

**Deputy Chief Executive's Office**

Dean Taylor

**TO: ALL MEMBERS OF THE COUNCIL**

Your Ref:

Our Ref: CA/SAHC

Please ask for: Mrs S Cole

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27 January 2011

Dear Councillor,

**YOU ARE HEREBY SUMMONED** to attend the meeting of the Herefordshire Council to be held on **Friday 4 February 2011** at The Shirehall, St Peter's Square, Hereford. at 10.30 am at which the business set out in the attached agenda is proposed to be transacted.

Please note that car parking will be available at the Shirehall for elected Members.

Yours sincerely



**C CHAPMAN**  
**ASSISTANT DIRECTOR, LAW AND GOVERNANCE**



# AGENDA

## Council

Date: **Friday 4 February 2011**

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Time: **10.30 am**

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Place: **The Shirehall, St Peter's Square, Hereford.**

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Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

**Sally Cole, Committee Manager Executive**

Tel: 01432 260249

Email: [scole@herefordshire.gov.uk](mailto:scole@herefordshire.gov.uk)

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If you would like help to understand this document, or would like it in another format or language, please call Sally Cole, Committee Manager Executive on 01432 260249 or e-mail [scole@herefordshire.gov.uk](mailto:scole@herefordshire.gov.uk) in advance of the meeting.

# Agenda for the Meeting of the Council

## Membership

**Chairman**

**Vice-Chairman**

**Councillor J Stone**

**Councillor JB Williams**

Councillor PA Andrews

Councillor LO Barnett

Councillor PL Bettington

Councillor WLS Bowen

Councillor ACR Chappell

Councillor PGH Cutter

Councillor H Davies

Councillor BA Durkin

Councillor MJ Fishley

Councillor JHR Goodwin

Councillor DW Greenow

Councillor KS Guthrie

Councillor MAF Hubbard

Councillor RC Hunt

Councillor JA Hyde

Councillor JG Jarvis

Councillor Brig P Jones CBE

Councillor MD Lloyd-Hayes

Councillor RI Matthews

Councillor PM Morgan

Councillor JE Pemberton

Councillor GA Powell

Councillor SJ Robertson

Councillor RH Smith

Councillor AP Taylor

Councillor AM Toon

Councillor WJ Walling

Councillor DB Wilcox

Councillor WU Attfield

Councillor CM Bartrum

Councillor AJM Blackshaw

Councillor H Bramer

Councillor ME Cooper

Councillor SPA Daniels

Councillor GFM Dawe

Councillor PJ Edwards

Councillor JP French

Councillor AE Gray

Councillor KG Grumbley

Councillor JW Hope MBE

Councillor B Hunt

Councillor TW Hunt

Councillor TM James

Councillor AW Johnson

Councillor JJD Lavender

Councillor G Lucas

Councillor PJ McCaull

Councillor AT Oliver

Councillor RJ Phillips

Councillor PD Price

Councillor A Seldon

Councillor RV Stockton

Councillor DC Taylor

Councillor NL Vaughan

Councillor PJ Watts

Councillor JD Woodward

## **GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS**

The Council's Members' Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.

A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.

Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor's interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is. A Councillor who has declared a prejudicial interest at a meeting may nevertheless be able to address that meeting, but only in circumstances where an ordinary member of the public would be also allowed to speak. In such circumstances, the Councillor concerned will have the same opportunity to address the meeting and on the same terms. However, a Councillor exercising their ability to speak in these circumstances must leave the meeting immediately after they have spoken.

**AGENDA**

		<b>Pages</b>
<b>1.</b>	<b>PRAYERS</b>	
<b>2.</b>	<b>APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>3.</b>	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>4.</b>	<b>MINUTES</b> To approve and sign the Minutes of the meeting held on 19 November 2010.	1 - 34
<b>5.</b>	<b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b> To receive any questions from members of the public deposited more than eight clear working days before the meeting of Council.	35 - 42
<b>6.</b>	<b>FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS</b> To receive any written questions from Councillors.	
<b>7.</b>	<b>DRAFT FINANCIAL STRATEGY 2011/14</b> To propose the three year draft financial strategy for 2011/14 that includes the 2011/12 budget.	43 - 128
<b>8.</b>	<b>JOINT CORPORATE PLAN</b> To invite Council to approve the Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes.	129 - 134
<b>9.</b>	<b>REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS</b> To report the outcome of the recent review of polling districts, polling places and polling stations following the direction by the Election Commission to review any polling station with an electorate of between 2000 and 2500, and seek approval to proposed changes to polling districts within Ledbury ward.	135 - 166



# The Public's Rights to Information and Attendance at Meetings

## YOU HAVE A RIGHT TO:-

- Attend all Council, Cabinet, Committee and Sub-Committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of the Cabinet, of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50, for postage).
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.
- A member of the public may, at a meeting of the full Council, ask a Cabinet Member or Chairman of a Committee any question relevant to a matter in relation to which the Council has powers or duties or which affects the County as long as a copy of that question is deposited with the Monitoring Officer eight clear working days before the meeting i.e. by 12:00 noon on a Monday in the week preceding a Friday meeting.

## Public Transport Links

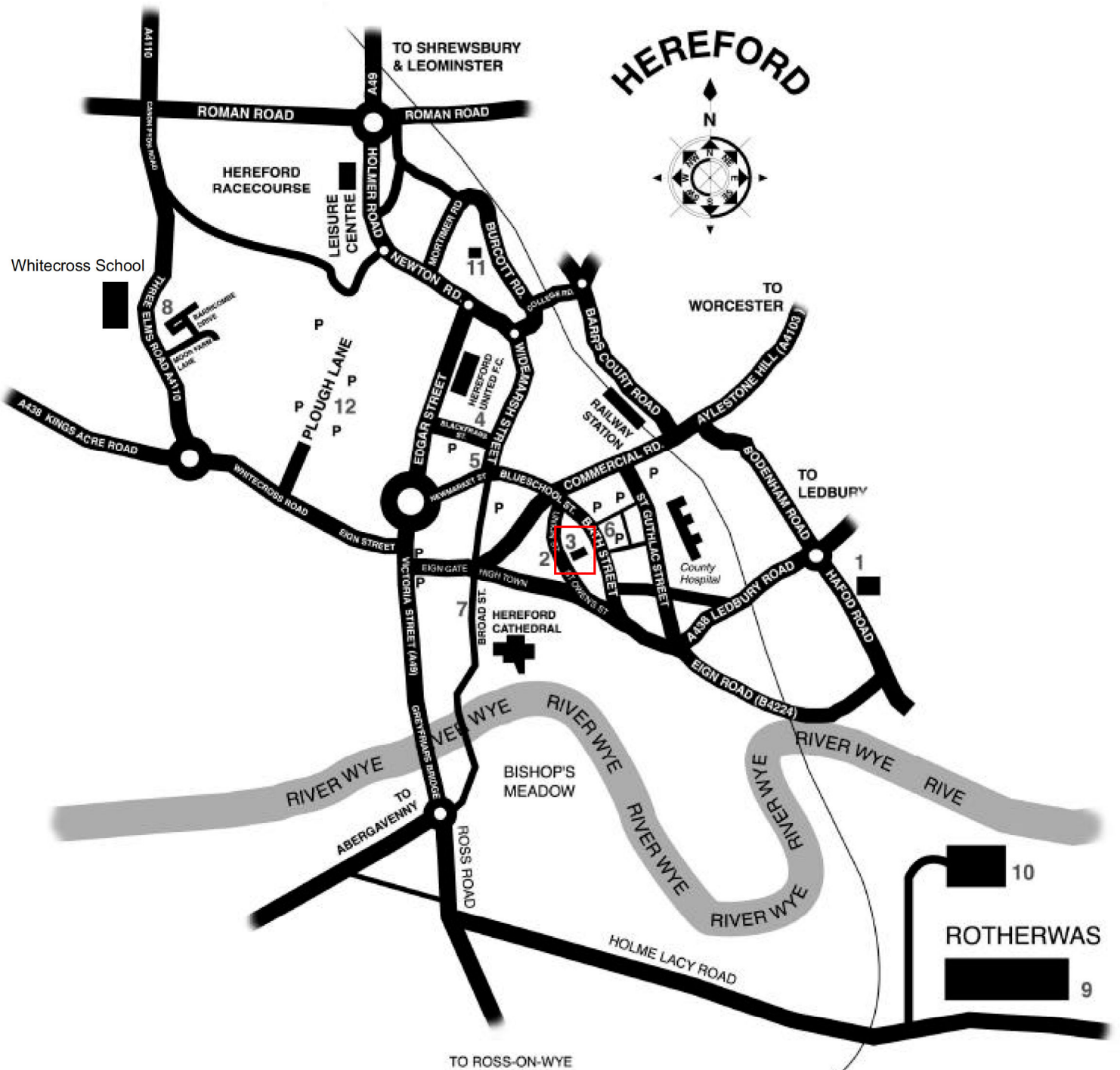
- The Shirehall is ten minutes walking distance from both bus stations located in the town centre of Hereford. A map showing the location of the Shirehall is found opposite.



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- |   |                  |    |                                   |
|---|------------------|----|-----------------------------------|
| 1 | Brockington      | 7  | Kemble House                      |
| 2 | Town Hall        | 8  | Trinity House                     |
| 3 | Shire Hall       | 9  | Thorn Office Centre               |
| 4 | Education Centre | 10 | Herefordshire Commercial Services |
| 5 | Garrick House    | 11 | Merchant House                    |
| 6 | Bath Street      | 12 | Plough Lane                       |



# **FIRE AND EMERGENCY EVACUATION PROCEDURE**

## **IN CASE OF FIRE**

**(no matter how small)**

1. Sound the Alarm
2. Call the Fire Brigade
3. Fire party - attack the fire with appliances available.

## **ON HEARING THE ALARM**

Leave the building by the nearest exit and proceed to assembly area on:

## **GAOL STREET CAR PARK**

**Section Heads will call the roll at the place of assembly.**



HEREFORDSHIRE COUNCIL

**MINUTES of the meeting of Council held at The Shirehall, St Peter's Square, Hereford. on Friday 19 November 2010 at 10.30 am**

**Present:** Councillor J Stone (Chairman)  
Councillor JB Williams (Vice Chairman)

**Councillors:** PA Andrews, WU Attfield, LO Barnett, CM Bartrum, PL Bettington, AJM Blackshaw, WLS Bowen, H Bramer, ACR Chappell, ME Cooper, PGH Cutter, SPA Daniels, GFM Dawe, BA Durkin, PJ Edwards, MJ Fishley, JP French, JHR Goodwin, DW Greenow, KG Grumbley, KS Guthrie, JW Hope MBE, MAF Hubbard, B Hunt, TW Hunt, JA Hyde, TM James, JG Jarvis, AW Johnson, Brig P Jones CBE, Lavender, MD Lloyd-Hayes, G Lucas, RI Matthews, PJ McCaull, PM Morgan, AT Oliver, JE Pemberton, RJ Phillips, PD Price, SJ Robertson, A Seldon, RH Smith, RV Stockton, AP Taylor, AM Toon, WJ Walling, PJ Watts and DB Wilcox

**In attendance:** Councillors

**35. PRAYERS**

The Very Reverend Michael Tavinor, Dean of Hereford, led the Council in prayer.

The Council stood in silent tribute to mark the death of Councillor DJ Benjamin.

**36. APOLOGIES FOR ABSENCE**

Apologies had been received from Councillors H Davies, AE Gray, RC Hunt, G Powell, DC Taylor and JD Woodward.

**37. DECLARATIONS OF INTEREST**

**8. NOTICES OF MOTION UNDER STANDING ORDERS.**

Councillor B Hunt, Personal, Family Connection to the subject member in first notice of motion.

Councillor TW Hunt, Personal, Subject member of the first notice of motion.

**13. SHARED SERVICES.**

Councillor PJ Edwards, Personal, Close relative working in the health sector.

**14. YOUTH JUSTICE PLAN.**

Councillor DB Wilcox, Personal, Youth Magistrate.

Councillor RJ Phillips, Personal, Youth Magistrate.

**38. MINUTES**

The minutes of the Council Meeting held on 19 July 2010 were approved as a correct record.

### 39. CHAIRMAN'S ANNOUNCEMENTS

The Chairman in his announcements:

- Welcomed Councillor Justin Lavender, recently elected to represent the St Nicholas ward, to his first meeting of Council and Zoe Pemberton who recently took part in Take Over (Herefordshire) Day at the Hereford Academy where she was a pupil.
- Informed Council that he had recently attended The Leadership Trust in Ross with The Princess Royal and was pleased to meet the Duke of Kent during visits to Belmont Abbey and Queenswood. Due to the county's strong links to the Dutchy, the Chairman had written to Prince William and Kate Middleton congratulating them on their recent engagement.
- Stated that the Goodwill Group had continued their fundraising efforts, raising money for a variety of good causes. Recent events which included the Macmillan Coffee Morning, Jeans for Genes Day and Wear it Pink Day had collectively raised in the order of £2,400 and employees and fellow Councillors were thanked for supporting the Goodwill Group's efforts. The next event would be the Christmas Fayre at the Town Hall on Wednesday 1 December.
- Advised Council that he had recently delivered a cheque of £220 to Herefordshire Headway following his recent sponsored walk around Hereford Racecourse and was impressed by the various activities being carried out by the charity. Councillors, staff and members of the public were thanked for their support.
- Informed Members that following its recent refurbishment, Widemarsh Street would be formally reopened on 4 December.

The Chairman took pleasure in congratulating:

- All the winners in the Pride of Herefordshire Awards. The Royal National College for the Blind was the overall winner and was rewarded for hosting the 2010 World Blind Football Championships in August.
- Robert Weale, a former employee of Herefordshire Council now working for Herefordshire Housing, who recently won a gold medal for bowling at the 2010 Commonwealth Games.
- Jacqueline O'Mahony, a Houses of Multiple Occupation and Enforcement Officer with Herefordshire Council, who received the Chief Fire Officer's Letter of Appreciation for her outstanding work with the Hereford and Worcester Fire and Rescue Authority and other organisations for protecting the most vulnerable members of Herefordshire communities from fire.
- Mike Phillips, Managing Director of West Mercia Supplies who had been honoured at the Institute of Directors Director of the Year Awards, winning the title of top director in the public sector.
- Brimfield and Little Hereford Bowls Club for being one of only 5 clubs in England to be awarded a Highly Commended Diploma by Bowls England in this year's National Club of the Year competition.
- Meg Swain, Assistant Member Support Officer, whose hard work was recently acknowledged at the Herefordshire Group Training Association Awards Evening.

Meg was presented with the Thelma Cornish Trophy for Commitment to First Year Administration Training.

The Chairman had received the following two petitions:

- Petition from Mrs O'Donnell of the Guild of Guides calling on the continuation of the Tourism Information Centre in Hereford was presented to Councillor AMJ Blackshaw, Cabinet Member Economic Development and Community Services.
- Petition from Mr Hannah on traffic congestion on Elm Road, Hereford was presented to Councillor DB Wilcox, Cabinet Member Highways and Transportation.

#### **40. QUESTIONS FROM MEMBERS OF THE PUBLIC**

Copies of all public questions received by the deadline, with written answers, were distributed prior to the commencement of the meeting. A copy of the public questions and written answers together with the supplementary questions asked at the meeting and answers, are attached to the minutes as Appendix 1.

#### **41. FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS**

Copies of all questions from Councillors to Cabinet Members and Chairmen of Committees received by the deadline, with written answers, were distributed prior to the commencement of the meeting. A copy of these questions and written answers together with the supplementary questions asked at the meeting and answers, provided at the meeting or as a formal letter to a Member following the meeting, are attached to the minutes as Appendix 2.

#### **42. NOTICES OF MOTION UNDER STANDING ORDERS**

First Notice of Motion : Chairman of Planning Committee

Councillor MAF Hubbard rose to speak on the motion and apologised for having had to bring forward the motion to Council. The information had been available on the website for some months and having considered the view of the Standards Committee he felt from a personal point of view he would not have continued in the position of Chairman of a main committee of the Council following the Standards Committee's judgement. Councillor GFM Dawe seconded the motion and stated that he would speak later.

The following points were made by Members:

- Several Members raised concern about the appropriateness of dealing with the matter at a Council meeting and that it should more properly be dealt with through the Standards Committee. It was felt that the notice of motion was misguided and every Member was answerable to their electorate.
- The Leader reiterated the legal duty of the Standards Committee and its sub-committees to deal with complaints and it was not the business of Council to deal with standards matters. The Standards Committee had the power to suspend a Member, which it had not chosen to enforce. The Committee had taken into account the long service and unblemished record of the Member and recognised it was hard to find a solution to the flooding problem, which was at the heart of

the complaint. All Members should strive to be exemplars in the way they dealt with members of the public.

- Some Members stated they would vote against the notice of motion as they were not in possession of the facts of the case.

Councillor GFM Dawe rose to speak as the seconder and stated that consideration should be given to the opinion of the person in the street. Councillor MAF Hubbard stated that he had considered the matter for some time before putting forward the motion, but felt that he needed to challenge the culture of the Council.

For	3
Abstained	6
Against	Majority

The motion was lost.

#### Second Notice of Motion: Road around Hereford City

The Leader moved the motion and amended the wording of the motion to state 'poll' instead of 'referendum'. This was seconded.

In speaking for the motion, the Leader stated:

- His regret that the matter of the transport infrastructure had not been dealt with before.
- That the average earnings in the county was £20,000 whilst the average earnings in England was £25,000; the disparity equated to £70 per week less in take home pay.
- It was essential to recognise the needs of businesses which were crucial for the economic, social and well being needs of the county.
- That congestion had deterred the Welsh Assembly from suggesting the use of the A49 as the best route from North to South Wales in 2001.
- The motion sought agreement in principle for a poll in order that considerations of practicalities such as cost, legal implications, timescales, and wording of questions would be had. Such practicalities would be considered with the Group Leaders.

An amendment to the motion was moved by Councillor PJ Edwards and seconded. The amendment to read: *'That the Council defer any decision to agree in principle to carrying out a poll with the people of Herefordshire to ask a question relating to construction of a road around Hereford City and that the Executive be asked to consider the practicality of such action'*.

In speaking for the amendment, Councillor PJ Edwards stated the following as sound reasons for deferral:

- As the core strategy consultation period had been extended from 5 November to 19 November the consultation was still underway.
- The wording of the motion would require further consideration as such an important issue should not be left to the Executive, indeed it should be for a matter for consideration by the whole Council at a later date.
- Clarification was needed as to the date of the poll and consideration given to the geographical area of those polled i.e. Herefordshire as a whole, or the city area solely.
- The issues of the preferred option of the western relief road had already been discussed in the LDF task group and shared with the press in advance of briefing Members.



In debating the amendment the following comments were made by Members:

- It was not considered fair for the people of Herefordshire to form a judgement prior to the end of the consultation process.
- There was disappointment that a motion submitted on the wider LDF process had been rejected therefore precluding the opportunity for debate.
- It was suggested that poll be held 5 May 2011, the date of the local election; this option would prove to be one of least cost.
- The considered opinion should be sought of the whole county electorate as the transport infrastructure of Hereford city was an important matter for all in the county.
- The question asked in the poll would need to be clear, simple and unambiguous.
- A relief road would bring with it economic benefits which would provide for higher wages in the county. Such a road would be of benefit to the county as a whole and, by providing opportunities, the county's young people would have a reason to remain.
- It was important to gain clarity on the views of the public to this matter; the motion was a clear statement of intent to investigate the best way in which this could be done.
- Caution would be required so as not to polarise views and alienate sections of the communities with differing opinions.
- The issue had been deferred too long and the original motion was to be welcomed. It was acknowledged that whilst there had been a certain amount of views collected within the Place Shaping consultation and the poll carried out by the Hereford Times, there was a need to seek the views of the people of Herefordshire as a whole to find out what their wishes were.
- The original motion was not clear, not simple and was ambiguous. The views expressed to date by residents should not be ignored.
- It was indicated that correspondence pertaining to the funding of an outer distributor road received by Herefordshire Council in July 2009 stated that any consideration of an outer distributor road would be premature before 2014. In the member's opinion, the current economic climate and public sector financial settlement would imply that consideration of such a road was far removed, especially as other schemes nationally were being cancelled or suspended. In addition, it was stated that journey times would not improve.
- A firm decision was required on a relief road, and prior to such decisions it was essential to gain the views of the people of Herefordshire. It was essential to get the process right. Members were advised that, in relation to the earlier comment on the preferred option, the LDF Task Group had met on 8 September 2010 and that all Members were provided with papers prior to a debate and discussion which was open to all members which was held on 10 September 2010. The information provided to the press was strictly embargoed.

The amendment was put to the vote.

For	10
Against	Majority

The amendment was lost

An amendment to the motion was moved by Councillor MAF Hubbard and seconded. The amendment to read: *'That the Council agree in principle to carrying out a poll with the people of Herefordshire to ask a question relating to the construction of a road around Hereford City that will be built using developer money from thousands of houses that will create such a level of traffic that congestion times in the city will never improve above the 2008 level resulting in increased journey times, and that the Executive be asked to consider the practicality of such action'*.

In speaking for the amendment, Councillor MAF Hubbard stated that:

- He believed that a poll should be held as it was essential to gain information and base a decision on facts.
- In his view current evidence supported the fact that the building of a road would not make a difference to the residents of Hereford City in relation to journey times and that no benefits would be had in building the road in the proposed way.
- It was important to ensure that the information provided was clear and based on evidence.

The amendment was put to the vote.

For	4
Abstain	5
Against	Majority

The amendment was lost.

The original motion was put to the vote

Against	4
Abstained	4
For	Majority

The motion was carried.

#### **43. LEADER'S REPORT**

The Leader of the Council, Councillor RJ Phillips presented his report to Council.

In highlighting aspects of the report, the Leader;

- Emphasised the significant changes to the public sector funding as a result of the Comprehensive Spending Review 2010, the detail of which was still awaited. A substantial number of grants had been absorbed into the Revenue Support Grant.
- Informed Council that the Cabinet Member ICT, Education and Achievement had met with the Education Minister, Lord Hill, to discuss the safeguarding of cuts from the devolved schools grant and other matters of importance to schools in the county. Correspondence had also been sent to the Transport Minister and Rural Minister expressing concern about the future resource implications for concessionary travel.
- Advised Council that difficult choices would need to be made and emphasised the importance of having clarity of approach to the provision of services.
- Stated that it was essential for the Council to be mindful of new national policy developments and the implications to local authorities and the public sector as a whole. Local government would look very different five years hence.

In responding to comments from members, the Leader or appropriate Cabinet Member stated that:

- Support was being provided to staff in transition and whose posts would be at risk; the support would be flexible to meet the needs of the staff but could include redeployment, interview skills, writing a cv etc. A briefing note would be provided to all Members on the measures adopted which would include an explanation on the legal requirements of the 'at risk' processes. All Council Members were reminded of the importance of complying with the code of conduct when discussing issues of a sensitive nature.
- In terms of seeking efficiency savings several measures had been adopted by the Council including, a freeze on most recruitment, the implementation of new

systems and curtailing discretionary spend. A comment expressed about the time spent by officers in meetings (as opposed to delivering) was accepted and an analysis would be undertaken. It was additionally stated that the rationalisation of accommodation would assist with reducing officers' time away from their desks.

- Overview and Scrutiny would be consulted appropriately on the rationalisation of buildings and the importance of market towns and the development of locality working was emphasised.
- Herefordshire Council was continuing to support the provision of TICs and to comment that this was not the case was incorrect. It was however stated that the Council had to make hard decisions and that the future financial cuts were massive, as a result it was essential to consider how services were provided across a range of partners and locations and not be too precious about the approach by which this was achieved. The value and knowledge of those working in the TICs were appreciated. Herefordshire Council was committed to work with others to address tourism matters within the current budgetary constraints and in relation to meeting the Council's legal requirements such as the provision of services to the vulnerable.
- Whilst acknowledging the broadband restrictions in the city, the announcement that Herefordshire was to be a pilot for superfast broadband in rural areas was a big achievement which would tackle one of the key infrastructure constraints of the county.
- There was a need for utility companies to be held to account more closely so as not to hamper growth and be encouraged to invest in order to increase their capacity.
- That a letter be sent to the couple from Portugal who raised the alarm on seeing the fire in Hereford City. The actions of the emergency services, other organisations (including Council officers) and the local businesses were commended.
- Whilst the support of small and medium sized businesses in locating to the city was greatly appreciated, it was also stated that the retention of the larger national stores could not be taken for granted; the centre of Newport had recently lost its Marks and Spencer store.
- The importance of H:Art as an important event in promoting the county was acknowledged and it was stated that this event should continue with private support.
- It was confirmed that the cost of refurbishing Widemarsh Street was £1.4 million. For the works to have been completed quicker than the 40 weeks taken would have required additional cost.

The Cabinet Member Corporate and Customer Services and Human Resources advised Council that following the recent approval by Cabinet to the Herefordshire Equality and Human Rights Charter, several members had requested that an additional specific action on age be added to the action plan which would encompass the adequate safeguarding of children, young people, residents in care homes and carers for the elderly who may be themselves elderly and vulnerable. Agreement of Council was sought to include this action within the Herefordshire Equality and Human Rights Charter.

**RESOLVED that Council :**

- (i) Receive the Leader's report**
- (ii) That an additional action on age be included in the Herefordshire Equality and Human Rights Charter.**

#### **44. ALLOCATION OF SEATS TO POLITICAL GROUPS AND APPOINTMENTS TO COMMITTEES**

The Leader presented the report on the allocation of seats to political groups and appointment to committees of Council. The Leader advised Council that all Group Leaders had been consulted in advance of the circulation of the report.

Responding to a comment from a Member, the Leader emphasised that the should the current arrangement of suspending proportionality for the Overview and Scrutiny Committee not be passed without dissent, it would be necessary for the membership of the Overview and Scrutiny Committee to be reviewed and, in order to comply with the law, the administration would hold the majority of the seats.

**RESOLVED (nem con) that:**

- (a) Council confirms the number of seats on each committee;**
- (b) the arrangements for proportionality be noted;**
- (c) the notice given in paragraph 9 of the need to partially suspend the rules of proportionality in respect of the Overview and Scrutiny Committee be noted and a resolution be moved to that effect;**
- (d) subject to the vote at recommendation (c) being passed nem con, the Council allocates the seats to political groups as set out in Table 2 in paragraph 15 of the report.**

#### **45. COUNCIL CONSTITUTION**

The Cabinet Member Corporate and Customer Services and Human Resources, Councillor JP French, expressed her thanks to all Members of the Constitutional Review Working Group and Task Groups for their work in reviewing constitutional matters.

**RESOLVED that Council :**

- a) Approves the following changes to the Constitution:**
  - i. That the Financial Procedure Rules be revised**
  - ii. That the Regulatory Committee role and functions be revised;**
  - iii. That the Regulatory Sub-Committee role and functions be revised;**
  - iv. That the regulatory role and functions of the Cabinet or Cabinet Member be noted;**
  - v. That the Chief Executive has responsibility for the discharge of all regulatory functions not specifically reserved to the Regulatory Committee, Regulatory Sub-Committee, Cabinet or Cabinet member;**
  - vi. That the Chief Executive may delegate the discharge of those functions to a Director who in turn may delegate to another officer; and**

- vii. That the Chief Executive establishes an officer review panel to review regulatory decisions by officers.
- b. Instructs the Council's Monitoring Officer to make the amendments to the Constitution to give effect to the above decisions as set out in Appendix 1 (The Financial Procedure Rules) and Appendix 2 (The Regulatory Committee and consequent changes) of the report.
  - c. That the decisions recommended in (a) (i) be implemented with effect from 1 December 2010 and those in (a) (ii) to (vii) be implemented with effect from 1 February 2011.
  - d. Encourages the Regulatory Committee to delegate responsibility for hearing appeals and revocation of licences to the Regulatory Sub-Committee and to consult with its stakeholders before doing so.
  - e. Instructs the Regulatory Committee to review its procedures and present to Council at a future meeting Regulatory Procedure Rules for incorporating into Part 4 of the Council's Constitution.
  - f. Notes the work undertaken by the Constitutional Review Working Group which will continue to assist with such further constitutional review work as it determines.

#### **46. NEW EXECUTIVE ARRANGEMENTS**

The Leader presented the report on New Executive Arrangements and moved the following two amendments to the recommendations which were seconded:

- (i) Recommendation (b): delete 'either a Mayor and Cabinet'
- (ii) Recommendation (c): delete 'or not'

In discussion the following comments were made and responded to as appropriate:

- The consultation was inadequate. In response the Leader stated that the consultation undertaken was in line with the requirements and expectations of Government.
- The local elections on 5 May 2011 would provide an opportunity for the electorate to decide on the type of executive model they would have. This would dovetail with the vote being taken on proportional representation and the alternative vote system.
- A mayoral system would see the electorate voting on the capability of the individual, not according to party lines.
- A mayoral system was better suited to close urban authorities. Such a system could add to the confusion of the current ceremonial roles in the county such as mayors of the city and town, the Council Chairman etc.
- The Leader stated that the Council had complied with the legislation and with the spirit of the Government's requirements regarding consultation. It was expected that the Localism Bill would propose changes to such requirements.

**RESOLVED THAT Council:**

- (a) notes the two available "strong leader" governance models

**and the results of the public consultation;**

- (b) agrees to adopt Leader and Cabinet executive governance model with effect from the 3<sup>rd</sup> day after its elections on 5 May 2011;**
- (c) agrees to provide that the Council may remove and replace the appointed Leader during his or her term of office;**
- (d) approves the proposals set out in the Appendix to the report to reflect Council's determination of b) and c) above; and**
- (e) authorises the Monitoring Officer to make all necessary amendments to the Council's constitution.**

Councillors GFM Dawe and MD Lloyd-Hayes requested that their opposition to the recommendations be formally minuted.

#### **47. SHARED SERVICES**

The Cabinet Member Corporate and Customer Services and Human Resources, Councillor JP French, presented the report on Shared Services. Council was advised that the Joint Venture Company (JVC) approach would have low overheads and would help sustain public sector jobs within Herefordshire. Assurance was provided that the Council would be kept appropriately briefed.

