

HERTFORDSHIRE COUNTY COUNCIL**RESOURCES AND PERFORMANCE CABINET PANEL
FRIDAY, 15 FEBRUARY 2019 AT 10:00AM****INTEGRATED PLAN 2019/20 - 2022/23
RESOURCES AND PERFORMANCE***Report of Interim Director of Resources*

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Executive Members: Ralph Sangster (Executive Member for Resources
and Performance)

1. Purpose of the Report

- 1.1 To highlight the areas of the Integrated Plan which relate to Resources and Performance 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 2019/20 – 2022/2023 Integrated Plan’ (circulated as Item 4(i) for the Cabinet meeting of 21 January 2019); and

‘DRAFT INTEGRATED PLAN 2019/20 – 2022/23 (incorporating the Strategic Direction and Financial Consequences and the Treasury Management Strategy)’ (circulated as Item 4(ii) for the Cabinet meeting of 21 January 2019).

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. Substantial efficiency savings have been identified. Savings have also been achieved by extending the reduction 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 2019/20.

Provisional Settlement

- 2.3 The Government announced the provisional Local Government Finance Settlement for 2019/20 on 13 December 2018, following the announcement of overall spending and funding plans in the Chancellor's Autumn Budget 2018 on 29 October.
- 2.4 This was the final year of the Government's four year settlement offer for authorities, including Hertfordshire, who submitted an Efficiency Plan. A number of the reductions to funding were therefore known in advance when preparing the proposed budget, including an anticipated reduction of £23.7m in Government grants between 2018/19 and 2019/20.
- 2.5 This is also the final year of the Adult Social Care precept; for the current year, no further increase is permitted and the precept flexibility has been fully taken up in previous years.
- 2.6 The Autumn Budget gave early notification of some additional funding, notably the Social Care Grant (£7.1m) and "Winter Pressures" grant (£4.1m). It should be noted that this funding is one-off and that, in the absence of the planned green paper on Health and Social care, it is not clear how government intends the cost pressure arising from the ongoing pressure in social care demand to be funded.
- 2.7 The Provisional Settlement subsequently announced the removal of negative RSG using foregone business rates, with the Total Settlement Funding Assessment (SFA), the Government's calculation of need to be met by (previously) Revenue Support Grant (RSG) and business rates, still reducing by 12.6% between 2018/19 and 2019/20.
- 2.8 Notably, all funding announcements were for one year only, compounding uncertainty on the level of funding to be expected after April 2020.
- 2.9 Additionally, the Settlement confirmed referendum threshold for Council tax increases to be used for 2019/20 as 2.99% (as previously notified last year).
- 2.10 The Provisional Settlement also included details of further authorities selected to pilot 75% business rates retention. Ministry of Housing, Communities and Local Government (MHCLG) had approved 10 authorities to pilot the scheme last year, and Hertfordshire's application for 2019/20 to be part of the second phase of the pilot was successful.
- 2.11 Furthermore, the Secretary of State confirmed timelines for changes to Business Rates Retention, and the implementation of a Fair Funding

Review that will re-assess funding need across all authorities. These are expected to be introduced in 2020/21, when the current four year settlement ends. Whilst there may be some transitional protection, these changes may have a significant impact on funding from 2020/21.

Revenue Budget 2019/20

- 2.12 The final position will not be confirmed until the Final Settlement (received 29 January 2019) and other late grant announcements, and until figures are received from Districts for council tax base and collection fund balances, and also business rates estimates, due to be provided by the end of January.
- 2.13 The future position remains challenging: even with the identified savings and continued year on year increases in council tax and the social care precept, current projections of pressures and funding require a further £20.2 million saving to be identified in 2020/21, rising to £44.7 million by 2022/23.
- 2.14 To help meet these challenging targets, work is in hand to progress further savings during 2019, for implementation for 2020/21 or sooner where achievable. It is recognised that savings require significant lead 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 Resources and Performance.
- 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 Resources and Performance portfolio, on p177 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 (p188); and a summary of the proposed Capital Programme (p 200).

