School Crossing Patrol Service at prioritised sites across Hertfordshire using new and innovative methods.
- Develop and expand the range and remit of Driver Training undertaken by HCC on behalf of NDORS and the Constabulary.

### 2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?

The County Travel Survey, transport planning and pre-application development management help provide robust demographic predictions. The main demographic

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changes are associated with traffic growth, changes in travel patterns and modes and the construction of new roads.

The key pressures and challenges facing the service arise from the geography of Hertfordshire, the pressure for growth and development, population change and the high expectations of our communities. The challenge will be to meet those pressures without adversely changing the character of the county.

Budgetary provision is made to fund the maintenance of increased road lengths and capital budgets support the delivery of sustainable transport schemes and Intelligent Transport Systems.

As the economy has improved and major national infrastructure projects are underway, the service is struggling to recruit and retain engineering staff in the face of competition particularly from London.

Similarly the impact of major national infrastructure projects, a recovering economy, increasing energy prices and green taxes are increasing costs. The Highways Service had to consider 4,000 planning applications in 2013/14, but this is rising to a projected number of 5,200 in 2016/17 with numbers expected to rise further as the economy continues to improve.

Following the award of £170 million from the LEP for infrastructure, the service has a major challenge to progress delivery of a number of high profile infrastructure projects over the next three years including the A120 Little Hadham bypass and A602 improvements whilst enabling the development and delivery of projects such as Metropolitan Line Extension and A1(M) improvements.

The adverse impact on traffic flow through current traffic growth, the 70-80,000 authorised highway activities per year undertaken by HCC, Utilities (gas, electricity etc) intertwined with the growing unauthorised activities is moderated by pro-active network management that keeps traffic moving as efficiently as possible and provides multi-media real time information.

The Highways Service will continue to deliver revenue efficiency savings, particularly through the introduction of 'invest to save' type initiatives, such as the LED lighting and optimising income through Transport Management Act activities.

Maintaining day to day service delivery on the things that matter to local people and members in the face of these pressures and anticipated growth is a major challenge.

A review of the NDORS Driver Training provision in Hertfordshire by the Constabulary which could impact on income and funding for road safety activity.

Competing priorities and reduced capacity within partner organisations leading to reduced levels of collaboration. A subsequent failure to recognise and respond to emerging trends may lead to an increase in the number of casualties.

An increase in the population and subsequent number of road users including older drivers and more cyclists.

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### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

The key initiatives are to:

- Ensure that the customer journey is simple, efficient and effective through improved processes and systems, backed up by comprehensive training.
- Evolve and future-proof the Highways Service by seeking continuous improvement through the Highways Service Term (HST) Contract and considering whether to extend the Term Contracts, or to re-procure.
- Following the investment in 2016/17 to mitigate the effects of local construction inflation, continue to deliver efficiency improvements that will enable current service levels to be maintained.
- Help keep up the appearance of the highway assets, following the 2016/17 restoration programme, through the deployment of the High Impact Gangs that were introduced in 2016/17 as part of the ongoing investment.
- Achieve and sustain top tier performance for DfT Maintenance Incentive Funding to retain maximum funding from DfT and to maintain HCC's reputation of being a high performing asset manager.
- Support the growth agenda by:
  - Starting construction of A120 Little Hadham Bypass and A602 Stevenage to Ware improvements
  - Translating emerging strategies for Hemel East, Stevenage and A414 corridor into defined projects for delivery post 2021
- Complete the conversion of Hertfordshire's remaining conventional street lighting to LED and CMS technology (subject to capital funding being made available), which will burn less carbon and provide financial savings for the County Council.
- Introduce Highways Resilience strategies and schemes, which will reduce the amount of highway maintenance operations that typically disrupt the network and reduce the costs of routine maintenance.
- Continue to promote smart working through the Highway Service's 12 point action plan.
- Providing support and leadership to the multi-agency Road Safety Partnership including overview and administration of the Police and Crime Commissioner's Road Safety Fund.
- Continuing to develop and refine the Road Safety Strategic Assessment of Priorities and subsequent Road Safety Strategy in order to focus available resources.

- Prepare tender and bid documents for delivery, and potential expansion, of driver training courses on behalf of the Constabulary.
- Deliver a 4 year Bikeability cycle training programme for children and develop further cycle training and support for adults following the successful award of a £400k grant from the DfT.
- Review the current financial arrangements in support of the Hertfordshire Safety Camera Partnership.
- Coordination of sustainable travel planning arrangements for schools, new developments, businesses and transport hubs.

#### **4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?**

A Peer review of the Highways Service, under the auspices of the LGA and the Highways Maintenance Efficiency Programme was undertaken in Summer 2014. The Review Team noted the significant savings made within the service and their headline judgement was that our “approach is brave and we have a strong, ambitious, customer focused organisation with strong political and managerial leadership, talented staff and a desire for continuous improvement”. Various areas of “notable practice,” included the Whole Client Service, which could be of national interest, were identified along with three main areas for the Council to consider improvement, viz. – systems, focusing on the future, and managing public expectations.

Value for money is optimised in the delivery of Highways Service by:

- Taking a risk based approach to service levels across all services
- Adopting strategic, rather than micro-financial management
- Investing in programme planning and co-ordination
- Bulking like-activities into countywide work streams
- Removing inter-organisational boundaries within the Whole Client Service
- Streamlining the design process through the use of ‘walk and build’
- Maintaining competitive tension between contractors
- Reduced personal officer support to members and customers whilst promoting channel shift and the local member community leadership role.

Compared to 2010, the operational service in 2015/16 was being delivered with:

- 87 fewer HCC FTE’s, which equated to a 42% reduction
- £10.1m equating to 26% reduction in revenue budgets for works and services (including budget increases for inflation, growth in network and the like)
- £13.0m equating to 28% reduction in revenue budgets for staff, works and services overall

However, the impact of construction inflation necessitated an ongoing cash injection of £2.3m revenue funding (plus £700k capital) in 2016/17



The increased capital budgets has meant that overall investment in highway maintenance has been fairly stable over the same period and this has enabled the refurbishment and replacement of assets, but not the routine operations.

Traditionally, local authorities have not relished volunteering for benchmarking exercises, while desktop studies undertaken at arm's length by third parties have proved to be flawed. Hertfordshire carried out a 'one-off' benchmarking exercise involving 16 authorities in 2013/14. Other authorities were not keen to participate and so information was requested under FoI legislation. This information showed that HCC was placed in the group's upper to top quartile for vfm for highways maintenance.

However, as the pressures on public spending continue to bite, Highway Authorities across the country are having to re-interpret what is 'safe & operational' and are adapting their service levels to what is affordable. It appears there may be a kindling of desire to benchmark so as to gain comfort that they are not alone in the actions they have had to make and the quality of services that they procure with the funding available.

HCC is therefore attempting again to initiate a voluntary benchmarking exercise with other authorities. The exercise will be capturing comparative cost data, service levels, objective and subjective performance information, working practices and contract models. This will support next year's Integrated Plan process and inform medium term procurement strategies.

For over 10 years HCC has been able to accurately predict the impact of maintenance investment levels on carriageway condition. HCC's targets are to maintain a steady state for carriageways, with A Roads at 8% (in need of repair), B and C Roads at 11% and U-Roads at 17%. The results of the carriageway condition surveys indicate that the 2015/16 maintenance programme delivered condition results of 3%, 6% and 15% respectively.

The tools to enable effective asset management of bridges became available nationally in 2014/15. It is now possible to predict long term condition performance against investment levels. The annual capital budget of £4.5m from 2016/17 onwards is aimed at ensuring the risks to HCC remain at steady state.

Hertfordshire has a high density of street lights. For example, Hertfordshire has almost double the quantity maintained by Gloucestershire County Council, but HCC's operational costs per column are approximately only 2/3 of those of GCC.

The adoption of the County Council's 'Safe and Operational' policies including Part Night Lighting has enabled HCC to reduce its revenue budget from £9.2m in 2010 to £6.1m in 2016/17 despite energy cost increases and the introduction of carbon tax.

A recent restructure of the Transport Access and Road Safety (TARS) team has delivered a substantial reduction in staff costs and FTEs. The road safety team has been completely redesigned and teams have merged to deliver a single point of contact for all school related issues including road safety, school crossing patrols, sustainable travel and cycle training.

Third party evaluation of Learn 2 Live has identified positive changes in attitude for attendees in a range of issues including drink and drug driving, use of mobile phones and speeding. Furthermore 80% of attendees felt they had benefited from attending.

The numbers of people killed and seriously injured on Hertfordshire's roads are at historically low levels. However recent data suggests figure may be plateauing. The Road Safety Partnership continues to monitor the situation closely and identify emerging trends.

**5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

The Highway's service has embarked on a series of initiatives aimed at achieving the same service outputs and outcomes by delivering services more efficiently in order to mitigate against the ongoing impacts of inflation flamed by the construction industry and provide greater resilience.

A review of the street lighting service has identified fluctuating service demands through the seasons and changing productivity levels, for example. The resulting proposal addressed the consequential inefficiency by changing the modus operandii of the service, which now enables a usage of latent resource for scouting day burners and cleaning illuminated signs.

The invest to save projects to introduce LED lighting under the Central Management System (CMS) Phase 2 and 3 have been combined and are well underway.

A £19m project to convert the remaining conventional lighting over 2-3 years starting in 2017/18 is being considered. Once all street lighting is under CMS control, the street lighting service can be redesigned, which could mean only scouting of illuminated signs would be required, which can be done on a less frequent basis and street lights could be dimmed further, both options giving further savings.

The TARS unit underwent a significant review of functions and resources required to deliver its diverse range of services. This will deliver savings across the Highways and Environment, Planning & Transport portfolios of £271,000 by April 2017.

**6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

The major risks to delivery are:

- The impacts of climate change, which can potentially lead to roads melting, freezing and flooding all within one year.
- The state of flux within the S106 and CIL regimes and fewer opportunities to match fund, leading to uncertain future funding availability.

- Local construction inflation impacting on the sustainability of the Highways Service Term Contract.
- Staff shortages due to the buoyant construction industry and the influence of London.
- Managing customer expectations for service levels that the County Council cannot afford.

Mitigating in-year weather events tend to require a re-programming of works and a fresh casting of the budget

Hertfordshire's chalk geology leads to the particular risk of highway collapse due to swallow holes or the historical digging of chalk pits. Highways law indicates that HCC is only responsible for the 'top two spits' of the highway, so HCC is not responsible for the full remediation costs of such a collapse.

Strategies are being developed within 2016/17 to tackle risks around tree health, including Ash Die Back, Oak Processional Moth and Oriental Gall Wasp.

The service structure, levels of service, affordability and efficiencies are consistently under review, in order to deliver a sustainable service for the future and try to mitigate inflation. However, if the market remains heated this approach may not be sufficient and service reductions may need to be considered.

Customer expectations will be better managed through improved communications particularly through new web pages and the integration of HCC and Ringway Communications teams.

The Highways Service is developing strategies to develop a pipeline of talent and a robust talent development programme to ensure it retains key staff. In particular, these include growing our own staff through the introduction of apprenticeships, pro-actively searching for interns and creating a graduate programme.

The Transport Access and Road Safety works in partnership with the Hertfordshire Police force to deliver the NDORS Driver Training provision. The contract for this service will need to be reviewed in 2017-18 and there is a risk that the county council might not be successful in delivering this scheme in the future. The benefit to Hertfordshire in delivering this service is significant as it brings in a significant income to the council that is then reinvested into its road safety activities and educations and training programmes. Officers are working closely with the police to develop and business case to bid for future contracts.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Service Specific Inflation</b>	466	466	466
<b>Demography</b>	31	92	183
<b>Other Pressures</b>	(23)	(173)	(173)
<b>TOTAL PRESSURES</b>	<b>8</b>	<b>(81)</b>	<b>10</b>
<b>Existing Efficiencies</b>	(54)	(81)	(104)
<b>Existing Policy Choice</b>	(404)	(404)	(404)
<b>New Efficiencies</b>	(223)	(223)	(223)
<b>New Policy Choice</b>	35	(534)	(1,078)
<b>TOTAL SAVINGS</b>	<b>(646)</b>	<b>(1,242)</b>	<b>(1,809)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
	None						n/a
	<b>Service Specific Inflation</b>						
	<u>Highways Maintenance - Ringway (1.30%)</u> Calculation based on Highways Term Maintenance Association (HTMA) indices	Environment	Service Specific Inflation	304	304	304	23,399
	<u>Highways Maintenance - Opus (2.0%)</u> Calculation based on RPIX as per advice from our contract consultant BuroHappold at the time to contract documents were being put together	Environment	Service Specific Inflation	162	162	162	8,090
	<b>Pressures</b>						
D07	<u>Road length increases - routine maintenance</u> Additional budget is required to finance the extra maintenance requirements due to increased road adoptions for new residential and commercial developments.	Environment	Demography	31	92	183	16,864
OP05	<u>Essential Upgrade of Highways Asset Management System</u> This is the removal of a pressure that was added in 2016/17 for an update to the highways asset management system for which supplier support is being withdrawn.	Environment	Other Pressures	(50)	(100)	(100)	n/a
OP07	<u>Budget for Additional County Councillor</u> Due to boundary changes, next year's county elections will see the number of county councillors raised by one to 78. The extra cost assumes a full allocation for revenue element of highways locality budget (expenses and locality budget handled via Resources & Performance portfolio).	Environment	Other Pressures	27	27	27	2,079

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
OP09	<u>Legal Support for Procurement</u> The terms of the Highways Service Team and Client Support Team contracts requires the County Council to notify the contractors by 31/3/18 if it intends to extend the contracts. If the contracts are extended it is likely that the county council will want to negotiate changes to the contract. If a decision is taken to re-procure, significantly more resources are likely to be required.	Environment	Other Pressures	100	0	0	n/a
OP11	<u>Highways - Reacting to Ash Dieback and Other Tree diseases</u> A review of this pressure has enabled it to be reduced by £100,000 per year.	Environment	Other Pressures	(100)	(100)	(100)	14,205
<b>Savings</b>							
ENV01	<u>LED &amp; CMS street lighting Phase 2 - Invest to save</u> Introduce LED lighting under centrally managed service control with 25% dimming and trimming to all sites currently in full night lighting.	Environment	Existing Policy Choice	(404)	(404)	(404)	3,830
ENV02 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	Environment	Existing Efficiencies	(8)	(9)	(9)	n/a
ENV07 (X3)	<u>Review of Departmental Overheads</u> Savings will be achieved in the department's overheads.	Environment	New Efficiencies	(98)	(98)	(98)	710
ENV14	<u>Revenue impact of the LED Street Lighting – Phase 4 Capital programme</u> This bid is for the capital funding to convert this remainder [69,800 Street Lighting Lanterns] to LED/CMS. A comprehensive review of the potential to save revenue costs has been undertaken based on how a new street lighting service would operate utilising LED/CMS technology across the whole lighting asset. This is based on the assumption that all lighting is dimmed by 25% for the whole lighting period, and trimming applied to switch the lights on later in the evening, and off earlier in the morning (in line with existing national practice). • Annual Maintenance saving resulting from redesigning the street lighting service, Energy & Carbon Tax and Consultancy.	Environment	New Policy Choice	35	(503)	(1,047)	15,656
ENV15	<u>Revenue impact of the Street Lighting Refurbishment Programme – 2017/18-2019/20 Capital programme</u> There is a need to discharge the County Council's statutory duty under the Highways Act, 1980 to maintain the public highway in a safe condition, thus ensuring the safe and efficient movement of people and goods in line with the hierarchy.	Environment	Existing Efficiencies	0	(26)	(49)	15,656
ENV16	<u>Revenue impact of the Replacement of Existing Belisha Beacons with LED Units Capital programme</u> This bid sets out the proposal to replace the existing units with LED technology, which will significantly reduce both the energy consumption and ongoing maintenance visits. It is estimated there will be an annual reduction in maintenance costs, with a potential saving in charges associated with energy and carbon tax.	Environment	New Policy Choice	0	(31)	(31)	370

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
ENV20	<u>Driver Training</u> Each of the last 4 years has seen a growth in the number of National Driver Offender Retraining (NDORS) courses delivered by HCC Driver Training to meet demand (in line with national growth trends) and the introduction of a new motorway course in 2017 which HCC will deliver on behalf of the police alongside the 6 existing courses means income is expected to increase.	Environment	New Efficiencies	(100)	(100)	(100)	-925
ENV22	<u>Safety Camera Partnership</u> The conversion to digital is nearing completion and digital technology requires less maintenance than traditional wet film cameras so the contribution HCC provides to the Partnership can be reduced.	Environment	New Efficiencies	(25)	(25)	(25)	244
ENV23 (X2)	<u>Enabling the Worker Savings</u> More extensive use of new technology, greater flexibility provided by remote working and a smarter approach to work planning will result in efficiencies and increased productivity.	Environment	Existing Efficiencies	(46)	(46)	(46)	n/a

**Note 1**

A number of pressures and savings impact on a several portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
	<b>Environment</b>					
	<u>Structural Maintenance</u>					
4,080	This primarily consists of works which slow the rate of highway deterioration caused by wear and tear or extreme weather	4,252	(121)	4,131	4,130	4,130
	<u>Routine Maintenance</u>					
16,950	This area covers work of a cyclical nature required to maintain highways in a serviceable and operational condition, such as grass cutting, emptying gullies, keeping signals operational and sign cleaning.	18,069	(932)	17,137	17,198	17,289
	<u>Winter Maintenance</u>					
3,367	Aimed at keeping roads and footpaths open and as safe as possible during periods of severe cold winter weather, most of the budget is spent on precautionary salting but provision is also made for the emergency clearance of snow and ice	3,410	0	3,410	3,410	3,410
	<u>Lighting</u>					
6,530	This budget covers the regular maintenance and energy costs of all aspects of road lighting – lit signs and bollards as well as the county's 100,000 plus street lights	7,397	(122)	7,275	6,680	6,113
	<u>Traffic Management and Safety</u>					
4,582	The primary aim of this budget is to reduce road accident casualties and improve movement. This means addressing the issues of safety, ease of movement and environmental concerns of all road users - motorists, pedestrians, cyclists and those affected by, or living alongside, roads	6,335	(2,019)	4,316	4,315	4,315
	<u>Transport Planning Policy and Strategy</u>					
3,860	This budget is concerned with the development and monitoring of transport policies providing the basis for bids made to government and other external funding sources and the development of transportation plans. It is also the place where the charges made to utilities under the New Roads and Street Works Act and Traffic Management Act to reduce congestion are managed.	8,587	(4,667)	3,920	3,769	3,769
	<u>Advance Preparation and Consultation</u>					
1,652	The department has a medium term programme of projects which are in preparation. Part of this development work requires close working with local communities and consulting widely on all transportation schemes.	1,668	0	1,668	1,668	1,668
<b>41,021</b>	<b>Environment Total</b>	<b>49,718</b>	<b>(7,861)</b>	<b>41,857</b>	<b>41,170</b>	<b>40,694</b>

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## **Proposed Highways Portfolio Capital Programme 2017/18 to 2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £237.183m and for 2017/18 is £67.367m. This includes all new bids and re-programming from 2016/17 at the end of quarter 2. HCC Funding of £37.263m is requested in 2017/18 and £117.114m over the next 3 years.

	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Total £m</b>
<b>HCC Funding</b>	37.263	41.035	38.816	<b>117.114</b>
<b>Grant</b>	22.171	21.510	21.510	<b>65.191</b>
<b>Contributions</b>	7.933	35.992	10.953	<b>54.878</b>
<b>Reserves</b>	-	-	-	-
<b>Total</b>	<b>67.367</b>	<b>98.537</b>	<b>71.279</b>	<b>237.183</b>

### **New Capital Bids**

The Portfolio has proposed 3 new capital bids, as below. The new schemes have capital costs over the total project lives of £20.184m, of which £20.084m is HCC funding.

<b>Scheme</b>	<b>Total Cost 2017/18</b>	<b>HCC Funding 2017/18</b>	<b>Total Cost project cost including 2017/18</b>	<b>Total HCC funding for the project</b>	<b>Total External Funding for the project</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>A120 – Standon Highway Improvements</b> Highways Improvements to the A120 through the Village of Standon in East Herts to reduce the severance caused to the community by the road and maintain traffic flows. - No revenue impact	0.100	0.100	<b>1.600</b>	1.500	0.100
<b>LED Street Lighting Programme Phase 4</b> Convert remaining 69,800 non LED part night lanterns to LED/CMS. This will provide the ability to control the level of lighting & the operating period, and as a consequence, reduce costs associated with energy and carbon emissions. Net Revenue (excluding capital borrowing costs) savings are projected at £503k in 18/19, £1,047 in 19/20 and £1,752 per year after.	6.167	6.167	<b>18.500</b>	18.500	-
<b>Replacement of Belisha Beacons</b> Convert 388 Belisha beacons to LED. Saving on energy and maintenance costs (£31k per year). There will be a cost of £48.5k every 6 years when the units need replacing.	0.084	0.084	<b>0.084</b>	0.084	-



## Revised Capital Bids increasing total HCC Funding- Annual Programmes

The portfolio has 8 bids for annual programmes, of which 4 increase total HCC funding in 17/18 (by £4.51m). These 4 bids total £19.891m in HCC funding and £17.310m from other sources, an increase of £13.137m HCC funding over the next 3 years. If approved, this will need funding from additional borrowing.

The Drainage Resilience and Footway & Cycle path maintenance bids were both previously incorporated as one bid within the maintenance of carriageways. The single bid made in last year's programme was for £12.905m of HCC funding per annum. The combined three revised bids are for £17.197m of HCC funding in 17/18 and a further £17.197m per annum after.

Scheme	Additional Cost 2017/18	Total HCC Funding 2017/18 to 2019/20	Additional HCC Funding 2017/18 to 2019/20	
	£m	£m	£m	
Maintenance of Carriageways an ongoing project to extend the life of the highway carriageway infrastructure and ensure they meet their full service potential and preserve their value to Hertfordshire	2.292	36.591	7.176	The service re-costed, from zero base the funding needed to keep the carriageways at current target standards for the medium term.
Highways Drainage Resilience	1.000	6.900	3.000	The service re-costed, from zero base, the funding needed to keep the drainage resilience at current target standards for the medium term.
Footway and Cycle path maintenance	0.900	8.100	2.700	The service re-costed, from zero base, the funding needed to keep the footways and cycle paths at at current target standards for the medium term..
Street lighting refurb and emergency maintenance	0.318	7.485	0.261	Increase in funding requested due to an increase in column replacements and an increase in the unit cost.

## Revised Capital Bids increasing total HCC Funding- Projects

The portfolio has 1 Capital Bid which increases total HCC funding since last year's Capital Programme. The scheme has been reprofiled and has some additional costs, including a further £0.5m HCC funding in 2017/18 to meet the costs of design and build, following a review of available funding.

Scheme	Additional Cost 2017/18	HCC Funding 2017/18	External Funding 2017/18	Total Additional Cost 2017/18-2019/20	Total Additional HCC funding 2017/18-2019/20	Total Additional External Funding 2017/18-2019/20	
	£m	£m	£m	£m	£m	£m	
<b>A120 Little Hadham Bypass</b>	<b>(12.205)</b>	0.500	(12.705)	<b>3.323</b>	0.500	2.823	An additional £0.500m HCC funding is requested to fund the design and build which is being carried out up front.

## Funding Risks

The Maintenance of the Highway asset to prolong serviceable life assumes grant funding of £17.31m per annum. The grant allocation declines in future years but there is the opportunity to top this up with the 'incentive fund' allocation. This is dependent on HCC achieving a level of performance yearly as measured by a DFT self-assessment questionnaire.

In 16/17 HCC met the mid band, which provided the same funding as the top. However, in future years the level of funding becomes far more dependent on performance. The bid assumes HCC will achieve the top rating but this is dependent on HCC finishing a number of tasks. Failure to achieve this and achieving the mid would result in a decrease of £0.15m in funding in 2017/18 and £2.535m over the next 3 years. Any shortfall in grant funding will have to be met by a reduction in the capital programme.

## Proposed Highways Capital Programme 2011/18-2019/20

		2017/18 Integrated Plan				2018/19	2019/20	
<u>Highways</u>		Total Scheme Cost	Cost	HCC Funding	Grants	Contribution	Cost	Cost
<i>New Request (N) or Existing Request (E) or Revised Request (R)</i>		£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	<b>Maintenance of carriageway assets to prolong serviceable life (R):</b> This is an ongoing project to extend the life of the highway infrastructure assets. HCC is responsible for 5,112km of roads. Funding will be drawn from a combination of the DfT Highway Maintenance Capital Funding Block, supplemented to the required level by County Capital. *Note that the DfT needs-based allocation declines in future years but there is the opportunity to see this topped up through the incentive fund process which maintains a steady level of funding overall, subject to suitable performance in key areas such as asset management on the part of HCC. The bid assumes that HCC's performance is sufficient to maintain that constant level of DfT funding.	Annual Programme	29,507	12,197	17,310	-	29,507	29,507
2	<b>Pothole Grant (N)</b> Central Government funded grant to be used on improving the state of the highways.	1,293	1,293	-	1,293	-		
3	<b>Highways Drainage Resilience (R)</b> This aims to extend the life of the highway drainage assets and ensure they meet their full service potential. While routine cleaning and minor maintenance sits as part of the HST contractor-directed service, this programme carries out major repairs, renewals, and upgrades to the highway drainage system.	Annual Programme	2,300	2,300	-	-	2,300	2,300
4	<b>Footway &amp; Cycleway Maintenance (R)</b> This is an ongoing project to extend the life of the highway 5376km footway and 99km cycleway infrastructure and ensure they meet their full service potential and preserve their value to Hertfordshire. This is delivered by means of a county-wide programme of targeted preventative treatments on identified sections and repair/ rehabilitation of failing/failed sections when practicable.	Annual Programme	2,700	2,700	-	-	2,700	2,700
5	<b>Integrated transport projects to deliver Local Transport Plan (LTP) Targets (R):</b> Accessibility, Casualty Reduction, Congestion, Cycling, Mode Share to School, Quality of Life, Speed Compliance, Passenger Transport Infrastructure and Intelligent Transport Systems.	Annual Programme	6,209	-	3,568	2,641	8,200	8,200

	<b>Highways</b> <i>New Request (N) or Existing Request (E) or Revised Request (R)</i>	<b>Total Scheme Cost</b> £'000	<b>2017/18 Integrated Plan</b>				<b>2018/19</b>	<b>2019/20</b>
			<b>Cost</b>	<b>HCC Funding</b>	<b>Grants</b>	<b>Contribution</b>	<b>Cost</b>	<b>Cost</b>
			£'000	£'000	£'000	£'000	£'000	£'000
6	<b>LED Street Lighting Programme – Phase 4 Programme for completion of LED replacement (N):</b> The Council are currently progressing through a phased programme to convert the existing street lighting to light emitting diodes (LEDs), which are controlled by a Central Management System (CMS). There are circa 115,500 street lighting lanterns, of which around 45,700 will be converted to LED/CMS upon the completion of Phases 1, 2 and 3 by March 2017 . This leaves a remainder of approximately 69,800 existing non LED lanterns which operate on a part night basis. This will continue imcreasing the savings from phase 1,2 & 3. The replacement is expected to mean an extra cost of £35k in 1718, £70k in 1819 and £106k in 1920.However, it is expected to make savings of £573k in 18/19, £1153k in 19/20 and then rising to an ongoing savings of £1.858m per year.	18,500	6,167	6,167	-	-	6,167	6,166
7	<b>A602 Improvements Stevenage to/from Ware (R):</b> The road is dual carriageway through the urban areas of Stevenage but the rest of its length to Ware is predominantly rural single carriageway. It is considered to be of low standard for a primary route, with junction and alignment issues and poor visibility. The proposed A602 scheme comprises a series of improvements at various locations to upgrade the overall standard of the route, ease congestion, reduce journey times, improve journey time reliability and improve safety characteristics. The Local Transport Body will provide £18.5m capital funds for delivery of a Local Major Transport Scheme. £18M of this is accounted for in the funding profile.	24,350	5,197	-	-	5,197	14,043	2,574
8	<b>Highways Locality Budget (R):</b> The Highways Locality budgets are designed to achieve two of the key Hertfordshire Local objectives by allocating resources to local County Councillors and encouraging them to direct funding in consultation with residents and local communities.	Annual Programme	4,893	4,893	-	-	4,893	4,893
9	<b>Maintenance of Bridges and Highway Structures (R):</b> Project to extend the life of Highway infrastructure assets and ensure they meet their full service potential and their value is preserved. The County is responsible for the safe upkeep and maintenance of 1,768 bridges and highway structures including several large multispan viaducts. Asset management modelling has determined that an annual investment of £4.5m in bridge maintenance will hold the bridge stock at a 'steady state condition'. This steady state will mean Hertfordshire's 'risk' of bridge collapse or bridge restrictions (such as weight limits) will not increase.	Annual Programme	4,950	4,950	-	-	4,950	4,950

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		Total Scheme Cost	2017/18 Integrated Plan				2018/19	2019/20
			Cost	HCC Funding	Grants	Contribution	Cost	Cost
	<i>New Request (N) or Existing Request (E) or Revised Request (R)</i>	£'000	£'000	£'000	£'000	£'000	£'000	
10	<b>Street Lighting Refurbishment and Emergency Replacement (R):</b> Replaces old and inefficient lighting equipment (street lighting, illuminated traffic signs, subway lighting, private cable network and high mast units), removes potentially dangerous equipment, and contributes to Corporate objectives of health & well-being and independent living by ensuring safe neighbourhoods (i.e. reduction of crime and the reduction in fear of crime) and reducing carbon emissions. Savings of £26k in 18/19, £49k in 19/20, rising to £70k pa due to a reduction in annual maintenance costs and charges associated with energy and carbon tax.	Annual Programme	2,694	2,694	-	-	2,432	2,359
11	<b>Signals Refurbishment (R):</b> The Traffic Management Act) requires HCC to ensure the "expeditious movement of traffic" and the Highways Act requires HCC to ensure that highways are safe. Capital expenditure is largely spent on replacement parts to bring sites up to current standards and typically include poles, lighting units and control systems. This has been revised to include 1% HTMA inflation.	Annual Programme	663	663	-	-	670	677
12	<b>A120 Bypass (Little Hadham) (R):</b> The A120 Bypass (Little Hadham) project will provide a northern 3.9km bypass to the village of Little Hadham. The bypass also includes a flood alleviation scheme which would be delivered in collaboration with the Environment Agency. The flood alleviation scheme will result in a reduction of flood risk to Little Hadham. With the bypass in place, congestion would be removed in the village and journey times along the A120 would be reduced and journey time reliability will be improved. After the project is completed there is potential revenue cost of £35k pa due to operational and maintenance costs for signals, pumps, lighting, swales etc, starting 20/21.	33,990	595	500	-	95	21,175	6,953
13	<b>A120 Standon Highway Improvements (N)</b> Further assessment and subsequent delivery of Highways Improvements to the A120 through the Village of Standon in East Herts to reduce the severance caused to the community by the road and maintain traffic flows.	1,600	100	100	-	-	1,500	-
14	<b>Replacement of Belisha Beacons (N)</b> This bid sets out the proposal to replace the existing units with LED technology, which will significantly reduce both the energy consumption and ongoing maintenance visits. This will create £31k savings but also need replacing every 5 or so years, costing £48.5k.	84	84	84	-	-	-	-
15	<b>Highways network revisions in response to new A5 - M1 Link Road</b>	215	15	15	-	-	-	-
<b>TOTAL FOR HIGHWAYS</b>			<b>67,367</b>	<b>37,263</b>	<b>22,171</b>	<b>7,933</b>	<b>98,537</b>	<b>71,279</b>

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# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Public Health Localism & Libraries Portfolio**

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## Public Health, Localism & Libraries & Portfolio

### Scope (Localism & Libraries)

Libraries and Heritage Service. This includes Archive and Local Studies (HALS), 46 libraries and outreach services.

HAFSL – Hertfordshire Adult and Family Learning Service funded primarily from the Skills Funding agency.

Localism – as a key priority for the county council this facilitated through corporate policy.

Customers Service – client management of the Customers Service Centre, CS & HCS complaints, School Appeals and Website and customer facing digital services.

### Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£11.0m	£10.4m	£10.3m

### Summary of Key Priorities and Programmes

- Inspiring libraries Implementation
- Customer facing Digital programme

### Summary of Key Savings Proposals

- £0.500m in 2017/18 Libraries
- £0.030m in 2017/18 for HALS
- £0.050m in 2017/18 for Customer Services

### Capital Programme

	17/18	18/19	19/20
Capital Programme	£2.3m	£1.5m	£1.7m

**Key Capital Schemes:** DCLG Fire/Libraries co-location, Knebworth Library, Inspiring Libraries IT & Property (Open+ St Albans, Hitchin etc.)

**Capital Strategy:** to identify opportunities for re-providing libraries with partners releasing capital receipts.

### Key Risks in achieving IP proposals

Implementation of Community Libraries run by volunteers to achieve £0.500m saving.



## Public Health, Localism and Libraries

**Strategic Direction - Public Health:** to improve and protect the health of the population of Hertfordshire and support prevention of demand for public service

### Scope (Public Health)

- Commissions a range of mandated and statutory services for the population
- Provides mandated services advising and supporting NHS commissioners in discharging their functions
- Leads on preventive programmes and supporting others identifying preventive actions
- Statutory assurance function on protecting the health of the population through infection control, quality of disease screening and immunisation
- Provides intelligence and information to enable commissioners to prioritise the needs of the population

### Summary of Key Savings Proposals

- Service redesign and reconfiguration across all service lines through prioritisation and reconfiguration

2016-17	-1,126,494
2017-18	-1,234,000
2018-19	-1,269,472
2019-20	-1,236,465

### Key Risks in achieving IP proposals

- Providers unable to make the savings
- Reduction in outcomes/worsening health for the population
- Inability of the public health system to respond to a major outbreak of disease
- Dropping below statutory or mandated levels of service
- Service failure

### Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue)	£50.2m	£48.9m	£47.6m

### Summary of Key Priorities and Programmes

- Project 1 Drugs and Alcohol Service Reconfiguration
- Project 2 Sexual Health Service Reconfiguration
- Project 3 Health Improvement Service Reconfiguration
- Project 4 Health Protection
- Project 5 Assurance and Advice
- Project 6 Intelligence and Information
- Project 7 Prevention

### Capital Programme

	17/18	18/19	19/20
Capital Programme	£0.0m	£1.2m	£0.2m

### Key Capital Schemes:

Sexual Health Re-provision

**Capital Strategy:** to ensure services are fit for purpose and efficient

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## **Public Health Localism and Libraries Portfolio: Future Strategic Direction**

### **1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?**

#### Public Health:

. The key issues facing the Public Health service are:

- Ensuring we continue to improve and protect the health of the population of Hertfordshire
- Ensuring existing commissioned and provided services are of high quality and deliver on the National Public Health Outcomes
- Implementing the Public Health Strategy which is intended to improve and protect the health of the population and unify these various policy issues into one place for implementation and monitoring
- Continuing and further developing close collaboration with partners, including delivery partners
- Ensuring partners who commission different parts of the pathway for patients and service users work closely with us
- Taking corporate leadership of the prevention programme to help the authority identify savings
- Supporting the NHS in making savings through prevention for the Sustainability and Transformation Plan
- Ensuring patients who are at risk of ill health have a pathway and portfolio of services to improve their health and reduce risk is as much a priority as commissioning effective treatment services
- Ensuring a coherent health offer for children aged 0-19 is also a priority given that the County Council now has responsibility for health visitors as well as school nursing.
- Being able to use the public health grant to commission health improvement services to meet the new statutory duty, because there was not a coherent portfolio of these services prior to transfer from the NHS
- Ensuring we retain outcomes for our population against a falling budget, as government grant is reduced
- Making a successful transition to funding from Business Rate Retention from the Public Health Grant, between 2018 and 2020.
- Reconfiguring our services to meet all these challenges

These priorities are reflected in the Public Health Strategy, which is being reviewed and will be published early in 2017.

The overarching approach is to enable Public Health to become an effective commissioning function, ensuring services can be commissioned both internally and externally from Districts, NHS, third and independent sectors.

#### Libraries:

#### **Hertfordshire Adult and Family Learning Service (HAFLS)**

HAFLS endeavours to ensure that all residents in Hertfordshire have the opportunity to learn and acquire new skills, throughout their life, that will enable them to lead healthy, independent and fulfilling lives, actively contribute to local communities and benefit from employment opportunities created by Hertfordshire's growing prosperity.

Traditionally HAFLS have been funded primarily from the Skills Funding Agency. This funding has been reducing year on year for the last four years, presenting challenges in continuing the levels of learning the service and its commissioned partners can deliver.

- Maximising the potential of the new advisory board to guide HAFLS delivery.
- A positive Ofsted inspection.
- Implementing effectively the new ESIF/Big Lottery funded Building Better Opportunities project.
- Diversifying funding streams to support Adult and Family Learning agenda.

#### **Customer Services**

The Customer Service team have led on the development and implementation of the new website for the County Council. They manage HCS and CS complaints, School Appeals and the client side function for the Customer Service Centre. Priorities include:

- Continuing to develop and improve the county council's website so that it is the primary channel for customer contact with the county council, resulting in fewer phone calls to the Customer Service Centre.
- Developing a new Customer Service Centre model that responds effectively to the county council's focus on digital by default and channel optimisation (the right channel for the right purpose), whilst supporting those who need more in depth support or are digitally excluded.
- Transforming customer facing services using technology as an enabler, where digital services are designed around providing excellent service to users, whilst reducing costs.

#### **Libraries**

Hertfordshire Library Service is delivered through 46 libraries and outreach services. The Library Service's vision is to create inspiring library services that enable Hertfordshire citizens to enrich their lives.

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The Library Service's key challenge is ensuring the service remains vibrant and relevant to Hertfordshire residents whilst reducing its cost of delivery. The 'Inspiring Libraries Strategy' sets out an exciting modern role for libraries in the county. The service has the following priorities:

- Implement a further 11 community partnered libraries across the county in 2017/18 to support 17/18 savings target of £500,000.
- Deliver the refurbishment and co-location of library buildings that are currently planned for 2017/18 and explore options for the remaining libraries that were identified as priority for re-provision or co-location.
- Explore options to reduce the Library Service's budget further in future years; a potential option may be an alternative operating model under an independent governance structure.

### **Hertfordshire Archives and Local Studies (HALS)**

HALS is a specialist centre for the discovery of Hertfordshire's history from 1060 to the present day. HALS aims to successfully preserve and promote the use of Hertfordshire's heritage resources for the personal, community, social and economic benefit and wellbeing of Hertfordshire's citizens. The service's priorities include:

- Digitising its collections to improve public access and income generation.
- Identifying long terms solutions for storage of the collections.
- Continuing to make further savings in the service through income generation and reviewing service levels.

### **Localism**

Localism remains a key priority of the County Council. It makes an important contribution to the 'Opportunity to Take Part' theme of the Council's Corporate Plan.

Hertfordshire County Council's vision for localism is:

*"To shift power from the state, (in the form of the County Council and its local partners), to individuals and families, both personally and also in the geographic localities in which they live. It seeks to position councillors as an indispensable resource within active communities. It aims to ensure that residents are suitably informed to allow them to influence and shape local services and take a more active part in helping them help themselves."*

The localism portfolio has responsibility for a number of key strategic partnerships that include:

- *Hertfordshire Armed Forces Community Covenant Board*, which is responsible for maintaining and developing the county's relationship for its armed forces community past and present.
- *Hertfordshire Lifestyle and Legacy Partnership*, which brings together key partners involved in sport, recreation, culture and volunteering from across the county. One of the key priorities of this partnership will be helping the county consider how it

responds to the Government's new strategies in regards to both sport and arts and culture.

## **2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?**

### Public Health:

The need to reduce spending year by year to 2020-21 will present a range of challenges to ensure we retain outcomes for public health services. The detail of this is presented below (see section 5).

Service redesign will be needed at substantial levels to retain service coverage against reducing budgets.

The removal of the ringfence budget for public health will mean, if it goes ahead, that we will be able to obtain a share of demography but at the same time will need to contribute directly to the council's savings programme. The Public Health portfolio already contributes through internal commissioning and assessment of those activities already undertaken by the authority which deliver public health outcomes.

Additional treatments authorised by NICE for public health portfolio areas (eg smoking cessation, drug and alcohol treatment, sexual health) may create additional cost pressures.

A rise in antibiotic resistance in sexually transmitted infections may result in additional cost pressures to the service to ensure people are adequately treated.

The decision by Probation to remove their share of funding from drug and alcohol services will place additional demand on drug and alcohol services. We are still awaiting direction from the Department of Health in consultation with the Ministry of Justice on whether the Council will be expected to cover these costs.

### Libraries:

Identifying future and delivering current savings targets continues to challenge services. The Library Service has a further £500,000 saving in 2017/18 to deliver from the £2.5m savings agreed as part of the Inspiring Library Strategy (2015/16 – 2017/18). The numbers of community partnered libraries that need to be established in 2017/18 to achieve this £500,000 are challenging. Previous years' experience shows that community libraries, delivered with volunteers, need a significant period of time to establish. In addition, the £2.5m Library Service savings targets were predicated on new income streams. This has proved extremely challenging, as however fast these new income streams are being established traditional income from areas such as DVD hire and fines are reducing.

With uncertainty around national funding, from the Skill Funding Agency, it has been necessary for HAFLS to secure alternative streams of funding. The service has had

considerable success in 2016/17 winning the European funded new Building Better Opportunities project with £3.8m funding over 3 years. The challenge moving forward will be ensuring that Building Better Opportunities partners deliver against targets and outcomes and maximum income is realised.

Localism is a key priority for the county council and corporate policy team. It is an agenda that is often embedded within service delivery and cross cutting themes, such as volunteering. However beyond the funds available through locality budgets, there are no specific budgets allocated to the delivery of localism.

The property infrastructure for both Libraries and Heritage services remains a continued opportunity and challenge. A range of libraries will have been re-provided or refurbished in 2016/17 including Watford Central, Abbots Langley, Hemel Hempstead, Berkhamsted and plans are in place for a further six libraries over the next two years. However of the 11 libraries set out in the Inspiring Libraries Strategy as top priority for re-location or re-provision, there is no viable solution identified for five of them currently.

During the next ten years, it will be necessary to plan for and take steps to secure the long term storage needs of HALS. The service is currently accruing physical archives at a rate of an average of 10 cubic metres per year. Current estimates project that there is sufficient space for archive collections for approximately 8-10 years. There are also challenges in maintaining the quality of the current storage space at County Hall, to ensure it is fit for the purpose of storing of archive materials to required standards.

Technology and digital solutions likewise present a range of opportunities and challenges. Digitisation of the HALS collections will provide opportunities for increased access to archives and income, however digitising the collection is time and resource heavy causing challenges for the service as they aim to achieve their savings targets.

