

# **INTEGRATED PLAN**

## **PART D – CAPITAL AND ASSET 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 meet one or more of the following objectives:

- **Invest to deliver** – 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 for the future** – 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
- Joint Venture with the Council's subsidiary company Herts Living, to invest in surplus assets to generate income streams or enhanced capital receipts
- 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), and summarised below.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Adult Care & Health	20.998	29.931	13.645	11.498	<b>76.072</b>
Children's Services	0.372	0.180	0.180	0.180	<b>0.912</b>
Community Safety & Waste Management	12.032	5.255	8.803	4.463	<b>30.553</b>
Education, Libraries & Localism	68.867	80.580	44.803	37.131	<b>231.381</b>
Environment, Planning & Transport	21.090	31.770	21.552	2.975	<b>77.387</b>
Highways	84.394	110.378	94.728	65.843	<b>355.343</b>
Public Health, Prevention & Performance	0.725	-	-	-	<b>0.725</b>
Resources, Property & the Economy	35.546	6.326	2.859	2.779	<b>47.510</b>
<b>Total</b>	<b>244.024</b>	<b>264.420</b>	<b>186.570</b>	<b>124.869</b>	<b>819.883</b>

All schemes in programme years 2018/19 to 2019/20 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.

All capital bids include the business case for investment, including appraisal of alternative and “do nothing” options; arrangements for project management for delivery; and an assessment of risk and ways in which this will be mitigated. Key risks identified include:

- Increased costs, due to project design and/or inflation on construction contracts and key materials. This can be mitigated by value engineering of design; programmes of works are managed at initiation and tender stages to ensure they stay within available funding. Inclusion in the capital programme does not in itself give authorisation to spend, and all major schemes are brought to Cabinet for approval including budget before they proceed: significant cost variations (over £0.5m) must also be approved by Cabinet. Spend is monitored monthly and reported to members quarterly, for early identification of any cost variances.
- Planning permission – achieving agreement on design, and any appeals, can extend the planning period and impact costs. Similarly, projects including land acquisition may be delayed whilst legal agreements are reached.
- Weather delays to construction – timing of projects is programmed to minimise this risk.

## New Capital Bids 2018/19 – 2021/22

	Total Project cost 2018/19	HCC Funding 2018/19	External Funding 2018/19	Total project cost 2018/19-2021/22	Total HCC funding 2018/19-2021/22	Total External Funding 2018/19-2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Highways</b>						
Introduction of weight limit on A507	40	40	-	110	90	20
A10 Buntingford South Roundabout	77	-	77	1,715	-	1,715
A414 Hertford Major Project	1,750	1,750	-	9,000	9,000	-
Carriageway maintenance - improving local roads	5,000	5,000	-	29,000	29,000	-
A414 Scheme development	250	89	161	6,600	1,876	4,724
<b>Total</b>	<b>7,117</b>	<b>6,879</b>	<b>238</b>	<b>46,425</b>	<b>39,966</b>	<b>6,459</b>
<b>Community Safety &amp; Waste Management</b>						
Redevelopment of Stevenage HWRC	3,203	3,203	-	3,203	3,203	-
Fire suppression system at Waterdale Recycling Building	60	60	-	60	60	-
Reconfiguration of Rickmansworth HWRC	230	230	-	230	230	-
Telemetry-Breathing Apparatus	-	-	-	300	300	-
Relocation of Fire Service HQ	637	637	-	12,571	12,571	-
<b>Total</b>	<b>4,130</b>	<b>4,130</b>	<b>-</b>	<b>16,364</b>	<b>16,364</b>	<b>-</b>
<b>Environment, Planning &amp; Transport</b>						
Countryside Management Services vehicle replacement	10	9	1	10	9	1
<b>Total</b>	<b>10</b>	<b>9</b>	<b>1</b>	<b>10</b>	<b>9</b>	<b>1</b>
<b>Education, Libraries &amp; Localism</b>						
Primary expansion programme 8	4,270	-	4,270	12,200	-	12,200
Temporary expansions 8	2,000	-	2,000	2,000	-	2,000
Secondary school expansions SEC3	6,750	-	6,750	27,000	-	27,000
High Needs funded schemes	377	-	377	377	-	377
Replacement of Library self-service RFID Kiosks	405	405	-	810	810	-
<b>Total</b>	<b>13,802</b>	<b>405</b>	<b>13,397</b>	<b>42,387</b>	<b>810</b>	<b>41,577</b>
<b>Resources, Property &amp; the Economy</b>						
25 by 20 –phase 2	22,200	22,200	-	23,200	23,200	-
<b>Total</b>	<b>22,200</b>	<b>22,200</b>	<b>-</b>	<b>23,200</b>	<b>23,200</b>	<b>-</b>
<b>Total New Bids</b>	<b>47,259</b>	<b>33,623</b>	<b>13,636</b>	<b>128,386</b>	<b>80,349</b>	<b>48,037</b>

