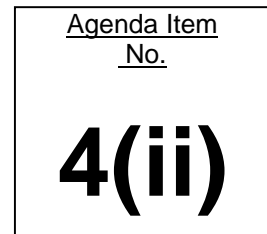


**HERTFORDSHIRE COUNTY COUNCIL**  
**CABINET**  
**MONDAY, 20 JANUARY 2020 AT 2.00PM**



**INTEGRATED PLAN 2020/21 - 2023/24**

Report of the Director of Resources

Authors:

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Executive Member:

Ralph Sangster, Resources and Performance

**1 Purpose of report**

- 1.1 To propose a draft Integrated Plan for 2020/21 - 2023/24 taking account of forecast pressures and funding changes, including the updated position from the provisional finance settlement for 2020/21.
- 1.2 To propose a Schools' budget for 2020/21, and obtain approval for release of Schools budget data/information to the Department for Education (due by 21 January 2020).
- 1.3 This cover report summarises the context and process for preparing the Integrated Plan, including the funding position. The Integrated Plan comprises:
  - Part A – Overview of:
    - the proposed budget, including the capital investment programme,
    - the Director of Resources' statutory review of the budget estimates and adequacy of reserves
  - Part B – Strategic Direction and Financial Consequences, by portfolio;
  - Part C – Capital Strategy;
  - Part D – Treasury Management Strategy;
  - Part E – Insurance and Risk Strategy;
  - Part F – Equalities Impact Assessment; and
  - Part G – Other relevant finance summaries and technical information.
- 1.4 The draft Integrated Plan will be considered by Cabinet Panels (between 3 February and 12 February) and the Overview & Scrutiny Committee (22 January and 30 January). All feedback from these member sessions will be considered by Cabinet on 24 February prior to final recommendation being made, for determination by the County Council on 25 February 2020.

## 2 Summary

2.1 The Integrated Plan (IP) sets out the Council's plans for service delivery within available funding. It brings together services' key priorities and plans for delivering these, alongside the strategies that shape how the Council manages its resources.

2.2 These plans have been set in the context of the difficult operational challenges that the Council faces, including:

- Increasing demand for services from our growing and ageing population;
- Increasing complexity of needs of existing service users, for example within social care related services
- Significant savings already delivered by the Council since 2010

2.3 Additionally, the process to prepare the IP for 2020 has been marked by an unusually high level of uncertainty. At the time of the last IP, councils were expecting in the year ahead:

- A new spending round outlining public spending plans for the coming years
- Key changes to local government funding including Business Rates Retention and the Fair Funding review

Given the national political situation, none of this progressed, increasing the uncertainty for Councils.

### Investing in Hertfordshire

2.4 Despite these challenges, the Council remains determined that Hertfordshire continues to be a county where people have the opportunity to live healthy, fulfilling lives in thriving, prosperous communities.

2.5 Prudent financial management has helped the Council tackle some of the challenges outlined above. This, coupled with an increase in funding for the first time in many years, means that it is possible to consider investing in key services. This Integrated Plan includes investing in the following:

- £12.6m into Hertfordshire's care workforce. The proposals reflect the Council's commitment to social care and the thousands of people making a real difference in our communities each and every day. We want to recognise the highly skilled role that our 30,000 care workers play in supporting older and disabled people by investing in our care workforce where we feel it will have the greatest impact, directly into pay. These new plans will help us to build a system which financially rewards those working in social care but also offers real opportunities for career development and progression. Ultimately it will help stabilise the care market and ensure we can continue to support vulnerable adults
- The cost of supporting some of the most vulnerable children who are in our care is increasing, as their needs increase and the cost of specialist support

and care increases. This budget includes additional funding to ensure we can continue to support them, and continues the transformation programme to develop more specialist care capacity within the county

- To help meet the challenges of a growing county, through continuing the annual £8m additional investment in Hertfordshire’s local road network. This now reaches £37m over a 5 year period, and is improving the standards in this road network
- In July 2019, the Council agreed the declaration of a climate emergency. Alongside some of the existing initiatives, including the air quality strategy and the energy strategy, this budget includes:
  - £10m of capital investment to support the Intalink partnership and invest in public transport and bus priority measures
  - Initial funding (of £300k per year) to provide the capacity and expertise necessary to help support taking forward the emerging Sustainable Hertfordshire Strategy and Action Plan

2.6 The summary IP position shows a balanced position for 2020/21, but with significant and rising budget gaps in later years (£13.6m rising to £36.2m). This is essentially because the demand and cost of services is increasing faster than our funding levels. At the same time, after 10 years of identifying and delivering savings, it is proving harder and harder to identify new efficiencies.

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>IP 2020 gap (assuming new funding is continued)</b>	-	<b>13,599</b>	<b>28,888</b>	<b>36,219</b>
Continuation of Government funding assumed	-	30,603	30,603	30,603
<b>IP 2020 gap (if new funding is not continued)</b>	-	<b>44,202</b>	<b>59,491</b>	<b>66,822</b>

The table also shows that if government funding is not continued, the gap increases to £66.822m.

2.7 There are other more detailed proposals contained throughout the IP document, including within the individual Portfolio Strategic Direction statements (Part B).

### **3 Recommendations**

3.1 That Cabinet agrees the draft Integrated Plan as the basis to seek feedback from Service Cabinet Panels, Overview & Scrutiny Committee, and Resources and Performance Cabinet Panel, prior to the next Cabinet meeting on 24 February 2020.

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 final amendments to comply with and ensure submission by the deadline (21 January 2020).

