

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY, 22 JANUARY 2018 AT 2.00PM**

<u>Agenda Item</u> <u>No.</u>
4(ii)a

INTEGRATED PLAN 2018/19 - 2021/22 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)

Report of the Director of Resources

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Executive Member:

David Williams, Leader of the Council (as responsible for the Resources, Property & the Economy portfolio)

1. Purpose of report

- 1.1 To propose a draft Integrated Plan for 2018/19 - 2021/22 taking account of forecast pressures and funding changes, including the updated position from the provisional finance settlement for 2018/19.
- 1.2 To propose a Schools' budget for 2018/19, 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:
 - Overview of the proposed revenue budget and capital programme, including the Director of Resources' statutory review of the budget estimates and adequacy of reserves (Part A);
 - Strategic Direction and Financial Consequences - by portfolio (Part B);
 - the Treasury Management Strategy (Part C) ;
 - the Capital and Asset Strategy and Invest to Transform Update (Part D);
 - the Insurance and Risk Strategy (Part E);
 - an Equalities Impact Assessment (Part F); and
 - other technical information and finance summaries (Part G)
- 1.4 The draft Integrated Plan will be considered by Cabinet Panels (between 30 January and 14 February), the Overview & Scrutiny Committee (24 January and 1 February) and the Resources, Property & the Economy Cabinet Panel (14

February). The final recommendations will be made by Cabinet on 19 February, for determination by the County Council on 20 February 2018.

2. Summary

2.1 The Integrated Plan (IP) brings together the financial impact of service plans and the available funding to resource these, over the next four years. These plans have been set in the context of the difficult challenges that the council faces, including:

- Increasing demand for services from our growing and ageing population and increasing complexity of needs of existing service users, for example within social care related services; and
- Further reductions in grant funding expected over the IP period.

2.2 Despite these challenges, we want Hertfordshire to continue to be a county where people have the opportunity to live healthy, fulfilling lives in thriving, prosperous communities. This Integrated Plan supports this by delivering:

- Support for vulnerable people: additional funding to address growing demand and changing needs, including for disability services; support for the paid and unpaid care workforce to attract and retain people into vital caring roles;
- Investment to help meet the challenges of a growing county: additional investment in Hertfordshire's road network; the establishment of a dedicated Growth and Infrastructure team to provide the capacity and expertise to respond to the planned economic and population growth across the county, and resource for this team to develop proposals and ensure Hertfordshire is well placed to bid for major infrastructure funding;
- Continued investment in service transformation: for example in Adult Social Care – funding for a proposed transformation programme to design and implement new approaches to commissioning care for older people and adults with disabilities; and
- A continued focus on prevention, notably in adult social care, to prevent needs increasing further, for example in relation to exploring opportunities to use digital technology to foster independent living.

The council continues to invest to deliver services more efficiently and with better outcomes for users. We will continue to prioritise frontline services – the vast majority of proposed savings (87%) are from efficiencies rather than policy changes impacting service delivery. However, given the scale of the challenges faced, some difficult decisions are unavoidable. Where policy choices are necessary, we will continue to engage widely before any final decisions are taken.

2.3 Each portfolio has produced a Strategic Direction summary which details the future direction of services to meet these objectives within resource constraints. These strategies have been informed by comparative benchmarking, both through published data and informal networks with other comparable authorities, to identify areas of potential efficiency gains.

2.4 The Integrated Plan period has been extended to 2021/22, to enable forward planning to respond to changing demand and to deliver service change. However, while the first two years fall within the Government's four year settlement offer, subsequent years will depend on proposed changes to local authority financing, including Business Rates Retention; and also by the outcomes of a Fair Funding Review of the relative needs and resources of local authorities, which is likely to give some redistribution of funding. These changes mean forward forecasting of resources is very uncertain: the IP assumes some continued reduction in core funding (£5m p.a.). Improved Better Care Fund (iBCF) is also unconfirmed beyond 2019/20: the IP assumes funding continues at that year's level, but this is by no means certain.

