

# **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.

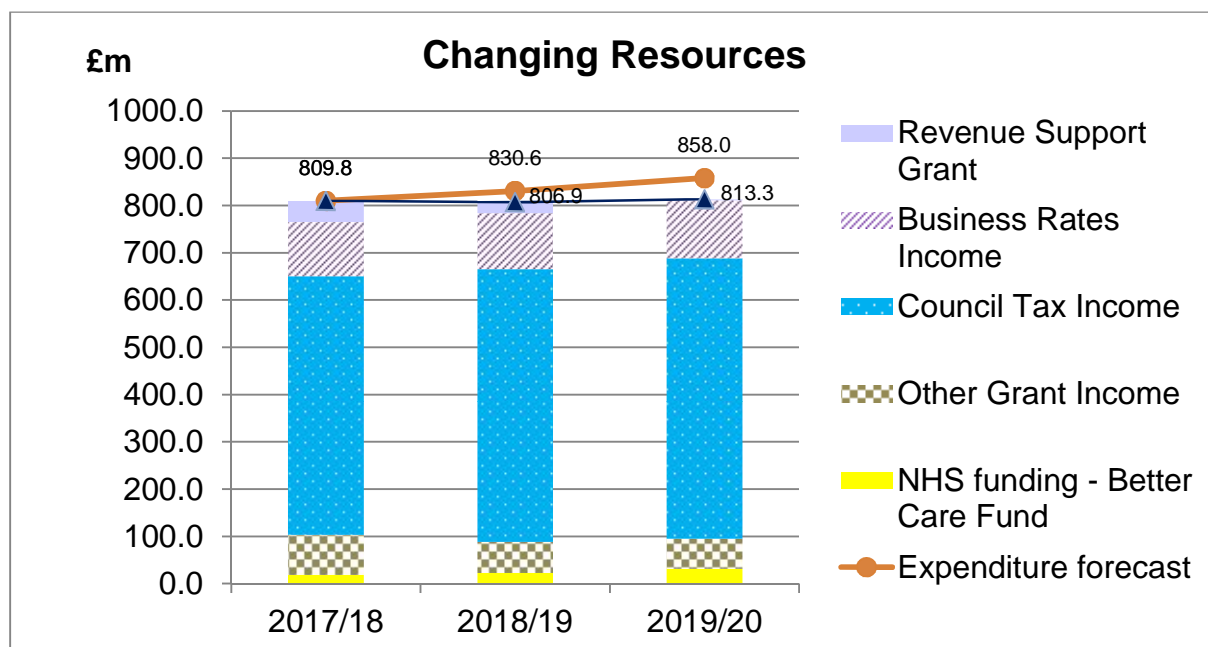
## **2. Revenue Budget and Funding**

- 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.

- 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**

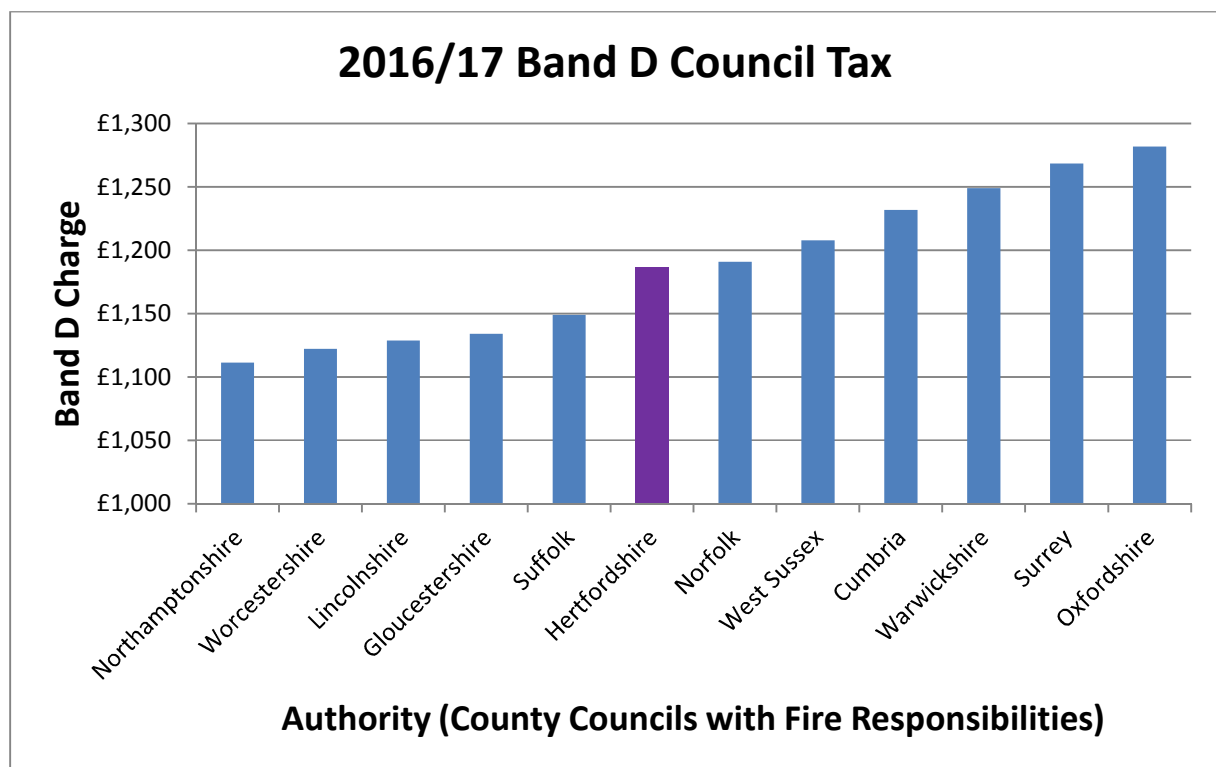
- 2.18. Ringfenced grant is received for Public Health responsibilities. There is a reduction in 2017/18 of £1.2m (2.5%) to the grant, rising to a reduction of £3.7m (7.5%) by 2019/20. From 2018/19, this funding will no longer be ringfenced.
- 2.19. Other grants received for the provision of specific 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>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>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
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)
<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*