## **4 Public Consultation**

- 4.1 In this year's IP engagement process a variety of techniques have been used to engage with the public. This has included an online survey for residents on budget priorities (which ran between 28 October - 15 December 2019), directly contacting residents in selected supported homes across the county and two focus groups with young people as part of YC Hertfordshire's (Youth Connexions) Takeover Day on 29<sup>th</sup> November 2019.
- 4.2 The number of online survey responses totalled 4,166. The number of postal responses received totalled 1,721. The combined number of survey responses is therefore 5,887. This is a significant increase in the number of responses received last year (2,021) and higher than the average response rate experienced during the 4 previous years the Council has run a version of this survey (1,453). This is the highest level of response since the survey began in 2014.
- 4.3 A full report on the consultation is provided separately on the 20<sup>th</sup> January 2020 Cabinet agenda. But in summary:
- 60% support an increase in Council Tax by 2% to maintain local services
  - 61% support a further 2% increase in Council Tax (through the Social Care Precept) to support adult care services

## **5 Provisional Local Government Finance Settlement 2020/21**

- 5.1 The provisional local government finance settlement was released on 20 December 2019, through a written ministerial statement. The levels of Government Grants announced were in line with the Spending Round 2019 in October.

### Key Headlines:

- 5.2 The Government calculates authorities' Spending Power, which includes income from locally raised Council Tax and Adult Social Care Precept. The Council's Spending Power for 2020/21 is £819.6m, of which £178.3m is funded by central government grants and business rates.
- 5.3 The Business Rates Retention and implementation of a Fair Funding Review, that will re-assess funding need across all authorities, are expected to be introduced in 2021/22 at the earliest now. Whilst there may be some transitional protection, these changes may give some significant funding movements.
- 5.4 The funding position at Table 2 (see Appendix A) shows the latest estimates of available Central Government funding based on the provisional financial settlement, together with projections of other income sources including Council Tax and Business Rates Collection Fund balances.
- 5.5 The provisional settlement outlined the flexibility for a social care precept in 2020/21, allowing social care authorities to raise a precept of up to 2% in that

year. Additionally, it confirmed a referendum threshold for General Council tax increases to be used for 2020/21 as 1.99%.

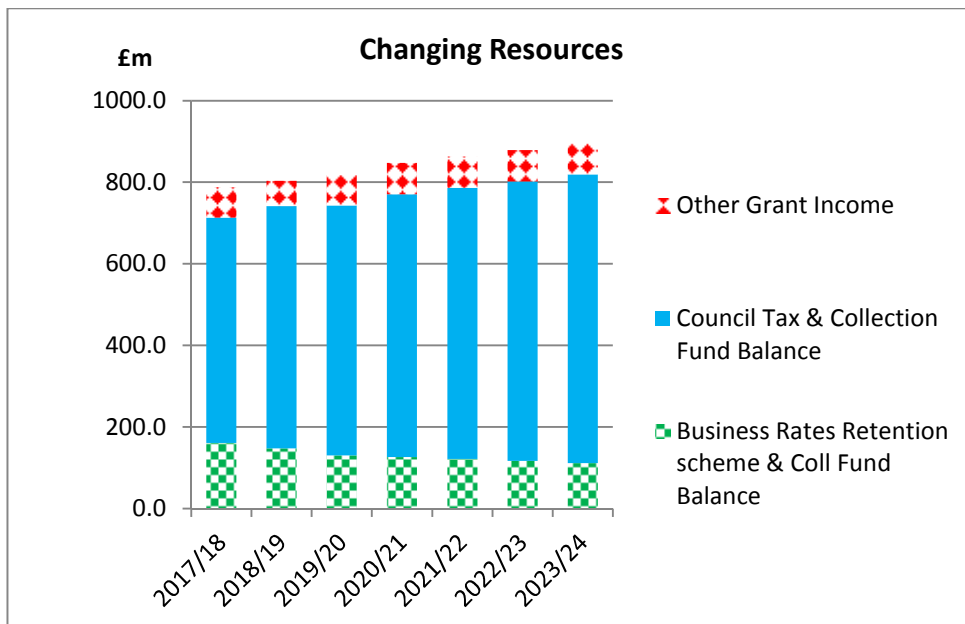
5.6 The provisional settlement further confirmed the Spending Review 2019 (SR19) announcements, where the Chancellor announced a repeat of the Winter Pressures Grant for 2020/21 and also a repeat of the funding for adults and children’s social care. A £1bn amount of further funding for social care was announced. This is to be top-sliced for an amount to ensure that authorities with low council tax bases are not at detriment (i.e. more properties in the lower council tax bands). This will create a fund of £150m. The balance of £850m is expected to be distributed on the relative needs formula (RNF) basis; the provisional settlement has indicated the Council will receive £14.6m. Other benefits outside this amount include:

- confirmation of Better Care Fund (BCF) funding
- the social care support grant being repeated
- winter pressures funding
- Public Health grant inflationary growth
- funding for firefighter pensions costs