The implementation of the new online event booking and payment functionality in 2017/18 will increase income for libraries, HALS and HAFLS. The Library app has proved a huge success with over 10,000 renewals of library loans each month. Open+ has been piloted at Croxley Green Library, extending self-service opening hours at the library. The potential of technology and digital solutions to improve and extend services for residents are significant, they often achieve long term revenues savings but are reliant on upfront investment.

The new improved website will be fully delivered in 2016/17 and is continuing to deliver on its business case of paying back the initial investment within the five year period. Identifying an appropriate budget to ensure that the website continually reflects customer and business needs remains a challenge. The Serco SMS contract is under review in 2019/20, so developing a new operating model for the Customer Service Centre is critical to ensure the county council responds to changes in customer demand and the county councils direction on digital by default.

### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

#### Public Health:

Service redesign to meet the changing financial position of public health, this will be across adult health improvement and all other programmes. Early Years service reconfiguration and school nurse reconfiguration will be key to this. Other programmes include:

Efficiencies in service provision through reduction in people going out of county for sexual health consultations and new premises for sexual health services

Recommissioning of school nursing services to meet new challenges for the service, address stakeholder views and address financial pressures

Articulation of a shared prevention plan and programme for the health and wellbeing board, to deliver savings and improved outcomes across the health and social care system

Leading a corporate prevention programme

Leading the public health and prevention input to the NHS Sustainability and Transformation Plan

Review of commissioning of drug and alcohol services for adults

Redesign of drug and alcohol services for young people

Revision and renewal of the Joint Strategic Needs Assessment

Continuing to deliver the duty of providing advice on commissioning to the NHS Clinical Commissioning Groups

#### Libraries:

HAFLS Implementation of the Building Better Opportunities project will be its priority for the next couple of financial years. This project is a partnership between HAFLS, Children's services, BBO, ESF Youth Connexions, Money Advice Unit and a whole range of voluntary sector partners.

The new website and a programme of customer facing digital services will be the priority for the customer services team in addition to developing the new operating model for the Customer Service Centre.

For Libraries and Heritage Services continuing to deliver the Inspiring Library Implementation programme; which delivers the key strands of change such as technology, community partnered libraries, income and property projects. The Heritage Strategy agreed in March 2016 has a range of projects around income generation, digitisation and future storage requirements.

The localism agenda will be focused through key collaboration projects include; continuing the focus on promoting and encouraging greater levels of volunteering after the end of Hertfordshire's Year of Volunteering. Ensuring the County Council supports its elected members effectively to fulfil their role as community activists and working more effectively with partners (such as other tiers of local government and voluntary and community groups) on local issues.

#### **4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?**

##### Public Health:

We have national benchmarking for outcomes (through the Public Health Outcomes Framework) and of spend (through the Public Health CIPFA spend benchmarks) which have been used to inform the prioritisation process. This process has been instigated to look systematically at every area of service to meet the cuts required by government.

Cabinet at its meeting on 22<sup>nd</sup> February 2016 approved a **report outlining strategies for achieving the in-year public health budget savings 2015/16** and those required in subsequent years.

Cabinet also agreed at its meeting of 22<sup>nd</sup> February 2016 that the **Integrated Plan for 2016/17 – 2019/20** be adopted, including the strategies outlined by Public Health in that Plan to achieve savings.

A detailed prioritisation exercise was undertaken across all 143 workstreams within the Public Health Portfolio and it was informed by the following principles:

- a. We will appraise every workstream in relation to its contribution to Public Health outcomes against the Public Health Outcomes Framework.
- b. improving and protecting the health of the population of Hertfordshire,
- c. Best outcomes and population impact
- d. Best evidence or best business case of likelihood to achieve a. or b. above
- e. We will be informed by evidence of population need in prioritising services for continuation, redesign or restriction
- f. We will be informed by evidence of effectiveness, impact and outcomes in prioritising
- g. We will be informed by the principles, values and approach in key policy frameworks
- h. The County Council Corporate Plan
- i. The Integrated Plan
- j. The Health and Wellbeing Strategy
- k. The Public Health Strategy
- l. We will seek to maintain the statutory and mandated services

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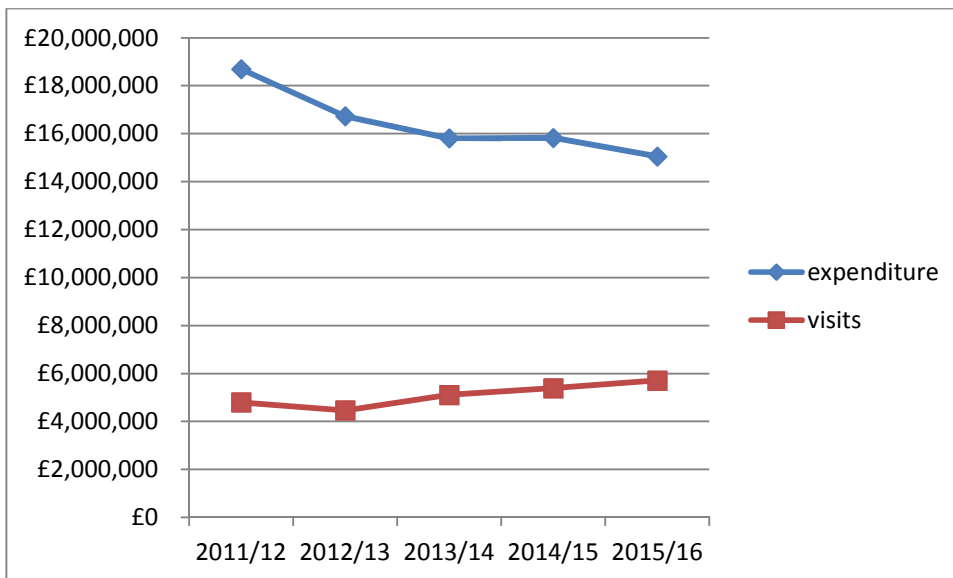
- m. We will seek to maintain equity across the population
- n. We will because of the statutory and mandated roles continue to keep a portfolio of programmes and work across all three domains of Health Improvement, Health Protection and Service Quality
- o. We will seek to deliver a strategic shift to primary, secondary and tertiary prevention across services to help minimise cost to other county council services (e.g. so early intervention for children to avoid later need.)
- p. We will redesign services wherever possible to reduce cost while maintaining outcomes for people
- q. Where we cannot redesign, we will make restrictions and other savings in areas starting with areas where least harm is caused to people affected
- r. Those services where there is highest spend will be redesigned as a priority
- s. Those services where there is greatest inequity or inequality within delivery will be redesigned as a priority
- t. Those savings which are most achievable may be prioritised early if needed to achieve the reductions when other savings prove more difficult
- u. We will seek to design new services with partners to achieve best outcome where this is possible
- v. We will meet our Public Sector Equality duty by taking those measures above and while we are undertaking this process considering the impact of proposed measures on those with protected characteristics.

Officers then took every workstream and in small groups prioritised it against the above. They then presented each workstream to a workshop where the rankings and ratings for prioritisation were considered, and the workshop agreed final priority candidates for savings, restrictions, redesign or complete decommissioning. These proposals are being finalised and any requiring a policy decision will be brought to Members.

#### Libraries:

In developing and implementing the Inspiring Libraries Strategy the Library Service visited a number of comparator authorities to understand best practise in terms of technology, community engagement and capital developments, aiding the services' thinking in achieving the £2.5 m savings target by 2017/18 and options for further savings.

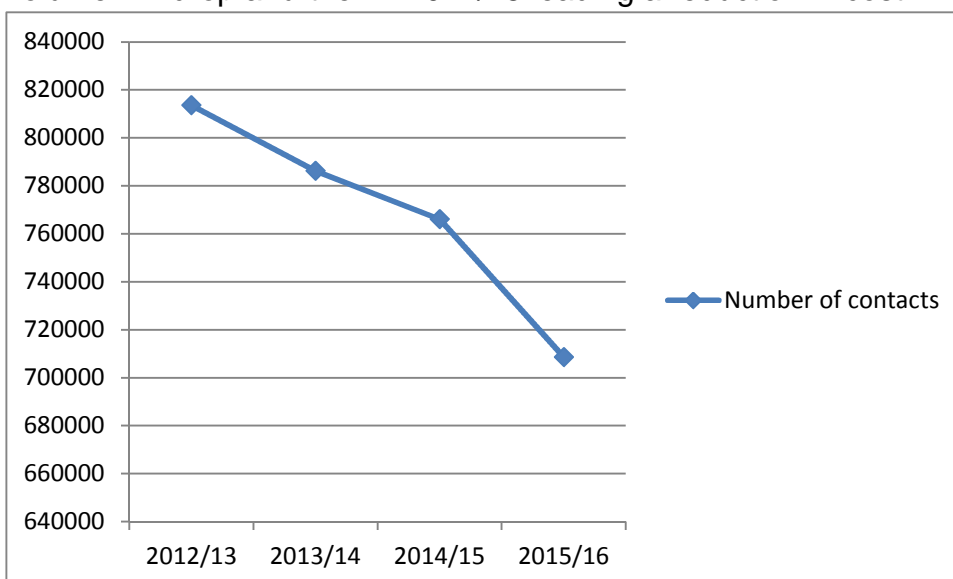
The Library Service is set to achieve £1m savings for 2016/17 continuing the decreasing expenditure trend illustrated in the graph below, which also demonstrates the increasing in visits to libraries (virtual and physical) for the same time period.



The net cost for library services per 1,000 population has decreased from £16,746 in 2011/12 to £12,905 in 2015/16 and for the same time period, the cost per visit has reduced from £3.90 to £2.64.

The Customer Service Centre was reviewed as part of HCC’s mid-term review of the Serco Shared Managed Services contract November 2015. The review focussed on benchmarking and value for money and found that the Customer Contact Centre’s total price is outperforming top quartile levels of the reference group by 14% and is 17% lower than reference group pricing. Benchmarking with similar authorities also demonstrated that the Customer Service Centre’s call waiting time average was much lower (low being good) than other authorities, reinforcing the good value for money this service provides.

Calls to the Customer Service Centre continue to decrease, as illustrated in the graph below, in line with the county council’s digital by default strategy. It is expected that the call volume will drop a further in 2017/18 leading a reduction in cost.



The new Hertfordshire County Council Website was implemented as a result of an Invest to Save bid. The investment was predicated on a business case that reduced phone calls, lower technology costs and improved the customer experience. The below graphic

demonstrates the current outcomes of the new website, which will be fully in place by the end of 2016/17.



Hertfordshire Adult and Family Learning Service is a member of an Adult and Community Learning benchmarking club and has the 4th lowest overheads out of 21 authorities in the club and the 2nd highest number of learners. In 2015 an external health check reported that the service and strong management and delivers high quality learning. This health check has been important in preparing for a full Ofsted inspection identifying any area for improvement for the service to address.

Councils across the country are looking to develop localism in different ways. At Hertfordshire County Council, the lead for developing this agenda rests with the Corporate Policy team but will rest in other areas in other local authorities. Given this, there is no benchmarking data available. However, in the absence of this, work had previously been undertaken by the Corporate Policy team in 2013 to compare and contrast its approach on corporate policy with three authorities that were either of a similar size, were a neighbouring authority and/ or were facing similar challenges. This research showed that the level of capacity and approach that councils dedicate to this area does vary considerably. However, the level of resource that the County Council allocates to this area seems slightly less than that of the two authorities examined that employ a similar approach. One County Council spent roughly £630,000 and had 10 members of staff working on corporate policy activities. The other spent roughly £730,000 and had 9.33 FTE working on corporate policy activities. Hertfordshire County Council's Corporate Policy team currently has a budget of £585,000 with 9 members of staff (7.8 FTE).

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There do not seem to be any examples where other county councils are doing anything dramatically different to the approach the Hertfordshire County Council is employing in this area. However, the Corporate Policy Team does regularly engage with other councils through the County Council Network and Association of County Chief Executives to share best practice and keep abreast of different approaches that other councils might be exploring.

**5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

Public Health:

The service is wholly funded by Public Health grant, which is ringfenced until end 2017/18. The following reductions have been made or announced :

- 6.2% cut in 2015-16 - £2,837k
- A further 9.6% (average of 3.9% per annum) cut of £4,896k over the period until 2020-21, giving a total saving since 2015/16 of £7,733k.
- This will be phased into
  - 2.2% in 16/17
  - 2.5% in 17/18
  - 2.6% in each of the two following years
  - flat cash in 20/21.

The distribution is set out in the table below:

Year	Reduction £'000	Grant £'000
2016-17	-1,157	<b>50,047</b>
2017-18	-1,234	<b>48,813</b>
2018-19	-1,269	<b>47,544</b>
2019-20	-1,236	<b>46,308</b>
2020-21	0	<b>46,308</b>

The service has reviewed budgets against the prioritisation criteria set out above and each workstream in public health has been examined line by line for savings.

Detailed savings plans for 2017-18 have been developed to deliver against the planned reductions in public health funding, as set out in the table above. Key savings include:

- Reduction in out of area Genito-Urinary Medicine (GUM) spend £500k
- Savings from CLCH contract for integrated sexual health £350k
- Efficiencies from contract for core drug and alcohol treatment programmes, detox treatments and social enterprise £350k
- Efficiencies in central staffing and support costs £168k
- Reductions in spend on drug and alcohol recovery workers £215k

Year	Reduction £'000	Grant £'000
2016-17	-1,157	<b>50,047</b>
2017-18	-1,234	<b>48,813</b>
2018-19	-1,269	<b>47,544</b>
2019-20	-1,236	<b>46,308</b>
2020-21	Flat Cash	<b>46,308</b>

The following principles have been followed in developing saving proposals; to retain service outcomes while significantly redesigning the service delivery, skill mix of staff, costs of back office functions and other efficiencies. The order of priority is proposed to be:

1. Service redesign to maintain or improve outcomes while reducing the financial envelope (Health Visitors, School Nurses, Drugs and Alcohol, Sexual Health)
2. Re-prioritisation of some services linked to priority outcomes (some health improvement services being combined)
3. Decommissioning of some services which are lower priority and non-statutory or non-mandated
4. Changing access criteria for some services for example weight management to ensure that those at highest need can still get them with others being directed and
5. signposted to other offers

## Libraries:

The Library Service has a further £500,000 savings target in 2017/18 to deliver from the £2.5m savings agreed as part of the Inspiring Library Strategy (2015/16 – 2017/18). Identifying options for new savings is challenging and the service will consider how an alternative governance structure may release further savings.

Over the last decade there have been many examples of library services nationally that have adopted new governance arrangements such as Trusts and Co-operatives; however these have been unitary authorities. There are only two county councils that have taken this approach but their success has yet to be determined, as this has only occurred in the last year to 18 months. The changes to business rate may make a future externally commissioned library service less attractive, this and other factors will be fully considered in developing any proposal for Hertfordshire's libraries.

Customer Service and Corporate Policy will be making savings through back office efficiencies.

It is expected that calls to the Customer Service Centre will continue to reduce in 2017/18 with the full year impact of the new website, reducing the cost of the Customer Service Centre by just under £100,000.

Over the next couple of years there will be a real drive to transform customer facing services using technology as an enabler, where digital services are designed around providing excellent service to users, whilst reducing costs.

## **6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

### Public Health:

Detailed risk assessments and equality impact assessments have been conducted for the IP proposals.

The following key risks have been identified for the service:

1. Providers unable to make the savings
2. Reduction in outcomes for the population
3. Worsening health
4. Inability of the public health system to respond to a major outbreak of disease
5. Service failure
6. Dropping below statutory or mandated levels of service

Mitigation plans are in place for these and are reviewed monthly by area and for the service as a whole. Prioritisation and savings/redesign management processes are in place for each service.

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The service also maintains resilience through its workforce planning:

- a) Ensuring a core Public Health workforce is retained to meet the needs of the service and our ability to discharge functions. A workforce plan is in place and a review of each post when it becomes vacant is undertaken. A skills programme ensures staff can flex across different parts of the business but a core group of highly specialised registered specialists (Consultants) is retained as required by national guidance.
- b) Reconfiguration of health promotion services through using the existing smoking cessation workforce to do additional service work in other areas, and make efficiencies in commissioning
- c) Review of workforce in all commissioned services to ensure they meet future needs. An example of this is redesign of competencies required in early years to identify what must be done by a Health Visitor and what can be done with other staff skill mixes at more cost effective scales
- d) We participate in national training programmes and ensure we get maximum benefit from having specialist trainees and registrars placed with us to do workplace programmes as part of their training

### Libraries:

There are a number of risks for HAFLS involved with managing the complicated ESIF/Big Lottery Project. Ensuring that partners meet their targets and complete the necessary evidence to ensure income is secured. HAFLS are also due an Ofsted inspection and whilst there is a high confidence level on the outcome of this inspection, there is risk to funding streams associated achieving a poor rating.

In terms of the Library Service the implementation of 10 community partnered libraries has high risk in terms of achieving this within 2017/18 to make the savings necessary. There are a range of risks around identifying additional saving to the library budget in future years. These are due to any proposals needing to be policy choices and subject to full public consultation, which can take up to six months to complete fully. Clear project plans and milestone are in place to guide the implementation of future community libraries but every community is different in their capacity and appetite for the change.

Changes to the Library Service management structure to make current savings presents challenges, in ensuring the capacity and skills necessary to deliver the Inspiring Libraries Strategy. There is also a risk around succession planning for the management team of the service and several members are close to retirement. Significant time has been taken in planning the restructure of the management team to try and ensure that there is enough capacity to lead the transformation of the service, whilst balancing the necessary savings from this cohort of managers.

The successful completion of the new website will result in the team reducing in size. This could have a risk on the knowledge and capacity of the team, particularly when the focus on digital is critical to the county council.

Finally in terms of localism, the key risk is whether it is possible to deliver the necessary cultural change both internally within the County Council and with local partners and communities in order to progress and develop its vision for localism. Internally, management of this is being taken forward through targeted learning and organisation development interventions. Externally, partner engagement is vital.



**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Technical Adjustment</b>	(1,234)	(2,503)	(3,739)
<b>Service Specific Inflation</b>	20	20	20
<b>Other Pressures</b>	20	20	20
<b>TOTAL PRESSURES</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Existing Efficiencies</b>	(501)	(501)	(501)
<b>New Efficiencies</b>	(112)	(142)	(142)
<b>TOTAL SAVINGS</b>	<b>(613)</b>	<b>(643)</b>	<b>(643)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
TA04	<u>Public Health - Savings Requirement</u> Further reductions to Public Health Grant have been notified, of £1.2m (2.5%) in 2017/18, rising to a reduction of £3.7m (7.5%) by 2019/20	PH	Technical Adjustment	(1,234)	(2,503)	(3,739)	n/a
	<b>Service Specific Inflation</b>						
	<u>Libraries and Heritage Services (Income 0.0%)</u> Evidence from user comments and complaints supports the argument that the level of charges acts as a deterrent to library use and actually results in less income being raised, as users are either unwilling or unable to pay. The service continues to benchmark against other authorities and to explore other income streams, but there is no case for an inflation based increase for 2017-18.	Resources	Service Specific Inflation	20	20	20	(906)
	<b>Pressures</b>						
OP16	<u>Budget for Additional County Councillor</u> Due to boundary changes, next year's county elections will see the number of county councillors raised by one to 78. The extra cost assumes a full allocation for the locality budget as well as member expenses.	Resources	Other Pressures	20	20	20	1,428
	<b>Savings</b>						
PH01	<u>PH Savings</u> Service absorption of inflationary pressure.	Public Health	New efficiencies	(32)	(32)	(32)	28,050
ENV02 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	Environment	Existing Efficiencies	(1)	(1)	(1)	n/a
RES17	<u>Future Libraries Strategy</u> 10 year strategy developed, that looks at tiering libraries, alternatives to mobile libraries and further income development..	Resources	Existing Efficiencies	(500)	(500)	(500)	10,435

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
RES18	<u>Hertfordshire Archives &amp; Local Studies</u> Review of the HALS service.	Resources	New efficiencies	(30)	(60)	(60)	10,435
RES19	<u>Efficiencies in Customer Service Function</u> New website enabling the reduction in staffing relating to customer services through automation of processes.	Resources	New efficiencies	(50)	(50)	(50)	592

**Note 1**

A number of pressures and savings impact on a several portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)

## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
2,803	<p><u>Corporate Public Health</u> The Public Health team works to improve the health and wellbeing of the people of Hertfordshire, based on best practice and best evidence.</p> <p>The Corporate team provides the leadership and strategic direction for the directorate. Data analysis is also undertaken by the team to understand the demographics of Hertfordshire and comparison to other communities.</p>	2,705	(37)	2,668	2,599	2,531
1,352	<p><u>In House Services</u> There are over 300 accredited stop smoking services in Hertfordshire, which provide intensive support and medication to smokers for up to 12 weeks. There are also over 100 local stop smoking services trained to support pregnant women who smoke. A specialist stop smoking team supports all 300 services and contributes to the wider tobacco control plan to reduce the uptake of smoking as well as helping smokers to quit. Between April 2013 and March 2014 approximately 6,800 smokers were helped to stop smoking</p>	1,973		1,973	1,922	1,872
9,604	<p><u>Sexual Health</u> Hertfordshire provides sexual health services through an integrated model and the service is commissioned from Central London Community Health. This service combines the provision of genito-urinary and contraceptive services into one provider across the county. In addition services are commissioned from local GPs and Pharmacies for Emergency Hormonal Contraception and Long Acting Reversible Contraception.</p>	9,295		9,295	9,054	8,819
8,571	<p><u>Drugs &amp; Alcohol</u> Hertfordshire's treatment system for drugs and alcohol has been constructed over the past four years to ensure that, in line with a broad range of evidence and Government strategy, Hertfordshire drug and alcohol users have access to services that provide a range of interventions and therapies to support users and their carers to achieve long term and sustainable recovery, ideally with abstinence as the long term goal. However as drug and alcohol misuse is a chronic and relapsing condition the services provided also include harm reduction approaches for those who are not yet ready or able to engage in treatment.</p>	7,477		7,477	7,283	7,094

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
20,431	<u>Children</u> Priority work for this budget line includes: - School Nursing services commissioned from Hertfordshire Community Trust - Health Visitor services commissioned from Hertfordshire Community Trust - this contract was novated from NHS England on 1 October 2015 - Supporting the Healthy start programme "Healthy Vitamins" which provide vitamins to pregnant and breast feeding women - Commissioning a service to support young teenage parents through Family Nurse Practitioners to improve outcomes for the child and parents - Supporting children to maintain a healthy weight through initiatives in primary schools - Supporting the emotional wellbeing of vulnerable children and young people	19,980		19,980	19,461	18,956
1,734	<u>Adults</u> This budget has the following streams: - Healthcheck programme which aims to prevent heart disease, stroke, diabetes, kidney disease and certain types of dementia. Everyone between the ages of 40 and 74, not already diagnosed with one of these conditions or having certain risk factors, will be invited by their GP to have a Health Check to assess risk of these conditions. Improving the quality of the scheme is a key focus ensuring high uptake of the service and onward referral to preventative services that will help people reduce their future risk of heart attacks and strokes. - Weight management schemes - both general and targeted at specific groups. Eligible adults can be referred by healthcare professionals to commercial weight loss schemes running across Hertfordshire. - Healthy Workplace - public and private sector workplaces with more than 50 employees are offered a suite of effective interventions to help improve wellbeing, promote productivity and reduce sick leave. - Health improvement materials and equipment are provided to a range of organisations with a	1,620		1,620	1,578	1,537
1,119	<u>Prescribing</u> The costs in this budget relate to GP prescribing for contraception and stop smoking services.	0		0	0	0

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
1,797	<u>District &amp; Partnership Working</u> The Public Health service has formed partnerships with the local district/borough councils within Hertfordshire and have developed a District Offer with them. This is a partnership initiative totals £2M – this is spread over a four year period and provides a package of funding and support measures to the district/borough councils to enable them to deliver Hertfordshire's Public Health priorities locally. The package is underpinned by health data so that provision can be tailored specifically to local need.	1,907		1,907	1,857	1,809
0	<u>Public Health Initiatives</u> This budget is to fund pilot projects which support Public Health priorities. The evaluation of the projects may lead to the mainstream commissioning of the services by Public Health.	0		0	0	0
2,775	<u>Internal Commissioning</u> There are a number of schemes across the County Council which have been identified as supporting Public Health priorities. Savings have been taken from the service budget as part of the Integrated Planning process and those services are funded from this line of the Public Health budget. The funding for the Public Health recharges is also shown on this line.	3,947		3,947	3,844	3,744
<b>50,186</b>	<b>Public Health Total:</b>	<b>48,904</b>	<b>(37)</b>	<b>48,867</b>	<b>47,598</b>	<b>46,362</b>
	<b>Resources</b>					
9,768	<u>Public Library Service (see Note 1)</u> Public libraries are a statutory service, providing access to reading, information, and knowledge for all Hertfordshire citizens. It is delivered through a free and accessible network of library buildings, mobile library vehicles, one prison library and also through online services.	10,434	(1,033)	9,401	9,401	9,401
613	<u>Archives, Local Studies and Herts Museums Development (see Note 1)</u> Hertfordshire Archives and Local Studies collects, preserves and promotes original documents and printed material covering every aspect of life in the county relating to Hertfordshire's past and its people. Hertfordshire Museums Development aims to improve and develop museum services and raise awareness of the value of museums to the wider community.	656	(66)	590	560	560
	<u>AD Director Customer Engagement &amp; Libraries (see Note 1)</u>					
	AD Director Customer Engagement & Libraries	(147)		(147)	(147)	(147)

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
620	Customer Services (see Note 1) The Customer Service team are responsible for managing the Serco contract for the Customer Service Centre including Blue Badge service, leading on our website www.hertsdirect.org , providing the complaints service for Children Services and Health and Community Services and delivering the school appeals service.	924	(397)	527	527	527
11,001	<b>Resources Total</b>	<b>11,867</b>	<b>(1,496)</b>	<b>10,371</b>	<b>10,341</b>	<b>10,341</b>
	<b>Health &amp; Community Services</b>					
26	Grant funded projects Miscellaneous grants received by the county council to assist people with welfare needs or low level social care needs to remain independent.	2,178	(2,151)	27	27	27
26	<b>Health &amp; Community Services Total</b>	<b>2,178</b>	<b>(2,151)</b>	<b>27</b>	<b>27</b>	<b>27</b>

Note 1: Responsibility for Libraries and Archives, Local Studies and Herts Museums Development and Customer Services transferred from the Health & Community Services department to Resources in 2016/17

**Public Health, Localism and Libraries Portfolio Capital Programme 2017/18-2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £6.919m and for 2017/18 is £2.304m. This includes re-programming from 2016/17 at the end of quarter 2. HCC Funding of £3.116m is required across the programme period, as below.

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>HCC Funding</b>	0.651	2.019	0.446	<b>3.116</b>
<b>Grant</b>	0.570	-	-	<b>0.570</b>
<b>Contributions</b>	0.047	-	-	<b>0.047</b>
<b>Reserves</b>	0.186	-	-	<b>0.186</b>
<b>Revenue</b>	0.850	0.700	1.450	<b>3.000</b>
<b>Total</b>	<b>2.304</b>	<b>2.719</b>	<b>1.896</b>	<b>6.919</b>

There are no new capital bids or revised bids requiring increased HCC funding.

## Proposed Public Health, Localism & Libraries Capital Programme 2017/18 - 2019/20

			2017/18 Integrated Plan					2018/19	2019/20
<u>Public Health, Localism and Libraries</u>		Annual Programme/ Scheme Cost	Cost	HCC Funding	Grants	Contribution	Reserves	Cost	Cost
<i>New(N) Existing(E) or Revised ( R)</i>									
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	<b>Creation of two sexual health clinics ( E)</b> in St Albans and Hemel Hempstead, to enable to continue delivery of integrated sexual health services.	2,800	-	-	-	-	-	1,200	200
2	<b>Co-location of Libraries (E):</b> As agreed in the March 2016 Cabinet, to co-locate Sawbridgeworth, Redbourn and Wheathampstead libraries within retained fire stations in those areas, to deliver a multi service property asset.	1,890	1,208	405	570	47	186	549	-
3	<b>Libraries Public IT (E):</b> The County Council would like the Library Service to be able to offer technology and digital solutions to improve service delivery, to support digital inclusion and to empower citizens. Scheme to support the maintenance and development of public access ICT, which is "business as usual" for Libraries and Heritage Services.	Annual Programme	196	196	-	-	-	196	196
4	<b>Libraries Vehicle Replacement (E):</b> Replacement of a transit van for community deliveries.	Annual Programme	-	-	-	-	-	24	-
5	<b>Minor Capital Refurbishments ( E):</b> There is an ongoing need for the refurbishment of library spaces of both public space and/or staff space to bring them up to the require standard for the delivery of modern library services.	Annual Programme	50	50	-	-	-	50	50

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			2017/18 Integrated Plan					2018/19	2019/20
	<b>Public Health, Localism and Libraries</b> <i>New(N) Existing(E) or Revised ( R)</i>	<b>Annual Programme/ Scheme Cost</b>	<b>Cost</b>	<b>HCC Funding</b>	<b>Grants</b>	<b>Contribution</b>	<b>Reserves</b>	<b>Cost</b>	<b>Cost</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>6</b>	<b>Delivering Inspiring Libraries ( R):</b> - The 'Inspiring Libraries' strategy sets out Hertfordshire Library Service's ambitions based on three main themes: <ul style="list-style-type: none"> <li>• The library as a vibrant community asset – shaped with local people and partners to reflect local need, support sustainability and enrich communities.</li> <li>• The digital library – a service that is ambitious in its use of technology and digital formats for the benefit of residents.</li> <li>• An enhanced gateway to reading, information and wellbeing</li> </ul>	3,772	850	-	-	-	850	700	1,450
	<b>TOTAL PUBLIC HEALTH, LOCALISM &amp; LIBRARIES:</b>		<b>2,304</b>	<b>651</b>	<b>570</b>	<b>47</b>	<b>1,036</b>	<b>2,719</b>	<b>1,896</b>

# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Resources and Performance Portfolio**

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## Resources & Performance Portfolio

Strategic Direction: to provide centralised support services to the Council's departments, and front line services (Registration, Coroners, Citizenship)

### Scope

- Delivery of effective centralised support services including those through private sector partners; Assurance services, Finance, HR, Improvement & Technology, Member services, Property, Procurement, Legal, Communication and Policy support.
- Leadership and direction to support organisational transformation and improvement
- Provision of citizen focused services for Births, Deaths, Marriages and Citizenship Services, delivery of school meals through Herts Catering Limited and the supplies service HertsFullstop servicing the needs of the authority and its schools

### Summary of Key Savings Proposals

- Further reduction in back office costs through HCC services (£1.9m) and external partners (£0.9m)
- Additional revenue from traded and statutory services - £0.6m
- Ensuring effective capital financing strategy linked to asset life £10m
- Effective property and asset management
- Maximising business rates and collection fund income

### Key Risks in achieving IP proposals

- Changes in funding and grant announcements
- Volatility of and changes to local business rates system
- Council tax reforms and changes to council tax base
- Wider inflation, interest and borrowing rate risks post Brexit
- Ability to market assets and secure revenue streams
- Continuing to attract, recruit and retain an effective workforce
- Impact of the decision to exit the EU across inflation, property and workforce

### Summary of budget

	16/17	17/18 forecast	18/19 forecast
Net Budget (Revenue) Resources	£62.4m	£62.2m	£62.7m
Central Items	£40.4m	£29.3m	£47.3m

### Summary of Key Priorities and Programmes

- **Delivering transformation activities**, including
  - Driving forward digital strategies to maximise the effectiveness of digital solutions for the council and its clients.
  - Leading on an effective People Strategy to deliver a high performing, engaged and committed workforce.
  - Maximising the use of public sector assets to drive out efficiencies and generate ongoing revenue streams.
  - Driving forward further commercial opportunities for trading, procurement and contract management.
  - Leading on enabling and developing a Smart, flexible and mobile workforce.
  - Enable effective approaches to prevention and demand management
- **Funding** – proactively responding to, analysing and assessing the impact of proposed changes to Business Rates (NNDR) and central government funding.

### Capital Programme

	17/18	18/19	19/20
Capital Programme	£14.7m	£4.7m	£4.1m

#### Key Capital Schemes:

Major programme: Capital Maintenance of HCC's Non-School buildings; acquisition of assets.

**Capital Strategy:** to generate optimum return from capital assets including revenue income streams and capital receipts

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## Resources and Performance Portfolio: Future Strategic Direction

### 1 What are the key priorities for the portfolio over the period 2017/18 – 2019/20?

Resources provide centralised support services to the Council's departments, as well as providing front-line services including Registration, Coroners and Citizenship Services and Herts Business Services. As of July 2016 the Resources Directorate also includes Policy, Corporate Communications, Libraries and Customer Services. Information on Libraries and Customer services is included in the Public Health, Localism & Libraries Portfolio. The net total departmental budget for 2015/16 was £58.2m and £20.62m of savings have been achieved between 2010/11 and 2015/16. A further £3.95m of savings are already assumed in the baseline figures for 2016/17 rising to £4.14m by 2019/20.

A significant proportion of the service is carried out through third party providers and managed under contract including pensions' administration, payroll, occupational health, IT support and development, HR and finance transactions, temporary staff recruitment, facilities management and some property services (Leasehold and empty property management & maintenance, valuation services, capital projects delivery and project management). Approximately 35% of the gross Resources budget is spent on these outsourced services.

Resources has a key role in supporting the Council's departments to improve services and make savings enabling the Council to continue to operate within increasingly difficult financial circumstances. In key areas of the service such as technology we will need to sustain the capacity of our teams in order to drive change; this may increase the pressure to drive out savings in other areas of the service to meet the authority's funding gap.

Our priorities over the next three years are to:

1. **Be proactive enablers of change** – providing leadership, direction and support to drive transformation and improvement. This includes;
  - Making the most of our **property**, office and service accommodation portfolios.
  - Increasing **commercial opportunities** including those relating to major re-procurements
  - Supporting the right approaches to **prevention and demand management**
  - Using outcome driven technology to respond to fast-changing **digital opportunities**
  - Having a **high performing, engaged, and committed workforce**
  - Developing and enabling **SmartWorkers** throughout the organisation
2. Ensure that Resources Directorate meets the needs of the organisation, provides best **value for money** and enables our frontline services to continue to provide effective services. We will review our structures and ways of working to ensure that we are as efficient as possible and can effectively support the changing needs of the organisation.
3. Proactively respond to and manage the proposed changes to government funding and other policy changes, including the proposed devolution of Business Rates.

4. Support the Council's delivery of service led projects and programmes, including;
  - Family Safeguarding Project
  - Health and Social Care integration
  - Apprenticeship Levy
5. Enable effective internal and external communication and engagement with other citizens and partners
6. Managing the strategic partnership framework for the county – Hertfordshire Forward – which brings together the key decision makers around the table to secure common purpose.
7. Support and enable the role of Members.

## **2 What are the key pressures and challenges facing your portfolio for 2017/18 – 2019/20?**

- As the provider of Support Services to the organisation the Resources Directorate needs to ensure that it responds to the ever changing needs of departments whilst continuing to identify opportunities to deliver savings and other efficiencies. This involves working with services to predict and respond to the impact of demographic pressures and other policy changes, ensuring continued effective and appropriate support services. In particular Resources Directorate needs to ensure that it is resourced to respond to the following changes;
  - Academisation of schools
  - The impact of the decision to leave the European Union
  - National Living Wage
  - Statutory changes including Solicitors Regulation Authority (SRA).
  - Taxation changes related to commissioned self-employed resources
- Ensuring that the organisation is able to use the best technology to improve efficiency and productivity and engagement with its citizens. This will include use of the most appropriate fit for purpose technology including cloud services and ensure safe and effective transition of any changes. It will also involve maximising digital opportunities with a user-focussed end to end service re-design, exploiting data analysis to tailor services and pre-empt trends and needs and efficiencies around ways of working.
- Responding to changes in funding; in particular the risks and opportunities associated with changes to Business Rate localisation. In addition, there is an increased risk of more schools becoming Academies and insufficient funds to meet the needs of the remaining schools.
- Ensuring that we support the organisation to develop a workforce strategy that ensures that we maintain the capability and capacity to deliver current and future outcomes and we continue to attract, recruit and retain people with the right skills, abilities and values, particularly in key shortage skill areas including Social Work, Planning and Legal. We need to maintain and growing a talent and knowledge pipeline, with an age profile of 6.9% aged under 25 and 23.7% over 55.

- Ensuring that we have the resources, knowledge and skills to support transformation, including the development of the property company and other commercial opportunities.

### **3 What are the key projects/programmes that the portfolio will deliver 2017/18 – 2019/20?**

**Procurement** – ensuring we have effective procurement and contracts management arrangements in place across the council. Enabling the effective review and procurement of Directorate contracts; including the Shared Managed Services (SMS) and Pension Fund contracts.

**Funding** – proactively responding to proposed changes to Business Rates (NNDR) and central government funding to ensure that the impact for HCC is understood and informs Medium Term Financial Strategy. Working with our partners, to ensure that the impact of any changes (including local growth) are understood and reflected in the medium term financial strategy.

**Assurance** – building on the development of Assurance Services identifying opportunities to extend and market the service to improve efficiencies. Embedding the development of the Shared Anti-Fraud Service (SAFS) and ensure anti-fraud arrangements are embedded across the organisation.

**Insurance** – Ensuring the contract for external insurance which expires on 31 August 2017 delivers the appropriate balance between policy cover and self-insurance thereby helping to reduce future revenue expenditure. As part of the forthcoming contract procurement process the Authority will use an independent party to carry out an actuarial review of its insurance provisions and reserves and will consider the merits of any potential savings that may be identified as part of this work.

**Legal Services** - continued development of the case management system including workflows and document management to improve service delivery efficiency enhancing in-house advocacy and reducing reliance on counsel and engagement with client departments to manage in conjunction with them increasing demands for legal advice.

**Democratic Services** –supporting the new Council and members induction post May 2017 County Council elections.

**Elections** - delivering the County Council election May 2017.

**Coroner Service** - continued development of the case management system to enable electronic referral of sudden deaths and electronic signing and distribution of post-investigation documents to improve service to the bereaved and efficiency. Prepare for the introduction of the Medical Examiner Service April 2018.

**Registration & Citizenship Service** – continued development of customer online appointment and ceremony booking, and development of online payment system to improve customer service and service efficiency. Identifying opportunities to extend income generating service delivery to improve efficiencies (including expansion of the role as Home Office agent for settlement and naturalisation).

**Financial and HR systems review** – Implementing the outcome of the SAP systems review to ensure that use of the core system is maximised through end to end system redesign and implementation of improved functionality.

**Human Resources** – implementation of the Apprenticeship Levy and formation of the Hertfordshire Apprenticeship Alliance (HAA)

**Demographic growth** - develop existing modelling for demographic growth and pressures to ensure that it exploits data on trends and needs to better inform future pressures and to inform management decisions.

**Corporate Policy & Communications** - Supporting services on policy and service changes, building the County Council's external profile, supporting the county's strategic partnership and joint working arrangements through Hertfordshire Forward and the Public Sector Chief Executives Group and maintaining internal communication with staff to support organisational change.

**Supporting the Organisation** – supporting services to deliver their change programmes and savings and where appropriate develop the capability and capacity to deliver improved trading income and opportunities for partnership working.

#### Leading on our **property and office and service accommodation**

- To make better use of the public sector portfolio of assets by sharing buildings and developing more multipurpose facilities, particularly in support of co-delivered services. This is proposed to reduce costs and deliver better outcomes wherever possible to staff and service customers
- In the context of Local Strategic Plans and the need for significant housing and infrastructure development, to drive forward required development and return with some or all of the profit component to the public sector or, through private rented housing, to generate ongoing revenue income streams to support spending on essential services.

#### Leading on increasing **commercial opportunities**

- Implement consistent and coherent approach to HCC companies
- Review opportunities for existing trading to ensure continued sustainability (*Herts Fullstop*)
- Enhance approach to strategic commercial planning & re-tendering
- Enhance staff capacity and capability to improve contract management and commercial mindsets.

#### Leading on outcome driven technology to respond to fast-changing **digital opportunities**

- Targeting service-specific agile redesign to maximise quick wins – the strategy is delivery
- Encourage greater level of user-focussed end to end service re-design, exploiting data analysis to tailor services and pre-empt trends & needs
- Deliver an effective technology infrastructure to underpin resilient digital first approaches across the council
- Ensure a digitally confident and competent workforce



Leading on an effective **People Strategy** to deliver a high performing, engaged, and committed workforce

- Ensuring our workforce has the capability and capacity to deliver current and future outcomes
- Positioning HCC so that we are recognised as an employer of choice
- Developing reward frameworks that support us to attract, recruit and retain people with the right skills, abilities and values
- Ensure Workforce plans are aligned with IP and service business plans
- Right person, right place doing the right thing.

Leading on developing and enabling **SmartWorkers** throughout the organisation

- Leading widespread cultural change to drive increased collaboration, mobility and flexibility;
- Delivering modern technologies to enable smarter ways of working as the new normal;
- Ensure close links to office estate consolidation, people strategy and digital workstreams;

Supporting the right approaches to **prevention & demand management**

- Working with services and partners to identify and analyse the quantum of funding supporting prevention activity and the outcome of such spend
- Supporting the development of outcome measures and toolkits.

#### **4 How has the portfolio reviewed its effectiveness / value for money in delivering service outcomes?**

The service undertook a comprehensive review of the level and scope of its services through joint work with Essex County Council, and ten other county councils to inform the 2016/17 budget plan. This exercise identified that we compare relatively favourably on costs and scope of service spending 4.4% of our gross budget on support service with only one of the 10 other councils spending a lower proportion.

Subsequent to this a number of further exercises have been undertaken:

- **Insurance and risk management** - research of operational models across six other authorities to draw on best practice and develop opportunities for partnership working with the District authorities across Hertfordshire. The authority provides insurance services to North Herts and risk management to both North Herts & Hertsmere District Councils.
- **Shared Internal Audit Service (SIAs)** – compliance with the Public Sector Internal Audit Standards was the subject of an independent peer review; an exercise that confirmed the Service was operating at the highest level of conformance. In addition the audit methodology used by the Service was revised and commended by the external review team.
- **Legal Services** – are part of the Public Law Partnership (PLP is the legal services partnership of authorities in Essex, Hertfordshire, Suffolk and Cambridgeshire). PLP share staff, legal information, know-how and training to ensure . Our aim is also to

work closely with other legal departments in Hertfordshire authorities to share training and, where appropriate, resource. Other opportunities to work with partners are being developed including a jointly funded prosecutions post with Hertsmere BC and opportunities to work closely with other authorities including developing a commercial hub.