2.5 The 2017/18 IP included two assumed increases for council tax payers: an annual increase in general council tax of 1.99% p.a., and an additional 3% Adult Social Care Precept in 2018/19 only. In the Provisional Settlement, published on 19 December, the Secretary of State announced an increase in the council tax referendum threshold, allowing local authorities to increase general council tax in 2018/19 by up to 3% before triggering a referendum. This IP proposes taking up the 2.99% general Council Tax increase in 2018/19 and 2019/20. These increases will:

- Provide additional investment of £26m over the next 4 years into our core roads network to ensure this is maintained to the high standards residents expect;
- Provide a one-off programme of funding for our local roads to improve standards across this element of the network at a cost of £29m over the first four years;
- Respond proactively to the challenges of medium term economic and population growth, including support for infrastructure and sustainable transport;
- Invest in adult social care, with additional funding to address growing demand and changing needs, including services for people being discharged from hospital, as well as investing in transformation; and
- Reduce the budget gap we face in future years, helping provide protection to front-line services.

2.6 Services have identified additional savings of £18.9m since last year's IP, to bring total 2018/19 savings to £30.1m. Whilst the majority of these are achieved through more efficient ways of working, it has been necessary to seek some savings through a policy change in service delivery (£3.9m, or 13% of 18/19 savings). Policy changes proposed for 2018/19 have been or are being taken to Cabinet Panels and Cabinet, for member approval. Services continue to drive new ways of delivering services and innovative approaches to achieve these savings, including developing the digital agenda, commercial initiatives and enabling more efficient ways of working.

2.7 The IP process includes a review of the level of reserves and contingency, based on an assessment of risk and uncertainty in the revenue budget

proposals. £1.2m of specific reserves have been identified as no longer required for their original purpose, and have been released to support the 2018/19 budget. Actuarial review of the Insurance Reserve indicates that some replenishment will be needed during 2018/19, as explained in the Insurance Strategy (Part E section 2.6). Further details are to be found in Sections 3 and 4 of the IP Overview (Part A).

At this stage the proposed general contingency is £6m for 2018/19, to reflect the significant risks across the IP including demographic pressures and the challenges of delivering increased savings (detailed in Part A Section 3). Assessment of these risks indicates an increase both in the scale of financial exposure and the probability of risk crystallising as increased costs, partly due to the significant service redesign programmes commencing in 2018/19. The Contingency provision also covers unexpected in-year pressures and the cost of redundancy payments and pension strain costs, which are met centrally.

It is also recommended that the General Fund balance be maintained at 4.0% of the Net Revenue Budget.

- 2.8 Details of key revenue 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 spending is provided in Appendix A at the end of this report.
- 2.9 The Integrated Plan also includes the proposed Capital Programme for 2018/19 – 2021/22. All schemes from the 2017/18 – 2019/20 Capital Programme, approved in February 2017, have been reviewed and new or amended bids have been considered and challenged by senior officers. Additional investment is proposed for Highways, including an additional £25.7m over the four year IP period on core maintenance budgets, to meet inflation and other pressures and to maintain target standards, based on current road conditions. A further additional one off programme is proposed for our local unclassified roads to improve standards across this element of the network: this will add £29m investment across the IP period.
- 2.10 The Treasury Management Strategy (Part C) has been prepared as required by statutory guidance, and with regard to changes introduced in the new Prudential Code for Capital Finance in Local Authorities and the Treasury Management Code of Practice, both published by CIPFA in late December 2017. Given this timing, and as guidance notes on the new Codes (including details of new Treasury Management indicators) are still awaited, any further changes required will be brought to Council for approval during 2018/19.
- 2.11 The Capital and Asset Management Strategy and Invest to Transform update (Part D) sets out the Council's approach to investment both in its fixed assets and in other programmes to enable service transformation and/or deliver a financial return. It details the Council's priorities for spending and how this is to be funded; and its approach to asset management including the Property

Development Programme. It sets out proposals for the disposal of assets where there is a robust business case for using these receipts to deliver new assets that give a better service fit and value for money. Part D also includes an update for the Invest to Transform Fund, showing how this is being used to help to deliver better outcomes and meet the challenge of achieving a balanced budget in future years.

2.12 The Insurance Strategy (Part E) has been reviewed and updated. It explains the Council's overall approach to risk retention and the management of its corporate insurance programme through relevant policies of insurance.