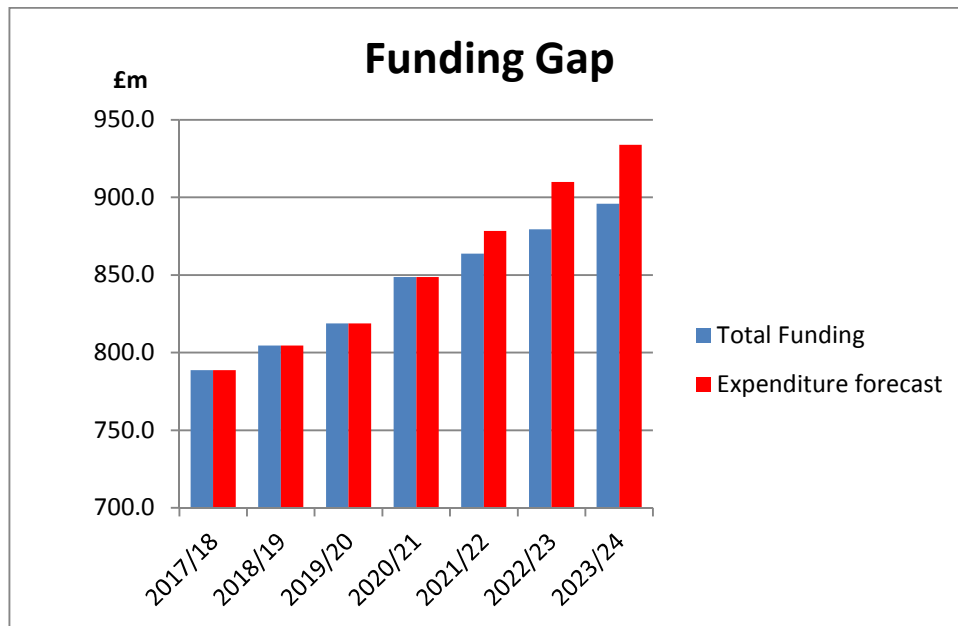
A range of smaller grant amounts are still to be confirmed. Whilst the £1bn for social care was confirmed in the Conservative manifesto, and hence looks likely to continue beyond next year, there remains uncertainty about the other grants.

5.7 Overall, the benefit of these grant announcements is £30.6m in 2020/21 (along with an additional £0.2m for New Homes Bonus), with the social care precept providing an additional £12.3m on top of this.

5.8 The graph below shows a breakdown of how the authority’s resources are funded.



5.9 The gap between forecast expenditure and resource funding is widening over the period of this Integrated Plan, as shown in the table below.



Council Tax and Social Care Precept:

5.11 The 2019/20 IP assumed a general council tax increase of 1.99% in 2020/21 and in the years thereafter.

5.12 In the Provisional Settlement, the Secretary of State allowed social care authorities a flexibility to raise a precept of up to 2% in that year. This is worth £12.3m to the Council. Additionally, it was confirmed that the referendum threshold for General Council tax increases to be used for 2020/21 is 1.99%.

5.13 With increases of 1.99% basic Council Tax and an increase in the ASC precept of 2%, the Band D Council Tax for the County Council in 2020/21 would be £1414.20. The amount of tax calculated for each valuation band is shown in Table 1.

5.14 From 2021/22, an annual council tax increase of 1.99% is assumed, as the Government has not committed to a longer term threshold change.

Table 1: HCC Council Tax Bands

Band	2019/20 Council Tax			2020/21 Council Tax		
	Basic	ASC Precept	Total	Basic	ASC Precept	Total
A	£842.78	£63.85	£906.63	£860.81	£63.85	£924.66
B	£983.22	£74.51	£1,057.73	£1,004.27	£74.51	£1,078.78
C	£1,123.70	£85.14	£1,208.84	£1,147.74	£85.14	£1,232.88
<b>D</b>	<b>£1,264.15</b>	<b>£95.79</b>	<b>£1,359.94</b>	<b>£1,291.21</b>	<b>£122.99</b>	<b>£1,414.20</b>
E	£1,545.08	£117.07	£1,662.15	£1,578.15	£117.07	£1,695.22
F	£1,825.99	£138.37	£1,964.36	£1,865.08	£138.37	£2,003.45
G	£2,106.93	£159.64	£2,266.57	£2,152.02	£159.64	£2,311.66
H	£2,528.30	£191.58	£2,719.88	£2,582.42	£191.58	£2,774.00

Other Funding Information:

- 5.15 Some funding information is not yet available and will need to be built into the 2020/21 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 growth;
  - c) final Local Government Finance Settlement expected early February; and
  - d) other outstanding Government grant announcements.

Should this result in any changes in resources, Cabinet will need to decide in February how this should be reflected in the IP.

Response to Provisional Settlement consultation:

- 5.16 The consultation period on the provisional settlement closed on 17 January 2020. The consultation was somewhat narrowly focussed on a handful of specific technical issues in the settlement, and on 2020/21 only. Whilst broadly supportive of the approach to allocating grant, it was also a useful opportunity to flag the following broader issues:
- The current short term funding approach, and uncertainty over future funding arrangements is causing considerable uncertainty for councils and make any medium term financial planning extremely difficult. We urge the Government to make real progress on this, including a multi-year funding settlement during the coming year
  - Whilst the extra Council Tax Flexibility enables investment in social care, it is local residents who pay for this, and in the longer term this cannot be a substitute for a proper funding deal for social care.

## 6 Revenue Budget 2020/21

- 6.1 The proposed revenue budget is £850.6m in 2020/21. This represents an increase in spending of 3.9% on the previous year's budget (2019/20), and includes the additional funding announced in SR19. The revenue budget increases to £895.6m by 2023/24. A summary movement statement of both resources and spending is provided in Appendix A at the end of this report.

### Closing the gap

- 6.2 The table below sets out how the budget gap identified for 2020/21 and reported to Council in February 2019 has moved to a balanced position by January 2020.

