# Appendix B – Detailed planning context

1. This Appendix sets out our latest understanding of how we will need to continue to respond to the broad and rapidly evolving range of policy, and financial drivers which influence the outlook for the Council, both in the short and longer-term.
2. Since the Medium Term Financial Plan (MTFP) was approved by Council in March the instability in our planning context has grown, with significant further national economic and political developments. A new Prime Minister took office on 6 September and although the new Government's policy agenda and priorities are beginning to emerge, there remains uncertainty over whether, or how, national policy proposals brought forward by the previous administration will be progressed. The new Government takes over at a time when current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the district's residents and businesses.
3. With our firm foundation of careful management of resources over many years, and with the assistance of Government Covid support during the pandemic, we have been able to maintain stability in service provision in recent years and we are managing current, in-year pressures within our current plans and contingency arrangements. However, the financial outlook in the medium term is increasingly challenging and uncertain with national economic conditions impacting on our projected future position, alongside pre-existing pressures and uncertainties. This report provides our latest assessment of the position.

## Overall Context

4. The context the Council is operating within continues to change rapidly. The following sections provides an overview of the overall economic, fiscal and policy context the council is operating and planning within.
5. National Government changes - On 5 September Liz Truss was announced as the new Leader of the Conservative Party and Prime Minister. She indicated that her Government's initial priorities would be growing the economy, addressing energy price rises and energy supply, and access to NHS services. New ministerial appointments were made in early September including Simon Clarke as the new Secretary of State for Levelling Up, Housing and Communities. Further detail of the new Government's policy agenda, and how that will impact on local government, is expected to

emerge during the autumn, after a pause in parliamentary business during the period of mourning following the death of Her Majesty Queen Elizabeth II.

## Living with COVID-19

6. The Government published the COVID-19 Response: Living with COVID-19 Guidance in February 2022 and its ongoing response is structured around four principles:
    a. Living with COVID-19: removing domestic restrictions while encouraging safer behaviours through public health advice, in common with longstanding ways of managing most other respiratory illnesses.
    b. Protecting people most vulnerable to COVID-19: vaccination guided by Joint Committee on Vaccination and Immunisation advice and deploying targeted testing.
    c. Maintaining resilience: ongoing surveillance, contingency planning, and the ability to reintroduce key capabilities such as mass vaccination and testing in an emergency.
    d. Securing innovations and opportunities from the COVID-19 response: including investment in life sciences.
7. Vaccination, therapeutics, higher levels of immunity and the Omicron variant have adjusted the risk the virus poses. The virus is yet to become endemic, and it is difficult to predict when this state may be attained. It will likely continue to disrupt many aspects of life and there remains a degree of unpredictability about the course ahead. We can potentially expect further waves of transmission because of waning immunity and the emergence of new variants. Disadvantaged communities and areas are likely to be more at risk from surges and outbreaks, and at risk of prolonged disruption of education and economy.
8. National testing policy and public testing behaviour has changed. After a wave of infection during March 2022, rates of COVID-19 have declined, however routine testing for the general population ceased from 1 April 2022. Free testing is still available to those working in health and care and those more vulnerable to the virus. The Office for National Statistics COVID-19 Infection Survey is continuing to provide insight into the prevalence of the virus alongside local intelligence surrounding outbreaks in line with other infectious disease management processes.
9. The national Public Health infrastructure has been redesigned with Public Health England ceasing to exist from 1 October 2021. In its place the Office for Health Improvement and Disparities has been created, within the

Department for Health and Social Care (DHSC), along with the UK Health Security Agency. The role of these organisations and relationship with local authorities is developing through on-going consultation.

10. An equitable recovery from the pandemic is important and returning to business as usual to address other priorities is essential. Many opportunities exist to maximise the learning and relationships from the pandemic and apply this to actions to improve health and wellbeing. This aligns with the levelling up agenda.