- **SERCO**– the outcome of the mid-year review undertaken by an independent assessor revealed that the overall contract price across all service lines is 9% below reference group average, and therefore continues to represent value for money at the aggregate level. Opportunities to improve the contract efficiency have been driven forward which improve client interface and simplify back office processes including those related to supplier payment and income collection.
- **Property services** – the work to develop the approach to management and development of property assets has involved research with external providers and other organisations to determine options and best practice in this area. Officers are working with “One Public Estate” to pump prime collaboration across all Herts public sector.
- **Review of back office systems** – the 2016 review of SAP has enabled engagement with SAP, alternative providers and other public sector organisation to develop best practice for finance, HR and procurement. It has identified opportunities to improve and develop our back office systems which will be taken forward in 2017 subject to business case.
- **HR service** – the development of the new service (April 2016) has been built on an activity costing model to enable the demand and supply side issues in remodelling the service. Following the appointment of a new AD in July, the service has continued to review its activity during the implementation of the new service to review what if any changes are required. This ongoing review, coupled with budget pressures means proposals are in place to bring about further efficiencies from the financial year 2017/18.
- In addition as part of the response to the apprenticeship levy the service have engaged with the Hertfordshire LEP, Districts and the Further Education community to identify opportunities which minimise the financial impact of the levy as well as addressing the skills and availability of its future workforce. The organisational liability for the levy (excluding schools) is just over £900,000. Plans are in place to gain as much of this cost back by either appointing appropriate vacant posts as an apprenticeship (as a strategic position on workforce planning), or using the levy to develop existing staff.
- A review of recruitment media spend to reduce the use of third party suppliers and advertisement costs.

**5 What are the key savings proposals that have been identified to meet the budget gap 2017/18 to 2019/20; what additional actions will need to be taken to achieve these, and what are the potential impacts?**

Resources Directorate has looked to reduce the costs of its operation, ensuring that it is efficient and fit for purpose. Since 2010 it has delivered savings of £20m rising to £23m by  
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2019/20. This included working with external partners such as London Pension Fund Agency and SERCO to lever out savings through more efficient ways of working and maximising the use of available technology where appropriate. It continues to review opportunities for joint working with partners to reduce the fixed costs of its operation. In addition to the joint partnership with Shared Internal Audit Service/Shared Anti-Fraud Service, Resources Directorate is looking to extend partnership working through opportunities in Legal, HR, Insurance and Risk Management.

The proposals set out in the IP cover:

- Further reduction in back office costs – this includes savings across each of the Resources and Performance teams - £1m
- Further reductions in back office costs through external partners - £0.9m
- Additional income from traded and statutory services - £0.282m
- Investment return Herts Catering Ltd - £0.5m
- Capital financing – review of Minimum Revenue Provision to improve linkage to capital lifecycle - £10.4m
- Property and asset management - £0.200m

Key to future savings will be the extent to which the Directorate can identify further efficiencies from the key cross-cutting transformation programmes. In the short term there may be a requirement for additional investment to support and drive the transformational changes across the organisation.

## **6 What are the key risks in delivering projects and programmes for this portfolio, and what mitigations are in place? What steps are being taken to ensure resilience?**

Major budget related risks are set out in the Sensitivity Analysis (IP Part A – Overview) with a number of these relating to this portfolio. In particular

- potential income from business rate incentives; success of the Local Enterprise Partnership; impact of business rate appeals; outcomes of proposed Business Rates Pooling arrangements;
- the Collection Fund balance and council tax base for future years, as well as council tax support schemes and wider council tax reforms;
- outstanding grant announcements;
- inflation: non-pay inflation including exceptional inflation;
- delivery of savings to timescale;
- interest rates, impacting on borrowing costs and investment income; and
- ability to sell assets and secure capital receipts.
- Potential impact of the decision to exit the EU on inflation, treasury management, the property development market and staff recruitment and retention.

Some of the key mitigations in place include:

- Continuing to review and manage our overall resource position including changes to grant funding.
- Continued commitment to deliver savings through robust project management and ensuring the focus remains on key priorities.

- The availability of contingency funding which alongside general fund and specific reserves takes account of the uncertainties and risks across the organisation.
- Continued leadership of cross-cutting transformation programmes to support transformation change across the organisation and deliver future savings.
- Workforce planning and strategy to ensure that we recruit, engage and retain a highly performing workforce and deal with key skill shortage areas.

The council needs to communicate with residents and staff to ensure they understand the context in which decisions are being made and they have an opportunity to have their say on how services are reconfigured for the future. This can have an impact on resources but is being mitigated by implementing a review of how we communicate which is monitored and evaluated to ensure value for money and best practice.

As part of the IP process an overall Equality Impact Assessment (EqIA) is undertaken. The potential for compounded impacts on particular groups are identified in individual equality impact assessments, which generally involve engagement and consultation with a wide range of stakeholders. The process uses available data from national and local sources identified as relevant to the individual equality impact assessment which includes the results from local consultation. Action planning and monitoring is part of the process which seeks to mitigate potential effects.

**KEY BUDGET MOVEMENTS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
<b>Technical Adjustment</b>	(746)	(746)	(746)
<b>Service Specific Inflation</b>	12	12	12
<b>Previous Policy Decision</b>	(250)	(250)	(250)
<b>Legislative</b>	(125)	(136)	(136)
<b>Other Pressures</b>	759	4,535	7,788
<b>TOTAL PRESSURES</b>	<b>384</b>	<b>4,149</b>	<b>7,402</b>
<b>Existing Efficiencies</b>	(12,519)	(12,636)	(12,636)
<b>New Efficiencies</b>	(1,594)	(1,613)	(1,634)
<b>TOTAL SAVINGS</b>	<b>(14,113)</b>	<b>(14,249)</b>	<b>(14,270)</b>

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
	<b>Technical Adjustments</b>						
TA05	<u>Reversal of one-off grant funding</u> SEN reform grant	Resources - Central Items	Technical Adjustment	(746)	(746)	(746)	n/a
	<b>Service Specific Inflation</b>						
	<u>Coroner Service - Mortuary Services</u> Mortuary services provided under contract to three NHS Trusts (West Herts, East & North Herts and Princess Alexandra). Contracts awarded in July 2016 therefore 2017/18 is the first full year. NB: The contracts allow for annual increases up to NHS inflation rates which is usually higher than general inflation.	Resources	Service Specific Inflation	10	10	10	197
	<u>Coroner Services - Mortuary Services (Income 1.0%)</u> This recharge to Hertfordshire Police is for Coroner's Officers and therefore any increase should be based on salary inflation.	Resources	Service Specific Inflation	2	2	2	(189)
	<b>Pressures</b>						
PPD02	<u>Hemel Public Service Quarter</u> HCC and Dacorum Borough Council are working together to provide a new public sector building in Hemel Hempstead, which will provide suitable facilities for shared working across the public sector in Hertfordshire, including a replacement Library and the Registration service, alongside Dacorum's central office. This is time-limited additional funding for decant costs as first presented in 2012/13.	Resources	Previous Policy Decision	(250)	(250)	(250)	n/a
L06	<u>County Councillors superannuation scheme</u> With the County Council elections taking place in May 2017, all members who are currently on the scheme will cease to be members of the LGPS regardless of whether they are re-elected to a new term of office.	Resources	Legislative	(125)	(136)	(136)	n/a

Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
OP13	<u>Robertson &amp; Farnham House</u> At the point of purchase of the freehold of Robertson and Farnham House in Stevenage, Aviva held a lease of the freehold with HCC subleasing from Aviva. This situation continues until the Aviva lease expires in September 2018. However, there is a difference in the values of the lease (£3.7m) and the sublease (£2.5m) of £1.269m which in turn will create a pressure on the overall property budget when the Aviva lease ends. As Aviva do not make profit from this arrangement they will not look to renew the lease.	Resources	Other Pressures	0	635	1,269	15,179
OP14	<u>Rental increase for Mundells</u> At the time that the original Mundells property lease was agreed, the contract terms scheduled a rent review for February 2016. The rent review was finalised in September 2016 and new terms agreed resulting in an increase in the annual rent (of £77.3k).	Resources	Other Pressures	77	77	77	15,179
OP15	<u>Rental increase for Bishops Stortford Library</u> The landlord of 6 The Causeway, Bishop Stortford (Bishop Stortford Library) served notice (on 12th September 2016) to end HCC's lease on this property from 14th March 2017 and proposed a new tenancy at an increased annual rental amount.	Resources	Other Pressures	43	43	43	15,179
OP17	<u>Interest cost - HCC</u> Interest cost increase due to the borrowing required to fund the rest of HCC's capital programme not funded by grants, contributions or reserves.	Resources - CFIB	Other Pressures	382	1,593	2,508	11,157
OP18	<u>Interest on Investment Balances (external)</u> Reduction in interest earned on externally invested funds due to fall in interest rates	Resources - CFIB	Other Pressures	280	351	351	11,157
OP19	<u>Minimum Revenue Provision Policy choice</u> As a result of moving the calculation of the provision to the annuity method the savings generated are front loaded and creates a pressure in future years.	Resources - CFIB	Other Pressures	0	450	625	21,122
OP20	<u>Treasury Management</u> Impact of cashflow movements	Resources - CFIB	Other Pressures	(23)	(23)	(23)	11,157
OP21	<u>Additional Borrowing to fund the Capital Programme</u> Borrowing to fund the Capital Programme results in a higher minimum revenue provision. The minimum revenue provision is the statutory amount that HCC must charge to council tax in order to repay the principal on borrowing.	Resources - CFIB	Other Pressures	0	1,409	2,938	21,122
<b>Savings</b>							
RES01	<u>Statutory Services - Highway Boundary, Registration &amp; Citizenship &amp; Coroners</u> Residual element of on-going savings.	Resources	Existing efficiencies	(5)	(5)	(5)	1,236
RES02	<u>Democratic and Statutory Services</u> Savings across all budgets including additional income (£80k Registration and £20k Land Charges); efficiencies (Democratic Services £20k, Coroners £15k).	Resources	Existing efficiencies	(135)	(135)	(135)	1,236
RES03	<u>Improvement &amp; Technology - Process review</u> Residual element of on-going savings.	Resources	Existing efficiencies	(61)	(61)	(61)	10,860
RES04	<u>Improvement &amp; Technology - Management Graduate scheme</u> Remove support for academic qualification and reduce cohort from 6 to 5 trainees.	Resources	Existing efficiencies	(56)	(87)	(87)	10,860

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
RES05	<u>Assurance Services</u> Additional income and staff restructuring in Insurance/Risk.	Resources	Existing efficiencies	(146)	(146)	(146)	430
RES06	<u>HR - review of operating model, org structure and processes</u> Fundamental review during 2014/15 of the in-house Herts HR service to reduce operation costs and align the service to the future needs of the council. The end to end process reviews will also cover those parts of the service delivered by 3rd party contractors e.g. SERCO, Reed Learning, and Guidant group. Also in scope are departmentally based Learning & Development activities to assess value for money and fitness for future purpose.	Resources	Existing efficiencies	(170)	(170)	(170)	3,937
RES07	HR - further staffing efficiencies	Resources	Existing efficiencies	(20)	(20)	(20)	3,937
RES08	<u>HBS Increased Income Target</u> Increasing income target. Targets identified following development of four year strategic business plan, developed in conjunction with LGA. Increased competition within markets will make 2017/18 targets a significant challenge.	Resources	Existing efficiencies	(142)	(142)	(142)	1,317
RES09	<u>Finance - Prompt payment discount</u> Through the development of improved payment processes and a suppliers portal, provide suppliers with improved visibility of payment processes and improve the customer journey. This also offers an opportunity to negotiate early payment discounts from suppliers which supports the cash flow for Small and Medium Enterprises and reduces the cost to the authority.	Resources	Existing efficiencies	(80)	(160)	(160)	n/a
RES10 (X2)	<u>Finance - Staffing efficiencies/ETW printing</u> Additional efficiency saving	Resources	Existing efficiencies	(60)	(60)	(60)	3,431
RES11	<u>Legal</u> Reduction in the use of counsel for advocacy, reduction in the use of external lawyers and increase in income.  This will be reliant on the recruitment of in-house lawyers of sufficient calibre to undertake the work, smarter commissioning of work by service departments and capture of service savings.	Resources	Existing efficiencies	(100)	(100)	(100)	4,615
RES12 & RES13	<u>SMS</u> Savings in relation to a reduction on the core contract value.	Resources	Existing efficiencies	(900)	(900)	(900)	13,064
RES14	<u>Property</u> Additional efficiency savings	Resources	Existing efficiencies	(200)	(200)	(200)	15,179
RES15	<u>Engagement and Consultation Phase 2</u> Ceasing the residents' survey	Resources	New efficiencies	(21)	0	(21)	n/a
RES21	<u>Corporate Initiatives budget</u> Reduction in spend have been identified against this budget.	Resources	New efficiencies	(10)	(10)	(10)	605
RES22	<u>Corporate Policy team</u> Staffing efficiencies	Resources	New efficiencies	(30)	(30)	(30)	605

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Ref	Description	Dept	Type of budget movement	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
RES23	<u>Additional savings</u> Vacancy factor of 2% across Resources areas.	Resources	New efficiencies	(910)	(910)	(910)	n/a
RES24	<u>Corporate Communications</u> Create income or trading opportunities e.g. Schools, Districts, Health and PCC.	Resources	New efficiencies	(60)	(100)	(100)	1,096
RES25 (X1)	<u>Printing Contract Savings</u> Savings through a reduction in print costs achieved through the new managed print service contract.	Resources	Existing efficiencies	(13)	(19)	(19)	n/a
CI01	<u>Capital Financing</u> Decrease in the Minimum Revenue Provision, which is money set aside each year to pay the principal element of borrowing to fund the capital programme, resulting from proposed policy change. The new calculation matches the provision for repayment of debt more closely to asset life, and moving to an annuity basis reduces the charge in early years.	Resources - CFIB	Existing efficiencies	(10,402)	(10,402)	(10,402)	21,122
CI02	<u>Interest on Balances (Internal)</u> Reduction in interest payable to internal balances held due to fall in interest rates	Resources - CFIB	Existing efficiencies	(29)	(29)	(29)	11,157
CI03	<u>Leasing</u> All Vehicle leases expected to cease by 31.3.17 - no renewals	Resources - CFIB	New efficiencies	(63)	(63)	(63)	11,157
CI04	<u>Contribution from Herts Catering Ltd</u> Share of profits to HCC as 100% shareholder	Resources - Central Items	New efficiencies	(500)	(500)	(500)	n/a

**Note 1**

A number of pressures and savings impact on a several portfolios. The total amounts across all portfolios is given here:

Savings - Printer savings cross cutter (X1)	(76)	(113)	(113)
Savings - Enabling the worker (X2)	(1,122)	(1,807)	(1,807)
Savings - Environment departmental overheads (X3)	(174)	(174)	(174)



## ANALYSIS OF REVENUE BUDGET BY OBJECTIVE AREAS

2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
1,294	<p><b>Resources</b></p> <p><u>Resources Central Items</u> This budget includes:</p> <p>Chief Executive: - Overall corporate management and operational responsibility, including management responsibility for all officers.</p> <p>Director of Resources &amp; Performance: - Oversee the strategic management of the department, ensuring compliance with legal and regulatory frameworks and the delivery of Statutory Services.</p>	1,318	(30)	1,288	1,288	1,288
3,792	<p><u>Herts Finance</u> Give strategic advice and support to key financial processes. This includes the preparation of the annual revenue and capital budgets, setting and monitoring financial standards and providing finance and accountancy support functions to all council services. This budget also includes the payment of charges on banking transactions and external audit fees. Other Services - includes budgets for car loans and staff mortgages and other miscellaneous items.</p>	4,018	(417)	3,601	3,516	3,516
3,895	<p><u>Herts HR</u> Development of corporate people strategy and policies, workforce planning, learning and organisational development, pay and reward, employee and industrial relations, equality and diversity in employment, employee well being, recruitment and retention, safe staffing, talent and succession management, leadership and management development.</p>	4,934	(1,253)	3,681	3,681	3,681
14,397	<p><u>Shared Managed Services</u> Provides overall Contract Management for the SMS contract for all operational services provided under the partnership, regardless of service type.</p>	15,988	(2,797)	13,191	13,190	13,190
10,895	<p><u>Improvement and Technology</u></p> <ul style="list-style-type: none"> <li>- Provides the strategic lead and design function for IT and telecommunications infrastructure across the authority.</li> <li>- Delivers and champions the effective use of, management information and performance data for HCC departments, corporate management and partnership purposes.</li> <li>- Delivers improvement programmes and project management for key authority wide and departmental initiatives ensuring Equalities and Diversity issues are effectively addressed.</li> <li>- Supports the organisation's Data Protection, Freedom of Information, Open Data and Records Management activity.</li> <li>- Supports the organisation's commissioning and procurement activity providing technical support, supplier relationship advice and best practice advice to enable effective, value for money contracting.</li> </ul>	13,089	(2,068)	11,021	10,989	10,989

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
15,310	<p><u>Property</u></p> <p>Property Teams: - Provide the strategic asset management and advice function in support of land, buildings and other property assets owned or leased by the County Council. Act as the Corporate Client for outsourced property services including property lease and managing agent function, property and land specialist consultancy services, property &amp; land disposals and acquisitions services. Deliver Development Services function for county assets (planning permissions), responses to District Council Strategic Land Use Plans and negotiates S106/CIL infrastructure development funding agreements.</p> <p>Central &amp; Shared Buildings - This budget covers the facilities management and running costs for all shared offices (County Hall, Apsley, Stevenage and Mundells), as well as certain other divisional buildings throughout the county. It is managed by Property and all costs are recovered by recharges to the building occupiers.</p> <p>Service Property Costs - Property are responsible for the provision of 'hard' Facilities management (reactive and planned maintenance works) across the majority of operational service properties, e.g. the libraries, fire stations etc.</p> <p>Corporate Managed Properties - This budget covers the management of all properties that are not being used for direct services delivery by the county council, including those in the property disposal programme.</p> <p>Staff Housing Pool - Managed by Aldwyck Housing Association, this provides staff temporary housing and provides an income that is used to pay for the repairs and maintenance of the properties.</p>	34,320	(18,149)	16,171	16,806	17,440
433	<p><u>Assurance (Internal Audit, Scrutiny and Health &amp; Safety)</u></p> <p>Internal Audit - Internal Audit gives assurance to members and senior managers on all the Council's governance, risk management and internal control arrangements, so as to ensure that these key areas work effectively to deliver council objectives.</p> <p>Counter Fraud - Counter fraud activity delivered by the Shared Anti Fraud Service; pro-active and re-active work to prevent and detect fraud</p> <p>Scrutiny - Scrutiny has the responsibility to hold The Executive to account by scrutinising decisions made by, or on behalf of the Council or Cabinet, and any operational or policy aspect of the council's business. It also has the power to scrutinise health services.</p> <p>Health and Safety - The team delivers strategic and operational Health and Safety advice and guidance, with a risk-based model of service delivery.</p>	1,569	(1,294)	275	276	276

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
5,768	<p><u>Legal Services &amp; Statutory Services</u> Legal Services - Provide high quality legal and administrative services to enable the County Council to carry out its policies and statutory obligations within the law and the council's own procedures in a cost effective manner.</p> <p>Highway Boundaries &amp; Land Charges Unit - The Highway Boundaries and Land Charges Unit undertake searches on behalf of district councils, solicitors, and members of the public into inquiries about the status of roads, rights of way, and other highway matters. They also answer enquiries relating to common land.</p> <p>Elections - The elections budget represents the budget needed to pay for any by-elections in year, and to fund the cycle of county council elections which take place every four years.</p> <p>Democratic Services - This team is responsible for supporting county councillors to carry out their formal duties as councillors. It is responsible for arranging and supporting all of the council's formal meetings, including county council and Cabinet meetings, and ensuring that an accurate record of these is maintained.</p> <p>Coroners Service - The Coroner Service provides administrative and investigatory services to Her Majesty's Coroner for the district of Hertfordshire, in accordance with the responsibilities of the relevant authority as defined in the Coroners and Justice Act 2009. The service investigates sudden or unexpected deaths.</p> <p>Registration &amp; Citizenship Service - Hertfordshire Registration &amp; Citizenship Service is responsible for registering births, deaths, marriages and civil partnerships, and citizenship services in Hertfordshire. The</p>	9,134	(3,567)	5,567	5,568	5,568
(1,315)	<p><u>Hertfordshire Business Services</u> Hertfordshire Business Services comprises of the following sections:</p> <ul style="list-style-type: none"> <li>• Hertfordshire Contract Management Services</li> <li>• Hertfordshire Supplies</li> <li>• Hertfordshire Fleet Management Services (HFMS)</li> <li>• Hertfordshire Reprographics</li> <li>• Surecare Supplies</li> </ul>	11,384	(12,932)	(1,548)	(1,547)	(1,547)

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
3,699	<u>Insurance</u> The insurance costs of the County Council are met through this budget. These costs include external insurance premiums paid, an amount set aside each year to meet the internally insured claims and excesses on externally insured claims, and the operational cost of running the County Council's insurance	3,896	0	3,896	3,896	3,896
0	<u>Care Payments</u> The care payments team make payments to care providers and citizens paying for their own care.	1,336	(108)	1,228	1,227	1,227
3,110	<u>Corporate Policy (see note 1)</u> Corporate Policy is concerned with analysing national policy developments, research studies and best practice to support the formulation of policy across the county council. This includes leading on the corporate plan, the localism agenda and the coordination of policy consultation.	2,784	0	2,784	2,794	2,773
1,116	<u>Communications (see note 1)</u> Communications aims to increase awareness of county council services through effective communication with residents, stakeholders and other target audiences. It is responsible for developing and implementing the council's corporate and departmental communications strategies.	1,093	(56)	1,037	997	997
<b>62,394</b>	<b>Resources Total</b>	<b>104,863</b>	<b>(42,671)</b>	<b>62,192</b>	<b>62,681</b>	<b>63,294</b>

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2016/17 Original Net Budget £'000	Objective Area	Gross Budget 2017/18 £'000	Income £'000	Net Budget 2017/18 £'000	Net Budget 2018/19 £'000	Net Budget 2019/20 £'000
	<b>Central items</b>					
21,122	<u>Capital Financing</u> The revenue costs of the capital programme are met through this budget. It is made up of the interest costs of borrowing to fund the capital programme and the Minimum Revenue Provision, which is the amount put aside each year to repay the borrowing.	10,720		10,720	12,579	14,283
11,157	<u>Interest on Balances</u> The council's cash balances not required immediately to pay for services are invested to earn interest and this budget reflects the interest earned. The interest earned is offset by the allocation of interest to the various reserves the council holds cash balances for e.g. client accounts and the insurance fund.	11,595		11,595	12,877	13,792
4,803	<u>Contingency</u> This budget provides for potential cost increases in areas of risk/uncertainty.	4,061		4,061	4,061	4,061
2,220	<u>Lee Valley Regional Park and Environment Agency levies</u> The county council has to contribute to the funding of these two organisations. • The Lee Valley Regional Park Authority develops, preserves and manages an area next to the River Lee as a regional park. • The Environment Agency issues a local levy to the county council to fund flood defence.	2,220		2,220	2,220	2,220
1,085	<u>Other</u> Includes inflation and adjustment for Invest to Transform payments still to be allocated	696		696	15,596	30,496
<b>40,387</b>	<b>Central Items Total</b>	<b>29,292</b>	<b>0</b>	<b>29,292</b>	<b>47,333</b>	<b>64,852</b>

Note 1: Responsibility for Corporate Policy and Communications transferred from the Environment department to Resources in 2016/17

## **Proposed Resources and Performance Portfolio Capital Programme 2017/18-2019/20**

The total proposed Capital Programme 2017/18 to 2019/20 for the portfolio is £23.546m. This includes all new bids and re-programming from 2016/17 at the end of quarter 2. It includes HCC funding of £22.646m.

	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m
<b>HCC Funding</b>	14.413	4.401	3.832	<b>22.646</b>
<b>Grant</b>	-	-	-	-
<b>Contributions</b>	-	-	-	-
<b>Reserves</b>	0.300	0.300	0.300	<b>0.900</b>
<b>Revenue</b>	-	-	-	-
<b>Total</b>	<b>14.713</b>	<b>4.701</b>	<b>4.132</b>	<b>23.546</b>

### **New Capital Bids**

Resources and Performance have four new bids which increase total HCC funding. In total an additional £10.820m is required for these schemes in 2017/18 compared to the previous Integrated Plan, and £12.170m across the programme period 2017/18-2019/20. There is no external funding available for these schemes

Scheme	Additional Cost 2017/18 (HCC funded)	Total Additional Cost 2017/18-2019/20 (HCC Funded)	
	£m	£m	
Energy Performance Certificate Property Improvements	0.200	0.550	From April 2018, it will be illegal to issue a new letting on either residential or commercial premises where a minimum energy efficiency standard (a rating of 'E') for the building has not been achieved. We have identified approx. 75 properties which require upgrading due to lease renewal occurring in the next 3 years to meet the energy efficient statutory requirement. These include 25 Rural Estate dwellings and 50 properties let to deliver a service purpose such as Children's centres and residential properties let to Housing associations.
Acquisition of Assets, Hertford (Leahoe)	2.500	2.500	The acquisition of the remaining properties at Leahoe Gardens, Hertford, in order to assist the redevelopment of the area.

Scheme	Additional Cost 2017/18 (HCC funded)	Total Additional Cost 2017/18-2019/20 (HCC Funded)	
Acquisition of land, Stevenage	7.870	8.370	To acquire land in Stevenage to provide opportunities over the medium and longer term.
25 by 20	0.250	0.750	Budget required in order to make changes to facilities and space within our main office sites and working with districts to supply touchdown facilities in order to reduce Property costs of the main office estate by 25% between 2017 and 2020.
	<b>10.820</b>	<b>12.170</b>	

### Revised Capital Bids increasing total HCC Funding

Resources and Performance have 3 bids which increase total HCC funding compared to the previous Integrated Plan. In total £3,698k of HCC funding is requested for 2017/18-2019/20.

Scheme	Additional Cost 2017/18	Total Additional Cost 2017/18-2019/20	
	£m	£m	
ICT Refresh budget and Refresh Mobile Computing Devices	0.789	2.967	An additional £0.789m has been requested for 3 years as hardware is not as up to date or capable for future needs. To deliver certain users and teams a 2in1 device is proposed, physically similar to an ipad but based on Microsoft technology. This will enable users to have equipment with a modern ergonomic design, flexibility and the ability to work anywhere. £0.600m of this additional budget relates to the rolling programme for 2019/20, to be able to responsive to the requests for users for Laptops, Servers and Hardware.
Touchdowns - deliver new and upgrade existing facilities	0.150	0.150	This will deliver new Touchdown facilities alongside upgrades and revisions to existing facilities across the county. Touchdowns enable staff to work efficiently, reducing travel times.
HBS Vehicles	-	0.581	Vehicles required to support the work of Herts Fullstop. £0.489m relates to the forecast spend for 2019/20. £0.092m relates to revised price information for the vehicles expected to be replaced in 2018/19.
	<b>0.939</b>	<b>3.698</b>	

## Proposed Resources & Performance Portfolio Capital Programme 2017/18-19/20

		2017/18 Integrated Plan			2018/19	2019/20		
<u>Resources and Performance</u>		Directorate	Annual Programme/ Scheme Cost	Cost	HCC Funding	Reserves	Cost	Cost
<i>New Request (N) or Existing Request (E) or Revised Request (R)</i>								
			£'000	£'000	£'000	£'000	£'000	£'000
1	<b>Capital Maintenance Improvements (Non-Schools) &amp; Non Schools Annual Programme of Minor Works (E):</b> Budget to assist Facilities Management in maintaining and managing the stock of properties for which it is responsible. If capital is not made available this will impact directly on revenue resources.	Resources and Performance	Annual Programme	1,500	1,500	-	1,500	1,500
2	<b>ICT Refresh budget and Refresh Mobile Computing Devices (R):</b> £600k of this budget is a rolling programme to be responsive to the requests for users for Laptops, Servers and Hardware. An additional £789k has been requested for 3 years as hardware is not as up to date or capable for future needs. To deliver certain users and teams a 2in1 device, physically similar to an ipad but based on Microsoft technology. This will enable users to have equipment with a modern ergonomic design, flexibility and the ability to work anywhere.		Annual Programme	1,389	1,389	-	1,389	1,389
3	<b>Salix Funded Projects (E):</b> Investment in energy conservation projects generating revenue savings, The energy saving costs are then used to repay the capital expenditure which then funds further energy projects. There may be revenue savings for schemes that have now exceed their payback period.	Resources and Performance	Annual Programme	300	-	300	300	300
4	<b>Required Health &amp; Safety works to Car Park surfaces and associated infrastructure to County Hall Car Parks (E):</b> The funding is required to maintain the structural integrity of the three storey car park.	Resources and Performance	1,000	200	200	-	200	-

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			2017/18 Integrated Plan			2018/19	2019/20		
<b>Resources and Performance</b> <i>New Request (N) or Existing Request (E) or Revised Request (R)</i>			Directorate	Annual Programme/ Scheme Cost	Cost	HCC Funding	Reserves	Cost	Cost
				£'000	£'000	£'000	£'000	£'000	£'000
5	<b>HBS Vehicles (R):</b> Vehicles required to support the work of Herts Fullstop.	Resources and Performance	Annual Programme	-	-	-	308	489	
6	<b>Access control and Car Park control improvements (E):</b> This project will deliver car park management systems to both rear and front car parks at County Hall. All car parks are currently over-subscribed with no control over who is accessing or using these areas. The safety of users is compromised by excessive parking in non car park areas. Access to the site for emergency vehicles is also compromised.	Resources and Performance	700 Invest to Transform	300	300	-	-	-	
7	<b>Rural Estate – Annual Capital Buildings, Land &amp; Equipment Programme (E):</b> Budget required for capital equipment and building improvements on the rural estate.	Resources and Performance	Annual Programme	54	54	-	54	54	
8	<b>EPC Property Improvements – Rural &amp; Operational Estate (N)</b> From April 2018, it will be illegal to issue a new letting on either residential or commercial premises where a minimum energy efficiency standard (a rating of 'E') for the building has not been achieved. We have identified approx. 75 properties which require upgrading due to lease renewal occurring in the next 3 years to meet the energy efficient statutory requirement. These include 25 Rural Estate dwellings and 50 properties let to deliver a service purpose such as Children's centres and residential properties let to Housing associations.	Resources and Performance		200	200	-	200	150	
9	<b>Touchdowns - deliver new and upgrade existing facilities (R) -</b> This will deliver new Touchdown facilities alongside upgrades and revisions to existing facilities across the county.	Resources and Performance		150	150	-	-	-	

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		2017/18 Integrated Plan			2018/19	2019/20		
<b>Resources and Performance</b> <i>New Request (N) or Existing Request (E) or Revised Request (R)</i>		Directorate	Annual Programme/ Scheme Cost	Cost	HCC Funding	Reserves	Cost	Cost
			£'000	£'000	£'000	£'000	£'000	£'000
10	<b>Acquisition of assets, Hertford (Leahoe) (N)</b> - The acquisition of three houses and a domestic garage at Leahoe Gardens, Hertford. The council own all the properties in the immediate area, apart from three houses and one lock up garage. In order to assist the redevelopment of the area and avoid any ransom issues occurring, both in terms of financial positions and project delivery, the acquisition these four assets is considered appropriate.	Resources and Performance		2,500	2,500	-	-	-
11	<b>Acquisition of land, Stevenage (N):</b> - To acquire two pieces of land in Stevenage, one located near to the council's household waste recycling centre (HWRC) and Farnham, Robertson and Abel Smith House; and the second close by at Bessemer Drive. This will provide strategic opportunities for these surrounding council assets over the medium and longer term, as well as ownership of car parking facilities (avoiding current rent costs).	Resources and Performance	8,370	7,870	7,870	-	500	-
12	<b>25 by 20 (N):</b> -making changes to facilities and space within our main office sites and working with districts to supply touchdown facilities in order to reduce Property costs of the main office estate by 25% between 2017 and 2020.	Resources and Performance	250	250	250	-	250	250
<b>TOTAL RESOURCES AND PERFORMANCE</b>				<b>14,713</b>	<b>14,413</b>	<b>300</b>	<b>4,701</b>	<b>4,132</b>

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# **INTEGRATED PLAN**

## **PART B - STRATEGIC DIRECTION AND FINANCIAL CONSEQUENCES**

### **Enterprise, Education & Skills Portfolio – Schools**

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# Schools: Future Service Direction

## 1. OVERVIEW

### *Background*

The Schools Budget continues to be entirely funded by DSG which is divided into three blocks; schools, early years and high needs. (DSG funding is not yet ring-fenced within each block, although the DfE is consulting on ring-fencing the schools block under its proposals for a national funding formula (NFF) for schools.) The rate of funding per pupil in the schools block will not increase between 2016-17 and 2017-18, except to reflect a transfer of some of the responsibilities previously funded by Education Services Grant. Thus it will not take account of inflation or other cost pressures (such as the apprenticeship levy and the national living wage). The high needs block is expressed as a cash total rather than an amount per pupil. After taking account of changes in responsibilities, Hertfordshire's high needs block has been increased by £3.7m. This is approximately equivalent to uplifting the high needs block for both demographic growth and for cost pressures. Hertfordshire's early years block will increase significantly in 2017-18, as a result of the introduction of the Early Years National Funding Formula (EYNFF).

Hertfordshire used £10.8m of carry forward to support the schools and early years' budgets in 2016-17. Given that the DSG allocation per pupil for the schools block will not increase in 2017-18, a further large amount of carry forward would need to be used in 2017-18, in order to maintain the 2016-17 funding levels in schools budget shares.

The Minimum Funding Guarantee (MFG) for schools remains at -1.5% of the 2016-17 level of funding per pupil, before Pupil Premium and Sixth form funding. Sixth form grant and the Pupil Premium continue as separate grants which have to be allocated to schools according to set DfE formulae.

In order to meet the government requirements, the final primary and secondary budget shares have to be submitted to the DfE by 23<sup>rd</sup> January 2017 following the granting of an extension by the DfE (before the Council sets its overall budget). As a result, the schools block element of the Schools Budget will have to be finalised by early January and will be considered by the Schools Forum at its meeting on 16<sup>th</sup> January 2017. Although the Council will ratify the Schools Budget (along with the other HCC budgets) at its meeting on 21st February 2017, it will be necessary for the submission to the DfE to be approved prior to the 23<sup>rd</sup> January 2017.

A summary Schools Budget table is attached in section 6 and detailed commentary for each item in the Schools Budget schedule is outlined in sections 2 to 5 below. The figures shown include funding which will be removed from Hertfordshire's DSG by the DfE and paid directly to academies and special schools.

There is an estimated carry forward of DSG into 2017-18 of £16m. In deploying this resource in 2017-18, however, it will be necessary to be mindful of the operation of the Minimum Funding Guarantee (MFG) in future years. Where the one-off carry

forward is used to support school budget shares, the MFG will to an extent protect this funding in future years. However, once the carry forward is used, the Schools Budget will not be able to sustain this funding level. Thus it is necessary to continue to exercise some caution in the use of the carry forward.

### ***Budget Strategy for 2017-18***

#### **a) Overall Approach**

For several years the Authority has aimed to keep spending on schools, early years and high needs broadly compatible with the three DSG blocks. Several recent DfE announcements have strengthened the case for avoiding cross subsidy between blocks:

- The DfE's proposal in the NFF consultation to ring-fence the schools block.
- The DfE's expectations under the EYNFF that a high proportion of resources from the early years block will be passed through to early years providers.
- The flexibility announced by the DfE to fund early years high needs expenditure from either the high needs or early years' blocks.

#### High Needs

In 2016-17 the high needs budget was set at the level of the high needs DSG block and it is intended to continue with this approach in 2017-18.

#### Early Years

The early years' budget was supported with carry forward in 2016-17. However, in view of the large increase in resources that will be provided through the introduction of the EYNFF, it is intended to set the 2017-18 early years budget at the level of the early years DSG block. This will ensure that the extra resources provided by the government are used for early years and will reduce the demands on the carry forward.

#### Schools

All the available carry forward will be used to support the schools block.

#### **b) Use of Carry Forward – Schools Block**

Inflation on pay and prices, together with the apprenticeship levy and the national living wage represent major pressures on schools' budgets in 2017-18. However, given that the DSG will not increase to take account of these pressures and Hertfordshire is already using a large amount of carry forward to support the schools block budget, it will not be possible to increase funding levels for schools in 2017-18 to take account of these pressures. Therefore it is estimated that schools will experience an average real terms reduction in core funding of approximately 2%. The financial impact on individual schools will vary depending on changes in funding data and differences in patterns of expenditure. Academies will also lose funding provided direct to them by the EFA which was the academies counterpart of the Education Services Grant provided to HCC; and mainstream schools will in future need to contribute towards the costs of services previously funded from ESG. The eventual impact of this on academies will vary between schools but will be c2% of budget.

Given the financial pressures on schools, it is intended to continue to use a proportion of the carry forward amount of DSG to support the schools block budget in 2017-18. Schools Forum has supported using the carry forward to enable funding rates to be maintained in 2017-18 at their 2016-17 levels. Together with other pressures this would require approximately £8m of carry forward.

The Authority has previously approached the DfE to explore the possibility of excluding any funding from the carry forward, which is used to support school budget shares, from the MFG baseline in the future. This is to prevent one off funding being locked into future years' budget shares by the MFG. However, the DfE will give no commitment on this and therefore the budget strategy has to be based on the assumption that one off funding will form part of the MFG baseline for future years.

For a number of years the MFG level has been 1.5% less than the general funding level. Were this to continue in 2018-19 then it implies that, theoretically, the MFG would permit schools budget shares to drop by approximately £9m between 2017-18 and 2018-19. However, due to the annual update to funding data, there is an uneven pattern across schools in the percentage change between years in per pupil funding. Thus disproportionately large reductions in unit funding rates would be required to reduce all schools to their MFG protected level.

In view of this, and to provide a reserve against other eventualities, it is considered prudent to commit a maximum of £9m of the carry forward to supporting schools. This provides enough resource to enable unit funding rates in school budget shares to be sustained at their existing level and to make a very minor increase in per pupil funding.

### **c) High Needs**

As outlined above, it is intended to set the high needs budget at the level of the high needs DSG block in 2017-18.

The Authority's SEN strategy review has set up workstreams to review the range of high needs provision and make recommendations for change. The Schools Forum has started to consider reports from the workstreams. As a result of this work, several areas have been identified as requiring additional resources. These include special school places (including a capital budget to extend or adapt special schools to increase capacity), exceptional needs provision in mainstream schools and behaviour services. At the same time, certain savings can be made, in particular a saving in the budget for independent placements. The high needs budget takes account of these changes. Given the resource available from high needs DSG and the savings identified in several high needs budgets, it is proposed to fund the cost pressures (such as inflation) in the high needs budget.

A significant element of the high needs budget in 2016-17 is the SEN Strategy Development Fund (SDF) of £3.6m. This has provided a budget to support new initiatives and, as an uncommitted resource, the fund also provides useful flexibility in managing budget risks, both in high needs and the other sectors. In view of the scale of the priorities identified for 2017-18, it will be necessary to reduce the size of the SDF to resource them. However, the sums earmarked for behaviour and special

school capital are unlikely to be committed in their entirety during 2017-18. They may provide an additional uncommitted resource which could fulfil some of the function provided by the SDF.

#### **d) Early Years**

The government has announced that the introduction of the EYNFF will provide significant additional resource for Hertfordshire, estimated at approximately £8m.

As outlined above it is intended to set the early years budget at the level of the early years DSG block in 2017-18. The Authority is reviewing its early years funding in order to determine the allocation of the additional resources. This will include a consultation with early years providers on changes to the early years funding formula.

#### ***Uncertainties***

There are a number of uncertainties/risks in respect of the 2017-18 budget at this stage, in particular:

- The DfE's response to a MFG exception application in respect of historic falling rolls protection at Samuel Ryder Academy
- The DfE's response to the Authority's request to use high needs DSG for capital work to increase capacity at special schools.
- The in-year re-calculation of all elements of the DSG early years block
- any new free schools opening in September 2017
- Several data issues at individual schools
- The outcome of the Authority's application to make changes to funded high needs place numbers in certain special academies.
- The DfE's response next year to MFG exception requests for 2018-19

All these uncertainties have the potential to impact on the budget. The unused remainder of the carry forward provides a reserve against future uncertainties. There is also the flexibility to enhance this amount by drawing resource from the SEN strategy development fund.

#### **2018-19**

It is anticipated that DSG carry forward will continue to be used to support the schools block budget in 2018-19, but that the amount will reduce from the 2017-18 level. Thus an element of the carry forward being used in 2017-18 is a one off. Hertfordshire has previously applied for, and been granted by the DfE, a MFG exception to exclude from the 2017-18 MFG calculations a portion (£3.1m) of the carry forward being used to support budget shares. This does not resolve the issue of the carry forward forming part of the MFG baseline in future years. However, there is some evidence that, having acknowledged that funding is outside the MFG in one year, the DfE may agree to exclude it from the MFG in the next. This would prevent this element of the carry forward forming part of the MFG baseline for future years.



The DfE has announced that a national funding formula (NFF) for schools and a new formula for distributing high needs DSG allocations between local authority areas will be introduced in 2018-19.

In 2018-19, the schools NFF will be used to determine Hertfordshire's schools block DSG while the local funding formula will still determine school budget shares. However, from 2019-20 the NFF will determine each school and academy's budget share. Illustrative data recently published by the DfE, alongside its consultation on the funding changes, suggests that the impact of the NFF in Hertfordshire will tend to redistribute resources from secondary to primary and from affluent to deprived areas. This data indicates that, overall, Hertfordshire would gain only marginally from the schools NFF but more significantly from the high needs NFF.

It is anticipated that the DSG will continue not to take account of cost pressures. Thus there will be a further real terms cut in school budget shares in 2018-19. The cumulative effect of the real terms funding reductions is starting to cause extreme financial pressure in some schools. The Authority's monitoring indicates that a growing number of schools, especially secondaries, are in financial difficulty with projected deficits and it is anticipated that this number will increase in future years.

## **2. TECHNICAL ADJUSTMENTS**

### **2.1 Retained Duties element of Education Services Grant**

The ESG is being discontinued in 2017-18. The retained duties element of ESG has provided funding for responsibilities that local authorities have for all schools and academies (such as attendance and some statutory duties). The retained duties element of ESG, and the requirement to deliver the associated responsibilities, is being transferred to DSG.

### **2.2 High Needs Places in Colleges**

The allocation to colleges of £6k per high needs place is currently funded by the DfE separately from the DSG. This resource, along with the responsibility to fund high needs college places, is being transferred to DSG.

### **2.3 Additional Hours for 3 and 4 year olds**

From September 2017 working parents will be entitled to up to 30 hours per week of 3 and 4 year olds provision. This is an increase from the current universal entitlement of 15 hours per week. Extra funding is being added to the Authority's DSG to reflect the cost of extending this provision.

### **2.4 Ludwick Enrichment Group**

It is intended to fund the Ludwick Enrichment Group from the early years, rather than the high needs, budget.

### **2.5 Early Years Disability Access Fund**

The Disability Access Fund, which has been introduced by the DfE, will aid access to early years' places by, for example, supporting providers in making reasonable adjustments to their settings and/or building capacity.