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
<b>Budget Gap at February 2019</b>	<b>19.9</b>	<b>29.9</b>	<b>44.3</b>	<b>58.3</b>
Inflation - pay	1.5	1.5	1.4	1.4
Inflation - non-pay	(4.4)	(4.6)	(3.9)	(2.3)
Demography	1.3	1.1	1.6	2.8
Capital Financing	(0.4)	0.2	4.7	10.8
Other Pressures & Investments	37.6	48.7	49.4	49.5
Changes in grant funding	(30.8)	(30.6)	(30.6)	(30.6)
Business Rates Retention Scheme & Collection Fund	(7.0)	(5.0)	(5.0)	(5.0)
Council Tax & Collection Fund	(12.3)	(12.7)	(13.1)	(13.5)
Additional Savings	(5.4)	(14.9)	(19.8)	(35.2)
<b>Gap at January 2020</b>	<b>-</b>	<b>13.6</b>	<b>28.9</b>	<b>36.2</b>

- 6.3 It can be seen from the table above that substantial operational pressures and investments were presented over and above those already included in IP 2019 (including through capital bids and other pressures and investments). These responded to pressures identified through financial monitoring in the current year, as well as information estimating the future impact of current trends along with proposals for investment.
- 6.4 The table above also sets out the impact of the new resources (totalling £30.8m) announced as part of SR19. These include continuation into 2020/21 of previous grants announced for one year only in 2019/20, as well as additional new funding as follows:

	£m
New Social Care Funding (part of £1bn national funding)	14.6
Social Care Support Grant	7.0
Winter Pressure	2.0
iBCF	4.5
Fire Pensions	2.2
Teachers Pensions	0.2
Additional New Homes Bonus (one year only)	0.2
<b>Total</b>	<b>30.8</b>



Whilst the £1bn for social care was confirmed in the Conservative manifesto, and hence looks likely to continue beyond next year, there remains uncertainty about the other grants.

- 6.5 The estimated costs and benefits of key transformation projects is included in the budget gaps identified in the table in para 6.2 above, including the Next generation project, Office accommodation strategy and Future Workforce. In some latter cases these are high level estimates at this stage.
- 6.6 The Council continues to invest to deliver services more efficiently and with better outcomes for users. We will continue to prioritise frontline services – all new savings proposed are from efficiencies rather than policy changes impacting service delivery.

Analysis of key budget movements between 2019/20 and 2020/21:

- 6.7 Key movements from the previous IP are set out in the table below. This table shows how the budget for 2019/20 was in balance (1 – net revenue budget 2019/20) and moves to a balanced position for 2020/21 (4- net revenue budget 2020/21).

*Analysis of the overall Budget Movement between 2019/20 and 2020/21*

	<b>£m Expenditure</b>	<b>£m Income</b>	<b>£m Net</b>
<b>1) Net Revenue Budget 2019/20</b>	<b>818.743</b>	<b>(818.743)</b>	<b>-</b>
<u>Pressures on budget:</u>			
Inflation – pay	6.273		6.273
Inflation – non pay	6.510		6.510
Pressures – demography	11.757		11.757
Pressures and investments – other:			
Adult Care Services	19.718		19.718
Children's Services	10.957		10.957
Other	15.307		15.307
Business Rates Retention Scheme		1.368	1.368
Grant Reductions:			
New Homes Bonus		0.263	0.263
School Improvement Grant		0.600	0.600
Collection Fund balances		1.100	1.100
<b>2) Increase in pressures</b>	<b>70.522</b>	<b>3.331</b>	<b>73.853</b>
<u>Met by:</u>			
Reversal of one-off items from 2019/20)			
Other	(5.343)		(5.343)
Technical Adjustments: Expenditure (Misc)	(16.213)		(16.213)
Technical Adjustments: Income (iBCF)		12.909	12.909
Existing savings / policy choices	(9.408)		(9.408)
New efficiency savings	(7.729)		(7.729)
New policy choice savings	-		-
<i>Technical Adjustments and Savings</i>	<i>(38.693)</i>	<i>12.909</i>	<i>(25.784)</i>

	<b>£m Expenditure</b>	<b>£m Income</b>	<b>£m Net</b>
Additional Grants:			
Social Care Support Grant - additional		(14.643)	(14.643)
Fire Pension Grant		(0.314)	(0.314)
Teachers Pensions Grant		(0.200)	(0.200)
Public Health		(0.787)	(0.787)
Other		(0.281)	(0.281)
Council tax increase (including tax-base growth)		(19.025)	(19.025)
ASC Precept increase (including tax-base growth)		(12.820)	(12.820)
<i>Funding</i>	-	(48.069)	(48.069)
<b>3) Mitigation of pressures</b>	<b>(38.693)</b>	<b>(35.160)</b>	<b>(73.853)</b>
<b>4) Net Revenue Budget 2020/21</b>	<b>850.572</b>	<b>(850.572)</b>	<b>-</b>

- 6.8 The movement from 2019/20 to 2020/21 shows increased pressures on the budget, with an overall increase in pressures of £73.853m, made up of £70.522m of proposed increases to spending and £3.331m of decreases in income items (2 – increase in pressures).
- 6.9 These pressures were mitigated through a combination of technical adjustments that reverse previous one-off expenditure items and increases in savings, totalling £25.784m, and increased income items of £48.069m (chiefly planned increase in council tax and Adult Social Care Precept, along with additional Social Care Support Grant that had not been anticipated).
- 6.10 Further details of movements are included in the IP Overview (Part A).