Responding to comments from Members, the Cabinet Member:

- Acknowledged the support from members across parties to the approach taken on shared services which demonstrated the shared benefits to the partnership entered into by the Council and health partners.
- Provided assurance that market testing and value for money exercises had been undertaken.
- Advised Council that the services available within the JVC would be marketed to other organisation and would therefore not refer to Herefordshire in the company name.
- The integration of ICT systems and processes was well advanced and that Herefordshire was acknowledged as a national leading light in such developments.
- Accepted the challenges that a public/public partnership would have, which would need to be balanced against the retention of jobs in the county. Alternative options for a shared services approach such as a lead partner, would not have guaranteed jobs to the county.
- Assurances were given that the costs of winding down NHSH and the establishment of a GP consortium would be appropriately met by the relevant bodies.

**RESOLVED that Council:**

- (a) Agrees that a Joint Venture Company be established by the Council and its partner(s) to provide shared support services;**
- (b) Notes that the Cabinet agreed that a Joint Venture Company be established and that the negotiation of the terms of the Joint Venture be delegated to the Chief Executive.**

#### 48. YOUTH JUSTICE PLAN

The Cabinet Member Children's Services presented the report on the Youth Justice Plan to the Council.

**RESOLVED: That the Youth Justice Plan as prepared be approved within the Policy Framework**

#### 49. STANDARDS COMMITTEE

Mr Robert Rogers presented the report of the meeting of the Standards Committee held on 22 October 2010.

Responding to comments from Members, Mr Rogers:

- Acknowledged that whilst there were some shortcomings of the current local filter system, these shortcomings did not take away from the fact that the localisation of the system had been a positive step.
- Reminded Council that the Standards Committee's overriding principles were to be open, fair and proportionate.
- Stated that when considering any matters, judgement was taken on the balance of probability and was evidentially based.
- Advised Council that Committee Members were kept up to date with relevant case law, provided with guidance on relevant issues and regularly reviewed their activities to ensure that we followed best practice.
- Informed Members that certain achievements of Herefordshire Standards Committee had been recognised as demonstrating national best practice and shared with other authorities.

**RESOLVED: That the report of the meeting of the Standards Committee held on 22 October 2010 be received.**

#### 50. WEST MERCIA POLICE AUTHORITY

Councillor B Hunt presented the reports on the meetings of the West Mercia Police Authority held on 15 June and 28 September 2010 and stated that he would respond to a question from a Member regarding the creation of 22 new staff posts outside of the meeting.

**RESOLVED: That the reports of the meeting of the West Mercia Police Authority held on 15 June and 28 September 2010 be received.**

#### 51. HEREFORD & WORCESTER FIRE AND RESCUE AUTHORITY

Councillor Brig P Jones presented the reports of the meeting of the Hereford and Worcester Fire and Rescue Authority which had been held on 25 June and 28 September 2010 and commended the response to the recent fire in Hereford City.

**RESOLVED: That the report of the meetings of the Hereford and Worcester Fire and Rescue Authority which were held 25 June and 28 September 2010 be received.**

The meeting ended at 1.30 pm

**CHAIRMAN**





## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### **Question from Mrs J O'Donnell, President, Hereford Guild of Guides**

#### Question 1

*What is the justification for the closure of the tourist information office in Hereford with the consequent loss of jobs when tourism is a £410 million industry and Hereford is the County town?*

### **Answer from Councillor AJM Blackshaw Cabinet Member Economic Development and Community Services**

#### Answer to Question 1

Unlike some other local authorities in the country, we are not closing the tourist information service in Hereford. We are remodelling the service throughout the county to ensure it is both affordable and fit for purpose in the future; the current arrangement does not represent good value for the public pound, there is no intention to end tourist information services for the city. I would caution against any assumption that decisions taken in respect of individual premises equate to removal of service.

I am pleased that, like ourselves, Mrs O'Donnell recognises the value of tourism to the local economy. However in the current challenging economic climate the council has a responsibility to ensure that public sector resources are used as efficiently and effectively as possible, whilst doing everything in our power to protect front line services. This does mean doing things differently, ensuring that we work with community volunteers and private sector partners to best effect, but it does not mean that Hereford, or any other market town in the county, will be left without a tourism information service.

### **Supplementary Question**

Is Hereford to be the only cathedral city without a manned TIC?

### **Answer from Councillor AJM Blackshaw Cabinet Member Economic Development and Community Services**

Responding to the supplementary question provided a further opportunity for the Cabinet Member to confirm that Herefordshire Council would provide TIC services in Hereford City and market towns; such an approach bucked the national trend. In addition to the TICs other information and tourism points will be developed.

### **Question from Mr P Cocks, Hereford**

#### Question 2

*What is the overall council policy of equating income from car parks with maintaining a friendly shopper/visitor balance and fairness across the county and will council staff, like most other workers in the city of Hereford, have to pay for parking on the proposed new 600+ spaces car park at Plough Lane?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways and Transportation**

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

Answer to question 2

The Council's Countywide Car Parking Strategy forms part of the Local Transport Plan published on the Council's website. This sets out the approach taken to the provision and management of the Council's public car parks. Charges are set to balance the competing demands for parking by different users and to prioritise spaces for shoppers and visitors. The charges are generally lower than those in comparable centres in neighbouring counties and charges are benchmarked to ensure the county remains competitive and charges are reasonable.

As part of the Council's continuing drive to ensure resources are used to best effect we are reviewing staff car parking policies.

### **Supplementary question**

There is significant variation in car parking charges across the county which is inequitable. When compared with charges in Hereford City, Leominster parking charges are substantially more with Ledbury's parking charges significantly lower.

### **Answer from Councillor DB Wilcox Cabinet Member Highways and Transportation**

There is a Council Countywide Car Parking Strategy. The revenue from parking charges in the city supports the funding of wider transportation projects. In the market towns, some parking is free, some is levied.

### **Question from Ms A Sancha, Hereford**

Question 3

*Could the Council explain what fuels road transport will be powered by in 2020-25 and what will be the relative importance of each?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Answer to question 3

We can of course only speculate, but it is likely that transport in 2020-25 will be powered by a variety of fuels both traditional and alternative including petrol, bio-fuels, electricity, hydrogen, LPG, and, in the case of cycling and walking, no direct fuel at all.

It is not possible to be certain of the relative importance of each type of fuel as this will depend on a range of technical, legislative, supply and market factors over the next ten to fifteen years.

### **Supplementary question**

What provision is being considered to support people in relation to the Inner Relief Road?

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Whilst stating that the supplementary did not related to the original question of answer, the Cabinet Member informed that issues relating to the relief road will be a matter for debate.

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### Question from Mr L Clements, Hereford

Question 4

*Why is the Council sticking to imposed central targets planning targets for house building and retail land requirements.*

### Answer from Councillor JG Jarvis Cabinet Member Environment & Strategic Housing

Answer to question 4

The targets were initially set out in the Inspectors' Panel Report into the Regional Spatial Strategy published in September 2009 following a very thorough examination of the evidence at a formal Examination in Public in April, May and June 2009.

These targets were not 'imposed' but supported by Herefordshire Council, being securely based on good evidence and having been tested at the Examination in Public. The evidence base and the justification for the targets remain, and the Council continues to promote growth in a planned way as part of the overall strategy which it believes necessary to both meet local need and secure the future sustainability and vibrancy of the County.

**No supplementary questions asked.**

### Question from Mr R Priestly, Hereford

Question 5

*The term "sustainable economic growth" is used in the LDF without proper definition. Please define both terms "sustainable economic growth" and "unsustainable economic growth".*

### Answer from Councillor JG Jarvis, Environment & Strategic Housing

Answer to question 5

A common dictionary definition of "sustainable" is "able to be maintained at a certain rate or level". That is the sense used in the draft Local Development Framework (LDF) in this regard. The term "unsustainable economic growth" is not used in the LDF.

**No supplementary questions asked.**

### Question from Ms J Straker, Hereford

Question 6

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

*Has the Council researched the likely impact on traffic numbers of the inevitable steep rise in fuel prices over the life of the Local Transport Plan Strategy and what are the conclusions that have been reached?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Answer to question 6

The Council has used Department of Transport national trend predictions for transport to inform the development of the transport strategy. The resulting draft Local Transport Plan 3 places significant emphasis on supporting and encouraging the use of non-car modes such as public transport, cycling and walking.

**No supplementary questions asked.**

### **Question from Mr B Widdowson, Kington**

Question 7

*Could Herefordshire Council say how much the adoption of the Community Infrastructure Levy to pay for the relief road will add to the average cost of a home being built within this plan?*

### **Answer from Councillor JG Jarvis, Cabinet Member Environment & Strategic housing**

Answer to question 7

No. The government intends to review the legislation for the Community Infrastructure Levy and it would therefore be unwise to speculate over developer contributions when the legal provisions for requiring them are as yet unknown.

**No supplementary questions asked.**

### **Question from Dr E Parker, Hereford**

Question 08

*Concerning the buildings within the Northern Magazine Section of the Rotherwas Munitions Factory, which individual, what department, and when was the decision taken to demolish most of these unique heritage assets?*

### **Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development & Community Services**

Answer to question 08

None of the buildings on the North Magazine were identified as 'unique' in the specialist historic management study of the surviving factory buildings, which assessed the historic

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

significance of each of the remaining buildings based on English Heritage criteria, and made recommendations for how protection of the historic fabric of the site could be achieved while still accommodating future commercial development.

Some of the most important buildings identified on the site have, however, been identified for retention including In the North Magazine, the shell store, at least one bunker, a group of other buildings, associated blast walls and some connecting roadways. This will ensure they are made safe for the future and, in due course, accessible by the public.

The Rotherwas Industrial Estate, including the North Magazine, has been zoned for employment use for many years with the decision to progress the project through a joint venture with Advantage West Midlands being taken by Cabinet in September 2006. The Rotherwas Futures project remains a key element in the county's overall strategy for ensuring the future sustainability of the local economy.

**No supplementary questions asked.**

### **Question from Ms P Mitchell, Hereford**

Question 9

*What does the Council's evidence base (i.e. the 'Hereford Relief Road – Study of Options' Report (Aug 2010) referred to in para 4.13) predict for the amount of time saved on the average trip (please give duration and length of the average trip) with a relief road for the PM peaks in 2026 compared to the 2008 baseline?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Answer to question 9

The forecast year of 2026 has been used for all modelling scenarios as this represents the time horizon of the emerging Local Development Framework.

Based on the preferred option for 2026 (planned growth, western relief road and sustainable transport package 2) average journey times, for all forms of transport, will be as follows:-

- Morning (a.m.) peak average journey time will increase by 17.6% compared with 2008
- Afternoon (p.m.) peak average journey time will increase by 18.5% compared with 2008

It is important to note, that these travel times include projected increases in journeys on foot & cycle, over and above those for car journeys, (ie a modal shift away from motorised transport) and therefore although indicate an overall increase in journey times, cannot be taken as an increase in car journey times.

**No supplementary questions asked.**

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### **Question from Mr A Simmonds, Hereford**

Question 10

*Can the council provide clear financial detail demonstrating how Herefordshire can afford both the bypass and the other infrastructure required?*

### **Answer from Councillor JG Jarvis Cabinet Member Environment & Strategic Housing**

Answer to question 10

The delivery plan to accompany submission of the LDF will address this question, and will take account of recent and expected government announcements.

**No supplementary questions asked.**

### **Question from Mr A Fisher, Hereford**

Question 11

*The Vision states that 'dependency on the private car will be reduced' (para 2.5) and that a network of cycleways, footpaths and bus priority lanes will reduce residents' reliance on the private car' (para 2.4). If this is to be the case then how have the 'overall costs of travel' to people travelling on foot by bicycle and public transport been calculated and what weight have these been given in choosing transport and housing options for Hereford?*

### **Answer from Councillor DB Wilcox, Cabinet Member Highways & Transportation**

Answer to question 11

The Council has followed Department of Transport guidance in its modelling work.

**No supplementary questions asked.**

### **Question from Ms M Burns, Hereford**

Question 12

*In its numerous consultations on the Core Strategy (i.e., on issues, vision, objectives, and developing options) which the Council sites as giving popular support for its Hereford Outer Distributor/Relief Road, what information were people given about the traffic reduction effects of a Relief (or Outer Distributor) Road, and alternatives to road building?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Answer to question 12

## **PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010**

The Council has made evidence available as studies have been completed on the growth proposals and transport impacts. The studies, currently available on the Council's website, include:

- Multi Modal Model Forecast Report, September 2009
- Delivering a Sustainable Transport System Study, May 2010
- Hereford Relief Road Study of Options, August 2010

**No supplementary questions asked.**

### **Question from Mr S Horsfield, Hereford**

Question 13

*Herefordshire needs to shoulder its share of the burden of English population growth. What modelling has taken place of the economic and social consequences and outcomes bearing in mind population/demographic profile of the county, the decline in employment in the private and public sectors and insufficient transport links?*

### **Answer from Councillor RJ Phillips Leader of the Council**

Answer to question 13

Based on Office for National Statistics projections, Herefordshire has an older age profile than both the region and England and Wales, with a noticeably higher proportion of its population in the older age groups. People of state retirement age and over constitute a quarter (25%) of the county's population, in comparison with a fifth both regionally and nationally (20% & 19% respectively). The number of people aged 65+ is forecast to continue to increase, but more rapidly than in recent years, and is expected to be 61% higher in 2026 than in 2008. In particular, the number of people aged 85+ is expected to almost double, from 5,200 in 2008 to 10,200 in 2026.

Conversely, less than a third (31%) of Herefordshire's population is under 30, compared to 38% both regionally and nationally. There are forecast to be 6% fewer people aged 16-64 living in Herefordshire by 2026 than in 2008.

It is therefore essential that the strategies pursued by the council focus on attracting and retaining economically active residents, and ensuring necessary infrastructure is in place to support the economic growth needed to ensure the future sustainability and vibrancy of our community.

**No supplementary questions asked.**

### **Question from Mr D Straker, Hereford**

Question 14

## PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

*What evidence does the Council have on whether the single river crossing could be discouraging car use and what studies have the Council undertaken of the potential for an additional river crossing to encourage increased numbers of car trips?*

### **Answer from Councillor DB Wilcox Cabinet Member Highways & Transportation**

Answer to question 14

I refer the questioner to my answer to Q12.

**No supplementary questions asked.**

### **Question from Mr C Grover, Much Birch, Hereford**

Question 15

*In February this year the Standards Committee upheld a complaint (SC0916) against a parish councillor that he had breached the Parish Council Code of Conduct Paragraph 3(1) and failed to comply with Rule 5. Three sanctions were imposed by the Committee but to date (8 November) only one of those sanctions has been complied with and even this sanction, a letter of apology, was delivered to the complainant well outside the time limit set by the Committee and has not yet been considered by the Parish Council as required. Will the Council state what it is doing to resolve this contempt of a decision by the Standards Committee?*

### **Answer from Robert Rogers, Chairman, Standards Committee**

Answer to question 15

The Standards Committee, in upholding the complainant in case number SC0916, imposed two penalties on the parish councillor concerned, namely that:

- an apology be given to the complainant, with a copy of that apology provided to the Parish Council for their consideration; and
- the subject member undertake training arranged by the Monitoring Officer .

The letter of apology had to be sent within 28 days of the councillor's receipt of the letter. I am told that the councillor may have been away around that time so that a precise date cannot be given but it appears that there was no undue delay. A copy of the letter was provided to the Parish Council at that time. Neither the Standards Committee nor Herefordshire Council can require the Parish Council to take specific action upon receipt of the letter.

Appropriate training has been arranged with Herefordshire Association of Local Councils whose training programme is carried out on an annual basis. I understand the session will take place early in the new year.

The Standards Committee also suggested that the Parish Council carry out a governance review in relation to commons management. This is a recommendation not a requirement.



## **PUBLIC QUESTIONS TO COUNCIL – 19 NOVEMBER 2010**

### **Supplementary question**

Doesn't the Council consider that the sanctions imposed were ineffective?

### **Answer**

A response by the Chairman of Standards Committee was provided outside of the meeting.

### **Question from Ms F White, Hereford**

Question 16

*Is there a plan or model available for the 'sustainable communities' and energy neutral housing that will be required for these developments?*

### **Answer from Councillor JG Jarvis Environment & Strategic Housing**

Answer to question 16

No. The Council is strongly committed to carbon reduction and these issues will be taken into account when decisions regarding developments are made.

**No supplementary questions asked.**



## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### Question from Councillor MD Lloyd-Hayes

- 1A *The revenue earned from Tourism is more than £416m a year. The proposed closure of TIC's across the County makes a saving of £200,000. Would the Cabinet member not agree that tourists, visitors and the general public deserve more than a robotic on line booking service?*
- B *Can the Cabinet Member confirm that plans for the new Hereford Library are still on track and when will it be built?*

### Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development and Community Services

Answer to question 1

- 1A Yes – I refer to the answer given to Mrs O'Donnell (question number 1 from Members of the Public [text in full as follows: Answer to Question 1

*Unlike some other local authorities in the country, we are not closing the tourist information service in Hereford. We are remodelling the service throughout the county to ensure it is both affordable and fit for purpose in the future; the current arrangement does not represent good value for the public pound, there is no intention to end tourist information services for the city. I would caution against any assumption that decisions taken in respect of individual premises equate to removal of service.*

*I am pleased that, like ourselves, Mrs O'Donnell recognises the value of tourism to the local economy. However in the current challenging economic climate the council has a responsibility to ensure that public sector resources are used as efficiently and effectively as possible, whilst doing everything in our power to protect front line services. This does mean doing things differently, ensuring that we work with community volunteers and private sector partners to best effect, but it does not mean that Hereford, or any other market town in the county, will be left without a tourism information service]).*

- B This project is not part of the capital programme. However, in line with all our services, we continue to keep under review options and opportunities for future service delivery, ensuring we make best use of available resources.

### Supplementary Question to 1A

Would the Cabinet Member give consideration to a TIC located in the Buttermarket as this could be a focused central point for information? Such an approach would also resolve the worries of staff.

### Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development and Community Services

A central tourism point is currently being considered as part of the refurbishment of the Buttermarket. This is currently work in progress.

### Supplementary Question to 1B

The question, as submitted, had not been answered.

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### **Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development and Community Services**

A written answer would be provided.

### **Question from Councillor RI Matthews**

- 2 *Can the Cabinet Member confirm that all the professional advice that this and previous Councils over many years have received, up until a few months ago, clearly indicated that an eastern route was most appropriate for a Hereford Relief Road, and in particular for the long term economic viability of the county, and would be far more effective than alternative routes in reducing traffic congestion in and around the city generally?*
- A *Can the Cabinet Member also tell Members why there was a sudden change in officers' recommendations so late in the day?*
- B *Did the Executive have any input into this sudden change in thinking?*
- C *Does the Executive agree that it would have been more appropriate if independent consultants had been employed to carry out the study of options for the Hereford Relief Road, because there is a public perception that Amey, because of their close association with this authority, should not have been engaged to carry out this important task? They also changed their recommendations very late in the day.*

### **Answer from Councillor JG Jarvis Cabinet Member Environment and Strategic Housing**

Answer to question 2

- 2 No.
- A There has been no change in officers' recommendations.
- B See answer to question 2A above
- C There is no basis to question the professional judgement or impartiality of Amey or its sub-contractors. There was no change of recommendation by Amey.

### **Supplementary question**

It was suggested that all decisions on all matters be put off until after the May 2011 elections. Did the Cabinet Member not agree that the LDF process should be economically driven and not housing target led?

### **Answer from Councillor JG Jarvis Cabinet Member Environment and Strategic Housing**

The Cabinet Member could not support the suggestion of delaying decisions until after the May 2011 election and expressed the view that the second point had not be raised in a timely manner as part of the LDF process.

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

### Question from Councillor PJ Watts

- 3 *Will Hereford Council please confirm that there are high schools within the county that are seeking, or will obtain, the status of academy in the year 2011, January 1?*
- A *Is the number of schools to date five? Please confirm the number and name the school.*
- B *When did Hereford Council first get notification and dates that these schools were about to become academies?*

### Answer from Councillor PD Price, Cabinet Member ICT, Education and Achievement

Composite answer to question 3.

The Council is aware that the following 3 high schools are seeking to achieve academy status in 2011:

John Kyrle High School – Academy Order received by the Council on 18 October 2010 from Department for Education(DfE) confirming the school can move to academy status as from 1 January 2011

Wigmore School (federation of high & primary schools) – School applied to DfE on 22 September 2010 to date no order has been received by the Council

Fairfield High School – School has commenced consultation with parents etc re a potential move to academy status; no application has yet been submitted.

Cllr Watts will of course be aware that there are already two academies in the county: Hereford Academy (formally Wyebridge School); and the Steiner Academy

### Supplementary question

As a key partner why has Halo not been involved in discussions of schools seeking to move to academy status?

### Answer from Councillor PD Price, Cabinet Member ICT, Education and Achievement

A written answer would be provided in due course as all appropriate partners should be included in such discussions.

### Question from Councillor GFM Dawe

- 4 *Is the rumour some of us have heard that Councillor Roger Phillips intends resigning as Leader of the Conservatives before or shortly after the next election (assuming he is re-elected) true?*

### Answer from Councillor RJ Phillips, Leader of the Council

Answer to question 4

Rumour and truth are rarely happy bedfellows!

### Supplementary question

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

The question, as submitted, had not been answered.

### **Answer from Councillor RJ Phillips, Leader of the Council**

He has been elected as leader in the Annual Meeting for a year. It would be presumptuous to assume what will happen after May 2011 elections. He would continue in his current role with backing of the conservative group but would not presume what will follow the May 2011 election.

### **Question from Councillor GFM Dawe**

*5A The Rotherwas Access Road was opened over 3 years ago now. We were promised the £12.5m for the road and £5m for estate enhancement that would create 1000 jobs, at a cost of £17,500 per job. (There have been various other estimates, yet to come to fruition.) How many jobs has it created?*

*B Will you list the jobs created at Rotherwas since the Rotherwas Access Road was created and the range of salaries?*

### **Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development and Community Services**

Composite answer to question 5

Major projects such as these are intended to support long term economic growth, and no timetable was set for job creation. Projected job creation is linked to development of the site. In the current economic climate it is as important to sustain and protect existing employment to ensure a sound basis for future growth, and the access road has supported this, protecting existing jobs in companies such as Arctic Circle and KGD Engineering that were being constrained by the poor access. Arctic Circle has invested over £1M and brought all its development work back to Rotherwas as a result of the access road. It has also opened up significant areas of land for future development & job creation; businesses that re-locate onto council land at Rotherwas will be required to provide job and investment information that can be monitored in the longer term.

### **Supplementary question**

What is the number of jobs that have been created at Rotherwas since the creation of the access road?

### **Answer from Councillor AJM Blackshaw, Cabinet Member Economic Development and Community Services**

The Cabinet Member was firmly of the opinion that 2,000 + jobs had been secured through the retention of KGD and Arctic Circle. The access road supported the south of Hereford and business migration in the region. The Council will contact businesses on the estate a fulsome response would be provided in writing. The creation of Rotherwas Access Road was an asset owned by the taxpayer and the estate is a site for future employment.

### **Question from Councillor GFM Dawe**

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

6 *A large number of documents support the proposed Outer Distributor Road (ODR), these include:*

- *The Hereford Relief Road; Study of Options, Amey Report; September 9 2010*
- *The Sustainability Report (for the Relief Road), August 2010*
- *Environmental Assessment Report (for the Relief Road), August 2010*
- *Growth Point Connectivity Phase 1, April 2010 (the DaSTS report)*

*How much has been spent on the development of the ODR plans from 2006 to the present day?*

### **Answer from Councillor DB Wilcox, Cabinet Member Highways and Transportation**

Answer to question 6

The Council has spent a total of £479,034 since 2006.

### **Supplementary question**

How can it be justified to have spent the money and caused turmoil to residents and now propose a referendum (poll) on a relief road?

### **Answer from Councillor DB Wilcox, Cabinet Member Highways and Transportation**

The Rotherwas Access Road is of major significance to the county. There is a need to address this issue through the proposed poll as outlined in the notice of motion. Professional input from officers on the format of a question relating to the construction of a road would be required.

### **Question from Councillor GFM Dawe**

7 *Is the Council committed to maintaining the current level of bus services, despite the pressures from the Comprehensive Spending Review (CSR)?*

### **Answer from Councillor DB Wilcox, Cabinet Member Highways and Transportation**

Answer to question 7

The cabinet is currently assessing the impacts of the Comprehensive Spending Review (CSR) on all of its budgets, taking into account potential impacts on the residents and the wider community. The Council is well aware of the importance of bus services and the vital access they provide to employment, education, health and other services often for the most vulnerable members of our community. The full implications of the CSR on Council budgets will not be known until after the Council's Local Government funding settlement is known in December. Subject to this the Council will do all that it can to focus on the delivery of front line services such as these.

### **Supplementary question**

Are bus services to be maintained at current levels or not?

### **Answer from Councillor DB Wilcox, Cabinet Member Highways and Transportation**

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

There is likely to be a 20% cut in transport grant. This is a significant loss of income and will affect bus services. The level of maintenance will be addressed once the authority receives the full outcome of the comprehensive spending review in December. I have previously had a meeting with bus companies and will again in January 2011 to discuss the effect of the bus subsidy reductions.

### Question from Councillor GFM Dawe

8 *What is the current cost of holding a local election?*

### Answer from Councillor H Bramer, Cabinet Member Resources

Answer to question 8

Costs will vary depending on what other elections/referenda are taking place at the time, as well as the number of contested seats. Costs for the unitary elections in May 2011 are estimated at £290,000. Further enquiries should be addressed, in writing, to the Returning Officer.

**No supplementary question.**

### Question from Councillor GFM Dawe

9 *Dinedor Parish Council are concerned that the planning designation of the Village as Open Countryside is severely limiting the possibility of the minor developments that are necessary to ensure the sustainability of the community and wish to request Herefordshire Council to reconsider the designation, or other means of providing some flexibility to allow infills, development of derelict property, and developments for existing residents needing to up or down size? Will Herefordshire Council be willing to take into account flexibility on this matter?*

### Answer from Councillor JG Jarvis, Cabinet Member Environment and Strategic Housing

Answer to question 9

The key to this lies in the policies being developed as part of the Local Development Framework, and all parish councils have been encouraged to engage in this process.

**No supplementary question**

### Question from Councillor MAF Hubbard

10 *Herefordshire Council's finance department recently reported the following levels of debt to a fellow Councillor:*

<i>Year</i>	<i>Council Tax Base</i>	<i>Council Debt</i>
<i>2005-6</i>	<i>67,152.50</i>	<i>£ 66,000,000</i>
<i>2009-10</i>	<i>70,016.60</i>	<i>£118,000,000</i>
<i>2010-11</i>	<i>70,750.60</i>	<i>£125,000,000</i>



## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

- A *How much does each household (Band D) have to pay in council tax to service this debt, and by how much has this amount increased since the financial year 2005-6?*
- B *How much has been spent on the LDF planning and consultation since 2006 to the present day?*
- C *Can the Leader of the Council confirm that the comment he made in a public meeting in Weobley on Friday 13 November 2009 that Section 106 money would be required from every new build house in the County proposed by the LDF to help fund the Hereford ODR is still true?*

### Answer from Councillor RJ Phillips, Leader of the Council

Answer to question 10

- A The figures quoted above include all borrowing regardless of source. Broadly speaking there are two types of borrowing – supported and prudential. The costs of current prudential borrowing, which accounts for some £41m of the funding of the £125m borrowing in 2010/11, are largely met through council tax precepts. Given that the balance is largely funded from other sources generated by the local government formula it is evident that supported borrowing received as part of the annual settlement provides a major contribution to funding the council's borrowing, and is not a cost to the local taxpayer.

A number of factors, including movement in working capital and investment balances, influence when and how much is borrowed so it is not possible to provide a static figure for the split between the types of borrowing, or indeed the allocation of that borrowing to individual schemes. However, on an estimate of the current year's prudential borrowing requirement, the cost to a Band D tax payer would be in the region of £64.00.

Without such borrowing it would not be possible to deliver projects which are essential to the local community including: Riverside School, Leominster swimming pool, the new crematorium, Rotherwas relief road, enhancements to Hereford city centre, Kington library, the mortgage rescue scheme, the museum resource & learning centre at Friars Street, improvements to public toilets and improvements to disability access.

- B From 1st January 2006 to 15th November 2010 expenditure on the statutory process required to develop the LDF was £822,716. It should be noted that much of this sum is supported through external resources such as Planning Resource Grant.
- C My reference to the need for developer contributions on all non-affordable homes was made, and is made, within the context of previous and current government policy regarding infrastructure funding.

### Supplementary question

Does this response mean that the Hereford Relief Road will be subsidised by the Council.

### Answer from Councillor RJ Phillips, Leader of the Council

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

We need to wait for the government announcement on the infrastructure levy. In regard to housing development this is dealt with through the planning process.

### Question from Councillor AT Oliver

- 11A *What was the total number of housing units built in the period from 1996 to 2010 across Herefordshire, and what was the total number of affordable homes built in this period?*
- B *What is the number of homes required to meet the current need for affordable housing in Herefordshire and what percentage of the total need is required in Herford City?*
- C *Is housing need projected to rise over the next decade and, if so, what are the projected figures?*

### Answer from Councillor JG Jarvis, Cabinet Member Environment and Strategic Housing

Answer to question 11

- 11A 10,921 dwellings completed in the fourteen year period. Affordable homes built and acquired equates to 1882 (NB this includes all forms of delivery not just new build.)
- B Statistical projections are available on the council's website. A local housing market area assessment is currently being undertaken which will determine the need at local area levels, including Hereford City, by giving consideration to the various methodologies used to date, resulting in an overall level of affordable housing need. Delivery of this is expected in early 2011.
- C National Household projections can be disaggregated down to regional and sub-regional levels. This was done as part of the Examination in Public into the Regional Spatial Strategy last year and, on the basis of that evidence, a figure of 18,000 new homes is projected for the period 2006 to 2026.

### Supplementary question

There has been a varying number of homes built over the last 14 years with an average of 780 homes a year. Due to the recession it is likely to be an average of 600 a year over the next 15 years, which amounts to 9,000 in total of which 3,000 is likely to be social or affordable housing. Is this figure enough housing for the county?

### Answer from Councillor JG Jarvis, Cabinet Member Environment and Strategic Housing

Collectively many housing schemes will bring forward 900 homes per year as opposed to the 600 quoted; much of which will be affordable homes.