2.13 The Integrated Plan includes an assessment of potential equality implications of IP proposals, at Part F.

2.14 Key decisions within the Integrated Plan include:

- Increased investment in roads and infrastructure, including £62m additional Highways maintenance (Table v and Part B Highways Portfolio), and provision for a central infrastructure and sustainable transport budget;
- Maintaining a differential above National Living Wage for our care staff and those of our key providers;
- Provision for specific inflation on spending budgets where there are contractual or statutory increases, but otherwise requiring services to absorb non pay inflation within budgets (part G table 6);
- Efficiency savings of £26.2m in 2018/19 (rising to £60.6m by 2021/22) ;
- Changes to service delivery policies to meet the balance of savings requirements - £3.9m in 2018/19 (0.5% of net budget). These will be made in Adult Social Care charging, Children's Centres and Youth Connexions;
- Decisions on the level of Council Tax and Adult Social Care Precept, taking up the option to raise general council tax by 2.99% in 2018/19 as well as raising the remaining permitted 3% ASC Precept (part A section 2.19-2.22);
- Use of £10m capital receipts per annum to support the capital programme and reduce borrowing costs, whilst also earmarking surplus sites for further development to generate enhanced future receipts and/or income streams (Capital Strategy Part D Section 2.2);
- Setting out principles for the disposal of specific assets to fund new capital projects, where there is a reliable business case (Capital Strategy Part D section 2.5); and
- A review of reserves, which has identified £1.2m no longer needed for its original purpose, and so will be used as a one off contribution to help bridge the 2018/19 savings gap.

3 Recommendations

- 3.1 That Cabinet invites members to consider the proposed Integrated Plan, including the revenue budget and capital programmes for 2018/19 – 2021/22. 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 19 February 2018.
- 3.2 That Cabinet approves the release of schools budget data/information to the Department for Education (DfE), and delegates authority to the Director of Resources to make any consequential amendments arising from current uncertainties.

4 Financial Context

Revenue Budget

- 4.1 The current proposed revenue budget is £831.3 million in 2018/19. This represents an increase in spending of 1.8% on last year's budget, and includes £11.7m additional Improved Better Care funding. The revenue budget increases to £854.4 million by 2021/22 (an increase of 4.6% from last year's budget).
- 4.2 Table i below summarises the movements in the revenue budget between 2017/18 and 2018/19 – these movements are shown in more detail in Appendix A. 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.

From the starting point of the 2017/18 net budget of £826.974m, the budget has moved by:

- Technical adjustments –changes in specific grants matched by changes in spend, and removal of one-off capital financing;
- Inflation;
- Pressures from population changes (demography), legislation including costs of National Living Wage, and other changes. This item also includes new spend and reduced CCG contributions covered by the additional Improved Better Care Fund (iBCF) monies announced in the March 2017 budget; and
- An overall reduction of £33.6m in government grants.

These changes created a budget gap of £78.1m, which has been met by:

- Savings totalling £30.1m;
- Additional iBCF funding £11.7m; and
- Council Tax and Social Care Precept increases £36.3m.

Table i: Summary Budget Movements

	£m
2017/18 balanced net revenue budget	816.974
Technical Adjustments	(5.520)
Inflation - pay	5.869
Inflation - non pay	2.272
Pressures - demography	10.642
Pressures - other	31.154
met by:	
Existing proposed savings	(5.576)
New efficiency savings	(21.200)
New policy choice savings	(3.306)
Net Revenue Budget 2018/19	831.309
plus pressure from funding changes - net grant reduction	33.599
Met by increased funding:	
iBCF	(11.656)
Council tax increase (including taxbase growth)	(21.598)
ASC Precept increase 3%	(16.729)
Collection fund balances	2.048
	<u>816.974</u>

Further details of these movements are given below.

Inflation

- 4.3 It is estimated that inflation for 2018/19 will cost £8.141 million, rising to £58.2 million by 2021/22. Future years are based on high level forecasts and will be reviewed annually. Pay inflation is modelled at 2.0% per year plus the additional increases on lower bands included in the employers' offer for 2018/19 and 2019/20. These give a total cost of £5.9m (2.7%) for each year's increase. Standard non-pay expenditure inflation has been frozen again for 2018/19 (and assumed at 2.0% thereafter).
- 4.4 Specific inflation rates for 2018/19 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.
- 4.5 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

- 4.6 The impact 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. The 2017/18 - 2019/20 Integrated Plan approved last year has been reviewed to reflect latest estimates of pressures in maintaining a standstill budget. Demographic change in the elderly and child populations, together with growth in Learning Disability and other social care client groups, continues to generate the greatest pressures. These forecasts have been subject to detailed review and challenge. Legislative pressures include landfill tax and the National Living Wage (NLW), where provision has been made to meet NLW and maintain a differential for pay levels immediately above this, for both Council and third party providers' staff. Pressures have been estimated at £41.8 million in 2018/19 rising to £89.6 million by 2021/22.