## **3. PRESSURES**

### **3.1 Inflation (including National Living Wage)**

This reflects the impact of the following:

- estimated 1% increase in teachers' pay
- local government staff pay award for 2017-18, comprising a general 1% increase but higher increases for grades H3 and below in response to the National Living Wage (NLW),
- specific inflation increases for repairs and maintenance and utilities but no other non-pay inflation.

The pressure does not take account of increasing costs from the NLW being passed on by providers, for example in relation to school meals.

### **3.2 Rates**

This pressure includes both an estimated change in rates costs resulting from the revaluation and inflation in rates.

### **3.3 Apprenticeship Levy**

The estimated cost shown assumes that all types of maintained school and academy will be subject to the levy. It does not take account of any income that may be received from the scheme.

### **3.4 Demography (Primary, Secondary and Early Years)**

This constitutes the impact of changes in pupil numbers on AWPU and other pupil led funding in the schools and early years budget shares.

### **3.5 Growth in existing free schools**

The DSG does not take account of the additional cohort starting in free schools in September 2017. The Authority will, however, have to fund this cohort and this constitutes a budget pressure. This amount includes the additional cohort at the free schools which have opened during 2016-17.

### **3.6 New free schools opening in 2016-17**

Two new free schools have opened in September 2016. From 2017-18 these will be funded via DSG. This pressure constitutes the lump sum allocations in the budget shares of these two schools.

### **3.7 New free school opening in 2017-18**

The DfE has announced its intention, from 2017-18, to charge to DSG the budget shares of new free schools in their first year of opening. This pressure comprises the estimated part year budget share of the free school scheduled to open during 2017-18. It is not intended to commit this resource until it is necessary to do so at the point at which the school opens.

### **3.8 High Needs Budgets Funded from ESG**

The Communications and Autism and Physical and Sensory Impairment teams are funded from the high needs block. However, a small element of costs relating to these teams has historically been charged to the Authority's budget. To address this anomaly, these costs will be switched to the high needs block.

### **3.9 Minimum Funding Guarantee (MFG)**

There are two elements to this pressure:

- An increase of £0.5m in the amount of MFG recouped from the Authority in respect of Samuel Ryder academy (an MFG exception application has been made to the DfE in respect of Samuel Ryder but it is anticipated that this will be rejected).
- A net £0.1m increase in MFG resulting from data changes.

### **3.10 Falling Rolls Fund**

There is an increase in the cost of the Fund, mainly due to an additional school becoming eligible.

### **3.11 Licenses**

The DfE has indicated that there will be a small increase in the cost of licenses for schools charged by the DfE due to the increase in pupil numbers.

### **3.12 School Improvement and Quality Support for Nursery Classes**

This has previously been funded from the general element of Education Services Grant (ESG). ESG will be discontinued in 2017-18.

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### **3.13 Exceptional Needs**

This pressure represents the cost of implementing the recommendations of the Exceptional Needs work stream review as part of the SEND Strategy.

### **3.14 Primary Behaviour**

The pressure represents the cost of implementing the initial recommendation of the Behaviour work stream review covering the primary sector. This resource would only be committed if agreements were put in place, whereby local areas assumed the responsibility for providing behaviour support and alternative provision.

### **3.15 Secondary Behaviour**

The pressure represents the cost of implementing the recommendation of the Behaviour work stream review covering the secondary sector. This resource would only be committed if agreements were put in place, whereby local areas assumed the responsibility for providing behaviour support and alternative provision.

### **3.16 Autism**

The pressure represents the cost of implementing the recommendations of the Autism workstream review.

### **3.17 Quality Offer Rollout**

The pressure represents the cost of implementing the recommendations of the Quality Offer workstream review.

### **3.18 Additional Special School Places**

The cost of increasing the number of special school places (including a corresponding increase in the budget for per pupil top up funding in special schools) in order to reflect demand for places.

### **3.19 Capital expenditure to increase capacity in special schools**

This relates to capital schemes at several SLD and SEMH schools, in order to provide for the demand for places and reduce the need for high cost placements in independent special schools. DSG can only be used for capital with DfE approval and applications regarding these schemes have been submitted to the DfE. A response is awaited.

### **3.20 Special School Outreach**

An increase in order to provide for the demand for this service.

### **3.21 Additional High Needs Places in Colleges**

This provides an additional 11 places from September 2017.

### **3.22 Top Ups for High Needs Provision in Colleges**

The pressure relates to an increase in the number and complexity of high needs students in colleges and independent specialist providers.

## **4. SAVINGS**

### **4.1 Rates**

There is a saving in rates funding in budget shares due to the conversion of schools from community to foundation or academy status.

### **4.2 Historical Commitments Budgets**

To comply with DfE regulations, it is necessary to make certain reductions to these budgets.

### **4.3 Early Years Pupil Premium**

The saving mainly relates to a change in the count date for determining DSG funding for the EYPP. This has now been moved from the Autumn Term to January. January early years' pupil numbers represent a good average for the financial year. Therefore the additional funding included in this budget to allow for underfunding of the EYPP through the DSG can be removed.

### **4.4 Closing Schools**

The Da Vinci studio schools in Stevenage and Letchworth will be closing in August 2017. The saving comprises the lump sum and pupil led funding in their budget shares for the period September to March.

### **4.5 Reduction in Special Unit Places**

This is the full year effect of the reduction in special unit places from September 2016.

### **4.6 Secondary SpLD Bases**

This is the full year effect of the saving from the closure of the bases in September 2016.

#### **4.7 Keeping Children in Local Provision**

This budget is no longer required and will be taken as a saving.

#### **4.8 Independent Placements**

It is intended to take a saving in this budget, which is underspending.

#### **4.9 Contingency for Special Schools in Financial Difficulty**

This was established in 2016-17 to support schools which has large reductions in their pace numbers from September 2016. It is intended to take half this budget as a saving in 2017-18.

#### **4.10 Prior year adjustments**

This comprises the change between years in the retrospective adjustments to budget shares to correct for under or over estimates of pupil numbers. These adjustments apply to recently opened schools where the Authority is required by the DfE to estimate pupil numbers.

### **5. ADJUSTMENTS TO MATCH BUDGET TO DSG AVAILABLE**

#### **5.1 Pressures not being funded**

Given the resources available it is not possible to fund the pressures for inflation and the apprenticeship levy in the schools block budget.

#### **5.2 SEN Strategy Development Fund**

The net cost of changes in the high needs budget has been met by reducing the SEN Strategy Development Fund

#### **5.3 Headroom**

In the early years block this is the balance of the additional resources provided through the EYNFF. This resource is still to be allocated pending consultation with early years' providers and the Schools Forum. In the schools block this is the balance of the carry forward not required for maintaining unit funding rates at their current level.

## 6. Schools Revenue Budget Statement 2017/18

	Para	Schools Block £000s	Early Years Block £000s	High Needs Block £000s	Total £000s
Schools Budget 2016-17 (as per Integrated Plan)		721,014	61,567	97,858	880,439
Technical adjustment to block totals		(14)	14	-	-
<b>Schools Budget 2016-17 (as per Section 251 budget statement including academies)</b>		<b>721,000</b>	<b>61,581</b>	<b>97,858</b>	<b>880,439</b>
<b>Technical Adjustments:</b>					
Retained Duties element of ESG	2.1	2,798	-	-	2,798
High Needs Places in Colleges	2.2	-	-	2,646	2,646
Additional Hours for 3 and 4 year olds	2.3	-	10,704	-	10,704
Ludwick Enrichment Group	2.4	-	55	(55)	-
Early Years Disability Access Fund	2.4	-	227	-	227
<b>Pressures:</b>					
Inflation (inc. National Living Wage)	3.1	8,860	756	1,204	10,820
Rates inflation	3.2	752	23	3	778
Apprenticeship Levy	3.3	2,470	237	341	3,048
Demography (primary, secondary and early years)	3.4	8,079	(360)	-	7,719
Growth in existing free schools	3.5	1,242	-	-	1,242
New free schools opening in 2016-17	3.6	320	-	-	320
New free school opening in 2017-18	3.7	440	-	-	440
High needs budgets funded from ESG	3.8	-	-	183	183
Minimum Funding Guarantee (MFG)	3.9	610	-	-	610
Falling Rolls Fund	3.10	604	-	-	604
Licenses	3.11	22	-	-	22
School improvement and quality support for nursery classes	3.12	-	250	-	250
Exceptional Needs	3.13	-	-	605	605
Primary Behaviour	3.14	-	-	357	357
Secondary Behaviour	3.15	-	-	700	700
Autism	3.16	-	-	407	407
Quality Offer Rollout	3.17	-	-	34	34
Full year effect of increase in special school places in 2016/17	3.18	-	-	46	46
Additional special school places in 2017/18	3.18	-	-	938	938
Capital expenditure to increase capacity in special schools	3.19	-	-	2,200	2,200
Special School Outreach	3.20	-	-	134	134
Additional high needs places in colleges	3.21	-	-	44	44
Top Ups for high needs provision in colleges	3.22	-	-	243	243

	Para	Schools Block £000s	Early Years Block £000s	High Needs Block £000s	Total £000s
<b><u>Savings:</u></b>					
Rates	4.1	(1,194)	-	-	(1,194)
Historic Commitments Budgets	4.2	(295)	-	-	(295)
Early Years Pupil Premium	4.3	-	(232)	-	(232)
Closing Schools	4.4	(538)	-	-	(538)
Reduction in Special Unit Places	4.5	-	-	(66)	(66)
Secondary SpLD Bases	4.6	-	-	(125)	(125)
Keeping children in local provision	4.7	-	-	(50)	(50)
Independent Placements	4.8	-	-	(1,600)	(1,600)
Contingency for special schools in financial difficulty	4.9	-	-	(200)	(200)
Prior year adjustments	4.10	(220)	-	-	(220)
<b>Schools Budget 2017-18 before adjustment to match the resource available</b>		<b>744,950</b>	<b>73,241</b>	<b>105,847</b>	<b>924,038</b>
<b><u>Adjustments to match budget to resources available:</u></b>					
Pressures not being funded:					
Inflation (inc. NLW)	5.1	(8,860)	-	-	(8,860)
Apprenticeship Levy		(2,470)	-	-	(2,470)
SEN Strategy Development Fund	5.2	-	-	(1,686)	(1,686)
Headroom	5.3	1,206	6,501	-	7,707
<b>Schools Budget 2017-18 after adjustment to match resources available</b>		<b>734,826</b>	<b>79,742</b>	<b>104,161</b>	<b>918,729</b>
<b>Estimated 2017-18 Dedicated Schools Grant (including academies and free schools)</b>					
		<b>725,826</b>	<b>79,742</b>	<b>104,161</b>	<b>909,729</b>
<b>Use of Carry Forward DSG in 2017-18</b>					
		<b>9,000</b>	<b>-</b>	<b>-</b>	<b>9,000</b>
<b>Total Estimated DSG Employed</b>		<b>734,826</b>	<b>79,742</b>	<b>104,161</b>	<b>918,729</b>



**INTEGRATED PLAN**  
**PART C – EQUALITY IMPACT ASSESSMENT**

## Summary

This report sets out the approach taken to consider the cumulative equality impact of Hertfordshire's transformation programme that forms the 2017-18 to 2019-20 Integrated Planning Proposals.

Many of the proposals are in the early stages and as such may need further equality analysis. The process for Equality Impact Assessments is an evolving one, with assessments updated as projects develop.

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

### 1. Equality approach

- During formative stages of the budget planning process, and as part of business case development, individual Equality Impact Assessments (EqIAs) are required to be presented with each major policy proposal to help decision makers consider the impact that would be felt by the community if a service change was implemented. Available data from national and local sources is used to inform decision-making - in particular community profile and staff diversity data.
- The appropriate consultation, monitoring and review process for each project has been planned or carried out with stakeholders, staff, partners and the public where appropriate. This information has been used to feed into the equality analysis.
- An organisational policy and protocols exist for managers carrying out staff restructures. Specific guidance on equality impacts is available as part of this. Diversity Board and departmental Equality Action Groups monitor representation of different groups in HCC and have strategies in place to tackle underrepresentation.
- The Public Sector Equality Duty also requires the local authority to foster good relations and promote equality of opportunity between those with a protected characteristic and others. This work is implicit in all of our services.

The table below summarises the equality impact analysis of individual projects that collectively deliver the savings outlined in the Integrated Plan. Individual equality impact assessments for key policy decisions are also available.

**2. Potential equality impacts identified by Integrated Planning proposals and the mitigating action either carried out or proposed.**

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
<b>CHILDREN'S SERVICES</b>	
<p><u>Family Focus</u>            The number of Children Looked After in Hertfordshire is currently around 40 per 10,000 population. Introducing measures to seek to reduce this to 34 per 10,000 while keeping the same % mix of care packages across the care continuum should allow these savings to be achieved. However, it should be noted that only 11 other authorities are at this level or below</p>	<p><b>BME Children</b>            Black and ethnic minority ethnic groups (BME) account for just under a quarter of Children Looked After. This is relatively high compared with the overall under 18 population in Hertfordshire, where BME groups account for around a fifth of the total. We want to ensure that a reduction in the overall children looked after population will not have an adverse effect on the ratio of BME to white CLA population. We hope to improve the ratio of BME vs white Children Looked After by ensuring that we work with families from BME groups to ensure that BME children do not enter care unnecessarily and that, if they do enter care, they have the right support in place to leave care at the right time. We also will ensure that an appropriate range of placements are available to meet the cultural needs of BME Children Looked After.</p> <p><b>UASCs</b>            In June 2015, Hertfordshire saw a substantial increase in the number of unaccompanied asylum seeking children (UASC) arriving in the authority. The majority of UASC are from Afghanistan, Iran and Eritrea. Careful monitoring of UASC numbers will be required over the next coming months. The challenge for Hertfordshire is to find local placements that can meet the diverse needs of these children and fostering recruitment programmes are focussing on this.</p>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
<p><u>0-25 Integration</u> Exploring the opportunities to improve efficiencies and remove duplication across services through the introduction of cross service working and the development and implementation of the SEND Pathfinder model and maximise use of community based services to support independence and self-reliance</p>	<p>Potential impacts on children and their families will be mitigated against by the following:</p> <ul style="list-style-type: none"> <li>- Robust needs analysis informed by data across all children’s services teams.</li> <li>- Appropriate consultation and engagement to ensure that the children and families affected are informed and involved in decisions.</li> <li>- Training for staff in ensuring cultural sensitivities and needs of the child / family by virtue of having a protected characteristic are taken into account in the delivery of services.</li> <li>- Individual equality impact assessments will be completed for service and policy proposals where required.</li> </ul>
<p><u>Home to School Transport</u> Encouraging the use of local SEN Provision and the changes in SEN Home to School Transport Policy should produce efficiency savings on the SEN Home to School Transport budget. Continuation of projects to encourage the parents of primary, SEND or ESC pupils to school on public transport or in their own vehicles, as opposed to requiring taxis, to promote independent travel.</p>	<ul style="list-style-type: none"> <li>- The continuing development of more provision locally and the curriculum mapping work will assist in students with learning difficulties and disabilities not needing to travel long distances to reach suitable provision.</li> <li>- There will still be a need for young people with complex needs to access nearest provision, which may not be as close to their home, as that provided in mainstream schools.</li> <li>- The policy will take into account individual circumstances to ensure there is a nuanced approach to enabling fair access to learning and training.</li> <li>- Individual need and circumstances will be taken into account.</li> <li>- Continued offer of independent travel training, geared to individual need.</li> <li>- Provide information on travel schemes organised by colleges and on the English National Disabled Concessionary Scheme (administered locally through the county council).</li> <li>- Journey Planner includes travel planning to colleges of further</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>education.</p> <ul style="list-style-type: none"> <li>- A portal is being developed to gather feedback from disabled transport users.</li> <li>- Round table meeting with commercial bus operators - fostering an approach to support the development of independent travel skills in young people with learning difficulties and disabilities.</li> <li>- Updated guidance in relation to bullying and what to do.</li> <li>- Offer mileage reimbursement or bus passes as incentives to encourage parents to choose not to use taxis.</li> <li>- - Parents who do not have access to a car or to public transport may feel they are unable to take up this offer, but this is optional and not mandatory so no mitigation is required.</li> </ul>
<p><u>Home to School Transport - Additional</u> Further reductions resulting from implementation of earlier policy changes, including behavioural changes by service users as a consequence of higher charges and withdrawal of escorts</p>	<p>This policy review is subject to a full public consultation.</p> <p>For service users affected by withdrawal of escorts, needs assessments are carried out for SEND pupils on a case by case basis.</p>
<p><u>Other ESG related reductions</u> The shortfall in funding added to Dedicated Schools Grant (DSG) for "Retained Duties" is currently estimated at £149k in a full year. Reductions to meet this are being developed and will include elements of the attendance service, but the Regulations governing this area of expenditure have yet to be issued by central government.</p> <p><u>Transfers from ESG to DSG</u> There are some items of expenditure which can in future be funded from High Level Needs DSG</p>	<p>Pending announcement from central government, full EqlAs will be carried out where relevant once details have been confirmed. Schools were consulted in October 2016 on de-delegation proposals. Potentially there will be changes to the way some services are delivered.</p>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
<p><u>Herts Music Service</u> The service is in the process of reorganisation in order to reduce direct financial support provided by HCC by half in 2017/18, and in full the following year. A range of measures are planned to achieve this, including reducing funding provided to schools for initiatives and innovation, management and staffing reductions, review of the way in which concessions are provided on tuition costs, and review of charging policies.</p>	<p>A full EqIA will be carried out once details have been confirmed. Schools will be consulted on proposals. Potentially there will be changes to the way some services are delivered.</p>
<p><u>School Improvement (Herts for Learning)</u> It is proposed to reduce the HCC contribution to the contract with Herts for Learning by this figure from September 2017.</p>	<p>The current service will be continue through additional money de-delegated by maintained schools, some reductions in service levels, and some use of DSG where justifiable.</p> <p>A full EqIA will be carried out once details have been confirmed. Schools will be consulted on proposals. Potentially there will be changes to the way some services are delivered.</p>
<p><u>Off site visits (Youth Connexions):</u> Expenditure in providing advice to schools in this area will need to be fully funded from trading or cease from September 2017</p>	<p>A full EqIA will be carried out once details have been confirmed. Stakeholders will be consulted on proposals. Potentially there will be changes to the way some services are delivered.</p>
<p><u>Children Looked After Transformation Efficiency Savings</u> Further efficiency savings from across the children looked after budgets including independent placements, in-house fostering and residential services.</p>	<p>Any potential impacts on children and their families will be mitigated against by the following:</p> <ul style="list-style-type: none"> <li>- Robust needs analysis informed by data across teams.</li> <li>- Appropriate consultation and engagement to ensure that the children and families affected are informed and involved in decisions.</li> <li>- Training for staff in ensuring cultural sensitivities and needs of the child / family by virtue of having a protected characteristic are taken</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>into account in the delivery of services.</p> <ul style="list-style-type: none"> <li>- Individual equality impact assessments will be completed for service and policy proposals where required.</li> </ul>
<p><b>INTERNAL</b>  <u>Reduce training budget</u>  Further reduction in the departmental budget for training including efficiencies.  <u>Further efficiency</u>  The efficiency measures to be taken will include the Business Efficiency Programme including reviews of printing, business support (admin) staff, savings flowing from ETW, and other process/back office efficiency; continuing vacancy and staffing review; reduction in agency costs resulting from enhanced market forces supplements; application of reduction requirement on all contracts being retendered; first stage savings from Innovations (Family Safeguarding) project; review of requirement for revenue development budgets in school planning where opportunities exist for capitalising costs; continuing minor efficiencies in home to school transport; minor additions to income expectations.</p> <p>Integrated Services for Learning Efficiencies including Enabling the Worker</p> <p>Thriving Families Efficiencies including Enabling the Worker</p> <p>Services to Young People Efficiencies including Enabling the Worker</p>	<p>HCC has a policy and guidance of principles, values, and expectations relating to Organisational Change, Redundancy and the Priority Application Process. Equality impact assessments are completed where necessary and managers are supported to ensure any negative impacts are mitigated against. This includes:</p> <ul style="list-style-type: none"> <li>- Consideration of flexible working arrangements.</li> <li>- Support from Staff support networks.</li> <li>- Access to Carewell, confidential advisers and a range of resources to help staff.</li> <li>- Robust policies to protect staff and specific policies for pregnant staff and staff on maternity leave.</li> <li>- Continual monitoring of the impact on staff.</li> <li>- Additional leave allowances for disability and pregnancy related illness.</li> <li>- Our policy on equal opportunities for staff is set out in <a href="#">Putting People First</a>.</li> </ul> <p>Any potential impact on service users will be subject to an EqlA in relation to that potential impact.</p>

<b>Service area and potential for impact on people from protected groups</b>	<b>How we will mitigate against any possible impacts</b>
<p><u>Safeguarding &amp; Specialist Services Salary Savings</u> Planned reductions in salary budgets across safeguarding and specialist services including reductions in agency costs resulting from enhanced market forces supplements; reductions in Social Worker establishments; the first stage savings from Innovations (Family Safeguarding) project and savings resulting from Enabling the Worker developments.</p> <p><u>Premature Retirement Compensation (PRC) and redundancy</u> Currently costs of redundancies in maintained schools are met centrally. The provision for this will be reduced and in consequence a greater part of such costs will need to be met from schools' own budgets, increasing their financial deficits in the short term.</p> <p><u>Early Years transfer to DSG</u> It is planned to meet staff costs for operating the funding process for early years education, together with related management and planning costs. This is subject to appropriate consents and regulatory compliance.</p>	
<b>HEALTH AND COMMUNITY SERVICES</b>	
<p><u>Transformation of External Day Services Provision</u> A new model of day opportunities which are less buildings-based, more community based and using local community capacity to deliver better outcomes for people.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>– Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into</li> </ul>



Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>account.</p> <ul style="list-style-type: none"> <li>– Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>– Continual monitoring to ensure positive benefits are being realised.</li> <li>– Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>Herts Healthy Homes</u> Reduction in funding to Herts Healthy Homes by 50%, a service which supports individuals to remain in the community living independently</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>– Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>– Continual monitoring to ensure positive benefits are being realised.</li> <li>– Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>Client Income</u> Client income has been increasing due to benefit changes, pensions triple lock and more supported living and direct payment packages</p>	<p>Low impact expected. The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<ul style="list-style-type: none"> <li>- Monitoring of impacts on vulnerable groups</li> <li>- Full EqlAs will be carried out for projects impacting service users</li> </ul>
<p><u>Physical Disabilities Purchasing Strategy</u> Review of physical disability packages with a view to obtaining price and volume efficiencies</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>- Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>- Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>- Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>- Continual monitoring to ensure positive benefits are being realised.</li> <li>- Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>Care Homes - use of community alternative to defer placement</u> Use of new hospital discharge pathways, including assessment outside the ward environment, as an alternative to long term care.</p>	<p>The proposed service development will ensure that all older people and their carers can access this service at the right time when an individual needs it. The service will ensure that any barriers are broken down enabling hard to reach groups to access the service.</p> <p>Staff/volunteers employed by the proposed service development will be trained in awareness of different cultural needs and the service will have access to interpretation support as required.</p> <p>Against a background of tough economic times and a changing demography we need to be even more aware of the diverse needs of communities and how we can support them.</p>

<b>Service area and potential for impact on people from protected groups</b>	<b>How we will mitigate against any possible impacts</b>
<p><u>Older People Homecare - use of community alternatives</u> Enhanced use of existing Universal services provided by community and voluntary organisations, leading to lower levels of statutory services commissioned and maximising of limited homecare capacity.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>– Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>– Continual monitoring to ensure positive benefits are being realised.</li> <li>– Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>Positive outcomes for people through new specialist care at home schemes</u> Fewer on-going care packages required for people leaving hospital because new specialist intensive care at home schemes rehabilitate and aid independence.</p>	<p>Services are targeted at vulnerable residents and individual needs will need to be identified and taken into account to reduce the risk of negative impacts.</p> <p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>– Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Coordination with other partners and agencies to ensure vulnerable people are supported.</li> </ul>

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Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<ul style="list-style-type: none"> <li>- Continual monitoring to ensure positive benefits are being realised.</li> <li>- Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>Preventative Telecare</u> Savings against the older people's care purchasing budget relating to the implementation of Telecare for 1000 targeted people - to delay their need for adult social care.</p> <p>This project is aimed at providing telephone support to service users and their carers to improve access to support and reduce reliance on home visits.</p> <p>There is the potential for impact on service users with specialist communication needs due to sensory, physical, mental, learning disability or frailty; as well as those who do not speak English as a first language.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>- Support and access to services will continue to be provided through traditional channels for those service users that lack sufficient capacity or are unable to access this service.</li> <li>- All communication equipment will meet accessibility standards.</li> <li>- Users with language requirements will be able to access Language Line and the Hertfordshire Interpreting and Translation Service.</li> <li>- Service users with additional needs will be identified and the appropriate support will be provided to them and their carers to ensure they can benefit from the service.</li> <li>- Continual monitoring and consultation with staff and service users.</li> </ul>
<p><u>NHS protection of social care and adherence to new national eligibility criteria</u> New national eligibility criteria will be implemented under the Care Act from April 2015. The NHS are considering the level to which they will protect county social care budgets as a preventative service to benefit NHS services.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>- Robust care assessment and planning and management oversight is in place to ensure that eligible needs are being met and any other care needs are also being identified with wellbeing promoted</li> <li>- Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>- Coordination with NHS partners and care provider agencies to ensure vulnerable people are supported.</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<ul style="list-style-type: none"> <li>- Continual monitoring to ensure positive benefits are being realised.</li> <li>- Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported</li> </ul>
<p><u>Learning Disabilities - use of community alternatives</u> Conversion of LD residential care homes to supported living services, maintaining quality but reducing costs to the county council.</p> <p>Recommissioning outdated models of care. Using community schemes as alternatives to formal social care.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>- Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>- Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>- Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>- Continual monitoring to ensure positive benefits are being realised.</li> <li>- Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><u>In House Day Services</u> Recommissioning of day opportunities using community facilities, universal services and promotion of volunteering and employment schemes where appropriate.</p>	<p>The following mitigating actions taken or planned are aimed at minimising any negative impact:</p> <ul style="list-style-type: none"> <li>- Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>- Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>- Coordination with other partners and agencies to ensure vulnerable</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>people are supported.</p> <ul style="list-style-type: none"> <li>– Continual monitoring to ensure positive benefits are being realised.</li> <li>– Monitoring to ensure culturally appropriate care continues to be provided and that individuals who do not have high levels of proficiency in English will be supported.</li> </ul>
<p><b>INTERNAL</b></p> <p><u>Combined Money Advice / HAFLs / Work Solutions Service</u> To create a combined Money Advice / HAFLs / Work Solutions Service</p> <p><u>Savings on Strategic Centre Units</u> Reduction in commissioning, business support and project management resource given the scale of the financial challenge</p> <p><u>HCS Commissioning Unit</u> A reduction in staffing in the HCS Commissioning Teams.</p> <p><u>Staffing Efficiency</u> Review of staffing workloads in the light of the efficiencies generated by the Enabling the Worker Scheme, and other efficiency initiatives.</p>	<p>HCC has a policy and guidance of principles, values, and expectations relating to Organisational Change, Redundancy and the Priority Application Process. Equality impact assessments are completed where necessary and managers are supported to ensure any negative impacts are mitigated against. This includes:</p> <ul style="list-style-type: none"> <li>– Consideration of flexible working arrangements.</li> <li>– Support from Staff support networks.</li> <li>– Access to Carewell, confidential advisers and a range of resources to help staff.</li> <li>– Robust policies to protect staff and specific policies for pregnant staff and staff on maternity leave.</li> <li>– Continual monitoring of the impact on staff.</li> <li>– Additional leave allowances for disability and pregnancy related illness.</li> <li>– Our policy on equal opportunities for staff is set out in <a href="#">Putting People First</a>.</li> </ul> <p>Any potential impact on service users will be subject to an EqlA in relation to that potential impact.</p>
<p><b>ENVIRONMENT</b></p>	

<b>Service area and potential for impact on people from protected groups</b>	<b>How we will mitigate against any possible impacts</b>
<u>HWRC Re-Use</u> The wider introduction of re-use ‘shops’ across the HWRC network has proved successful	Positive impact for some service users if these “shops” enable them to buy items they are otherwise unable to afford
<u>Convert all remaining street lighting to LED &amp; CMS (Phase 4)</u> This is an ‘invest to save’ efficiency project, which will also improve resilience of the street lighting service. The declared savings are net savings after funding the cost of borrowing for a 2 year project starting 2017/18	An Equality Impact Assessment will be carried out for this proposal.
<u>LED &amp; CMS street lighting Phase 2 - Invest to save</u> Introduce LED lighting under centrally managed service control with 25% dimming and trimming to all sites currently in full night lighting.	The Equality Impact Assessment indicates that the proposal is sound and reasonable, and based on the philosophy that the replacement lighting will be ‘no worse’ than the existing installation, this should not impact on the communities who live within the vicinity of the A Class road network, or similarly, road users and pedestrians using the network.
<p><b>INTERNAL</b></p> <p><u>Restructure of Transport Access and Safety</u> Review and rationalisation of the Transport Access and Safety function.</p> <p><u>Review &amp; Integrate Countryside Management Service/Rights of Way</u> By bringing these two teams together (made possible by a refocus of HCC funded CMS activity in to access and rights of way) it should be possible to deliver an efficiency saving, mainly from existing staff budgets.</p> <p><u>ERP / Waste Staffing Savings</u> The merger of two teams should allow this saving to be realised.</p>	<p>HCC has a policy and guidance of principles, values, and expectations relating to Organisational Change, Redundancy and the Priority Application Process. Equality impact assessments are completed where necessary and managers are supported to ensure any negative impacts are mitigated against. This includes:</p> <ul style="list-style-type: none"> <li>– Consideration of flexible working arrangements.</li> <li>– Support from Staff support networks.</li> <li>– Access to Carewell, confidential advisers and a range of resources to help staff.</li> <li>– Robust policies to protect staff and specific policies for pregnant staff and staff on maternity leave.</li> <li>– Continual monitoring of the impact on staff.</li> <li>– Additional leave allowances for disability and pregnancy related</li> </ul>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>illness.</p> <ul style="list-style-type: none"> <li>- Our policy on equal opportunities for staff is set out in <a href="#">Putting People First</a>.</li> </ul> <p>Any potential impact on service users will be subject to an EqlA in relation to that potential impact.</p>
<b>COMMUNITY PROTECTION</b>	
<p><u>Community Safety Task Force</u> Disbanding the Community Safety Task Force</p>	<p>Changes have resulted from an alteration in the way in which services are delivered. This has allowed staff to operate more efficiently and to deliver services in innovative ways such that volume of service delivered, where the risk profile demands, has not been adversely impacted.</p>
<p><b>INTERNAL</b></p> <p><u>Restructure of Strategic Leadership Group (SLG)</u> Assistant Chief Officer – Performance and Business Support to be made redundant</p> <p><u>Review of Day Crewing Plus Savings</u> Further savings of £65k each at Baldock &amp; Letchworth, Potters Bar and Rickmansworth fire stations</p> <p>This will not impact service users</p> <p><u>Staffing</u> Limiting recruitment or freezing until outcome of Integrated Risk Management Plan Refresh is completed.</p>	<p>HCC has a policy and guidance of principles, values, and expectations relating to Organisational Change, Redundancy and the Priority Application Process. Equality impact assessments are completed where necessary and managers are supported to ensure any negative impacts are mitigated against. This includes:</p> <ul style="list-style-type: none"> <li>- Consideration of flexible working arrangements.</li> <li>- Support from Staff support networks.</li> <li>- Access to Carewell, confidential advisers and a range of resources to help staff.</li> <li>- Robust policies to protect staff and specific policies for pregnant staff and staff on maternity leave.</li> <li>- Continual monitoring of the impact on staff.</li> <li>- Additional leave allowances for disability and pregnancy related illness.</li> </ul> <p>- Our policy on equal opportunities for staff is set out in <a href="#">Putting People</a></p>



Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p><a href="#">First.</a></p> <p>Any potential impact on service users will be subject to an EqlA in relation to that potential impact.</p>
<b>RESOURCES</b>	
<p><u>Engagement and Consultation Phase 2</u> Changes to the residents' survey</p>	<p>The residents' survey will continue to be carried out every other year, ensuring that residents have a voice. Equality considerations will continue to be embedded within the survey.</p>
<p><u>Corporate initiatives budget</u> Deletion of remainder of Corporate Initiatives budget that supports a variety of Corporate &amp; Partnership Projects</p>	<p>This will consist of a review to ensure a consistent and fair basis for decision making regarding subscriptions and projects that are supported.</p>
<p><u>Future Libraries Strategy</u> 10 year strategy developed, that looks at tiering libraries, alternatives to mobile libraries and further income development.</p>	<ol style="list-style-type: none"> <li>1. HCC will seek to develop partnership agreements with local community groups to support Tier 3 libraries. Community partners will be invited to add value to self-service library facilities by providing volunteer assistance. Community-partnered libraries will remain part of the family of Hertfordshire libraries and the Hertfordshire Library Service ethos of customer service and equalities will continue to prevail across all service points. The Library Service will work closely with community partners to provide advice, support and ongoing training for volunteers as required, including training in the additional support that may be needed by people with protected characteristics - for example, older service users or service users with disabilities.</li> <li>2. The potential for differential impact on people with protected characteristics through tiering of libraries and re-profiling of facilities in smaller communities and villages to self-service access will require further analysis in terms of actual impact and potential mitigations, including further public consultation and individual equality impact</li> </ol>

Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
	<p>assessments for the proposed tier 3 libraries.</p> <p>3. Hertfordshire Library Service recruits IT Champions in a number of libraries to support customers in using public access computers.</p> <p>4. The development of community partnerships to support Tier 3 libraries is designed to enhance local services and increase access, developing the library into a genuine community hub. The value added to the service by volunteers creates the potential for more social engagement for elderly isolated people.</p> <p>5. HCC has developed and is rolling out a 'virtual librarian' service via a 'Skype' type video link to enable customers in self-service or volunteered-supervised libraries to summon assistance from a librarian in another library.</p>
<p><b>INTERNAL</b></p> <p><u>Further Back Office Savings</u> To deliver efficiencies in Back Office Support</p> <p><u>HR - staffing efficiencies</u></p> <p><u>HR – review of operating model, organisational structure and resources</u></p> <p><u>Finance - staffing efficiencies</u></p> <p><u>Assurance Services</u> - staff restructuring in Insurance/Risk</p> <p><u>Corporate Policy team</u> Staffing efficiencies</p>	<p>HCC has a policy and guidance of principles, values, and expectations relating to Organisational Change, Redundancy and the Priority Application Process. Equality impact assessments are completed where necessary and managers are supported to ensure any negative impacts are mitigated against. This includes:</p> <ul style="list-style-type: none"> <li>– Consideration of flexible working arrangements.</li> <li>– Support from Staff support networks.</li> <li>– Access to Carewell, confidential advisers and a range of resources to help staff.</li> <li>– Robust policies to protect staff and specific policies for pregnant staff and staff on maternity leave.</li> <li>– Continual monitoring of the impact on staff.</li> <li>– Additional leave allowances for disability and pregnancy related illness.</li> </ul>

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Service area and potential for impact on people from protected groups	How we will mitigate against any possible impacts
<p><u>Improvement &amp; Technology - Management Graduate scheme</u> Remove support for academic qualification and reduce cohort from 6 to 5 trainees.</p> <p><u>Efficiencies in Customer Service Function</u> New website enabling the reduction in staffing relating to customer services through automation of processes.</p>	<p>– Our policy on equal opportunities for staff is set out in <a href="#">Putting People First</a>.</p> <p>Any potential impact on service users will be subject to an EqlA in relation to that potential impact.</p>

### 3. Opportunities to foster good relations and advance equality of opportunity between people who share a protected characteristic and those who don't.

The Public Sector Equality Duty also requires local authorities to foster good relations and promote equality of opportunity between those with a protected characteristic and others. This work is implicit in all of our services. Specific opportunities have been identified within individual EqlAs and are summarised below:

Greater integration of council, health and community services.	– Offers new opportunities to service users who will benefit from a holistic and personalised approach to service delivery.
Increased emphasis on client self-service, internet based services and use of IT:	– Providing support and training or signposting people to support and training for IT could open new opportunities for individuals – both socially and relating to employment.
Supporting the community and voluntary sector to build capacity to support the delivery of services:	– Opportunities are presented for services to be delivered more locally and encourage organisations and networks to strengthen links with local communities and encourage wider participation by volunteers.
Support to staff:	– Staff networks have been refreshed and offer staff support and networking opportunities. Membership of these groups has increased following publicity.
Consultation and focus groups:	– Most policy decisions involve public consultations which can include focus groups and public meetings, a chance for members of the community to get together and get involved in civic life.

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#### **4. An analysis of any potential cumulative impacts that spans services**

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

The continued pressure on the public sector to make savings, coupled with the changing demographics within the county, means fundamentally changing how services are delivered. This will have consequences for some equality groups within Hertfordshire as vulnerable groups make up a large proportion of Hertfordshire service users. Wherever possible, savings are delivered through efficiencies with no adverse impact on service-users.

The summary above potentially identifies a compounded impact on children, older people and people with disabilities or long term health conditions (and consequently their carers). However, in all cases the impact at this stage is considered low or medium following a range of mitigating actions put in place to minimise the potential impacts. The projects are subject to ongoing monitoring. In many cases services are more targeted and focused on the needs of service users. Online services and efficient assessment processes bring a range of benefits to service users and their carers, with some traditional methods of contact remaining available. Opportunities to promote equality and foster good relations are also considered during equality impact assessments. In particular, service users are consulted and encouraged to become involved in decisions that impact on them and get involved in civic life. Planned integration with health and social care services, together with a commitment to working closer with partners in the public, community and voluntary sector ensure the needs of all communities remain at the forefront of Council decision making.

In response to the Public Sector Specific Equality Duty to publish information a report can be found here: [www.hertsdirect.org/equalities](http://www.hertsdirect.org/equalities) that gives further examples of how we are complying with the Duty as well as our Equality Strategy. Our [annual workforce profile](#) provides breakdowns of the workforce diversity profile. The Diversity Board is responsible for monitoring equality impacts across HCC and to ensure delivery and compliance with legal and policy requirements.

The table below shows analysis of potential impact on services and service users. It does not cover staff reviews which have separate EqlAs.

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
<b>CHILDREN'S SERVICES</b>										
Family Focus - Medium Risk target	✓	✓	x	x	✓	✓	x	Low	<ul style="list-style-type: none"> <li>- Work with families from BME groups to ensure that BME children do not enter care unnecessarily</li> <li>- If they do enter care, they have the right support in place to leave care at the right time</li> <li>- Ensure that an appropriate range of placements are available to meet the cultural needs of BME Children</li> <li>- Support to UASCs</li> </ul>	Should allow savings
0-25 Integration	✓	✓	x	✓	✓	✓	x	Low	<ul style="list-style-type: none"> <li>- Robust needs analysis informed by data</li> <li>- Appropriate consultation and engagement</li> <li>- Training for staff</li> </ul>	Improve efficiencies and remove duplication across services through the introduction of cross service working

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
Home to School Transport	✓	x	x	✓	✓	x	x	Low	There is an established process for assessing individual transport needs including consideration of individual cases.  Individual transport needs for SEN pupils will take account of individual cases.	Policy review
<u>Other ESG related reductions</u>  <u>Transfers from ESG to DSG</u>	✓	x	x	✓	✓	x	x	Low	Regulations governing this area of expenditure have yet to be issued by central government. Some items of expenditure which can in future be funded from High Level Needs DSG	Central Government policy

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
<u>Home to School Transport</u>	✓	x	✓	✓	✓	x	x	Low	<p>The continuing development of more provision locally.</p> <p>Individual transport needs for SEN pupils will take account of individual cases.</p> <p>Parents can choose whether to take up the option of public transport</p>	<p>The transport needs of young people with learning difficulties and/or disabilities should be reassessed when a young person moves from compulsory schooling to post-16 education. Arrangements cannot be limited to those young people who had been assessed as having particular transport needs prior to the age of 16.</p> <p>Reduce use of taxis</p>
<u>Herts Music Service</u>	✓	x	x	✓	✓	x	x	Low	<p>A full EqIA will be carried out once details have been confirmed. Schools will be consulted on proposals. Potentially there will be changes to the way some services are delivered.</p>	<p>Central Government policy</p>

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
<u>School Improvement (Herts for Learning)</u>	✓	✓	x	✓	✓	✓	x	Low	A full EqIA will be carried out once details have been confirmed. Schools will be consulted on proposals. Some shortfall in funding will be met by other sources. Potentially there will be changes to the way some services are delivered.	Central Government policy
<u>Off Site visits/Youth Connexions</u>	✓	x	x	✓	✓	x	✓	Low	A full EqIA will be carried out once details have been confirmed. Stakeholders will be consulted on proposals.	Service Review
<u>Children Looked After Transformation Efficiency Savings</u>	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Monitoring of impact.</li> </ul>	Savings

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Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
<b>HEALTH AND COMMUNITY SERVICES</b>										
Transformation of External Day Services Provision	✓	x	✓	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Use of community facilities and universal services</li> <li>– Promotion of volunteering and employment schemes where appropriate.</li> </ul>	Use of community alternatives
Herts Healthy Homes	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Robust needs analysis to ensure the service proposals match the needs of the users.</li> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Coordination with other partners and agencies to ensure vulnerable people are supported.</li> <li>– Continual monitoring to ensure positive benefits are being realised.</li> </ul>	Reduction in funding

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
Client Income	✓	x	x	✓	✓	x	x	Medium?	<ul style="list-style-type: none"> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Monitoring of impact</li> </ul>	Maximisation of alternative funding
Physical Disabilities Purchasing Strategy	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Appropriate engagement and consultation will ensure the views of service users, carers and groups that represent them are taken into account.</li> <li>– Monitoring of impact</li> </ul>	Review of physical disability packages with a view to obtaining price and volume efficiencies
Care Homes - use of community alternative to defer placement	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>Engagement with service users and carers</li> <li>– Pre-procurement market events</li> </ul>	

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
Older People Homecare - use of community alternatives	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Needs analysis</li> <li>– Engagement and consultation with service users</li> <li>– Coordination with partners</li> <li>– Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>– Improve choice, flexibility and quality of provision</li> <li>Budget pressures</li> </ul>
Positive outcomes for people through new specialist care at home schemes	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Needs analysis</li> <li>– Engagement and consultation with service users</li> <li>– Coordination with partners</li> <li>– Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>– Fewer ongoing care packages required</li> </ul>

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
Preventative Telecare	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Services to be provided through traditional channels.</li> <li>– Communication equipment to meet accessibility standards.</li> <li>– Access to Interpreting and Translation Service.</li> <li>– Support to service users with additional needs</li> <li>– Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>– Improving access and flexibility to clients</li> <li>– Budget pressures to reduce more costly face-to-face contact</li> </ul>
NHS protection of social care and adherence to new national eligibility criteria	✓	x	x	✓	✓	x	x	Low to medium	<ul style="list-style-type: none"> <li>– Needs analysis</li> <li>– Engagement and consultation with service users</li> <li>– Coordination with partners</li> <li>– Monitoring</li> </ul>	<ul style="list-style-type: none"> <li>– NHS policy changes</li> </ul>

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact: x = No impact; NK = Not known – insufficient evidence										
Learning Disabilities - use of community alternatives	✓	x	x	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Needs analysis</li> <li>– Engagement and consultation with service users</li> <li>– Coordination with partners</li> <li>– Monitoring</li> </ul>	– Use of community alternatives
In House Day Services	✓	x	✓	✓	✓	x	x	Low	<ul style="list-style-type: none"> <li>– Use of community facilities and universal services</li> <li>– Promotion of volunteering and employment schemes where appropriate.</li> </ul>	– Use of community alternatives
<b>ENVIRONMENT</b>										
HWRC “shops”	✓	✓	✓	✓	✓	✓	✓	Low	– Potential to benefit all sections of the community who will benefit from the opportunity to purchase lower cost items	–
Convert all remaining street lighting to LED & CMS (Phase 4)	x	x	x	x	x	x	x	Low	Project should not impact on communities, road users and pedestrians	–

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
LED & CMS street lighting Phase 2 - Invest to save	x	x	x	x	x	x	x	Low	Project should not impact on the communities who live within the vicinity of the A Class road network, or similarly, road users and pedestrians using the network.	–
<b>COMMUNITY PROTECTION</b>										
Community Safety Task Force	x	x	x	x	x	x	x	No Impact	No impact on service users	–
<b>RESOURCES</b>										
Engagement and Consultation Phase 2	x	x	x	x	x	x	x	No impact	Move to biennial survey. No impact.	–
Corporate initiatives budget	x	x	x	x	x	x	x	No impact	This will consist of a review to ensure a consistent and fair basis for decision making regarding subscriptions and projects that are supported.	–

Project / Review	Age	Race	Gender	Disability	Carers	Religion and Belief	Sexual Orientation	Impact after mitigation	Mitigation	Rationale
Key: ✓ = Potential impact; x = No impact; NK = Not known – insufficient evidence										
Future Libraries Strategy	✓	x	✓	✓	✓	x	x	Low to medium	<ul style="list-style-type: none"> <li>– HCC will seek to develop partnership agreements with local community groups to support Tier 3 libraries.</li> <li>– Community partners will be invited to add value to self-service library facilities by providing volunteer assistance.</li> <li>– Investigate possibilities for developing a community transport service to collect customers and take them to visit the nearest local library.</li> </ul> <p>HCC will provide a high quality online library service, available to Hertfordshire members 24/7 from anywhere in the world.</p>	–

# **INTEGRATED PLAN**

## **PART D - THE PRUDENTIAL CODE FOR CAPITAL FINANCE AND TREASURY MANAGEMENT STRATEGY**



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## 1 Background

- 1.1 Under the Local Government Act 2003, local authorities must have regard to statutory proper practices in their treasury management and borrowing activities. These are set out in the following:
- CIPFA's Treasury Management in the Public Services: Code of Practice 2011 [The CIPFA Code] which requires the Council to approve a treasury management strategy before the start of each financial year;
  - CLG Guidance on Local Authority Investments, 2010 [CLG Guidance] which requires the Council to approve an investment strategy before the start of each financial year; and
  - CIPFA Prudential Code for Capital Finance in Local Authorities 2011 (as amended in 2012) [The Prudential Code] which requires the Council to have regard to the Prudential Code when determining how much money it can afford to borrow.
- 1.2 The Council adopted the 2011 CIPFA Code on 21 February 2012 and approved the Council's Treasury Management Policy Statement which is set out as Appendix 1 to this report.
- 1.3 This report proposes the 2017/18 Treasury Management and Borrowing Strategy and Prudential Code indicators that will be set and monitored throughout 2017/18.
- 1.4 This report demonstrates that the Council has fulfilled its legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code, CLG Guidance and the Prudential Code in determining the 2017/18 Treasury Management and Borrowing Strategy.
- 1.5 In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement, should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.
- 1.6 As at January 2017 the Financial Conduct Authority is consulting on its third phase of implementing the Markets in Financial Instruments Directive (MiFID) II. MiFID II is a package of EU legislation introduced in 2014 to regulate both retail and wholesale investment business. The draft proposals may significantly affect the ability for local authorities to carry out their treasury management activities in their current form, and may require the Treasury Management Strategy to be revised.