### Question from Councillor AT Oliver

## MEMBERS' QUESTIONS TO COUNCIL – 19 NOVEMBER 2010

- 12 There are concerns as to whether all professionals involved in child safe-guarding are sharing the information they hold with other agencies on each case, due to considerations of confidentiality. As the sharing of information is vital to the process for protecting children can we be assured that these confidentiality issues have now been entirely resolved?

### **Answer from Councillor JA Hyde, Cabinet Member Children's Services**

Answer to question 12

Considerations of confidentiality should not be a barrier to information sharing in the interests of safeguarding. Every effort is being made to ensure that protocols remain fit for purpose and that all staff and relevant professionals are aware of the overriding imperative to protect the vulnerable within our community, and of their responsibilities in this regard.

### **Supplementary question**

It is understood that GPs instruct health visitors not to pass on information if they have concerns with the safeguarding agencies. Can the Cabinet Member confirm this?

### **Answer from Councillor JA Hyde, Cabinet Member Children's Services**

Safeguarding vulnerable children and adults is paramount. The comments made will be picked up with the local teams and a written answer provided. Herefordshire is however, in a better position than many authorities although we must never be complacent.

### **Question from Councillor AT Oliver**

13A *What is the current amount of prudential borrowing by the Council, and how much of this borrowing has been spent on each project financed this way?*

B *What is the annual cost to each Council Tax payer of financing this borrowing?*

### **Answer from Councillor H Bramer, Cabinet Member Resources**

Answer to question 13

I refer to the answer given by the Leader to question 10A.

### **Supplementary question**

Is the Cabinet Member aware that as prudential borrowing was at £28m in 2009 and is at £41m to date, can he advise what the balance of the £13m has been spent on and what individual projects has the Director of Resources allocated these funds to?

### **Answer from Councillor H Bramer, Cabinet Member Resources**

The Cabinet Member advised that he was happy to provide a written answer to the question with a breakdown of where the £13m has been allocated.



**Deputy Chief Executive's Office**

Dean Taylor

Councillor Oliver  
Via Email

Your Ref:

Our Ref:

Please ask for: Sally Cole

Direct Line / Extension: 01432 260249

Fax: 01432 261868

E-mail: scole@herefordshire.gov.uk

4 January 2011

Dear Councillor Oliver

**QUESTIONS TO COUNCIL - 19 NOVEMBER 2010**

I refer to your question to Council when you raised a supplementary question on prudential borrowing and the discussion we have had in relation to this. Below is a response to the question from the Resources' directorate.

Answer:

The £28m prudential borrowing (PB) figure as at 1 April 2009 is quoted net of debt repayments (MRP).

The £41m figure is total PB used to fund capital expenditure from 1 April 2004 to 31 March 2010, when debt repayments (MRP) are deducted the £41m reduces to £35.3m as at 31 March 2010.

The main schemes funded by PB in 2009/10 are as follows:

- Herefordshire Connects £2.4m.
- Corporate accommodation £2.0m.
- Rotherwas Futures £1.2m.
- Mortgage rescue £0.6m.

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Working in partnership for the people of Herefordshire  
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Herefordshire Council  
NHS Herefordshire

Main Switchboard (01432) 260000, [www.herefordshire.gov.uk](http://www.herefordshire.gov.uk)  
Main Switchboard (01432) 344344, [www.herefordshire.nhs.uk](http://www.herefordshire.nhs.uk)

Smaller schemes (less than £500k each), which the main ones were – the data centre, Grafton depot demolition, low cost home ownership, Rotherwas relief road, Master's house, city centre enhancements, disabled facilities grants and Sustrans.

Please accept my apologies for the delay in forwarding the response.

Yours sincerely

**SALLY COLE  
COMMITTEE MANAGER EXECUTIVE  
ASSISTANT DIRECTOR'S OFFICE  
LAW AND GOVERNANCE**

Copy to: Director of Resources

<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>4 FEBRUARY 2011</b>
<b>TITLE OF REPORT:</b>	<b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR LAW AND GOVERNANCE</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To receive any questions from members of the public deposited more than eight clear working days before the meeting of Council.

### **Introduction and Background**

- 1 Members of the public may ask a question of a Cabinet Member or Committee or other Chairmen. Written answers will be circulated to Members, the press and public prior to the start of the Council meeting. Questions subject to a Freedom of Information request will be dealt with under that separate process.
- 2 Standing Order 4.1.14.4 of the Constitution states that: a question may only be asked if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than midday eight clear working days before the day of the meeting (ie the Monday of the week preceding the Council meeting where that meeting is on a Friday). Each question must give the name and address of the questioner and must name the person to whom it is to be put.
- 3 A questioner who has submitted a written question may also put **one** brief supplementary question without notice to the person (if s/he is present at the meeting) who has replied to his or her original question. A supplementary question must arise directly out of the original request or reply. The Chairman may reject a supplementary question on any of the grounds for rejecting written questions set out in these Council rules or if the question is too lengthy, is in multiple parts or takes the form of a speech. In any event, any person asking a supplementary question will be permitted only **1 minute** to do so.
- 4 The Monitoring Officer may reject a question or a supplemental question if it:
  - Is not about a matter for which the Council has a responsibility or which affects the County or a part of it;
  - Is illegal, scurrilous, defamatory, frivolous or offensive or otherwise out of order;
  - Is substantially the same as or similar to a question which has been put at a meeting of the

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Further information on the subject of this report is available from  
Chris Chapman, Assistant Director Law and Governance on (01432) 260200

Council in the past six months or relates to the same subject matter or the answer to the question will be substantially the same as the previous answer;

- Requires the disclosure of confidential or exempt information;
- Relates to a planning or licensing application;
- Relates to an employment matter that should more properly be dealt with through the Council's Human Resources processes.

5 There will be a time limit of a maximum of 30 minutes for public questions and of 30 minutes for Members' questions. If either public or Member questions are concluded in less than 30 minutes, then the Chairman may allow more time for either public or Member questions within an overall time limit of one hour for all questions and supplementary questions. There will normally be no extension of time beyond one hour, unless the Chairman decides that there are reasonable grounds to allow such an extension, and questions not dealt with in this time will be dealt with by written response. The Chairman will decide the time allocated to each question.

## **Questions**

6 13 questions have been received by the deadline and are attached at Appendix 1.



## **PUBLIC QUESTIONS TO COUNCIL – 4 FEBRUARY 2011**

### **Question from D Phelps, Hereford**

#### Question 1

The JOINT CORPORATE PLAN under 'Economic development and enterprise' seeks as a LONG TERM OUTCOME 1.1, 'Higher quality, better paid jobs and reduced unemployment' and one of the Council's justifications for growth is the need to improve wages and services in the county:

*How many jobs have been created and how much have wages increased in Herefordshire as a result of new housing built over the last five years?*

### **Question from A Fisher, Hereford**

#### Question 2

The draft JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 dated 12 January 2011 indicates Local Transport Plan funding has been cut but that further funding may be available for 'both capital and revenue need' through the new Local Sustainable Transport Fund (para 2.9.1)

*What steps is the Council taking to ensure that it retains and enhances its capacity to plan and deliver modal shift to walking cycling and public transport in the face of cuts in grant funding, the availability of the new Local Sustainable Transport Fund and its decision to shed 250 FTE posts?*

### **Question from Mrs J Straker, Fownhope, Hereford**

#### Question 3

JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12, New Homes Bonus

*How will the Council spend the estimated £660,000 p.a. it expects to receive from the New Homes Bonus?*

## PUBLIC QUESTIONS TO COUNCIL – 4 FEBRUARY 2011

### Question from D Straker, Fownhope, Hereford

#### Question 4

JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12, New Homes Bonus

*Since the Council is expecting income from the New Homes Bonus, where will the new homes in Herefordshire be built between now and 2014 (please indicate numbers of homes in each location)?*

### Question from C Nicholls, Sutton St Nicholas, Hereford

#### Question 5

JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12, New Homes Bonus.

*Given the reduced resources in the period ahead and the Council's expectations of earnings from the New Homes Bonus, how many new homes earning the New Homes bonus will be built in Herefordshire between now and 2014 and of these how many will be affordable?*

### Question from S Brown, Buchnell, Herefordshire

#### Question 6

THE HEREFORDSHIRE PUBLIC SERVICES VISION refers to Long Term Outcomes of 1.1 'The regeneration of Herefordshire', and 4.3 'Enhancing local democracy and community engagement' while the report to Cabinet on the Joint Corporate Plan states that 'all the key issues the people of Herefordshire regard as important, drawn from various consultations' are capable of being covered in the plan'...

*What account has been taken of the 13000 signature petition given to Herefordshire Council asking for a halt to the ESG retail centre and a re-assessment?*

## PUBLIC QUESTIONS TO COUNCIL – 4 FEBRUARY 2011

### Question from B Mee, Hereford

#### Question 7

JOINT CORPORATE PLAN, 'PRIORITY THEMES', STRATEGIC OBJECTIVE 1. 'Improve infrastructure and learning and employment opportunities, enabling business growth and sustainable prosperity for all'; LONG TERM OUTCOMES 1.5, 'Better roads, reduced traffic congestion, with more people walking, cycling or using public transport'.

*'More people walking, cycling and using public transport' has been a stated policy aim of Herefordshire Council for some time. As a result of its level of investment in sustainable transport measures in the Council's first two Local Transport Plans, how many car trips have been transferred to walking, to cycling, and to public transport so far and how many more car trips does the Council intend to transfer to these modes as a result of future investment under 'the reduced resources in the period ahead'? (para 5 in the report to Cabinet on the Joint Corporate Plan 20 January 2011)*

### Question from Mrs P Hughes, Hereford

#### Question 8

JOINT CORPORATE PLAN, 'PRIORITY THEMES', STRATEGIC OBJECTIVE 1. 'Improve infrastructure and learning and employment opportunities, enabling business growth and sustainable prosperity for all'; LONG TERM OUTCOMES 1.5, 'Better roads, reduced traffic congestion, with more people walking, cycling or using public transport'.

*What levels of walking, cycling and public transport use (and by what year) will enable the Council to determine how well it is progressing on this 'long-term outcome'?*

### Question from Ms C Protherough, Clehonger, Hereford

#### Question 9

The draft JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 dated 12 January 2011 states that 'the financial management strategy for increasing capital investment capacity centres on maximising developers' contributions ...' (para 7.9.6)

*What impact will the Council's plans to maximise developer contributions have on the rate of house-building in the County and in particular on the rate of build of affordable homes?*

## PUBLIC QUESTIONS TO COUNCIL – 4 FEBRUARY 2011

### Question from Ms P Mitchell, Hereford

Question 10

JOINT CORPORATE PLAN, 'VISION' Value for money

*What are the Council's criteria for demonstrating 'value for money' and how will both these criteria and demonstrations of value for money be made available to the public?*

### Question from Mrs M Brown, Hereford

Question 11

THE JOINT CORPORATE PLAN refers to 'Affordable housing appropriate to people's needs' (Long term outcome 5.3)

*How have the Comprehensive Spending Review, public sector cutbacks, increased unemployment and the 'reduced resources for available in the period ahead' (Report to Cabinet on Joint Corporate Plan 2011-2014, para 5) affected the number of affordable homes needed in Herefordshire and the Council's ability to ensure that they are supplied over the life time of the JCP?*

### Question from Ms M Burns, Hereford

Question 12

THE JOINT CORPORATE PLAN refers in 'OUR VISION' to 'avoidable ... accidents' and 'doing all we can to combat climate change' and its 'PRIORITY THEMES', STRATEGIC OBJECTIVES and 'LONG TERM OUTCOMES' specifically set many goals that would be supported by fairer management of the road network to improve conditions for pedestrians and cyclists of all ages (for example LONG TERM OUTCOMES 1.5, 'Better roads, reduced traffic congestion, with more people walking, cycling or using public transport', 3.1 'Children and young people are healthy and have healthy lifestyles with less obesity...', 4.5 'Fewer accidents and injuries', 6.2 'Reduced CO2 emissions ..', 6.5 'Investment in high quality streets...' etc. etc.

*When will the Council 'spend to save' and get value for money by introducing 20mph speed limits in all residential and shopping streets and continuous pavements and mandatory cycle lanes on higher speed roads in order to ensure that the road networks in Hereford and our market towns are attractive and safe for sustainable active travel on foot and by bicycle?*

## PUBLIC QUESTIONS TO COUNCIL – 4 FEBRUARY 2011

### Question from S Rowe, Hereford

#### Question 13

JOINT MEDIUM TERM FINANCIAL STRATEGY According to p65 of the draft Joint Medium Term Financial Strategy, annual capital expenditure will fall from nearly £75m in 2010/11 to under £15m in 2013/14.

*What specific areas of the Council's operations are covered by this capital expenditure and how will the proportions of the available funds spent on each vary between 2010/11 and 2013/14?*



<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>4 FEBRUARY 2011</b>
<b>TITLE OF REPORT:</b>	<b>DRAFT FINANCIAL STRATEGY 2011/14</b>
<b>REPORT BY:</b>	<b>LEADER OF THE COUNCIL</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To propose the three year draft financial strategy for 2011/14 that includes the 2011/12 budget.

### **Recommendation(s)**

**THAT Council:**

- (a) **approve the Medium Term Financial Strategy (MTFS) shown in Appendix A, which includes the 2011/12 budget, and Treasury Management Strategy and Policy Statement; and**
- (b) **approve a freeze of Council Tax for 2011/12 at 2010/11 levels;**

### **Key Points Summary**

- On 20 January Cabinet agreed the attached MTFS for recommendation to Council.
- On 20 January Cabinet also agreed to recommend a freeze of Council Tax for 2011/12 at 2010/11 levels.
- A set of principles and priorities has been developed and used to assess all proposals and the resultant service changes.
- On 14 January 2011 Overview and Scrutiny considered a report on the MTFS and Budget Update; their views, including endorsement of the budget principles and priorities, were reported to Cabinet on 20 January.
- The Council will set its Council Tax on 4 March 2011 based on a balanced budget. It cannot budget for a deficit. Any proposals to increase expenditure in one service area must be matched by compensatory reductions elsewhere in the budget.
- Analysis of the local government settlement has confirmed a number of grants have ceased,

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Further information on the subject of this report is available from  
David Powell, Director of Resources on (01432) 383519

others have reduced and are now part of the “general” Formula Grant.

- Herefordshire has been adversely affected by funding formula changes.
- A Star Chamber process has been used by Joint Management Team (JMT) to identify and challenge savings proposals and service pressures.
- The budget makes temporary use of reserves to support concessionary fares and to balance the impact of reductions over the two financial years of the settlement.
- Appropriate management of specific reserves in order to provide adequate financial reserves.

## **Alternative Options**

- 1 Cabinet has proposed a balanced budget for 2011/12 and this is summarised in the Financial Resource Model (FRM) in the attached MTFs. It incorporates inflation, service pressures and other spending requirements, the financing of which has been identified from within the Formula Grant, service efficiencies and reductions and council tax.

## **Reasons for Recommendations**

- 2 The proposed MTFs, shown in Appendix A, provides a financial planning framework for the next three years.

## **Introduction**

- 4 Council is requested to consider the budget proposals set out in the MTFs that reflect the following resolution agreed by Cabinet on 20 January 2011:
  - a. “The attached MTFs including the overall 2011/12 budget be agreed for recommendation to the Council; and
  - b. A freeze of Council Tax for 2011/12 at 2010/11 levels for recommendation to Council.”

## **Comprehensive Spending Review (CSR10)**

- 5 CSR10, announced on 20 October 2010, was largely in line with the anticipated position and this in turn influenced the local government settlement announced on 13 December 2010. In summary CSR10 meant the following for Herefordshire:
  - If local authorities wish to take part in the voluntary scheme, council tax in 2011/12 will ‘have the tax base funded at a rate of 2.5% in each year of CSR10’. Herefordshire intends to take advantage of this to freeze council tax.
  - By 2014/15, £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn; in 2011/12 the addition is £530m. In 2011/12 this is an additional £1.96m for Herefordshire and a further £1.48m in 2012/13.
  - £1bn of funding will be provided through the NHS budget to support joint working between the NHS and local authorities in the provision of social care. For Herefordshire this is £2.368m, and will be transferred from the NHS against an agreed business case.
  - All ring fencing on grants will be removed, apart from a total of nine grants, including the Dedicated Schools Grant (DSG) and a new grant for public health, to be introduced in 2013. For Herefordshire this means we will have only six specific grants.



- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period; this includes £2.5bn of funding nationally allocated at £430 per pupil in receipt of free school meals. In 2011/12 Herefordshire estimates it will receive just over £1m. Further instalments are expected in future years.
  - The number of transport grants to councils is to be reduced; however, councils will gain greater control and flexibility over spending these grants.
  - Bus Operators' Subsidy will be reduced by 20%, but the statutory concessionary travel entitlements remain in place.
  - A 'New Homes Bonus' will be introduced to 'reward' councils granting planning permission for the construction of new homes, by matching council tax receipts for each new home built for a number of years, with an additional premium added. It is estimated that this will provide Herefordshire with £660k per annum.
  - The Regional Growth Fund totals over £1.4bn over three years. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.
  - Revenue grants to local authorities from DfT will be reduced by 28%.
  - From April 2011 grants currently paid outside Formula Grant worth more than £4bn will be rolled into Formula Grant. For Herefordshire this is an estimated £13.55m.
  - From 2013/14 Council Tax Benefit (CTB) will be localised. We await details of this change.
- 6 The announcement on 13 December included a significant factor that added to the pressure already faced in 2011/12. This sees the front loading of funding reductions and the profile of reduction is therefore uneven with Herefordshire facing 13.3%, 8.6% and 1.9% reductions for the next three years.

## **Local Government Finance Settlement 2010**

- 7 The settlement was announced on 13 December 2010 and was then subject to consultation. As previously indicated CSR10 and the subsequent settlement form part of the Government's deficit reduction plan. In year savings for 2010/11 have already been made.
- 8 The settlement gives local government greater flexibility to take decisions locally. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found. However, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.
- 9 The settlement covers two years (unlike CSR10 that covers the next four years). The shorter time frame is because local government is expected to have a new funding distribution system from 2013. It is anticipated that consultation on changes will commence in 2011.
- 10 The number of specific grants has reduced dramatically. In 2011/12 Herefordshire will receive only six specific grants compared with approximately 70 it received in 2010/11. The majority of funding is now via the general Formula Grant and this has been subject to a reduction of £11.008m for 2011/12 when compared with a like for like 2010/11 total for Formula Grant (plus grants rolled into Formula Grant for 2010/11). In summary this is as follows, and the table shows its impact of the overall savings target:

	<b>£'000</b>
2010/11 Formula grant	57,583
Grants rolled into Formula Grant	13,550
<b>TOTAL</b>	<b>71,133</b>
2011/12 Formula Grant	60,155
<b>TOTAL loss in Formula grant</b>	<b>11,008</b>
Grants reduced or ceased	-2,566
NHS funding transferred to the Council	2,368
<b>Net funding reduction</b>	<b>11,206</b>
Budget no longer required in 2011/12	-904
<b>Total savings required for 2011/12</b>	<b>10,302</b>

- 11 In addition a number of grants have been reduced or have ceased and these total £2.566m. However, £2.368m in NHS funding will be transferred to the Council to provide support for Social Care. After the removal of temporary changes in budget (only valid for 2010/11) the net savings requirement is £10.302m.
- 12 The Council will receive £1.961m as part of the national allocation for Personal Social Services but this is within the 2011/12 Formula Grant total of £60.155m.
- 13 As part of the local government settlement, the government reviews the funding formula that distributes funding to local authorities. The settlement indicates that the Council has been badly hit by changes to the formula. The net reduction in grant is £2.7m, with the main variation arising from changes to concessionary travel funding distribution.
- 14 The Formula Grant consultation launched in the summer of 2010 presented 40 options for the transfer, with losses ranging from £1.5m-£3.5m for Herefordshire, based on the 2010/11 settlement. Due to the inherent unfairness of the transfer for unitary authorities we worked with organisations such as SPARSE Rural, the Society of County Treasurers and the Local Government Association to persuade the government of this view. Subsequently, a 41<sup>st</sup> option was considered, which ensured a zero loss for all unitary authorities. This option was not supported by Government.

## Budget and Policy Process

- 15 The authority has been preparing for the funding reduction for some time. In late 2009 there was evidence that public finances would be reduced to meet the growing national deficit. As a result the process of preparing for the 2011/12 budget commenced as part of setting the current year's (2010/11) budget. In 2009 directorates were asked to submit proposals for an anticipated 5% year on year reduction as part of the overall resource allocation framework. This approach used an estimated 15% reduction in government funding over three years that

represented a best estimate in 2009 of the impact on local government of measures to address the national deficit. These figures were built into the 2010 Medium Term Financial Strategy (MTFS) agreed by Council in March 2010.

- 16 A series of meetings (Star Chambers) have been held by JMT in preparation for the anticipated financial pressures ahead where Directors were challenged by the Chief Executive, Deputy Chief Executive and Director of Resources about savings targets and financial pressures. Over the same period Cabinet has met informally to consider the emerging picture. Joint meetings have also been held with the Non-Executive Directors of NHSH to consider the impact across HPS. These preparations were focussed on the anticipated dates of Government announcements.
- 17 The local government settlement was announced on 13 December 2010. This was one of the latest announcements in recent times. The settlement includes a reduction in Formula Grant funding of £11.008m when comparing a rebased 2010/11 funding position with 2011/12. After taking into account further reductions and allowing for additional allocations of social care funding there is a net funding loss of £11.206m in 2011/12.
- 18 It is proposed that the 2011/12 budget will also include the setting up of a budget management reserve to be held on the balance sheet. In line with current policy the general fund reserve will remain at a minimum of 3% of net budget. This means that the general fund reserve will be £4.5m in 2011/12.

## Star Chambers

- 19 The overall budget and policy process is now concluding. The Star Chambers had four key aims:
- To sign off the ongoing 5% savings previously identified for 2010 and beyond.
  - To review future savings identified in Star Chambers earlier in 2010.
  - To identify further cross-cutting savings from the 'Rising to the Challenge' transformation programme and challenge existing proposals. These are primarily Streamlining the Business (shared services, organisational redesign, office accommodation and commercial strategy), People & Performance (reducing the pay bill, agency spend), Communities First (property review) and Customer Services (replacement CRM).
  - To challenge and review all submitted service pressures.
- 20 The Star Chamber process used a set of core principles and priorities to guide the search for further savings and the necessary service changes. These re-emphasised the need to bring policy based issues to the centre of the process. Given the financial challenge ahead, the following core principles for the future were agreed.

PRINCIPLE	IMPACT
<b>Valued Services</b>	<ul style="list-style-type: none"> <li>• Focusing on what matters to people, core business, stopping things we don't need to do</li> </ul>
<b>Cutting Red Tape</b>	<ul style="list-style-type: none"> <li>• Less regulation and bureaucracy, smaller local government</li> </ul>

<b>Supporting the Vulnerable</b>	<ul style="list-style-type: none"> <li>Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention</li> </ul>
<b>Cutting Costs</b>	<ul style="list-style-type: none"> <li>Reducing the pay bill; third party spend savings; smarter delivery</li> </ul>
<b>Local Delivery</b>	<ul style="list-style-type: none"> <li>Devolution, role of parishes and the Voluntary Community Sector; working through the nine localities</li> </ul>
<b>Personal Responsibility</b>	<ul style="list-style-type: none"> <li>Self reliance, people and communities helping themselves, behavioural change</li> </ul>

21 Alongside these principles the priorities to be delivered in the medium term were expressed in the form of the Joint Corporate Plan (JCP), which appears elsewhere on the Cabinet agenda.

<b>PRIORITY</b>	<b>IMPACT</b>
<b>A resilient Herefordshire</b>	<ul style="list-style-type: none"> <li>Preserving our environment and access to the countryside</li> <li>Promoting access to services in rural areas</li> <li>Strong voice in the region</li> </ul>
<b>Creating a strong economy</b>	<ul style="list-style-type: none"> <li>Regeneration of Hereford; delivery of Hereford Futures</li> <li>Delivery of key infrastructure for growth</li> <li>Small business growth: jobs and wages; broadband</li> </ul>
<b>Raising Standards for Children &amp; Young people</b>	<ul style="list-style-type: none"> <li>An affordable education system</li> <li>Meeting safeguarding standards</li> <li>Increasing primary school and pupil performance</li> </ul>
<b>Improving Health Care and Social Care</b>	<ul style="list-style-type: none"> <li>Reforming care for Older People</li> <li>Creation of the ICO: April 2011</li> <li>Planning for GP Consortium and Health Promotion changes</li> </ul>
<b>Promoting self reliant local communities</b>	<ul style="list-style-type: none"> <li>A balanced housing market</li> <li>Reducing fear of crime</li> <li>Encourage community and parish planning</li> </ul>
<b>Commissioning the right services</b>	<ul style="list-style-type: none"> <li>Streamlining working practices</li> <li>High levels of customers and citizen satisfaction</li> <li>A High quality workforce</li> </ul>

22 The Rising to the Challenge programme is the prime delivery mechanism for the budget saving and organisation change which the proposals represent. Realisation of benefits will be a key focus of this, with individual directors being accountable for delivery.

23 Given the settlement only covers two years, more detailed financial planning over the two year period has been conducted based on the Joint Corporate Plan. The settlement announced on 13<sup>th</sup> December 2010 was worse than anticipated in terms of total reduction and timing of the reductions and therefore required a further phase. This led to the development of a further set of principles to help refine the budget proposals. These principles are as follows:

- Grant reductions and grants that have ceased will not be back-filled and therefore the grant-funded activity will cease with the grant. If the service considers the activity to be critical and therefore wish to continue funding, compensatory savings must be made from elsewhere within the relevant directorate budget.
- Any growth requirement will need to be self funded by directorates.
- The additional sums provided for Adult Social Care as part of the settlement and also via Health (on the basis of an agreed business case) will be added to the overall control total for adult services. This amounts to £4.3m.
- There will not be any additional capital borrowing in 2011 apart from meeting agreed prior year decisions that still have a sound business case, any Health & Safety issues or where borrowing commitments cover projects already being delivered. Spend-to-save funding will be made available where a sound business case demonstrates a positive revenue contribution.
- Inflation at 2% will be applied to budgets, and discretionary fees and charges. An holistic review of fees and charges, as part of the emerging income policy, will be undertaken in the coming months; any future decisions arising from that review regarding levels of fees and charges will need to take account of consequent implications for the overall budget.

## **Budget Setting Principles**

24 The attached draft MTFs includes the Council's financial model. This indicates the amounts built in to meet unavoidable commitments. It also includes reductions to balance the budget. Key points included in the model are as follows;

- a. Inflation: The model includes net inflation of £2.962m. It assumes that inflation will be added to discretionary fees charges. In previous years an allowance for inflation has not been applied to the budget as part of efficiency savings. This approach is no longer sustainable and therefore inflation is included as part of the 2011/12 budget framework.
- b. Additional funding for Adult Social Care: The council will passport to Adult Social Care the £1.96m for adult services included in the Formula Grant and the £2.37m of funding from the NHS included in the CSR10 announcement; this totals £4.3m. In order to support the transformation of adult services £750k of funding now included in Formula Grant will also go to adult services. This will enable a continuation of the activity commenced using the 2010/11 social care reform grant that is now part of general funding in 2011/12. After the provision of inflation the gross addition is £6m.
- c. Shared Services: Funding and savings associated with the Shared Services programme are included in the financial model.
- d. Budget Management Reserve: The potential pressures associated with the reduction in funding will require adequate reserves. The budget will include a £500k contribution to a specific budget management reserve. This will be brought to a level of £1m by the addition of £500k following a review of existing specific reserves.

- e. Change Management Reserve: In 2010/11 a budget was established to support costs associated with staff reductions. In 2011/12 the annual budget will increase to £1m.
- f. Use of Reserves: Changes to the local government funding formula remove £2.7m of funding in 2011/12. The main reduction affects concessionary fare funding. In 2010/11 gross expenditure on concessionary fares of £1.8m is projected. In order to support concessionary fares' funding it is proposed £1m is temporarily used from specific reserves to ease financial pressure in this area. This demonstrates the benefits of financial planning over more than one year with the sum being repaid in 2012/13 and to be included in the budget for that year.
- g. The Council will take advantage of government funding up to 2.5% of council tax increase and this is included in our financial plan. For Herefordshire this is £2.15m;
- h. An additional 0.7% of pay is included for the outcome of the actuary's revaluation of the pension fund;
- i. The front loading of government funding reductions announced in CSR10 is now included in the financial plan.

## Savings proposals

25 Savings proposals have been framed as set out in the two tables below.

26 The following table provides the summarised information by directorate.

	<b>2011/12</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>	<b>TOTAL</b> <b>£'000</b>
<b>Adult Services</b>	2,649	2,383	5,032
<b>CYPD</b>	1,747	839	2,586
<b>DCX</b>	1,033	853	1,886
<b>Public Health</b>	297	278	575
<b>Resources</b>	544	338	914
<b>Sustainable Communities</b>	2,200	1,092	3,292
<b>Commercial Strategy</b>	1,832	0	1,800
<b>TOTAL</b>	<b>10,302</b>	<b>5,783</b>	<b>16,085</b>

As indicated in paragraph 11 the overall 2011/12 savings requirement being built into the budget totals £10.302m and can be analysed against the budget principles.

<b>Savings analysed by budget principle</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>TOTAL £'000</b>
Valued Services	1,925	394	2,319
Cutting Red Tape	729	570	1,299
Supporting the Vulnerable	453	250	703
Cutting Costs	6,743	4,166	10,909
Local Delivery	202	253	455
Personal Responsibility	250	150	400
<b>TOTAL</b>	<b>10,302</b>	<b>5,783</b>	<b>16,085</b>

## Directorate Savings Measures

### Adult Services

- 27 The 2011/12 net budget for adult services will see a £3.5m net increase compared with 2010/11. This has been achieved by passporting additional sums included in the settlement, funding inflation, and funding to support the continuing transformation of services in this key area.
- 28 The level of savings required is £2.6m but this is allowed for when proposing the net £3.5m increase. Transformation of services is a key requirement to deliver a balanced budget in 2011/12. An emphasis on reablement via the intermediate care team, that became operational in November 2010, will support changes to care patterns. A review of homecare packages by the newly established review team will also produce efficiencies. Along with the remodelling of contracts these measures produce £1.679m of savings.
- 29 Changes to residential care contracts, reductions in learning disabilities day care, staffing efficiencies in non front line areas, and a review of processes will produce a further £970k thus giving the overall savings total of £2.649m.