## Economic Outlook

11. The UK has experienced a steep increase in inflation in the first half of this calendar year. The cost of goods and services has increased in recent months and Consumer Price Index (CPI) inflation rose to 9% in April, its highest level for more than 40 years. This increase is being driven by a number of factors including the global rise in energy and fuel prices, linked to the war in Ukraine and which led to the price cap on energy bills increasing by 54% in April, and global restrictions on supply chains due to disruption from the war and the coronavirus pandemic.
12. Rising inflation, along with the increasing cost of fuel, energy and food, tax increases and interest rate rises are all contributing to a significant increase in the cost of living for households, which is outpacing average growth in earnings. In March, the Office for Budget Responsibility (OBR) projected that real household disposable incomes per person would fall by 2.2% in 2022/23, the largest fall in a single financial year since Office for National Statistics records began in 1956/57. The impact of the increased cost of living will, however, have a greater impact on those on lower incomes or already in financial hardship; and the Institute for Fiscal Studies has suggested that the real CPI inflation rate experienced by those on the lowest incomes in April was closer to 11% due to those households spending a greater proportion of their total budget on energy.
13. On 26 May, the Government announced a £15bn package of measures to support households with the rising cost of living. Measures include:
    a. A one-off £650 payment to low-income households on Universal Credit, Tax Credits, Pension Credit and legacy benefits, with separate one-off payments of £300 to pensioner households who receive Winter Fuel Payments and £150 to individuals receiving disability benefits. Payments will be made directly by the Government to households.
    b. An increase to £400 in the previously announced universal discount on energy bills planned for October. Households will also no longer be

required to repay this over 5 years. This support is in addition to the £150 Council Tax rebate for households in England in bands A-D and the £144m Discretionary Fund for billing authorities to support households in need but not eligible for the Council Tax Rebate, both announced in February. East Herts is responsible for the delivery of both of these for East Herts residents which has involved huge amounts of work for the Shared Revenue and Benefits Service following on from the huge amounts of work to pay businesses grants during the Covid Pandemic. These reactive resource hungry burdens on the council have affected the ability to deal with arrears with collection rates falling for both business rates and council tax.

c. An extra £500m Household Support Funding, extending the fund from October 2022 to March 2023. This is in addition to £500m Household Support Funding announced at the Spring Statement. Hertfordshire County Council is responsible for this funding and Government will issue guidance to it to ensure support is targeted towards those most in need of support, including those not eligible for the cost of living payments above.

14. While the Office for Budget Responsibility (OBR) revised their projections for Gross Domestic Product (GDP) growth this year down from 6% to 3.8% in March, there have since been predictions that the UK economy may go into recession later this year as inflation damages consumer spending and business investment.

15. Since June, national economic conditions have become increasingly challenging with forecasts indicating this is likely to continue for some time. Inflation, as measured by the Consumer Prices Index (CPI), reached 10.1% in the 12 months to July and, despite an unexpected fall to 9.9% in August, is currently forecast by the Bank of England to peak at 13% in the coming few months before reducing to the 2% target over the next two years. The high rate has been driven particularly by significant increases in the cost of energy and food, both linked to the ongoing war in Ukraine amongst other factors and creates significant cost of living pressures for individuals and families. The Institute for Fiscal Studies has highlighted that lower income households are likely to face higher rates of inflation than the headline figures suggest because they spend a higher proportion of their income on food and energy. In response to rising inflation the Bank of England raised interest rates by 0.5% to 1.75% in August – the largest increase since 1995 - with further rises anticipated.