Savings

- 4.7 Proposals for service change have been taken to Cabinet Panels throughout the year for member decisions, with final proposals being taken in January 2018. At the same time, existing savings options have been reviewed to confirm they are deliverable, and new efficiency savings have been identified. Officers will continue to monitor delivery of savings during 2018/19, and report on any issues in the quarterly Finance monitor.
- 4.8 As a result of this work, departments have identified a total £30.1 million savings in 2018/19. For future years, additional savings will be required, rising to £101 million by 2021/22, of which £30million is yet to be identified, as shown below. The challenge of delivering these savings proposals, along with the scale of the remaining gap, mean there will further difficult decisions over the IP period.

Table ii: Total Savings in 2018/19 -2021/22 Integrated Plan

	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Existing efficiencies - ongoing impact	(5.013)	(5.807)	(5.786)	(5.807)
Existing Policy Choices - ongoing impact	(0.563)	(1.157)	(1.862)	(1.912)
New efficiencies	(21.200)	(31.305)	(42.763)	(54.812)
New Policy Choices	(3.306)	(7.237)	(7.728)	(8.953)
Further savings required (to close gap)	-	(8.087)	(23.966)	(29.747)
Total Savings	(30.082)	(53.593)	(82.105)	(101.231)
Total Revenue Budget	831.323	835.686	841.102	854.401

Funding – Provisional Finance Settlement

- 4.9 The Government announced the provisional Local Government Finance Settlement for 2018/19 on 19 December 2017, following the announcement of overall spending and funding plans in the Chancellor's Autumn Statement on 23 November.
- 4.10 This was the third year 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 £22m loss of Revenue Support Grant (RSG) between 2017/18 and 2018/19 (making a loss of £96m RSG since 2015/16). 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 11.5% between 2017/18 and 2018/19.
- 4.11 Changes to New Homes Bonus are as announced previously, with payments for growth reduced to a four year period from 2018/19. As in 2017/18, bonus will not be paid on the first 0.4% of growth.
- 4.12 Additionally, greater flexibility has been announced for Local Authorities, who now have the option to levy an additional 1% in Council Tax before a referendum is required. These options are considered in sections 4.17 – 4.19 below.
- 4.13 The Provisional Settlement also included details of authorities selected to pilot 100% business rates retention. DCLG were looking for a range of authorities, with an emphasis on more rural pilots: only 10 out of 26 applications were approved, and unfortunately Hertfordshire's application for 2018/19 was not successful. However further pilots are planned for 2019/20 and we will consider this opportunity as soon as further details are made available by the Government.
- 4.14 Hertfordshire's application to form a Business Rates Pool as agreed by Cabinet in October, has been accepted. This will include the County Council and Broxbourne, Hertsmere, North Herts, Three Rivers and Welwyn Hatfield Borough/District Councils, who continue to form the optimum membership in terms of total gains to Hertfordshire. Based on current forecast growth, the Pool would generate £2.7m additional retained rates, of which £0.4m would be allocated to the County Council and £0.4m to an Economic Growth Fund available for bids from all Hertfordshire authorities.
- 4.15 The Secretary of State confirmed timelines for changes to Business Rates Retention, and the implementation of a Fair Funding Review that will re-assess funding need across all authorities. These are now expected to be introduced in 2020/21, when the current four year settlement ends. The Government are now proposing a move to 75% retention of Business Rates (from the current 50%), rather than to the full 100% indicated previously. Whilst there is likely to be some

transitional protection, these changes may give some significant funding movements from 2020/21.