## 2 Capital Expenditure and the Capital Financing Requirement

- 2.1 Capital expenditure plans will be partially financed by resources such as capital receipts and capital grants. The remaining element which cannot be immediately financed from other sources will impact on the Council's underlying need to finance (the Capital Financing Requirement, or CFR). A summary of capital expenditure and financing for financial year 2017/18 together with estimates for 2018/19 to 2020/21 is shown in Table 1. This forms one of the required prudential indicators which are discussed in section 6 to this report.

- 2.2 There are two main limiting factors on the Council's ability to undertake financing for capital expenditure:
- Whether revenue resource is available to fully support the implications of capital expenditure including borrowing and running costs.
  - Any limits on borrowing exercised by the government as a consequence of national economic policies which may assess that local plans are unaffordable for a specific council and, therefore, implement a control to limit its capital expenditure plans. There are no such requirements for the financial year 2017/18.
- 2.3 A key risk of the plan is that some of the estimates for other sources of funding, particularly grants and capital receipts, may be subject to change over time.
- 2.4 Taking this key risk into consideration, the Council is asked to approve the capital expenditure projections in Table 1 that reflect the recommended capital programme and financing.

**Table 1: Proposed Capital Expenditure and Capital Financing**

	<b>2015/16 Actual £000s</b>	<b>2016/17 Revised £000s</b>	<b>2017/18 Estimated £000s</b>	<b>2018/19 Estimated £000s</b>	<b>2019/20 Estimated £000s</b>
<b>Total Expenditure</b>	<b>163,047</b>	<b>183,496</b>	<b>219,287</b>	<b>215,542</b>	<b>177,115</b>
<b>Grants</b>					
Grants	(111,986)	(100,185)	(94,966)	(74,219)	(60,555)
Contributions (including S106 and from the LEP*)	(9,004)	(31,036)	(36,037)	(58,860)	(43,594)
Reserves	(20,095)	(7,747)	(2,836)	(1,000)	(1,750)
Revenue	(16,434)	(1,039)	-	-	-
Capital Receipts / Investment Reserve	(5,461)	(21,786)	(10,000)	(10,000)	(10,000)
<b>Borrowing Requirement</b>	<b>67</b>	<b>21,703</b>	<b>75,448</b>	<b>71,463</b>	<b>61,216</b>

\* LEP – Local Enterprise Partnership

\*\* PFI – Private Finance Initiatives

- 2.5 Any increase in the Councils CFR, underlying need to finance its capital programme, will need to be done through either borrowing, finance leases or PFI contracts. There are no plans to enter into additional finance leases or PFI contracts.
- 2.6 The Council is asked to approve the borrowing requirement projections in Table 2 (overleaf) that support the recommended capital programme.

**Table 2: Capital Borrowing Requirement Breakdown**

	2015/16 Actual £000s	2016/17 Revised £000s	2017/18 Estimated £000s	2018/19 Estimated £000s	2019/20 Estimated £000s
Borrowing – General	67	21,703	60,313	61,546	61,216
Borrowing – Croxley	-	-	15,135	9,917	-
<b>Total Movement</b>	<b>67</b>	<b>21,703</b>	<b>75,448</b>	<b>71,463</b>	<b>61,216</b>

### Change in MRP Policy

- 2.7 Where the Council finances capital expenditure by borrowing, it must set aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP).
- 2.8 The statutory regulations governing MRP allow a range of approaches for calculating this charge. The Council’s policy in recent years has followed guidance issued by DCLG in 2008, and along with many other authorities adopted the “regulatory option”. This linked the MRP charge for pre 2008 borrowing to the provision for capital financing within Revenue Support Grant, calculating it as a 4% reducing balance.
- 2.9 With the loss of RSG, the Council (like several others) has reviewed this policy and a prudent approach sought, that accurately reflects the expected life of the assets to which the borrowing relates whilst remaining affordable within the Council’s overall revenue budget. Officers have worked with the Council’s external auditors to agree a revised basis of calculation, and a change of policy is now proposed.
- 2.10 There are two elements of MRP, and the proposed changes to each are:
- a) **Relating to pre 2008 spend:** currently charged on a 4% reducing balance, as above. It is proposed to change to repayment over 50 years from 2008, which reflects the life of the assets and gives an earlier provision for completing repayment of this debt. The repayments would be calculated on an annuity basis, linked to the 2008 PWLB borrowing rate, to reflect the time value of money. This reduces the charge in the early years of the repayment profile. The change in policy will be backdated to 2008, and the backdated savings spread across the remaining years, reducing the charge for future taxpayers across the life of the assets.
  - b) **Relating to spend from 2008:** this would continue to be charged across the expected life of the assets. However, it is proposed that the charge be calculated on an annuity basis (using PWLB rates effective at the time the spend was incurred). Discounting using the annuity reduces the charge in the short term. Future MRP annual charges can also be reduced by using borrowing to fund assets with the longest lives, so spreading repayment over a longer period. It is therefore proposed that capital receipts, reserves and other funding sources are applied to shorter life assets to the extent that they are available.

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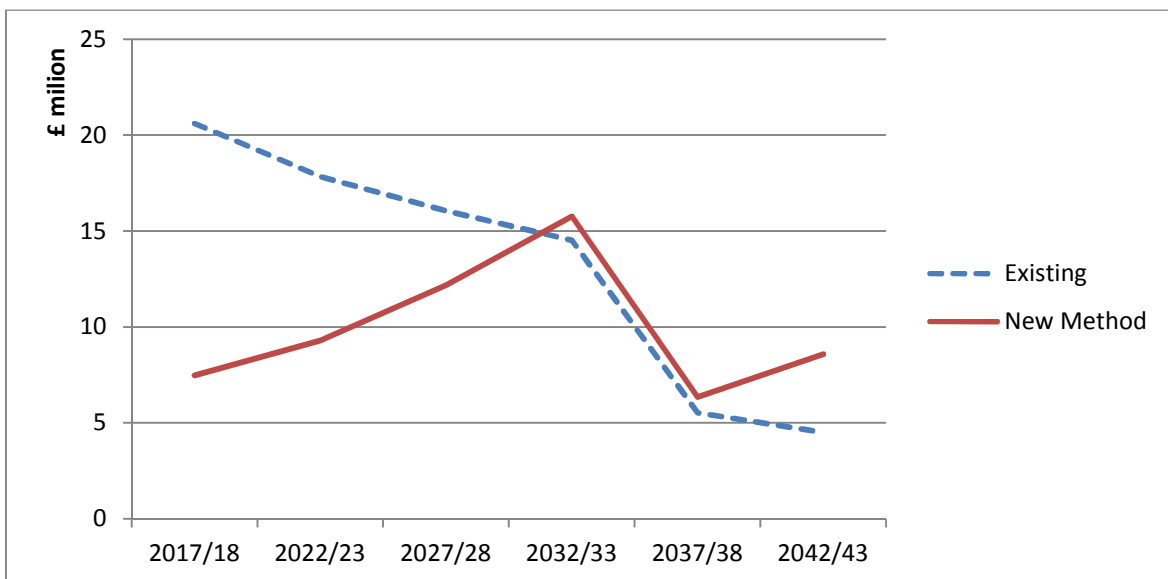
Backdating the annuity method to 2008 will release savings estimated at £19m (subject to confirmation of annuity rates and the outturn position for 2016/17), which can be released over the next three years. It is suggested that these are set aside in an Investment Reserve to be used for capital financing or related investment, which will reduce the need for future borrowing and hence MRP, and give some flexibility on capital funding.

2.11 The key benefits of the proposed policy can therefore be summarised as:

- Charge more closely matches useful life of assets financed
- Charge for pre-2008 debt is repaid sooner
- Use of annuity gives a more consistent present value of charge across asset lives
- Savings released across the short to medium term
- Policy change is backdated, releasing savings to mitigate future increases, either by apportioning across future year's MRP or using to finance capital in lieu of additional borrowing

2.12 The graph below compares charges under the new policy with the existing method. This demonstrates the delivery of savings in the short to medium term over the existing method.

**Graph 1: MRP Charges under proposed policy, and existing method**



2.13 Beyond 2037/38 charges under the new method will be higher, as the pre-2008 debt charges increase under the annuity method, as compared to the reducing balance. However, the real value of these charges will have been decreased by inflation (and the potential to earn interest on any savings made). This is a long term position and there is the potential for the statutory requirements for MRP to change, for example to align the charges more closely to actual borrowing. The Council's external borrowing is significantly lower than the level of borrowing assumed by MRP (the Capital Financing Requirement was £518.3m as at end 2015/16, compared with borrowing of £258.8m). MRP does not therefore relate currently to actual borrowing costs.

- 2.14 Financing the capital programme using borrowing or finance leases (including PFIs) increases the CFR which ultimately affects the amount the Council must put aside for debt repayment (MRP). MRP on general borrowing is charged centrally to revenue and included within the capital financing figure in the Integrated Plan. MRP on PFI contracts and finance lease liabilities are charged to the relevant service.
- 2.15 The annual MRP charge decreases the capital financing requirement. Borrowing and finance leases (including PFI contracts) increase the CFR.
- 2.16 Capital expenditure financed by borrowing will not incur an MRP charge until the year after the capital expenditure occurs. Therefore, the 2017/18 borrowing requirement will lead to additional MRP in 2018/19.

**Table 3: Movement in the Estimated Capital Financing Requirement**

	2015/16 Actual £000s	2016/17 Revised £000s	2017/18 Estimated £000s	2018/19 Estimated £000s	2019/20 Estimated £000s
Opening CFR	541,421	518,299	517,211	580,443	637,621
Net movement in CFR	(23,122)	(1,088)	63,232	57,177	45,065
Closing CFR	518,299	517,211	580,443	637,621	682,686
<b>Net Movement in CFR comprises:</b>					
MRP Borrowing	(21,765)	(21,122)	(10,720)	(12,579)	(14,283)
MRP on Finance Leases	(30)	(31)	(33)	(35)	-
MRP on PFI contracts	(1,394)	(1,638)	(1,463)	(1,672)	(1,868)
Additional Borrowing	67	21,703	75,448	71,463	61,216
<b>Total Movement</b>	<b>(23,122)</b>	<b>(1,088)</b>	<b>63,232</b>	<b>57,177</b>	<b>45,065</b>

- 2.17 The Prudential Code requires the Council to assess the affordability of its capital spending plans. This is achieved by setting and monitoring two prudential indicators. These provide an indication of the impact of the capital spending plans on the overall finances for the Council. The Council is asked to approve the following indicators:

**Actual and Estimates of the ratio of financing costs to net revenue stream**

The indicator set out in Table 4 identifies the trend in the cost of capital (borrowing costs net of lending income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this report.

**Table 4: Ratio of financing costs to net revenue stream**

	2015/16 Actual	2016/17 Comparator	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	1.32%	1.33%	1.47%	1.65%	1.75%

### 2017/18 Context

Assuming no increase in income or reduction in expenditure from improved service delivery, an increase of 0.10% in this ratio is equivalent to an additional interest cost of approximately £775k. This equates to borrowing approximately £29m at 2.67%.

### **Estimates of the Incremental Impact of Capital Spending decisions on Council Tax**

This indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in this budget report compared to the Council's existing commitments and current plans. The forward projections are based on the assumptions included in the budget, but will invariably include some areas, such as the level of government support, which is not published over a three year period.

Table 5 shows the incremental impact on Band D Council Tax of additional capital spending interest costs for the financial years 2017/18 to 2019/20. This relates to spending over and above the levels included in the capital programme agreed in February 2016 for financial years 2017/18 to 2019/20.

**Table 5: Incremental Impact of Capital Spending Decisions on Band D Council Tax**

	<b>2017/18 Forward Projection</b>	<b>2018/19 Forward Projection</b>	<b>2019/20 Forward Projection</b>
Council Tax Impact - Band D	£0.91	£2.76	£2.07

## **3 Context for the Treasury Management Strategy**

### **3.1 Economic Background**

The major external influence on the Authority's treasury management strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union.

Financial markets, wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the European Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers exit in early 2017 and last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of leaving the single market has dented business confidence and

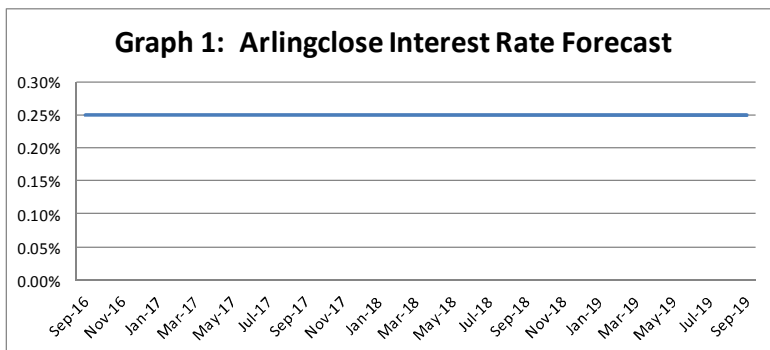
resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution (December 2016), the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

### 3.2 Interest Rate Forecast

The Council's treasury advisor, expects that UK Bank Rate will remain at 0.25% during 2017/18, and the Bank of England has highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view, and the current inflation outlook, further falls in the Bank Rate look less likely than was thought in autumn 2016.



For the purposes of setting the budget it has been assumed that new investments will be made at an average rate of 0.35%, and new long term borrowing will be borrowed at an average rate of 2.67%

### 3.3 Credit Outlook

Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making



unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however continue to fall.

### 3.4 Current Treasury Position for Borrowing

Table 6 shows the borrowing position at 31 March 2016 and the estimated position at 31 March 2017. No additional long term borrowing has been undertaken in 2016/17 since cash balances have been used to fund capital expenditure.

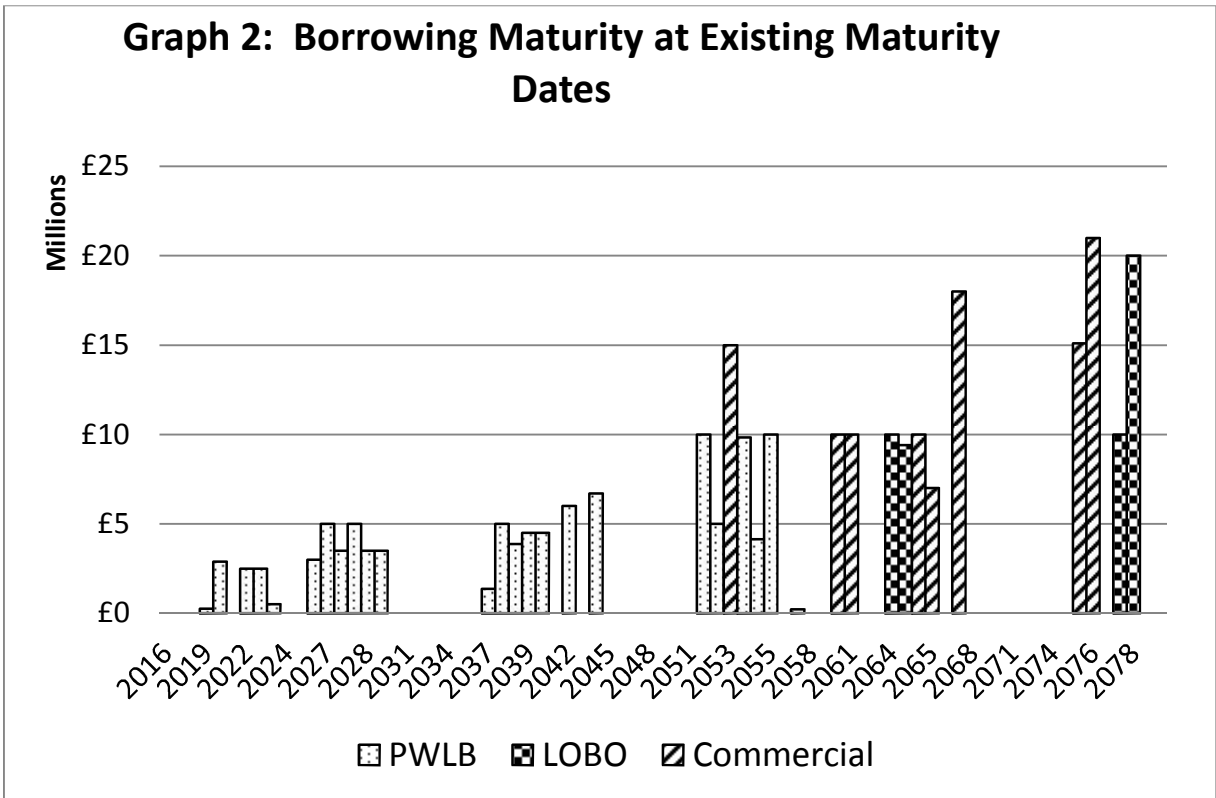
Table 6 shows the sources of borrowing and the maturity structure of the loans. Borrowing is sourced from the government's Public Works and Loans Board [PWLB] and commercial banks. Commercial bank loans are a mixture of fixed term borrowing and Lender's Option, Borrower's Option [LOBO] loans which may be called for early repayment in advance of the existing terms. PWLB loans have a fixed maturity date.

During 16/17 LOBO loans that we hold with Barclays Bank were converted to fixed term loans when the bank elected to permanently waive its future options on all of these instruments. A final Range LOBO with Barclays was also converted to a fixed rate loan following a negotiation and reduction of the interest rate payable. These fixed rate loans with Barclays are now classified as 'Commercial' in Table 6, below.

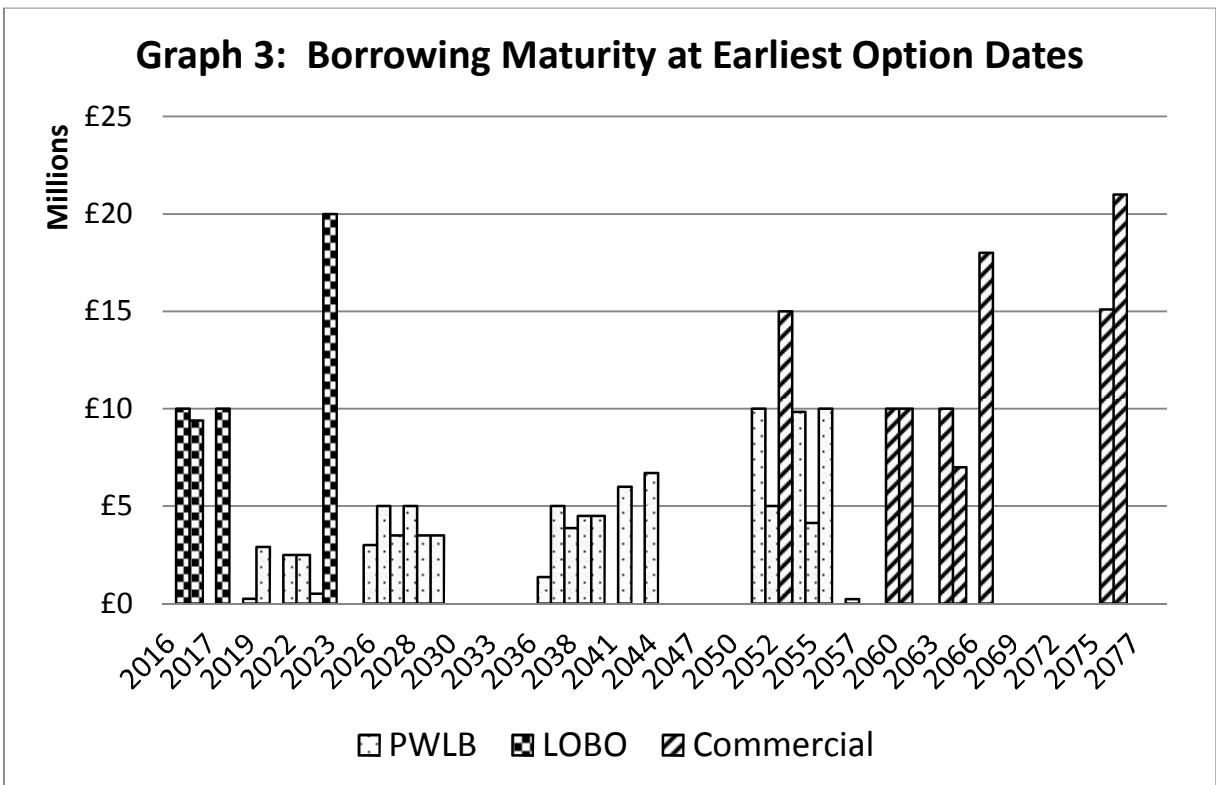
**Table 6: Treasury Position for Borrowing**

	2015/16	Sources of Borrowing		2016/17	Sources of Borrowing		
	Actual	PWLB	LOBO	Estimated	PWLB	Commer- cial	LOBO
	£000s			£000s			
<b>Borrowing at 31 March</b>	<b>258,779</b>	<b>103,279</b>	<b>137,500</b>	<b>258,779</b>	<b>103,279</b>	<b>106,100</b>	<b>49,400</b>
<b>Analysed as:</b>							
Maturing in under 2 years	-	-	-	-	-	-	-
Maturing in 2 to 10 years	8,645	8,645	-	11,645	11,645	-	-
Maturing in 10 to 30 years	55,433	55,433	-	52,433	52,433	-	-
Maturing in 30 years or later	194,701	39,201	137,500	194,701	39,201	106,100	49,400

Graph 2 below shows the existing maturity dates for PWLB, LOBO and commercial loans.



Graph 3 (below) shows maturity dates for PWLB loans together with the next possible option for remaining LOBO loans if they were called before their maturity date.



Graph 3 highlights the inherent uncertainty around the existing terms of the remaining LOBO loans and the risk of early repayments. The Council's treasury advisor predicts that LOBOs are very unlikely to be called in the short to medium term based on

current interest rate forecasts. In the event that LOBOs were to be called, then the Council would seek to replace borrowing from sources of borrowing listed in section 4.24 at the most economic rate. As a result of the conversion of £106.1m of LOBO loans to fixed term commercial loans (Table 6) the Council's exposure to this risk is now £49.4m.

### 3.5 Current Treasury Position for Lending

Table 7 shows the lending position at 31 March 2016 and the estimated position at 31 March 2017.

**Table 7: Treasury Position for Lending**

	<b>2015/16 Actual £000s</b>	<b>2016/17 Estimated £000s</b>
<b>Total Lending at 31 March Analysed as:</b>	<b>93,895</b>	<b>88,017</b>
Iceland Investments	663	643
Instant Access	30,732	24,874
60 day notice account	10,000	-
95 Day Notice Account	-	10,000
Long Term MMFs	17,500	17,5000
Fixed Term	5,000	5,000
Pooled Funds	30,000	30,000

## 4 Proposed Treasury Management Strategy

### Lending Strategy

- 4.1 In developing proposals for the 2017/18 Treasury Management Strategy, risk assessments have been undertaken in conjunction with Arlingclose. Consideration has been given to the Council's risk tolerance with a primary focus on security of the Council's funds. Secondary to this is liquidity, ensuring that sufficient funds are available to meet the Council's forecasted cashflow requirements; and only once both of these matters have been taken into account will the yield be considered.
- 4.2 If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 4.3 The council will continue to pursue the strategy of a diversified investment portfolio adopted during 2015/16, in order to manage its credit risk exposure and liquidity requirements.

- 4.4 The use of long-term investments as part of a diversified portfolio which addresses a range of credit and counterparty risks may, when the impact of the uncertain timing of receipts and payments are considered, give rise to short-term borrowing requirements to provide required liquidity.
- 4.5 With due regard to this risk, £30m is deemed to be available for long-term investment and has been invested in a range of pooled funds. These funds are subject to market value fluctuations and are therefore intended to be held for the long-term to generate income and mitigate the risk of capital value variation.

### **Lending Policy**

- 4.6 The lending policy seeks to address risk by setting criteria such as:
- Monetary limits on terms of investment with any one single counterparty;
  - Monetary and time limits for investment with counterparty sectors or countries;
  - Group limits on counterparty sectors;
  - Diversifying investments across a number of different financial instruments and asset classes;
  - Maximum value as a single transaction for fixed term investments; and
  - Using financial data such as credit ratings to assess the creditworthiness of counterparties.
- 4.7 No changes are proposed to approve investment instruments for the 2016/17 Lending Policy. These are as follows:
- Call and notice accounts
  - Fixed Term deposits and loans
  - Treasury Bills
  - Certificate of deposits
  - Shares in Money Market Funds – short and long term duration
  - Commercial Paper
  - Other Pooled Funds (including bond, equity and property funds)
  - Loan Agreements with UK Registered Providers of social housing
  - Government and Corporate Bonds
  - Covered Bonds
  - Reverse Repurchase Agreements
  - Other collateralised arrangements
  - Equity shares in the Local Capital Finance Company
  - Investments in small corporates via peer to peer lending through on-line portals or specialist lending vehicles.

Further information on these instruments is set out in Appendix 3.

- 4.8 Investment regulations require the Council to determine what specified and non-specified investments it will use. CLG guidance defines specified investments as those:
- Denominated in sterling;
  - Due to be repaid within 12 months of the arrangement;
  - Not defined as capital expenditure by legislation; and

- Invested with the UK government, a UK local authority, parish council or community council or an institution of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher (based on Fitch’s credit rating criteria). For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of AAA.

- 4.9 Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation. This is with the exception of the Council’s holding of equity shares in the LGA’s Local Capital Finance Company which provides the Council with an additional source of borrowing. Limits for non-specified investments for the 2017/18 Treasury Management Strategy are set out in Table 9.

**Table 9: Non-specified Investment Limits**

Type of Investment	Cash limit
<b>Total long-term investments</b> Fixed term investments for more than 364 days from the date of arrangement and pooled funds used for longer duration investments that are not planned to mature within 364 days	£50m
<b>Total investments without a credit rating – excluding MMFs</b> Includes pooled funds, challenger banks, building societies and lending to corporates via peer to peer lending	£50m
<b>Total investments without a credit rating – MMFs</b> Money Market Funds if regulations change and these become unrated	£80m
<b>1 Total Unsecured investments rated below A-</b>	£10m
<b>2 Total Secured investments rated below A-</b>	£100m
<b>Total equity shares in the Local Capital Finance Company</b>	£0.5m
<b>TOTAL NON-SPECIFIED INVESTMENT LIMIT</b>	<b>£140m</b>

See Appendix 2, Section 1.7 for definition of unsecured investments

See Appendix 2, Section 1.8 for definition of secured investments

- 4.10 The Council understands that credit ratings are a good predictor of investment default but are rating agencies’ expressed opinions and not a perfect indicator. Therefore, Officers will use other sources of information; including credit default swap ratings and equity prices, to determine the credit quality of an organisation. These are detailed in Appendix 2, section 4 of the proposed Lending Policy.
- 4.11 No investments will be made with an organisation if there are substantive doubts about its credit quality even though it may meet the Lending Policy criteria. This means the Lending Policy applied operationally may at times be more restrictive than it formally allows.

- 4.12 When deteriorating financial market conditions affect the creditworthiness of all organisations but these are not generally reflected in credit ratings, then the Council will restrict its investments in those organisations to maintain the required level of security. These restrictions may mean that insufficient commercial organisations of “high credit quality” are available for investment and so any cash surplus will be deposited with the government’s Debt Management Office or with other local authorities. This may result in a reduction in the level of investment income earned but will protect the principal sums invested.
- 4.13 The proposed 2017/18 Treasury Management Strategy has considered a full range of risks and Officers will apply the strategy to ensure that security of deposits is the prime consideration. However, in agreeing the proposed strategy, Members should be aware that there is always a risk of default of counterparties other than the Debt Management Office which is guaranteed by the government.

### **Borrowing Strategy**

- 4.14 The Council’s objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.
- 4.15 The Capital Programme for 2017/18 – 2019/20 includes a requirement for additional borrowing. As Capital Assets by nature bring benefits over multiple years, so their financing is long-term in nature.
- 4.16 In recent years the council followed a policy of using internal borrowing to finance unfunded elements of the capital programme. As a result the council has relatively high levels of internal borrowing, and further internal borrowing would require the liquidation of some of our current investment balances. Officers will review the returns generated by those investments against interest costs of new borrowing in order to minimise the net borrowing cost to the authority.
- 4.17 The current low interest rate environment, as noted in section 3, is expected to continue for the foreseeable future. In this environment, where short term borrowing is available at lower cost than long term loans, it is possible to deliver value to the council by balancing the savings from low-cost short-term borrowing against the risk of future interest rate rises increasing the long-term cost of borrowing.
- 4.18 Accordingly it is proposed that the cost of long-term financing will be managed by meeting the council’s borrowing requirement from a combination of rolling shorter term loans (0-5 years duration), combined with long term borrowing (20+ years duration).
- 4.19 It will ultimately be necessary to fund this requirement using long-term loans, and officers will monitor interest rates in conjunction with its treasury advisor to ensure that an efficient balance of risk and cost is achieved.
- 4.20 The exception to this is that long-term PWLB funding at the Local Enterprise Partnership project rate has been secured to support the Croxley project, and it is anticipated that this will be borrowed in 2017/18.

4.21 This strategy meets the primary aim of security by limiting the value of surplus cash available for deposits.

### **Borrowing Policy**

4.22 Borrowing will be undertaken only for a capital purpose and when it is necessary to manage short term cashflow requirements. The Chief Financial Officer, in consultation with the Council's treasury management advisers, will take the most appropriate form of borrowing depending on prevailing interest rates. The maturity profile of the borrowing portfolio will also be taken into consideration when deciding the duration of borrowing to ensure an even spread of loans. This will minimise the size of loans requiring refinancing during any given period thereby reducing the risk posed by periods of high interest rates.

4.23 The borrowing portfolio will be continually monitored in consultation with the Council's treasury management advisers to identify rescheduling opportunities which could reduce interest costs. The potential refinancing and interest rate risks arising from rescheduling would be considered at the same time to determine whether it is appropriate.

4.24 The approved sources of long term and short term borrowing will be:

- Public Works Loan Board (PWLB)
- Any institution approved for investments in the Lending Policy
- Any other bank or building society authorised to operate in the UK
- Other Local Authorities
- Capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- UK public and private sector pension funds (except for Hertfordshire Pension Fund)

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases
- Private Finance Initiatives
- Hire purchase
- Sale and leaseback

## **5 Policy on Use of Financial Derivatives**

5.1 The CIPFA Code requires local authorities to clearly detail their policy on the use of derivatives in the annual strategy.

5.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

- 5.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) to manage specific risks such as currency risk or where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, through entering into such contracts, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Officers will seek professional advice and opinion from the Treasury advisers and legal services on proposals to use any form of derivative contracts.
- 5.4 Financial derivative transactions that are arranged will only be with organisations that meets the Council's approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

## 6 Prudential and Treasury Management Indicators and Reporting

- 6.1 The Prudential Code requires the Council to set and monitor a range of prudential indicators relating to borrowing. The objectives of the Prudential Code are to ensure, within a clear framework, that capital investment plans for local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.
- 6.2 This report and prudential indicators set out in Tables 1, 3, 4, 5, 10 and 11 demonstrates that the Council has fulfilled the Prudential Code objectives.
- 6.3 Table 10 is a key indicator of prudence to ensure that over the medium term debt will only be for a capital purpose. The Council needs to ensure that 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 2017/18 and the next two financial years.

**Table 10: Gross Debt and the Capital Financing Requirement**

	<b>2015/16 Comparator £000s</b>	<b>2016/17 Estimate £000s</b>	<b>2017/18 Estimate £000s</b>	<b>2018/19 Estimate £000s</b>	<b>2019/20 Estimate £000s</b>
Gross Debt	258,799	258,799	334,247	405,710	466,926
CFR	518,299	517,211	580,443	637,621	682,686

- 6.4 The Council complied with the prudential indicator requirement to keep net borrowing below the relevant CFR in 2015/16, and no difficulties are envisaged for the current or future years. This reflects the borrowing strategy set out in section 4 and an allowance for potential short term borrowing to cover temporary cashflow requirements.
- 6.5 Table 11 sets out proposed limits for the following two prudential indicators which aim to control the overall level of borrowing. The limits are based on gross debt shown in Table 10. These are:



### The Authorised Limit

This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected cash movements. This is the statutory limit determined under the Local Government Act 2003.

### The Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The proposed limits reflect the capital programme and the borrowing strategy, including the potential for temporary overdraft arrangements.

**Table 11: Authorised and Operational Limits**

<b>Authorised limit for external debt</b>	<b>2016/17 Limit £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>
Borrowing	355,000	425,000	500,000	565,000
Other long term liabilities	70,000	70,000	70,000	70,000
<b>Total</b>	<b>425,000</b>	<b>495,000</b>	<b>570,000</b>	<b>635,000</b>
<b>Operational boundary for external debt</b>	<b>2016/17 Limit £000</b>	<b>2017/18 Estimate £000</b>	<b>2018/19 Estimate £000</b>	<b>2019/20 Estimate £000</b>
Borrowing	325,000	395,000	470,000	535,000
Other long term liabilities	70,000	70,000	70,000	70,000
<b>Total</b>	<b>395,000</b>	<b>465,000</b>	<b>540,000</b>	<b>605,000</b>

- 6.6 The Council measures and manages its exposure to treasury management risks using a range of indicators related to interest rate exposure, refinancing risks and liquidity risk. In addition, treasury activity is measured against a range of performance indicators related to security, liquidity and yield.
- 6.7 Table 12 sets out the proposed limit to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures are expressed as the amount of net principal borrowed.

**Table 12: Fixed and Variable Rate Exposure**

	<b>2016/17 Upper £000s</b>	<b>2017/18 Upper £000s</b>	<b>2018/19 Upper £000s</b>	<b>2019/20 Upper £000s</b>
Limits on fixed interest rates	325,000	395,000	470,000	535,000
Limits on variable interest rates	97,500	118,500	141,000	160,500

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

- 6.8 Table 13 (overleaf) proposes the gross limits set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing in the same period. This is known as maturity risk. The indicators are set relatively high to provide sufficient flexibility to respond to opportunities to repay or reschedule debt during the financial year, while remaining within the parameters set by the indicators.

**Table 13: Maturity Structure of Fixed Interest Rate Borrowing**

	2016/17 onwards	
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	50%
2 years to 5 years	0%	60%
5 years to 10 years	0%	80%
10 years to 20 years	0%	85%
20 years to 30 years	0%	90%
30 years and above	0%	100%

- 6.9 The next indicator is the total principal funds invested for greater than 364 days. The indicators proposed in Table 14 reflects the deposits already placed, which mature more than 364 days after 31 March 2015, including those at risk in Iceland, and potential new long term investments.

**Table 14: Investments Greater than 364 days**

	2017/18 £000s	2018/19 £000s	2019/20 £000s
Maximum principal sums invested > 364 days	50,000	50,000	50,000

- 6.10 The CIPFA Code requires the Council to set performance indicators to assess the treasury function over the year. The proposed indicators that will be measured are:

**Security, Liquidity and Yield Indicators**

- Weighted average long term credit rating of the portfolio
- Weighted average maturity of the portfolio
- Return on lending compared to the 7 day LIBID rate
- Average rate payable on the borrowing portfolio

**Operational Indicators**

- Any breaches of the Lending Policy
- Types of financial instruments used

## Treasury Management Reporting

- 6.11 Officers report to Cabinet on a quarterly basis on treasury management as part of the revenue budget monitoring process. The County Council and the Audit Committee will receive a mid-year report and a report at the end of the financial year on treasury management activities and performance. A summary statement of the prudential indicators and treasury management performance indicators that are reported is provided as Appendix 4.
- 6.12 The Treasury Management Strategy set out in this report is expected to be relevant throughout 2017/18. However, there may be a need to review it during the year where there are significant changes to the economic background, interest rate or changes to government guidance or best practice. If required, proposed revisions will be reported to full Council for Members' consideration in accordance with the CIFPA Code.

## 7 Financial Implications and Sensitivity to Interest Rates

- 7.1 The financial implications of treasury management activity are included in the Capital Financing and Interest on Balances budget which is part of the Council's overall budget being considered elsewhere on this agenda. This section highlights the financial implications of the Treasury Management Strategy described in section 4.
- 7.2 Table 15 shows forecasts of interest payable on borrowing split between existing commitments and a forecast of additional interest expected to be paid as a result of the proposed new borrowing requirement set out in section 2.

**Table 15: Forecasts of interest payable on borrowing**

	2016/17 Comparator £000's	2017/18 Estimate £000's	2018/19 Estimate £000's	2019/20 Estimate £000's
Cumulative Additional borrowing	-	75,448	146,911	208,127
<b>Funded by:</b>				
Long-term Borrowing	-	75,448	146,911	208,127
Short-term Borrowing	-	-	-	-
Reduction in Investment Balance (see Table 15 for impact)	-	-	-	-
<b>Interest Cost of Borrowing:</b>				
Interest committed as at 31/3/2016	12,352	12,352	12,352	12,352
Estimated interest from additional long-term borrowing	-	396	1,607	2,522
Estimated interest from additional short-term borrowing	82	-	-	-
<b>Total Estimated Interest Payable</b>	<b>12,434</b>	<b>12,748</b>	<b>13,959</b>	<b>14,874</b>

- 7.3 Table 16 shows the interest the Council expects to earn on investments in the forthcoming three financial years. The Council will continue to diversify the risk of managing an investment portfolio by maintaining low investment balances. Cashflow will be maintained on a short term basis to meet known cash outflows in the next month, plus a contingency to cover unexpected cashflows over the same period.

**Table 16: Forecasts of Interest on Investments**

	<b>2016/17 Comparator £000's</b>	<b>2017/18 Estimate £000's</b>	<b>2018/19 Estimate £000's</b>	<b>2019/20 Estimate £000's</b>
Forecast Average Balance	124,000	90,000	70,000	70,000
Forecast Interest Rate Short-term	0.51%	0.35%	0.35%	0.35%
Forecast Interest Rate Long-term	3.27%	4.00%	4.00%	4.00%
Short-term interest earned	479	210	140	140
Long-term interest earned	1,281	1,200	1,200	1,200
<b>Total Interest earned forecast</b>	<b>1,760</b>	<b>1,410</b>	<b>1,340</b>	<b>1,340</b>

- 7.4 Changes to interest rates have an impact on treasury management activity. Table 17 demonstrates the impact of a 1% rise or fall in interest rates.

**Table 17: Sensitivity to a 1% Increase/Decrease in Interest Rates**

	<b>2017/18 Estimated +1% Impact Cost / (Saving) £000s</b>	<b>2017/18 Estimated -1% Impact Cost / (Saving) £000s</b>
Interest on borrowing	348	(252)
Investment income	(900)	420
<b>Total impact on treasury</b>	<b>(552)</b>	<b>168</b>

- 7.5 The Council seeks to minimise the interest rate risk by agreeing fixed rates for new long term borrowing in the majority of cases, however in the current financial climate, as outlined in section 4.5, there are opportunities for cost savings by taking advantage of lower rates on short term borrowing. In setting the budget for short term interest earned or paid the Council takes advice about the likely pattern of interest rates over the coming financial year and models the impact of a change in rates as shown in Table 17 to illustrate the risk.

