

HERTFORDSHIRE COUNTY COUNCIL

**RESOURCES, PROPERTY & THE ECONOMY CABINET PANEL
WEDNESDAY, 14 FEBRUARY 2018 AT 10:00AM**

Agenda Item No.

3

**INTEGRATED PLAN 2018/19 - 2021/22 RESOURCES, PROPERTY & THE
ECONOMY CABINET PANEL**

Report of the Director of Resources

Authors: Steven Pilsworth, Assistant Director Finance
Lindsey McLeod, Head of Corporate Finance

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

1. Purpose of the Report

- 1.1 To highlight the areas of the Integrated Plan which relate to Resources, Property & the Economy in order for Panel to consider these and provide comment.
- 1.2 Members are asked to bring the following reports to the meeting, which have been circulated separately to all Members of the County Council:

‘Public Engagement and Consultation on the 2018/19 – 2021/2022 Integrated Plan’ (circulated as Item 4i for the Cabinet meeting of 22 January 2018); and

‘DRAFT INTEGRATED PLAN 2018/19 – 2021/22 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)’ (circulated as Item 4ii for the Cabinet meeting of 22 January 2018).

2. Summary

- 2.1 The Integrated Plan brings together the financial impact of service plans and the available funding to resource these, over the next four years. Strategic Direction summaries have been produced for each Portfolio, which set out the future direction of services in the context of achieving substantial further savings. These have been informed by comparative benchmarking, both through published data and informal networks with other comparable authorities, to identify areas of potential efficiency gains.
- 2.2 Services have identified savings, in the context of the continuing budgetary pressures and reduction in available funding. Savings requiring a policy change have been or are being taken through

Panels for Cabinet decisions throughout 2017/18, and substantial efficiency savings have been identified. Savings include reducing the allocation of general non-pay inflation to zero. Whilst this is mitigated to some extent by excluding exceptional inflation areas it will require services to manage the impact during 2018/19.

- 2.3 The Government announced the provisional Local Government Finance Settlement for 2018/19 on 19 December 2017. This was the third of the Government's four year settlement offer, and so a number of the reductions to funding were known in advance when preparing the proposed budget. Revenue Support Grant (RSG) will reduce by £22m between 2017/18 and 2018/19, and by a further £20m in 2019/20. Other grant announcements have confirmed expected reductions in Public Health grant (2.5%) and the cessation of Education Services Grant (ESG) from September 2017.
- 2.4 Funding from 2020/21 is uncertain, especially with proposed changes to the business rates retention system and a Fair Funding review which the Government proposes to introduce from that year. The IP assumes a further reduction of £5m pa in 2020/21 and 2021/22, but this will be kept under review.
- 2.5 The provisional Settlement also increased the referendum threshold for basic council tax, allowing authorities to increase this by up to 3% in 2018/19, without requiring a referendum. The 2017/18 IP had included a proposed 1.99% council tax increase each year, and the raising of the 3% remaining permitted Adult Social Care (ASC) Precept in 2018/19. The IP considered by Cabinet in January assumes a basic council tax increase of 2.99% in 2018/19 and 2019/20, and the 3% ASC Precept in 2018/19.
- 2.6 The final position will not be confirmed until the Final Settlement (expected early February) and other late grant announcements, and until figures are received from Districts for council tax base and collection fund balances, due to be provided by end January; and for business rates income and collection fund balances, which have a statutory deadline of 31 January. Should any late changes result in an unbalanced budget, specific reserves will be used to provide one off funding in 2018/19. Any additional funding will be available to support the 2018/19 budget, for example by increasing contingency to mitigate risk, or by providing investment to deliver savings that will help meet the funding gap for future years.
- 2.7 The future position remains challenging: even with the identified savings and revised increases in council tax and the social care precept, current projections of pressures and funding require a further £8.1 million saving to be identified in 2019/20, rising to £30 million by 2021/22.
- 2.8 To help meet these challenging targets, work is commencing to progress further savings during 2018, for implementation for 2019/20 or sooner where achievable. It is recognised that savings require

significant lead in times, especially where there is service redesign or consultation.

3. Recommendations

- 3.1 The Panel is invited to comment to Cabinet on the proposals relating to the Integrated Plan in respect of the Resources, Property and the Economy Portfolio.
- 3.2 The Panel is also asked to identify any issues that it feels that the Cabinet should consider in finalising the Integrated Plan proposals.