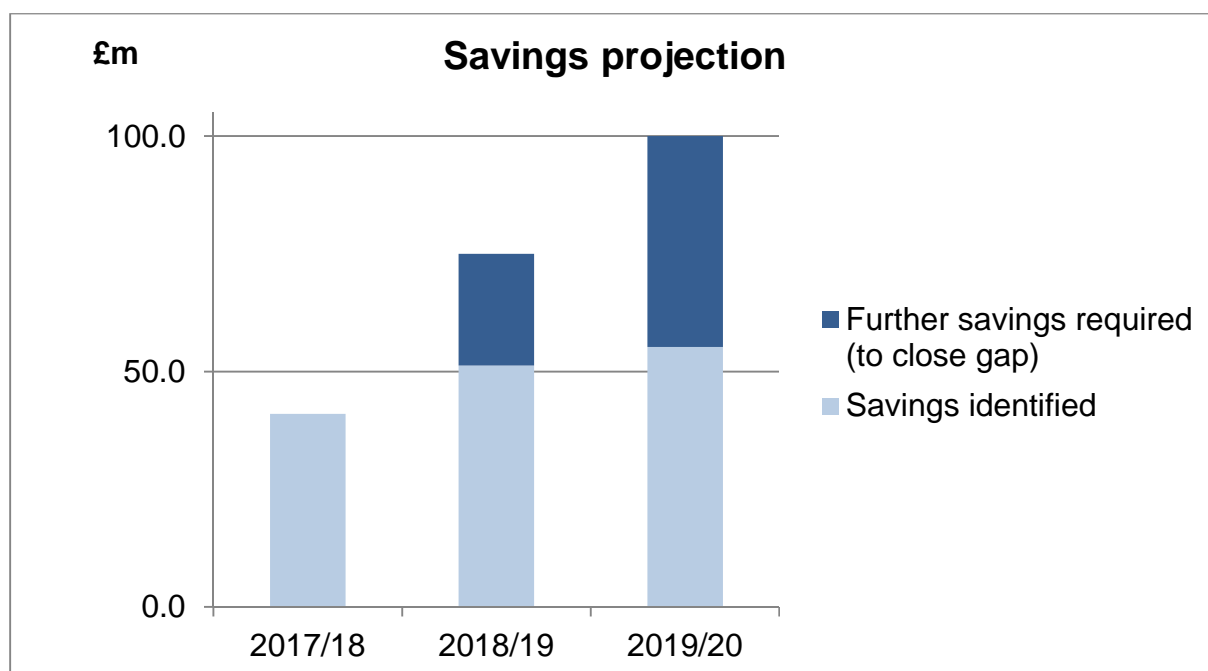
- 2.28. It is estimated that inflation for 2017/18 will cost £4.834m, rising to £34.634m by 2019/20. Within this, a rate of 1.0% has been assumed for pay awards in 2017/18 and subsequent years, with standard non-pay expenditure inflation frozen again for 2017/18 (2.0% thereafter).
- 2.29. Specific inflation 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>