## Revised capital bids 2018/19 – 2021/22

The table below shows the total increase or decrease from the existing capital programme

	Total increase/ (decrease) 2018/19	HCC Funding Increase/ (decrease) 2018/19	External Funding Increase/ (decrease) 2018/19	Total project cost Increase/ (decrease) 2018/19-2021/22	Total HCC increase / (decrease) 2018/19-2021/22	Total External Increase / (decrease) 2018/19-2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Highways</b>						
Traffic Signals replacement	819	649	170	881	711	170
Highways Locality Budget	1,113	1,113	-	4,452	4,452	-
Bridge Asset management and maintenance	-	-	-	918	918	-
Carriageway Maintenance	4,158	4,158	-	25,677	25,677	-
Highways Drainage Asset Maintenance and resilience	69	69	-	710	710	-
Footway & Cycleway maintenance	100	100	-	1,021	1,021	-
Highways ITP budget	(2,605)	-	(2,605)	(5,005)	-	(5,005)
A120 Bypass and Flood Alleviation Scheme	-	-	-	5,029	2,600	2,429
A602 Improvements	-	-	-	(1,688)	(1,688)	-
<b>Total</b>	<b>3,654</b>	<b>6,089</b>	<b>(2,435)</b>	<b>31,995</b>	<b>34,401</b>	<b>(2,406)</b>
<b>Adult Care &amp; Health</b>						
Telecare	250	250	-	1,120	1,120	-
EPH Provision (phase 1)	-	-	-	280	280	-
<b>Total</b>	<b>250</b>	<b>250</b>	<b>-</b>	<b>1,400</b>	<b>1,400</b>	<b>-</b>
<b>Childrens Service</b>						
Liquidlogic - LCS	(80)	(80)	-	(80)	(80)	-
<b>Total</b>	<b>(80)</b>	<b>(80)</b>	<b>-</b>	<b>(80)</b>	<b>(80)</b>	<b>-</b>
<b>Environment, Planning &amp; Transport</b>						
Rail Improvement Project	-	-	-	525	525	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>525</b>	<b>525</b>	<b>-</b>
<b>Education, Libraries &amp; Localism</b>						
Land Acquisitions	2,950	-	2,950	6,067	-	6,067
Schools Repairs & Maintenance	(587)	-	(587)	(2,348)	-	(2,348)
<b>Total</b>	<b>2,363</b>	<b>-</b>	<b>2,363</b>	<b>3,719</b>	<b>-</b>	<b>3,719</b>
<b>Public Health, Prevention &amp; Performance</b>						
Sexual health clinics	(475)	(475)	-	(675)	(675)	-
<b>Total</b>	<b>(475)</b>	<b>(475)</b>	<b>-</b>	<b>(675)</b>	<b>(675)</b>	<b>-</b>
<b>Resources, Property &amp; the Economy</b>						
Broadband Contract 2	1,541	-	1,541	2,392	-	2,392
Salix Funded Projects	75	-	75	300	-	300
Health & Safety County Hall	69	69	-	69	69	-
Rural estate	178	178	-	178	178	-
<b>Total</b>	<b>1,863</b>	<b>247</b>	<b>1,616</b>	<b>2,939</b>	<b>247</b>	<b>2,692</b>
<b>Total Revised Bids</b>	<b>7,575</b>	<b>6,031</b>	<b>1,544</b>	<b>39,823</b>	<b>35,818</b>	<b>4,005</b>

## 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. As a result, there has been no new long term borrowing since 2011, and from 2016/17 any borrowing requirement has been met from internal borrowing i.e. the use of the Council's cashflow balances to fund capital spend. Once these balances have been used, this borrowing will need to be taken externally.

The business case for all capital bids met from county funding includes consideration of the revenue impact (interest costs plus Minimum Revenue Provision (MRP) for the repayment of debt) were that funding to be met from borrowing. This is calculated as the average cost over the life of the asset, in recognition of the revenue impact of capital spend beyond the Integrated Plan period.

### 2.2 Affordability of funding sources – capital receipts, borrowing and reserves

Current lower interest rates make borrowing relatively attractive, although it should be noted that longer term rates are above base rate. However, although interest rates are low, the requirement to charge MRP means there can be a significant revenue impact when borrowing is required. MRP is a charge for the repayment of principal over the life of the asset. The Council's policy is to calculate this on an annuity basis, using PWLB borrowing rates for the year when spend is incurred. This reduces the charge in the early years, to reflect the time value of money and also to balance the reduced interest cost where principal is repaid over the life of the asset, or the increased income earned where MRP accumulates in advance of repayment. The charge is spread over the expected life of the asset, making MRP especially high for short life assets:

Annual MRP per £1m asset with 5 year life	average £200,000 pa for 5 years
Annual MRP per £1m asset with 35 year life	average £28,570 pa for 35 years

The Council therefore seeks to use capital receipts to fund short life assets. Surplus assets have been identified that will achieve this funding level, and work is in hand to achieve these disposals. Should these not be achieved, any shortfall will need to be financed through borrowing or the use of reserves as detailed in section 2.3.

