

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY, 18 FEBRUARY 2019 AT 2.00PM**

**COUNTY COUNCIL
TUESDAY, 19 FEBRUARY 2019 AT 10.00AM**

Cabinet Agenda Item No.
4(iii)
County Council Agenda Item No.
6A(iii)

INTEGRATED PLAN 2019/20 - 2022/23

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 the Integrated Plan for 2019/20 - 2022/23 for the Council. 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 Cabinet 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.

1.2 Page references in this report refer to the version of the IP printed and circulated in January 2019, and used throughout the scrutiny and Cabinet Panel discussion processes. The tables appended to this current report supersede the same tables in the January version of the IP and represent the current position for the purpose of decision-making. A final, updated, version of the full IP document will be published on the Council website after the February 2019 meeting of the County Council.

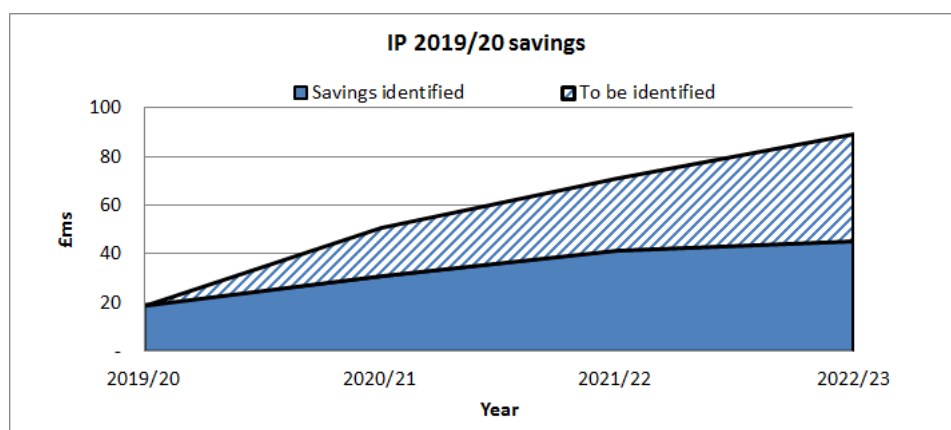
1.3 These proposals should be considered in light of the feedback on the draft Integrated Plan from Cabinet Panels and the Overview & Scrutiny Committee

(elsewhere on this agenda) and the Public Engagement and Consultation report (item 4(i) on the 21 January 2019 Cabinet agenda.

- 1.4 The final determination of these proposals will be by the County Council on 19 February 2019.
- 1.5 Appendix A to this report provides the updated tables covering the Council's proposed spending (table 1), funding (table 2), service-specific grants (table 3) and allocation to operational departments (table 4). These tables supersede the tables previously published in advance of the January Cabinet meeting, contained in the January cabinet report and the IP document. The appended tables present the position on which the Council is asked to agree the budget and Council Tax for 2019/20, with indicative figures for later years.

2 Summary and Background

- 2.1 The Integrated Plan (IP) brings together the financial impact of service plans and the available funding to resource these, over the next four years. These plans have been set in the context of the difficult challenges that the Council faces, including:
 - Increasing demand for services from our growing and ageing population, including increasing complexity of needs of existing service users, for example within social care related services;
 - Inflation pressures impacting upon the Council's suppliers and providers the Council contracts with to provide some services;
 - Significant savings already delivered by the Council since 2010, and;
 - Further reductions in Central Government grant funding expected over the period.
- 2.2 As noted by Cabinet in January, while a balanced budget is presented for 2019/20 it should also be noted the medium term outlook is extremely challenging, with a savings requirement rising from £19.9m in 2020/21 to £44.3m in 2022/23. This is in addition to the delivery of already identified efficiencies and policy choices forecast to save £45.2m by 2022/23; any slippage in delivery in planned savings will increase the unfunded gap in future years.