### Spending

- 6.11 Each portfolio has produced a Strategic Direction summary (included in part B) 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.
- 6.12 Services have identified additional savings of £7.7m since last year's IP, to bring total 2020/21 savings to £17.1m. Whilst the majority of these are achieved through more efficient ways of working, it has been necessary to seek some savings through previous policy changes in service delivery (£0.8m, or 4.7% of 2020/21 savings); however, there are no new policy changes proposed for 2020/21. Services continue to drive new ways of delivering services and innovative approaches to achieve all savings, including developing the digital agenda, commercial initiatives and enabling more efficient ways of working.
- 6.13 Details of key revenue budget movements are set out in part 6 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.

Risk, Contingency and Reserves:

6.14 A number of key risks relevant to the IP are set out at Part A of the IP. These include:

- Risk that social care costs escalate above the increases already included within the IP:
- Risk of provider failure (including social care provider failure)
- Risk of not realising savings as planned
- Impact of unfunded cost pressures arising from waste disposal arrangements
- Tender pricing; the Council is exposed to the risk that wider economic factors may lead to the tenders received for future procurements being significantly higher than anticipated, leading to unexpected budget pressures.
- Risks and uncertainties associated with Brexit.
- Risk of commercial bus operators 'handing back' contracts for services where these struggle to secure value for money
- Risk to contributions from Clinical Commissioning Groups for protection of adult social care and funding of children's services;
- Highways maintenance: risk of road repairs due to severe winter weather and potential exceptional maintenance, including special requirements for coal tar disposal
- Potential income from business rates growth; impact of business rate appeals following revaluation and changes to the appeals system
- The Collection Fund balance and council tax base for future years, as well as council tax support schemes and wider council tax reforms;
- Outstanding grant announcements, especially for future years
- Inflation: non-pay inflation including exceptional inflation
- Volatility in interest rates, impacting on borrowing costs and investment income (e.g. from Brexit decisions, but also from other economic factors); and
- Ability to sell assets and secure capital receipts.
- Agreement with the schools forum on interaction between care costs and the schools grant

6.15 The Council retains several named reserves to respond to specific issues. These are projected to be £197.5m as at 31 March 2020 and £172.7m as at 31 March 2021. These reserves are described in Table 10 in Part G of the Integrated Plan, together with estimated opening and closing balances. A summary of this is shown overleaf:

<b>Reserves Summary</b>	<b>Balance at 1 April 2019</b>	<b>Forecast Balance at 31 March 2020</b>	<b>Forecast Balance at 31 March 2021</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Schools	(86,856)	(55,245)	(45,800)
Other reserves held for other parties	(8,528)	(6,038)	(1,370)
Earmarked	(96,294)	(95,405)	(84,853)
ITT*	(21,560)	(10,078)	(7,768)
Balances - General Fund	(31,298)	(32,000)	(32,000)
<b>TOTAL</b>	<b>(244,536)</b>	<b>(198,766)</b>	<b>(171,791)</b>

\*see further commentary below on ITT

6.16 In reviewing reserves, the following should be noted:

- A number held on behalf of other bodies and are not available for general Council use, including schools (£86.9m), the Local Enterprise Partnership (LEP) (£6.9m);
- A further £96m are earmarked for specific purposes;
- Balances are held for emergency purposes, and once used are gone;
- In responding to the general uncertainty of future funding, and especially the short period between the December 2019 settlement and the start of the financial year, the Council established a transition reserve that currently stands at £15m;
- The Council also holds a contingency budget, which will be £6m for 2020/21 and later years.

Whilst the Invest to Transform reserve numbers initially look healthy, much of this reflects the timing of drawing down committed funds (i.e funds that have been approved, but not yet drawn down still show in the reserve balance. With the commitments made, there is only £2.1m left at the end of the 2019/20 Financial Year.

The budget plans enable this to be topped up by £4.3m next year, through a mix of repayments into the fund and a general top up (although this does assume the settlement, taxbase and collection funds are all as expected and there is no need to amend these plans in order to balance the budget).

That would make £6.4m in total. However, there are emerging pipeline bids totalling £2m being discussed (including things like the fire HQ, asset management and Baldock/Brookfield). This would leave very little to drive the level of transformation that the IP requires (for example it is expected that the office accommodation review may require a substantial bid to progress). It is recommended that the ITT fund is kept under close review to ensure there is sufficient to support the most critical projects.

6.17 In assessing the adequacy of the Council's reserves, the robustness of the estimates, the identified risks and uncertainties and the level of the general contingency all need to be considered.

- 6.18 It should also be noted that the following is the expected approach if risks or financial pressures emerge during the year:
- Departments will exhaust all options to find corresponding savings. If necessary, a council wide approach will be taken
  - If this cannot deliver a balanced budget, then consideration will be given to use of contingency. This will only be considered during the second half of the financial year when other options have been exhausted and the financial picture is clearer
  - Reserves will be only used as a last resort

This approach has proved successful and the Council has not had to make unplanned use of its reserves in recent years.

- 6.19 As such the level of reserves is currently considered to be adequate. This view depends on the following:
- Departments delivering savings plans outlined in the IP
  - The Council developing plans to deliver balanced budgets over the medium term

#### Chief Finance Officer assurances

- 6.20 It is a requirement of every Council budget that the designated s151 officer (Chief Finance Officer) provides assurances through a 'Section 25' Statement on:
- The robustness of the estimates presented to Council, and
  - The adequacy of the reserves available to the Council, given the risks and uncertainties it faces.