### Children and Young People's Directorate

- 30 The directorate has been particularly affected by the government's decision to abolish 13 specific grants totalling £1.1m. These are not being replaced by central government, as they reflect changes in policy at a national level.
- 31 The overall total of net savings required to be made by the directorate is £1.747m. Organisational restructuring leading to fewer staff in central areas will produce £840k of savings. Contract development and renegotiations will produce £547k of savings. The balance includes service development to reduce the need for children and young people to be looked after thereby reducing the demand on agency and placement budgets. The directorate will also seek to increase revenue from trading services. A review of options for the future scope and delivery of youth services is to be carried out. Schools transport will also be required to deliver savings and discretionary 16+ transport will contribute £46k.

## **Deputy Chief Executive**

- 32 The directorate will be affected by Shared Services and much of the savings come from this area making a significant contribution to the £1.033m requirement. An emphasis on reducing the pay bill sees all areas reduce staffing levels. The directorate will also make £50k savings from the new arrangement for Coroner's Services. A further reduction in the number of issues of Herefordshire Matters will also make a saving. Additional efficiency measures contribute a further £50k.

## **Public Health**

- 33 The overall savings requirement of £297k is being met through a targeted reduction in regulatory services and a redesign of the service.

## **Sustainable Communities**

- 34 As part of the Organisational Design project the directorate will deliver £951k of savings. With a move to statutory guidance on times for concessionary travel a £153k saving is projected. This is the only saving being sought in this area as a result of temporary support from reserves.
- 35 The library service will provide £130k. The library service in Herefordshire has been involved in a government funded pilot to assess the opportunities for future opportunities for the service balanced with financial constraints. A remodelled service that focuses on local delivery, co-location and making the most of the resources available is to be evolved; this includes ending the mobile library service, although alternative arrangements for a cost effective home delivery service are being pursued to support the most vulnerable
- 36 A reduction in the management fee to Halo Leisure and the Courtyard will provide £69k.
- 37 The balance of the £2.1m savings comes from service efficiencies, redesign of the shop mobility service, establishing a cultural trust and seeking income targets for various activities.

## **Resources**

- 38 Shared Services programme will produce savings based on staffing reductions along with further efficiencies in business processes. The externalisation of Internal Audit will also see a reduction in some costs resulting from the move to a level of audit days in line with comparable authorities.

## **Financial Management and Use of Reserves**

- 39 It is important that the Council has appropriate levels of reserves at a time of financial challenge. The current policy for the general fund reserve requires it to be 3% of net revenue budget. The total net budget for 2011/12 is £148.8m and will require a general reserve of £4.5m. In addition our non schools specific reserves total £7.87m.
- 40 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on "repayment" should be the directorate that has overspent in the previous year.
- 41 In 2010/11 the Council spent approximately £1.8m on concessionary fares. It is estimated that in 2011/12 £1.6m is required after savings outlined for the Sustainable Communities budget. Given that changes to the Formula Grant have reduced this funding, steps will be



taken to ensure £1.6m will be available for 2011/12. Measures will include the temporary use of £1m of the Council's Waste Reserve, with repayment in 2012/13.

- 42 The requirement to manage closely the 2011/12 net budget will be assisted by the introduction of the Agresso system that will bring together systems that are currently separate. A further enhancement to monitoring will be the extended role of the Benefits Board that currently looks at Shared Services benefits and business cases. From April 2011 it will also monitor budgets and work with directorates to ensure the 2011/12 savings targets are met.

## **2012/13 Settlement**

- 43 The two year settlement provisionally allocates £54.4m of Formula Grant to Herefordshire for 2012/13 with a new funding distribution methodology to be in place for 2013/14. For this reason local authorities have a two year financial settlement compared with the four year timeframe of CSR10.
- 44 The timing of the reductions in government funding mean that 2011/12 and 2012/13 will both be very challenging. The minimum level of additional savings for 2012/13 will be the further reduction in Formula Grant of £5.7m. Directorates have produced savings in preparation. Early in 2011/12 we will commence preparation for the following year's budget in line with a new administration's priorities.

## **Schools Budget Settlement**

- 45 The Government has announced the schools budget settlement for 2011/12 which confirms that there will be no increase nationally in the per pupil allocation for DSG in 11/12. Herefordshire will continue to receive the same rate as 2010/11 i.e. £4,002.11 per pupil and the Minimum Funding Guarantee (MFG) is set at -1.5%.
- 46 The DfE have also confirmed that direct school grants have been mainstreamed into the DSG unit of funding. Schools are to required to receive the same amount in grants per pupil in 2011/12 as in 2010/11 (subject to the MFG of -1.5%) This has increased the amount of per pupil funding in DSG from £4,002.11 to £4,723.65 per pupil. Schools will be protected for School Standards Grant and School Development Grant (including specialism grants). It also ensures that the grants will reduce automatically in the same way that DSG reduces as a result of falling rolls.
- 47 For 2011/12 the pupil premium has been set at £430 per "free school meals" pupil and £200 for "service children". This is estimated to bring an additional £1m into Herefordshire schools for the basic pupil premium. This is the first instalment of the four year phased implementation of the pupil premium so it is expected to be eventually worth up to £1,720 per free school meals pupil.
- 48 A "per pupil grant" factor will be added to the schools funding formula so that the actual 2010/11 per pupil grant amounts received by each school can be included in the 2011/12 school budgets and protected by the MFG. The constituent grants and the equivalent amount per pupil are shown in the table below;

<b>DIRECT GRANTS TO SCHOOLS IN 2010/11</b>	<b>£'000</b>
Schools Standards Grants	4,372
Schools Standards Grants (P)	967
School Development Grant (SDG) – Main	5,675
SDG - Specialist Schools	1,395
SDG - High Performing Specialist Schools	522
School Lunch grant	239
Ethnic Minority	46
1-2-1 tuition	760
Extended Schools Sustainability	723
Extended Schools - Disadvantaged Subsidy	514
National Strategies – Primary	745
National Strategies – Secondary	283
Diploma Formula Grant	34
<b>SUB TOTAL</b>	<b>16,275</b>
<b>PER PUPIL (£)</b>	<b>£721.54</b>

- 49 The predicted shortfall in the Herefordshire schools budget is estimated to be £1.5m which arises from a budget loss of £500k due to falling rolls and a potential increase in 2011/12 spending commitments of £1m – that includes £482k for Special Educational Needs (SEN) complex needs out county placements.
- 50 Additional spending pressures from growth in pupil numbers, free school meals or other school budget factors cannot be confirmed until January Pupil Level Annual School Census (PLASC) details are available and the final banded funding allocation meeting in February

## **Fees and Charges**

- 51 The Council has benchmarked its level of income from fees and charges and the results show that Herefordshire recovers a comparatively small part of its costs through charges. Whilst the level of cost recovery through charging requires any conclusion to be handled carefully, the evidence suggests further investigation is needed about appropriate charging levels.
- 52 In 2011/12 an holistic review of income generation opportunities, including fees and charges will enable the administration to determine its approach, taking into account any consequential impacts on the budget.
- 53 The 2011/12 budget assumes an inflationary uplift on discretionary fees and charges and this

is included in the net budget inflationary uplift.

## **Medium Term Financial Strategy 2011/14**

- 54 The MTFS covers financial years 2011 to 2014. The MTFS is a key part of the integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.
- 55 The strategy covers local and national factors affecting financial planning for public services in Herefordshire. Clearly CSR10 features as a key influence on our planning along with the local government finance settlement.
- 56 The Council is required to approve the Treasury Management Strategy Statement (TMSS). This includes the Council's Minimum Revenue Provision (MRP) and Prudential Indicators. The annual treasury management strategy includes these as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2011/12, is part of the MTFS provided at Appendix A and complies with the detailed regulations that have to be followed. The Treasury Management Strategy is a key element of the overall financial management strategy. It supports achievement of several corporate financial objectives, including creating financial capacity within the revenue account as it aims to optimise investment and borrowing decisions.
- 57 The MTFS contains the council's financial model that has been amended for the two year settlement. As a result the third year of the model has made an assumption about the likely level of Formula Grant from government. This is because the Formula Grant will be subject to variation arising from any changes in the local government funding formula that will be consulted upon over the coming year and will come into effect in 2013/14.

## **HR Implications**

- 58 The number of posts (Full Time Equivalents) that would be deleted from the organisation as a result of the budget proposals has been assessed. The current estimate is that up to 250 FTE posts will be deleted from the organisation.
- 59 Reductions in post will be subject to the Council's existing policies on organisational change and appropriate consultations with individuals and Trade Union representatives.

## **Legal Implications**

- 60 Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:
- making prudent allowance in the estimates for services; and
  - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 61 Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the

robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so members will have authoritative advice available to them when they make their decisions.

## **Risk Management**

- 62 Clearly, there is the potential risk that public finances will be in worse shape than assumed by CSR10. Appropriate mitigation would be via further cost reduction.
- 63 An additional risk that may occur is if the services currently supported through former specific grants are no longer funded because of a change in priorities. This would need to be managed over time.

## **Consultees**

- 64 Overview and Scrutiny Committee considered the draft JMTFS and budget proposals at its meeting on 14<sup>th</sup> January. Its views and comments were reported to Cabinet on 20<sup>th</sup> January.
- 65 The Director of Resources has held a seminar for all members, and has met with all Town Councils and a number of Parish Councils. Further briefings are scheduled with Herefordshire Association of Local Councils, representatives of the business community and Headteachers.

## **Appendices**

- Medium Term Financial Strategy 2011/14
- Reconciliation between the 2010/11 and 2011/12 budgets.
- Grants ceased for 2011/12
- Addendum noting changes in MTFS between Cabinet and Council meetings

# Joint Medium Term Financial Strategy 2011/14

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# Joint Medium Term Financial Strategy 2011/14

## Foreword by the Council Leader and Finance Portfolio & NHSH Chair

The Joint Medium Term Financial Strategy (JMTFS) is an important document, underpinning our strategic, transformational and operational intentions for Herefordshire Public Services (HPS). The strategy will support, shape and influence the challenging financial environment that public services are facing. The total resource envelope for Herefordshire Public Services is circa £650m. Our joint strategy is one that will need to enable a culture to develop and is one where there is a movement away from short-term budget setting to an approach that reviews all expenditure and focuses on what matters to the people of Herefordshire. 2011/12 provides a great opportunity to develop service flexibility across public services and this JMTFS identifies the transfer of funding between the PCT and Council. We aim for a culture where there is less bureaucracy and where resources can be targeted towards frontline services, a culture where we stop doing things we do not need to do, ensuring a longer-term approach that brings service and financial stability to our service delivery.

The Comprehensive Spending Review (CSR) will have a significant impact on funding from central government. It is currently estimated that the level of savings required to be delivered across the partnership for 2011/12 is circa £28m (£11m PCT, £7m HHT, and £10m HC). Throughout the coming year we will assess discretionary services, and consider alternative ways of working, in particular investigating broader partnership arrangements, to mitigate the effects.

The JMTFS identifies the scale of the impact of the economic downturn that has affected the world economy and reflects this impact on Herefordshire. However, during the past eighteen months Herefordshire Council and the PCT have been actively planning for the impact of the reduced settlement as part of CSR 10. A number of joint assumptions about cross cutting service areas that are delivered across both organisations and by working in partnership and in line with government policy will enable improved service delivery. In line with the equality act of 2010 which comes into effect from April 2011 Herefordshire Council and the PCT will ensure that any efficiency savings and service reviews will demonstrate that all financial decisions are made in a fair, transparent and accountable way, considering the needs and rights of different members of our communities. In line with government policy we will be implementing Shared Services to deliver back office savings which will be released for front line service delivery.

2011 will be both challenging and exciting as a result of not only the economic downturn but the creation of the Integrated Health and Social Care Organisation and the Pathfinder status for the emerging GP Consortia who will in 2011 operate as a subcommittee of the PCT Board with a defined scheme of delegation.

In 2011/12 it will be more important than ever that we continue to strengthen the partnership between the Council, NHSH and Hereford Hospital Trust. The level of service transformation, improvement in quality and ensuring services deliver value for money can only be delivered through the strength of maximising the interfaces between primary and secondary care, between health and social care and between empowered service users. This deep partnership has already demonstrated both qualitative and quantitative benefits for Herefordshire in the past 12 months. However as we move forward, there will be even stronger evidence of the impact of the deep partnership, with the implementation of shared services. The Commissioning of integrated care pathways will deliver the service transformation that our population expects and will maintain financial stability across public services within Herefordshire.

**Cllr. Roger Phillips**  
Leader of the Council

**Joanna Newton**  
Chair of NHSH

**Cllr Harry Bramer**  
Cabinet Member – Resources

# Joint Medium Term Financial Strategy 2011/14

## Foreword by the Chief Executive and Director of Resources (Council and NHSH)

The JMTFS has helped change Herefordshire's financial management culture; it includes a requirement that responsibility for managing individual budgets rests with our budget managers who operate within our financial policies and procedures. The JMTFS helps explain the overall position, so that we all know that financial management is part of our day-to-day activity and that we must demonstrate we provide value for money at a time when the economic downturn is having a widespread effect.

Herefordshire not only faces economic challenges but the demands of an ageing population will require us to transform our services to ensure that people can maintain levels of independence. HPS will need to ensure that packages of care and support do not only contribute to independence but also prevention. It is accepted that service delivery will need to be undertaken in a less institutional setting in order that the additional challenge on the service delivery agenda can be met

Planning the use of public money and transparent accountability for Herefordshire is a key priority, from which we continue to ensure Herefordshire has financial stability and also deploy resources to support agreed priorities. This cannot be achieved if we limit our planning horizon to a single year. The JMTFS helps planning over a longer time framework and demonstrates how we will use our resources in the future.

The JMTFS forms part of the service planning process and sets a framework for the interpretation of both the councils and NHSH's priorities and principles, supporting and driving delivery of the next stage of the Herefordshire transformational agenda. It is an appropriate way to plan our expenditure and has played a part in helping maintain the Use of Resources standards. However, we continue to review and, where appropriate, improve the strategy each year.

**Chris Bull**  
**Chief Executive**

**David Powell**  
**Director of Resources**  
**(Council)**

**Marcia Pert**  
**Director of Resources and**  
**Delivery (NHSH)**

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## 1. Introduction

- 1.1 The JMTFS covers the financial years 2011/2014 and demonstrates how HPS will maintain financial stability, deliver annual efficiencies, and support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 1.2 The JMTFS is a key part of HPS's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.
- 1.3 A major development has been the continuation of the downturn in the economy and the clarity of how the "credit crunch", has impacted across the world. This has had a direct effect on the income earned from investing balances and income collected from the provision of services.
- 1.4 The coalition government has published a two year financial settlement for the public sector alongside a number of white papers that will transform local service delivery and resultant financial requirements:
  - Equity and Excellence – liberating the NHS
  - Operating framework NHS 2011/12
  - Schools – the importance of teaching
  - Healthy Lives, healthy people: our strategy for public health in England
- 1.5 The settlement reduces public sector funding thus providing a challenge to deliver front line services against severe financial constraints.

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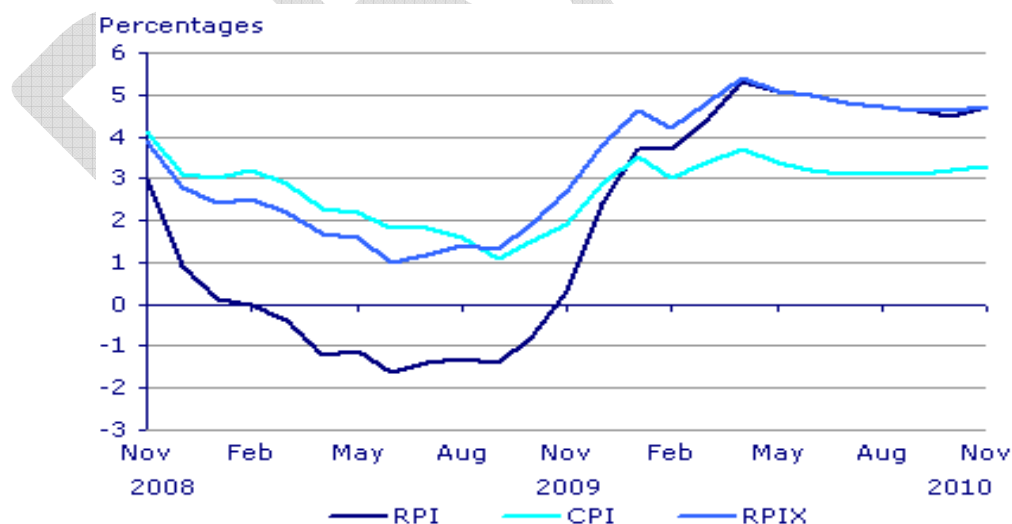
## 2. Economic and Demand Background

- 2.1.1 The national outlook suggests the economy will grow less than expected, although growth in 2012 will be better than predicted. The Office for Budget Responsibility recently downgraded its 2011 growth forecast from 2.3% to 2.1% but it indicated the economy was sufficiently robust to avoid slipping back into recession and was more upbeat moving forward because of private sector growth. The UK economy grew by 0.8% between July and September 2010, but most economists expect this rate to slow once the government's austerity measures kick in.
- 2.1.2 There are concerns that government spending cuts and tax rises, including the VAT increase, will undermine the recovery, with increased unemployment through public sector job losses as a result of the spending cuts.
- 2.1.3 The Monetary Policy Committee decided to a move away from further Quantitative Easing. Despite Money supply being weak and growth prospects remaining subdued the MPC have gravitated towards increasing rates as global inflation continues to rise along with household inflation.

## 2.2 Inflation

- 2.2.1 HPS needs to understand the future inflation rates and the potential impact on the cost of supplies and services. NHSH has identified that inflationary pressures for 2011/12 are related to new technology and NICE guidance in addition to those identified by the Consumer Price indices. It is currently estimated that NHS inflation is running at circa 7%. The rates will also affect the potential cost of borrowing and investment of cash.
- 2.2.2 The Consumer Price Indices rose to 3.3% year-on-year to November 2010. This was above the forecast by economists. This is in relation to October 2010 figure of 3.2%. It is likely to move above 4% when further price increases are implemented.

### Annual Inflation Rates – 12 month percentage change



- 2.2.3 The most significant change in the 12 month rate between October and November came from food and non-alcoholic beverages, where prices increased by 1.6% on the month, in comparison to 0.6% in November 2009. Clothing and footwear prices rose by 2%, the largest rise for the month on record. There was also a 3.7% rise in furniture and furnishings prices.

2.2.4 It is possible that some of these rises reflect 'temporary' reasons. For example, food price inflation was pushed higher by the rising bread and cereal prices, reflecting higher wheat prices. Clothing prices are known to always rise in November in advance of sales in December and January.

2.2.5 The cold weather could also be a reason for the increase in clothing prices. However, not all of those effects will reverse in subsequent months and headlines suggest that inflation continues to remain a problem and eventually this will impact on underlying inflationary expectations.

## 2.3 Economic Summary of Herefordshire

2.3.1 The Office for National Statistics supplies data on numbers and rates of unemployment (% of the working age population claiming Jobseekers Allowance). The claimant count for Herefordshire saw a decrease between September and October 2010.

2.3.2 In October 2010 the count was 2,368, a 1% decrease on September and a 16% decrease on this time last year (2,831) however a large increase as compared to July 2008 (1,505).

2.3.3 Herefordshire's unemployment rate in October was 2.2%, low compared to West Midlands region 4.4% and England as a whole 3.5%.

2.3.4 The State of Herefordshire report for 2010 contains information that describes the county. Some of the key findings are:

- The population of Herefordshire is increasing - Herefordshire's resident population grew by 2% between 2001 and 2009 – which is a similar growth rate as that of the West Midlands region overall (+3%), but slightly lower than England & Wales (+5%).
- Herefordshire's economic output is low compared to regionally and nationally - as measured by Gross Value Added (GVA) per resident and has increased at a lower rate over the last ten years. This has resulted in a widening of the gap between Herefordshire and the rest of the West Midlands and England.
- Herefordshire's weekly work based earnings are low compared to regionally and nationally. In addition, the gap between Herefordshire's earnings and those of the West Midlands region and England as a whole is getting wider.
- The rate of self-employment in Herefordshire is higher than in the West Midlands and England as a whole.
- Increases in number of out-of-work benefit claimants have been seen during the recession. However, rates are still low in Herefordshire compared to regionally and nationally.
- Pockets of deprivation are concentrated in urban areas of Herefordshire, but smaller pockets also occur in more rural areas. Some of these areas have got worse since 2004.
- Rural areas in Herefordshire are less likely to receive a decent level of broadband service compared to urban areas.
- Affordability of housing is a key challenge in Herefordshire.

- Herefordshire has a longer life expectancy that is healthy, disability free and life in general than regionally and nationally.

### 2.3.5 NHS provides further background on Herefordshire in relation to health and wellbeing:

- Mortality rates from circulatory disease are low compared with regionally and nationally, however it is the main cause of mortality in Herefordshire. In 2010/11 additional investment was made in Stroke services as this was seen as a service that required investment to deliver improved outcomes, reducing the incidence of stroke and therefore the risk of death or disability from stroke. The stroke pathway is currently being implemented which includes the following:
  - Increase public and health and care staff awareness of stroke symptoms, implement NHS Health Checks to ensure those at risk of stroke are assessed and given appropriate information and advice.
  - Improve access to urgent Transient Ischemic Attack (TIA) and stroke care, including where appropriate, a 24/7 thrombolytic service, direct admission to an Acute Stroke unit within 2011/12
  - Develop in county specialist stroke rehabilitation ( Inpatient and home based),
  - Ensure that longer term care, support and advice is available for stroke survivors and their carers.
- Cancer is another high mortality area. Our commissioning intentions in 2011/12 will centre around further measures to improve detection and prevention as well as improving one year and five year survival rates. Cancer admissions are the main cause of hospital admissions in Herefordshire.
- The number of 18 - 64 year olds with disabilities in Herefordshire is likely to increase by 2026.
- The PCT and Herefordshire Council will work together in addressing reliance on, and support for carers and in line with the Operating Framework will consider the *Recognised, valued and supported: next steps for the Carers Strategy* which focuses on four priority areas:
  - Identifying carers earlier
  - Supporting carers to achieve their full education and employment potential;
  - Personalised support for carers so that they can live a full life; and
  - Supporting carers to remain mentally and physically well
  - Jointly agreed plans, policies and budgets will be developed and agreed between the partners.
- A substantial increase in numbers of older people expected by 2020 will require increased reablement services to enable greater independence and enable people to remain at home rather than receive institutional care in traditional health and social care settings. It is envisaged that the commissioning of new care pathways for older people will address these issues.
- There is also expected to be a disproportionate increase in the number of older people with dementia which is in line with the demographic growth for elderly people. NHS will progress the National Dementia Strategy and the Commissioning strategy will reflect the four priority areas as set out within the implementation plan published this autumn:

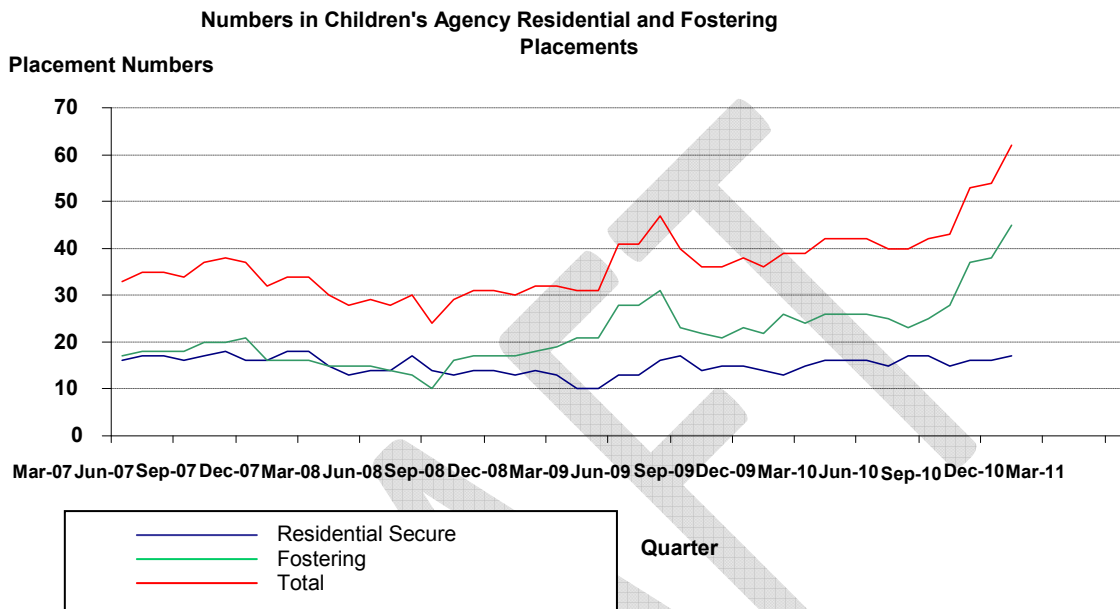
- Good quality early diagnosis and intervention for all;
- Improved quality of care in general hospitals;
- Living well with dementia in care homes; and
- Reduced use of anti psychotic medication

## **2.4 Potential Growth and Changes that will affect Service Need**

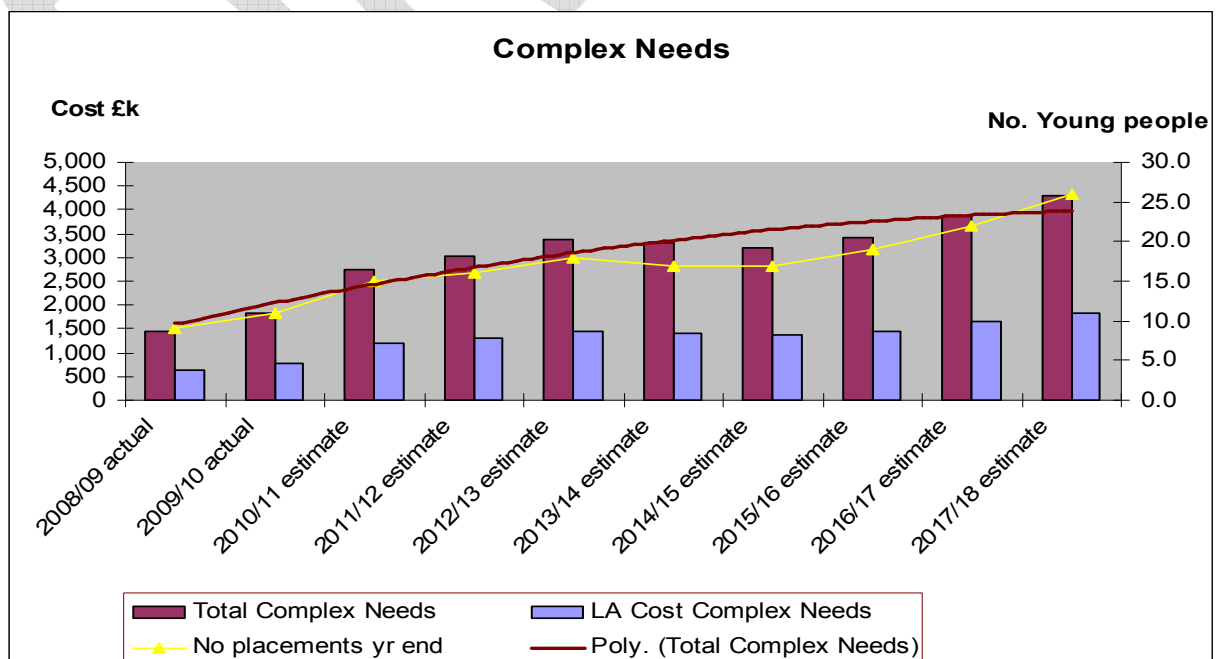
- 2.4.1 Over a fifth (22%) of Herefordshire's population is aged 65 and over (38,800 people), compared to 17% regionally and 16% nationally. Numbers of older people have grown more rapidly locally than nationally: there are 15% more people aged 65+ living in Herefordshire in 2009 than in 2001, compared to 8% more in England and Wales. This growth is expected to continue, but even more rapidly - with 57% more people aged 65+ forecast to be living in Herefordshire by 2026, an increase from 38,800 in 2009 to 61,000 in 2026. In particular, the number of people aged 85+ is expected to almost double, from 5,400 in 2009 to 10,200 in 2026.
- 2.4.2 Numbers of children in Herefordshire are decreasing, although there have been more births than expected in the last two years. The current proportion of Herefordshire's population aged under 16 (17%) is similar to England & Wales (19%), but numbers have fallen from 34,000 in 2001 to 31,000 in 2009. This decline is expected to continue and then stabilise from 2016; around 6% below 2009 levels (29,000 children).
- 2.4.3 Primary school numbers (including nursery classes) will continue to fall in 2011/12 with a predicted reduction of 191 pupils or 1.6% from January 2010. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 2,224 from a high of 14,230 in 2006 equivalent to 15.6%. Since January 2010 secondary school numbers have increased by 30 or 0.3%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,791, a reduction of 720 (equivalent to 7%) and are expected to continue to fall until 2019.
- 2.4.4 Recent years have seen a slight decline in overall municipal waste in Herefordshire from over 100,000 tonnes per annum in 2002/03 to 90,000 tonnes in 2009/10. This trend has helped offset significant increases in Waste Disposal Costs for both Herefordshire Council and for our partner in the Waste Disposal Contract, Worcestershire County Council. This is at a time when the two councils, together with the district councils in Worcestershire, have invested significantly in expanding kerbside collection services, refurbishing existing Household Recycling Centres and developing the new EnviroSort materials recovery facility. Herefordshire is currently on track to meet the national recycling target of 40% which increases to 50% in 2020.
- 2.4.5 Significant challenges lie ahead in meeting landfill diversion requirements which will require significant investment in waste treatment infrastructure.
- 2.4.6 Although the council will continue to invest in the promotion of Waste Prevention with the aim of minimising waste it is very likely that in the future waste will once again start to rise in line with population growth and this is illustrated in the graph below. The Joint Municipal Waste Management Strategy for Herefordshire and Worcestershire predicts that this growth will be in line with expected increases in housing stock as detailed in the Regional Spatial Strategy.
- 2.4.7 Central Government are expected to publish the Waste Strategy for England later in 2011 and this will give a clearer picture of the financial position in relation to waste in the future.