16. In late August the energy regulator Ofgem announced an 80% increase in the cap on household energy prices from 1 October to £3,549 (annual cost for dual fuel for an average household). Although Ofgem did not provide specific price cap projections for the new year due to ongoing market volatility, it was indicated that there could be significant further increases through 2023. The regulator's announcement highlighted the significant impact this would have on households and called for further support from Government in addition to measures already introduced to support households with energy bills earlier in the year. Research published by the University of York indicated that, without further action, around two thirds of UK households could be in fuel poverty (spending more than 10% of net income on fuel) by January. Significant concerns have also been raised nationally about the impact of inflated energy prices on the sustainability of some businesses, who are not covered by the price cap.
17. In response to the significant rise in energy prices, on 8 September the new Government announced a package of measures to ensure that typical households will pay no more than £2,500 a year on gas and electricity bills from 1 October through an Energy Price Guarantee. The Prime Minister confirmed that the new price guarantee will last for two years and will be paired with both the existing Energy Bill Support Scheme, which will provide £400 support to households, and a £150 saving, brought about by a temporary suspension of green levies on energy bills. Households who do not pay direct for mains gas and electricity – such as those living in park homes or on heat networks – will receive support through a new fund. The Government will also support business, charities and public sector organisations with their energy costs this winter, providing an equivalent guarantee for six months. In addition, the Treasury announced a joint scheme, working with the Bank of England, to provide resilience to both energy and financial markets, and the economy, and reduce the eventual cost for businesses and consumers. The Government also announced a new Energy Supply Taskforce to agree long-term contracts that reduce the price charged for energy and increase the security of its supply.
18. As well as the potential for increased demand on services, high energy prices and inflation also impact directly on our operating costs as set out in more detail in paragraph 3 below. Levels of inflation and cost of living pressures are impacting on pay negotiations across the workforce in both the public and private sectors. Combined with a reduction in the active workforce post-Covid and low rates of unemployment there remains a

highly competitive and challenging environment for recruitment and retention of staff.

19. The impact of the increases in the cost of living on residents, particularly those already experiencing financial hardship, can be expected to result in an increase in need for public services and voluntary sector support locally.
20. Looking ahead, the outlook for the UK economy over the next 18 months has worsened compared to forecasts earlier in the year. Gross Domestic Product (GDP) fell by 0.1% in the second quarter of 2022, the first fall in GDP since early 2021. The Bank of England forecasts that the economy will go into recession later this year, with output falling from the last quarter of 2022 to the last quarter of 2023. Even when growth resumes, it is forecast to be "very weak".
21. The Chancellor made a fiscal statement (as opposed to a full Budget statement) on 23 September which included setting out the cost and funding of the energy support package. The statement also included details of the new Government's taxation policy and plans to strengthen economic growth which resulted in substantial tax cuts being funded by borrowing, and, after considerable adverse market reaction it became clear that substantial reductions in expenditure and benefits were not transparently disclosed. There has been a "U turn" on the abolition of the 45% higher rate tax bracket, but the substantial adverse market movements have not been reversed. The markets are now pricing in a 6% interest rate and the devaluation of Sterling against the US Dollar and the Euro will increase import costs (including electricity supplied by France via the interconnector) resulting in expectations of higher inflation and lower economic growth, the exact opposite of what the Chancellor intended.
22. Whilst we cannot be certain about detail, it would appear that local authorities can expect settlements that do not meet inflationary pressures and the Government is sending clear signals to prepare for more austerity. This outlook will be extremely challenging for the council's budget, and it would appear to be impossible to make savings and protect the service offer to residents going forward.
23. Research by Retail Economics and Metapack has found that shoppers nationally will spend 22% less (£4.4 billion) on non-food spending in the run up to Christmas this year as a result of the cost of living crisis. 38% of shoppers identified themselves as "distressed" and at high risk from the cost of living inflation and 38% said they were "secure but concerned". The expectation is that 20% fewer shoppers, compared to pre-pandemic levels, will be out in December this year. This is a 4% increase on last year when

shoppers were mainly staying away as a result of the Omicron variant. October and November are projected to be worse than last year with numbers down 2% and 2.7% according to the study.

24. This weakening consumer outlook in the “golden quarter”, or last 3 months of the year, when most retailers book the majority of their profits, will hit our local retail businesses hard. They are also experiencing rising input and operating costs, putting profit margins under severe pressure, and we can expect some businesses will cut back trading hours and some businesses may close permanently.
25. Support to the High Street is being delivered through the UK Shared Prosperity Fund.