The formal statement is provided as Appendix B at the end of Part A

## **7 Medium term financial position, 2019/20 – 2022/23**

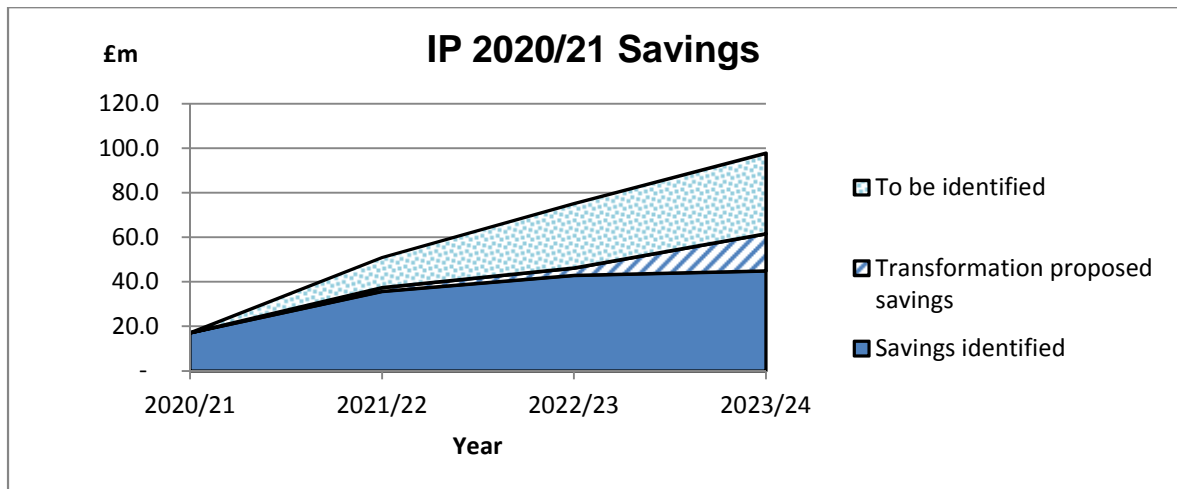
- 7.1 The summary IP position shows a balanced position for 2020/21, but with significant and rising budget gaps in later years (£13.6m rising to £36.2m). This is essentially because the demand and cost of services is increasing faster than our funding levels. At the same time, after 10 years of identifying and delivering savings, it is proving harder and harder to identify new efficiencies.

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
<b>IP 2020 gap (assuming new funding is continued)</b>	-	<b>13,599</b>	<b>28,888</b>	<b>36,219</b>
Continuation of Government funding assumed	-	30,603	30,603	30,603
<b>IP 2020 gap (if new funding is not continued)</b>	-	<b>44,202</b>	<b>59,491</b>	<b>66,822</b>

- 7.2 The table also shows that if government funding is not continued, the gap increases to £66.822m.
- 7.3 Securing a balanced financial plan for 2020/21 proved more challenging than was originally expected. This is due to significant pressures being recognised in a range of operational areas (especially in social care services) and also to the national political position noted above, which has impacted on the expected level of resources and the timing and content of key announcements (such as SR19).
- 7.4 The need to prepare a multi-year spending round in 2020 and also to progress the proposed changes to councils' funding will mean that there will continue to be a huge level of uncertainty over funding across the next 12 months, and this will impact on the planning for the budget for 2021/22.
- 7.5 This position necessarily responds to unforeseen service pressures that that manifested during the current year (2019/20), as reported in the quarterly monitors to members. These pressures have been most noticeable in children's social care, and the current IP has been prepared to reflect the estimated future impact of those current pressures.
- 7.6 The chart overleaf shows illustrates the financial outlook, setting out both the level of savings required overall, and the level of savings already found and yet to be identified. The extent of the savings required as presented in the table above for later years gives cause for concern, and ongoing work will need to be undertaken to ensure that a balanced and sustainable budget can be prepared in forthcoming years.

It is clear that increased demand for services and costs of provision remain a major factor for HCC. The budget position over the IP period can be summarised as follows:

- The cost of providing services is forecast to increase by £175m over next 4 years
- Resources are expected to increase by £77m
- Hence the starting point is a budget gap of £98m
- There are £46m of savings plans in IP
- There is a £16m target for cross-cutting transformation savings (Next gen, office accommodation and future workforce)
- Hence a gap of £36m remains



## 8 Schools Budget

- 8.1 Part B – Schools Budget sets out the proposed schools’ revenue budget for 2020/21. In line with the Schemes of Delegations, Cabinet are requested to agree the schools’ element of the IP in advance of the main budget process, in order to meet the Department for Education (DfE) deadline for 21 January 2020 (decisions on the main budget will be confirmed in the Council meeting on 25 February).
- 8.2 There may be some small adjustments as final data checks are completed and as the DfE position on outstanding issues is confirmed. This budget is wholly grant funded and decisions have no impact on the overall Council budget.

## 9 Other parts of the Integrated Plan

### Capital Finance and Treasury Management

- 9.1 Capital Financing, Investment, and Treasury Management activities are subject to the requirements of statutory guidance and codes of professional practice.
- 9.2 The CIPFA Prudential Code for Capital Finance in Local Authorities 2017 Edition was implemented last year. The Code requires the Council to produce a Capital Strategy and this is included in the IP at Part C. This 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.
- 9.3 The Ministry of Housing Communities and Local Government issues Statutory Guidance on Local Government Investments. The Guidance requires the Council to prepare an Investment Strategy, and this is included in the IP as Appendix E to Part C.

- 9.4 The CIPFA Code of Practice for Treasury Management in the Public Services 2017 Edition was implemented last year. The Code requires the Council to produce a Treasury Management Strategy Statement and this is included in the IP at Part D. This sets out the Council's approach to the management of its cash flows, borrowing and investments, and the associated risks. Commercial investments, which are defined as those partly or primarily for financial return are subject to the Capital Strategy at IP Part C

#### Insurance Strategy

- 9.5 The Insurance Strategy (included at IP 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.