Other surplus assets have been identified as offering potential development opportunities that could be delivered by the Council's subsidiary company Herts Living, including via joint venture arrangements with an external developer (see section 3 below). These assets will generate income streams and enhanced receipts that can be used to reduce borrowing and the resulting revenue costs. The Integrated Plan revenue budget proposals include savings of £1m in 2020/21 and £4.5m in 2021/22, to be achieved from these assets. A full review of these levels will be undertaken with the joint venture partner, who is set to be confirmed in January 2018.

The Council will continue to assess all surplus assets to determine the relative benefits of immediate disposal to reduce borrowing, especially to fund short life assets, compared with the likely capital gain and revenue streams if the asset is held and developed. Progress on achieving receipts is closely monitored and matched against expected spend on short life assets, so that alternative sites can be brought forward for disposal if required. In all cases the decision compares the borrowing costs the use of the receipt will save against the potential revenue gain from enhanced capital values and future revenue returns if the asset is retained and developed.

Some spend is needed to achieve capital receipts, for example to support planning applications or consolidate sites. This is met from the Invest to Achieve Receipts reserve, created as a topslice from previous receipts to fund spending that enhances the value /deliverability of future receipts. This policy is reviewed annually, and top up will depend on the availability of receipts and the forward programme of potential schemes. The projected balance on this reserve at end 2017/18 is £0.4m and it is proposed that up to £3.8m of receipts in 2018/19 be added to fund spend in that year.

### **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 to fund capital spend during this Integrated Plan period.

The Council does hold some reserves which are currently set aside to be used to fund capital spend or to provide investment to achieve future benefits, as shown below. The current purpose is as approved in the 2017/18 Integrated Plan. These reserves have been reviewed and it is proposed to keep them earmarked for these purposes at present but to continue to review.

Reserve	Expected 31.3.18 £m	Current Purpose
LAMS advances repayments (Capital)	10.0	To respond to property or other investment opportunities
LAMS reserve (Revenue)	1.5	Designated for property development initiatives. £0.5m of this balance earmarked for the set up and investment in Herts Living / Joint Venture
Investment Reserve (one off MRP savings – Revenue) Plus £6.3m to be added 19/20; £6.3m in 20/21	6.4	To fund capital programme or related investment
Capital Financing Reserve (Revenue)	nil	To fund capital programme – current balance expected to be used in 2017/18

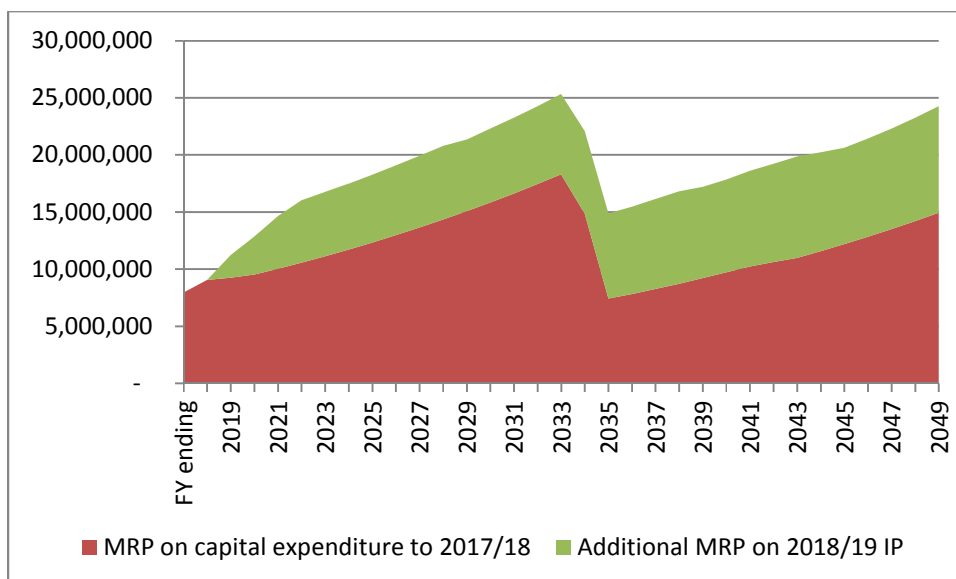
## 2.4 Capital Programme – Funding Summary