## Levelling up

26. One of the Government’s central policy objectives for this Parliament was to ‘level up’ the country and address the imbalance in economic performance and life opportunities between places and regions in the UK. There is now uncertainty if levelling up is to be replaced with an emphasis purely on growth which may well exacerbate regional inequalities which it would appear are to be addressed by trickle down economics. For example, the removal of the cap on bankers’ bonuses is intended to cause growth in the financial services sector in London. However, since the growth inequality between London and the rest of England resulted from the “Big Bang” deregulation of the City and the resulting boom in financial services, the encouragement of growth in London’s financial sector seems to be directly contrary to the aims of levelling up.
27. The Government’s detailed strategy to deliver levelling up was set out in the Levelling Up White Paper, published in February 2022. The White Paper gives an analysis of the geographical disparities in the UK and the history of policy approaches to addressing these. Based on this analysis, it proposed a new, long-term approach to ending geographical inequality; and a framework to take this forward and deliver on the four levelling up aims to:
    a. boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging;
    b. spread opportunities and improve public services, especially in those places where they are weakest;
    c. restore a sense of community, local pride and belonging, especially in those places where they have been lost; and
    d. empower local leaders and communities, especially in those places lacking local agency.

28. As part of the framework, 12 medium-term national levelling up missions were also outlined, aligned to the above aims. These set out overarching objectives for a range of national policy areas, including transport infrastructure, digital connectivity, education, skills, health, wellbeing and local leadership, which are intended to anchor national policy making and to be used to measure the success of levelling up over the next decade. The paper also set out a new policy regime for Government, underpinned by five pillars: a mission-orientated approach to setting policy; reorientation of central government decision-making; greater empowerment of local government decision-making; a revolution in data and transparency at the subnational level; and enhanced transparency and accountability of this new regime. The new regime may present opportunities for local areas in future as the Government takes a more 'place-based' approach, to policy and decision making. There was no new funding announced specifically to meet the challenges identified in the White Paper.

29. In terms of detailed policy proposals, the White Paper largely draws together existing Government initiatives under the levelling up aims and missions. Notable new announcements included:

    a. publication of a devolution framework – the White Paper's local leadership mission is that 'By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement', and the paper set out a framework to give consistency and clarity over pathways to devolution for areas that wish to pursue it. The framework also set out clearly the devolved powers and funding available to places under different devolution governance arrangements.
    b. plans to introduce a new independent data body to improve transparency of local government performance.
    c. planned initiatives for improving community empowerment and engagement, with more detail on these awaited. This includes a planned new Strategy for Community Spaces and Relationships which the White Paper indicates will include proposals 'making it easier for communities to set local priorities and shape neighbourhoods', a review of neighbourhood governance to improve community empowerment and a plan to pilot new models for community partnership.
    d. plans to 'simplify the local growth funding landscape' and further information on UK Shared Prosperity Funding.

e. an ambition for up to 5% of Local Government Pension Funds to be invested in local areas.
f. potential transfer of taxi and private hire vehicle licensing to upper-tier authorities.
g. designation of Education Investment Areas and announcement of plans for a White Paper to reduce Health Disparities.