- 2.3 The savings requirement is illustrated in the chart above, which confirms the level of savings required overall across the period, and, of those, the amounts already planned and the amounts still to be identified.
- 2.4 The Government confirmed the final Local Government Finance Settlement for 2019/20 on 29 January 2019. This was the last year of the agreed four year settlement with central government. No significant changes arose between the provisional and final settlement details.
- 2.5 This report provides an update on changes in available funding notified since January Cabinet, including impacts arising from the details of the Final Local Government Finance Settlement and final council tax and business rates information that has recently been provided by the ten District and Borough Councils in Hertfordshire (31 January). It sets out proposals for use of both this funding and of other budgets that, whilst included in the draft IP published in January, were flagged as provisional pending confirmation of these elements.
- 2.6 This report also summarises the key decisions on the financing of the capital programme and related budgets, and provides detail on the use of capital receipts and reserves to support this expenditure.
- 2.7 The Interim Director of Resources has reviewed the level of general reserves and has confirmed his view that the current level is appropriate. The specific reserves maintained by the Council have also been reviewed and adjusted to reflect the latest information. The formal statement setting out the detail of this review is included in the January 2019 IP pack at Part A, appendix B. This statement has been reviewed by the Interim Director of Resources as part of the preparation of this current report and he can confirm that he maintains the same view as he previously set out.
- 2.8 Details of changes to the revenue budget since January are given in section 4, and the summary position (assuming recommendations are agreed) is shown in the Appendix.

3 Recommendations

- 3.1 Cabinet is recommended to:
- (a) approve the final version of the Integrated Plan as set out in this report and confirmed in the appended tables; noting that amendments to the budget may be required once any outstanding grants have been announced by the Government; and
 - (b) recommend to the County Council that the Integrated Plan for 2019/20 - 2022/23 (as amended above) be adopted, and specifically that:

In respect of all Parts:

- (i) the Director of Resources, in consultation with the Executive Member for Resources & Performance, be authorised to make any necessary

amendments to ensure the plan is in line with decisions taken by the County Council before final confirmation;

In respect of Parts A & B:

- (ii) a Revenue Budget of £818.743m and a Council Tax Requirement of £607.961m be agreed as per the updated Revenue Budget Statements included as an appendix to this report.
- (iii) a Band D Council Tax of £1,264.15 plus a Band D Social Care precept of £95.79 be agreed for the County Council in 2019/20, and that the amount of tax calculated for all bands be as follows:

Table 1: Proposed HCC Council Tax for 2019/20 by band

Band	2018/19 Council Tax			2019/20 Council Tax		
	Basic	ASC Precept	Total	Basic	ASC Precept	Total
A	£816.46	£63.85	£880.31	£842.78	£63.85	£906.63
B	£952.51	£74.51	£1,027.02	£983.22	£74.51	£1,057.73
C	£1,088.60	£85.14	£1,173.74	£1,123.70	£85.14	£1,208.84
D	£1,224.67	£95.79	£1,320.46	£1,264.15	£95.79	£1,359.94
E	£1,496.83	£117.07	£1,613.90	£1,545.08	£117.07	£1,662.15
F	£1,768.96	£138.37	£1,907.33	£1,825.99	£138.37	£1,964.36
G	£2,041.13	£159.64	£2,200.77	£2,106.93	£159.64	£2,266.57
H	£2,449.34	£191.58	£2,640.92	£2,528.30	£191.58	£2,719.88

- (iv) the precept amount of £607,961,109.00 be required from the district and borough councils as follows:

Table 2: Analysis of HCC 2019/20 precept amount by district and borough

District	Taxbase	Precept Amount £
Borough of Broxbourne	35,026.00	47,633,258.44
Dacorum Borough Council	57,270.20	77,884,035.79
East Hertfordshire District Council	60,721.90	82,578,140.69
Hertsmere Borough Council	41,274.00	56,130,163.56
North Hertfordshire District Council	49,498.40	67,314,854.10
St Albans District Council	62,107.25	84,462,133.56
Stevenage Borough Council	27,329.90	37,167,024.21
Three Rivers District Council	39,092.10	53,162,910.47
Watford Borough Council	32,840.60	44,661,245.56
Welwyn Hatfield Council	41,889.60	56,967,342.62
TOTAL	447,049.95	607,961,109.00