Based on this assessment of resources and affordability, the summary capital programme funding for 2018/19 -2021/22 is shown in the table below.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Borrowing	101.466	99.276	82.811	52.009	<b>335.562</b>
Capital Receipts	10.000	10.000	10.000	10.000	<b>40.000</b>
Grant	81.649	81.040	56.502	60.595	<b>279.786</b>
Contributions	48.148	72.029	36.132	1.890	<b>158.199</b>
Reserves	2.761	2.075	1.125	0.375	<b>6.336</b>
<b>Total</b>	<b>244.024</b>	<b>264.420</b>	<b>186.570</b>	<b>124.869</b>	<b>819.883</b>

The MRP charge for this programme - the additional cost above capital financing of previous years' spend - is shown in the graph below. The fall in MRP around 2033 and 2034 is a result of the charges for spend to 2011/12 coming to an end; and the Council's policy of using available reserves and revenue underspends instead of borrowing to fund capital spend between 2012 and 2016.





## 2.5 Self Financing Schemes

In addition to the capital receipts generated to support the overall Capital Programme, schemes may be identified where there is a business case to dispose of one asset in order to fund development of an alternative. These proposals will each be considered and approved by Cabinet subject to service impact, business case, and the following principles:

- the proposed scheme can be demonstrated to be robustly self financing, including reliability of both the value and timing of the receipt;
- the scheme cannot be achieved within the existing Capital Programme;
- the necessary planning requirements for alternative accommodation can be met;
- the cash flow effect can be accommodated within overall resources, and financing costs have been considered in the business case; and
- any balance of disposal receipts, including where additional external funding has been identified, is available to support the overall capital programme.

The timing of new build and disposal may leave a financing gap, which will normally need to be met from short term borrowing, managed within the Council's overall cashflows and within the Authorised Borrowing Limit. Minimum Revenue Provision will be chargeable if the receipt has not been received in the financial year after completion of the asset, and will continue to be charged until the receipt is received. The project business case must take account of these capital costs. Where practicable, contemporaneous contracts for sale of land/ construction of new asset provide a more secure means of funding such schemes.

### **3 Property Development Company – Herts Living and Joint Venture**

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.

Potential development sites have been identified, and Herts Living has been set up as a wholly owned subsidiary of the Council, with a managing director appointed to lead on this strategy. A Joint Venture partnership with a major property development company is also being procured, to deliver housing and other assets on the identified sites.

As well as financial returns, the Council will look to see if the property company can support services across the Council to deliver better outcomes. Business cases will need to be developed to support these.

### **4 Asset Management Strategy**

#### **4.1 Property**

The Council's Asset Management Strategy helps guide future strategic property decisions, ensuring we optimise our property portfolio in a way that best supports our key organizational goals and objectives. It 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.

The County Council owns a substantial estate of land and buildings which is primarily held to support the delivery of services and the council's corporate priorities. The portfolio includes four main office sites, 740 assets delivering services, 440 assets let to third parties to deliver services, 300 rural assets (11,000 acres) and 450 assets that are currently non-operational

The Asset Management Plan is set within the context of financial and demographic pressures; national policies in particular to improve the supply of housing; Local Plans from Hertfordshire's ten district councils; and service priorities such as the integration of health and social care. In addition, the Hertfordshire Property Partnership of the Council and other public sector organisations within the county aims to take a coordinated approach to gain full value from the public sector's estate portfolio, including the opportunities offered by the Government's One Public Estate initiative.

The Asset Management Plan is guided by the following principles:

**Enable Service Delivery** - enable and support service delivery by providing operational properties that are fit for purpose, in the right location and well maintained

**Optimise the Estate** - drive effective use of the estate through asset review and management, capitalising on rationalisation and income generation opportunities

**Achieve Value for Money** - procure services through the most appropriate route and maximise contractor performance

**Operate Sustainably** - deliver a sustainable estate by making strategic decisions informed by whole life costs, future needs, and environmental impact

**Partner to Progress** - engage with partners to deliver and support positive outcomes for communities, economic growth and regeneration through property solutions

In managing these properties the Council has set a target 25% reduction in property costs 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.

## 4.2 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 County Council seeks to help improve Hertfordshire’s GVA (Gross Value Added) by working in partnership with and, securing funding from third parties to deliver highways and transport improvements that facilitate the proposed housing and economic growth across the county, generating an economic return. Typically, HCC

needs to demonstrate its commitment by part funding projects, in order to secure contributions

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.

### **4.3 Vehicles**

The Council maintains a fleet of 365 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, and selected for suitability, sufficiency (providing capacity but with regard to level of utilisation) and environmental impact.