## 2.5 Impact of Demand for Services

2.5.1 In August 2010 it was reported that the number of looked after children showed a significant increase over the summer period with numbers of children being placed with agency foster carers up from 28 at the end of July 2010 to 37 at the end of August 2010. Since then numbers have continued to rise with numbers as at October, 14 in residential placements and 45 in agency foster placements. The trends are demonstrated in the chart below.



2.5.2 The number of children requiring intervention and subsequent support from Children's Services is increasing. There have been a number of reports on the national trends which show a 33% increase in referrals from 2008 to 2009/10 (post the "Baby Peter" case of 2008). The following graph shows the upward trend and expected cost. The projections and trend line give an indication of the potential pressures.



2.5.3 Adult Social Care face significant future pressures due to increased life expectancy and future demand due to an aging population. The main service pressures are:

- An increase of 21% in the number of older people requiring care from 2011 to 2020 which will result in an additional 155 new care packages per annum.
- Ten new learning disability service users coming into adulthood per annum in addition to existing clients now meeting FACS criteria and now eligible for support. There are also additional pressures on the older carers of learning disability clients (currently 19 over 85 years old) which will no longer be able to provide support.
- There are also increased cost pressures for high complex packages.
- The number of adults experiencing common mental health problems in the county is expected to increase by an average of 10 cases per year.
- The number of clients with a serious physical disability is due to rise by 5% between 2005 and 2021, 10 per annum.

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### **3. Herefordshire's Policy Context**

#### **3.1 Introduction**

3.1.1 This section of the JMTFS describes the local policy context for Herefordshire.

#### **3.2 Herefordshire Sustainable Community Strategy**

3.2.1 *The Herefordshire Sustainable Community Strategy 2006 to 2020* sets out what the Council and its partners aim to achieve to make the county an even better place to live and work. The strategy is being reviewed for 2013 to focus even more on the people and places of Herefordshire.

#### **3.3 Corporate Plan**

3.3.1 The Council, working with NHH, have a joint corporate plan that sets out the vision for Herefordshire Public Services 2011-14 including how the aims and objectives of the *Herefordshire Sustainable Community Strategy (HSCS)* will be realised. The vision is 'Working together to deliver excellent services and improve outcomes for the people of Herefordshire'.

3.3.2 The Joint Corporate Plan contains the current overall targets, milestones and actions, together with the current budgets and other resources to achieve them, over the coming years.

3.3.3 The shared values expressed in the Joint Corporate Plan themes are:

- People – treating people fairly, with compassion, respect and dignity,
- Excellence – striving for excellence and the highest quality of service, care and life in Herefordshire,
- Openness – being open, transparent and accountable for the decisions we make,
- Partnership – working together in partnership and with all our diverse communities,
- Listening – actively listening to, understanding and taking into account people's views and needs,
- Environment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.

3.3.4 The priorities of the joint Corporate Plan are:

- The creation of a strong economy
- The improvement of Health Care & Social Care
- Raising standards for Children and Young people
- The promotion of self reliant local communities
- A resilient Herefordshire
- Commissioning the right services

## 4. National Financial Context

### 4.1 Introduction

4.1.1 This section of the JMTFS sets out the financial context at national level across both NHS and Herefordshire Council. The chronology of events surrounding the coalition government's approach to funding the public sector is documented in the following sections.

### 4.2 Pre Budget Cuts – Summer 2010

4.2.1 On 24<sup>th</sup> May 2010 the Chancellor of the Exchequer announced spending cuts totalling £6.2bn to be implemented in the 2010/11 financial year. From these savings there was a net spending cut of £5.7bn; the remaining £500m to be reinvested in further education, apprenticeships and social housing. This announcement also detailed that grants to local authorities would be cut by £1.166bn.

4.2.2 On 10<sup>th</sup> June 2010 the Communities and Local Government Minister, Eric Pickles, laid a written ministerial statement before the House of Commons. The statement outlined details of the £1.166bn local government contribution to the £6.2bn spending cuts, broken down by central government department as shown in the table below.

<i>Department</i>	<i>Revenue Cut</i>	<i>Capital Cut</i>	<i>Total Grant Cuts</i>
Department for Education	£311m	-	£311m
Department for Transport	£35.6m	£273.4m	£309m
CLG DEL	£278.5m	£80.0m	£358.5m
Local Government DEL	£175m	-	£175m
Defra	-	£7.5m	£7.5m
Home Office	£6m	-	£6m
Adjustment grant	-£1.1m	-	-£1.1m
	£805m	£360.9m	£1.166bn

### 4.3 June 2010 Budget

4.3.1 The Coalition Budget of 22<sup>nd</sup> June gave the overall level of public spending for the four years from 2011/12 to 2014/15 (spending envelope). The Spending Review 2010 is the process through which this spending envelope is allocated to pay for all areas of Government activity including public services, social security, and administration costs.

4.3.2 The Budget suggested action to eliminate the bulk of the structural deficit through plans for additional consolidation of £40 billion per year by 2014/15. This is expected to be achieved through £32bn of spending cuts and £8bn of net tax increases. The plans are for the structural current deficit to be eliminated by 2014/15, with a projected surplus of 0.8% of GDP in 2015/16.

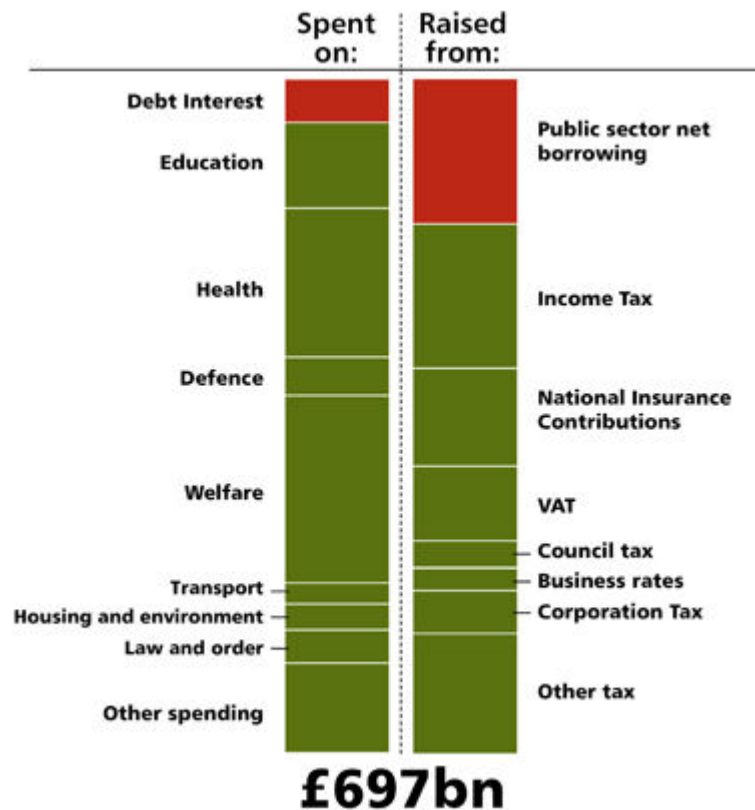
- **Borrowing** - The current structural deficit "should be in balance" by 2015/16. The balance of spending cuts to tax rises would be 77% to 23%. The measures are forecast to result in public sector net borrowing of £149bn this year, £116bn in 2011, £89bn in 2012/13 and £60bn in 2013/14. The Chancellor said by 2014/15 borrowing should reach £37bn, falling to £20bn in 2015/16.

- **Spending** - Current expenditure would rise from £637bn in 2010/11 to £711bn in 2015/16, the Chancellor blaming a "rapidly rising bill for debt interest". He said his Budget implied a further £17bn cuts in departmental spending by 2014/15, unprotected departments face an average real terms cut of around 25% over four years.
- **Tax** - VAT will rise from 17.5% to 20% from 4th January 2011. Personal income tax allowance for basic rate taxpayers to go up by £1,000 in April to £7,475. Councils which propose no council tax increases will be offered extra funds to allow them to freeze the tax for one year from April 2011. Capital Gains Tax remains at 18% for low and middle-income savers but, higher rate taxpayers will pay 28%. The capital gains tax "entrepreneurs' relief" rate of 10% on the first £2m of gains will be extended to the first £5m.
- **Benefits** - From 2011 - except for the state pension and pension credit - benefits, tax credits and public service pensions will rise in line with CPI, rather than RPI, saving over £6 billion a year. A new maximum limit of £400 a week will be applied to Housing Benefit, to save £1.8bn a year by the end of the Parliament. The government will introduce a medical assessment for Disability Living Allowance from 2013 for new and existing claimants. The above measures are expected to save £11bn by 2014/15.
- **Public Sector Pay and Pensions** - Public sector workers face a two-year pay freeze. John Hutton (ex Labour cabinet minister) to head an independent commission to undertake a fundamental and structural review of public sector pensions which would unveil "early steps" by September, with full proposals in time for the 2011 Budget.
- **Business** - From April next year, the threshold at which employers start to pay National Insurance will increase by £21 per week. Corporation Tax will be cut in 2011 to 27%, and by 1% annually over the next three years, until it reaches 24%. The small companies' tax rate will fall to 20%. Tax relief for the video games industry will be scrapped.
- **Pensions** - The basic state pension will be linked to earnings from April next year, with the pension guaranteed to rise in line with earnings, prices or 2.5%, whichever is the greater. The government will accelerate the increase in state pension age to 66.
- **Banks** - Introduction of a bank levy, which will apply to the balance sheets of UK banks and building societies and the UK operations of foreign banks from January next year - but smaller banks will not have to pay. It is expected to rise over £2bn a year.

#### 4.4. Four Year Spending Review

- 4.4.1 The Comprehensive Spending Review was announced on the 20<sup>th</sup> October 2010, Last year, the Government borrowed one pound in every four that it spent and the UK currently spends £43 billion on debt interest, which is more than it spends on schools in England.

4.4.2 The diagram below show government spending on debt interest and amount of borrowing as part of the total budget:



4.4.3 The Government has said that tackling Britain's deficit is its top priority and that it is necessary to secure sustainable economic growth. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

4.4.4 The Spending Review sets out spending plans for the four years until 2014-15. In its approach to these choices, the Government has prioritised:

- spending that promotes long-term growth, and creating the conditions for a private sector-led recovery and
- fairness, with all sections of society contributing to tackling the deficit, whilst protecting the most vulnerable and providing opportunity for the poorest.

4.4.5 This is underpinned by a radical programme of public service reform, improving transparency and accountability, giving more power and responsibility to citizens and enabling sustainable long term improvements in services. It also includes further savings and reforms to welfare, environmental levies and public service pensions. Around 490,000 public sector jobs are likely to be lost over the period and on average departmental budgets will be cut by 19% over the four-year period.

4.4.6 The Spending Review also delivers the Government's specific commitments set out in the Coalition Agreement to:

- increase NHS spending in real terms in each year of this Parliament;
- spend 0.7 per cent of Gross National Income on overseas aid by 2013 and

- restore the earnings link for the basic state pension from 2011, as part of the triple guarantee of using earnings, prices or 2.5 per cent, whichever is highest, from April 2011

4.4.7 The main changes for local government are:

#### **Formula Grant**

- Formula Grant will decrease 10.7% from £28.0bn in 2010/11 to £26.0bn in 2011/12
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant.
- An additional £1bn for personal social services will be included in Formula Grant by 2014/15.

#### **Un ring fencing Grants**

- From April 2011 onwards, grant streams to local authorities will be reduced to less than ten.
- All ring fencing on grants will be removed, except from the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013.
- A separate new unringfenced Early Intervention Grant, worth around £2bn will be introduced.

#### **Council Tax Freeze**

- Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their tax base funded at a rate of 2.5% in each year of the Spending Review period'. The report tables show this will cost CLG £700m in each of the four years.

#### **Social Care**

- £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn a year by 2014/15.
- In addition, £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care.

#### **Transport**

- Bus Operators' Subsidy will be reduced by 20%, saving over £300m by 2014/15.
- Statutory concessionary travel entitlements will remain.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- The number of transport grants to councils will be reduced; councils will gain greater control and flexibility over spending these grants.

#### **Education**

- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period. This includes £2.5bn of funding for the new pupil premium.
- £15.8bn of capital funding will be made available for schools over the Spending Review period. The Government will rebuild or refurbish over 600 schools from the Building Schools for the Future and Academies programme.

#### **Housing**

- The 'New Homes Bonus' will be introduced to incentivise councils to grant planning permission for the construction of new homes, by matching Council Tax receipts for

each new home built or vacant property brought back into use, for a number of years. In addition £350 will be given for every affordable home provided.

- The council housing finance system will be reformed so councils can invest in housing stock.

#### **Economic Growth**

- The Regional Growth Fund will be worth over £1.4bn over three years, it is designed to help areas most dependent on public sector employment to make the transition to private sector growth. Both private bodies and public-private partnerships will be able to bid for the funding by demonstrating that their proposal will bring in private investment and support sustainable increases in private sector jobs and growth in their area. Bids are likely to exceed £1m, have significant private sector leverage, contribute towards green growth and integrate with planning policy. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.

#### **Council Tax Benefit**

- From 2013/14 Council Tax Benefit will be localised; Government also plans to reduce spending by 10%.
- Government will consider measures to give authorities more flexibility 'to manage pressures on council tax', to be implemented from the same date.

#### **Local Authority Borrowing**

- Interest rates on loans from the PWLB have been increased to 1% above the rate for British Government gilts, previously the rate tracked gilts. The Treasury estimate this will lead to a reduction of 17% in self-financed expenditure by councils over the Spending Review period.

#### **Internal Restructuring**

- In 2011/12 a £200m capitalisation fund will be available for capitalisation to support authorities wishing to deliver savings through internal restructuring.

#### **Public Sector Pensions**

- The state retirement age will reach 66 in 2020, four years earlier than planned
- Employee contributions to public sector-pensions scheme will be increased. However, they will remain as 'defined-benefit' schemes. A consultation will be launched on a Fair Deal system, recommended by Lord Hutton.

### **4.5 NHS Health Settlement 2011/12**

4.5.1 2011/12 is the first year of the new NHS Spending Review period and whilst the settlement represents growth for the NHS it is considerably below previous levels of funding and does not equate to the pressures that are faced for rising demand, changing demography and new technologies. Therefore it is important that a focus remains on the delivery of the National £20billion of efficiency savings for re-investment and improving quality across the spending review period. NHS's figure is estimated currently at £73m for the period 2011/12 to 2014/15. This equates to £48m on inflationary cost pressures and £25m demographics and demand.

4.5.2 PCTS will continue to be required to set aside non recurrently 2% of their budgets to create financial flexibility and headroom to support change. Within the West Midlands the approach being taken for 2011/12 is a top slice of the 2%. This equates to £5.6m for NHS. NHS will be required to submit business cases to the SHA in order to release our funding. It is envisaged that the top slice will be used to support restructuring costs. The current

2011/12 financial plan identifies that the PCT's revenue budget will be circa £284m (excluding the anticipated release into Herefordshire of the 2% topslice).

- 4.5.2 NHSH received an uplift of 3.1% equating to £8.6m. Contained within the revised 2011/12 baseline is the non recurrent funding to support joint working between Health and Social Care therefore £2.368m will be transferred to Herefordshire Council to invest in Social Care services that will benefit Health and improve overall Health gain. A joint plan will be required that outlines appropriate areas for Social Care investment and the outcomes that will be expected from this investment. NHS Commissioners will need to demonstrate plans that alleviate pressure put upon the social care system through reduced length of stay in hospital beds.
- 4.5.3 The Department of Health expects these plans to take into account the local joint Strategic Needs Assessment. Transfers will need to be made via an agreement under section 256 of the 2006 Act. Additionally PCTs will be responsible for securing post discharge support within Acute Care settings with Hospitals responsible in 2011/12 for readmissions within 30 days of discharge.
- 4.5.4 2011/12 PCT baseline allocations now include funding for reablement services. This is in addition to the £2.368m and is intended to be invested in jointly developed plans that will need to be agreed for appropriate social care investments and agreed outcomes for this investment. This can include telecare, community directed prevention (including falls prevention) community equipment and adaptations, and crisis response services.
- 4.5.5 Local Authorities are facing a significant funding reduction which needs to be considered when considering care outside hospital. Within the 2011/12 resource allocation is an assumption that NHSH will transfer monies of circa £500k to Herefordshire Council that will support and facilitate discharges, 30 day reablement and preventative measures that will impact on health service utilisation. The Distance from target funding for NHSH is now 2.8% which is circa £7.9m a move from 3.1%.
- 4.5.6 The greatest challenge being faced by the Health and Social Care economy is the demographic impact of older people. NHSH spend circa £52m (commissioning and non NHS commissioning budgets) and Herefordshire Council spend £14.5m on services for older people. Whilst investment levels are high resources are centred around institutional based care that creates dependence on services. It is imperative that future scarce resources are used to not only support or maintain independence and are used to ensure that a greater focus is placed around prevention, personalisation and wider partnership working to support this.

## **4.6 Health and Well-being Boards**

- 4.6.1 The creation of new Health and well being boards will legitimise the local democracy of NHS Commissioning decisions. Health and well being boards will bring together key NHS, public health and social care leaders to work in partnership.
- 4.6.2 In addition to assessing needs and developing an overarching commissioning strategy, health and well being boards will also be able to make use of the existing flexibilities between the NHS and local authorities (pooling of budgets). These flexibilities, and the ability to invest differently at the interfaces of the NHS, public health, social care and children's services, will be increasingly important in meeting the challenge of delivering the best possible outcomes for our communities within a more constrained financial environment. Herefordshire Council is an early implementer and has been granted pathfinder status.

4.6.3 The Government White Paper 'Equity and Excellence: Liberating the NHS' announced the intention to transfer responsibility for improving population health to Local Authorities (this includes public health staff and the director). These changes will take place in tandem with the creation of GP Commissioning Consortia and Health and Wellbeing Boards at local level, and the Public Health Service in England and the NHS Commissioning Board at national level.

4.6.4 There will be ring-fenced public health funding from within the overall NHS budget, and early estimates suggest that the likely allocation to Public Health England could be over £4 billion. There will be ring-fenced budgets for local authorities and a new health premium to reward them for progress made against the proposed Public Health Outcomes Framework taking into account health inequalities.

4.6.5 Public health will be part of the NHS Commissioning Board mandate with public health support for NHS commissioning nationally and locally. There will be stronger incentives for GPs so that they play an active role in public health

## **4.6 Local Government Settlement**

4.7.1 The Provisional Local Government Finance Settlement was presented to the House of Commons on 13<sup>th</sup> December 2010, and will be ratified in the Final Local Government Finance Report (England) presented in a written statement to the House of Commons in early February. The Final Settlement potentially remains unchanged from those published in the Provisional Settlement.

4.7.2 A key message contained in the provisional settlement is that local government has been given flexibility to take decisions locally to address local priorities. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found, however, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.

4.7.3 The settlement is for a two year period, a second two year settlement is expected to follow, for which Government intend to adopt a new distributional system.

4.7.4 A significant factor that added to the pressure faced in 2011/12 is the front loading of funding reductions. The profile of reduction is therefore uneven and for Herefordshire is 13.3%, 8.6% and 1.9% for the next three years.

4.7.5 The headline changes are:

- Nationally Formula Grant falls by 12.1% for 2011/12
- Significant formula distribution changes – concessionary fares, social care and transport
- Specific grants have rolled into either formula grant, dedicated schools grant (DSG) or early intervention grant
- Damping arrangements are in place based on four banded floors and dependency on formula grant; Herefordshire in Band 3
- Those worst hit by the changes (limited to 8.9% of spending power reduction) will be provided with a transitional grant of £85m
- There will be the ability to capitalise redundancy costs
- Council tax grant will cover a one year (2011-12) freeze



- £1bn additional funding for social care within the formula grant by 2014/15.
- NHS Funding of £648m in 2011-12 and £622m in 2012-13 has been identified to support integrated working between health and social care
- Bus operators subsidy reduction of 20% but statutory concessionary entitlement remains
- New homes bonus to incentivise the support of new housing development
- Dedicated Schools Grant has an overall increase of 1%, but this translates into a flat cash per pupil increase, due to pupil number rises. There will be a minimum funding guarantee at school level of -1.5%
- Pupil premium of £625m will be distributed, which has been set at £430 per free school meals pupil for the first year
- Pupil premium will rise to £1,750 per free meals pupil as the premium increases over the next four years

4.7.6 Although formula grant is being cut nationally by 12.1 per cent, cost pressures in areas such as adult social care, child protection, waste management, and flood defence will continue to mount. As a result, local government faces a total funding shortfall in the order of £6.5bn in the next two years.

4.7.7 The government has introduced a measure known as “local authority spending power”. This is based on funding from central government and council tax receipts. For 2011-12 this is made up of:

- Council tax
- Formula grant
- Specific grants
- NHS funding to support social care

## **5. Herefordshire Financial Context**

### **5.1 Introduction**

5.1.2 This section of the JMTFS describes Herefordshire's corporate financial objectives given the national and local context. It also covers Herefordshire's financial management proposals to achieve these objectives. This section also describes the financial approach for:

- Revenue spending.
- Capital investment.
- Treasury management.

5.1.3 Active risk management is a key component of the HPS's corporate governance arrangements. This section of the JMTFS therefore sets out the key corporate and financial risks that will be monitored to ensure it stays on course to deliver its overall objectives.

### **5.2 Corporate Financial Objectives**

5.2.1 Herefordshire's financial management objectives are to:

- a) Ensure budget service plans are realistic, with balanced budgets and support corporate priorities.
- b) Manage spending within budgets; Directorates have a 'non-negotiable' pact to manage outturn expenditure for each financial year within budget.
- c) Ensure sustainable balances, reserves and provisions, within a reasonable limit, consistent with the corporate financial risks and without tying up public resources unnecessarily.
- d) Create the financial capacity for strategic priorities for service improvement.
- e) Support a minimum level of capital investment to meet the Council's strategic requirements.
- f) Maintain a strong balance sheet position.
- g) Deliver and capture year on year efficiency and Value for Money improvements.
- h) Ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders.
- i) Ensure a whole-life costing approach is taken to both revenue and capital spending decisions.

### **5.3 Managing Partnership Resources**

5.3.1 Herefordshire welcomes the opportunity to work with strategic partners to improve outcomes. However, to achieve its corporate financial management objectives, we will always seek to ensure:

- a) The financial viability of partners before committing to an agreement.
- b) Clarity of respective responsibilities and liabilities.
- c) Accounting arrangements are established in advance of operation.
- d) Implications of terms and conditions on any associated funding are considered in advance of operation

5.3.2 From April 2011 an Integrated Care Organisation (ICO) for Herefordshire will be established, comprising the provider arm of the council and NHS, alongside Hereford Hospital Trust. The aim of the ICO is delivering health and social care which is focused on providing care as close as possible to people's homes, rather than in an institutional setting; a model which is also aimed at identifying our most vulnerable citizens and shifting the emphasis from diagnosis and treatment to prediction and prevention.

5.3.3 The creation of the ICO will deliver financial savings across the health sector which will contribute towards financial viability. A proposal to change Care Pathways, shifting care from a bed to community base with pilot areas for frail elderly, stroke, COPD and diabetes are progressing. It is likely spend will increase within Social Care, but will be funded partly by health savings.

## **5.4 Managing External Funding**

5.4.1 Grants - provides another opportunity to increase financial capacity. The JMTFS will be to pursue such opportunities, providing that:

- a) Match funding requirements are considered in advance.
- b) They support, or do not conflict or distract from, corporate priorities.
- c) They have no ongoing commitment that cannot be met by base budget savings.
- d) They do not put undue pressure on existing resources.
- e) The net cost overall is not excessive

5.4.2 Managing Developer Contributions - This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support the cost of day-to-day services (e.g. commuted sums for maintenance of public open spaces). Support for capital infrastructure can also be achieved in this way (e.g. developer contributing to cost of new access roads). HPS aims to maximise the potential for increasing financial capacity and managing growth in volumes through s106 agreements, where possible.

5.4.3 Managing Fees and Charges - The Council is currently developing a charging protocol with the aim of implementing a corporate charging policy. The policy will recognise the potential for discretionary charges to fund services and ensure full cost recovery where feasible and minimise the subsidy from Council budgets.

## **5.5 Governance**

5.5.1 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFS. Good systems and procedures are in place for regularly reporting on financial performance to Cabinet, Overview & Scrutiny Committee and Scrutiny Committees as part of the integrated performance framework.

5.5.2 NHS and Herefordshire Council currently operate two separate continuing care panels and assessment processes which do not facilitate the joint commissioning of care packages, best use of resources nor ensures the best outcomes for Herefordshire citizens. Additionally, the use of personal health or social care budgets is not maximised. It is proposed that a section 75 agreement be developed in 2011/12 that will support a single assessment process, single panel and a joint commissioning approach via a pooled budget approach.

## **5.6 Efficiency Review**

5.6.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources, including people, land, property, ICT and cash.

5.6.2 Herefordshire has had a good track record delivering to the efficiency targets. For 2010/11 this rises to 4%. £6.7m.

## **5.7 Value for Money (VfM)**

5.7.1 In October 2010 Herefordshire Council and PCT agreed a joint Value For Money Strategy. This has built upon the development of the routine use of VFM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the Performance Improvement Cycle.

5.7.2 We support the drive for VfM through the following mechanisms:

- Ensuring service managers deliver the outputs and outcomes agreed for their service area within budget, managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures.
- Support from the Procurement through efficient tender and other procurement processes that ensure robust quality and price.
- Integrating corporate, service and financial planning processes.
- Planning over the medium-term as well as the short-term.
- Developing our routine financial performance monitoring reports for Cabinet to include VfM data over the coming year.
- Benchmarking our costs and activities, year on year and with other authorities.
- Through internal and external audit reviews.
- Through scrutiny reviews.

## **6. Herefordshire Primary Care Trust Financial Context**

### **6.1 Quality, Innovation, Productivity and Prevention (QIPP)**

6.1.1 Whilst the NHS has been relatively protected from budget cuts there are a number of factors that make the financial settlement very challenging:

- Rising demand from an ageing population, from increased “lifestyle” disease and from increasing technological capability estimated at as much as 2% per annum.
- The actual cost of NHS inflation (driven by technological advance) running ahead of general inflation
- VAT and National Insurance increases
- Pay bill increase resulting from increments

6.1.2 Nationally, it has been recognised that the above combination of factors leads to a potential gap between resources required and available of between £ 15-£20 billion cumulatively by 2014/15, if the NHS does not review the way that care is delivered and provided.

6.1.3 Currently NHTSH's share of the QIPP agenda is circa £73m. Improving quality can reduce costs. A greater focus on prevention rather than responding to ill health is more cost effective and results in greater quality of life and less interventional procedures in later life. Maximising the use of technology can support care at home or in the community and avoid unnecessary admissions to hospital or residential care. There are opportunities for maximising productivity and examples include duplication of treatments, processes and follow up outpatient appointments. Clearly ensuring that opportunities for the maximisation of opportunities for health and social care to work together to streamline care is a strength of the deep partnership between NHTSH and Herefordshire Council.

6.1.4 Management costs reductions of £1.2m in 2011/12 will be released to support frontline services. Additionally procedures that deliver low levels of clinical benefit will continue to be reviewed to ensure that these resources can support procedures that offer greater clinical benefits.

6.1.5 NHTSH is required to set aside 2% of its allocation £5.6m to reinforce financial control in 2011/12. The 2% will be top sliced and held by SHAs. PCTs will be required to submit business cases to access funding that will demonstrate the non recurrent nature of the expenditure proposed.

6.1.6 All business cases will need to be supported by the SHA Directors of Finance Group. Restructuring costs are likely to be approved. The £5.6m was set aside recurrently from the 2009/10 allocation and does not therefore appear in the Sources and Applications table overleaf.

6.1.7 The NHHSH QIPP challenge is £11m for 2011/12. This consists of the following:

<b>Source</b>	<b>Amount £m</b>
3.1% uplift	8.6
<b>Application</b>	
NHS Contracts ( reflecting 10/11 outturn and demand)	-9.1
Health and Social care	-2.3
Investment re continuing care, special placements , free nursing care	-4.8
Reablement Funding	-0.5
Inflation uplift ( Non NHS/prescribing budgets)	-1.3
GP Consortia Development Funding	-0.5
Other (e.g. PBC savings liability)	-1.1
Total Application	-19.6
<b>COST PRESSURE</b>	<b>-11.0</b>

6.1.8 The QIPP initiatives to cover the cost pressure currently identified are:

<b>QIPP Initiatives</b>	<b>Amount £m</b>
<b>NHS activity</b>	
Care pathway redesign	2.6
Data Quality	0.5
Low priority Treatment	0.1
Demand Management	1.0
Outpatient –new/follow up ratio	0.9
<b>Non NHS activity</b>	
Continuing care	1.5
Special placements	0.5
Free Nursing care	0.5
Mental Health Repatriation	0.5
Other	
Medicines Management/Management Cost savings/Shared services	2.9
<b>Total QIPP savings initiatives</b>	<b>11.0</b>

6.1.9 As part of the initial plans for 2011/12 to 14/15 NHS has identified the following main initiatives that will need to be delivered for QIPP savings:

	£m
Care Pathways	15
Review emergency admissions	2
Continuing Health care	4

## 6.2 Health and Social Care Pathway redesign

6.2.1 The essential characteristics of our future care delivery system are based upon:

- Integrated Health and social care model based on a reablement focus through personalisation agenda
- Commissioning by care pathways
- Move away from a bed based model of care provision
- Using tools to support effective, efficient commissioning processes E.g. prioritisation and impact assessment tools.
- Ensuring cost effectiveness and clinical effectiveness
- Move to a more prevention focused agenda
- Increased patient choice of provider
- Increased use of assistive technology

6.2.2 In 2009/10 work undertaken by KPMG confirmed that the existing provider landscape within Herefordshire was not financially sustainable and therefore clinically led reviews of five initial pathways was undertaken. The KPMG report concluded that the delivery of new models of care at existing levels of demand provided an opportunity for significant cost savings. The largest savings are assumed as being for frail older people. As can be seen from the QIPP initiative table above the commissioning assumption for 2011/12 care pathways is £2.6m.