#### Equality implications

- 9.6 The Integrated Plan includes the equality impact assessment of IP proposals, at Part F.

### **10 Capital Programme, Funding and Financing Charges**

- 10.1 The capital investment programme and the revenue cost of this is set out in the table below:

#### *Capital Programme and associated revenue costs*

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Capital Programme	411,591	396,837	339,750	200,778
Borrowing Requirement	199,403	173,860	140,939	70,777
Revenue Cost of Capital	24,533	30,054	37,866	44,052

As can be seen, the size of the capital programme and resultant borrowing results in a significant increase in borrowing costs for the Council, from £24m to over £44m by year 4.

- 10.2 A breakdown by Portfolio of the proposed capital investment programme for IP 2019 set out in the tables below, along with the planned sources of funding.

#### *Summary Proposed Capital Programme 2020/21 – 2023/24*

	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>
Adult Care & Health	21,937	27,326	31,408	25,546
Children, Young People and Families	3,145	2,495	220	100
Community Safety & Waste Management	21,039	19,724	35,566	7,467
Education, Libraries & Localism	113,624	126,564	71,407	23,217
Growth, Infrastructure, Planning & the Economy	44,275	45,225	46,225	46,225
Highways & Environment	114,466	82,089	79,950	74,997



	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Public Health, Prevention & Performance	-	-	-	-
Resources & Performance	56,172	58,919	49,547	23,226
Capital Investments	36,933	34,495	25,427	-
<b>Total</b>	<b>411,591</b>	<b>396,837</b>	<b>339,750</b>	<b>200,778</b>

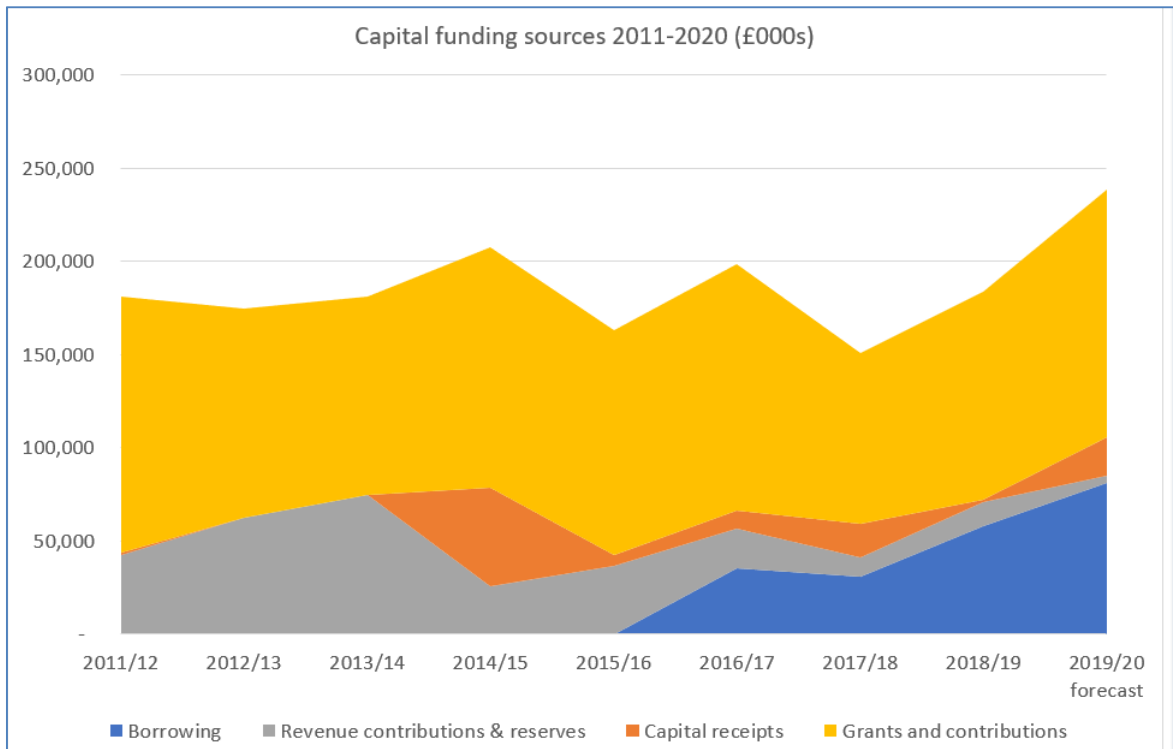
*Proposed Capital Financing 2020/21 – 2023/24*

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'001
Borrowing	199,403	173,860	140,939	70,777
Capital receipts	21,356	46,668	35,248	8,104
Grant	138,814	141,677	122,299	110,889
Contribution	46,591	32,625	39,889	10,633
Reserves	5,428	2,007	1,375	375
<b>Total</b>	<b>411,591</b>	<b>396,837</b>	<b>339,750</b>	<b>200,778</b>

10.3 The Council continues to invest significantly in its infrastructure and assets. The proposed capital programme in 2020/21 is £411.591m, of which £199.4m is funded from borrowing (i.e. HCC funded). This includes commercial investments of £36.933m and forward funding of new school developments and expansion schemes of £32.445m. Schemes within the capital programme include:

- funding for the provision for older people's housing in Hertfordshire that meets identified need;
- further primary and secondary schools expansion and new school developments, largely externally funded;
- investment in transport infrastructure to support the delivery of the Harlow Gilston Garden Town;
- the construction of bridges over the Baldock rail crossing to enable to delivery of 2,800 homes;
- Delivery of infrastructure for the Brookfield Riverside and Garden Village Development;
- Construction of new household waste recycling centres and waste transfer station; and
- Construction of a Joint Emergency Services Academy for Hertfordshire Fire & Rescue Service and Police Constabulary.