### **4.4 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. This also supports the delivery of front line services, for example, assistive technology for social care clients and development of the Council's website to promote citizen self-service. All investment is supported by a business case to demonstrate how spending will deliver these outcomes.

## **5 Borrowing Strategy**

- 5.1 Capital Financing operates within the Prudential Framework for Borrowing and is agreed as part of the Treasury Management Strategy (part C of the IP pack). Based on the proposed funding outlined in section 2, the 2018/19 Capital Programme assumes an increased borrowing requirement of £101.5m in 2018/19, and a total £335.6m over the life of the programme to 2021/22.
- 5.2 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. Officers continue to review the return on these investments against the costs of short term borrowing to cover fluctuations in cashflow.
- 5.3 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.0.80%, 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 25 year loans from the PWLB are currently charged at around 2.95%. 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 the use of low interest rates, HCC will manage much of its need using short-term borrowing described above, and will consider new long-term loans in tranches of £20m-£50m as the borrowing funded capital expenditure crystallises into an ongoing cash requirement. This approach will allow Treasury officers to optimise 'cost of carry' by agreeing borrowing as the need arises, and will support an efficient balance between the need for secure long-term financing cost certainty against short-term cash savings.

Treasury Officers may also consider 'forward dealing' (committing to borrow an agreed sum, at an agreed date in the future, at an agreed and fixed rate) some long term borrowing where it can be demonstrated that this provides value for money. 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.

The Treasury Management Strategy includes indicators of the affordability of capital: the ratio of capital financing costs to net revenue budget, and estimates of the impact of the current capital programme on council tax.

## **6 Invest to Transform**

- 6.1 The Invest to Transform Fund (ITT) was created in 2010, to fund projects that would achieve service transformation and/ or efficiency savings. Bids to this fund are considered by officers and approved by the Director of Resources in consultation with the Executive Member RPE (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.

6.2 Bids are reviewed by officers before approval either by the Director of Resources or by Cabinet. Bids are invited two or three times a year, to allow better comparison and investment in those areas which generate the best returns in both outcomes and revenue. Progress on live schemes is reported through the quarterly Finance monitor, with larger projects also monitored via the quarterly Performance monitor, to improve visibility and tracking of benefits and outcomes. Replenishment of the fund is reviewed annually as part of the IP process.

6.3 Forecast balances on the fund, based on current approved bids, are as follows:

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Opening balance	17,462	13,958	13,418	14,595
Committed schemes	(4,700)	(1,736)	(19)	-
Repayments	1,196	1,196	1,196	1,196
Closing Balance	13,958	13,418	14,595	15,791

Bids approved in 2017/18 were mostly for smaller projects to help deliver savings proposals including social care and alternative methods of service delivery; to undertake feasibility or initial preparation for major property schemes; to support future funding bids for key infrastructure schemes; and to invest in systems that will improve the customer journey and allow more efficient transaction processing. Funding previously set aside for the Accommodation for Independence programme, to convert residential care accommodation to supported living, has been redirected following changes in central Government policy in this area, that impacted the original the business case. The balance is now providing resource to deliver new efficiencies and approaches for disability services.

A bid of £4.9m for Adult Care Services to support the delivery of their IP proposals has been submitted, for Cabinet to consider alongside the IP. Further bids being developed include £1.3m investment in Hertfordshire Business Services, to improve productivity and the customer experience, and creating a standalone infrastructure that provides wider options for the future development of the business. This will be taken forward for approval early in 2018/19.

6.4 Outcomes of completed projects were reported in Part F of the 2017/18 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; or where completed schemes are delivering further benefits in the 2018/19 IP.

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 at the time of assessment. While it is difficult to isolate the benefits of this technology from other interventions and the impact of other changes, telecare is supporting the delivery of savings planned to reach 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. A programme manager has been appointed for this work and plans for the service post 2020 are under development.
<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 in 2016/17 has identified additional savings such that it is possible to reduce the budget for this station by a further £65k pa in 2017/18. This has been achieved whilst maintaining previous levels of crew availability.
<b>LED Street lighting Phase 1</b>	6,477	2014/15 – 15/16	Phase 1: Annual cost reductions £674k pa. Phase 2: completed in March 2017. The annual estimated savings will be fully realised after a full year after the completion of the works (March 2018). Expected annual cost reductions from budget: Electricity £520k; Carbon reduction £40k; Maintenance £210k = total £770k pa. Actual costs avoided will be higher, as inflation increases the price of electricity that would have been consumed had LED lighting not been installed and budget reductions taken. For example, in the 2017/18 budget, a 28%