- (v) the Chief Executive, in consultation with the Leader of the Council, be authorised to issue the Council Tax Information in accordance with demand notice regulations;
- (vi) the schools budget be agreed at the level of the Dedicated Schools Grant (DSG) including any use of carried forward DSG. The total amount is currently estimated at £965m - IP p213 - less deductions in respect of academies and post-16 high needs places; and that the Director of Resources in consultation with the Director of Children's Services, the relevant Executive Members and the Schools Forum, be authorised to amend the schools budget to match any changes to the Dedicated Schools Grant and the planned approach to balancing the schools budget in future years of the Integrated Plan;
- (vii) the Director of Resources, and the relevant service Chief Officer, be authorised to determine the use of any other non-ringfenced grants not yet allocated to services;
- (viii) the Director of Resources in consultation with the Executive Member for Resources & Performance, be authorised to make such arrangements as are necessary to enable the Hertfordshire 75% Business Rates Retention Pilot to be set up, noting the role of the Council as accountable body for this pilot and the ongoing work to confirm the necessary changes to accommodate this (including treatment of s31 compensation amounts);
- (ix) the Director of Resources in consultation with the Executive Member for Resources & Performance be authorised to determine the allocation of budget from the £1m Corporate Transformation fund;
- (x) that, in the light of the requirement for delivery of further savings in future years, Chief Officers be commissioned to work with Executive Members and their Cabinet Panels to develop options at the earliest possible opportunity for the delivery of substantial additional savings;

In respect of Part C:

- (xi) based on the information available at the time of preparing the IP, that a capital programme totalling £857.508m for the period 2019/20 to 2022/23 be agreed and financed as set out in the Integrated Plan Part A, p19, and also in part C. Any changes to these proposals would be required to go through separate decision-making processes in accordance with the Council's financial regulations;
- (xii) the Director of Resources be authorised to vary the capital programme during the year to include additional schemes that are wholly funded by grants or third party contributions and to vary existing schemes to match any changes in funding from grants or third party contributions, in accordance with the Council's financial regulations;

- (xiii) the Capital Strategy, including the Investment Strategy (included as Appendix E to Part C) are approved in line with updated requirements and guidance set out at p215 and p248;
- (xiv) the Minimum Revenue Provision policy and capital expenditure prudential indicators be approved (IP Part C);
- (xv) that the £6.4m that will be realised from the policy approved as part of the 2017/18 IP regarding Minimum Revenue Provision is used as previously agreed and as set out in the current IP (part C appendix C - namely that transfer of one off savings from the revised MRP policy into the Investment Reserve which was then set aside to support the capital financing, borrowing and investment plans);

In respect of Part D:

- (xvi) the Treasury Management Strategy, including the Borrowing, Lending and Financial Derivative policies (included as part of revised guidance and set out at p274) , the introduction of the (new) financial instruments statement and the treasury management prudential indicators (p 286) be approved.