- 4.3 The portfolio covers two key areas, being the Resources Department functions and a number of centrally held budgets which cannot be directly attributed to services.
- 4.4 Functions included in the Resources Department include finance, human resources, the shared managed service (provided via SERCO), improvement and technology, property, assurance functions (including internal audit, the anti-fraud service, scrutiny and health and safety, legal services and statutory services (including coroners and registrars services), insurance, corporate policy and communications, customer services and care payments, also Hertfordshire Business Services (known as HBS), and dividend payments received from Herts Catering Limited.
- 4.5 The central items budgets include funds provided to pay for capital finance (external borrowing costs and MRP charges), interest received and paid, the contingency budget, and also levies payable to the Lee Valley Park Authority and to the Environment Agency. Any transfers to or from reserves are also routed through central items.
- 4.6 The Resources Department is focused on a number of key priorities, as set out in the IP (p181). The top priority is set out below.
 - Be proactive enablers of change – providing leadership, direction and support to drive transformation and improvement. This includes;
 - Effective delivery of new transformational change initiatives including Smart Working, Next Generation and Future Workforce to support a sustainable workforce and working environment.
 - Making the most of our property, office and service accommodation portfolios, including through the Councils new property company, Herts Living Ltd and Smart Working
 - Increasing commercial opportunities including those relating to major re-procurements, and supporting the delivery of Smart Commercial and the commercial strategy
 - Using outcome driven technology to respond to fast-changing digital opportunities
 - Having a high performing, engaged, and committed workforce
- 4.7 Key issues for this portfolio focus on supporting the County Council to continue to deliver savings, and to change and transform in the face of ongoing resource pressures, while also to ensure that the County Council has and maintains adequate arrangements to manage the risks arising from its current activities.

4.8 Other important issues are set out below.

- Financial planning – responding to the emerging proposals surrounding the Fair Funding Review and Business Rates Retention.
- The Resources and Performance portfolio will be of central importance in driving through some of the responses to the future financial challenges – these might include supporting existing planned savings delivery, and supporting these through timely and effective ICT support, legal advice, financial modelling, HR planning, and access to suitable property and premises.
- Ensuring timely and effective advice and support to frontline council services will also be a key issue. It has been a clear priority for some time to ensure that County Council resources are directed at frontline services. However, challenges to be faced within the current IP timeline (to 2022/23) and beyond will require that there is a change in the type of support and advice required from services within the Resources and Performance portfolio to support new initiatives and interventions. For example, new types of legal advice and financial modelling, new ICT software and hardware, or changed HR support and advice to support new organisational types or new delivery models for existing County Council services. Specific interventions that the Resources Department will support across the whole County Council will focus on ways to reduce expenditure whilst also improving productivity and efficiency.
- Ensuring that adequate support is also afforded to the various arms-length bodies established by the County Council will also remain a key issue in this IP period.
- Equally, the short- and medium-term risks faced by the County Council are significant, as set out in the IP document. Adequate understanding of these risks and the ability and capacity to ensure that they are properly monitored and effectively mitigated will be important in order to avoid unnecessary future costs. The assurance functions will continue to play a significant role through the coming year.
- A significant risk, to which considerable effort is already devoted but which may require additional capacity in the future, will be to keep under review the robustness of the Council's supply chain and those third party organisations contracted to deliver services on behalf of the Council.

- Preparation for the County Council elections in May 2021 will be a key issue through the later part of the coming year.
- Planning the future shape of the Shared Managed Service (currently provided by SERCO) will continue to be an important area of activity through 2019/20, and is increasingly aligned with proposals around expenditure reduction and improvements in efficiency and productivity which are covered through the transformation priorities set out above.
- Supporting cross-Hertfordshire initiatives including the joint working activities across the local government sector and beyond.

Overview and scrutiny

- 4.9 The review of the Resources and Performance portfolio proposed budgets for 2019/20 and later years was conducted through the usual scrutiny process in later January.
- 4.10 The key recommendation concerned staffing and is set out below.
- In order to achieve the proposed staff savings for portfolios' and the authority's budget a skilled workforce is needed for, but not limited to, Legal, the Local Enterprise Partnership (LEP), and Herts Living. Members need further assurance that the current strategy is able to deliver qualified staff through recruitment, retention and training without recourse to interims or staff vacancies in order to achieve the proposed budget.
- 4.11 This is clearly acknowledged as being key issue for this portfolio, and indeed across the whole County Council and will continue to be an area of focus through 2019/20.

5. Equality Implications

- 5.1 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.

Background Information

Cabinet January 2019 - Integrated Plan

<https://democracy.hertfordshire.gov.uk/ieListDocuments.aspx?CId=146&MId=296>