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<b>LED Street lighting Phase 2</b>	7,530	2015/16 - 16/17	increase in the cost of electricity has been forecast, based on latest market data. Further savings projected from Phase 3 and Phase 4, met from the Capital Programme: Phase 3 also completed in March 2017, expected annual cost reductions: Electricity £65k; Carbon reduction £5k; Maintenance £110k = total £180k pa. Phase 4 started April 2017, planned completion March 2020. Expected annual cost reductions: Electricity £902k; Carbon reduction £45k; Maintenance £910k = total £1,860k pa.
<b>E Invoicing – suppliers</b>	265	2015/16 to 2016/17	The Supplier Portal is now implemented and all Purchase Order invoices (excluding those processed through departmental feeder systems) are now processed electronically. This is contributing to Shared Managed Service contract extension savings. Supplier discounts have not yet increased as this is subject to separate negotiation within individual contracts.
<b>Inspiring Libraries Strategy</b>	£137k in 2015/16; £568k in 16/17; £923k in 17/18- total approved £3,978k	2015/16 – 19/20	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. "Creatorspace" facilities have been provided in Watford and Hemel Hempstead and are planned for St Albans. The project has also provided 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 savings against current arrangements and delivering 'Library Link' (virtual librarian) at the volunteer libraries. It has supported the development of proposals for co-location of libraries with fire stations in three locations. Public exhibitions have been held, consultants are working on detailed designs and planning applications. Finally, ITT funding is also supporting project management to give capacity to deliver these changes and developments.



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<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 Serco Customer Service Centre 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 2018/19 by an estimated shortfall of £130k service charge income against running costs. Improvements are being made to the asset from the service charge and some rental income which will increase future savings by decreasing the need for major works.
<b>LD Accommodation for Independence</b>	1,650	2015/16 – 18/19	A Government consultation in November 2016 proposed changes to the funding framework for supported housing which brought uncertainty to this

Description of Scheme	ITT investment £'000	Project Dates	Actual Outcomes & Savings
			programme. There was less willingness from residential home providers to convert to supported living. This project was therefore ended and has been replaced with Learning Disabilities Transformation.
<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). The final spend on this project has taken place in 2017/18 and is providing further improvement for users.
<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. A planning application is proceeding with all necessary surveys being undertaken. The proposed project also includes development of Greater Brookfield Retail Park, a major new retail centre.
<b>Enabling Posts</b>	503	2014/15 – 16/17	This budget has provided start-up funding for project management for the following: <b>0-25 Together:</b> post supported delivery of £318k savings in 2017/18; support has now moved to business as usual within existing Performance & Improvement resources. <b>Intranet development:</b> post managed delivery of new intranet that works alongside Hertfordshire.gov.uk: has enabled a range of efficiencies eg use of

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			<p>collaboration areas for document sharing, reducing printing and data storage; easier access to HCC policies to promote compliance and best practice.</p> <p><b>Legal:</b> to establish the new Commercial Law Group as an effective and efficient source of legal advice on commercial matters for the County Council &amp; generate further income streams. Three posts funded for initial period: Head of Commercial now fully funded by external income and savings from keeping commercial work in house. Other posts now part of funded staffing but overall have contributed to £100k pa Legal Services saving in 17/18 IP.</p> <p><b>Community Infrastructure Levy:</b> Community Infrastructure Levy Manager and the team is responsible for negotiating planning obligation requirements and submitting CIL bids to ensure that the County Council secures funding for the additional demand for HCC services that arises from new developments. The team deal with over 500 residential applications a year, securing up to £10 million of S106 in any given financial year. New Regulations brought into force from April 2015 have complicated the system for S106 agreements and the team have had to deal with the technical implications of this change through protracted negotiations with developers, and consultation with our services. With 34 new strategic locations for growth across the county (ranging in size from 500 to 10,000 new homes) on top of many smaller sites and infill locations, this post will continue to manage the team to negotiate the requirements on behalf of HCC Property Services. The post was also originally intended to liaise with our CIL charging authorities, of which there are 4. The post continues to develop this relationship although to date, with a slow build-up of CIL receipts at the Hertfordshire districts, the CIL LPAs have yet to coordinate the distribution of CIL funding. This position will likely change over the next 12 months as receipts build and some of our LPAs move to allocate their funding.</p>
	225	2016/17	The new Civica system has gone live and the previous Cloudbuy solution has been switched off. Further income streams are being added and migrated.