## **8 Treasury Management Training and Advice**

- 8.1 CLG investment guidance requires the Council to note the following matters each year as part of the annual strategy:

### **Treasury management advisers**

The Council contracts with Arlingclose to provide advice and information relating to its investment and borrowing activities. This contract is due to expire in February 2017, and a tender process is underway to replace it. Therefore it is possible that the provider may change when the current contract ends.

The services provided are reviewed through quarterly meetings and include:

- Advice and guidance on relevant policies, strategies and reports
- Advice on investment decisions
- Notification of credit ratings and changes
- Other information on credit quality
- Advice on debt management decisions
- Technical accounting advice
- Reports on treasury performance
- Forecasts of interest rates; and
- Training courses.

### **Investment training**

Training on treasury management will be provided in 2017/18 by the Council's treasury advisors and other professional bodies. Training will be provided to induct new members and to ensure that Members continuing in their roles in relation to treasury management keep their knowledge and skills up to date.

- 8.2 All treasury management Officers are required to attend an introductory course run by the treasury advisors before they are able to transact. Officers new to treasury management are shadowed by more experienced Officers until they are judged to be competent to undertake transactions themselves and demonstrate a good understanding of the Council's treasury policies. To keep Officers' knowledge up to date, the Council is a member of the CIPFA Treasury Management Forum which provides information and training to its members. In addition the Council's advisers provide continuous guidance, updates and training and Officers will attend conferences and courses related to the treasury function.

## **9 Treasury Management for Other Organisations**

- 9.1 HCC currently provides treasury management services for three organisations, the Hertfordshire Pension Fund, the Hertfordshire Police and Crime Commissioner (PCC) and the Hertfordshire Local Enterprise Partnership (LEP).
- 9.2 Hertfordshire PCC and the Pension Fund cash balances are held in separate bank accounts and separate investments are maintained for each in accordance with their respective cashflows. These investments are made in accordance with their own Treasury Management Strategies which are maintained separately and agreed by the PCC and the Pensions Committee respectively. Reporting arrangements are similar to the Council's with a mid-year and end of year report being provided on activity within the year in addition to the Strategy.
- 9.3 The Hertfordshire LEP is not a separate legal entity and HCC is the Accountable body. Therefore its balances are held with the Council's and invested as part of the wider pool. Separate information is maintained on LEP cashflows, and appropriate interest is paid over to the LEP annually. Any specific investments made on behalf of the LEP are therefore covered by the HCC Treasury Management Strategy. The proposed change to the Treasury Management Strategy in 2016/17 is to enable investments in instruments linked to economic growth but which do this in such a way to manage risk.

## **APPENDIX 1      TREASURY MANAGEMENT POLICY STATEMENT**

The Council's financial regulations require it to create and maintain a Treasury Management Policy statement, stating the policies, objectives and approach to risk management of its treasury activities, as a cornerstone for effective treasury management.

### **1 Definition**

The Council defines its treasury management activities as the:

- Management of the Council's investments and cashflows, its banking, money market and capital market transactions
- Effective control of the risks associated with those activities
- Pursuit of optimum performance consistent with those risks

### **2 Risk management**

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.

### **3 Value for money**

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

### **4 Borrowing policy**

The Council values revenue budget stability and will therefore borrow the majority of its long term funding needs at long term fixed rates of interest. Short term and variable rate loans will only be borrowed to the extent that they either offset short term and variable rate investments or can be shown to produce revenue savings.

The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003, and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit. It will also set limits on its exposure to changes in interest rates and limits on the maturity structure of its borrowing in the Treasury Management Strategy report each year.

## **5 Investment Policy**

The Council's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of local authority services is an important, but secondary, objective.

The Council will have regard to the Communities and Local Government Guidance on Local Government Investments and will approve an investment strategy each year as part of the Treasury Management Strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.



## APPENDIX 2 2016/17 LENDING POLICY

### 1 Approved Counterparties and Limits

- 1.1 The Council may invest in any of the counterparty types in Table A, subject to the cash limits (per counterparty) and the time limits shown. The credit rating criteria in Table A is based on Fitch's long term credit ratings.

Table A must be read in conjunction with the notes to section 1.

**Table A: Approved Investment Counterparties and Limits**

Credit Rating	Banks Unsecured		Banks Secured		Government / Sovereign		Corporates		Registered Providers	
	Value	Time	Value	Time	Value	Time	Value	Time	Value	Time
UK Govt	N/A	N/A	N/A	N/A	Unlimited	10 years	N/A	N/A	N/A	N/A
UK Local Authorities	N/A	N/A	N/A	N/A	£10m	10 years	N/A	N/A	N/A	N/A
AAA	£10m	5 years	£15m	10 years	£10m	10 years	£10m	10 years	£10m	10 years
AA+	£10m	5 years	£15m	5 years	£10m	10 years	£10m	10 years	£10m	10 years
AA	£10m	4 years	£15m	5 years	£10m	10 years	£10m	5 years	£10m	10 years
AA-	£10m	3 years	£15m	4 years	£10m	5 years	£10m	4 years	£10m	10 years
A+	£10m	2 years	£15m	3 years	£5m	5 years	£10m	3 years	£10m	5 years
A	£10m	13 months	£15m	2 years	£5m	5 years	£10m	2 years	£10m	5 years
A-	£10m	6 months	£15m	13 months	£5m	5 years	£10m	13 months	£10m	5 years
BBB+	£5m	100 days	£10m	6 months	N/A	N/A	£5m	6 months	£5m	2 years
None	£1m	6 months	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pooled Funds	£15m per Fund									
Peer to Peer Lending	Total for LEP and HCC - £5m									

- 1.2 The limits in table A are a guide and can change in periods of market stress. The council's advisers provide counterparty updates monthly, and in response to new information or changing market conditions. Where these differ from the above officers will adhere to the lower of the limits set out in the table, or according to the latest advice.

#### 1.3 Credit Ratings

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment issued, otherwise the counterparty credit rating is used. If an agency removes one of the set of ratings it issues for a bank or building society, the institution will be removed from the list.

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Table B provides a comparison of long term credits ratings for all agencies.

**Table B: Comparison of credit ratings for all agencies providing ratings**

<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>	<b>Definition</b>
AAA	Aaa	AAA	Prime
AA+	Aa1	AA+	High Grade High Quality
AA	Aa2	AA	
AA-	Aa3	AA-	
A+	A1	A+	Upper Medium Grade
A	A2	A	
A-	A3	A-	
BBB+	Baa1	BBB+	Adequate Grade
BBB	Baa2	BBB	
BBB-	Baa3	BBB-	

- 1.4 The Council will continue to invest in UK institutions, e.g. banks, central government and pooled funds, even if the UK was not rated AA+.
- 1.5 Overseas subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. For the avoidance of doubt, Santander UK plc (a subsidiary of Spain's Banco Santander) will be classed as a UK bank due to its substantial UK franchises and the arms-length nature of the parent-subsidiary relationship.
- 1.6 Sovereign credit rating criteria will not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank) or other supranational organisations.
- 1.7 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 1.8 **Banks Unsecured**  
Definition: Accounts, deposits, certificates of deposit, and senior unsecured bonds with banks and building societies (other than multilateral development banks).

These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Council's bank, Barclays Bank plc.

- 1.9 **Banks Secured**  
Definition: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies.

These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which

the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

#### 1.10 **Government**

Definition: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks.

These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

#### 1.11 **Corporates**

Definition: Loans, bonds and commercial paper issued by companies other than banks and registered providers.

These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

#### 1.12 **Registered Providers**

Definition: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations.

These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

#### 1.13 **Pooled Funds**

Definition: Shares in diversified investment vehicles consisting of any of the investment types above, plus equity shares and property.

These funds provide wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

#### 1.14 **Bond, Equity and Property Funds**

These funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

## **2 Policy for determining limits for deposits**

2.1 Table C and the following notes in this section set out the limits to be applied on investments in addition to the investment counterparty limits shown in Table A.

**Table C: Limits on Investments**

Type	Description	Limit
Fixed Term Deposits	The maximum amount as a single transaction when placing fixed term deposits. The only exceptions to this are deposits with the DMADF and movements in and out of call accounts and pooled funds.	<b>Unsecured</b> £10 m per transaction <b>Secured</b> £15 m per transaction
Banking Groups	A group limit will apply where a number of banks are owned by a single institution.	£15 m per Group
Money Market / Pooled Funds	Total investment in any one Money Market Fund or Pooled Fund	£15 m per Fund
Money Market / Pooled Funds Groups	A group limit will apply where a number of Money Market / Pooled funds are owned by a single institution.	£35 m per Group
UK Country Limit	Maximum percentage of portfolio permitted to be in UK institutions	100% investment portfolio
Non-UK Country Limit	Maximum percentage of portfolio permitted to be in non-UK institutions (excluding Money Market Funds)	30% investment portfolio
Single Non-UK Country	Maximum percentage of portfolio permitted to be in any one country, other than UK	5% investment portfolio
Sector	A sector limit applies to unsecured investments Building Societies to limit exposure to a common risk factor – in this case the property market	£30 m

### 3 Policy to be followed when credit ratings change

#### 3.1 Negative Watch

Definition: A status that credit rating agencies apply while they are deciding whether to lower that organisation's credit rating.

- If an institution is on negative rating watch the Council will treat it as one credit rating lower than it is currently rated.
- If an institution is at the bottom of the Council's credit rating criteria and is placed on negative watch, the Council will stop investing and attempt to call back any money which is currently invested, depending on the economic viability of withdrawing the investment.

This policy does not apply to a negative outlook on a credit rating. In the case of a negative outlook any investment decision will be considered in line with all other information available but will not prompt immediate action to review existing investments.

### 3.2 **Downgrading**

- If an institution is downgraded below the minimum credit rating criteria, then it will be removed from the list with immediate effect, along with any subsidiaries, and no new investments will be made.
- If funds are on call with an institution when a downgrade happens, they will be withdrawn or the balance reduced as appropriate, at the earliest possible opportunity, which may be the following working day.
- If there are outstanding fixed term deposits with an institution which has been removed from the list, terms for repayment will be sought and, if offered, fully considered and documented by Officers.
- Downgrading and the action taken will be reported in the weekly treasury management meetings and quarterly reports to members.

## 4 **Other matters to be considered by Officers**

- 4.1 In applying the policy set out above, Officers will refer to the following sources of market information on a regular basis:
- Credit Default Swap Rates
  - Equity Prices
  - Economic data
  - Financial statements
  - Outlook reports from credit agencies
  - Financial Times and other news sources
  - Professional journals and other publications
- 4.2 A regular briefing will be provided for all Officers involved in the dealing function, the Head of Specialist Accounting and/or the Assistant Director of Finance. This will provide all relevant information to enable decisions to be taken about treasury activity to ensure it remains within the policy. By its very nature the information will not be definitive and Officers will do all they can to react to these sources of information with the primary objective of security. The briefings will generally be delivered by weekly meetings. If for any reason, a meeting cannot be convened, all relevant information will be circulated to Officers and the Assistant Director of Finance.
- 4.3 Officers maintain an overview of prevailing market rates in their regular contact with brokers. When considering fixed term deposits, Officers will consider quotes from brokers for a range of periods before making decisions.

## APPENDIX 3 FINANCIAL INSTRUMENTS GLOSSARY

### **Call accounts**

Bank account that pays a higher rate of interest than an ordinary account. These investments are subject to the risk of credit loss as a result of a bail-in should the regulator determine that the bank is failing or likely to fail.

### **Certificates of Deposit (CDs)**

CDs are negotiable term deposits made with a bank or a building society. They are bearer instruments which can be issued at a discount and without a coupon (interest payment), however, more typically they pay either a fixed or a variable coupon; with variable rates of interest being fixed semi-annually against a reference rate such as LIBOR. The coupon is closely related to the current market deposit rate from the same counterparty for a corresponding maturity. Large issues will typically be issued at par and are actively traded on a secondary market meaning that they can be acquired and sold on a daily basis. CDs are a money market instrument and therefore the credit ratings will be the same as those for term deposits. CDs offer the same credit quality as term deposits, but due to their liquidity there is an active secondary market and therefore the rate of interest paid is typically slightly lower than the rate earned on a term deposits of the same duration.

### **Commercial papers**

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.

### **Corporate bonds**

These are issued by companies that are looking to raise capital and are seen as riskier than gilts, as companies are likelier to default on debt than governments. You generally get a higher rate of interest for taking on this risk. A corporate bond is a loan made to a company for a fixed period by an investor, for which they receive a defined return. Investors usually receive annual payments for their cash (which are normally expressed as a percentage) as well receiving the principal sum back at the end of the term. Investment grade corporate bonds are usually issued by established companies which are deemed less likely to default on their obligations. Corporate bonds can be traded on a secondary market.

### **Covered Bonds, Reverse Repurchase Agreements and other Collateralised Agreements**

These investments are secured on a bank or building societies' assets, which limits the potential losses in the event of insolvency which means that they are exempt from bail in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

### **Fixed Term Deposits**

A deposit held at a financial institution that has a fixed term. These are generally short-term with maturities ranging anywhere from a month to a few years. When a term deposit

is purchased, the lender (the customer) understands that the money can only be withdrawn after the term has ended or by giving a predetermined number of days' notice. These investments are subject to the risk of credit loss as a result of a fail-in should the regulator determine that the bank is failing or likely to fail.

### **Government Bonds (Gilts)**

This type of fixed interest security is issued by the British government if it wants to raise money and is generally seen as very low risk. This is because it is highly unlikely that the British government would go bankrupt and therefore be unable to pay the interest due or repay the loan in full. Government bonds are traded on a secondary market and therefore seen to be very liquid.

Index linked gilts pay interest linked to the Retail Price Index (RPI) so their value rises with inflation.

### **Loans to Local Authorities or Companies**

This type of investment is an arrangement under which an amount is lent for a fixed period of time to a counterparty for which a rate of interest is receivable either at intervals during the loan or on maturity.

### **Local Capital Finance Company (LCFC) Equity**

LCFC was established in 2014 by the Local Government Association (LGA) Municipal Bond Agency. Its aim is to provide local authorities with an alternative form of borrowing to supplement current lenders such as the PWLB and banks. The LCFC plans to issue bonds on the capital markets and lend proceeds to local authorities. The LGA is seeking to raise equity of £10m from local authorities and in September 2014 the LGA had raised £4.5m from 38 councils. A mid-year change to the 2014/15 Treasury Management Strategy was agreed by Council on 25 November 2014 to enable investment in the LCFC.

### **Local Government Bonds**

A loan raised by a local authority in the form of a fixed-interest bond, repayable at a specific date. Local Government Bonds are tradable but the market is less established as with other bond markets.

### **Money Market Funds**

A Money Market Fund is an open-ended mutual fund that invests in a diversified pool of securities short-term debt securities such as Treasury bills and commercial paper. Money Market Funds are widely regarded as being as safe as bank deposits yet providing a higher yield.

### **Notice accounts**

Accounts on which the account holder is required to give a notice of withdrawal a specified number of days before making the withdrawal to avoid penalties. These investments are subject to the risk of credit loss as a result of a bail-in should the regulator determine that the bank is failing or likely to fail.

### **Peer to Peer Lending**

Peer to peer lending (P2PL) is a method of lending money to unrelated individuals, or "peers", without going through a traditional financial intermediary such as a bank or other financial institution. Typically these investment vehicles offer higher rates of return commensurate with the underlying risk of unsecured investments. In addition, this form of investment may provide a means of stimulating economic development within a corporate

rather than financial risk profile and may be particularly suitable for the Local Enterprise Partnership

### **Pooled Funds**

Pooled funds include pooled bond, equity and property funds. They provide enhanced returns over the longer period, but are, potentially, more volatile in the shorter term. These funds would enable the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

### **Registered Providers of Social Housing**

Formerly known as Housing Associations, Registered Providers for social housing are tightly regulated by the Homes and Communities Agency. They retain a high likelihood of receiving government support if needed. The Council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.

### **Supranational Bonds**

A supranational entity is formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank.

Similarly to the government bonds, the bonds issued by these institutions are considered very safe and have a high credit rating.

### **Treasury Bills (T-Bills)**

Treasury Bills are short term Government debt instruments. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning they have an AAA rating. T-Bills are issued on a zero-coupon, i.e. they are issued at a discount to their par nominal value whereupon maturity the par value redemption will be higher than the purchase price reflecting an income return alongside the return of the initial capital outlay. T-Bills are actively traded on a secondary market meaning that they can be acquired and sold on a daily basis.



## APPENDIX 4 PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS SUMMARY

The following table sets out the Prudential and Treasury Management Indicators that will be monitored and reported on during the financial year.

Table		2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>Prudential Indicators</b>				
Section 1.2	Adoption of CIPFA Treasury Management in the Public Service: Code of Practice 2011 edition	✓	✓	✓
1	Capital Expenditure	219,287	215,542	177,115
3	Capital Financing Requirement (CFR)	580,443	637,621	682,686
4	Ratio of financing costs to net revenue stream	1.47%	1.65%	1.75%
5	Incremental impact of capital investment decisions on Band D Council Tax	£0.91	£2.76	£2.07
9	Gross Borrowing	328,347	402,503	467,025
	Net Borrowing less than CFR	Y	Y	Y
10	Authorised Limit for external debt	495,000	570,000	635,000
	Operational Boundary for external debt	465,000	540,000	605,000
<b>Treasury Management Operational and Performance Indicators</b>				
11	Limit on Fixed Interest Rates	395,000	470,000	535,000
	Limits on Variable Interest Rates	118,500	141,000	160,500
12	Maturity Structure of fixed rate borrowing (against max position)			
	Under 12 months	50%	50%	50%
	12 months to 2 years	50%	50%	50%
	2 years to 5 years	60%	60%	60%
	5 years to 10 years	80%	80%	80%
	10 years to 20 years	85%	85%	85%
	20 years to 30 years	90%	90%	90%
30 years and above	100%	100%	100%	
13	Investments greater than 364 days (Maximum Limit)	50,000	50,000	50,000
<b>Treasury Management Security Liquidity and Yield Performance Indicators</b>				
	Weighted average long term credit rating of the investment portfolio			
	Weighted average maturity of the investment portfolio			
	Return on lending compared to 7 day LIBID rate			
	Average rate payable on the borrowing portfolio			
	Any breaches of the Lending Policy			
	Types of financial instruments used			

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# **INTEGRATED PLAN**

## **PART E – INSURANCE & RISK STRATEGY**

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## 1. Introduction

This strategy sets out the Council's overall approach to risk management, financial risk retention and the management of its corporate insurance programme through relevant policies of insurance. It is intended that the strategy will be reviewed and updated on an annual basis.

This strategy supports the new combined Risk Management and Insurance team, that is part of Assurance Services, in establishing and delivering a holistic approach to insurance and risk management providing comprehensive risk identification, assessment and mitigation support, working to a jointly developed and shared vision. This strategy enhances the Council's ability to:-

- Manage an optimum balance between the risk insured in-house "self-insurance" and those externally through the procurement of external insurance.
- Protect the Council's assets, reputation, employees and the public. Maintain a sufficient insurance reserve to meet potential and contingent liabilities.
- Manage and investigate all claims made against the authority, using the appropriate legislation for the detection and prevention of fraud and claims settlements.
- Support the identification and the management of risk within the authority.

Not all financial risks can be insured such as increases in inflation and interest rates. The Authority maintains specific reserves for the risks that it self-insures. The level of self-insurance is determined by looking at premium spend over a period against claims incurred and assessing the risk appetite for those areas where the Authority is happy to manage the risk in-house. We also seek professional advice through actuarial reviews on a biennial basis to ensure that we have the right balance of reserves against risk.

## 2. Background

### 2.1. Municipal Mutual Insurance (MMI)

Between 1971 and 1992 this Authority like the majority of local authorities were insured with Municipal Mutual Insurance (MMI) for all of its corporate insurance requirements such as employers and public liability. Insurance cover during this period was 'ground up' meaning that there was no (or very minimal) policy excess with all claims incurred being paid by MMI.

In common with other authorities, all liability insurance was met on a self-insured basis prior to 1971.

This scheme of arrangement began in 1992 when MMI became no longer viable financially and was no longer in a position to provide ongoing insurance cover. This authority along with others took on responsibility for a portion of the outstanding and any future incurred claims. This Authority has set up a specific reserve for MMI claims based on a levy that the scheme administrator imposes on all local authorities following an actuarial review of the total scheme liabilities and assets. A levy of 15% was imposed on scheme creditors in January 2014 and a specific reserve of £2m was set up for MMI. The balance of the fund now stands at £815,998 following levies.

A further levy of 10% was imposed in April 2016, and the authority had to contribute a further £484,002. The levy and reserve may change depending on the outcome of future actuarial assessments of scheme assets and liabilities. In addition, the authority now has to meet the first 25% of any claims relating to the MMI policy period.

Claims that are now submitted to MMI are mainly historic abuse claims and mesothelioma claims. As at 30 September 2016, outstanding claims with MMI are estimated to total £340,019.

## **2.2. The insurance market today**

Following the demise of MMI, this Authority was required to make alternative insurance arrangements and did this by approaching the insurance market. Insurers were prepared to quote for local authority business but as this was a new area of business for them they insisted that some of the risk was carried by the Authority and insisted on higher policy excesses. This meant that the Council had to set aside an insurance reserve in order to meet the cost of the then current and future claims falling under the insurance policy excess.

A Government Insurance Framework has been developed for both brokers and underwriters and this has attracted some specialist underwriters to the local authority market and increased the opportunity set from which authorities can arrange cover. In particular in 2016, two new insurers have started to underwrite insurance for local authorities.

There have been some concerns raised by an actuary about the financial stability of Zurich Municipal who insured the authority's liability risks in 1992 and then between 1997 and 2000. This needs to be carefully monitored and consideration may need to be given to increasing the Reserve in view of this potential risk.

The insurance market is volatile, and is influenced by global events and pressures and underwriters will react and adjust policies, premiums and levels of excess to mitigate their own risk from local authority claims and around the globe.

## **2.3. The key activities of the insurance service**

The key activities of the insurance service are:

- Identifying and protecting the risks and assets owned or associated with HCC.
- Marketing HCC's profile to external underwriters.
- Offering advice on policy cover and levels of insurance to all departments including schools.
- Giving technical advice to all departments, on major procurements, contracts, shared services, and limited companies.
- Monitoring claim costs and commissioning a bi-annual actuarial review to determine the insurance reserve required to meet past, current and future claims.

- Managing all claims received applicable to all HCC liabilities and policies applying legislation to statutorily defend against claims that may impact on the reputation and financial responsibilities of HCC.
- Appointing appropriate external Solicitors/Barristers to represent HCC in the defence of claims.

## 2.4. Cost of Insurance

Chart 1 below illustrates how much the Council has paid in premiums and management of the service over the last five years. This includes Insurance Premium Tax (IPT) which has increased from 6% in 2011 to 9.5% in November 2015, then 10% in November 2016. It will increase to 12% in June 2017. It is predicted that this will eventually equal the same rate as VAT – 20%. The management of the service cost for 16/17 is the current budget and now includes the two risk management employees that transferred to the Team on 1 April 2016. The cost was lower in 15/16 due to vacancies in the Team in the year.

**Chart 1 – Premium and salary costs**

Financial Year	Premiums paid £'000	Management of the service £'000	Drawdown from reserves £'000	Total Cost* £'000
2012/13	3,552	308	619	4,479
2013/14	2,257	302	459	3,018
2014/15	2,274	308	177	2,759
2015/16	1,929	262	790	2,981
2016/17	2,077	316	tba	tba

*\*does not include potential outstanding liabilities*

Chart 1 illustrates that in 2013 there was a reduction in the premiums paid by the Council; this was as a result of an effective procurement of risk cover using a national framework agreement as well as working with departments and the Authority's insurance broker to review areas of cover and the levels of self-insurance.

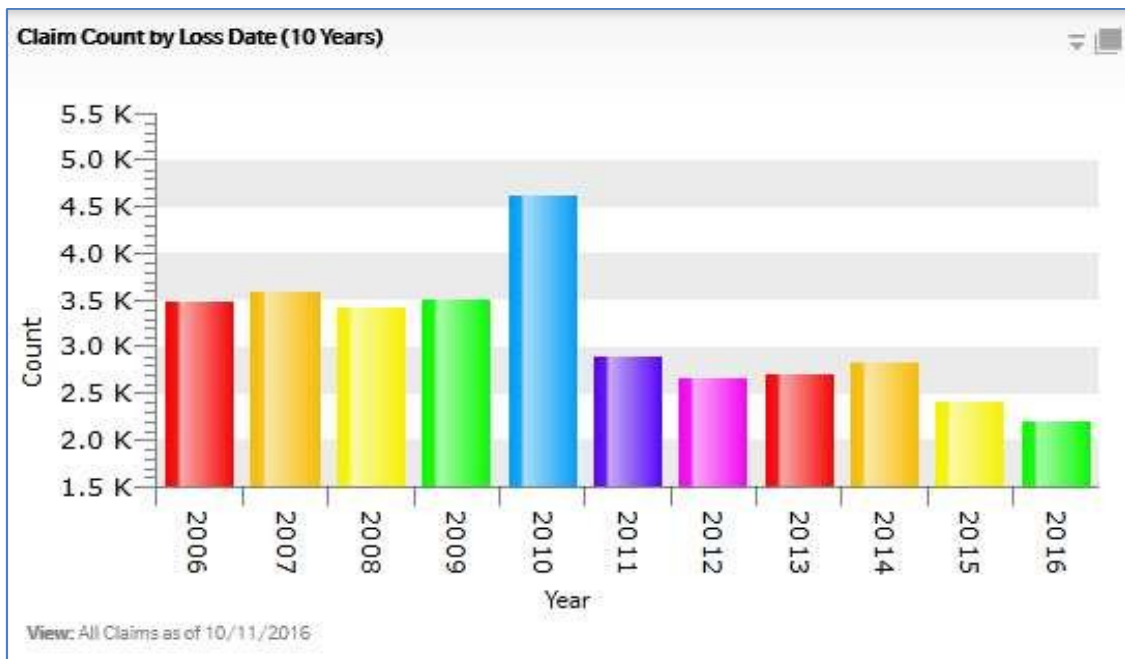
In 2015/16, the aggregate stop loss deductible for school property claims was increased from £500,000 to £1,500,000 which substantially increased the authority's exposure. Section 2.6 details how the authority is managing this exposure.

Charts 2 and 3 below illustrate the total number of claims incurred by the Council over the last ten years as well as the total amount paid in settling these claims<sup>1</sup>.

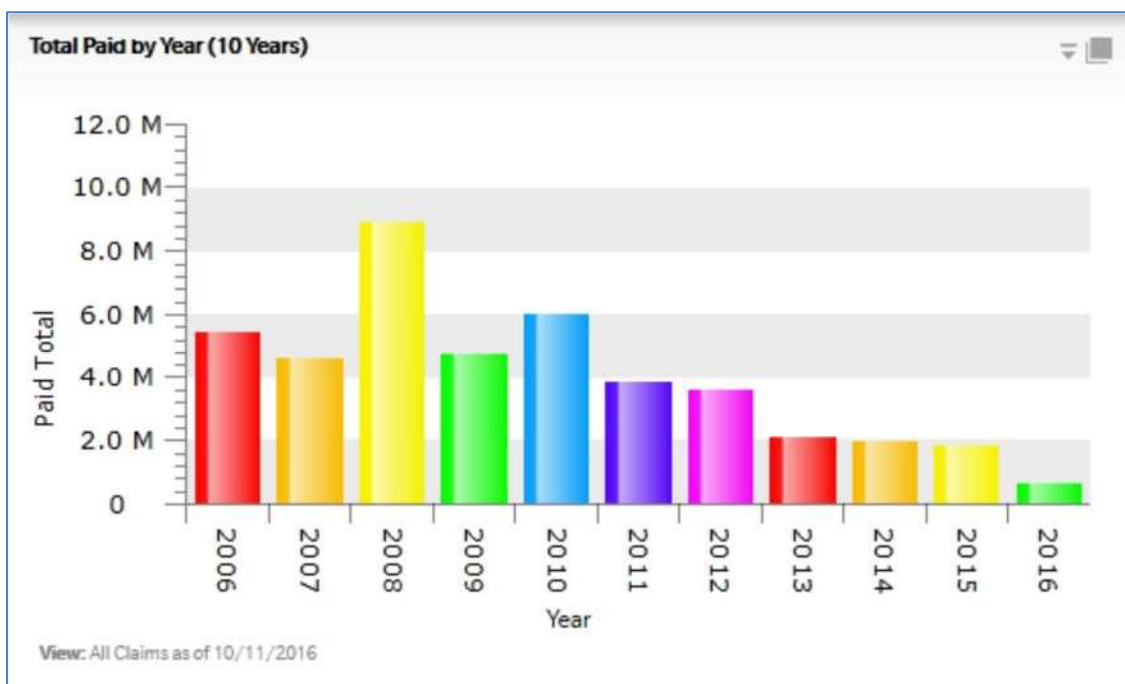
It should be noted that claims for personal injury can be made up to three years from the date of any accident and up to six years for property damage claims. In addition, it can take many years to resolve claims for personal injury.

<sup>1</sup> Claims data for 2016 is up to 1 December.

**Chart 2 – Total claims made against the Authority**



**Chart 3 – Total claims paid**



Charts 2 and 3 illustrates that the cost of claims and claims incurred have more or less remained stable over the last few years but certain factors such as weather will cause volatility in cost and numbers. There will also be claims incurred but not yet reported which will need to be reflected in these numbers.

A change in legislation called “The Jackson Reforms” came into effect on 1 April 2013 has reduced the legal costs associated with small liability claims. The reforms and rule changes flow from the new emphasis on balancing the needs of justice with proper management of litigations costs.

## **2.5. The balance between cost and risk**

The fundamental role of any insurance strategy is to provide the best balance between risk and cost, to best suit the authority.

In basic terms, each insurer estimates the chances of a range of events happening and determines what they will need to charge to fund these potential risks, based on a fixed level of excess. If the authority wishes to reduce the level of excess, or in other words transfer more of the costs should an event take place, then the insurer will wish to charge more. Conversely, if an authority wishes to increase the level of excess and suffer more potential costs should an event take place, then the insurer would be expected to reduce premiums to take account of the reduced level of risk that they are expecting.

As a general rule, the more an authority decides to self-insure, the lower the costs of insurance should be; however, self-insurance requires the authority to maintain a level of resources sufficient to meet all likely claims against the organisation. This is managed through the insurance reserve.

The levels of self-insurance that the Council has are as follows:

- Property - £100,000 each and every loss (increasing to £500,000 for schools)
- Public liability - £200,000 each and every loss
- Employers liability - £200,000 each and every loss
- Motor (commercial fleet) – self-insure all own losses
- Motor (leased cars) – self-insure all own losses

In addition to these excesses or deductibles the authority has a restricted range of insured perils for general properties for damage caused by Fire, Lightning, Explosion, Aircraft and Riot & Civil Commotion only. Cover is much more extensive for education properties providing the schools with a full range of insurance cover and each school is only charged a minimal excess of £250 per claim. This leaves the Council having to fund a significant proportion of property claims in schools.

The Authority has a stop-loss/aggregate on claims below the excess for example the property cover has an aggregate of £1.5m. There is a separate stop loss for combined liability and motor, excluding property of £5.1m. The stop-loss limits the liability of the Council; any claims above the stop-loss are then fully funded by the Insurers. Future premiums may be impacted by an Authority reaching its stop loss and it's important that risk is managed by working with the underwriter and broker to review those areas and introduce controls to mitigate future claims.

## **2.6. The Insurance Reserve**

The authority maintains an insurance reserve sufficient to meet both current liabilities (known claims) and potential liabilities (estimated claims) for which it is liable; the self-insured liability. The key reason for maintaining the insurance reserve is so that the council can meet its unpaid retained insurance liabilities, i.e. the settlement costs of



known and future (unknown) claims from current and past policy years. The level required to meet those liabilities is set by reference to:

- 1) Current insurers estimates of current claims;
- 2) Past insurers estimates of outstanding claims; and
- 3) Brokers/Actuary estimates of future potential claims

The Council commissions an independent actuary to provide a consolidated view of the Council's current and potential liabilities. This review is undertaken at least biennial and the actuary will also use market knowledge to estimate the level of funds that the Council will require to keep in the insurance reserve. Insurance is inherently uncertain and any model used to estimate the required reserve can only be an approximation to reality. As such, the actual amounts required to meet future claim payments may differ from our estimates. The table below illustrates the movement in the insurance reserve over the last four financial years.

Table 4: Insurance reserve

	Financial years			
	2012/13	2013/14	2014/15	2015/16
	£	£	£	£
Insurance Reserve	4,814,885.41	6,830,659.35	6,218,315.49	5,489,962.01
Provision	13,974,634.51	11,500,158.15	11,935,023.60	11,872,973.33
Total Reserve and Provision	18,789,519.92	18,330,817.50	18,153,339.09	17,362,935.34

The self-insurance reserve is adjusted annually to reflect actual claims incurred but not paid in the year and adjustments are made to the provision to reflect increases and decreases in the claims incurred. The overall reserve, which includes the self-insurance reserve and provision, will reflect overall the insurance actuary's determination of the amount required to meet current and future claims.

The total reserves include schools, work has taken place to review the insurance premium levels for schools in order to reflect changes to the policies held by the Council and provide greater transparency of cost. The main change has been the increase on the Locally Managed Schools (LMS) aggregate property excess from £500k to £1.5m exposing the Council to greater risk. This will result in the need to maintain higher levels of reserves in order to fund claims up to £1.5m per year. Work is ongoing to determine the appropriate costs needed to maintain reserves at the necessary levels which has been discussed with the Schools Forum.

As referred to in 2.1 the Council also maintains a separate reserve of £816,000 for its MMI liability. The levy and reserve will be subject to change in future years depending on the outcome of the actuarial assessments of scheme assets and liabilities that is being completed in February 2017.

## 2.7. Main areas of risk

The Council will either self-insure or arrange insurance cover for a number of different liabilities. The main areas of liability that the Council is exposed to and from which it will receive the majority of claims are as follows:

- **Employers liability** – claims for personal injury/disease to members of HCC staff arising from their employment;
- **Public Liability** – claims for personal injury or damage to private property suffered by members of the public and external organisations. This can vary from vehicle damage arising from potholes in the public highway to abuse claims;
- **Officials Indemnity** – claims for financial loss made by a third party as a result of an error or omission by a Council officer
- **Motor** – claims for the Council's commercial fleet and leased cars; and
- **Property** – claims for damage to HCC premises/property.

The level of self-insurance will be determined by undertaking periodic reviews of self-insurance levels and comparing to current commercial insurance market conditions (hard/soft markets, cost of risk transfer). It will look to review the financial exposure of the Council to the cumulative effects of multiple small losses.

## 3. Strategic Vision

3.1. By adopting an approach to corporate insurance set out in this strategy, the Council will continue to minimise its exposure to catastrophic losses and to those risks that might affect the delivery of its corporate objectives.

3.2. The key benefits of our approach to corporate insurance will be:

- manage the cost of external insurance premium spend
- enhance the attractiveness of the council's risk profile to underwriters
- protect the council's assets (people and property)
- work with departments and schools to manage risk
- ensure the insurance fund is maintained at an appropriate level
- robust claims handling and insurance fraud detection
- greater control of costs – demonstrating value for money
- provide transparency in relation to insurance premium recharges
- maintain an appropriate balance between external insurance and internal risk retention
- protect the reputation of the Council

This corporate insurance strategy provides the framework to ensure that the council has in place an optimal balance between external insurance and self-insurance and that appropriate and robust arrangements are in place for the handling of insurance claims and the calculation and maintenance of the insurance reserve.

3.3. The key strategic elements of this strategy are set out in detail below:

**Strategic Aim 1: To manage the cost of external insurance premium spend**

The current Long Term Agreements with the Council’s insurers are due to expire on 1 September 2017. A full Open OJEU tender for the Council’s insurance portfolio will be undertaken in 2017. This tender provides the opportunity to completely review the Council’s current insurance arrangements including policy cover and excess/deductible levels. The following types of insurance cover are examples of types of insurance the Council could be considering for future self-insurance:

<b>Class</b>	<b>2016 Premium £</b>	<b>2017* Premium £</b>	<b>Claims paid in past 5 years £</b>	<b>Comment</b>
Goods in Transit	1,129	1,154	Nil	Limit is £100,000, Excess £250
“All Risks”	8,203	8,390	4,421	Considerable resource in maintaining an up to date list of items of very low value. A £250 excess applies to each claim
Money	2,257	2,308	247	Nil excess. Very little cash now held on sites
Fidelity Guarantee	46,811	47,880	Nil	Some debate as to whether this is a Statutory insurance for authorities. Excess £100,000
Fine Art	33,411	34,173	Nil	Covers physical damage to items of Art. £250 excess applies
Computers	18,823	19,253	Nil	Covers IT equipment excluding laptops. IT equipment can be included under the property policy rather than a bespoke computer policy £10,000 excess
Airside Liability	3,772	3,858	Nil	For emergency response to Luton/ Stanstead for 3 vehicles £1,500 excess
<b>Total</b>	<b>114,406</b>	<b>117,016</b>	<b>£4,668</b>	

*\*2017 premium is the 2016 premium with the increased IPT of 12% that will apply from renewal date*

**Strategic aim 2: To maintain an adequate insurance fund to meet potential and contingent liabilities and to support the Council’s insurance programme.**

The insurance reserve can be used when the council becomes legally liable to settle (compensate) a liability claim that has been made against it or its officers and elected members and for which the council is liable for the costs of settlement under the

insurance policy excess. The insurance reserve will be subject to an independent actuarial review in February 2017 to ensure that there are sufficient reserves to meet all incurred claims for which the Council is liable. Officers will also review reserves when insurance premiums are renewed annually and may adjust reserves to reflect any increase in levels of self-insurance. The separate reserve for historical MMI claims will be reviewed annually following guidance from the actuary and the administrators for MMI, Ernst & Young.

**Strategic aim 3: To maintain an insurance programme that provides the optimal balance between insurance and risk retention.**

The balance between the levels of risk taken on by the Council through self-insurance and off set through underwriters will be reviewed following the actuarial review and results of the insurance tender. A number of options will be considered reflecting the Council's appetite for risk (self-insurance), historical claims incurred, future risks identified by the actuary and broker and the overall cost of insurance cover. The ability of this authority to self-insure and maintain a self-insurance reserve will need to be weighed against the premium cost of insurance as well set against the context of the overall general balances of the Council.

**Strategic aim 4: To maintain appropriate operational policies for the handling of insurance claims, recharging to services and presentation of risks to insurers.**

The insurance service will work with departments to ensure that the appropriate levels of insurance cover are in place and particularly as new risks are taken on for instance outsourcing or new activity such as the Care Act. Asset and employee data will be reviewed as part of the annual renewal process and presentation of risks to the insurance market. Officers will also work with their insurance broker and underwriter to manage developing risks as a result of changes in the regulatory and legal environment.

The cost of insurance is centrally managed and recharged annually using cost drivers such as salaries for liability and sum insured for property. On an annual basis departments and schools are re-charged for the cost of the insurance cover that they benefit from. Total cost of insurance will be recharged to services to reflect the overall cost in providing the service.

**Strategic aim 5: Transparency of insurance/risk costs**

The insurance service use management information from its claims handling database Enterprise to target and work with departments such as Highways to assess risks and determine whether to deal with the consequences of an event through either 'self-insurance' or obtaining insurance cover from an insurer. The restructure of the team within the Assurance Services has enabled it to develop stronger links with both the risk management and the health & safety team to improve the management of operational risk. It will also work with external partners such as the insurance broker and external lawyers to identify future risks and work with and raise awareness with departments.

## Strategic aim 6: To maintain a robust approach to insurance fraud detection

Incidences of insurance fraud do take place and types of fraud committed vary from exaggerated or totally fabricated property based claims to exaggerated symptoms and falsified injuries or injury claims. The insurance team work with external claims handlers and maintain a claims handling database which enable officers to identify suspicious claims. The shared anti-fraud service has provided an opportunity to develop a more robust approach to the identification of fraudulent claims supported by work with insurers to identify trends in certain types of claims. Each individual claim will be subject to screening through a fraud check list.

### 4. Risks

4.1. The nature of the insurance service is that risk can never be fully avoided and some level of risk will always have to be tolerated. However, there are a number of specific risks that need to be acknowledged:

- The nature of the Council's activities is that they will change over time – as a result of legislation, and operational changes—and its impact upon the associated risks. Effective decisions on how to manage risk can only be made through the identification of risk within a service. The insurance function is reliant on accurate and timely updates from services in order to maintain insurance that is fit for purpose. This will be managed through the greater engagement between services and insurance.
- Any decision on risk could potentially have an impact on the Council's reputation as well as financially. As such it is important that the risk appetite of the Council is acknowledged at a high level and strategic decisions are made at the correct level.

4.2. Future Risks:

The risk profile of Local Authorities is such that it is not unusual for there to be exposure to what are titled long tailed claims which may have an impact on Hertfordshire's future insurance funding requirements. Examples of these long tailed claims which may have an impact on Hertfordshire's future insurance funding requirements are as follows:

- **Asbestos related claims** – asbestos related illnesses have extremely long latency periods, in some cases up to 60 years. This means that claims relating to past asbestos exposure may not be reported for many years to come.
- **Abuse** – recent publicity regarding abuse claims and the role of local authorities has raised awareness and will likely lead to new claims being submitted.

The strategic aims set out in this strategy will enable us to manage current and future risks through a combination of operational risk management by developing stronger relationships with services and working closely with the risk management, health and safety teams, and the shared anti-fraud service. It will also assess annually the balance between self-insurance and insurance cover and will work with its broker and underwriters to put in place optimum cover arrangements that look to minimise the total cost of insurance but also provides the correct level of cover to minimise loss to this Authority.

# **INTEGRATED PLAN**

## **PART F – CAPITAL AND INVESTMENT MANAGEMENT STRATEGY AND INVEST TO TRANSFORM**

## Capital and Investment Strategy

### 1 Introduction

This Strategy sets out how HCC will use its resources (capital grants and contributions; revenue including reserves; surplus assets; capacity to borrow) to invest in capital and other schemes that will provide:

- **Maintenance of Infrastructure** – to support service delivery. May range from major highways or schools expansion projects, to programmes for equipment replacement. All bids are subject to business case, and should support new ways of delivering services;
- **Invest to Reduce / Avoid Costs** – projects which will reduce running costs, or avoid costs (capital or revenue) that would otherwise arise;
- **Invest to Generate Return** – either revenue streams or enhanced capital receipts. These in turn will help meet budget pressures and/or provide future capital resources;
- **Invest to Enable** – spend that supports transformation in the way services are provided, to achieve improved outcomes and/or generate efficiencies;
- **Invest to Invest** – projects that will unlock future service potential, asset values or funding streams.