Response to Provisional Settlement consultation

4.16 The consultation period on the provisional settlement closes on 16 January 2018. While we welcome the new flexibilities that give greater local accountability on Council Tax, HCC's response highlights the following issues:

- The methodology for RSG distribution remains unchanged 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.
- Whilst the Settlement acknowledges pressures for authorities providing Adult Social Care, it offers very little to meet these. The ending of transitional funding, which had partially offset loss of RSG, creates an additional pressure. The £4.2m additional Adult Social Care Support grant in 2017/18 is not being continued. Despite the additional Improved Better Care Fund monies announced in the March 2017 Budget (after the 2017/18 IP was set), there is still a long term concern that new funding for Adult Social Care will not be sufficient given the demographic and cost pressures in this area.
- We support the government's decision not to withhold New Homes Bonus payable where planning permission has been given on appeal, previously considered. However the shortening of the period over which this grant is paid, and the continuation of the 0.4% baseline threshold (with grant only paid on growth above this level), as announced previously, are creating a further funding challenge for authorities.
- We are disappointed not to have been successful in our application to form a Business Rates Retention Pilot, and ask that groups of authorities unsuccessful in this round be prioritised for 2019/20 pilots, to allow wider learning and a sharing of the benefits of pilots.
- 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 some unused funds will be released in 2018/19, this does not address the longer term funding issues facing the Council.

Council Tax and Social Care Precept

4.17 Given the continued cost and funding pressures and projected medium term financial position, the 2017/18 – 2019/20 IP assumed two council tax increases:

- a council tax increase of 1.99% in 2018/19 and future years, subject to agreement by County Council in February.
- a precept of 3% in 2018/19 only, to meet pressures from Adult Social Care (ASC), having raised 2% in 2016/17 and 3% in 2017/18.

4.18 The proposed council tax increases had been set with regard to the referendum threshold. This previously required councils to seek the approval of their local electorate if they planned to set a general council tax increase of 2% or above. This threshold has now been raised to 3%, and the higher threshold is expected to continue for 2019/20.

4.19 The Council proposes to take up this additional 1% increase in council tax in 2018/19, which will generate £5.5 million income. The IP also includes this additional increase in 2019/20, generating total additional income of £11.5m in that and subsequent years. It is proposed that the 3% ASC precept remain as planned. With increases of £2.99% basic Council Tax and 3% ASC precept, the Band D Council Tax for the County Council in 2018/19 would be £1,320.46. The amount of tax calculated for each valuation band is shown in Table iii.

From 2020/21, an annual council tax increase of 1.99% is assumed, as the Government has not committed to a longer term threshold change .

Table iii: HCC Council Tax Bands

Band	2017/18 Council Tax			2018/19 Council Tax (2.99%+3.00%)		
	Basic	ASC Precept	Total	Basic	ASC Precept	Total
A	£791.61	£38.94	£830.55	£816.45	£63.85	£880.30
B	£923.54	£45.44	£968.98	£952.52	£74.51	£1,027.03
C	£1,055.48	£51.92	£1,107.40	£1,088.60	£85.14	£1,173.74
D	£1,187.41	£58.42	£1,245.83	£1,224.67	£95.79	£1,320.46
E	£1,451.28	£71.40	£1,522.68	£1,496.82	£117.07	£1,613.89
F	£1,715.14	£84.39	£1,799.53	£1,768.96	£138.37	£1,907.33
G	£1,979.02	£97.36	£2,076.38	£2,041.12	£159.64	£2,200.76
H	£2,374.82	£116.84	£2,491.66	£2,449.34	£191.58	£2,640.92

Other Funding Information

4.20 Some funding information is not yet available, and will need to be built into the 2018/19 budget before this is finalised for February Cabinet and Council. The following information is outstanding:

- 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.

Should this provide any additional resource, Cabinet will need to decide in February where this is to be applied. This could include consideration of the required level of contingency and potential bids against the new central infrastructure and investment budget, for example to meet the costs of a major transformation programme planned in Adult Social Care, which includes making use of developing technology to keep people safe in their own homes.

5 Schools Budget

- 5.1 Part B – Schools Budget sets out the proposed schools’ revenue budget for 2018/19. 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 (DfE) deadline in mid-January. There may be some small adjustments as final data checks are completed and as the DfE position on Minimum Funding Guarantee exceptions is confirmed. This budget is wholly grant funded and decisions have no impact on the overall Council budget.