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<b>E Commerce (income)</b>			<p>Procurement of new merchant provider is under way – this, along with lower licence costs, is key to delivering savings. Savings of £72k pa have been included in the IP from 2018/19.</p> <p>Work has also started on scoping and agreeing implementation plans for Wave 2 services. This may require a further business case and ITT bid to proceed.</p>
<b>Broadband</b>	1,500	2018/19	<p>This investment will release match funding against grant from Department of Culture, Media &amp; Sport, to provide 97%+ superfast coverage domestic &amp; business properties. British Telecom have not met the milestones required to make certain payment claims, due to unforeseen issues along with extra resources required to be able to deliver the fibre infrastructure. This investment will now be spent in 2018/19.</p>
<b>Families First</b>	700	2016/17 – 18/19	<p>Nine Families First partnership hubs are established (Watford and Three Rivers are one hub), with excellent multi- agency representation from most key stakeholders including the Community and Voluntary Sector. As a result there is consistent partnership attendance at operational partnership meetings, including Triage Panels and Action and Impact meetings, which is benefiting the families, by enabling them to receive integrated services as early as possible: there were 612 families with a Families First Assessment started between April and September 2017, which included 1,373 children. This project is transforming the way that services identify and respond to the early help needs of families, with over 8,000 requests for support (for individual children) received between April and September 2017, via the Families First Triage Process, and during the same period, 895 families were subsequently discussed with agreed forward action plans at the multi-agency Triage Panels. It also enables the Early Help team to encourage and coach partners to apply the Families First principles and practice tools in their own work with families resulting in 1,500 practitioners from a wide range of services now trained on the new case management system to support early help</p>

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			<p>assessment and support plans, and 120 practitioners have attended Effective Assessments training, who report it to be helping them identify and respond to early help needs of families.</p> <p>Plans to implement a new step up/down process on IT systems (EHM/LCS) are almost complete and the investment in a data warehouse (<i>Single View</i>) will begin to reap rewards from early 2018 when data matching exercises will become significantly more automated, supporting the reporting of outcomes. Building on previous alignment of early help services with the Families First approach (Children and Well-being Service and AFDASH, Family Group Conferencing and Better Relationships Better), new progress is underway with both Safer Places and Hertfordshire Constabulary, to manage demand on the police in respect of antisocial behaviour, domestic abuse , CSE and serious, organised and gang related crime.</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 make it easier for DWP &amp; DfE to grant approval for use of online benefit eligibility checking.</p>

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<b>Schemes commenced 2017/18:</b>			
Local Authority Trading Company for Adult Care Services	144		Funding for production of business model and options-appraisal; preferred vehicle identified and costed; savings evaluated and verified; Options in relation to governance produced; Route to market and options for in-house services identified with timescales for implementation. There has been good progress over the last three months and a report has been taken to Cabinet in December seeking authority to set up a Local Authority Trading Company for the delivery of adult care services. The project team have worked with HR, Finance and Legal to take develop the scoping and feasibility work. A consultant has been appointed to develop the initial business plan and this has now been circulated to legal and resources colleagues following presentation to ACSMB. Work is now being undertaken to progress feasibility work around home care and the consultant is supporting the project team to look into home care in two areas in response to continued market pressures. Subject to Cabinet approval, we are still on track to have the company set up early in 2018 and for it to be ready to deliver services in 2018 subject to Member approval, and the necessary due diligence and business appraisals.
A414 Strategy studies	150		On track to deliver DfT compliant Outline Business Cases establishing the preferred options for Hertford Bypass and potentially A414 Junction Upgrade Package; Financial / Funding Strategy for the delivery of interventions along the A414 corridor. The completed document will set out a medium to long term investment strategy for the corridor with dependencies identified along with funding opportunities. The document will support future bids to government, enable informed discussions with developers and begin to develop the business case for priority schemes.
Adult Care Services - Business Process Efficiency	57		To scope a business process efficiency review for HCS that will aim to review and improve business processes and identify efficiency improvements. The appropriate structures for business support will also be considered.

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			Phase 1 Adult Disability Service Finance dashboard and financial forecasting has been completed. ContrOCC care system was upgraded and Provider Portal developments are in testing with providers. This will improve financial management information on the ledger, ability to forecast and accuracy and efficiency of provider payments. Review of ADS business processes is being finalised to determine the approach that will be taken in 2018/19. CPLI workshops have taken place with stakeholders across ACS to improve data integrity to support decision making and recommendations will be reported shortly. Development is starting to improve financial dashboard information to manage budgets better. In the new year, the technological approach to citizen engagement within ACS will be reviewed with suppliers to develop the online offering to service users and families, improve information flow and reduce transaction costs.
Adult Care Services - Mental Health Accommodation- Project Manager	42		Achievement of capital receipts; introduction of recovery and move on model; measured by reduction in care spend; measured via benchmarking towards the comparator average & targets for number of people assisted to recover and move on. Project Manager appointed, the review is on target to return/reprovide £1.5m of property by 31/03/2018. Another £2.37m is likely to be released between July and Nov 2018 when a further four properties are returned/reprovided or disposed of. The recovery model will be achieved by 31 Mar 2018. Service users and providers have been engaged with effective move on plans for 7 out of 10 Aldwyck tenants (remaining three are too ill at present).
Adult Care Services - Continuing Health Care assessments (Learning Disabilities & Physical Disabilities)	53		Success will be measured by the amount of Continuing Health Care funding achieved, towards the 2017/18 IP budgeted saving of £1m; Number of successful cases; Number of successful challenges to Continuing Healthcare Care reductions proposed by Clinical Commissioning Groups; Benchmarking data showing movement of Herts CCGs towards national average positions