These are delivered via:

- the Capital Programme
- Invest to Transform Fund
- Invest to Achieve Capital Receipts fund
- Revenue projects met within service budgets or from grants/contributions.

Details of the Capital Programme and its funding are set out in IP Overview (part A). All schemes in programme years 2017/18 to 2018/19 have been reviewed to confirm that the budget is still required for its original purpose, and to make adjustments for changes in external funding and cashflow profiles. The table overleaf shows all new schemes and increases in existing schemes.

## New and Additional Capital Bids

### a) New Capital Bids

Scheme	<u>Total Additional Cost 2017/18</u>	<u>HCC Funding 2016/17</u>	<u>External Funding 2017/18</u>	<u>Total Additional Cost 2017/18 - 2019/20</u>	<u>Total HCC funding 2017/18 - 2019/20</u>	<u>Total External funding 2017/18 - 2019/20</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Telecare Equipment	300	300	-	900	900	-
Primary Expansion Programme Phase 7	2,917	-	2,917	8,750	-	8,750
New School Developments	1,843	-	1,843	44,343	-	44,343
Energy Performance Certificate Property Improvements	200	200	-	550	550	-
Acquisition of Assets, Hertford (Leahoe)	2,500	2,500	-	2,500	2,500	-
Acquisition of land, Stevenage	7,870	7,870	-	8,370	8,370	-
Reduced office accommodation "25 by 20" Project	250	250	-	750	750	-
A120 – Standon Highway Improvements	100	100	-	1,600	1,500	100
Broadband Delivery Project Phase 3	-	-	-	1,855	807	1,048
LED Street Lighting Programme Phase 4	6,167	6,167	-	18,500	18,500	-
Replacement of Belisha Beacons	84	84	-	84	84	-
	<b>22,231</b>	<b>17,471</b>	<b>4,760</b>	<b>88,202</b>	<b>33,961</b>	<b>54,241</b>

### b) Revised Capital Bids

Scheme	<u>Total Additional Cost 2017/18</u>	<u>HCC Funding 2017/18</u>	<u>External Funding 2017/18</u>	<u>Total Additional Scheme Cost</u>	<u>Total additional HCC funding</u>	<u>Total External funding</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Loss of Adult Social Care grant –funds Health & Community programme excluding Quantum re-provision	2,400	2,400	-	7,200*	7,200	-
Day Services Modernisation	2	2	-	2	2	-
Accommodation for Independence (A4IP)- conversion of residential care premises	(200)	(200)	-	100*	100	-
A120 Little Hadham Bypass	(12,205)	500	(12,705)	-	500	(500)



Scheme	<u>Total Additional Cost 2017/18</u>	<u>HCC Funding 2017/18</u>	<u>External Funding 2017/18</u>	<u>Total Additional Scheme Cost</u>	<u>Total additional HCC funding</u>	<u>Total External funding</u>
– re-phasing						
Croxley Rail Link	0	-	-	52	52	-
Fire Vehicle Replacement Programme	453	453	-	1,600*	1,600	-
Fire Equipment Replacement Programme	62	62	-	256*	256	-
Community Protection ICT Equipment	303	303	-	939*	939	-
Fire Duty Officer Vehicle Capital Procurement Replacement Scheme	41	41	-	52*	52	-
ICT Refresh budget and Refresh Mobile Computing Devices	789	789	-	2,967*	2,967	-
Touchdowns - deliver new and upgrade existing facilities	150	150	-	150	150	-
HBS Vehicles	-	-	-	581*	581	-
Maintenance of carriageway assets to prolong serviceable life	3,685	2,392	1,293	8,469*	7,176	1,293
Highways Drainage Resilience	1,000	1,000	-	3,000*	3,000	-
Footway & Cycleway Maintenance	900	900	-	2,700*	2,700	-
Rail Improvement Projects	(86)	(86)	-	414	414	-
Street lighting refurb and emergency maintenance	318	318	-	2,685	2,685	-
<b>TOTAL</b>	<b>(2,388)</b>	<b>9,024</b>	<b>(11,412)</b>	<b>31,167</b>	<b>30,374</b>	<b>793</b>

\*for annual provisions, additional costs are those over 2017/18 – 2019/20 levels

The current position on the Invest to Transform Fund and Spend to Achieve Capital Receipts Fund are set out in sections 5 and 6 below.

## 2. Funding

### 2.1 Overview

Capital and investment projects may be funded by external grants and contributions, borrowing (external or by using internal balances), capital receipts, reserves and from the revenue budget. These are limited by the availability of each resource and its affordability.

The first call for financing should be against external resources:

- a) Ringfenced grants and contributions; and

- b) Non-ringfenced grants, S106 and other contributions – as there is some discretion on the use of these, services will provide robust business cases that show how the scheme meets overall Capital Programme priorities.

The balance of funding will come from the county's internally generated resources: capital receipts, borrowing, and/or revenue and revenue reserves. In recent years the Council's policy has been to generate receipts from its surplus assets and use 100% of these to fund capital spend. Revenue underspends and reserves have also been used to fund capital and minimise borrowing and its associated revenue costs. There has been no new long term borrowing since 2011, and any borrowing requirement has been met from internal borrowing i.e. the use of the Council's cashflow balances to fund capital spend.

## 2.2 Affordability of funding sources – capital receipts and borrowing

Current lower interest rates make borrowing relatively attractive, particularly where capital investment will generate revenue benefits through additional income or reduced costs. At the same time, the Property Company project has identified surplus sites that may be suitable for development to generate a revenue income stream, with the possibility of future capital receipts (see section 3 Asset Management Strategy below).

In the short term, this approach will reduce the level of capital receipts available to fund the capital programme and increase the need to borrow. The affordability of these funding options will depend on the balance of borrowing costs (both interest and the provision required for the repayment of principal) against these revenue streams. Borrowing is a relatively expensive option for short life assets, because of the requirement to provide for repayment of principal over the life of the asset. Assets with lives of 10 years or less comprise £9 - £10m of each year's programme: it is advisable to finance these from capital receipts or reserves, to minimise the short term impact on the revenue budget.

For every £1m borrowing, there is a revenue charge for actual interest payable, and a charge for the repayment of principal over the life of the asset (the Minimum Revenue Provision or MRP). This can be significant, especially for short life assets:

Annual MRP per £1m asset with 5 year life	£200,000 pa for 5 years
Annual MRP per £1m asset with 35 year life	£28,570 pa for 35 years

Decisions on the use of surplus assets therefore need to balance the costs and gains of generating a capital receipt against the costs and gains of using the asset to generate revenue.

The Council's current strategy is to use capital receipts to fund short life assets (typically up to £10m pa of the capital programme). In addition, the 2016/17 IP assumed an annual topslice of £3m capital receipts for the Invest to Achieve Receipts fund, for spending that enhances the value /deliverability of future receipts. Spend to this level is already planned for 2017/18 (see section 6).

## 2.3 Affordability of funding sources – revenue and reserves

Pressures on the revenue budget mean that there will be very limited availability of revenue resources and reserves during this Integrated Plan period.

Proposed changes to Minimum Revenue Provision (MRP) Policy, outlined in the Treasury Management Strategy (Part D of the IP pack), will generate an estimated one-off revenue saving of £19m. It is proposed that this is set aside in an Investment Reserve to be used for capital financing or related investment, hence reducing future years' MRP. The proposed Capital Programme funding assumes £10m pa use of capital receipts, with any shortfall in available receipts being met from this reserve. The reserve will also be used to fund Invest to Achieve capital receipts schemes: £3m is proposed for 2017/18, with subsequent years to be agreed in future Integrated Plans.

The Council will receive £10m repayment of advances made under the Local Authority Mortgage Scheme (LAMS) across 2017/18 and 2018/19, and which are required to be treated as capital receipts. It is proposed that these be used for capital spend to establish the Property Company and to provide funds to be able to respond more rapidly to property or other investment opportunities, including via the Invest to Transform fund (section 5) .

The summary capital programme funding for 2017/18 -2019/20 is shown in the table below.

	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000
Borrowing	75,448	71,463	61,216	208,127
Capital Receipts	10,000	10,000	10,000	30,000
Grant	94,966	74,219	60,555	229,740
Contributions	36,037	58,860	43,594	138,491
Reserves	2,836	1,000	1,750	5,586
<b>Total</b>	<b>219,287</b>	<b>215,542</b>	<b>177,115</b>	<b>611,944</b>

## 3 Asset Management Strategy

The Council's Asset Management Strategy sets a framework to ensure that current assets are the right fit for current service delivery, and that opportunities are taken to generate reduced costs or create revenue streams. Approaches for the different asset types are set out below.

### 3.1 Property

The Hertfordshire estate includes:

- 4 large office sites;
- 240 smaller properties for direct service delivery;

- 440 assets let for service use, for example rented to strategic partners (eg Quantum) or 3<sup>rd</sup> sector partners;
- 300 assets in the rural estate (over 11,000 acres) let for rural business use and public access to green space; and
- 450 assets held with no anticipated service use.

In managing these properties. the Council has set a target 25% reduction in office space by 2020 (the “25 by 20” project) and work is under way to develop touchdowns, adapt office space and relocate staff, supported by Smartworker technologies and ways of working.

It is also working with other local bodies in the “One Public Estate”, a cross county programme of developments, focussing on reducing and renewing service assets and delivering housing opportunities.

### **Property Development Programme**

Through the Property Development Programme, the Council has been investigating options to develop a number of small and large assets to deliver housing and business / commercial premises, using appropriate delivery vehicles. This approach is facilitated by the Localism Act 2011, which provided wide ranging powers, including the general power of competence, which allows councils to act on a more commercial basis, including through the use of corporate vehicles.

The Programme proposes a new approach to the disposal and development of the council’s assets, which would allow the council to benefit from the development proceeds, as opposed to securing upfront land value only. This is likely to provide stronger capital returns and offer the opportunity to retain some of the built assets, which would be transferred into a property investment company, with the objective of generating a new long term revenue stream for the council.

The Property team, supported by external advisers, have identified a good market appetite to work with the council in the development of its surplus asset portfolio. The recommended approach is a joint venture partnership, and soft market testing for 12 initial sites will take place early in 2017.

## **3.2 Highways Infrastructure**

The Council is responsible for maintaining **5,112 km** of roads. The underlying strategy for maintaining the network is:

- To discharge HCC’s statutory duty under the Highways Act to maintain the public highway in a safe condition, thus ensuring the safe and efficient movement of people and goods in line with the hierarchy.
- To extend the life of public highway assets and ensure they reach their full service potential as efficiently and effectively as possible by adopting an asset management approach that seeks to minimise whole life costs for a given level of service and maximise the benefits gained from the available investment.

A well-maintained and effective highway network supports economic wellbeing by allowing the fast and efficient movement of people and goods around the County. It also allows vehicles to operate more efficiently and reduces disruption to the network, reducing operating costs and the carbon footprint. A target level of maintenance is set which will provide optimal returns in reduced future maintenance, lower risk of accident and minimised disruption to the roads network.

The Council has invested in an extensive programme of streetlighting, converting to LEDs which reduce energy consumption and also allow for more efficient maintenance and for lighting levels to be adjusted as appropriate.

### **3.3 Vehicles**

The Council maintains a fleet of 345 vehicles ranging from fire appliances and library vans to cars, minibuses etc. While an indicative useful life is set for each vehicle type, the Council's policy is to assess individual vehicles to determine the optimal economic replacement time. New vehicles are purchased or leased, and selected for suitability, sufficiency (providing capacity but with regard to level of utilisation) and environmental impact.

### **3.4 Equipment including ICT**

The Council's ICT strategy is to support effective service delivery which is truly digital by default through providing efficient, responsive, cost effective, high-quality and secure ICT services, with the flexibility to enable new ways of working for staff and to transform our ability to serve citizens and service users. ICT provides essential tools to support a smarter, more agile and dynamic way of working for staff, and seeks to deliver savings via digital transformation and more effective/efficient modern ways of working. All investment is supported by a business case to demonstrate how spending will deliver these outcomes.

## **4 Borrowing Strategy**

- 4.1 Capital Financing operates within the Prudential Framework for Borrowing and is agreed as part of the Treasury Management Strategy. Based on the proposed funding outlined in section 2, the 2017/18 Capital Programme assumes an increased borrowing requirement of £75.4m in 2017/18, £71.5m in 2018/19 and £61.2m in 2019/20.
- 4.2 Officers have been in discussion with Arlingclose, the Council's Treasury Advisors, on the most appropriate method of funding this borrowing requirement, which can be met from external or internal borrowing. As HCC already has relatively high levels of internal borrowing, further internal borrowing would require liquidation of some elements of investment balances held. Further analysis is underway to consider what instruments could be made available for liquidation if the returns they generate are lower than borrowing costs, in order to minimise cost to the authority. Instruments which are likely to be considered include investments in Variable Net Asset Value Money Market Funds (VNAV MMFs) and deposits in notice accounts.

- 4.3 The remaining borrowing requirement will be met by a prudent balance of the below borrowing types:

**Short Term Borrowing:**

Given the availability of cash in the short term market, and low prevailing interest rates which are forecast to continue given the current economic climate, it will be possible to manage a large element of the borrowing requirement via a rolling portfolio of short-term borrowing (1-2 year loans) from other Local Authorities. Prevailing interest rates for loans of 1 year are c.1.00%, meaning that it will be possible to secure an element of the overall requirement at significantly reduced interest costs compared to longer-term deals – minimising revenue budget pressure of new interest costs.

**Long-Term Borrowing:**

Long-term borrowing provides more certainty around interest rates, however interest on 20 year loans from the PWLB are currently charged at around 3.00%. The risk of using short-term borrowing is that should rates begin to rise, then the costs of long term borrowing will be more over the life of the overall loan than any short-term savings achieved. In order to mitigate this risk and maximise low rates, HCC will manage much of its need using short-term borrowing described above, but also ‘forward dealing’ (committing to borrow an agreed sum, at an agreed date in the future, at an agreed and fixed rate) a long-term element. Forward dealing will enable HCC to take advantage of current low rates, whilst protecting against future rate rises which would increase the cost of long term borrowing in subsequent years.

HCC’s Treasury Team will work with Arlingclose to deliver the most cost effective balance of these two borrowing types to fund the proposed capital programme.

**5 Invest to Transform**

- 5.1 The Invest to Transform Fund (ITT) was created in 2010, to fund projects that would achieve service transformation and/ or efficiency savings. Bids have been considered by officers and approved by the Director of Resources in consultation with the Executive Member R&P (if under £150k); by Cabinet if over £150k.

Initially projects were required to repay the investment from revenue savings generated, although more recently the fund has been topped up from general revenue underspends and other funds.

- 5.2 The operation of the ITT Fund has been reviewed and refreshed, to encourage innovative thinking and provide investment to support this, including encouraging a smaller scale “dragon’s den” approach; to ensure that each project has a robust business case with clear costs/ benefits and details of how and when outcomes will be measured; and to put in place effective monitoring of these outcomes. The new process includes:

- Bids over £150k to be reviewed by an Investment Board

- Bids to be submitted twice yearly, to allow better comparison and investment in those areas which generate the best returns in both outcomes and revenue
- Formal monitoring of all projects via the quarterly Performance monitor to improve visibility and tracking of benefits and outcomes
- Replenishment of the fund to be reviewed annually as part of IP process

5.3 Forecast balances on the fund, based on current approved bids, are as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Balance of fund at start of year	16,466	13,526	11,936	13,132
Committed projects	(4,136)	(2,786)*	*	*
Repayments	1,196	1,196	1,196	1,196
Available balance at year end	13,526	11,936	13,132	14,328

\*Plus further bids to be approved from February 2017.

Bids approved in 2016/17 include resource for the Families First programme; the development of an e-allowances system; and due diligence work for an alternative model of delivery for Herts Fullstop.

Further bids are being considered by the Investment Board in February 2017 and, subject to business case, will then be put forward for approval. They include bids to take forward the Property Development Programme; projects to support further savings through increased digital services; and bids for initial work to scope alternative methods of service delivery, including options for in-house provision of some social care.

5.4 Outcomes of completed projects were reported in Part G of the 2016/17 Integrated Plan. The table below sets out the current position and outcomes for schemes that were in progress or which have come forward since last year's report.

Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
<b>Preventative Telecare</b>	2,000	2013/14 - 14/15 and ongoing	This investment has funded the provision of preventative telecare to a cohort of 1,000 people with current low to moderate needs. While it is difficult to isolate the benefits of this technology from other interventions and policies, it is supporting the delivery of savings of £400k in the 16/17 IP, rising to £1.2m by 2018/19. A review of the experience of other local authorities indicates that efficiencies / savings can be realised through the application of assistive technology. There is scope to consider more systematic and targeted investment in 'niche' areas where benefits appear to be significant: for example in relation to high cost packages in Supported Living settings. There is also scope to increase the general numbers of service users assisted by Telecare: other large authorities are operating larger schemes than in Hertfordshire. Also, work to understand the most beneficial package type could be of value to avoid 'over-prescribing'. The council is setting a new strategy on Assistive technology which will bring in all these aspects.
<b>Day Crewing + – accommodation provided to support conversion to day crewing at Baldock &amp; Letchworth</b>	425	2014/15	Baldock and Letchworth Fire Station – the business case assumed annual savings of £300k, which was taken from the 2015/16 budget (part year in 14/15). However a review undertaken at the start of this financial year has identified additional savings such that it is possible to reduce the budget for this station by a further £65k pa. This has been achieved whilst maintaining previous levels of crew availability.
<b>LED Street lighting Phase 1</b>	6,477	2014/15 – 15/16	Annual cost reduction from Business Case : Phase 1 - electricity £436k; Carbon reduction £38k; Maintenance £200k = total £674k pa. A review in 2015/16 calculated that the Phase 1 project had saved £658k in energy, £219k in maintenance and £36k in carbon tax.  Phase 2 is currently in progress and due to be completed in March 2017. Expected annual cost reductions: electricity £515k; Carbon reduction £45k; Maintenance £245k = total £805k pa.
<b>LED Street lighting Phase 2</b>	7,530	2015/16 -	Actual costs avoided will be higher, as inflation increases the price of

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
		16/17	<p>electricity that would have been consumed had LED lighting not been installed. For example, in the 2017/18 budget, a 28% increase in the cost of electricity has been forecast, based on latest market data.</p> <p>For both phases, pilot projects are currently underway to see how much the LED lights can be dimmed and 'trimmed' (making the dusk switch-on as late as possible and the dawn switch-off as early as possible), which will reduce energy consumption still further.</p>
<b>E Invoicing – suppliers</b>	265	2015/16 to 2016/17	<p>A new Supplier Portal was implemented in April 2016 and HCC is working with the provider to transition suppliers, and with services to increase the use of Purchase Orders, on which the new processes depend. E invoicing means suppliers' invoice handling and postage costs are reduced, and also reduces data entry in SERCO Accounts Payable. These changes facilitate the prompt payment of invoices. During 2017/18, it is proposed to negotiate prompt payment discounts from suppliers, where appropriate; an annual saving of £80k is included in the 2017/18 IP, and the project will measure achievement against this. The portal also provides a basis for more efficient Accounts Payable processing, although these benefits will not be fully realised until supplier transition is closer to completion.</p>
<b>Inspiring Libraries Strategy</b>	£137k in 2015/16; £568k in 16/17; total approved £3,978k	2015/16 – 19/20	<p>The Inspiring Libraries programme was set up to ensure that Hertfordshire's Library Service remains relevant and sustainable into the future, delivering against the strategy themes of a vibrant community space, digital library and enhanced gateway to reading, information and wellbeing. The investment is supporting the delivery of the £2.5m savings over three years 2015/16 – 2017/18. Spend to date is providing for new "Creatorspace" facilities in Watford and Hemel Hempstead; a pilot of Open + in Croxley Green, that allows swipe card access to the library outside core opening hours; and other technology developments, for example cloud based software that will ensure that the software on public access ICT remains robust and current, achieving</p>

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
			savings against current arrangements and delivering 'Library Link' (virtual librarian) at the volunteer libraries. ITT funding is also supporting project management to give capacity to deliver these changes and developments.
<b>Adults with Complex Needs</b>	120	2015/16 – 17/18	Project work to bring together partners and determine a better solution for supporting adults with complex needs – this is multi agency project and benefits unlikely to accrue directly to HCC, but form part of our collaborative partner working.
<b>0-25 Integration</b>	100	2015/16	This funded specialist consultancy in setting up the 0-25 service to integrate care for children and young adults between Children's Services and adult Care. The project has improved services delivered to Children with SEND statement and care plans leading to the introduction of Education Health and Care (EHC) Plans. It has also allows us to progress work on further developing and implementing the SEND Pathfinder model to support independence and self-reliance by exploring opportunities to improve efficiencies and removing duplication across services. Specific initiatives include the introduction of the 0-25 Together Service, introduction of the Disabled Children's Charter as well as our Local Offer; and the development and promotion of the Children's Services Outcome Framework. Together these initiatives have contributed to savings of £355k in 2017/18, rising to £500k by 2020; as well as supporting the delivery of savings from the reduction in numbers of CLA.
<b>Stevenage Acquisition (Abel Smith)</b>	1,866	2015/16	The purchase of this office building in Stevenage provides necessary future office accommodation for the County Council in light of leasehold expiry and emerging shared service delivery accommodation pressures. Acquisition and fit out of the premises was met from existing capital budgets, supplemented from ITT. The Council now holds an asset that is well located adjacent to Farnham and Robertson Houses, the value of which is expected to increase as the local market for office space develops. It is currently occupied by the Customer Service Centre who moved in on the expiry of their previous lease,

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
			and the remaining space is let out to commercial tenants. These arrangements are generating a rental income of £650k pa, although this will be offset in 2017/18 by an estimated shortfall of £130k service charge income against running costs.
<b>LD Accommodation for Independence</b>	1,650	2015/16 – 18/19	The objective of this project is to convert residential care accommodation to supported living. By end 2016/17, £688k is expected to have been spent on project management, care assessment and welfare benefits support; and property and commissioning support for capital works. The original business case estimated that converting 50% of current residential care accommodation into supported living would save approximately £7m per annum in fees. However the programme is being reassessed following benefit changes that will impact these savings.
<b>Website upgrade</b>	987	2015/16 to 2016/17	Creation of Hertfordshire.gov.uk to replace Herts Direct, providing a next generation website that will enable more self-service by customers, reducing queries to the Customer Service Centre; releasing efficiencies in technology costs; and providing more opportunities to develop new and improved digital services, releasing further efficiency savings across the whole Council. This includes reduced phone calls (£105k pa) and lower technology costs (£125k pa) – savings were taken in the 2016/17 IP; together with an improved the customer experience (94% reduction in pages, so easier to navigate to desired content).
<b>Broxbourne Land Acquisition</b>	600	2016/17 – 17/18	This greenbelt land of some 330 acres is jointly owned by the Council and Broxbourne BC and has the potential to be developed as an urban extension of some 1,700 new homes and supporting infrastructure. At present the land is held in the Rural Estate and provides a modest rental income. The land is being promoted in the Broxbourne emerging Local Plan.

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
<b>Enabling Posts</b>	503	2014/15 – 16/17	This budget has provided start-up funding for project management for Families First and for the intranet upgrade, to enable these initiatives to proceed; for in house legal staff to reduce the need for buying in more expensive legal advice; and initial funding for a post to assess the impact of the Community Infrastructure Levy on income from developers.
<b>E Commerce (income)</b>	225	2016/17	<p>Implementation is taking place in late 2016/17. The new solution will provide far greater functionality, allow customers to access and pay for goods and services through multiple devices, create an account, review their transactions, help to streamline and improve our internal processes and make it far cheaper to collect income through reduced transaction costs. It is complementary to the work in developing the new web technology and should also provide environmental benefits through decreased use of paper.</p> <p>It is expected to deliver payback within 4-5 years from the initial migration from existing e commerce systems, and cashable savings(from reduced merchant card provider costs as well as savings as existing software is taken out of use) will be tracked following implementation.</p>
<b>Herts Full Stop – due diligence</b>	150	2016/17	<p>This bid provided for external financial, property, legal and actuarial advice to assess a potential merger of the Herts Fullstop business with another organisation. If this proceeded, the investment would be recovered via costs avoidance of investment in upgrading ICT systems and developing marketing, that would otherwise be required.</p> <p>However, this first phase of investigation demonstrated significant risk and so it was decided not to proceed further. Other options are now being explored by officers.</p>
<b>Approved bids for future spend:</b>	700	2016/17 – 18/19	Investment will primarily fund additional local management and operational capacity during the set-up and parallel running of district level triage and

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
<b>Families First</b>			<p>governance of early help provision for families. The objective of the new arrangements is to ensure families are helped more effectively through simpler pathways and stronger links between services. It is anticipated that this will result in a reduction in the number of Children In Need, those requiring Child Protection or become Looked After (CLA)– reducing demand against these budgets, and significantly improving outcomes and life chances for Hertfordshire’s vulnerable children and their families, by supporting them to be more resilient and providing more effective, co-ordinated multi-agency early help support.</p> <p>It is expected that savings will also be generated through a reduction in the number of contacts into the Customer Service Centre (CSC).</p> <p>Benefits will be measured through CLA numbers and volumes of referrals through the CSC.</p>
<b>E Allowances (foster care etc)</b>	102	2016/17	<p>The objectives of this system are to provide an easy to use, centralised system for managing the annual review of allowances and payments processing associated with the payment of allowances for Adoption, Special Guardianship and other care orders; allowing carers to interact electronically; reducing manual processing by HCC and streamlining with Customer Service Centre processes; and improving the reporting and management information provided, to facilitate more effective decision-making and forecasting of expenditure.</p> <p>The project will deliver some small cashable savings for postage and stationery, and there will be time savings in Children’s Services and SERCO. Moving from the existing system negates the need for essential upgrade works (£22k) and saves support costs (£3kpa). Other non cashable benefits include an improved customer experience, and efficiencies from data being held in one place. Collaboration with other LA would reduce costs and may</p>

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Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
			make it easier for DWP & DfE to grant approval for use of online benefit eligibility checking

## **6 Spend to Achieve Capital Receipts**

The Spend to Achieve Capital Receipts Reserve was created in 2014/15 to fund the costs of works or other requirements to generate capital receipts which are then available to fund future schemes, reducing the borrowing requirement. In the 2016/17 Integrated Plan, it was agreed to top up this reserve by £3m per annum, from capital receipts. This policy will be reviewed annually, and will depend on the availability of receipts and the forward programme of potential schemes.

New schemes funded from this reserve require approval by the Chief Finance Officer, in consultation with the executive member for Resources and Performance, if under £150,000. Schemes over £150,000 require Cabinet approval.

During 2016/17, spend to enable the achievement of a major receipt (£15m) means that the reserve is expected to be fully utilised; and £1.6m has been re-programmed from the 2017/18 allocation, leaving £1.4m to cover spend in that year. It is proposed that this £3m be funded from capital receipts: requirements for 2018/19 and beyond will be reviewed in future Integrated Plans.

# **INTEGRATED PLAN**

## **PART G – OTHER TECHNICAL INFORMATION (TABLES)**



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**Table 1: Summary Budget Movement Statement (2017/18 – 2019/20)**

<b>2016/17</b> <b>£m</b>		<b>2017/18</b> <b>£m</b>	<b>2018/19</b> <b>£m</b>	<b>2019/20</b> <b>£m</b>
<b>828.732</b>	<b>Original Budget</b>	<b>822.182</b>	<b>822.182</b>	<b>822.182</b>
(5.660)	Technical Adjustments	(4.219)	(5.803)	(7.050)
8.933	Inflation	4.834	19.734	34.634
<b>832.005</b>	<b>Base Budget</b>	<b>822.797</b>	<b>836.113</b>	<b>849.766</b>
	<b>Pressures for change:</b>			
0.025	Previous Policy Decisions	(0.250)	(0.200)	(0.250)
10.079	Demography	19.454	25.003	34.654
8.681	Legislative	6.029	10.730	15.313
0.342	Capital Financing	-	1.859	3.563
3.602	Other	2.816	8.349	10.201
<b>22.729</b>	<b>Total Pressures for Change</b>	<b>28.049</b>	<b>45.741</b>	<b>63.481</b>
<b>854.734</b>	<b>Subtotal</b>	<b>850.846</b>	<b>881.854</b>	<b>913.247</b>
	<b>Savings:</b>			
(16.263)	Existing efficiencies - ongoing impact	(12.863)	(17.162)	(20.075)
(0.281)	Existing Policy Choice - ongoing impact	(5.039)	(5.084)	(5.084)
(13.478)	New efficiencies	(22.663)	(27.996)	(28.500)
(2.530)	New Policy Choice	(0.435)	(1.004)	(1.548)
-	Further savings required (to close gap)	-	(23.752)	(44.779)
(32.552)	<b>Total Efficiency / Business Transformation Savings</b>	(41.000)	(74.998)	(99.986)
<b>822.182</b>	<b>REVENUE BUDGET (excluding funding specifically allocated to service area)</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>
(0.385)	Use of Reserves	-	-	-
<b>821.797</b>	<b>Resultant Budget</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>

**Table 2: Funding Statement (2017/18 – 2019/20)**

<b>2016/17</b>		<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>
49.847	Business Rates Income	46.327	47.818	49.519
64.231	Business Rates Top-Up Grant	69.531	71.768	74.320
79.992	Revenue Support Grant	44.535	22.599	1.890
<b>194.069</b>		<b>160.393</b>	<b>142.185</b>	<b>125.730</b>
	<u>Non-ringfenced Grants:</u>			
	Compensation for impact of changes to			
2.552	Business Rates (S31 grant)	2.552	2.552	2.552
12.009	Education Services Grant (ESG)	3.261	-	-
6.635	New Homes Bonus	5.648	4.100	3.934
0.263	New Homes Bonus Adjustment	-	-	-
0.746	SEN Reform	-	-	-
2.141	Independent Living Fund	2.070	2.005	1.944
7.760	Transition Grant	7.849	-	-
-	Adult Social Care Support Grant	4.153		
1.100	Other non-ringfenced grants	1.085	1.000	1.006
<b>33.207</b>		<b>26.619</b>	<b>9.658</b>	<b>9.436</b>
	<u>Ringfenced Grants:</u>			
34.504	Public Health Grant	33.659	32.784	31.932
15.543	Public Health - Health visitors	15.154	14.760	14.376
2.605	Adult Skills and Community Learning grant	2.605	2.605	2.605
1.111	Local Authority Bus Subsidy Grant (formally Bus Service Operators Grant)	1.111	-	-
1.122	Unaccompanied Asylum Seeking Children Grant (UASC)	1.122	1.122	1.122
1.837	Troubled Families Grant	2.467	2.217	2.267
1.258	Music Education Grant	1.258	1.258	1.258
0.815	Youth Justice Good Practice Grant	0.815	0.815	0.815
<b>58.795</b>		<b>58.191</b>	<b>55.561</b>	<b>54.375</b>
	<u>Other Income:</u>			
18.949	NHS funding - Better Care Fund	18.949	23.676	31.858
499.136	Council Tax	516.097	530.578	545.466
9.787	Council Tax relating to 2% Social Care Precept	25.597	42.698	43.896
9.907	Collection Fund Balance - Council Tax	5.500	4.000	4.000
(2.053)	Collection Fund Balance - Business Rates	(1.500)	(1.500)	(1.500)
<b>535.727</b>		<b>564.643</b>	<b>599.452</b>	<b>623.720</b>
<b>821.797</b>	<b>TOTAL</b>	<b>809.846</b>	<b>806.856</b>	<b>813.261</b>

TABLE 3 - SERVICE REVENUE BUDGET STATEMENT (2017/18 - 2019/20)

2016/17 Net Budget £'000		Children's Services £'000	Community Protection £'000	Environment £'000	Health & Community Services £000	Public Health £000	Resources £'000	Central Items £'000	Net Budget 2017/18 £'000	Forecast Net Budget 2018/19 £'000	Forecast Net Budget 2019/20 £'000
828,732	<b>Original Budget</b>	180,555	35,599	112,347	344,938	50,188	58,168	40,387	822,182	822,182	822,182
-	Restructuring / Internal Transfers	55	(202)	(4,832)	(11,813)	(87)	16,738	141	-	-	-
(5,660)	Technical Adjustments	(2,168)	-	-	(71)	(1,234)	-	(746)	(4,219)	(5,803)	(7,050)
823,072	<b>Adjusted Budget</b>	178,442	35,397	107,515	333,054	48,867	74,906	39,782	817,963	816,379	815,132
8,933	Inflation	1,316	534	1,584	(425)	32	1,793	-	4,834	19,734	34,634
832,005	<b>Base Budget</b>	179,758	35,931	109,099	332,629	48,899	76,699	39,782	822,797	836,113	849,766
	Pressures for Change:										
25	<i>Previous Policy Decisions (2016/17 &amp; Prior Years)</i>	-	-	-	-	-	(250)	-	(250)	(200)	(250)
10,079	<i>Demography</i>	2,034	-	31	17,389	-	-	-	19,454	25,003	34,654
8,681	<i>Legislative Changes</i>	271	-	287	5,596	-	(125)	-	6,029	10,730	15,313
-	<i>Capital Financing</i>								-	1,859	3,563
-	<i>One-off Capital Investment (revenue contribution to capital)</i>								-	-	-
3,944	<i>Other Pressures</i>	637	-	844	445	-	140	750	2,816	8,349	10,201
22,729	<b>Total Pressures For Change</b>	2,942	-	1,162	23,430	-	(235)	750	28,049	45,741	63,481
854,734	<b>Standstill Budget</b>	182,700	35,931	110,261	356,059	48,899	76,464	40,532	850,846	881,854	913,247
(32,552)	Savings	(10,805)	(736)	(2,625)	(11,663)	(32)	(3,899)	(11,240)	(41,000)	(51,246)	(55,207)
-	Further savings required								-	(23,752)	(44,779)
822,182	<b>REVENUE BUDGET (before funding specifically allocated to service area)</b>	171,895	35,195	107,636	344,396	48,867	72,565	29,292	809,846	806,856	813,261
(27,697)	Funding specifically allocated to service area	(5,662)	-	(1,111)	(21,554)	-	-	-	(28,327)	(26,966)	(27,016)
794,485	<b>REVENUE BUDGET</b>	166,233	35,195	106,525	322,842	48,867	72,565	29,292	781,519	779,890	786,245
(385)	Use of reserves								-		
794,100	<b>NET REVENUE BUDGET</b>	166,233	35,195	106,525	322,842	48,867	72,565	29,292	781,519		
	<b>Add Income from:</b>								-		
119,039	Sales, Fees & Charges	12,965	1,385	10,693	50,659	37	40,494	-	116,233		
54,133	Partner Contributions	236	584	2,009	13,707	-	1,771	-	18,307		
18,847	Other Ringfenced Grants	15,004	-	1,721	2,311	-	1,895	-	20,931		
192,019	<b>TOTAL INCOME (excluding dedicated schools grant)</b>	28,205	1,969	14,423	66,677	37	44,160	-	155,471		
27,697	Specific Grants (ringfenced)	5,662	-	1,111	21,554	-	-	-	28,327		
1,014,201	<b>GROSS BUDGET (excluding schools)</b>	200,100	37,164	122,059	411,073	48,904	116,725	29,292	965,317		
866,773	Dedicated Schools Grant	906,041							906,041		
1,880,974	<b>GROSS BUDGET (including schools)</b>	1,106,141	37,164	122,059	411,073	48,904	116,725	29,292	1,871,358		

**TABLE 4: SUMMARY SUBJECTIVE ANALYSIS 2017/18**

2016/17 TOTAL £'000	Subjective groups:	Children's Services £'000	Community Protection £'000	Environment £'000	Health & Community Services £000	Public Health £000	Resources £'000	Central Items £'000	2017/18 TOTAL £'000
249,592	Employees	89,891	33,073	13,704	58,901	3,257	45,840	-	244,666
	Running Expenses:								
26,804	Premises related expenditure	1,966	55	413	335	-	24,479	-	27,248
30,088	Transport related expenditure	19,966	1,345	400	1,582	32	1,035	-	24,360
80,111	Supplies & services	26,582	2,147	1,131	10,705	10,498	27,620	4,757	83,440
582,819	Third party payments	107,801	541	105,300	281,099	35,117	15,583	2,220	547,661
(23,352)	Transfer payments	(51,825)	-	-	36,897	-	-	-	(14,928)
2,434	Support services	57	3	-	-	-	2,174	-	2,234
698,904	Total Running Expenses	104,547	4,091	107,244	330,618	45,647	70,891	6,977	670,015
948,496	<b>TOTAL SERVICE EXPENDITURE</b>	<b>194,438</b>	<b>37,164</b>	<b>120,948</b>	<b>389,519</b>	<b>48,904</b>	<b>116,731</b>	<b>6,977</b>	<b>914,681</b>
32,268	Capital Financing Costs						(6)	22,315	22,309
	- Capital Investment (Revenue Contribution to Capital)							-	-
(186,279)	Income	(28,205)	(1,969)	(14,423)	(66,677)	(37)	(44,160)	-	(155,471)
794,485	<b>REVENUE BUDGET (excluding funding specifically allocated to service area)</b>	<b>166,233</b>	<b>35,195</b>	<b>106,525</b>	<b>322,842</b>	<b>48,867</b>	<b>72,565</b>	<b>29,292</b>	<b>781,519</b>
27,697	Add back funding allocated to service area, but held centrally	5,662	-	1,111	21,554	-	-	-	28,327
822,182	<b>REVENUE BUDGET</b>	<b>171,895</b>	<b>35,195</b>	<b>107,636</b>	<b>344,396</b>	<b>48,867</b>	<b>72,565</b>	<b>29,292</b>	<b>809,846</b>

**TABLE 5: BUDGET RESTRUCTURING & TECHNICAL ADJUSTMENTS (2017/18 TO 2019/20)**

Ref:	Description	Portfolio	Children's Services £'000	Community Protection £'000	Environment £'000	Health & Community Services £'000	Public Health £'000	Resources £'000	Central Items £'000	2017/18 TOTAL £'000	2018/19 TOTAL £'000	2019/20 TOTAL £'000
<b>BUDGET RESTRUCTURING &amp; TECHNICAL ADJUSTMENTS:</b>												
	<b>Restructuring / Internal Transfers</b>											
	Transfer from (Env) to (Res) RE: Communications / Corporate Policy				(4,042)			4,042		-	-	-
	Transfer from (Env) to (HCS) RE: Transport, Access & Safety				(540)	540				-	-	-
	Transfer from (Env) to (Central)				(250)				250	-	-	-
	Transfer from (PH) to (HCS) RE: Drugs & Alcohol Social Workers					87	(87)			-	-	-
	Transfer from (HCS) to (CS) RE: HRS Rose Court		80			(80)				-	-	-
	Transfer from (HCS) to (Res) RE: Care Payments					(1,415)		1,415		-	-	-
	Transfer from (HCS) to (Res) RE: Customer Services					(603)		603		-	-	-
	Transfer from (HCS) to (Res) RE: Libraries					(10,544)		10,544		-	-	-
	Transfer from (CP) to (HCS) RE: County Community Safety Unit			(202)		202				-	-	-
	Transfer from (Central) to (Res) RE: Interest income relating to Insurance							109	(109)	-	-	-
	Transfer from (CS) to (Res) RE: SYP Network Recharges		(25)					25		-	-	-
	<b>Total Restructuring / Internal Transfers</b>		55	(202)	(4,832)	(11,813)	(87)	16,738	141	-	-	-
	<b>Technical Adjustments</b>											
TA01	Troubled Families (TF) Grant	CS	630							630	380	430
TA02	ESG	EE&S	(2,798)							(2,798)	(2,798)	(2,798)
TA03	Independent Living Fund	AC&H				(71)				(71)	(136)	(197)
TA04	Public Health - Savings Requirement	PHL&L					(1,234)			(1,234)	(2,503)	(3,739)
TA05	Reversal of one-off funding: SEN reform grant	R&P							(746)	(746)	(746)	(746)
	<b>Total Technical Adjustments</b>		(2,168)	-	-	(71)	(1,234)	-	(746)	(4,219)	(5,803)	(7,050)
	<b>TOTAL BUDGET RESTRUCTURING &amp; TECHNICAL ADJUSTMENTS</b>		<b>(2,113)</b>	<b>(202)</b>	<b>(4,832)</b>	<b>(11,884)</b>	<b>(1,321)</b>	<b>16,738</b>	<b>(605)</b>	<b>(4,219)</b>	<b>(5,803)</b>	<b>(7,050)</b>

**Portfolio Key:**

Adult Care & Health	AC&H
Children's Services	CS
Community Safety and Waste Management	CS&WM
Enterprise, Education & Skills	EE&S
Environment, Planning and Transport	EP&T
Highways	HWY
Public Health, Localism and Libraries	PHL&L
Resources & Performance	R&P

**TABLE 6: 2017/18 PAY & PRICE INFLATION**

	Children's Services £'000	Community Protection £'000s	Environment £'000s	Health & Community Services £'000s	Public Health £'000s	Resources £'000s	Central Items £'000s	Total £'000s
<b>Pay Inflation:</b>								
2017/18 Pay Inflation (1.0%)	746	511	136	619	33	548	-	2,593
<b>Pay Inflation</b>	746	511	136	619	33	548	-	2,593
<b>Price Inflation:</b>								
Countywide exceptional:								
<i>Council Tax (3.99%)</i>	-	-	-	-	-	3	-	3
<i>Insurance - Premiums Paid (1.47%)</i>	-	-	-	-	-	21	-	21
<i>Teachers/Fire Pensions (2.5%)</i>	98	17	-	-	-	-	-	115
<i>Repairs &amp; maintenance (2.2%)</i>	7	4	-	1	-	75	-	87
<i>Gas (12.83%)</i>	8	-	-	-	-	108	-	116
<i>Electricity (28.97%)</i>	15	-	92	-	-	609	-	716
<i>Street Lighting Energy (28%)</i>	-	-	1,048	-	-	-	-	1,048
<i>Rates (1.9%)</i>	3	-	-	-	-	95	-	98
<i>Water (1.37%)</i>	-	-	-	-	-	2	-	2
<i>Wastewater (2.67%)</i>	-	-	-	-	-	3	-	3
<i>Diesel (5.61%)</i>	-	13	-	14	-	1	-	28
<i>IT (software licences - 3yr fixed price contract)</i>	-	-	-	-	-	340	-	340
<i>PFI Service Element (2.1%)</i>	60	-	-	-	-	27	-	87
<i>SMS contract (1.01%)</i>	15	-	-	-	-	147	-	162
<i>Vensons contract (2.36%)</i>	-	16	-	11	-	1	-	28
<i>subtotal Countywide Exceptional</i>	206	50	1,140	26	-	1,432	-	2,854
<b>Service specific exceptional (expenditure):</b>								
<i>Adoption (0.11% / 2.00%)</i>	10	-	-	-	-	-	-	10
<i>Asylum Seeker - Leaving Care (1.34%) / UASC (2.22%)</i>	33	-	-	-	-	-	-	33
<i>DCS Direct Payments (1.00%)</i>	26	-	-	-	-	-	-	26
<i>DCS Homecare (3.73%)</i>	55	-	-	-	-	-	-	55
<i>Fostering - Allowances &amp; Daycare (0.04%) / Fees (1.98%)</i>	88	-	-	-	-	-	-	88
<i>Leaving Care (0.96%)</i>	5	-	-	-	-	-	-	5
<i>Specialist Services - Independent Placements (-1.33% / 0.55% / 1.34% / 2.22%)</i>	244	-	-	-	-	-	-	244
<i>Highways Maintenance - Ringway (1.30%)</i>	-	-	304	-	-	-	-	304
<i>Highways Maintenance - Opus (2.0%)</i>	-	-	162	-	-	-	-	162
<i>Coroner Services - Mortuary Services (5.0%)</i>	-	-	-	-	-	10	-	10
<i>subtotal Service Specific exceptional (Expenditure)</i>	461	-	466	-	-	10	-	937