## 6.3 Changes to the National PBR Tariff 2011/12

6.3.1 The design and structure of the national tariff for 2011/12 signals the start of a series of changes to be made over the coming years, and has been informed by a number of key priorities:-

- Quality and outcomes
- Efficiency and value for money
- Integration and patient responsiveness
- Expanding the scope of the tariff

6.3.2 The coverage of best practice tariffs, first introduced in 2010/11, will be expanded to cover a number of new service areas, and it is anticipated that this expansion will accelerate in 2012/13 and beyond. Best practice tariffs are designed not only to promote better patient outcomes and experience, but also to deliver gains in productivity and efficiency. To drive further tariff efficiency a change is being introduced re the funding of long stays in hospital by a five day trim point floor. This will mean that relatively short stays in hospital do not attract a long stay payment.

- 6.3.3 In addition all tariffs have been set at 1% below the average as an initial step in pricing policy to set all tariffs below the national average level. The change to the calculation of trim points, setting tariffs below the average, and the expansion of best practice tariffs, mean that a 2 per cent efficiency requirement has been "embedded" into the tariff.
- 6.3.4 The national efficiency requirement in 2011/12 is 4% and the uplift for pay and price inflation is assessed at 2.5%. Consequently, the prices for services outside the scope of the national tariffs should reflect a reduction of 1.5% compared with those of 2010/11 before negotiated and agreed developments. Tariff prices for 2011/12 also reflect the 4% efficiency requirement: 2% is embedded in tariff design with the remaining 2% offsetting the pay and prices uplift resulting in a final tariff adjustment of 0.5%. Taking both the 2% efficiency requirement embedded in the tariff design and the 2% general efficiency deflator, offsetting pay and prices uplifts, results in an overall reduction between 2010/11 and 2011/12 of 1.5%. This 1.5% reduction will also apply to non tariff services and is consistent with the current NHS Operating Framework statement that over the next three years tariff adjustments will not be better than 0%.
- 6.3.5 In 2011/12 hospitals will not be reimbursed for emergency readmissions within 30 days of discharge following an elective admission, and all other readmissions within 30 days of discharge will be subject to locally agreed thresholds, set to deliver a 25% reduction where possible.
- 6.3.6 NHSH will be working with HHT, GP's and Herefordshire Council to manage the savings arising from non- payment of emergency readmissions to fund both reablement and post discharge support.
- 6.3.7 Opportunities exist to develop local currencies and tariffs (subject to SHA approval). These local currencies and tariffs flexibilities can support changes in service provision and integration of services .Work is underway to develop local tariffs re the stroke and older peoples care pathway.
- 6.3.8 A new flexibility to be introduced in 2011/12 is the opportunity for providers to offer services to commissioners at less than the published mandatory tariff where both providers and commissioners agree. Any such agreement will need to demonstrate that there will be no detrimental impact on quality, choice or competition.

## 6.4 Risks

- 6.4.1 Whilst there is a 2% top slice held by the SHA which will be subject to business cases. It is important to note that NHSH commences 2011/12 with no risk reserve and with a level of risk of circa £5m.
- 6.4.2 This risk is explained below:

Detail of risk	Amount £m
Non delivery of care pathways	1.6
System failure to manage demand	1.0
Continuing Healthcare risk	1.0
Other pressures	1.4
<b>Total Risk</b>	<b>5.0</b>



## 6.5 Capital

6.5.1 In 2011/12 there will be no automatic capital allocation for PCTs, with necessary capital funding for PCTs being granted on a case by case basis. This represents a fundamental change in funding which previously consisted of both a block capital allocation and a bidding process. This also reduces some in year revenue flexibilities due to asset classification.

## 6.6 NHSH Next steps

6.6.1 Currently NHSH is undertaking the 2011/12 system planning and agreement of contract process in accordance with the system planning timetable outlined by the Department of Health/SHA. From an NHSH perspective this is an initial iteration of the JMTFS re NHSH which will constantly be refreshed over the next two months in line with the planning timetable outlined below:

Month	Week Commencing	Requirements	Operating Framework new requirements
January	3 <sup>rd</sup> Jan	Author plan workshop	
	10 <sup>th</sup> Jan	Cluster CEO and SHA report	
	17 <sup>th</sup> Jan	LTSM resubmission and cluster system plan resubmission	Review Finance strategy with Clusters FIMS and Performance measures
	24 <sup>th</sup> Jan		First weekly call to discuss contract issues
February	31 <sup>st</sup> Jan		Second weekly call to discuss contract issues
	7 <sup>th</sup> Feb		Third weekly call to discuss contract issues
	14 <sup>th</sup> Feb	18 <sup>th</sup> FEB cluster system plan resubmission	Fourth weekly call to discuss contract issues
	21 <sup>st</sup> Feb		Fifth weekly call Contract agreement
March	28 <sup>th</sup> Feb		Conciliation/arbitration
	7 <sup>th</sup> March		Conciliation/arbitration
	14 <sup>th</sup> March	18 <sup>th</sup> Final System plan Contract agreement	Conciliation/Arbitration (16 <sup>th</sup> ) FIMS and Performance measures (18 <sup>th</sup> ) Final signed contract( 18 <sup>th</sup> )
	21 <sup>st</sup> March		25 <sup>th</sup> March Final Regional System plan to Department Of Health

6.6.2 Each cluster is required to resubmit updated system plans including LTSMs by the close of play on 21<sup>st</sup> January 2011, 18<sup>th</sup> February 2011 and 18<sup>th</sup> March 2011.

## **7. Herefordshire Council's Financial Context**

### **7.1 Introduction**

7.1.1 This section of the JMTFS describes the council's financial position. It is important to set the scene locally before considering the best approach to the high-level management of the Council's financial resources to ensure cash follows priorities.

7.1.2 The overall reduction to council funding for 2011-12 is £11m from formula grant changes with further cuts to Children's grant of £2.5m.

7.1.3 Additional funding of £4.3m is being made available for Social Care; £2m within the formula grant, and £2.3m via NESH.

### **7.2 Formula Grant**

7.2.1 The council received £57.583m in 2010/11, but specific grants and funding streams within Area Based Grant (ABG) have transferred into formula grant for 2011/12 giving a starting point of £71.13m.

7.2.2 The government calculates an adjusted figure for 2010/11 to enable a like-for-like comparison with 2011/12 which has been calculated as £69.349m. It is estimated that this calculation has cost the council £1.8m due to the way that schools budgets have been transferred to academies and concessionary travel, specific grant and transport grants have been transferred into formula grant.

7.2.3 Herefordshire Council's allocation of formula grant is £60.125m for 2011/12 and £54.404m for 2012/13.

7.2.4 Herefordshire's reduction against the adjusted 2010/11 Formula Grant is £9.244m or 13.3%, which is the 'floor' for the damping group the council is allocated to, (this is in addition to the £1.8m mentioned above). Within the overall reduction, the following can be identified specifically;

- £3.1m reduction to the formula that distributes Concessionary Fares
- Approximately £2.7m reduction in the grants rolled into formula grant, including supporting people and transport.
- £650k has been taken out for academy transfers

7.2.5 Additional funding is provided for in the settlement:

- £2.0m social care funding within formula grant
- £2.1m council tax grant
- £2.3m NHS funding to support social care, money which is held by NESH, but will be distributed on submission of robust business cases

### 7.3 Specific Grants

7.3.1 The number of specific grants has reduced dramatically, with only the following allocated for 2011/12 and 2012/13 (excluding DSG and council tax grant);

<b>List of Specific Grants</b>	<b>2011-12 £000</b>	<b>2012-13 £000</b>
Early Intervention Grant	6,473	6,873
HCTB Admin	1,228	TBC
Lead Local Flood Authorities	130	200
Learning Disability	3,647	3,733
Preventing Homelessness	225	225

7.3.2 £13.5m of specific grant and ABG have been moved into formula grant, but reduced to an estimated £10.8m, leaving a funding shortfall of £2.7m.

7.3.3 £16.3m of former Standards Funds grants have been transferred into Dedicated Schools Grant on a per pupil basis.

7.3.4 The Early Intervention Grant replaces non-ring-fenced funding from the Department for Education. Grants totalling £7.07m have been transferred into the Early Invention Grant and reduced to £6.47m in 2011-12, leaving a funding shortfall of £0.6m.

7.3.5 A number of education grants have not been mentioned and we assume at this stage that they will no longer be received, the major areas are, ABG £1.1m and Standards Fund £0.8m.

### 7.4 Dedicated Schools Grant

7.4.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and used in support of the Schools Budget. It is the main source of income for Schools. DSG is based upon a per pupil formula using the actual pupil numbers from the January school Census data each year. Government sets a fixed amount per pupil for Herefordshire which is multiplied by the total pupil numbers to determine the final grant. There is specific grant certification and audit requirements to ensure appropriate use of the grant and any under or overspends must be carried forward to the next financial year.

7.4.2 National funding reflects factors such as deprivation, sparsity and area cost adjustments which affect urban and rural areas in different ways. The current grant methodology ("Spend Plus") underlying the allocation of DSG to individual authorities is determined by central government. A national review of the distribution formula for DSG is about to commence.

7.4.3 Following a national consultation last year on changes to Dedicated Schools Grant (DSG), the Department for Education (DfE) have included all school standards fund grants in DSG hence the increase in the rate per pupil in the future.

7.4.4 As a result, the DSG for 2011/12 will be paid at a rate of £4,723.65p per pupil (comprising the base rate of £4002.11 from 10/11 and the grants rate of £721.54p from 10/11) – no uplift in either. DfE have not provided an overall total and expect councils to work to our own estimates. Based on the September pupil count we estimate 22,292 pupils i.e. a loss of 272 pupils. DSG for 11/12 is:

<b>2010/11 Estimated Allocations</b>	<b>£m</b>
DSG at 22,564 pupils x £4002.11 per pupil	105.30
22,293 pupils x £4,723.65p	0.82
<b>TOTAL DSG 2011/12</b>	<b>106.12</b>

- 7.4.5 For 2011/12 the expected fall in pupil numbers and increased spend on out of county suggests a DSG shortfall of £1m, equating to £40 per pupil. A pupil premium of £430 per free school meals pupil will be new money distributed to schools.
- 7.4.6 Academies are publicly funded independent local schools that provide a first class free education. Academies are independent of the Council and responsible directly to government and are funded directly by government. They are freed from national restrictions such as the teachers pay and conditions documents, the national curriculum and Ofsted inspection requirements.
- 7.4.7 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.
- 7.4.8 Academies receive additional top-up funding to reflect their extra responsibilities which are no longer provided by the local authority.
- 7.4.9 In May 2010 the Secretary of State for Education, Michael Gove, announced legislation which allows the Secretary of State to approve schools to become academies through a simplified streamlined process.
- 7.4.10 Reduction for schools moving to academy status from formula grant is £650k in 2011/12, this is irrespective of the number of academies commencing. Services will need to consider charging to mitigate this reduction, for example within school improvement, strategic management and property.

## **7.5 Revenue Spending Power**

The Revenue Spending Power amounts for Herefordshire are set out below;

	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>
Council tax requirement (including parishes)	87.749	87.749
Formula grant (adjusted base)	69.349	60.125
Learning disability grant	3.574	3.647
Early interventions grant	7.070	6.473
Cohesion	0.057	
HB admin subsidy	1.324	1.228
Preventing Homelessness	0.191	0.225
Council tax freeze		2.152
NHS funding to support social care		2.368
<b>REVENUE SPENDING POWER</b>	<b>169.314</b>	<b>163.967</b>
Change - £000		-5.347
Change - %		-3.16

## 7.6 Council Tax

- 7.6.1 Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their tax base funded at a rate of 2.5%, equating to £2.1m in 2011/12, in each year of the Spending Review period'.
- 7.6.2 The scheme will be voluntary; and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities) rather than to each council tax bill issued. Local precepting authorities, such as town and parish councils, will not be included in the scheme.
- 7.6.3 The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011/12. However, the Government intends to provide supplementary funding to local authorities in subsequent years of the Spending Review via specific section 31 grants to compensate them for the council tax income foregone during the period of the freeze.

## 7.7 Reserves

### 7.7.1 Revenue Reserves

- 7.7.2 Herefordshire has two main sources of reserve funding to support the day to day spending that is recorded in the revenue account, the General Fund balance and Specific Reserves. As the titles suggest, the latter are held for a specific purpose whilst the former could be considered a general contingency.
- 7.7.3 The following table shows the year end balance on the General Fund and the level of Specific Reserves for the last three financial years.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31 <sup>st</sup> March 2008	6,728	5,657	10,915	23,300
31 <sup>st</sup> March 2009	6,390	5,476	10,588	22,454
31 <sup>st</sup> March 2010	5,390	5,497	8,739	19,626
31 <sup>st</sup> March 2011 (est)	6,390	5,400	7,500	19,290

- 7.7.4 A significant proportion of the Specific Reserves belong to schools and cannot be used to help pay for non-schools services.
- 7.7.5 The Council's policy is to maintain the General Reserve at a minimum of £4.5m (approximately 3% of the net revenue budget). This level of General Reserve balance is in line with recommended best practice and is consistent with the approach other similar authorities take. Although the Director of Resources is content to make his statutory declaration that this level of General Reserves is prudent, there is an increased level of risk attached to this volatile financial climate, and use of these reserves are not advisable without a clear strategy for payback in a short time frame.

## 7.8 Managing the General Fund Balance and Specific Reserves

- 7.8.1 Herefordshire's General Fund opening balance for 2010-11 was £5.39m, with an additional contribution of £1m allocated on 1st April. This is in excess of the current policy in place to maintain a minimum balance of £4.5m (3%).

- 7.8.2 Herefordshire’s financial management strategy is to maintain specific reserves to deal with the key corporate financial risks reducing the need for a higher level of General Fund balances. This strategy ensures there is complete transparency about what is resourced, for corporate financial risks that, if realised, would affect the Council’s financial standing. It represents an ‘open-book’ approach to accounting.
- 7.8.3 There is an increased level of risk attached to this volatile financial climate, and the use of these reserves is not advisable without a clear strategy for payback in a short timeframe.
- 7.8.4 All Directorates are expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget. Any in-year budget pressures must be managed by use of a recovery plan, which is approved at Joint Management Team.
- 7.8.5 The need for the range and level of specific reserves and the policy for minimum General Fund balances is continually reviewed as part of the financial planning, monitoring and outturn processes.
- 7.8.6 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on “repayment” should be the directorate that has overspent in the previous year.

**7.9 Capital Reserves**

- 7.9.1 There is one capital reserve that represents cash available to support spending on the creation or enhancement of assets that is recorded in the capital account. It is known as the Usable Capital Receipts Reserve. The following table shows the level of usable capital receipts for the last 4 financial years and an estimate for 2010-11;

Balance as at:	£000
31st March 2008	17,945
31st March 2009	17,558
31st March 2010	13,296
31st March 2011 (est)	6,337

- 7.9.2 The Council has a policy that ensures capital cash resources are used effectively in support of corporate priorities. As a result all capital receipts are a corporate resource and not ‘owned’ or earmarked for directorates unless allocated for a specific purpose.

**7.10 Funding Arrangements for Capital Investment**

- 7.10.1 The coalition government will no longer support borrowing costs. Their future capital funding will be by way of grants, these have been identified as:

**Local Transport Plan**

- This is now funded by an un-ring-fenced capital grant of £10.3m. 2010-11 funding allocation was initially £13.0m reduced to £12.5m so this represents a further £2.2m (17%) cut.
- Other funding pots have been announced, available through a bidding process, the main one being the Local Sustainable Transport Fund (for sustainable transport initiatives) which is available for both capital and revenue need. The first bidding round closes in April 2011.

### **Schools Capital**

- There has been a major shift in allocation of funding from devolving funding to schools to allocating to the local authority.
- The total allocation has reduced by 1%. The main reduction is in relation to devolved funds decreasing from funding in 2010-11 initially of £2.9m - reduced by a £1.4m advance into 2009-10 - to £0.7m in 2011-12.
- The maintenance allocation for Hereford has therefore increased from funding in 2010-11 of initially £1.9m - reduced by a £1.3m (advance into 2009/10) - to £2.7m in 2011/12.

### **Disabled Facilities Grant**

- It is likely the Disabled Facilities Grant allocation will be circa £0.6m.

### **Adult Social Care**

- The Department of Health has announced funding of £0.45m towards personalisation, reform and efficiency in adult social care.

### **Other Capital Grants**

- Herefordshire has been selected as one of four pilot schemes to deliver superfast broadband to rural areas and this is expected to receive grant funding of £6m over the next two financial years.

7.10.2 **Council Borrowing** - The FRM reflects the borrowing requirement implied by the Treasury Management Strategy to support the capital programme currently in place.

7.10.3 The Council can fund additional borrowing to the extent it considers it is affordable and prudent to do so (prudential borrowing) but are unlikely to fund any scheme unless a spend to save/mitigation assessment demonstrates a clear benefit. One surprising aspect of the Spending Review is that Public Work Loan Board rates (the rates at which local authorities can borrow) will be 1% above the gilt rate (compared to the 0.13% previously). This makes PB more expensive, and this is likely to reduce the amount of schemes that are given the go ahead, both locally and nationally

7.10.4 The coalition government has recently announced new borrowing powers aimed at encouraging local investment and economic growth. Tax Incremental Financing (TIF) Tax works on the basis that when a development or public project is carried out, there is often an increase in the value of surrounding land and property, and perhaps new investment. Local Authorities will be able to borrow against predicted growth in their locally raised business rates. They can use borrowing to fund key infrastructure and other capital projects, which will support locally driven economic development and growth.

7.10.5 **Capital Receipts Reserve** - totalled £13.296m as at 1st April, 2010, this is likely to fall to just over £6m by the end of the financial year. Capital receipts reserve funding has been committed to fund the capital programme in coming years.

7.10.6 **Other Funding opportunities** - The financial management strategy for increasing capital investment capacity centres on:

- **Maximising Developers' Contributions** - Developer contributions will become an increasingly important source of finance for infrastructure needs arising from new developments. At present these are sought through the application of the Council's Supplementary Planning Document, "Planning Obligations" which was adopted in 2008.

In April 2010 the new Community Infrastructure Levy (CIL) regulations came into force and made provision for a four year transition period after which pooled contributions must be collected via the CIL for infrastructure excluding Affordable Housing. The new system relies on a CIL Charging Schedule to be adopted, which will set out a charge per square metre of (qualifying) new building works. In preparation, an economic viability assessment has been commissioned to assist in setting a charging rate that will not render development in the County unviable. As part of the Local Development Framework an Infrastructure Delivery Plan is also required to establish the uses of any funds raised through the CIL.

- **New Homes Bonus** - The new homes bonus is designed to encourage local authorities to allow more homes to be built. This will be a policy decision likely to be drawn from the Local Development Framework and other related long term strategic plans. The funding for the council will be made available for a six year period and is likely to be based on:
  - for new homes - £1,439 (Band D) each year
  - for every affordable home – an addition £350 each year
  - for every vacant property turned in to a home - £1,439 (Band D) each year
  - for every home that is not demolished - £1,439 (Band D) is saved each year

It is not ringfenced and is earmarked to contribute towards the overall budget in 2011-12. But there may be the opportunity to use part of this bonus creatively in future years to facilitate growth and development in the housing area.

- **Regional Growth Fund (RGF)** - Designed to help areas most dependent on public sector employment to make the transition to private sector growth. Both private bodies and public-private partnerships will be able to bid for the funding by demonstrating that their proposal will bring in private investment and support sustainable increases in private sector jobs and growth in their area. Bids are likely to exceed £1m, have significant private sector leverage, contribute towards green growth and integrate with planning policy. Local Enterprise Partnerships will coordinate bids for RGF, they have been introduced to replace regional development agencies. Their aim is to provide strategic leadership and long term vision for private sector led economic renewal working in partnership to deliver public service delivery.
- **External Funding Bodies** - Distribute funding for projects that satisfy their key criteria and objectives and HPS secure this via a bidding process. In recent years funding has been received from:
  - **The Local Investment Programme (LIP)** sets out the priorities in delivering a balanced housing market as identified by the local authority and where resources will need to be targeted to achieve this. This focuses on three main areas of interest:
    - Increasing the supply of housing through investment, land assembly and release of public sector owned land for housing purposes.
    - Place Making and Regeneration, including the Localities Agenda and “Total Place”.
    - Improvements to existing housing stock, retrofitting improvements, “Living Over the Shop” and other measures to make best use of existing buildings.
  - **Advantage West Midlands** – this regional development agency has provided significant resources but its abolition means funding is not likely to be available in the long term.



- **Lottery Funding** – Heritage Lottery funding contributed to the Skate Board Park in Holmer Road, whilst general funding was given to the Friar Street learning Centre.

7.10.7 The challenges given to retaining assets will be based on value for money and delivery of HPS's strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of and proceeds will be reinvested. The disposal of land will be allowed after consideration of sacrificing a capital receipt for transfer of the land for use as social housing.

7.10.8 Over the longer term authorities are expected to generate income from selling surplus assets and reduce the costs of running their property portfolios by providing efficiencies including reducing carbon emissions from their capital stock. At the same time there is increasing pressure to provide cross-cutting co-located services to provide a one-stop service provision to the public which is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, voluntary sector and community organisations. For local authorities to deliver their priorities within the financial constraints officers must demonstrate creativity using greater innovation and ideas, to deliver services differently.

7.10.9 The localities agenda is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, and voluntary sector and community organisations. This new concept of meaningful engagement at a very local level, critically challenges the historical basis for resource allocation and the effectiveness of services to deliver on local need and is designed to provide a more creative use of the current asset base and support improvements to community based planning and service. This is designed to produce more efficient local spending by pooling budgets and ending duplication.

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## 7.11 Capital Programme 2011-12

7.11.1 The 2011-12 capital programme represents funding indications received to date from grants and the existing schemes that commenced in prior years.

7.11.2 The following table summarises the existing capital investment programme updated for slippage.

	2011-12	2012-13	2013-14
Directorate	£'000	£'000	£'000
Children's Services	23,402	4,849	4,849
Resources	6,229	7,028	
Deputy Chief Executive	482	208	-
Adult Social Care	1,123		
Sustainable Communities	23,413	15,336	9,792
Public Health	289		
<i>Contingency (1%)</i>	539	224	147
<b>TOTAL</b>	<b>55,477</b>	<b>27,645</b>	<b>14,788</b>
<b>Funded by</b>			
Prudential Borrowing	10,920	7,811	147
Capital receipts reserve	4,260	-	-
Grants and contributions	40,297	19,834	14,641
<b>TOTAL</b>	<b>55,477</b>	<b>27,645</b>	<b>14,788</b>

## 7.12 Treasury Management Strategy

7.12.1 The Council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2011/12, is provided at Appendix A and complies with the detailed regulations that have to be followed.

7.12.2 The Treasury Management Strategy is a key element of the overall financial management strategy. It supports achievement of several corporate financial objectives, including creating financial capacity within the revenue account as it aims to optimise investment and borrowing decisions.

7.12.3 In summary, the Treasury Management Strategy sets out the Council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the types of investment the Council will use and the limits for non-specified investments. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities. The strategy also included the Minimum Revenue Provision (MRP) policy.

7.12.4 Since the 'credit crunch' a more cautious approach to investment has been implemented, these options deliver lower interest rates, but within a low risk environment. This has resulted in reduced interest on investments used to support Council budgets.

- 7.12.5 The Council's treasury adviser assists the Council in formulating views on interest rates. They are predicting that the bank rate will remain at 0.50% until autumn 2011 when it will gradually rise to reach 2.50% by the end of 2012.
- 7.12.6 The Treasury Management Strategy also sets the Prudential Code limits for the year and beyond. These limits define the framework within which the Council self-regulates its borrowing based on long-term affordability. These link back to the overall size of the capital investment programme and the FRM.
- 7.12.7 The Treasury Management Strategy assumes that, as far as possible, external borrowing for the capital programme will be delayed and will be funded by borrowing from internal reserves until the economic situation improves. In the current climate long term borrowing would be at considerably higher rates than investment income can generate and the number of counter parties has reduced due to poor credit ratings.

### **7.13 Key Corporate & Financial Risks**

- 7.13.1 HPS sees risk management as an essential element of the corporate governance framework. All formal reports include a risk management assessment. The Cabinet receives regular updates on the corporate risk register as part of Performance Reporting arrangements.
- 7.13.2 Service Plans for each directorate provide a section on both short and long term risk, assessing the feasibility of delivering their objectives against barriers for delivery.
- 7.13.3 The delivery of a balanced budget in 2011-12 and future years is a significant challenge, requiring close scrutiny of the proposed savings and at what point those savings are realised. The Benefits Board will be used to ensure a project management approach is adopted for the larger reductions, and monitor their progress to ensure the savings targets are delivered as planned.

## 8. Medium-Term Financial Resource Model (FRM)

### 8.1 Background

8.1.1 The FRM shown in Appendix B takes into account the corporate financial objectives and approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2011 to 2014.

### 8.2 Assumptions

8.2.1 The FRM includes the following assumptions;

- a) **Council Tax** - a nil increase for 2011-12 and 2.5% there after
- b) **Formula Grant** – the FRM reflects the two year settlement, including the grants transferred in
- c) **New Homes Bonus** – using the 2010-11 tax base compared to the 2009-10 demonstrates additional home growth of 468 which provides £660k. A similar level of growth has been anticipated for future years.
- d) **Inflation** -The current FRM includes 2% inflationary uplift on non pay expenditure and income
- e) **Pay** – assume zero pay awards for 2011 and 2012
- f) **Employers' superannuation costs** – the FRM includes increases in employers' contributions rates of 0.7% on gross pay in line with latest valuation which concluded in November.
- g) **National Taxation** – the FRM assumes there will be an increase in national insurance contributions in 2011/12.
- h) **Interest Rates** – the FRM reflects interest rate assumptions for investment income and borrowing costs in line with the Treasury Management Strategy 2011-12.

### 8.3 Budget Process

8.3.1 The FRM includes key growth items and budget pressures identified as corporate priorities, alongside service and initiatives council wide to deliver savings.

8.3.2 Given the provisional settlement only covers two years Joint Management Team conducted more detailed financial planning for the two year period based on the Joint Corporate Plan. As the settlement was worse in terms of total reduction and phasing a further phase that saw Directors work to a further set of principles to help refine the budget proposals took place. These principles are as follows:

- Directors to assume that grant reductions and grants that have ceased will not be funded.
- The outcome of the Star Chamber process saw a level of budget growth request that cannot be funded within existing budgets directorates must fund these requirements.

- The additional sums provided for Adult Social Care as part of the settlement and also via Health will be added to the overall control total for Adult Services. No further funding will be provided and service redesign will need to deliver a balanced position.
- There will not be any additional capital borrowing in 2011 apart from agreed prior year decisions that still have a sound business case or where borrowing commitments cover projects already being delivered. Spend to save funding will be made available where a sound business case demonstrates a positive revenue contribution.
- Inflation will be applied to budgets. There is also an assumption that fees and charges will be raised by inflation and that any subsidy of services through under recovery of fees will end. An increase by the level of inflation will be built into budgets. A review of fees as part of the emerging income policy will need to be undertaken and future level of fees and charges will be adjusted to ensure we eliminate any subsidies.

8.3.3 A star chamber process has been used to identify and challenge savings proposals and service pressures, with four key aims:

- To sign off savings brought forward previously as part of the 2009/10 budget setting as well as those from the current challenge and review cycle 2010/11
- To identify further cross cutting savings from the “Rising to the Challenge” transformation programme and to challenge those savings identified to date from lead Directors and work stream leads – these are primarily;
  - Streamlining the Business (Shared Services, Organisational Redesign, Office accommodation and Commercial strategy)
  - People and Performance (Reducing the pay-bill, agency spend)
  - Communities first (property review)
  - Customer Focus (replacement CRM)
  - Better Services
- To challenge and review all submitted service pressures
- To review proposals from each Directorate for further savings and service change based on the application of the Core Principles and Priorities shown below:

<b>Core principles for the future...</b> the financial challenges ahead require us to set out clearly what the Council stands for, what residents can expect of us and what we expect of them		
<b>PRINCIPLE</b>	<b>IMPACT</b>	<b>EXAMPLES</b>
<b>Valued Services</b>	• Focusing on what matters to people, core business, stopping things we don't need to do	• Reducing leisure funding • More outsourcing
<b>Cutting Red Tape</b>	• Less regulation and bureaucracy, smaller local government	• Cutting back enforcement • Abolishing old by-laws
<b>Supporting the Vulnerable</b>	• Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention	• 10 family intervention projects by 2014 • Reviewing eligibility criteria
<b>Cutting Costs</b>	• Reducing the pay bill; third party spend savings; smarter delivery	• 20% less managers by 2012 • £4M less supplier spend by 2015

<b>Local Delivery</b>	• Devolution, role of parishes and the VCS; working through the nine localities	• 25 local schemes parishes by 2014
<b>Personal Responsibility</b>	• Self reliance, people and communities helping themselves, behavioral change	• Parish warden schemes • Reduction in A&E visits

<b>Our Priorities...</b> Alongside our principles, we need to state the “must do’s” – the priorities to be delivered in the next 2/3 years	
<b>PRIORITY</b>	<b>IMPACT</b>
<b>A resilient Herefordshire</b>	<ul style="list-style-type: none"> <li>• Preserving our environment and access to the countryside</li> <li>• Promoting access to services in rural areas</li> <li>• Strong voice in the region</li> </ul>
<b>Creating a strong economy</b>	<ul style="list-style-type: none"> <li>• Regeneration of Hereford; delivery of Hereford Futures</li> <li>• Delivery of key infrastructure for growth</li> <li>• Small business growth: jobs and wages; broadband</li> </ul>
<b>Raising Standards for Children &amp; Young people</b>	<ul style="list-style-type: none"> <li>• An affordable education system</li> <li>• Meeting safeguarding standards</li> <li>• Increasing primary school and pupil performance</li> </ul>
<b>Improving Health Care and Social Care</b>	<ul style="list-style-type: none"> <li>• Reforming care for Older People</li> <li>• Creation of the ICO: April 2011</li> <li>• Planning for GP Consortium and Health Promotion changes</li> </ul>
<b>Promoting self reliant local communities</b>	<ul style="list-style-type: none"> <li>• A balanced housing market</li> <li>• Reducing fear of crime</li> <li>• Encourage community and parish planning</li> </ul>
<b>Commissioning the right services</b>	<ul style="list-style-type: none"> <li>• Streamlining working practices</li> <li>• High levels of customers and citizen satisfaction</li> <li>• A High quality workforce</li> </ul>

## 8.4 Directorate Budgets

8.4.1 Explaining the settlement and financial consequences for Herefordshire have taken place with town councils, business ratepayers and the public via presentations at Infoshops.