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Adult Care Services - Transport Co-ordinator (Learning Disabilities)	50		Coordinator appointed to review high cost and long standing transport arrangements; identify the most effective use of transport; establish and implement authorisation process for transport requests within CLDT to ensure cost effective transportation and compliance with policy; develop strong relationships with partners and stakeholders to enable a continuous review of transport arrangements; train staff on the Implement Assisted Transport Policy and oversee compliance with the policy in practice. Reviews include transport for day services, including route planning and review of taxi and contract services.
Adult Care Services - Occupational Therapists (3 posts)	75		Three additional enablement Occupational Therapists appointed, to provide support in order to reduce level of Home Care support required. The Enablement Occupational Therapist will undertake assessments and goal setting with individuals and design personalised programmes that enable the individual to relearn skills and regain abilities that maximize their independence, health and well-being. Assessments may include reviews of moving and handling and solutions may include the provision of specialist equipment and minor adaptations to support the identified goals. In this way the health and well-being of individuals will improve and the need for commissioned services, in particular home care, will be reduced or avoided. The OTs will also design interventions and routines that will increase the strength and mobility of individuals, thereby reducing the risk of falls, minimising incremental loss of independent function which can lead to further requests for care, and reducing the risk of hospital admission. Working closely with SCAH providers the OTs will increase the skill set of both facilitators and care workers.
Ariston Site, St Albans	125		Ground studies undertaken for sinkholes in St Albans to assess the need for any remedial work before proceeding to planning permission & capital receipt . Site identified as potential Herts Living development.



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Property Company	125		Has been used to fund tax, legal advice & ongoing consultancy to set up a Strategic Property Joint Venture to accelerate the development process and generate better receipts. Final bids have been received for joint venture partner, and, subject to Cabinet approval, a preferred bidder dialogue process will be undertaken to complete the legal documentation. A further cabinet paper will be submitted in March 2018 setting out the detail of the joint venture terms.
Baldock Urban extension master planning	150		The promotion and development of an urban extension, including an archaeological survey. There are a range of delivery models for the development of this site, but a residual land value of circa £100m over ten years appears to be achievable. The Archaeological survey has been undertaken in part, and Planning application is about to be submitted. Assuming the planning permission is granted, land value will shift from agricultural use to residential, which creates a significant uplift in value subject to infrastructure investment and phasing of development. Depending on how HCC wishes to sell the land, capital receipts will be generated over the short medium and long term.
Promoting HCC land to emerging local plans	150		Consultant commissioned and has completed inspection and review work, to understand the level of opportunities available. HCC will also be competing with other land owners in the area who are also promoting their land. Given the land values in all of the above locations and the scale of the holdings, there is the potential for significant land value capture.
Hertfordshire Partnership Foundation Trust Saving challenge	75		Locums recruited by HPFT to review - Audit suggests that 60% of existing Personal Budgets with a value of less than £3k do not meet eligibility criteria. Review under way and will be assessed at year end.
Introduction of Job Families	30		Project progressing, with pilot in Resources. Creation of a number of job families with a catalogue of role profiles that sit within each family at different

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			levels linked to grade/s; Generic role profiles within each job family, replacing job descriptions & Job Evaluation Questionnaires, creating simpler job design; Common and identified Career Paths across and up the organisational structure; Encourage and allow movement and flexibility within roles and across services / department; Give a common understanding and language to certain role responsibilities i.e. Administrative, Management, Head of Service. and dependencies this will have across the organisation.
Smart Digital - Customer Facing Services	110		Work commenced September 2017, to develop 1 - 2 projects per department. Current projects include booking system for events and appointments; an e-shop system; market research on the use of voice assistants (e.g. Amazon Echo) to provide information to residents; and developing apps for public health, adult social care and waste collection service users
Learning Disability Transformation	724		To improve data, intelligence, planning & commissioning, procurement exercise for supported living, better choice & control to promote independent living; support required for people being accommodated & their families, reduce accommodation costs of future demand. Work started August 2017, with initial on staff recruitment ( operations and commissioning which is 7 roles in total ) , 3 staff are already in post , and also the establishment of key project activities, including: Driving forward the Adult Disability Service Efficiency Programme, putting in place the overall arrangements for efficiency in this area; Comparison with other council approaches; Financial Forecasting and Future Planning; Access to Mainstream Accommodation/ Enablement; Moving home from LD specialist into mainstream residential care; Supported Living transformation