30. Nine County Deal pilot devolution areas were also announced alongside the White Paper: Cornwall; Derbyshire & Derby; Devon, Plymouth & Torbay; Durham; Hull & East Yorkshire; Leicestershire; Norfolk; Nottinghamshire & Nottingham; and Suffolk. These areas are now working with the Department for Levelling Up, Housing and Communities (DLUHC) to develop and negotiate plans for devolution to their areas, in line with the powers and funding set out in the devolution framework. Hertfordshire will continue to monitor how these deals progress to better understand the opportunities and risks associated with County Deals.
31. A Levelling Up and Regeneration Bill was announced at the Queen's Speech in May and makes provision for the legislative changes required to deliver on some aspects of the levelling up programme set out in the White Paper, including creating a legal duty for the Government to set and report on delivery of levelling up missions; and introducing measures and reforms to deliver on plans for devolution, such as creating a new model of combined authority - combined county authorities - to provide the governance structures needed to progress devolution to some County Deal areas. The Bill includes provision to allow billing authorities to double the standard Council Tax rate on any home left empty for longer than a year, rather than 2 years, and will introduce a new discretionary Council Tax premium on second homes of up to 100%. The Bill also incorporates legislative changes to deliver some of the planning reforms outlined in the previous Planning for the Future White Paper.
32. The Levelling Up and Regeneration Bill continues to progress through parliament, reaching Committee stage in the House of Commons before the summer recess. It is expected to continue its progress through the autumn. August saw the announcement of two proposed new devolution deals - one in North Yorkshire and York and another covering the East Midlands. Both deals included a focus on skills, transport and infrastructure and included the adoption of a directly elected mayor for the area covered by the deal. Further devolution announcements from the initial round of County Deal negotiations signalled in the Levelling Up White Paper are anticipated by the end of the year.

## Planning Reforms

33. Significant parts of the Levelling Up and Regeneration Bill relate to reforms and changes to the planning system. Whilst detail around some of the reforms will not emerge until consultations around aspects of the Bill are issued later in the year, a clear direction of travel for the planning system is given. Aspects of the Bill are relatively consistent with proposals that were set out in the Planning for the Future White Paper, which was published in September 2020. However, some of the previously proposed reforms, such as introducing a land zoning system and removing the need for planning applications in certain instances, have been seemingly withdrawn.
34. The Bill emphasises the importance of a plan-led system (i.e. the Local Plan sets out where, when and how development will take place) and proposes that more weight is given to the content of Local Plans in decisions on planning applications. Whilst this approach is to be broadly welcomed, it will “ramp-up” the need for timely and effective input into the Local Plan processes, particularly from infrastructure providers - the Bill proposes a duty for infrastructure providers to engage in the Local Plan process and their engagement is likely to be tested by the Planning Inspector as part of the Examination in Public.
35. Other changes and reforms proposed focus on matters such as infrastructure funding, environmental assessment of proposals, enforcement and providing additional protection to heritage assets. When it comes to service provision, there is a recognition from Government that planning departments are generally under-resourced, and the Bill proposes some significant increases in planning application fees (potentially up to a 35% increase) and the ability for statutory consultees to charge for their advice and input.
36. The Environment Act requires new developments to deliver a minimum of a 10% gain in biodiversity, known as Biodiversity Net Gain (BNG). A phased approach to the implementation of BNG is due to commence from autumn 2023 and whilst the preference will be for the gain to be delivered on the development sites in question, there will be occasions where off-site gain is necessary and the Local Nature Recovery Strategy to be developed by Hertfordshire County Council will be used to guide this to some extent. It is acknowledged by DEFRA that assessing and monitoring the implementation of BNG will create additional resourcing pressures on planning authorities. It is expected that some clarity over what additional burdens monies will be provided to planning authorities will be available by this autumn.