4. Background

- 4.1 The integrated plan comprises:
 - an overview of the proposed revenue budget and capital programme, including a review of the budget estimates and adequacy of reserves (Part A);
 - Strategic Direction and Financial Consequences - by portfolio (Part B);
 - the Treasury Management Strategy (Part C)
 - the Capital and Asset Management Strategy and Invest to Transform (part D);
 - the Insurance and Risk Strategy (part E)
 - an Equalities Impact Assessment (Part F); and
 - other technical information and finance summaries (Part G)
- 4.2 Part B of the Integrated Plan has separate sections for each Portfolio. These contain the strategic direction summary (for the Resources, Property and the Economy portfolio, on p165 of Integrated Plan Pack Part B); revenue budget information including a schedule of Key Budget Movements that sets out details of financial pressures and savings (p177-180); and a summary of the proposed Capital Programme (p186 – p191).
- 4.3 In the January Cabinet IP pack, the following two savings items relating to Libraries, Museums and Archives were included in the Resources, Property and the Economy Portfolio in error:
 - Further Libraries savings options within Inspiring Libraries strategy £500k pa from 2019/20
 - Developing and diversifying funding streams for Hertfordshire Archives and Local Studies - £50k pa from 2021/22.

Amended versions of p 179/180 of the pack, and the summary tables on p165/166, are included as Appendix A and B to this report.

4.4 Key issues for this portfolio include:

- Continuing to drive forward transformation and change whilst delivering back office efficiencies:
 - Making the most of our land and property assets, including proposed savings in the cost of our office accommodation; and achieving returns through the Council's new property company, Herts Living;
 - Increasing commercial opportunities for trading, procurement and contract management; delivering savings from increased income streams and reduced costs;
 - Using outcome driven technology to respond to digital opportunities;
 - Leading an effective People Strategy to deliver a high performing, engaged and committed workforce; and
 - Leading on enabling and developing a Smart, flexible and mobile workforce.
- Ensuring an effective capital financing strategy linked to asset life, utilising policy changes agreed in the 2017/18 IP to deliver a further £2.75m p.a. savings.
- Providing resource for investment in infrastructure, growth and service transformation. The IP proposed in January includes £3.49m to fund projects for the development of major infrastructure and sustainable transport to support future growth; for service transformation including that planned for Adult Social Care; and for other requirements such as the need to replenish the Insurance Fund. Allocations from this budget, and the approach for approving bids for specific projects within these, will be confirmed once 2018/19 funding is known.
- Ensuring the proposed balanced budget is sufficiently robust to manage uncertainty and risk, including demand pressures and the challenge of delivering complex savings. Details of these uncertainties are set out in the Integrated Plan Part A (p12-13). £6m has been set aside as contingency for 2018/19, in line with the level set for 2017/18.

5. Updates since the publication of the draft Integrated Plan

5.1 We are still awaiting further announcements in order to finalise the draft plan published at the 22 January Cabinet. The key issues to note are:

- The final Local Government Finance Settlement is expected in the week commencing 5 February. While local authority organisations (including the Council's own response to the Provisional Settlement) have asked the Government to consider the pressures

facing local councils, there is no indication that any additional funding is available. The Final Settlement will confirm core funding including Business Rates top up, which has been impacted by changes in valuations and reliefs.

- Council Tax and Business Rates income and collection fund figures are being confirmed at the time of writing and will be updated at the meeting. There continues to be some additional volatility this year, due to the impact of business rates revaluation and appeals.
- A number of other grants remain unconfirmed.

5.2 All of the adjustments will be reflected in the final Integrated Plan proposals for the Cabinet meeting on 19 February and County Council on 20 February.

6. Equality Implications

6.1 When considering proposals placed before Members it is important that they are fully aware of, and have themselves rigorously considered the equality implications of the decision that they are making.

6.2 Rigorous consideration will ensure that proper appreciation of any potential impact of that decision on the County Council's statutory obligations under the Public Sector Equality Duty. As a minimum this requires decision makers to read and carefully consider the content of any Equalities Impact Assessment produced by officers.

6.3 The Equality Act 2010 requires the County Council when exercising its functions to have due regard to the need to (a) eliminate discrimination, harassment, victimisation and other conduct prohibited under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The protected characteristics under the Equality Act 2010 are age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion and belief, sex and sexual orientation.

6.4 Part F of the Integrated Plan provides an equality impact assessment of the savings included within the plan and how these are intended to be mitigated by the service.