4 Integrated Plan 2019/20 - 2022/23

Revenue Budget 2019/20

- 4.1. The Final Local Government Finance Settlement for 2019/20 was announced on 29th January. This confirmed the overall funding indicated in the Provisional Settlement.
- 4.3 Since the report to January Cabinet, Districts have provided forecasts for Council Tax Base and Collection Fund balances for 2019/20. There has been growth in the Council Tax base (including some improvement in collection rates. Latest figures show an additional £0.349m of ongoing income from Council Tax and the Social Care Precept, above previous assumptions: forecast growth had been increased from 1.0% to 1.2%, based on information available in November. The Council Tax Collection Fund forecast shows a shortfall of £0.819m income in 2019/20, compared with the previous estimates.
- 4.4 In January, business rates income had been assumed at MHCLG's assessed baseline level, and in line with 2018/19 estimates. Actual income for 2019/20 will reflect any local growth or reduction against baseline. Figures provided by Districts at the end of January show estimated income for 2019/20 of £124.737m, £0.084m higher than baseline. Districts are also forecasting a deficit of 1.581m on the Business Rates Collection Fund: a deficit of £1.500m had been assumed in the draft IP, resulting in an increase to the deficit of £0.081m. There has also been some movement in S31 grants that compensate for business rates changes introduced in previous Autumn Statements from previous assumptions for 2019/20. The magnitude of this change is an impact of the business rates

retention pilot and the proper treatment of these amounts will need to be determined in conjunction with districts and boroughs and also with government.

- 4.5 The summary of these changes compared with previous estimates is set out below.

Table 3: Comparison of district and borough council tax and business rates amounts

Additional income from:	Jan revised estimate £m	Planned in IP £m	£m
Taxbase	7.554	7.204	0.349
Collection fund - C Tax	5.181	6.000	(0.819)
Collection fund - NNDR	(1.581)	(1.500)	(0.081)
TOTAL	11.154	11.704	(0.550)

- 4.6 The net impact of funding changes since the draft IP approved by Cabinet in January is an increase in ongoing revenue funding of £0.349m in 2019/20, off-set by a reduction in one-off income totalling £0.816m from collection fund balances relating to Council Tax and Business Rates. These are shown in Table 1 below:

Table 4: Changes to Revenue Funding from January IP – impact on IP

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Tax Base Growth – additional council tax and related social care precept	0.349	0.361	0.372	0.384
Additional Core Revenue Funding	0.349	0.361	0.372	0.384
Adjustment for One Offs:				
NNDR income growth above baseline	0.084			
Council Tax Collection Fund balance	(0.819)			
Business Rates Collection Fund balance	(0.081)			
Additional One Off income	(0.816)			
Total Funding Movement	(0.467)			

- 4.7 The adverse funding movement (a reduction of £0.467m as set out in table 4) has been offset by a reduction in the amount planned to be added to the Invest to Transform Fund. The contribution to the ITT fund has therefore been reduced by £0.467m, from £2.5m to £2.033m.
- 4.8 The proposed IP also included an increase of £0.765m in general contingency for 2019/20, to be confirmed once final funding levels were known. This has now been adjusted by £0.017m as a result of notification of Environment Agency levies for the Thames and Anglian regions, bringing the 2019/20 contingency budget to £6.770m. This has been reviewed and is considered to be prudent in the context of the service and wider operating risks the Council will be facing during the course of the year.

- 4.9 It is proposed that any further movements in general funding be taken to / from contingency, under delegated powers; and any movements in service specific grants are taken to reserves and applied under delegated powers.
- 4.10 If required, decisions to meet any shortfall in income, or to use any additional funds, will be brought to members during 2019/20, for approval by Cabinet in accordance with financial regulations.
- 4.11 To reflect the changes above an updated Summary Budget Movement Statement (Table 1 - IP Part A), Funding Statement (Table 2 – IP Part A), Service specific grants (Table 4, - IP Part G), and Service Revenue Budget Statement (Table 4 - IP Part G) have been appended to this report. These tables confirm the final position which provides the context for setting the council tax.
- 4.12 The IP Pack will be amended for the above changes.
- 4.13 The Director of Resources reviewed the robustness of the budget and adequacy of reserves in the draft IP (Part A p14-15); following the Final Settlement and other latest information, he is content that the statutory requirements are met. This has been further reviewed following the latest information received (described in this report). The Director of Resources is content to maintain his view as previously set out.