10.4 In the early part of the last decade, the Council has used revenue contributions, one-off underspends, Capital Financing and Capital Receipts to sustain the capital programme while minimising the need for new borrowing, thus avoiding 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). The latter part of the decade this has shifted to borrowing, and this trend continues to increase. This causes the significant increase in borrowing costs outlined in paragraph 10.1 above.



*Background information referred to by the authors*

[Hertfordshire County Council Integrated Plan 2019/20 to 2022/23, February 2019.](#)

[Department for Communities and Local Government - Provisional Local Authority Finance Settlement for 2020/21, 18 December 2019.](#)

APPENDIX A

Table 1: Summary Budget Movement Statement

<b>Table 1: Summary Budget Movement Statement (2019/20 – 2023/24)</b>					
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>804.577</b>	<b>Original Budget</b>	<b>818.743</b>	<b>818.743</b>	<b>818.743</b>	<b>818.743</b>
(14.371)	Technical Adjustments	(16.213)	(16.213)	(16.213)	(16.213)
10.673	Inflation	12.783	27.972	43.763	60.754
<b>800.879</b>	<b>Base Budget</b>	<b>815.313</b>	<b>830.502</b>	<b>846.293</b>	<b>863.284</b>
	<b>Pressures for change:</b>				
-	Reversal of time limited expenditure	(5.343)	(5.394)	(5.379)	(5.394)
10.545	Demography	11.757	22.233	33.032	44.048
6.289	Legislative	5.597	7.871	11.227	14.987
0.948	Capital Financing	3.156	8.657	16.492	22.679
24.902	Other	37.229	50.615	52.631	53.822
42.684	<b>Total Pressures for Change</b>	52.396	83.982	108.003	130.142
<b>843.563</b>	<b>Subtotal</b>	<b>867.709</b>	<b>914.484</b>	<b>954.296</b>	<b>993.426</b>
	<b>Savings:</b>				
(9.562)	Existing efficiencies - ongoing impact	(8.629)	(18.839)	(22.277)	(22.066)
(3.952)	Existing Policy Choice - ongoing impact	(0.779)	(1.657)	(1.561)	(1.459)
(5.346)	New efficiencies	(7.729)	(16.906)	(22.340)	(38.023)
-	Further savings required	0.000	(13.599)	(28.888)	(36.219)
(18.860)	<b>Total Savings</b>	(17.137)	(51.001)	(75.066)	(97.767)
(5.960)	Transfer to reserve - Transition Reserve	-	-	-	-
<b>818.743</b>	<b>REVENUE BUDGET</b>	<b>850.572</b>	<b>863.483</b>	<b>879.230</b>	<b>895.659</b>

**Table 2: Funding Statement**

<b>Table 2: Funding Statement (2019/20 – 2023/24)</b>					
<b>2019/20</b>		<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>Business Rates and Collection Fund Balances:</b>				
124.737	Business Rates Pilot: Baseline	-	-	-	-
1.308	Business Rates Pilot: Gain	-	-	-	-
-	Business Rates Retention Scheme: Settlement Funding Assessment	125.984	119.565	114.565	109.565
4.406	Business Rates Retention Tax Loss Re-imbursement	4.972	4.406	4.406	4.406
1.873	Levy Account Surplus	-	-	-	-
(1.581)	Collection Fund Balance - Business Rates	(1.500)	(1.500)	(1.500)	(1.500)
<b>130.743</b>		<b>129.456</b>	<b>122.471</b>	<b>117.471</b>	<b>112.471</b>
	<b>Council Tax and Collection Fund Balances:</b>				
565.138	Council Tax	584.163	604.056	624.603	645.823
42.823	Council Tax relating to Social Care Precept	55.643	56.310	56.986	57.670
5.181	Collection Fund Balance - Council Tax	4.000	4.000	4.000	4.000
<b>613.142</b>		<b>643.805</b>	<b>664.367</b>	<b>685.589</b>	<b>707.493</b>
	<b>Non-ringfenced Grants:</b>				
7.063	Social Care Support Grant	7.063	7.063	7.063	7.063
-	Social Care Support Grant - additional funding	14.643	14.643	14.643	14.643
3.033	New Homes Bonus	2.770	2.049	1.574	1.099
1.944	Independent Living Fund	1.944	1.944	1.944	1.944
1.882	Fire Pension Grant	2.197	2.197	2.197	2.197
0.600	School Improvement Grant	-	-	-	-
-	Teacher's Pension Grant	0.200	0.200	0.200	0.200
1.125	Other non-ringfenced grants	1.405	1.460	1.460	1.460
<b>15.647</b>		<b>30.222</b>	<b>29.556</b>	<b>29.081</b>	<b>28.606</b>
	<b>Ringfenced Grants:</b>				
46.302	Public Health Grant	47.089	47.089	47.089	47.089
12.909	iBCF - old	-	-	-	-
<b>59.211</b>		<b>47.089</b>	<b>47.089</b>	<b>47.089</b>	<b>47.089</b>
<b>818.743</b>	<b>TOTAL</b>	<b>850.572</b>	<b>863.483</b>	<b>879.230</b>	<b>895.659</b>