	Children's Services £'000	Community Protection £'000s	Environment £'000s	Health & Community Services £'000s	Public Health £'000s	Resources £'000s	Central Items £'000s	Total £'000s
<b>Income:</b>								
Standard (2.2%)	(97)	(27)	(249)	(1,070)	(1)	(219)	-	(1,663)
<b>Service Specific exceptional (Income):</b>								
Waste Management (Income 0.00%)	-	-	64	-	-	-	-	64
Countryside Management Service (Income 0.00%)	-	-	4	-	-	-	-	4
Passenger Transport (Income 0.00%)	-	-	23	-	-	-	-	23
Coroner Services - Mortuary Services (Income 1.0%)	-	-	-	-	-	2	-	2
Libraries and Heritage Services (Income 0.0%)	-	-	-	-	-	20	-	20
<i>subtotal Service Specific exceptional (Income)</i>	-	-	91	-	-	22	-	113
<b>Total Price Inflation</b>	<b>570</b>	<b>23</b>	<b>1,448</b>	<b>(1,044)</b>	<b>(1)</b>	<b>1,245</b>	<b>-</b>	<b>2,241</b>
<b>TOTAL PAY &amp; PRICE INFLATION</b>	<b>1,316</b>	<b>534</b>	<b>1,584</b>	<b>(425)</b>	<b>32</b>	<b>1,793</b>	<b>-</b>	<b>4,834</b>



**TABLE 7: Service Specific Exceptional Inflation (Expenditure) 2017/18**

	Service Area	Description	Alternative Inflation Increase %	Increase set by other bodies / contract Yes / No ?	Explanation for variation to Standard Inflation increase	Budget £	Inflation @ NIL £	Inflation if alternative increase applied £	Impact above / (below) standard inflation £
<b>Health &amp; Community Services</b>									
	None					0	0	0	0
	Highways Maintenance - Ringway	HST contract	1.30	Yes	Calculation based on HTMA indices	23,399,000	0	304,187	304,187
	Highways Maintenance - Opus	CST contract	2.00	Yes	Calculation based on RPIX based on advice from our contract consultant BuroHappold at the time to contract documents were being put together	8,090,000	0	161,800	161,800
						<b>31,489,000</b>	<b>0</b>	<b>465,987</b>	<b>465,987</b>
<b>Children's Services</b>									
	Adoption	Preadoption Allowances, Residence Order Allowances, Special Guardianship Allowances, Adoption Allowances	0.11	Yes	All Adoption based allowances are increased in line with the Fostering increase (see below)	7,288,477	0	8,293	8,293
	Adoption	Adoption Fees	2.00	No	Fees should link to standard pay inflation.	73,241	0	1,462	1,462
	Asylum Seeker - Leaving Care	UASC - over 18	1.34	No	Linked to IP semi independent rates.	730,935	0	9,807	9,807
	Asylum Seeker - UASC	UASC - under 18	2.22	No	Linked to IP fostering rates.	1,028,000	0	22,778	22,778
	Disabled Childrens Service - Direct Payments	Direct Payments	1.00	Yes	Direct Payments inflationary pressures are linked to those calculated by HCS for their respective services.	2,597,958	0	25,980	25,980
	Disabled Childrens Service - Homecare	Homecare	3.73	Yes	Homecare inflationary pressures are linked to those calculated by HCS for their respective services.	1,479,901	0	55,200	55,200
	Fostering	Allowances & Daycare	0.04	Yes	Fostering Allowances are increased in line with the National Minimum Fostering Allowance scheme. Based on the increase from 2014/15 to 2015/16 (2017/18 rates are yet to be released - there was no increase in 2016/17) an increase of 3.5% is anticipated.	7,418,411	0	2,925	2,925
	Fostering	Fostering Fees	1.98	No	Fees should link to standard pay inflation.	4,284,039	0	84,670	84,670
	Leaving Care	Leaving Care	0.96	Yes	Linked to benefit rates.	522,790	0	5,014	5,014
	Specialist Services - Independent Placements	SC Residential Homes - Spec Schools, IP Disability - CLA (Special Schools)	-1.33	No	Less placements are being made in this area, as mainly Education funded unless agreed at tribunal	2,907,486	0	(38,639)	(38,639)
	Specialist Services - Independent Placements	IP SC Residential Homes, IP Disability - CLA (Residential)	0.55	No	Average weekly costs for residential provision are continuing to increase as complex cases are becoming harder to place.	8350626	0	46,016	46,016
	Specialist Services - Independent Placements	IP Semi-Independent, Section 23 - IP (Semi Independent)	1.34	No	Average weekly costs for semi independent placements are seeing an increase for placements and additional support costs while stepping down support for clients as they move to adulthood.	3,714,379	0	49,837	49,837
	Specialist Services - Independent Placements	IP Fostering, IP Disability - CLA (Fostering), Section 23 - IP (Fostering)	2.22	No	The Brokerage Service are experiencing higher placement costs for Hertfordshire CLA due to increased incidence of specific complex needs within cases being handled and the lack of In House Fostering placements being available. Work is underway to recommission services and increase capacity in In House Fostering, but this will take some time to take effect.	8,454,376	0	187,330	187,330
						<b>48,850,619</b>	<b>0</b>	<b>460,674</b>	<b>460,674</b>
<b>Community Protection</b>									
	None						0	0	0
<b>Resources &amp; Performance</b>									
	Coroner Service	Mortuary Services	5.00	Yes	Mortuary services provided under contract to three NHS Trusts (West Herts, East & North Herts and Princess Alexandra). Contracts awarded in July 2016 therefore 2017/18 is the first full year. NB: The contracts allow for annual increases up to NHS inflation rates which is usually higher than general inflation.	197,147	0	9,857	9,857
						<b>197,147</b>	<b>0</b>	<b>9,857</b>	<b>9,857</b>

**TABLE 7: Service Specific Exceptional Inflation (Income) 2017/18**

Service Area	Description	Alternative Inflation Increase %	Increase set by other bodies / contract Yes / No ?	Explanation for variation to Standard Inflation increase	Budget £	Inflation @ 2.2% £	Inflation if alternative increase applied £	Impact (above) / below standard inflation £
<b>Health &amp; Community Services</b>								
None					0	0	0	0
<b>Environment</b>								
Waste Management	Various income streams	0.00	No	Marketing of all recycling materials (except residual waste) from Household Waste Recycling Centres is carried out by Amey (the contracted operator) who, as part of the contract negotiations, provided an undertaking to provide a minimum guaranteed level of income for the duration of the contract from June 2016, which has already been built into the budget.	(2,931,443)	(64,492)	0	64,492
Countryside Management Service	Income from district councils	0.00	No	Projects negotiated annually with District/Borough Councils	(189,600)	(4,171)	0	4,171
Passenger Transport	S106 budget	0.00	Yes	Fixed amounts resulting from S106 agreements	(544,634)	(11,982)	0	11,982
Passenger Transport	Various income streams	0.00	No	Written agreements with district councils and other local authorities (cross boundary routes) that they will pay specific amounts towards operator costs.	(487,042)	(10,715)	0	10,715
					<b>(4,152,719)</b>	<b>(91,360)</b>	<b>0</b>	<b>91,360</b>
<b>Children's Services</b>								
None					0	0	0	0
<b>Community Protection</b>								
None					0	0	0	0
<b>Resources &amp; Performance</b>								
Coroner Service	Grants & Contribution (Other Local Authorities)	1.00	No	This recharge to Hertfordshire Police is for Coroner's Officers and therefore any increase should be based on salary inflation.	(188,588)	(4,149)	(1,886)	2,263
Libraries and Heritage Services	Income from Library fees and charges	0.00	No	HCC's Inspiring Libraries Strategy has a key ambition to increase library usage. As part of the implementation of the strategy a comprehensive review of all library fees and charges was undertaken during 2015/16 with a view to maximising income, without having a negative impact on usage. Fees and charges were benchmarked against those of CIPFA comparator authorities, near neighbours, and consortium partners. This demonstrated that charges in Herts are already amongst the highest. The exception was overdue charges, so these were increased wef 1 April 2016. The increase equated to 5% increase for adults and 17% increase for children, both well in excess of inflation. Overdue charges are the main income stream for libraries, accounting for 35% of income. This income is in decline because of the ease of renewing items to avoid paying the charge. The postal notification charge was also increased by 10%, and a new charge for replacement library cards introduced. There is no scope to increase these charges again in April 2017. Income from some streams eg hire of CDs and DVDs, which represents 16% of total income, is significantly reducing as customers no longer want the physical format, so increasing an already high charge compared to other authorities, would be counter-productive in an already diminishing market. Some charges cannot be increased as the cost of implementation would outweigh the increase in revenue eg photocopying where coin boxes would have to be altered. Residents chose whether or not to use library services and incur charges. Evidence from user comments and complaints supports the argument that the level of charges acts as a deterrent to library use and actually results in less income being raised, as users are either unwilling or unable to pay. The service continues to benchmark against other authorities and to explore other income streams, but there is no case for an inflation based increase for 2017-18.	(905,947)	(19,931)	0	19,931
					<b>(1,094,535)</b>	<b>(24,080)</b>	<b>(1,886)</b>	<b>22,194</b>

**TABLE 8: PRESSURES FOR CHANGE 2017/18 - 2019/20**

	2016/17 TOTAL £000s	2017/18 TOTAL £000s	2018/19 TOTAL £000s
Previous Policy Decision	(250)	(200)	(250)
Demography	19,454	25,003	34,654
Legislative	6,029	10,730	15,313
Other Pressures	2,816	10,208	13,764
<b>TOTAL</b>	<b>28,049</b>	<b>45,741</b>	<b>63,481</b>

Ref	Description	Portfolio	Type of pressure	2016/17 TOTAL £000s	2017/18 TOTAL £000s	2018/19 TOTAL £000s	Approximate current budget £'000
<b>CHILDREN'S SERVICES</b>							
D01	Children Looked After (CLA)	CS	Demography	1,047	1,798	3,612	44,100
D02	Child Protection	CS	Demography	(132)	(132)	(132)	1,748
D03	Corporate Parenting - Higher Education	EE&S	Demography	22	22	22	
D04	Adoption & Special Guardianship Orders	CS	Demography	346	346	346	7,394
D05	No Recourse to Public Funds (NRPF)	CS	Demography	357	357	357	521
D06	Unaccompanied Assylum Seekers	CS	Demography	394	394	394	1,512
L01	SEN	EE&S	Legislative	271	693	693	
OP01	SN HTS Transport	EE&S	Other Pressures	437	887	887	
OP02	Hadham Road Development appeal costs	EE&S	Other Pressures	200	0	0	
<b>TOTAL CHILDREN'S SERVICES</b>				<b>2,942</b>	<b>4,365</b>	<b>6,179</b>	
<b>COMMUNITY PROTECTION</b>							
	None						
<b>TOTAL COMMUNITY PROTECTION</b>				<b>0</b>	<b>0</b>	<b>0</b>	

Ref	Description	Portfolio	Type of pressure	2016/17 TOTAL £000s	2017/18 TOTAL £000s	2018/19 TOTAL £000s	Approximate current budget £'000
	<b>ENVIRONMENT</b>						
PPD01	County Travel Survey	EP&T	Previous Policy Decision	0	50	0	
D07	Road length increases - routine maintenance	HWY	Demography	31	92	183	
L02	Impact of Landfill Tax - Waste Management (rate change)	CS&WM	Legislative	146	479	748	
L03	Environment Protect Act - Recycling credits	CS&WM	Legislative	141	288	440	
OP03	Cessation of Edmonton Waste Disposal Contract	CS&WM	Other Pressures	767	2,504	2,504	41,776
OP04	Cessation of Interim Waste Disposal Contracts	CS&WM	Other Pressures	100	1,879	2,232	
OP05	Essential Upgrade of Highways Asset Management System	HWY	Other Pressures	(50)	(100)	(100)	
OP06	Advice on Tree Health	EPT	Other Pressures	0	0	(50)	378
OP07	Budget for Additional County Councillor due to boundary changes	PHL&L	Other Pressures	27	27	27	2,079
OP09	Legal Support for Procurement	HWY	Other Pressures	100	0	0	
OP11	Highways - Reacting to Ash Dieback and Other Tree diseases	HWY	Other Pressures	(100)	(100)	(100)	
	<b>TOTAL ENVIRONMENT</b>			<b>1,162</b>	<b>5,119</b>	<b>5,884</b>	
	<b>HEALTH &amp; COMMUNITY SERVICES</b>						
D08	Older People	AC&H	Demography	4,223	6,043	9,310	140,211
D09	Learning Disability	AC&H	Demography	12,596	14,972	18,972	142,425
D10	Physical Disability	AC&H	Demography	371	732	1,044	25,954
D11	Mental Health	AC&H	Demography	199	379	546	16,985
L04	National Living Wage for Commissioned Homecare and Residential	AC&H	Legislative	5,596	9,406	13,568	119,526
OP12	Winterbourne View - Transforming Care	AC&H	Other Pressures	445	445	445	142,425
	<b>TOTAL HEALTH &amp; COMMUNITY SERVICES</b>			<b>23,430</b>	<b>31,977</b>	<b>43,885</b>	
	<b>PUBLIC HEALTH</b>						
	None						
	<b>TOTAL PUBLIC HEALTH</b>			<b>0</b>	<b>0</b>	<b>0</b>	

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Ref	Description	Portfolio	Type of pressure	2016/17 TOTAL £000s	2017/18 TOTAL £000s	2018/19 TOTAL £000s	Approximate current budget £'000
	<b>RESOURCES</b>						
PPD02	Hemel Public Service Quarter	R&P	Previous Policy Decision	(250)	(250)	(250)	
L06	County Councillors - ending of superannuation scheme	R&P	Legislative	(125)	(136)	(136)	
OP13	Robertson & Farnham House - sub-lease expiry	R&P	Other Pressures	0	635	1,269	15,179
OP14	Rental increase for Mundells	R&P	Other Pressures	77	77	77	15,179
OP15	Rental increase for Bishops Stortford Library	R&P	Other Pressures	43	43	43	15,179
OP16	Budget for Additional County Councillor from Boundary changes	R&P	Other Pressures	20	20	20	1,428
	<b>TOTAL RESOURCES</b>			<b>(235)</b>	<b>389</b>	<b>1,023</b>	
	<b>CENTRAL ITEMS</b>						
OP17	Interest cost - HCC borrowing	R&P	Other Pressures	382	1,593	2,508	
OP18	Interest on Investment Balances (external)	R&P	Other Pressures	280	351	351	
OP19	Capital Financing - Minimum Revenue Provision Policy choice	R&P	Other Pressures	0	450	625	
OP20	Additional Treasury Management pressures	R&P	Other Pressures	(23)	(23)	(23)	
OP21	Additional Borrowing to fund the Capital Programme	R&P	Other Pressures	0	1,409	2,938	
OP22	Repayments to Invest to Transform relating to agreed schemes	XC	Other Pressures	111	111	111	
	<b>TOTAL CENTRAL ITEMS</b>			<b>750</b>	<b>3,891</b>	<b>6,510</b>	
	<b>TOTAL PRESSURES</b>			<b>28,049</b>	<b>45,741</b>	<b>63,481</b>	

**TABLE 9: SAVINGS 2017/18 - 2019/20**

	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s
Existing Efficiencies (ongoing impact) - EE	(12,863)	(17,162)	(20,075)
Existing Policy Choice (ongoing impact) - EPC	(5,039)	(5,084)	(5,084)
New Efficiencies - NE	(22,663)	(27,996)	(28,500)
New Policy Choice - NPC	(435)	(1,004)	(1,548)
Further Savings Required	0	(23,752)	(44,779)
<b>TOTAL</b>	<b>(41,000)</b>	<b>(74,998)</b>	<b>(99,986)</b>

Ref	Project title	Portfolio	Project Status	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
<b>CHILDREN'S SERVICES</b>							
EEI01	Home to School Transport	EE&S	EE	(130)	(130)	(130)	5,440
EEI02	Home to School Transport - Additional	EE&S	NPC	(470)	(470)	(470)	5,440
SSS01	Family Focus	CS	NE	(2,750)	(4,500)	(4,500)	44,100
EEI03 & SSS02	0-25 Integration	CS	EE	(75)	(200)	(200)	33,563
SSS03	Reduce training budget	CS	NE	(280)	(300)	(300)	8,439
EEI04	Schools PFI contract	EE&S	NE	(106)	(106)	(106)	670
EEI05 & SSS04 (X1)	Printing Contract Savings	EE&S	NE	(350)	(150)	(150)	7,736
EEI06	Herts Music Service	XC	EE	(32)	(48)	(48)	237
EEI07	Premature Retirement Cost and redundancy	EE&S	NE	(391)	(391)	(391)	782
EEI08	School improvement (Herts for Learning)	EE&S	NE	(456)	(456)	(456)	4,818
EEI09	Transfers of relevant spend from ESG to DSG	EE&S	NE	(1,752)	(1,752)	(1,752)	3,425
EEI10	Off site visits	EE&S	NE	(92)	(92)	(92)	92
EEI11	Other ESG related reductions	EE&S	NE	(20)	(20)	(20)	44
EEI12	Further ESG related savings	EE&S	NE	(149)	(149)	(149)	1,414
EEI13	Further ESG related savings	EE&S	NE	0	(2,043)	(2,043)	
EEI14	Early Years spend transfer to DSG	CS	NE	(640)	(640)	(640)	1,544
EEI15	Virtual School Service Reduction and Grant Funding	EE&S	NE	(237)	(237)	(237)	1,728
EEI15	Families First ITT Bid	CS	NE	0	(37)	(87)	
SSS06	Further Children Looked After Transformation Efficiency Savings	CS	NE	(300)	(300)	(300)	44,100
SSS07	Safeguarding & Specialist Services Salary Savings	CS	NE	(450)	(450)	(450)	32,384
SSS08	Childcare Litigation	CS	NE	(100)	(100)	(100)	865
EEI16 & SSS09	Re-Commissioning Services	CS	NE	(664)	(664)	(664)	2,838
EEI17 & SSS10	Business Efficiency Programme	CS	NE	(280)	(280)	(280)	78,728
EEI23 & SSS05	Children's Services Efficiencies (excl. CLA)	CS / EE&S	NE	(386)	(386)	(386)	179,019
EEI18 & SSS11 (X2)	Enabling the Worker (ETW)	XC	NE	(106)	(106)	(106)	
EEI19	School Place Planning Efficiencies	EE&S	NE	(31)	(31)	(31)	1,851
EEI20 (X2)	Integrated Services for Learning Efficiencies including ETW	XC	NE	(136)	(136)	(136)	6,604
EEI21 (X2)	Thriving Families Efficiencies including ETW	XC	NE	(48)	(48)	(48)	1,949
EEI22 (X2)	Services to Young People Efficiencies including ETW	XC	NE	(374)	(374)	(374)	15,336
<b>TOTAL CHILDREN'S SERVICES</b>				<b>(10,805)</b>	<b>(14,596)</b>	<b>(14,646)</b>	

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Ref	Project title	Portfolio	Project Status	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
<b>COMMUNITY PROTECTION</b>							
CP01	Officer Response Vehicles - change from Lease to Capital Provision	CS&WM	EE	(75)	(115)	(155)	
CP02	Community Safety Task Force	CS&WM	NE	(125)	(125)	(125)	
CP03	Trading Standards - Additional Income	CS&WM	NE	(50)	(50)	(50)	
CP04	Review of Day Crewing Plus Savings	CS&WM	EE	(195)	(195)	(195)	
CP05	Restructure of Strategic Leadership Group (SLG)	CS&WM	EE	(58)	(58)	(58)	
CP06 (X1)	Printing Contract Savings	XC	EE	(1)	(1)	(1)	
CP07 (X2)	Enabling the Worker	XC	EE	(22)	(22)	(22)	
CP08	Staffing	CS&WM	NE	(210)	0	0	
<b>TOTAL COMMUNITY PROTECTION</b>				<b>(736)</b>	<b>(566)</b>	<b>(606)</b>	
<b>ENVIRONMENT</b>							
ENV01	LED & Centrally Managed Service street lighting Phase 2 - Invest to save	HWY	EPC	(404)	(404)	(404)	3,830
ENV02 (X1)	Printing Contract Savings	XC	EE	(15)	(22)	(22)	
ENV03	Restructure of Transport Access and Safety	EP&T	NE	(121)	(121)	(121)	2,570
ENV04	Review of Discretionary Waste Disposal Payments	CS&WM	NE	(334)	(667)	(1,000)	38,905
ENV05	Reduce Spend on TfL Bus Services	EP&T	NE	(390)	(390)	(390)	390
ENV06	Residual Waste Treatment Programme	CS&WM	NE	0	(250)	(250)	530
ENV07 (X3)	Review of Departmental Overheads	XC	NE	(174)	(174)	(174)	710
ENV08	Review & Integrate Countryside Management Service / Rights of Way	EP&T	NE	0	(100)	(150)	1,326
ENV09	Additional Alternative Financial Model Savings	CS&WM	NE	(50)	(50)	(50)	0
ENV10	Household Waste Recycling Centre Re-Use Targets	CS&WM	NE	(50)	(100)	(150)	3,435
ENV11	Environment Resource Planning / Waste Staffing Savings	CS&WM	NE	(35)	(35)	(35)	1,534
ENV12	Central Container Servicing Contract changeover confirmation	CS&WM	NE	(480)	(480)	(480)	
ENV13	Recycling Material Basket Income Guarantee (HWRCs)	CS&WM	NE	(125)	(125)	(125)	(370)
ENV14	Revenue impact of the LED Street Lighting – Phase 4 Capital programme	HWY	NPC	35	(503)	(1,047)	15,656
ENV15	Revenue impact of the Street Lighting Refurbishment Programme – 2017/18-2019/20 Capital programme	HWY	EE	0	(26)	(49)	15,656
ENV16	Revenue impact of the Replacement of Existing Belisha Beacons with LED Units Capital programme	HWY	NPC	0	(31)	(31)	(370)
ENV18	Reduced compost contamination disposal costs	CS&WM	NE	(85)	(85)	(85)	
ENV19	New clinical waste contract	CS&WM	NE	(30)	(30)	(30)	
ENV20	Driver Training	HWY	NE	(100)	(100)	(100)	(925)
ENV21	Strategic Planning Savings in Future Years	EP&T	NE	(60)	(60)	(60)	1,219
ENV22	Safety Camera Partnership	HWY	NE	(25)	(25)	(25)	244
ENV23 (X2)	Enabling the Worker	XC	EE	(82)	(82)	(82)	
ENV24	Passenger Transport - Savercard Concessionary Scheme	EP&T	NE	(100)	(100)	(100)	14,205
<b>TOTAL ENVIRONMENT</b>				<b>(2,625)</b>	<b>(3,960)</b>	<b>(4,960)</b>	

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Ref	Project title	Portfolio	Project Status	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
<b>HEALTH &amp; COMMUNITY SERVICES</b>							
HCS01	Care Homes - use of community alternative to defer placement	AC&H	EE	(1,000)	(1,000)	(1,000)	72,194
HCS02	Older People Homecare - use of community alternatives	AC&H	EE	(525)	(1,800)	(1,850)	34,133
HCS03	Positive outcomes for people through new specialist care at home schemes	AC&H	EE	(300)	(600)	(900)	58,421
HCS04	Preventative Telecare	AC&H	EE	(400)	(800)	(800)	103,561
HCS05	Older People and Physical Disability Care Purchasing	AC&H	EE	(100)	(200)	(200)	1,851
HCS06	Physical Disability - expert care purchasing	AC&H	EE	(125)	(125)	(125)	4,084
HCS07	NHS protection of social care and adherence to new national eligibility criteria	AC&H	EE	3,000	3,000	3,000	95,388
HCS08	Client Income	AC&H	NE	(2,569)	(2,680)	(2,680)	(45,143)
HCS09	Careline	AC&H	NE	(300)	(300)	(300)	872
HCS10	In-house Supported Living management action	AC&H	NE	(500)	(500)	(500)	16,585
HCS11	Best Value Team target	AC&H	NE	0	(500)	(500)	99,137
HCS12	Learning Disabilities - use of community alternatives: Conversion of LD residential care homes to supported living services	AC&H	EE	500	(500)	(2,000)	99,137
HCS13	Learning Disabilities - use of community alternatives: Recommissioning outdated models of care.	AC&H	EE	(400)	(600)	(1,600)	99,137
HCS14	Maximisation of alternative funding sources	AC&H	NE	(1,000)	(1,000)	(1,000)	115,722
HCS15	National Living Wage Strategy	AC&H	NE	(2,500)	(3,000)	(3,000)	119,526
HCS16	In House Day Services	AC&H	EPC	(1,100)	(1,100)	(1,100)	13,449
HCS17	Transformation of External Day Services Provision	AC&H	EPC	(700)	(700)	(700)	11,096
HCS18	Mental Health	AC&H	EPC	(1,040)	(1,085)	(1,085)	16,984
HCS19	Herts Healthy Homes	AC&H	EPC	(350)	(350)	(350)	500
HCS20	Combined Money Advice / Work Solutions Service	AC&H	EPC	(700)	(700)	(700)	1,686
HCS21	Savings on Strategic Centre Units	AC&H	EPC	(570)	(570)	(570)	8,614
HCS22	HCS Commissioning Unit	AC&H	EPC	(175)	(175)	(175)	1,592
HCS23 (X2)	Enabling the Worker	XC	EE	(294)	(979)	(979)	28,050
HCS24 (X1)	Printing Contract Savings	XC	EE	(15)	(23)	(23)	46
HCS25	Flexicare	AC&H	EE	500	500	500	n/a
HCS26	Recommissioning Public Health	AC&H	NE	(1,000)	(1,000)	(1,000)	n/a
<b>TOTAL HEALTH &amp; COMMUNITY SERVICES</b>				<b>(11,663)</b>	<b>(16,787)</b>	<b>(19,637)</b>	
<b>PUBLIC HEALTH</b>							
PH01	PH - Absorption of inflationary pressure	PHL&L	NE	(32)	(32)	(32)	28,050
<b>TOTAL PUBLIC HEALTH</b>				<b>(32)</b>	<b>(32)</b>	<b>(32)</b>	

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Ref	Project title	Portfolio	Project Status	2017/18 TOTAL £000s	2018/19 TOTAL £000s	2019/20 TOTAL £000s	Approximate current budget £'000
<b>RESOURCES</b>							
RES01	Highway Boundary, Registration & Citizenship & Coroners	R&P	EE	(5)	(5)	(5)	1,236
RES02	Democratic and Statutory Services	R&P	EE	(135)	(135)	(135)	1,236
RES03	Improvement & Technology - Process review	R&P	EE	(61)	(61)	(61)	10,860
RES04	Improvement & Technology - Management Graduate scheme	R&P	EE	(56)	(87)	(87)	10,860
RES05	Assurance Services	R&P	EE	(146)	(146)	(146)	430
RES06	HR - review of operating model, org structure and processes	R&P	EE	(170)	(170)	(170)	3,937
RES07	HR - staffing efficiencies	R&P	EE	(20)	(20)	(20)	3,937
RES08	HBS Increased Income Target	R&P	EE	(142)	(142)	(142)	1,317
RES09	Finance - Prompt payment discount	R&P	EE	(80)	(160)	(160)	
RES10 (X2)	Finance - Staffing efficiencies/ETW printing	XC	EE	(60)	(60)	(60)	3,431
RES11	Legal - Reduction in the use of counsel for advocacy and external lawyers and increase in income.	R&P	EE	(100)	(100)	(100)	4,615
RES12 & RES13	SMS	R&P	EE	(900)	(900)	(900)	13,064
RES14	Property	R&P	EE	(200)	(200)	(200)	15,179
RES15	Engagement and Consultation	R&P	NE	(21)	0	(21)	
RES17	Future Libraries Strategy	PHL&L	EE	(500)	(500)	(500)	10,435
RES18	Hertfordshire Archives & Local Studies	PHL&L	NE	(30)	(60)	(60)	10,435
RES19	Efficiencies in Customer Service Function	PHL&L	NE	(50)	(50)	(50)	592
RES20	Review of back office functions	AC&H	NE	(200)	(200)	(200)	1,415
RES21	Corporate Initiatives budget	R&P	NE	(10)	(10)	(10)	605
RES22	Corporate Policy team	R&P	NE	(30)	(30)	(30)	605
RES23	Additional savings of 2% vacancy factor	R&P	NE	(910)	(910)	(910)	
RES24	Corporate Communications	R&P	NE	(60)	(100)	(100)	1,096
RES25 (X1)	Printing Contract Savings	XC	EE	(13)	(19)	(19)	
<b>TOTAL RESOURCES</b>				<b>(3,899)</b>	<b>(4,065)</b>	<b>(4,086)</b>	
<b>CENTRAL ITEMS</b>							
CI01	Capital Financing - Minimum Revenue Provision	R&P	EE	(10,402)	(10,402)	(10,402)	
CI02	Interest on Balances (Internal)	R&P	EE	(29)	(29)	(29)	
CI03	Leasing	R&P	NE	(63)	(63)	(63)	
CI04	Contribution from Herts Catering Ltd	R&P	NE	(500)	(500)	(500)	
CI05	Review of Contingency balance		NE	(246)	(246)	(246)	
<b>TOTAL CENTRAL ITEMS</b>				<b>(11,240)</b>	<b>(11,240)</b>	<b>(11,240)</b>	
<b>SAVINGS IDENTIFIED BY SERVICES</b>				<b>(41,000)</b>	<b>(51,246)</b>	<b>(55,207)</b>	
<b>FURTHER SAVINGS REQUIRED</b>				<b>0</b>	<b>(23,752)</b>	<b>(44,779)</b>	
<b>TOTAL SAVINGS</b>				<b>(41,000)</b>	<b>(74,998)</b>	<b>(99,986)</b>	

Key:	
Adult Care & Health	AC&H
Children's Services	CS
Community Safety & Waste Management	CS&WM
Enterprise, Education & Skills	EE&S
Environment, Planning & Transport	EP&T
Highways	HWY
Public Health, Localism & Libraries	PHL&L
Resources & Performance	R&P
Cross-cutting	XC

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**TABLE 10: STATEMENT OF PROJECTED SPECIFIC RESERVES**

Reserve name	Balance at 1 April 2016 £000s	Forecast Balance at 31 March 2017 £000s	Forecast Balance at 31 March 2018 £000s	Brief Description of Purpose of Reserve
Schools Balances	60,963	34,236	34,236	Underspend carried forward from schools delegated budgets.
Strategic Area Partnership	298	200	0	To finance the provision of new learning opportunities to deliver the learner entitlement for 14 to 19 year olds (now included in schools budget shares).
Community Focused Extended School Activities	1,058	1,058	1,058	Balances carried forward by schools relating to community focused activities.
Schools Budget Central Expenditure	22,013	22,013	22,013	Previous underspend against the central expenditure budgets within the Schools Budget. This will be used to finance the Council's Schools Budget in future years, in line with the requirements of the Dedicated Schools Grant.
ESC Balances	1,910	916	916	Underspend carried forward from Education Support Centres delegated budgets.
<b>Balances held by schools under a scheme of delegation</b>	<b>86,241</b>	<b>58,423</b>	<b>58,223</b>	
Academy Conversion Reserve	1,000			To finance the planning and legal costs associated with Academy conversions as the number of schools converting escalates.
BSF PFI Reserve	3,174	4,074	4,574	The excess of PFI credits over current expenditure levels carried forward to fund future obligations in respect of the Building Schools for the Future project.
Capital Receipts Spend to Release Reserve	2,923	0	0	To be applied as Revenue Contributions to Capital Outlay to support capital spend enabling achievement of capital receipts.
Capital Financing Reserve	3,174	0	0	Created from revenue underspend, to be applied as Revenue Contributions to Capital Outlay to support the capital programmes.
Commuted Maintenance	1,664	391	291	Sums secured through the development of legal agreements to fund maintenance of specialist assets such as bridges and soakaways.
Corporate Carry Forwards	470	0	0	This relates to the carry forward of sums committed by members from their locality allocation up to 31st March 2016.
County Council Elections	724	1,033	0	To meet the cost of elections to be held in May 2017.
DCLG Planning delivery Grant	109	109	0	Reserve now to be used to fund replacement for Atrium Development Management system. Procurement has commenced - final payments will be made summer 17.
Education & Early Intervention Reserve	200	200	200	To be used for education, support & intervention in Schools, Learning Centres and alternative education settings. Includes Substance Misuse grant funding that supports a multi-year programme.
Flood and Water Mgmt	160	0	0	Funds set aside to support the new sustainable urban drainage responsibility.
Hadham Towers Restoration	126	0	0	Originally to provide for essential restoration work to return the former Hadham Towers Waste Disposal site to its original use as agricultural land, this can now be released to the general fund at end 16/17
Harperbury Legal Costs	0			To meet the expected legal costs that the County Council has been ordered to pay.
HCS Carryforwards	1,993			Carry forward reserve to be used for Local Welfare Provision and Health Funding.
Hertfordshire Safeguarding Adults Board	117	117	117	Partner contributions held to fund additional expenditure/meet any future shortfalls.

Reserve name	Balance at 1 April 2016 £000s	Forecast Balance at 31 March 2017 £000s	Forecast Balance at 31 March 2018 £000s	Brief Description of Purpose of Reserve
Herts Music Service - Music Donations	264	264	264	A reserve created to ring-fence donations made by parents and members of the public for the provision of music items.
Invest to Transform	22,094	16,466	13,526	Reserve set aside to support innovative projects across the Council that will underpin service transformation and deliver future efficiencies.
Investment Reserve	0	0	6,330	Reserve proposed to be created from one off savings from change to Minimum Revenue Provision policy, to be used for capital financing or related investment
Innovation Fund (Children's Services)	3,201	1,101	0	This reserve will be used in 2017/18 to fund part of the third year of the Family Safeguarding (Innovation Fund) Project.
LAMS reserve	2,115	2,115	0	The Local Authority Mortgage Scheme (LAMS) reserve holds funds set aside to support the Council's participation in the LAMS scheme which facilitates mortgage lending to eligible Hertfordshire residents
Local Enterprise Partnership (LEP) Capital Reserves	5,833	7,926	6,124	These funds are allocated to the Hertfordshire LEP for capital grants mainly, with some loans, to develop Hertfordshire's economy and infrastructure. HCC is acting as the Accountable Body.
Local Enterprise Partnership (LEP) Revenue Reserves	1,918	1,508	1,098	These funds have been set aside to generate economic activity by local enterprise partnerships. They also support the operating costs of the LEP.
Members Highway Locality	563	0	0	Funding for Member prioritised highway spending.
MMI Reserve	816	816	816	A specific reserve set up in recognition of the increased risk relating to the Municipal Mutual Insurance contingent liability.
Nobel Lifecycle Fund	300	493	593	Reserve set up to be used over the next 10 years to fund future obligations for lifecycle works as they become required.
PFI Equalisation Reserve	1,746	1,757	1,767	The reserve represents the excess of PFI credits over current expenditure levels carried forward to fund future obligations in respect of young persons' homes and family centres.
POCA Receipts	317	316	316	Proceeds of Crimes Act held by the Council in respect of ongoing trading standards and Serious and Organised Crime Agency (SOCA) court cases, to be spent on Community Protection activities.
Public Health	2,900	2,177	177	Carry forward reserve to support Public Health priorities whilst budget adjustments are implemented to reflect the reduction in PH Grant allocation
Public Health	800	800	800	Specific reserve against potential Public Health pressures from either new drugs mandated by NICE or a health protection emergency
Revenue Budget Support 2016/17	385	0	0	To support the 2016/17 revenue budget.
Strategic Spatial Framework	111	111	50	Reserve will be used to support joint planning and Infrastructure and planning work with HIPP following agreement on what form "collaboration" on planning will take.
Safeguarding & Specialist Services	326	60	60	To be used to finance safeguarding vulnerable children.
Salix	40	40	40	To meet capital costs of energy conservation works; replenished in full by repayments of a proportion of ongoing savings.
Self Insurance	5,489	5,490	5,490	A reserve to cover for uninsured liabilities in respect of employer's liability, third party insurance and potential costs incurred as a result of storm damage and is submit to actuary review

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Reserve name	Balance at 1 April 2016 £000s	Forecast Balance at 31 March 2017 £000s	Forecast Balance at 31 March 2018 £000s	Brief Description of Purpose of Reserve
SEND Reform grant	839	489	0	A reserve created from grant funding received to support the transition from statements of SEN to combined Education, Health & Care (EHC) Plans.
Shared Anti Fraud Service (SAFS) Surplus	158	110	110	Surplus to be used to fund additional expenditure/meet any shortfall in future years as agreed by the partnership arrangement with other members..
Shared Internal Audit Service Surplus	82	94	94	Surplus to be used to fund additional expenditure/meet any shortfall in future years as agreed by the partnership arrangement with other members.
Statutory Planning Authority Inquiries	387	187	150	To meet costs associated with attending public inquiries as the Statutory Planning Authority, which vary significantly between years and the public examination of local plans. The next one of these will be the Minerals Local Plan in 2017/18. It has now been assessed that a reduction of £200,000 can safely be made in the level of the reserve held in 16/17.
Technology Reserve	0	0	0	Carry forward reserve to fund Windows 7 roll-out in 2014/15, which has been fully utilised during 2015/16.
Thriving Families	667	647	392	Relates to grant monies for Thriving Families, a multi-year programme which has recently been extended by central government.
Waste PFI reserve	8,000	8,000	8,000	Set up to deal with a range of risks which could result from this complex PFI project.
Waste Week 53	872	512	512	To provide payment to contractor as per an agreed schedule. The annual schedule is payment for exactly 52 weeks over any given year. Every six or seventh year the schedule has to increase to 53 weeks.
Other Minor Balances	221	219	219	Contributions made by the Music Service to watford School of Music for building repair
<b>Total</b>	<b>162,517</b>	<b>116,044</b>	<b>110,332</b>	

## **Glossary of Terms**

<b>Base Budget</b>	The original budget 2016/17 plus technical adjustments and inflation.
<b>Business Rates</b>	These rates are levied on businesses based on the rateable value of the property occupied.
<b>Business Rates Pooling</b>	An arrangement by which local authorities may form groups and retain a higher proportion of business rates growth, whilst also bearing liability for any Safety Net payments due to authorities whose business rates have fallen beyond a specified threshold
<b>Business Rates Retention Scheme</b>	Introduced April 2013 to replace Formula Grant. A start-up assessment of need is funded by the expected level of business rates to be collected, plus any top-up or tariff; with the balance of assessed need met by Revenue Support Grant.
<b>Capital Programme</b>	The Council's four-year plan for capital expenditure on both major capital schemes and minor capital works.
<b>Capital Receipts</b>	Proceeds from the sale of land, buildings or other capital assets. Capital receipts are used to repay the debt outstanding on assets financed from loans, and to finance new capital expenditure. The receipts cannot be used to finance revenue expenditure.
<b>Collection Fund Surplus/Deficit</b>	A surplus/deficit arising from either more or less council tax than expected being collected by the district councils.
<b>Community Infrastructure Levy</b>	A levy that local authorities can choose to charge on new developments in their area, to help fund additional infrastructure requirements
<b>Council Tax</b>	A local tax set by local authorities in order to meet their council tax requirement. The tax is levied on households and the amount payable is based on the value of the domestic property.
<b>Council Tax Requirement</b>	The amount of revenue expenditure to be met from council tax (equivalent to an authority's Band D council tax multiplied by its council tax base).
<b>Dedicated Schools Grant (DSG)</b>	A ring fenced grant introduced in 2006/07 to fund school spending.
<b>Demography</b>	Used in context of pressures for growth on the budget, resulting from changes in the population. For example, where the number of clients increases, but the cost of the care package per person remains the same between years.

## Glossary of Terms (cont'd)

<b>Direct Revenue Financing</b>	Resources provided from the revenue budget to finance the cost of capital projects.
<b>Financing Charges</b>	Charges borne by the revenue budget to meet the cost of financing the council's capital expenditure. These charges include the principal and interest elements of loans outstanding, leasing rentals and direct revenue financing.
<b>Growth</b>	Additional expenditure which increases the quality or volume of service.
<b>Inflation</b>	The additions made to the budget each year to take account of pay and price increases.
<b>Local Government Finance Settlement</b>	The annual determination of local authority spending made by the Government and debated by Parliament. It includes details of the amount of central Government support for spending and how it will be distributed amongst local authorities.
<b>Original Budget 2016/17</b>	The original estimated cost of services for the financial year from 1st April 2016 to 31st March 2017.
<b>Pay Inflation</b>	Pay inflation includes the additional cost of the previous year's pay awards and any part year cost of the budget year's awards.
<b>Price Inflation</b>	In any year there may be a year-on-year cost movement equivalent to the forecast change in the published Consumer Price Index (CPI) in the Bank of England August Inflation Report.
<b>Pressures for Change</b>	Those items required to achieve the same level of service as last year, including demography, new legislation and increased employer's pension contributions.
<b>Previous Policy Decisions</b>	The additional costs falling on the new budget that arose from decisions taken in previous years.
<b>Prudential Indicators</b>	Indicators relating to capital expenditure, external debt and treasury management, together with other information, in order to demonstrate that local authority capital spending plans are affordable, prudent and sustainable.
<b>Reserves</b>	Sums set aside to meet specific revenue or capital expenditure needs in the future.

<b>Revenue Budget</b>	An estimate of annual income and expenditure which sets out the financial implications of the Council's policy for the year.
<b>Spending Review</b>	The government's public expenditure planning process, normally covering a period determined by Central Government.
<b>Standstill Budget</b>	The total budget that would be required to maintain services at the previous year's levels. These figures include efficiency savings but are before changes are made as a result of policy decisions.
<b>Tax Base</b>	A measure of the ability to raise council tax in the county. It is the sum of estimates made by district councils of the number of Band D equivalent properties on which council tax is expected to be paid.
<b>Technical Adjustments</b>	These refer to changes relating to transfer of function, change in funding or changes in responsibility between departments.