Capital Programme

- 4.14 The Capital Programme is unchanged from that presented to January Cabinet. Recommendations in this report include delegated powers to allow the programme to be varied in year for any schemes met by external funding.
- 4.15 The funding of the Capital Programme includes the use of £10m capital receipts p.a., to reduce the need to borrow and hence to reduce the revenue costs of capital. These receipts will be used to fund short life assets, where capital financing costs charged to revenue are especially high in the medium term (as the repayment of principal borrowed has to be charged over the life of the asset).
- 4.16 The Spend to Achieve Capital Receipts fund is used to meet expenditure that helps generate or optimise future capital receipts. In previous years the fund has been replenished from capital receipts received, and it is proposed that this is continued.
- 4.17 The Capital and Investment Strategies (IP Part C and Part C, Appendix E respectively) have been updated to reflect latest advice on new MHCLG guidance on commercial investments, and their required contribution to a wider strategy for local economic growth. The original and revised wording has been set out in Appendix B to this report.
- 4.18 Prudential Indicator 17 (IP Part C p228) has been updated to include interest and minimum revenue provision (MRP) on leases and PFI within financing costs, in order to comply with the relevant requirements of the code. Also, 2019/20 financing costs have been updated to show the full budgeted cost of MRP gross

of any offsets from previous policy changes. The original, and updated versions are shown in Table 5 and Table 6 respectively, below:

Table 5: Original (January Cabinet Position) Estimates of Financing Cost to Net Revenue Stream

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
Net Revenue Stream (£000)	819,210	819,210	819,210	819,210
Financing costs (£000)	18,730	28,846	33,759	37,020
Proportion of net revenue stream	2.29%	3.52%	4.12%	4.52%
Limit	3.00%	4.00%	4.50%	5.00%

Table 6: Updated Prudential Indicator 17 – Estimates of Financing Cost to Net Revenue Stream

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget
Net Revenue Stream (£000)	819,210	819,210	819,210	819,210
Financing costs (£000)	28,052	31,384	36,383	39,587
Proportion of net revenue stream	3.42%	3.83%	4.44%	4.83%
Limit	3.75%	4.25%	4.75%	5.25%

5 Treasury Management

- 5.1 The draft Treasury Management Strategy (Part D) has been prepared as required by statutory guidance, and with regard to changes introduced in the new Prudential Code for Capital Finance in Local Authorities and the Treasury Management Code of Practice, both published by CIPFA in late December 2017. The proposed Treasury Management Strategy is therefore unchanged from January, apart from updating references to the timing of guidance. It reflects all recent guidance on the presentation and preparation of such documents. This approach is as recommended by the Council's treasury advisers, who have also reviewed and commented on the proposed strategy for 2019/20.

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 equalities implications of the decision that they are taking.
- 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 (EqIA) produced by officers.

- 6.3 The Equality Act 2010 requires the 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 The Integrated Plan (Part F) includes information on the Council's commitment to equality and potential equality implications.
- 6.5 As part of the consideration of these issues Members should have regard to the mitigation measures proposed in the equality impact assessments which are intended to minimise the impact on any service user who may be adversely affected by the proposals.
- 6.6 There are no equality implications associated with the Treasury Management Strategy (Part D).
- 6.7 In addition to the need for Members to have due regard to the Public Sector Duty under the Equality Act 2010, they also need to be aware that the County Council when making decisions is under a general duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness.
- 6.8 Individual Departments will be making further decisions on how to take forward the budget proposals approved by Members. This will be done having considered the Public Sector Equality Duty, the Best Value Duty and having consulted as appropriate.
- 6.9 If after taking all relevant considerations into account Members conclude the proposals regarding the budget are not appropriate, officers can be requested to re-visit the budget.