8.4.2 The Rising to the Challenge initiative is the HPS transformation programme. Its purpose is to drive service improvement and deliver cost reduction proposals. The FRM highlights the savings being proposed in 2011-12, by the main initiatives are:

- Shared Services £2.5m - £1.8m of this target relates to the delivery of procurement efficiencies, with other savings expected to arise from staff reductions.
- Organisational Design £3.1m - this will be delivered by a reduction in staff management, and wider departmental restructures.

8.4.3 A breakdown of the directorate pressures in the FRM are shown below, These pressures relate to growth in demographics activity alongside specific contract inflation obligations. Any further growth will have to be self funded by directorates.

<b>£'000</b>	<b>2011-12</b>	<b>2012-13</b>
CYPD	309	186
Adults	576	1430
Sustainable Communities	960	640
Resources	4	(20)
Deputy Chief Executive	(40)	
<b>Total</b>	<b>1,809</b>	<b>2,236</b>

8.4.4 As has been explained earlier, 2011/12 presents Directorates with a series of financial challenges and a requirement that they support the Council to deliver a balanced budget.

## 8.5 Savings

8.5.1 The savings by directorate are split over the following initiatives.

<b>£'000</b>	<b>Other Savings</b>	<b>Rising to the Challenge</b>	<b>Total</b>
Resources	0	544	544
Sustainable Communities	831	1,369	2,200
Deputy Chief Executive	282	751	1,033
Adult Social Care	2,451	198	2,649
CYPD	877	870	1,747
Public Health	153	144	297
Procurement and Central		1,832	1,832
<b>Total</b>	<b>4,594</b>	<b>5,708</b>	<b>10,302</b>

## 8.6 Use of Reserves

8.6.1 The pressures associated with the reduction in funding will require adequate reserves. An additional recurrent contribution to the change management reserve of £0.5m is shown in the FRM, and will provide a level of £1m year on year. It is noted that an application for capitalisation for redundancy will be made when further detail from government is provided.

8.6.2 A budget management reserve of £0.5m is to be established to assist with managing the reduction in funding. It will be increased to £1m on the conclusion of a review of existing specific reserves to identify available resources.

8.6.3 One of the major service reductions resulting from the £2.7m formula changes was concessionary fares. It requires a base budget of £1.6m. In order to support its continuation, £1m will be used temporarily, from specific reserves to ease the pressure. The reserve will be repaid in 2012-13.

## **9. Statutory Statement by the Council's Chief Finance Officer**

9.1 The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Council's case the Director of Resources must report on the:

- a) Robustness of the estimates made for the purposes of the budget calculations.
- b) Adequacy of the proposed financial reserves.

9.2 Section 25 of the Local Government Act 2003 requires the Director of Resources to report to the Council when it is setting the budget and precept (Council tax). The Council is required to take this report into account when making its budget and precept decision. The Director of Resources' report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

9.3 The Director of Resources states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:

- The Council's corporate plans and strategies;
- The Council's budget strategy;
- The need to protect the Council's financial standing and manage corporate financial risks;
- This year's financial performance;
- The Government's financial policies;
- The Council's medium-term financial planning framework;
- Capital programme obligations;
- Treasury Management best practice;
- The strengths of the Council's financial control procedures;
- The extent of the Council's balances and reserves; and
- Prevailing economic climate and future prospects.

**David Powell**  
**Director of Resources**



**Herefordshire Council**  
**Treasury Management Strategy 2011/12**

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## 1. **Background**

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under Investment Guidance provided by Communities and Local Government (CLG).
- 1.2 CIPFA has defined Treasury Management as:  
"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.3 The council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements to treasury management activities and include credit and counterparty risk, liquidity risk, market or interest rate risk, refinancing risk and legal and regulatory risk.
- 1.4 The strategy takes into account the impact of the council's revenue budget and capital programme on the Balance Sheet position, the current and projected treasury position (Appendix 1), the Prudential Indicators and the outlook for interest rates (Appendix 2).
- 1.5 The purpose of this TMSS is to approve:
  - Treasury Management Strategy for 2011-12 (Borrowing and Debt Rescheduling - Section 3 and Investments - Section 4)
  - Prudential Indicators (NB: the Authorised Limit is a statutory limit)
  - MRP Statement – Section 7
  - Use of Specified and Non-Specified Investments – Appendices 3 & 4
- 1.6 The council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 4 March 2011. The council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.<sup>1</sup>
- 1.7 All treasury activity will comply with relevant statutes, guidance and accounting standards.

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<sup>1</sup> This Prudential Indicator demonstrates the Council has adopted the principles of best practice in terms of Treasury Management

## 2. Balance Sheet and Treasury Position

2.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR)<sup>2</sup>, together with Balances and Reserves, are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011 Estimate £'000	31/03/2012 Estimate £'000	31/03/2013 Estimate £'000	31/03/2014 Estimate £'000
Total CFR	209,407	209,550	206,602	196,275
Less:				
Existing Profile of Borrowing	135,102	129,766	126,932	124,085
Other Long Term Liabilities	28,888	27,982	27,018	25,952
Cumulative Maximum External Borrowing Requirement	45,417	51,802	52,652	46,238
Balances & Reserves	26,114	20,854	19,984	18,626
<b>Cumulative Net Borrowing Requirement</b>	<b>19,303</b>	<b>30,948</b>	<b>32,668</b>	<b>27,612</b>

2.2 The council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix 1. Market conditions, interest rate expectations and credit risk considerations will influence the council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The council will ensure that net physical external borrowing<sup>3</sup> (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements.

### Estimates of Capital Expenditure:

2.3 It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
<b>Total</b>	<b>77,904</b>	<b>74,656</b>	<b>55,477</b>	<b>27,645</b>	<b>14,788</b>

2.4 Capital expenditure is expected to be financed as follows<sup>4</sup>:

Capital Financing	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Capital receipts	5,820	9,120	4,260	0	0

<sup>2</sup> The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.

<sup>3</sup> This is a key indicator of prudence and should not exceed the Capital Financing Requirement. As the CFR represents the level of borrowing for capital purposes, and revenue expenditure cannot be financed from borrowing, net physical external borrowing. Should not exceed the CFR other than for short term cash flow requirements.

<sup>4</sup> The element to be financed from borrowing impacts on the movement in the Capital Financing Requirement. An increase in the CFR in turn produces an increased requirement to charge MRP in the Revenue Account.

Government Grants	40,255	39,605	40,297	19,834	14,641
Revenue contributions	0	208	0	0	0
<b>Total Financing</b>	<b>46,075</b>	<b>48,933</b>	<b>44,557</b>	<b>19,834</b>	<b>14,641</b>
Supported borrowing	13,229	13,230	0	0	0
Unsupported borrowing	18,600	12,493	10,920	7,811	147
<b>Total Funding</b>	<b>31,829</b>	<b>25,723</b>	<b>10,920</b>	<b>7,811</b>	<b>147</b>
<b>Total Financing and Funding</b>	<b>77,904</b>	<b>74,656</b>	<b>55,477</b>	<b>27,645</b>	<b>14,788</b>

Notes:

- *The unsupported or prudential borrowing is to support ongoing capital schemes that were approved in prior years. No new prudential schemes are included in the above figures.*
- *As part of the Spending Review, the government made the decision not to make any new supported borrowing allocations as part of the Formula Grant. Although the level of existing supported borrowing will continue to be financed through Formula Grant, for 2011/12 onwards support for new capital expenditure will be provided in the form of a capital grant.*

#### **Affordability of Capital Investment Decisions:**

- 2.5 As an indicator of affordability, one of the Prudential indicators looks at the impact of capital investment decisions on council tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. However, whilst there has been slippage of the existing approved capital programme, no new funding has been proposed.
- 2.6 The ratio of financing costs to the council's net revenue stream<sup>5</sup> is another indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2010/11 Approved £m</b>	<b>2010/11 Revised £m</b>	<b>2011/12 Estimate £m</b>	<b>2012/13 Estimate £m</b>	<b>2013/14 Estimate £m</b>
Net Revenue Stream	142,844	146,130	<b>146,248</b>	142,660	143,837
Financing Costs	14,147	15,890	<b>17,833</b>	17,425	16,785
<b>Percentage</b>	<b>9.90%</b>	<b>11.12%</b>	<b>12.19%</b>	<b>12.21%</b>	<b>11.67%</b>

- 2.7 The above percentages have increased from last years Strategy Statement due to new accounting arrangements for PFI schemes. The above figures now include interest payable on finance leases.

<sup>5</sup> The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.

### 3. Borrowing and Rescheduling Strategy

3.1 The council's forecast of actual gross borrowing plus other long-term liabilities is shown in Appendix 1.

3.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2010/11 Approved £million</b>	<b>2010/11 Revised £million</b>	<b>2011/12 Estimate £million</b>	<b>2012/13 Estimate £million</b>	<b>2013/14 Estimate £million</b>
Borrowing	200	200	190	190	180
Other Long-term liabilities	30	30	40	40	40
<b>Total</b>	<b>230</b>	<b>230</b>	<b>230</b>	<b>230</b>	<b>220</b>

3.3 The Operational Boundary links directly to the council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

<b>Operational Boundary for External Debt</b>	<b>2010/11 Approved £million</b>	<b>2010/11 Revised £million</b>	<b>2011/12 Estimate £million</b>	<b>2012/13 Estimate £million</b>	<b>2013/14 Estimate £million</b>
Borrowing	190	180	175	175	165
Other Long-term Liabilities	30	30	35	35	35
<b>Total</b>	<b>220</b>	<b>210</b>	<b>210</b>	<b>210</b>	<b>200</b>

3.4 The Director of Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations.

3.5 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the council will keep under review the following borrowing options<sup>6</sup>:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Local authority bills
- Structured finance (such as leasing etc)

3.6 From 20<sup>th</sup> October 2010, as part of the government's Comprehensive Spending Review, the margin that the council has to pay on new fixed rate loans from the PWLB, compared to the government's own cost of borrowing, was increased from 0.25% to 1.00%. Despite this increase to the cost of PWLB borrowing, the PWLB remains an attractive source of borrowing given the transparency and control that its facilities continue to provide. The

<sup>6</sup> These sources of borrowing should also then be included in the Treasury Management Practices.

types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

- Variable rate borrowing
- Medium-term Equal Instalments of Principal (EIP) or Annuity Loans
- Long-term Maturity loans, where affordable

3.7 Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011/12. The “cost of carry” associated with medium- and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. Where affordable, the use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.

3.8 PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Whilst variable rate loans may be an attractive option in 2011/12, exposure to variable interest rates will be kept under regular review. In a climate of increasing medium to long-term rates, short-term savings from variable rate loans need to be weighed up against additional costs in the future from not fixing borrowing rates sooner rather than later.

3.9 As an alternative to PWLB variable borrowing, the council may consider using a succession of short-term market loans arranged through the brokers. However, whilst this is a cheaper source of finance it may only postpone PWLB borrowing if funds became difficult to obtain.

3.10 The council has two bank loans of £6 million each which are LOBO loans (Lender’s Option Borrower’s Option). Each year, on the anniversary of taking out the loan, the lender may exercise their option to change the rate or terms of the loan. If this happens the council will consider the terms being offered and also repayment of the loan without penalty. The council may utilise cash resources for repayment or may consider replacing the loan.

3.11 Following the increase in PWLB rates, the interest rates payable on existing loans now appear more attractive compared to the equivalent rates under the new regime. Therefore opportunities for debt rescheduling are now more limited.

3.12 The rationale for debt rescheduling continues to be one or more of the following:

- Savings in interest costs with minimal risk
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

As opportunities arise, they will be identified by Arlingclose and discussed with the council’s officers.

3.13 Borrowing and rescheduling activity will be reported to both Cabinet and the Overview and Scrutiny Committee in bi-monthly reports.

3.14 The following Prudential Indicators allow the council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the council is not exposed to interest rate rises which could adversely

impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

<b>Borrowing Limits</b>	<b>2010/11 Approved %</b>	<b>2010/11 Revised %</b>	<b>2011/12 Estimate %</b>	<b>2012/13 Estimate %</b>	<b>2013/14 Estimate %</b>
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100%	100%	100%	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>	25%	25%	25%	25%	25%

- 3.15 The council's borrowing relates wholly to fixed interest rate loans. However, it is recognised that it may be desirable to have a variable element in the loans portfolio over the longer term (particularly when interest rates are high or falling) and so the council continues to monitor rates and will take out variable borrowing when it is considered advantageous to do so.
- 3.16 The council will also limit and monitor large concentrations of fixed rate debt needing to be replaced.<sup>7</sup> Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

<b>Maturity structure of fixed rate borrowing</b>	<b>Existing levels %</b>	<b>Lower Limit for 2011/12 %</b>	<b>Upper Limit for 2011/12 %</b>
<b>under 12 months</b>	12.83	0.00	25.00
<b>12 months and within 24 months</b>	2.10	0.00	20.00
<b>24 months and within 5 years</b>	9.47	0.00	30.00
<b>5 years and within 10 years</b>	12.81	0.00	40.00
<b>10 years and within 20 years</b>	19.86	0.00	40.00
<b>20 years and within 30 years</b>	14.80	25.00	100.00
<b>30 years and within 40 years</b>	9.62		
<b>40 years and within 50 years</b>	18.51		

- 3.17 In the maturity profile above the council's two LOBO loans (referred to in section 3.9) are included as being repayable within 12 months as this is the earliest time when the loans could be repaid. However, if the lenders do not increase the interest rate being charged these loans could remain outstanding until 2054.

#### **4. Investment Policy and Strategy**

- 4.1. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

<sup>7</sup> This Prudential Indicator is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The TM Code of Practice (Guidance Notes page 12) recommends that the Maturity Structure of fixed rate borrowing is to be broken down into several ranges if significant debt is held in periods in excess of 10 years

<sup>8</sup>The TM Code Guidance Notes encourage authorities to define their benchmark interest rate exposure and maturity profile position and then set limits to logically relate to that benchmark.

- 4.2. The council's investment priorities are:
- security of the invested capital;
  - liquidity of the invested capital;
  - an optimum yield which is commensurate with security and liquidity.
- 4.3. Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. A specified investment:
- Is sterling denominated
  - Has a maximum maturity of 1 year
  - Meets the "high" credit criteria as determined by the council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
  - Is not defined as capital expenditure under section 25(1) (d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).
- 4.4. Potential instruments for the council's use within its investment strategy are contained in Appendices 3 and 4. The Director of Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.
- 4.5. Changes to investment strategy for 2011/12 include:
- AAA-rate Variable Net Asset Value (VNAV) Money Market Funds
  - Treasury Bills
  - Term deposits in Sweden
  - Maximum duration for new deposits of 2 years
- 4.6. With regard to the council's Joint Ownership of West Mercia Supplies and the level of balances held by this organisation; the council may, if deemed in the best interest of prudent management of the West Mercia business, undertake transactions pertaining to foreign currencies, such as foreign exchange deals and investments. Such dealings must have relevance to the course of business of West Mercia Supplies. These dealings will be classified as non-specified as they are not sterling denominated.
- 4.7. The council's current and projected level of investments is shown at Appendix 1.
- 4.8. The council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.
- 4.9. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the council's capital is secure.)
- 4.10. The council and its treasury advisors, Arlingclose, selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
  - Credit Default Swaps (where quoted)
  - GDP; Net Debt as a Percentage of GDP



- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

4.11 The council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.

4.12 The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2011/12. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.

4.13 To avoid a cost of carry when comparing the rate earned on investments to the cost of borrowing, the council may consider running its investments down and keeping its balances relatively liquid.

4.14 Alternatively faced with increasing borrowing rates the council may take out fixed rate loans and reduce the cost of carry by making longer-term investments. Two-year deposits and longer-term secure investments will be considered within the limits the council has set for Non-Specified Investments (see Appendix 4). The longer-term investments may include:

- Term Deposits with counterparties rated at least A+ (or equivalent)
- Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.

4.15 The Prudential Code requires the setting of an upper limit for principal sums invested for over 364 days. This limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
<b>Upper Limit for total principal sums invested over 364 days<sup>8</sup></b>	10,000	10,000	10,000	10,000	10,000

4.16 Collective Investment Schemes (Pooled Funds)  
The council may evaluate the use of Pooled Funds (which are similar in nature to unit trusts) to determine the appropriateness of their use within the investment portfolio. Pooled funds may enable the council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.

4.17 Investments in pooled funds will only be undertaken with advice from Arlingclose and their performance and continued suitability in meeting the council's investment objectives would be regularly monitored.

<sup>8</sup> Please make allowance within this Indicator for amounts invested for 1 year, i.e. 365/366 days.

## **5 Outlook for Interest Rates**

- 5.1 The economic interest rate outlook provided by the council's treasury advisor, Arlingclose Ltd, is attached at Appendix 2. The treasury management strategy will be kept under regular review and, if needs be, will be realigned with evolving market conditions and expectations for future interest rates.

## **6 Balanced Budget Requirement**

- 6.9 The council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

## **7 2011/12 MRP Statement<sup>9</sup>**

### **Background:**

- 7.1 For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the revenue account that was initially funded by borrowing.
- 7.2 In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31 March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations require a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, CLG produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.
- 7.3 The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by the Full council.
- 7.4 The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure (which gave rise to the debt) provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant.
- 7.5 The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and operating leases may be brought on Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

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<sup>9</sup> The Annual MRP Statement is subject to Council approval and may therefore be reported separately to Council instead of being incorporated into the TMSS.

## Options for making 'Prudent Provision'

7.6 There are four options for Prudent Provision set out in the guidance:

### Option 1 - Regulatory

For debt which is supported by the Government through Revenue Support Grant (RSG), authorities may continue to use the formulae under the 2003 Regulations, as RSG debt support is calculated in that way. This includes applying an adjustment (the Item A adjustment), which reduces the charge back to the former credit ceiling accounting methodology.

### Option 2 - CFR method

This is similar to option 1, but just uses the CFR and doesn't apply the full formula, including the Item A adjustment. Under this option the annual repayment would be higher.

### Option 3 - Asset Life Method

For new borrowing under the prudential system there are 2 options in the guidance. The first is to make provision over the estimated life of the asset for which the borrowing is undertaken. This can either be on an equal instalment method or an annuity basis.

### Option 4 - Depreciation method

An alternative to Option 3 is to make provision in line with depreciation accounting. Although this would follow standard rules for depreciation accounting there would have to be some exceptions, for example, that MRP would continue until the provision is equal to the original debt and then cease.

### MRP Policy 2010-11

7.7 In line with the guidance produced by the Secretary of State, the proposed policy for the 2010-11 calculation of MRP is as follows:

- Borrowing supported through the RSG grant system will be repaid in accordance with the 2003 Regulations.
- Prudential borrowing will be repaid over the life of the asset on an equal instalment basis commencing in the year following the year in which the asset first becomes operational.
- For expenditure under Regulation 25(1) (b), loans and grants towards capital expenditure by third parties, prudential borrowing will be repaid over the life of the asset in relation to which the third party expenditure is incurred.
- MRP in respect of PFI and leases brought on Balance Sheet, under the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and IFRS, will match the annual principal repayment for the associated deferred liability.

## EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio at 31.12.10 £m	%	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
<b>DEBT:</b>						
Total External Borrowing	135		145	147	146	143
Other long-term liabilities	29		29	28	27	26
<b>Total Gross External Debt</b>	<b>164</b>		<b>174</b>	<b>175</b>	<b>173</b>	<b>169</b>
<b>INVESTMENTS:</b>						
Fixed rate deposits for 364 days	5		9	12	12	12
Other shorter-term fixed rate deposits	9		0	0	0	0
Variable rate instant access and notice accounts	27		16	11	11	11
<b>Total Investments</b>	<b>41</b>		<b>25</b>	<b>23</b>	<b>23</b>	<b>23</b>
<b>NET BORROWING POSITION</b>	<b>123</b>		<b>149</b>	<b>152</b>	<b>150</b>	<b>146</b>

## ARLINCLOSE'S ECONOMIC AND INTEREST RATE FORECAST

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
<b>Bank rate (%)</b>	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	2.75
<b>PWLB rates (%):</b>											
<b>5 years</b>	3.00	3.25	3.75	4.25	4.50	4.75	5.00	5.00	5.00	5.00	5.00
<b>10 years</b>	4.50	4.75	4.75	5.00	5.25	5.50	5.75	5.75	5.75	5.75	5.75
<b>20 years</b>	5.25	5.50	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
<b>50 years</b>	5.25	5.25	5.50	5.75	5.75	5.75	5.75	5.50	5.50	5.50	5.50

- The recovery in economic growth is likely to be slow and uneven.
- The initial market reaction to the government's Comprehensive Spending Review (CSR) is positive, but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion remains a cause for concern in the global credit market.

Underlying assumptions:

- The framework and targets announced in the CSR to reduce the budget deficit and government debt are as announced in June and focuses on how the cuts are to be distributed. The next fiscal milestone will be the Office Of Budget Responsibility's assessment of the CSR's implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee's December meeting suggested a movement away from further Quantitative Easing. Despite Money Supply being weak and growth prospects remaining subdued, the MPC have gravitated towards increasing rates in the New Year as global inflation continues to rise along with household inflation.
- Consumer Price Inflation remains above 3% and is likely to spike above 4% in January as VAT, utilities and rail fares increase.

- Unemployment remains near a 16 year high, at just over 2.5 million, and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is mainly due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK banks' balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore may limit future trend rates of growth, despite Q3's fairly strong performance.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

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### Specified and Non Specified Investments

#### Specified Investments identified for use by the council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high credit quality” as determined by the council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- \*Certificates of deposit with banks and building societies
- \*Gilts: (bonds issued by the UK government)
- \*Bonds issued by multilateral development banks
- Treasury Bills
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

*\* Investments in these instruments will be on advice from the council’s treasury advisor.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

*Long-term minimum: A+ (Fitch); A1 (Moody’s); A+ (S&P)  
Short-term minimum: F1 (Fitch); P-1 (Moody’s); A-1 (S&P)*

The council will also take into account information on corporate developments and market sentiment towards investment counterparties.

**New specified investments will be made within the following limits:**

<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Maximum Counter-party Limits £m</b>
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	£5 million
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£5 million
Gilts	UK	DMO	No limit
Treasury Bills	UK	DMO	No limit
Local Authority Bills	UK	Other UK local authorities	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/council of Europe, Inter American Development Bank)	£5 million
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value)	£5 million per Fund
Other MMFs and CIS	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments (For example, Payden & Rygel, Investec Short Bond Fund)	£5 million per Fund

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

**NB**

Non-UK Banks - These will be restricted to a maximum exposure of 25-30% per country to limit the risk of over-exposure to any one country.

MMFs – Arlingclose emphasise diversification for all investments including MMFs and so the council will spread their investments in Money Market Funds between two or more Funds.

Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group is used. For example, a single bank may have a limit of £5 million but if it is part of a group an overall group limit of £7.5 million would be applied.



**Non-Specified Investments determined for use by the council**

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the council’s use:

	In-house use	Maximum maturity	Max % of portfolio	Capital expenditure?
<ul style="list-style-type: none"> <li>▪ Deposits with banks and building societies over 1 year</li> <li>▪ CDs with banks and building societies</li> </ul>	<p>✓</p> <p>✓</p>	5 years	25% in aggregate	No
<ul style="list-style-type: none"> <li>▪ Gilts</li> <li>▪ Bonds issued by multilateral development banks</li> <li>▪ Bonds issued by financial institutions guaranteed by the UK government</li> <li>▪ Sterling denominated bonds by non-UK sovereign governments</li> </ul>	✓ (on advice from treasury advisor)	10 years	20% in aggregate	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)	These funds do not have a defined maturity date	20%	No
Government guaranteed bonds and debt instruments issued by corporate bodies	✓	10 years	20%	Yes
Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	✓ (on advice from treasury advisor)	N/a – No defined maturity date	£2million	Yes

In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

## Treasury Management Policy Statement

### 1. Statement of Purpose

- 1.1 Herefordshire council adopts the recommendations made in CIPFA's *Treasury Management in the Public Services: Code of Practice*, which was revised in 2009. In particular, the council adopts the following key principles and clauses.

### 2. Key Principles

- 2.1 Herefordshire council adopts the following three key principles (identified in Section 4 of the Code):
- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.
  - The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and liquidity when investing funds.
  - The council acknowledges that the pursuits of best value in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of business and service objectives, whilst recognising that in balancing risk against return, the council is more concerned to avoid risks than to maximise returns.

### 3. Adopted Clauses

- 3.1 Herefordshire council adopts the following clauses (identified in Section 5 of the code):
- The council will create and maintain, as the cornerstones for effective treasury management:
    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
    - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the organisation's policy statement and TMPs and, if he or she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.
- Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of

the treasury management strategy and policies.

#### **4. Definition of Treasury Management**

4.1 Herefordshire council defines its treasury management activities as: -

*'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*

#### **5. Policy Objectives**

5.1 Herefordshire council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the council.

5.2 Herefordshire council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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## Medium Term Financial Strategy 2010-13

MTFRM	2011/2012 Budget £'000	2012/2013 Budget £'000	2013/2014 Budget £'000
<b>Base Budget</b>	<b>142,844</b>	<b>146,248</b>	<b>142,660</b>
<b>Inflation - Pensions &amp; NI</b>	730	281	861
<b>Inflation - Other costs</b>	2,632	2,678	2,441
<b>Inflation – Income</b>	(400)	(408)	(416)
<b>Total Inflation</b>	<b>2,962</b>	<b>2,551</b>	<b>2,886</b>
	<b>145,806</b>	<b>148,799</b>	<b>145,546</b>
<b>Transfers to/from RSG</b>			
- Grants Rolled into Formula Grant (reduced figure)	10,832	(932)	(187)
- Personal Social Services	1,961	1,480	259
<b>MTFMS Changes</b>			
- Waste management - PFI Contract	0	500	500
- Whitecross PFI requirement	0	0	250
- Local Development Framework	(275)	0	0
<b>Shared Services</b>			
- Revenue Costs	(204)	56	
- Capital Financing	292	8	0
- Core team costs (rev)	9	(479)	
- Core team costs (capital financing)	(6)	(6)	42
- Shared Services	250	0	0
<b>Capital Financing Costs</b>			
- Cost of borrowing	570	739	696
- Cashflow management	0	500	500
- Investment Income	0	(210)	(240)
<b>Emerging Pressures</b>			
- Student Finance	(70)	(15)	0
- Income shortfall	0	(300)	0
- Management change reserve	500	0	(500)
- Spend to save reserve	0	0	(150)
- Winter maintenance	(500)	0	0
- Statutory changes creating pressures	1,029	544	0
- Base budget funding issues	130	907	0
- Other service pressures	650	785	0
- Academy schools	(300)	(150)	(100)
- West Midlands Councils	209	(209)	0
- Retail Quarter Timescales	230	0	0
<b>Efficiencies &amp; Savings</b>			
- Directorate reductions	(4,594)	(6,121)	0
- Contingency re timing of delivery of savings	247	0	0

**Rising to the Challenge**

- Delaying Savings	(3,148)	0	0
- Reducing the Pay Bill	0	0	0
- Shared Services	(2,560)	(638)	(626)

**New Homes Bonus**

(660)	(660)	(660)
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**Council Tax Freeze Grant**

(2,150)	0	0
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**General reserves**

(1,000)	0	0
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**Movement from Reserves**

(1,000)	500	0
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**Capacity to achieve desired Tax increase**

0	(2,438)	(1,493)
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**TOTAL BUDGET**

<b>146,248</b>	<b>142,660</b>	<b>143,837</b>
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**BUDGET 2010/11 TO 2011/12 – Movements**

	<i>£M</i>	<i>£M</i>
2010/11 Net Budget		142.844
<i>Block 1: Additional Spend</i>		
Inflation for 2011/12	2.962	
Grants rolled into Formula Grant	10.832	
Adult Social Services	1.961	
capital financing	0.860	
Addition to redundancy reserve	0.500	
Shared Services costs	0.049	
West Midlands Councils	0.209	
Garrick House move	0.230	
Prior year changes	1.809	
Contingency addition	0.249	
		19.661
<i>Block 2: Additional Income/Budget No Longer Required</i>		
Remove 2010/11 addition to Waste Reserve	(0.500)	
Remove 2010/11 funding for LDF	(0.275)	
Remove 2010/11 top ups of Winter Reserve	(0.500)	
Remove losses associated with academy schools	(0.370)	
Council tax freeze grant	(2.150)	
New Homes Bonus	(0.660)	
Reserves additions in 2010/11 no longer required	(1.500)	
		(5.955)
<i>Block 3: Savings Required To Balance</i>		
Directorate reductions	(4.594)	
Reductions in pay bill	(3.148)	
Shared Services and Commercial Strategy	(2.560)	
		(10.302)
<b>2011/12 NET BUDGET</b>		<b>146.248</b>





**GRANTS CEASED**

***Area Based Grant***

School Development Grant	82
Extended Schools Start-Up Grants	334
Primary National Strategy - Central	115
Secondary National Strategy Central Co-ordination	141
Secondary National Strategy - Behaviour and Attendance	68
School Improvement Partners	108
Education Health Partnerships	55
School Travel Advisers	32
Choice Advisers	20
School Intervention Grant	70
14 - 19 Flexible Funding Pot	48
Sustainable Travel - General Duty	16
Designated Teacher Funding	15
	<b>1,104</b>

***Standards Fund***

Assessment for Learning (AfL)	122
Communication, Language and Literacy development (CLLD)	65
Early Years/Primary (Foundation)	26
Behaviour & Attendance	29
Primary (MfL) - missing one-third	43
Leading Teachers	10
Targeted gifted & talented support	2
Assessment for Learning AfL	64
Gaining Ground	191
Aim Higher DCSF	179
Key Stage 4 Engagement Programme	58
	<b>789</b>

***Other***

Cohesion	57
Climate Change	23
	<b>80</b>

The new Early Intervention Grant has already had a reduction of £597k; therefore the total of the above equates to £2.566m.