## Legislative Programme

37. The May 2022 Queen's Speech set out the Government's legislative programme for the new Parliamentary session, announcing that its top priorities were to grow and strengthen the economy to ease the increasing cost of living for families; reduce crime and improve community safety; and fund the NHS to address coronavirus backlogs.
38. Key pieces of legislation the Government announced in the speech include the Levelling Up and Regeneration Bill (see above) and the Schools Bill which makes provision for the legislative changes required to implement plans in the Education White Paper. Other legislation of relevance to local government included:
    a. Non-Domestic Rating Bill – covering previously announced changes to the business rates system, specifically enabling more frequent revaluations and reliefs for decarbonisation and property improvements (all reliefs to be reimbursed in the usual way).
    b. Data Reform Bill – which will help to improve appropriate access to data in health and social care contexts, whilst reforming the General Data Protection Regulation (GDPR) and Data Protection Act post-Brexit.
    c. Draft Audit Reform Bill – which establishes the Audit, Reporting and Governance Authority (ARGA), a proposed audit regulator intended to replace the Financial Reporting Council. The Bill also makes provisions intended to increase resilience and choice in the statutory audit market.
    d. Procurement Bill – previously announced in the 2021 Queen's Speech, this Bill will aim to reform the current procurement regime, which currently reflects EU law, and make public procurement more accessible for new entrants.
    e. Transport Bill – which establishes a new body, Great British Railways to 'act as the single national leader of the railways' and supports the installation of more electric vehicle charge points throughout the UK.
    f. Energy Security Bill – which will support the transition to a more secure, affordable and cleaner domestic energy system through measures such as supporting industry to invest in the growing consumer market for electric heat pumps, extending the energy price cap beyond 2023 and enabling the first large-scale hydrogen heating trial.
    g. Product Security and Telecommunications Infrastructure Bill – previously announced in the 2021 Queen's Speech, this Bill will

accelerate and improve the roll out of mobile and broadband networks through measures such as reforming the Electronic Communications Code to support faster and fairer negotiations for the use of private and public land to enable deployment of telecommunications networks.

**Keeping the public safe**

39. The Government has conducted a review of Police and Crime Commissioners (PCCs) and the conclusions of the second part of the review - designed to ensure that PCCs have the information, levers and tools to help cut crime, drugs misuse and anti-social behaviour – were published in March.
40. The second part of the review includes recommendations to give PCCs levers to bring together crime and justice partnerships and some recommendations within this impact on district councils in their roles in Community Safety Partnerships (CSPs).
41. The Home Office will undertake a full review of CSPs to improve their transparency, accountability, and effectiveness, before assessing their position within the wider landscape of local partnerships. Through this review, the Home Office will also consider a new duty for CSPs to report on their anti-social behaviour strategies and delivery plans to PCCs; with potential for the PCC's role in the Anti-Social Behaviour Community Trigger process to be set out in the new legislation. The Home Office has also committed to clarify the existing legislation on PCC representation on local government committees, in order to facilitate greater collaboration between PCCs, local government leaders and Local Enterprise Partnerships. To support this, the Home Office will develop guidance to help facilitate closer engagement between PCCs and those charged with responsibility for economic regeneration within the core PCC guidance.
42. In July 2021, Government launched a consultation on a national resilience strategy. The consultation asked questions on a range of topics, including risk and resilience, partnerships, community, investment, and resilience in an interconnected world. The Civil Contingencies Act 2004 (CCA) is also being reviewed. The early results were published in spring 2022.
43. Respondents have said they believe more can be done at the national and local level to communicate national risks. Greater transparency and accessibility in relation to risk information was also a common theme. There was a consensus that everyone has a part to play in improving the UK's resilience, particularly in the light of the COVID-19 pandemic and the active partnerships this created between organisations and volunteers.

44. The CCA prescribes the local arrangements for civil protection (Part 1) and the UK's emergency powers (Part 2). Evidence submitted shows that the Act has served the responder community well. There was broad agreement that current information sharing arrangements are insufficient and the duty to share information should be placed on central Government. The majority of respondents also recognised funding as a key factor in the ability to deliver emergency preparedness in the UK. Government have said the review of the CCA will carefully consider how the Act can support organisations to use their resources as efficiently as possible. This last statement is disappointing as the review foresees new responsibilities and burdens falling on the council but without any new burdens funding.

## UK Shared Prosperity Fund

45. UK Shared Prosperity Fund (UKSPF) is the Government's domestic replacement for the European Structural and Investment Fund Programme (ESIF) in which the UK continues to participate until 2023. The Government launched the prospectus for the new UKSPF programme on 13 April 2022 with a focus on three main investment themes: Communities and Place, Supporting local business, and People and Skills.
46. The responsibility for administering and managing the programme has been awarded to district councils. Each council has received its allocation and must develop a local investment plan to be submitted to Government between 30 June and 1 August 2022, with announcements anticipated to be made from October 2022 onwards.
47. The three year spending plan for the UK Shared Prosperity Fund will be approved by Executive in due course.