Background information

- Draft Integrated Plan 2019/20 to 2022/23, Cabinet 21 January 2019, Agenda Item 4(ii)
- Provisional Local Authority Finance Settlement for 2019/20:
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020>
- Final Local Authority Finance Settlement for 2019/20:

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2019-to-2020>

- Integrated Planning Process 2019/20 - 2022/23:
 - Comments from Service Cabinet Panels at their meetings held between 6 February and 15 February 2019
 - Scrutiny of the Integrated Plan Proposals 2019/20 - 2022/23, Overview and Scrutiny Committee, 23 January and 31 January 2019

Appendix A: Revised tables 1-4 for the IP 2019/20-2022/23

NB - These tables replace those previously set out in the IP pack circulated in January 2019, and are amended for the latest information available.

Table 1: Summary Budget Movement Statement

2018/19		2019/20	2020/21	2021/22	2022/23
£m		£m	£m	£m	£m
788.647	Original Budget	804.577	804.577	804.577	804.577
(3.225)	Technical Adjustments	(14.371)	(14.971)	(14.971)	(14.971)
8.141	Inflation	10.673	26.329	41.668	56.929
793.563	Base Budget	800.879	815.935	831.274	846.535
	Pressures for change:				
0.050	Previous Policy Decisions	(0.050)	(0.050)	-	(0.050)
10.642	Demography	10.545	21.020	31.704	41.968
6.029	Legislative	6.289	11.285	13.563	16.933
1.095	Capital Financing	0.948	4.479	9.449	12.779
16.980	Other	24.952	22.576	24.712	26.116
34.796	Total Pressures for Change	42.684	59.310	79.428	97.746
828.359	Subtotal	843.563	875.245	910.702	944.281
	Savings:				
(5.013)	Existing efficiencies - ongoing impact	(9.562)	(20.301)	(29.887)	(33.553)
(0.563)	Existing Policy Choice - ongoing impact	(3.952)	(5.164)	(6.216)	(6.236)
(21.170)	New efficiencies	(5.346)	(5.148)	(5.278)	(5.433)
(2.996)	New Policy Choice	-	-	-	-
-	Further savings required	-	(19.897)	(29.895)	(44.293)
(29.742)	Total Savings	(18.860)	(50.510)	(71.276)	(89.515)
5.960	Transfer to reserve - Transition Reserve	(5.960)	(5.960)	(5.960)	(5.960)
804.577	REVENUE BUDGET	818.743	818.775	833.466	848.806

Table 2: Funding Statement

2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
- Business Rates Pilot: Baseline	124.737	-	-	-
- Business Rates Pilot : Gain	1.308	-	-	-
Business Rates Retention Scheme: Settlement Funding Assessment	-	119.565	114.565	109.565
142.614	125.961	119.565	114.565	109.565
142.614				
<u>Non-ringfenced Grants:</u>				
Business Rates Retention Tax Loss Reimbursement (S31)	4.406	4.406	4.406	4.406
4.937				
- Levy Account Surplus	1.873	-	-	-
3.474				
New Homes Bonus	3.033	2.524	2.049	1.574
- School Improvement Grant	0.600	-	-	-
0.605				
SEN Reform	-	-	-	-
2.005				
Independent Living Fund	1.944	1.944	1.944	1.944
- Fire Pension Grant	1.882	-	-	-
2.584				
Adult Social Care Support Grant	-	-	-	-
- Social Care Support Grant	7.063	-	-	-
1.175				
Other non-ringfenced grants	1.125	1.125	1.125	1.125
14.780	21.926	9.999	9.524	9.049
<u>Ringfenced Grants:</u>				
Public Health Grant	31.926	31.926	31.926	31.926
32.798				
Public Health - Health visitors	14.376	14.376	14.376	14.376
14.760				
47.558	46.302	46.302	46.302	46.302
<u>Better Care Fund:</u>				
iBCF - old	12.909	12.909	12.909	12.909
4.727				
<u>Council Tax and Collection Fund Balances:</u>				
Council Tax	565.138	584.163	603.809	624.098
540.686				
Council Tax relating to Social Care Precept	42.823	43.337	43.857	44.383
42.291				
Collection Fund Balance - Council Tax	5.181	4.000	4.000	4.000
11.002				
Collection Fund Balance - Business Rates	(1.581)	(1.500)	(1.500)	(1.500)
0.918				
594.897	611.561	630.000	650.166	670.981
804.577	818.743	818.775	833.466	848.806
TOTAL				