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 and revised bids have been submitted with supporting business cases, 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 iv: Summary Proposed Capital Programme 2018/19 – 2021/22 (updated)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Adult Care & Health	20,998	29,931	13,645	11,498
Children's Services	372	180	180	180
Community Safety & Waste Management	12,032	5,255	8,803	4,463
Education, Libraries & Localism	68,867	80,580	44,803	37,131
Environment, Planning & Transport	21,090	31,770	21,552	2,975
Highways	84,394	110,378	94,728	65,843
Public Health, Prevention & Performance	725			
Resources, Property & the Economy	35,546	6,326	2,859	2,779
Total	244,024	264,420	186,570	124,869

Financed by:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Borrowing	101,466	99,276	82,811	52,009
Capital receipts	10,000	10,000	10,000	10,000
Grant	81,649	81,040	56,502	60,595
Contribution	48,148	72,029	36,132	1,890
Reserves	2,761	2,075	1,125	375
Total	244,024	264,420	186,570	124,869

- 6.2 The Council continues to invest significantly in its infrastructure and assets. The proposed 2018/19 - 2021/22 Capital Programme includes new and revised schemes totalling £168.209m, of which £116.167m 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 to reduce current leasing costs and give a net return. A number of these schemes will therefore support the delivery of savings included in revenue budgets in this IP.
- 6.3 Budgets for Highways maintenance have been reworked to calculate the level of spend required to continue to meet current standards. The proposed programme includes total increased spend of £25.7m for carriageway maintenance and £7.1m for other core maintenance budgets over the four year IP period, along with £29m one off spend over the period, to improve the condition of local, unclassified roads that often fall outside the core programme. These additional budgets (the amounts by which 2017/18 budgets will be increased from 2018/19) are summarised below.

Table v: Additional Highways Maintenance Capital Programme

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Highways Core Maintenance:					
Carriageways	4,158	6,341	7,041	8,137	25,677
Bridges and Structures	-	150	305	463	918
Drainage	69	140	213	288	710
Footway & Cycleways	100	184	377	360	1,021
Total Core Maintenance	4,327	6,815	7,936	9,248	28,326
Highways Locality Budget	1,113	1,113	1,113	1,113	4,452
Improving Local (unclassified) Roads	5,000	8,000	8,000	8,000	29,000
Total additional Capital Maintenance	10,440	15,928	17,049	18,361	61,778

- 6.4 In recent years, the Council has used revenue contributions, one-off underspends and Capital Financing and Capital Receipts Reserves to sustain the capital programme while minimising the need for new borrowing, thus 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).
- 6.5 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. Furthermore, projected capital receipts are limited: all receipts generated by end 2017/18 are expected to be applied to fund spend in year, with no balance to carry forward. A number of sites have been earmarked for development under the Herts Living Property Company programme (see 6.8).
- 6.6 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 in 2017/18.
- 6.7 New borrowing of £101.466m is forecast for 2018/19, £99.276m in 2019/20, £82.811m in 2020/21 and £52.009m in 2021/22. Given the low interest rates which are currently forecast to continue, it is proposed that an element of this borrowing be managed through a rolling portfolio of short term borrowing, at the same time considering tranches of longer term borrowing as capital expenditure crystallises an ongoing cash requirement. The Minimum Revenue Provision for this additional borrowing will be £1.979m for 2019/20, £3.359m for 2020/21 and £4.610m for 2021/22.

- 6.8 Alongside the Capital Programme, the Herts Living programme has identified surplus sites suitable for development to generate an enhanced capital receipt or revenue income stream in future years. A Joint Venture partnership is being established and will take forward the development of an initial set of surplus sites. These proposals are expected to make an important contribution to the revenue budget, and savings proposals include an assumed revenue return from 2020/21. This is expected to comprise both revenue income from overage arrangements and savings from the use of capital receipts from the earmarked sites to reduce borrowing from the levels assumed in the current capital programme funding. These estimates will be updated when the JV partner is in place.
- 6.9 The Spend to Achieve Capital Receipts Reserve was created in 2014/15 to fund the costs of works or other spend necessary to generate capital receipts which are then available to fund future schemes, reducing the need to borrow. In previous years it has been topped up by £3m p.a., from capital receipts. The forecast requirement for 2018/19 is up to £3.8m, which will help deliver enhanced receipts for some major sites. The level and source of top up for subsequent years will be reviewed in future Integrated Plans.