## Transforming Public Procurement Green Paper and Bill

48. Following the UK's exit from the EU, the Government is taking the opportunity to replace the current procurement regime, which was transposed from EU procurement directives. This will be the biggest change to procurement regulations since their introduction in 1996 and reduces four regulations (Public Contracts Regulations 2015, Utilities Contracts Regulations 2016, Concession Contracts Regulations 2016 and Defence and Security Public Contracts Regulations 2011) down to one set of regulations.
49. The Government published its Green Paper on Transforming Public Procurement in December 2020, with a consultation period open to buyers and suppliers until March 2021. The Government's response to the consultation was published in December 2021 which indicates that implementation will be towards the end of 2023 at the earliest but is

dependent on the conclusion of legislation (the Procurement Bill, which was re-introduced in the 2022 Queen's Speech). The Government has confirmed its intention to provide a six-month implementation period prior to the legislation coming into force.

50. The Green Paper stated that the objectives of the new regulations are to ensure public procurement is simpler, less bureaucratic and provides a fairer and more flexible approach, whilst taking greater account of Social Value to deliver the best possible outcomes. The onus will be on officers to take advantage of the flexibility and apply their commercial skills, whilst also aligning with local and national priorities as set out in the National Procurement Policy Statement and the council's procurement strategy.
51. During the implementation period, there are likely to be additional costs to implement the changes, with pressures around resourcing and training to fully assess and develop officers to be confident and compliant in delivering under the new regulations.

### Workforce and workspace challenges

52. As we move beyond the COVID-19 pandemic, a range of recruitment challenges have emerged. The national labour market picture is of concern, with March 2022 figures showing a further fall in unemployment to its joint lowest level since 1974, whilst at the same time, a continued decline in the size of the labour force with economic inactivity (the measure of those not looking for work and/or not available for work) rising. There are now 490,000 more people economically inactive than pre-pandemic.
53. Recent research by the Institute of Employment Studies (IES) has identified that there are now 1.1 million fewer people in the labour force than would have been expected based on pre-pandemic trends. Vacancies are up across all industries and the further falls in unemployment mean that there are now just 1.1 unemployed person per vacancy – the tightest labour market in at least 50 years. This reflects our experiences locally where we are now seeing significant challenges in recruiting to some of our posts.
54. We are updating our recruitment branding, promoting the council as an excellent place to work and 'employer of choice'. In support of this we will attend events like careers fairs and shows in order to maximise our presence with job seekers.
55. As well as seeking to attract experienced individuals, we will also need to look to utilise approaches such as apprenticeships, traineeships and intern arrangements as a way of bringing new talent into the council. These schemes will support individuals to 'learn on the job' and enable us to 'grow our own' workforce for the future.