Table 3: Ringfenced Grants Specifically Allocated to Services

2018/19 £m		2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
	Adult Care Services:				
2.744	Adult Skills and Community Learning grant	2.744	2.744	2.744	2.744
-	Winter Pressures (Revenue) Grant *	4.134	-	-	-
19.995	iBCF - old *	19.995	19.995	19.995	19.995
11.656	iBCF - new *	5.819	-	-	-
	Environment & Infrastructure:				
1.111	Local Authority Bus Subsidy Grant	1.111	1.111	1.111	1.111
	Children's Services:				
1.122	Unaccompanied Asylum Seeking Children Grant (UASC)	1.122	1.122	1.122	1.122
1.515	Troubled Families Grant	1.515	-	-	-
1.258	Music Education Grant	1.258	1.258	1.258	1.258
0.815	Youth Justice Good Practice Grant	0.815	0.815	0.815	0.815
40.216		38.513	27.045	27.045	27.045
804.577	NET REVENUE BUDGET	819.210	818.414	833.094	848.422
40.216	Ringfenced Grants Specifically Allocated to Services	38.513	27.045	27.045	27.045
844.793	NET REVENUE BUDGET (after funding specific to service area)	857.723	845.459	860.139	875.467
	Central Items:				
-	S31 Business Rates Retention Tax Loss Reimbursement - additional income, for allocation countywide, arising from impact of Herts Business Rates Retention Pilot	15.344	-	-	-

* Under the grant conditions for these items, the County Council is required to place them in a pooled arrangement with Health Partners. The administration of the pool and the allocation of the expenditure is agreed jointly, and consequently these sums will not form part of the County Council Budget. Further, and also in fulfilment of the terms of the grants, the partners must nominate a host authority to administer the pool which in this case is the County Council.

TABLE 4: SERVICE REVENUE BUDGET STATEMENT (2019/20 - 2022/23)

Net Budget 2018/19 £'000		Adult Care Services £'000	Children's Services £'000	Community Protection £'000	Environment & Infrastructure £'000	Public Health £000	Resources £'000	Central Items £'000	Net Budget 2019/20 £'000	Forecast Net Budget 2020/21 £'000	Forecast Net Budget 2021/22 £'000	Forecast Net Budget 2022/23 £'000
788,647	Original Budget	321,690	169,984	34,983	107,761	47,612	70,942	51,605	804,577	804,577	804,577	804,577
-	Restructuring / Internal Transfers	1,393	1,776	152	685	-	902	(4,908)	-	-	-	-
(3,225)	Technical Adjustments	(61)	(5)	-	-	(1,256)	(112)	(12,937)	(14,371)	(14,971)	(14,971)	(14,971)
785,422	Adjusted Budget	323,022	171,755	35,135	108,446	46,356	71,732	33,760	790,206	789,606	789,606	789,606
8,141	Inflation	3,253	2,738	155	2,555	-	1,446	526	10,673	26,329	41,668	56,929
793,563	Base Budget	326,275	174,493	35,290	111,001	46,356	73,178	34,286	800,879	815,935	831,274	846,535
	Pressures for Change:											
50	Previous Policy Decisions (2018/19 & Prior Years)	-	-	-	(50)	-	-	-	(50)	(50)	-	(50)
10,642	Demography	9,467	1,048	-	30	-	-	-	10,545	21,020	31,704	41,968
6,029	Legislative Changes	5,262	277	-	351	-	69	330	6,289	11,285	13,563	16,933
1,095	Capital Financing							1,773	1,773	3,613	3,613	3,613
16,980	Other Pressures	9,318	3,884	2,332	706	100	1,208	6,579	24,127	23,442	30,548	35,282
34,796	Total Pressures For Change	24,047	5,209	2,332	1,037	100	1,277	8,682	42,684	59,310	79,428	97,746
828,359	Standstill Budget	350,322	179,702	37,622	112,038	46,456	74,455	42,968	843,563	875,245	910,702	944,281
(29,742)	Savings	(8,409)	(4,773)	(99)	(1,219)	(100)	(2,825)	(1,435)	(18,860)	(30,613)	(41,381)	(45,222)
-	Further savings required								-	(19,897)	(29,895)	(44,293)
5,960	Transfer to reserve - Transition Reserve							(5,960)	(5,960)	(5,960)	(5,960)	(5,960)
804,577	NET REVENUE BUDGET	341,913	174,929	37,523	110,819	46,356	71,630	35,573	818,743	818,775	833,466	848,806
	Add Income from:											
119,366	Sales, Fees & Charges	55,118	13,902	1,918	10,117	46	36,720	-	117,821			
19,689	Partner Contributions	13,655	1,145	565	2,187	-	2,751	-	20,303			
19,231	Other Ringfenced Grants	2,903	12,385	-	1,236	-	1,895	-	18,419			
158,286	TOTAL INCOME (excluding dedicated schools grant)	71,676	27,432	2,483	13,540	46	41,366	-	156,543			
962,863	GROSS BUDGET (excluding schools)	413,589	202,361	40,006	124,359	46,402	112,996	35,573	975,286			
938,322	Dedicated Schools Grant		959,052						959,052			
1,901,185	GROSS BUDGET (including schools)	413,589	1,161,413	40,006	124,359	46,402	112,996	35,573	1,934,338			