Background information referred to by the authors

Hertfordshire County Council Integrated Plan 2017/18 to 2019/20, February 2017.

Department for Communities and Local Government - Provisional Local Authority Finance Settlement for 2018/19, 19 December 2017

Appendix A: Summary Budget Movement Statement

2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
822.182	816.974	816.974	816.974	816.974
(2.542) Technical Adjustments	(5.506)	(7.646)	(9.161)	(9.161)
4.834 Inflation	8.141	24.809	41.343	58.206
824.474	819.609	834.137	849.156	866.019
Pressures for change:				
(0.250) Previous Policy Decisions	0.050	-	-	-
19.454 Demography	10.642	21.211	31.929	42.737
5.758 Legislative	6.029	10.491	15.834	16.074
3.577 Capital Financing	1.095	2.868	4.708	6.470
4.961 Other	23.980	20.572	21.580	24.332
33.500	41.796	55.142	74.051	89.613
857.974	861.405	889.279	923.207	955.632
Savings:				
(2.461) Existing efficiencies - ongoing impact	(5.013)	(5.807)	(5.786)	(5.807)
(5.039) Existing Policy Choice - ongoing impact	(0.563)	(1.157)	(1.862)	(1.912)
(22.663) New efficiencies	(21.200)	(31.305)	(42.763)	(54.812)
(10.837) New Policy Choice	(3.306)	(7.237)	(7.728)	(8.953)
- Further savings required	-	(8.087)	(23.966)	(29.747)
(41.000)	(30.082)	(53.593)	(82.105)	(101.231)
816.974	831.323	835.686	841.102	854.401
REVENUE BUDGET (before funding specific to service area)				

Funding Statement

2017/18 £m		2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
46.394	Business Rates Income	47.841	50.605	53.530	56.623
69.531	Business Rates Top-Up Grant	71.498	71.380	71.263	71.145
44.535	Revenue Support Grant	22.599	1.890	(5.916)	(13.892)
160.459		141.938	123.876	118.876	113.876
	<u>Non-ringfenced Grants:</u>				
	Compensation for impact of changes to				
3.139	Business Rates (S31 grant)	2.799	4.406	4.406	4.406
3.261	Education Services Grant (ESG)	-	-	-	-
5.648	New Homes Bonus	3.474	3.005	2.535	2.066
0.835	SEN Reform	0.835	-	-	-
2.070	Independent Living Fund	2.005	1.944	1.944	1.944
7.849	Transition Grant	-	-	-	-
4.153	Adult Social Care Support Grant	-	-	-	-
0.842	School Improvement Grant	-	-	-	-
1.085	Other non-ringfenced grants	1.000	1.006	1.006	1.006
28.883		10.114	10.361	9.891	9.422
	<u>Ringfenced Grants:</u>				
33.659	Public Health Grant	32.798	31.926	31.926	31.926
15.154	Public Health - Health visitors	14.760	14.376	14.376	14.376
2.605	Adult Skills and Community Learning	2.744	2.744	2.744	2.744
1.111	Local Authority Bus Subsidy Grant (formally				
	Bus Service Operators Grant)	1.111	1.111	1.111	1.111
1.122	Unaccompanied Asylum Seeking Children				
	Grant (UASC)	1.122	1.122	1.122	1.122
2.467	Troubled Families Grant	1.515	1.515	-	-
1.258	Music Education Grant	1.258	1.258	1.258	1.258
0.815	Youth Justice Good Practice Grant	0.815	0.815	0.815	0.815
58.191		56.123	54.867	53.352	53.352
	<u>Better Care Fund:</u>				
18.949	iBCF - old	24.722	32.904	32.904	32.904
-	iBCF - new	11.656	5.819	-	-
18.949		36.378	38.723	32.904	32.904
	<u>Council Tax and Collection Funds:</u>				
518.146	Council Tax	539.744	562.715	580.509	598.846
25.493	Council Tax relating to Social Care Precept				
	(3% 18/19; 0% 19/20)	42.222	42.644	43.071	43.501
9.077	Collection Fund Balance - Council Tax	6.304	4.000	4.000	4.000
(2.225)	Collection Fund Balance - Business Rates	(1.500)	(1.500)	(1.500)	(1.500)
550.492		586.771	607.860	626.079	644.848
816.974	TOTAL	831.323	835.686	841.102	854.401