56. Ensuring our workforce is reflective of our residents should also be an important part of our strategy. We provide good employment opportunities for our local residents which in turn, supports them in being economically active. Being a diverse and inclusive place to work further supports our recruitment and retention aims.
57. The Council's new hybrid working model was launched in November 2021 to support the wider return to the office, bringing staff back together again after a year of working arrangements being affected by the COVID-19 pandemic. Subject to the needs of the service, hybrid working is a way of structuring work to enable our staff to be as productive as possible, regardless of where they are working. Hybrid working also supports staff wellbeing and a reduction in our carbon footprint.
58. The new working model has been developed following an extensive programme of engagement with all services across the Council. We anticipate that for many of our staff, hybrid working will mean working from the office for 50% of their working week, rather than the traditional 100% in the office. Decisions around working patterns are led by business need at their core and not driven by personal preferences. The scheme will be reviewed with staff at the end of the year.
59. There are many benefits to the Council in adopting a hybrid model. By adapting the way we work, we will be able to build on the carbon emissions reductions realised during the periods of lockdown through reduced travel to the office or attendance at face to face meetings, thereby supporting our carbon reduction aims. In addition, it will also support recruitment and retention needs, as recent research has shown that hybrid working is the top search term used by job applicants and that 47% of employees would likely look for a job elsewhere if their employer did not adopt a flexible working model. Feedback from our own staff has confirmed the benefits felt in relation to improved wellbeing and resilience.
60. To ensure that we can maximise the benefits of a hybrid working model, we are investing in the technology needed, as well as drawing up plans to configure our workspaces differently to reflect our revised business needs. Using funding secured during the pandemic we have purchased laptops for 150 staff, and we have made adaptations to Wallfields House to enhance the amount of hybrid meeting spaces available with video conferencing facilities and increasing the amount of smaller private meeting spaces to support confidentiality requirements. As part of the Transforming East Herts Programme, we will be reducing the amount of space we require at to reflect the reduction in staff numbers in the office at any one time. This

will help inform the decision on whether the council remains at Wallfields as the space cleared could be let to another body.

61. Officers are also evaluating a bid to the Public Sector Decarbonisation Grant funding scheme to replace the remaining time life expired boiler (the other boiler which had been cannibalised for spare parts has now been removed), windows and passive ventilation grilles (a significant number of the grilles require new motors) with new zero carbon installations. The grant funding conditions require the council to pay the equivalent cost of like for like replacements but leverages in significant government grant to pay for the zero carbon installations that should significantly reduce operating costs, meet the council's net zero targets and adapt the building for climate change. The grant bid does not compel the council to accept the funding so should Members decide to move from Wallfields it need not be accepted but should Members decide the council is to remain at Wallfields then a significant part of the essential updates to the heating and ventilation system will be funded by government grant.

## Redmond Review and Audit Reforms

62. In 2019, Sir Tony Redmond undertook an independent review of the effectiveness of local authority audit and local authority financial reporting transparency. The Redmond Review reported 23 recommendations to the then Secretary of State for Housing, Communities and Local Government for consideration.
63. It was announced in 2019 that the Audit, Reporting and Governance Authority (ARGA) would be set up to replace the Financial Reporting Council (FRC). In this year's Queen's Speech, the Draft Audit Reform Bill was announced, which will see the ARGA fully implemented by 2023. Neil Harris has been appointed as the first Director of Local Audit to lead the move from the FRC to the ARGA.
64. Challenges with the delivery of local authority audits continue, with Public Sector Audit Appointments (PSAA) Ltd, reporting that only 9% of 2020/21 local authority audits were completed on time. For the council, the deadline of 30 September 2021 was missed with the audit only commencing in January 2022 and, despite EY indicating it would be completed in May 2022, the audit has not yet been concluded. Heightened regulatory expectations have resulted in increased audit activity particularly with regard to Property, Plant and Equipment valuations and Pensions. Audit firms have struggled to recruit and retain staff, adding to the pressures. Audit fees have increased, with grant funding of £15m nationally being announced to

support local authorities to meet these costs. This is an evolving agenda and updates will be taken to the Audit Committee.

65. On 31 May 2022, the Government's response to the local audit framework: technical consultation was published, which reconfirmed plans to establish the ARGA as the body to drive through regulatory and cultural change within local authority audit. It also confirmed that, when parliamentary time allows, it will be compulsory for all council audit committees to have at least one independent member appointed. In addition, CIPFA are refreshing their "Audit Committee: Practical guidance for local authorities and police" for issue in 2022.

66. PSAA have concluded the procurement of audit firms for the period 2023 to 2028 but they have informed us that we can expect audit fee increases of 150%. It is unclear whether Government will provide additional funding for this increase and the council will need to fund the £100k increase on the core audit fee, plus increased fees for claims certifications of [Alison to provide figure] by finding compensating savings elsewhere.