Appendix B: Addition to the Investment Strategy in relation to commercial investments

NB – This wording replaces that previously set out in the IP pack circulated in January 2019.

Original Wording (IP Part C, Appendix E, paragraph 4.3.1 – 4.3.2, also reflected in IP Part C 6.1 and 6.3)

- 4.3.1. With pressures on local authority finances, the Council invests in its subsidiary, Herts Living Ltd to help achieve a balanced budget in the longer term. The specific objectives of Herts Living Ltd are to achieve enhanced capital disposal proceeds and new revenue streams for the Council. Total commercial investments are currently valued at £0.18m.
- 4.3.2. With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments due to the fact that these can also support service objectives. The principal risk exposures include changes in the market value of land and property and the rate of sales which will influence the certainty and timing of income flowing back to County Council. These risks are managed by controlling the overall exposure and through the funding mechanism in place for loans made to Herts Living Ltd as well as sound governance arrangements that will ensure robust financial forecasting and delivery obligations are adhered to.

Revised Wording:

- 4.3.1. With pressures on local authority finances, the Council invests in its subsidiary, Herts Living Ltd to help achieve a balanced budget in the longer term as well as support wider service objectives. The specific objectives of Herts Living Ltd include achieving enhanced capital disposal proceeds and new revenue streams for the Council as well as supporting the wider strategy for local economic growth as set out in the countywide 'Hertfordshire Fit for the Future' publication¹. This strategy highlights the role of Herts Living in the wider multi-agency plan for growth and development in Hertfordshire in order to deliver the new homes and jobs planned by 2031 and onwards. Total commercial investments are currently valued at £0.18m.
- 4.3.2. With the main objectives of Herts Living including both generation of financial returns as well the provision of support for the County's wider local economic growth plans the Council is willing to accept higher risk on these commercial investments than with traditional treasury investments. The principal risk exposures include changes in the market value of land and property and the rate of sales which will influence the certainty and timing of income flowing back to the County Council. These risks are managed by controlling the overall exposure and through the funding mechanism in place for loans made to Herts Living Ltd as well as sound governance arrangements that will ensure robust financial forecasting and delivery obligations are adhered to.

¹ <https://www.hertfordshirelep.com/media/6881/hertfordshire-fit-for-the-future-brochure.pdf>