## **GRANTS CEASED BUT ROLLED INTO FORMULA GRANT**

In addition a number of grants have been rolled into Formula Grant in 2010/11 these total £13.55m but in 2011/12 we assume that these are valued at £10.832m. The list of grants rolled into Formula Grant are as follows:

## **GRANTS ROLLED TO FORMULA GRANT**

Social Care Reform Grant  
Stroke Strategy  
Aids support grant  
Animal Health  
Concessionary Fares Special Grant  
DfT Revenue Grants  
Care Matters White Paper  
Child Death Review Processes  
LSC Staff Transfer  
Adult Social Care Workforce  
Carers  
Child & Adolescent Mental Health  
Learning & Disability Development Fund  
Local Involvement Networks  
Mental Capacity Act & Independent Mental Capacity  
Mental Health  
Preserved Rights  
Economic Assessment Duty  
Supporting People

## **GRANTS STILL TO BE ANNOUNCED**

Stronger Safer Communities  
Young People Substance misuse  
Extended Rights to Free Transport  
Music Grant  
Community Call for Action

### Addendum to Medium Term Financial Strategy

There have been a number of minor changes made since the Joint Medium Term Financial Strategy was presented at Cabinet on 20<sup>th</sup> January 2011. They are either de minimis in nature, update core figures or in accordance with the officer delegation from Cabinet to make amendments regarding capital, in this case requested by Overview and Scrutiny Committee.

Apart from minor corrections to improve the reading content and correct formatting styles, the main changes are:

- Moved a number of sections sat within Herefordshire Council sections forward because they reflect both organisations:
  - Section 6 policy context forward to section 3
  - Section 7 joint financial objectives and approaches are now within section 5
  - Section 5 is now section 7
- 4.4.7 explained RGF with an additional sentence
- 4.5.2 PCT overall draft budget clarified at circa £284m
- 7.4.4 clarification on the dedicated schools grant budget
- 7.10 additional explanation as requested by Overview and Scrutiny Committee about the future funding of capital projects
- 7.13.3 extra sentence on risk
- 8.6 has 3 paragraphs on use of reserves as clarified in the covering Cabinet report of 20<sup>th</sup> January 2011
- Treasury Management Strategy – Ratio of Financing Costs to Net Revenue Stream at 2.6 has been amended

David Powell, Director of Resources  
26<sup>th</sup> January 2011





<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>4 FEBRUARY 2011</b>
<b>TITLE OF REPORT:</b>	<b>HEREFORDSHIRE COUNCIL AND NHS HEREFORDSHIRE JOINT CORPORATE PLAN 2011 - 2014</b>
<b>REPORT BY:</b>	<b>LEADER OF THE COUNCIL</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To invite Council to approve the Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT: Council approve the Herefordshire Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes at Appendix 1 to this report**

### **Key Points Summary**

- The current Joint Corporate Plan (JCP) is a three year rolling plan, reviewed annually.
- The JCP between the Council and NHS Herefordshire (NHS) has been thoroughly reviewed in line with the timescales of the agreed planning cycle. It specifies what Herefordshire Public Services intends to achieve over the next period.
- The plan has been prepared to be affordable within the medium term financial strategies of the two organisations
- Cabinet recommended to the Council the approval of the JCP subject to finalisation by the Chief Executive. No further amendments have been made. Since Cabinet's approval, the Board of NHS Herefordshire has also considered and approved the JCP. The Board did not make any further changes.

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Further information on the subject of this report is available from  
Tony Geeson Head of Policy & Performance on (01432) 261855

## Alternative Options

- 1 There are no Alternative Options. The Council's constitution requires there to be an up-to-date Corporate Plan and the joint plan with NHSH meets this need. The revised JCP will provide a sound basis for the performance management of the joint vision, priorities and long term outcomes and forms part of the Council's Budget and Policy Framework.

## Reasons for Recommendations

- 2 The constitution requires that the corporate plan is approved by Council as part of the Budget & Policy Framework.

## Introduction and Background

- 3 The Herefordshire Public Services planning cycle envisages a review of the JCP each autumn with Council approval in February.
- 4 The current plan – *Appendix 2* - was probably the first joint corporate plan in the country but there have been fundamental changes, locally and nationally, in the last 12 months which the plan does not reflect.
- 5 The intention has been to produce a more focussed plan that only contains key activities and which reflects the reduced resources available in the period ahead. It should make sense as a political & managerial framework, as the basis for demonstrating performance and for public reporting.
- 6 The clear strategic framework of the JCP is the basis for robust operational plans for teams, services and directorates and ultimately the personal objectives for individuals. Like the JCP, this wider planning process is already being streamlined in accordance with the commitment in *Rising to the Challenge* transformation programme to reduce bureaucracy and critically examine all processes for added value

## Key Considerations

- 7 The JCP across HPS is now one year old and due for routine review. However, there has been a substantial amount of change in the past 12 months to the extent that the plan requires a more fundamental revision than usual if it is to continue as the prime measure of HPS performance.
- 8 There has never been a more important time for a strategic plan which shows precisely what HPS aims to achieve in the years ahead. Major organisational changes have now been captured in the *Rising to the Challenge* and the NHS & Social Care commissioning programmes. The external influences on Herefordshire are becoming clearer with the announcements of the NHS operating framework and the local government financial settlement. The *Localisation* and the *Police Reform & Social Responsibility* bills have been published along with *White Papers* on the importance of teaching, healthier lives & healthier people (public health) and the vision for social care.
- 9 The revised plan is based on six priorities which Cabinet members and Non Executive Directors of the NHSH Board have discussed during the current budget

making round. The initial long term outcomes also come from these discussions to which have been added the challenges the Joint Management Team (JMT) identified during the 'star chamber' process. JMT has considered the plan on a number of occasions and individual directorate management teams have also contributed to its evolution. During this time Directors have consulted with appropriate Cabinet members and, where appropriate, relevant partnerships. The framework, at *Appendix 1*, is shorter than the current JCP but, more importantly, is fundamentally different. The draft now focuses on Herefordshire issues rather than the national performance framework and should only contain key activities. Given this clarity the new plan will provide the strategic direction and prioritisation required for the future in a clearer way.

- 10 The draft framework for the JCP which Council is being asked to approve is attached at *Appendix 1*. All the key issues the public of Herefordshire regard as important, drawn from various consultations, are reflected in the plan; either by the framework directly or within the supporting projects or detailed measures which flow from it, and which will be contained in an implementation plan to be approved by Cabinet following Council approval of the JCP; the implementation plan forms the base against which future performance will be measured.
- 11 The JCP's broad intention is to show how the whole system of public services in Herefordshire is being transformed and, in particular, how HPS is contributing. *Appendix 1* also includes the HPS vision and the shared values adopted for Council and NHS employees. The priorities and outcomes are intended to be strategic and long term. Although there are clear connections between many of those listed in *Appendix 1*, they are not repeated for reasons of presentation and clarity. As previously mentioned, the outcomes will be supported by a range of individual projects and detailed measures so that progress can be demonstrated and achievement made clear. These more detailed measures and projects will be agreed through JMT.
- 12 The draft JCP was discussed by the Herefordshire Partnership Management Group and their comments have been incorporated into Appendix 1.

## **Community Impact**

- 14 The proposed JCP will demonstrate the priorities for delivery across HPS and their relevance to the communities of Herefordshire even more clearly than in the past.

## **Financial Implications**

- 15 There are no direct financial implications arising from this report. The work programmes designed to deliver the priorities in the plan are all within the available resources, and the Medium Term Financial Strategy (elsewhere on Council's agenda) reflects the priorities within the JCP.

## **Legal Implications**

- 16 There are no legal implications arising directly from this report.

## **Risk Management**

- 17 There are risks in producing any strategic plan at a time of such great change.

However without clear intentions to guide activity there is a danger of duplication and wasted effort on lower priority tasks. The potential for further changes has been mitigated to some extent since much of the likely content has already received separate Cabinet or Board endorsement

## **Consultees**

- 18 Joint Management Team, Cabinet Members, Overview & Scrutiny Committee, NHH Board and the Herefordshire Partnership Management group have all been consulted, and their views reflected in the draft document.

## **Appendices**

- 19 Appendix 1 Joint Corporate Plan Framework 2011 - 2014 (proposed)  
Appendix 2 Joint Corporate Plan Framework 2010 – 2013 (previous)

## **Background Papers**

State of Herefordshire 2010 Report



# Appendix 1

## THE HEREFORDSHIRE PUBLIC SERVICES VISION

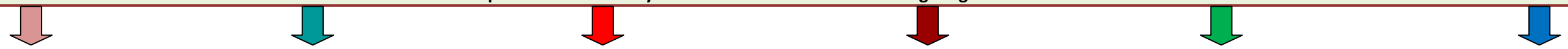
Working together to deliver efficient, excellent services and improve outcomes for the people of Herefordshire. We aim to put PEOPLE at the heart of everything we do.  
Our shared values are;

- P**eople – treating people fairly, with compassion, respect and dignity,
- E**xcellence – striving for excellence and the highest quality of service, care and life in Herefordshire,
- O**penness – being open, transparent and accountable for the decisions we make,
- P**artnership – working together in partnership and with all our diverse communities,
- L**istening – actively listening to, understanding and taking into account people’s views and needs,
- E**nvironment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.

### OUR PRIORITIES TO MEET THE VISION ARE TO

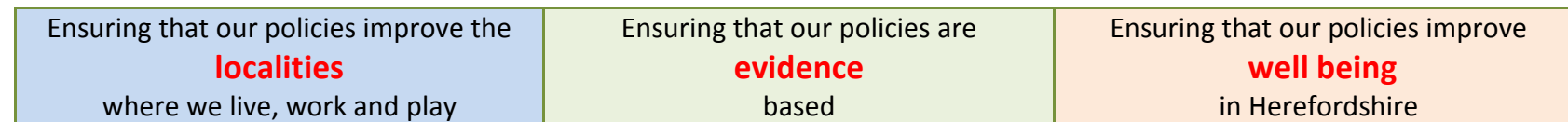
1. Create a thriving economy (People & Place combined)	2. Improve health care & social care (People focus)	3. Raise standards for children and young people (People focus)	4. Promote self reliant local communities (Locality focus)	5. Create a resilient Herefordshire (County focus)	6. Commission the right services (Public service focus)
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We will ensure that our priorities are met by the achievement of the following long term outcomes



### LONG TERM OUTCOMES

1.1 The regeneration of Herefordshire	2.1 Improved intervention and support for older people and keeping them safe	3.1 Sustainable educational provision throughout Herefordshire	4.1 Vibrant cultural opportunities	5.1 The preservation and enhancement of our environment.	6.1 High quality assessments of need
1.2 The delivery and maintenance of key infrastructure including actions to reduce congestion	2.2 A robust & healthy provider market	3.2 Improved intervention and support for children & young people and keeping them safe	4.2 Safe places where people feel secure	5.2 Accessible services and countryside	6.2. Streamlined, working practices
1.3 Growing businesses, jobs & wage levels.	2.3 Financial balance across Herefordshire’s health & social care economy	3.3 Improved performance by early years and primary school pupils including vulnerable groups relative to their peers	4.3 Enhanced local democracy and community engagement.	5.3 A strong regional and national reputation	6.3. High levels of customer and citizen satisfaction
1.4 The development of employment skills, including access to higher education	2.4 The development of a new local commissioning infrastructure	3.4 Reduced child poverty	4.4 Ways of working that reflect the needs and priorities of people & place	5.4 The protection of people’s health & wellbeing.	6.4. A high quality workforce
1.5 A reduction in health inequalities for the working age population	2.5 Good quality corporate and clinical governance standards are embedded in all services provided	3.5 Families & communities that are able to support all children & young people effectively	4.5 A balanced housing market to meet residents needs	5.5 Increased equality of opportunity	
	2.6 A reduction in health inequalities for frail, elderly people	3.6 A reduction in health inequalities for children & young people			
	2.7 More people retaining their independence through greater choice and control				



## JOINT CORPORATE PLAN 2010-13 FOR HEREFORDSHIRE COUNCIL AND NHS HEREFORDSHIRE

### OUR VISION

*Herefordshire will be a place where people, organisations and businesses, working together within an outstanding natural environment, will bring about sustainable prosperity and well-being for all*

**The Council and NHS Herefordshire, working together to deliver efficient, excellent services and improved outcomes for the people of Herefordshire, will take action to tackle the following major challenges for the county:**

- Low pay, low skills and the need for better infrastructure
- Avoidable ill-health and accidents
- Safeguarding vulnerable children and adults, including the increasing number of people aged over 85
- Improving access to affordable housing and key services, especially for those living in rural areas
- Doing all we can to combat climate change locally and deal with its impact
- Reducing inequalities by improving people's life-chances
- At a time of severe constraints on public spending and people's incomes, and growing demand for public services, ensuring excellence and value for money

### OUR PRIORITY THEMES

Economic development and enterprise	Healthier communities and older people	Children and young people	Safer communities	Stronger communities	The environment	Organisational improvement and greater efficiency
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### OUR STRATEGIC OBJECTIVES

1. Improve infrastructure and learning and employment opportunities, enabling business growth and sustainable prosperity for all	2. Improve people's health and well-being, and reduce health inequalities, enabling people to be independent and active and to contribute to their local communities	3. Maximise the health, safety, education, economic well-being, achievements and contribution of every child.	4. Make Herefordshire an even safer place to live, work and visit	5. Stronger, vibrant, more inclusive communities in which people enjoy a good quality of life and feel they have influence over their lives and decisions that affect them	6. The protection and enhancement of Herefordshire's distinctive environment, and tackling climate change	7. Being recognised as top-performing organisations that deliver value for money and ensure excellent services
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### LONG TERM OUTCOMES

1.1. Higher quality, better paid jobs and reduced unemployment	2.1. People have longer, healthier lives, with reduced inequalities between different groups and localities	3.1. Children and young people are healthy and have healthy life-styles, with less obesity and substance mis-use, and better dental and sexual health	4.1. Reduced levels of crime	5.1. Cohesive communities in which people feel accepted, confident and empowered, regardless of race, disability, gender, sexual orientation, age, religion or belief	6.1. Reduced waste and increased recycling	7.1. The highest standards of leadership, governance and integrity
1.2. Increased participation in learning and higher levels of skills and achievement	2.2. Older people living fulfilled lives as active members of their communities	3.2. Children and young people are safe, secure and have stability	4.2. Reduced levels of anti-social behaviour	5.2. Communities and individuals participating in local decisions and influencing them	6.2. Reduced CO <sup>2</sup> emissions and successful adaptation to unavoidable impacts of climate change	7.2. Demonstrable value for money
1.3. More and higher-spending visitors to the county	2.3. Vulnerable people able to live safely and independently in their own homes	3.3. Children and young people are enabled to develop personally, socially and emotionally, and to achieve high standards of educational attainment	4.3. Reduced harm from drugs and alcohol	5.3. Affordable housing appropriate to people's needs and less homelessness, with support for vulnerable people to live independently	6.3. Increased biodiversity	7.3. Streamlined, efficient operations, including the integrated delivery of services across the boundaries of different organisations
1.4. Improved quality & availability of business accommodation and employment land	2.4. Enhanced emotional well-being, with fewer suicides	3.4. Children and young people engage in further education, employment or training on leaving school	4.4. Communities to have enhanced resilience and recovery from emergencies through effective partnership planning and co-ordination	5.4. Fair access to the services residents need, including high quality sporting, cultural and recreational facilities and activities	6.4. Natural resources are conserved and landscape character maintained, with sustainable land management	7.4. High levels of customer and citizen satisfaction
1.5. Better roads, reduced traffic congestion, with more people walking, cycling or using public transport	2.5. Personalised health and social care services, which offer people much greater choice and influence over their care	3.5. Children and young people engage in positive behaviour inside and out of school	4.5. Fewer accidents and injuries	5.5. People are able to participate in, the life of their communities	6.5. Investment in high quality streets, public spaces and the built environment	7.5. A highly skilled, highly motivated workforce that works in effective partnership with other organisations
	2.6. Improved dental health	3.6. Improved access to good quality care and other services for children, young people and their families through the work of Herefordshire's Children's Trust	4.6. People feel as safe as they would like to be			7.6. Highly rated under Comprehensive Area Assessment and World Class Commissioning, and recognised as exemplars regionally and nationally

<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>4 FEBRUARY 2011</b>
<b>TITLE OF REPORT:</b>	<b>REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS</b>
<b>REPORT BY:</b>	<b>RETURNING OFFICER</b>

**CLASSIFICATION:** Open

### **Wards Affected**

Aylestone, Belmont, Kington, Ledbury, Ross-on-Wye East, Ross-on-Wye West, St Martin's and Hinton, Three Elms, and Tupsley

### **Purpose**

To report the outcome of the recent review of polling districts, polling places and polling stations following the direction by the Election Commission to review any polling station with an electorate of between 2000 and 2500, and seek approval to proposed changes to polling districts within Ledbury ward.

### **Recommendation**

**THAT Council:**

- (a) **Notes the outcome of the review (summarised at Appendix A); and**
- (b) **Approves the creation of a new polling district within Ledbury ward (based on the New Mills estate) to facilitate a reduction of the electorate in polling districts N-UC and N-UE.**

### **Alternative Options**

- 1 Alternative options were considered as part of the review and consultation process, as set out in Appendix B.

### **Reasons for Recommendations**

- 2 The recommendations are to ensure compliance with the directions from the Electoral Commission, and to facilitate effective engagement with the democratic process.

## Introduction and Background

- 3 At the 2010 Parliamentary Election some problems were encountered at a handful of polling stations around the country at the close of poll largely due to a number of voters not being able to cast their vote by the 10pm deadline; it is important to note that there was no such problems in Herefordshire. The Electoral Commission produced an interim report on the issues experienced across the country and recommended that local authorities conduct an immediate review of polling districts and polling places to address the problems highlighted in its report. Additionally, the Electoral Commission has also issued directions, for the forthcoming referendum, recommending that no polling station should have more than 2500 electors voting at it. Appendix B outlines the review recently undertaken.

## Key Considerations

- 4 In accordance with the Representation of the People Act 1983 (s18A to 18E) local authorities have a responsibility for determining and keeping under review polling districts and polling places within their area, whilst Returning Officers are responsible for selecting polling stations within each polling place. The whole of the area of Hereford City is defined as a polling district and the Parish Wards within the City are defined as polling places. For the remainder of Herefordshire, each Parish is defined as a polling district and polling place.
- 5 At the 6 May Parliamentary election, in Herefordshire, 167 polling stations were available for the electorate to vote at. The polling stations opened at 7.00am and closed at 10.00pm as per legislation. The minimum staffing levels for a polling station were one Presiding Officer and one Poll Clerk. At the largest polling station, in terms of electorate there was one Presiding Officer and three Poll Clerks allocated.
- 6 In response to the Electoral Commissions directions for a review of polling places and polling stations after last years Parliamentary election and taking account of feedback received locally, this review looked at arrangements in the Aylestone, Belmont, Kington, Ledbury, Ross-on-Wye East, Ross-on-Wye West, St Martin's and Hinton, Three Elms and Tupsley wards.
- 7 A full review of polling places, polling districts and polling stations was undertaken in 2008 and, in accordance with Section 18 C (4) of the Representation of the People Act 1983, a further full review must be undertaken in 2012.
- 8 The Returning Officer has authority to determine the location of polling stations within polling districts, but changes to polling districts/places require the approval of Council. Attached as Appendix A to this report is a schedule of recommendations arising from the review.
- 9 Council approval is sought in respect of proposals to make changes in respect of polling districts within Ledbury ward. Current voting arrangements in that ward cannot continue because of the excessive numbers of electorate allocated to two of the four polling places (N-UC and N-UE having an electorate of 3278 and 2988 respectively).
- 10 Following consultation on the options, as set out in Appendix B, it is proposed to create a new polling district (N-UF) based on the New Mills estate and including some roads to the east of The Homend (a map is contained within Appendix B for clarity). The polling station for this new district would be based at the Ledbury Primary School campus, using either the primary school itself, or the Children's Centre, or the Co-Location Team Building; it is unlikely to necessitate school closure. The transfer of electorate into this new polling district will reduce the electorate within the N-UC and N-UE areas to within the recommended guidelines.

## **Community Impact**

- 11 The implementation of the recommendations of the review will make it easier for residents to exercise their democratic right to vote.

## **Financial Implications**

- 12 In implementing the recommendations of the review there will be some additional costs relating to accommodation and the need for additional polling station staff, however these costs can be met from within existing budgetary provision.

## **Legal Implications**

- 13 The Returning Officer is required by statute to advertise any changes to polling places, polling districts and polling stations. Any changes to polling districts will need to be advertised and included in the Registers of Electors in time for May elections (March Registers)

## **Risk Management**

- 14 The implementation of the recommendations of the review will reduce the risk of voters having to queue at polling stations or not being able to cast their vote.

## **Consultees**

- All Members of the Council
- All Parish and Town Councils
- Local Members of Parliament
- Local MEPs
- Local Political Organisations
- Herefordshire Association of Local Councils
- Age Concern
- Local Disability Groups

## **Appendices**

- A Summary of recommendations from the Review of Polling Districts, Polling Places and Polling Stations.
- B Summary of current arrangements/options considered

## **Background Papers**

- Electoral Commission Circular 19 2010
- Electoral Commission Directions to Counting Officers
- Consultation responses

**APPENDIX A**

**SUMMARY OF RECOMMENDATIONS OF FOR POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS IN  
HEREFORDSHIRE 2010 – 11**

<b>Ward</b>	<b>Polling Districts</b>	<b>Polling stations</b>	<b>Decision by</b>	<b>Proposal</b>	<b>Recommendation</b>
Ledbury	N-UA, N-UB, N-UC, N-UD, N-UE	Ledbury Community Centre,  St Katherine's Hall	Council	To reduce numbers in polling districts N-UC and N-UE by adding a new polling district based on the New Mills estate and add 2 new polling stations	To add polling district N-UF and polling stations at the Primary school campus and the Leisure Centre.
Belmont	H-CA, H-CB, H-CC, H-CD	Belmont Community Centre, Scout Hut, Blackmarston Road	Returning Officer	To reduce numbers going to Belmont Community Centre	Add new polling station at Northolme Community Centre.
Three Elms	H-JJA, H-JJB, H-JJC, H-JJD, H-JJE	Holy Trinity Church Hall, Westfields Hall, Hereford Leisure Centre	Returning Officer	To reduce numbers at Westfields Hall	Add new polling station at Westfields Hall
Tupsley	H-KKA, H-KKB, H-KKC, H-KKD	Braadlands Primary school, WRVS Riverside Learning Centre, Hampton Dene Primary school	Returning Officer	To reduce numbers at Hampton Dene Primary school	Add new polling station at Hampton Park United Reform Church Hall for H-KKC polling district.
Aylestone	H-AA, H-AB, H-AC, H-AD	Bryngwyn Court, RNCB The Gardner Hall, RNCB QB2, The Rose Garden	N/A	To minimise electors in H-AC having to walk up and down College Green Hill	No change at present but to be reviewed in the future.
Kington	N-TA, N-TB, N-TC	Markwick Close	N/A	No change	To keep numbers under review

Further information on the subject of this report is available from  
John Jones, Electoral Services Manager on (01432) 260110

		Community Centre			
Ross-on-Wye East	H-DDA, H-DDB, H-DDC	Ross-on-Wye Y Zone Youth Centre, Tudorville Youth Centre, Larruperz Community Centre	N/A	No change	To keep numbers under review
Ross-on-Wye West	H-EEA, H-EEB, H-EEC	Brampton Abbots C of E Primary school	N/A	No change	To keep numbers under review
St Martin's and Hinton	H-FFA, H-FFB, H-FFC, H-FFD, H-FFE, H-FFF, H-FFG	Hinton Community Centre, Saxon Community Hall, Hunderton & Belmont Residents Assoc, Pentwyn Court, Redhill Golden Jubilee Hall	N/A	No change	To keep numbers under review







**REVIEW OF POLLING DISTRICTS, POLLING  
PLACES AND POLLING STATIONS  
IN  
HEREFORDSHIRE  
2010 – 11**

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Three Elms Ward – Current situation	18
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# Introduction

## Purpose of Review

At the recent UK Parliamentary Election some problems were encountered at a handful of polling stations around the country at the close of poll. These problems were largely due to significant numbers of voters being unable to cast their vote by the deadline of 10:00pm on 6 May 2010 despite the fact that many voters had been queuing at the polling stations for some time. The Electoral Commission has produced an interim report on these problems and has recommended that all local authorities conduct an immediate review of polling districts and polling places to address those problems highlighted in their report.

## Background

As per the Representation of the People Act 1983 (s18A to 18E) local authorities have a responsibility for determining and keeping under review polling districts and polling places within their area, whilst Returning Officers are responsible for selecting polling stations within each polling place. The UK government has also issued guidance on allocation of electors to polling stations with the recommendation that the number of electors allocated to a polling station should not exceed 2,500 if this can be avoided. If there are exceptional circumstances where this is not possible, then suitable provisions are to be made bearing in mind likely demand at an election.

At the 6 May 2010 Parliamentary election, in Herefordshire, 167 polling stations were made available for the electorate to vote at. The polling stations opened at 7:00am and closed at 10:00pm as per legislation. The minimum staffing levels for a polling station were one Presiding Officer and one Poll Clerk. At the largest polling station, in terms of electorate allocated (Hampton Dene Primary School: 3723 electorate) there was one Presiding Officer and three Poll Clerks allocated.

During the Parliamentary election, polling station supervisors made regular inspections of polling stations and reported back to the Electoral Services Office if they felt additional staff were required to help manage voter queues. Very few polling stations in Herefordshire had any appreciable build up of voters. Hampton Dene Primary School was very busy all day but the staff were able to keep queues to manageable levels. Belmont Community Centre housed two polling stations with a total of two presiding officers and four poll clerks one of whom was delegated to direct voters to the correct station. The biggest queues occurred at St Katherine's Hall, Ledbury, in part due to the number of electorate in the N-UC polling district.

In response to The Electoral Commission's recommendations for a review of polling districts, polling places and polling stations and following up on feedback from various quarters after the 2010 election this review is looking at the polling arrangements in Aylestone and Ledbury Wards and at those polling stations where there are over 2500 electorate allocated to vote.

In May 2011 Herefordshire will have full term local elections and may be required to combine these elections with a national referendum on voting reform. As this may well increase the turn out, this review has also looked at polling stations with electorate numbers for between 2000 and 2500.

For each ward under review the present situation is set out, followed by options for consultation.

## AYLESTONE WARD

All the current polling stations within Aylestone Ward serve between 1000 and 1500 electorate. However there have been several requests to review the polling districts to minimise the problem of electors having to walk up and down College Green hill.

### Current Situation

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>	<b>% Turnout on 6/5/10</b>
Bryngwyn Court (Residents Lounge), Bulmer Avenue, Hereford HR1 1ER	H-AA	Hereford (Aylestone)	Aylestone	1486	<b>1486</b>	65.34
RNCB, The Gardner Hall (Norwood Rm), Venns Lane, Hereford HR1 1EB	H-AB	Hereford (Aylestone)	Aylestone	1081	<b>1081</b>	46.59
RNCB, QB2 (Beacon Rm), College Road, Hereford, HR1 1EB	H-AC	Hereford (Aylestone)	Aylestone	1378	<b>1378</b>	70.96
The Rose Garden (Fred Bulmer Hall), Ledbury Road, Hereford, HR1 2TR	H-AD	Hereford (Aylestone)	Aylestone	1090	<b>1090</b>	67.95

## AYLESTONE WARD cont.

### Proposal

There are three options proposed:

**Option 1:** To alter polling districts H-AA and H-AC to better reflect the topography of the area. College Green and Penn Grove Road (including Admirals Close) would form the boundary between the two polling districts. The boundary would run along the middle of the two roads with H-AA becoming the lower polling district and H-AC becoming the upper polling district. Polling district H-AB and H-AD would not be affected and there would be no change to the polling station arrangements in the ward.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Bryngwyn Court (Residents Lounge), Bulmer Avenue, Hereford HR1 1ER	H-AA	Hereford (Aylestone)	Aylestone	1896	<b>1896</b>
RNCB, The Gardner Hall (Norwood Rm), Venns Lane, Hereford HR1 1EB	H-AB	Hereford (Aylestone)	Aylestone	1081	<b>1081</b>
RNCB, QB2 (Beacon Rm), College Road, Hereford, HR1 1EB	H-AC	Hereford (Aylestone)	Aylestone	968	<b>968</b>
The Rose Garden (Fred Bulmer Hall), Ledbury Road, Hereford, HR1 2TR	H-AD	Hereford (Aylestone)	Aylestone	1090	<b>1090</b>

## AYLESTONE WARD cont.

**Option 2:** To alter polling districts H-AA and H-AC and add a new polling district H-AE. College Green Road would become part of H-AC, and H-AE would be created between Venns Lane to the north and Penn Grove Road to the south. Polling district H-AB and H-AD would not be affected and there would be no change to the polling station arrangements in the ward.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Bryngwyn Court (Residents Lounge), Bulmer Avenue, Hereford HR1 1ER	H-AA	Hereford (Aylestone)	Aylestone	1677	<b>1677</b>
RNCB, The Point 4, Venns Lane, Hereford HR1 1EB	H-AB	Hereford (Aylestone)	Aylestone	1081	<b>1081</b>
RNCB, QB2 (Beacon Rm), College Road, Hereford, HR1 1EB	H-AC	Hereford (Aylestone)	Aylestone	533	<b>533</b>
The Rose Garden (Fred Bulmer Hall), Ledbury Road, Hereford, HR1 2TR	H-AD	Hereford (Aylestone)	Aylestone	1090	<b>1090</b>
RNCB, The Gardner Hall (Norwood Rm), Venns Lane, Hereford HR1 1EB	H-AE	Hereford (Aylestone)	Aylestone	655	<b>655</b>

**Option 3:** To leave the existing polling districts as they are.

## BELMONT WARD

In the 2008 European elections, polling districts H-CB and H-CC used the St Francis Social Centre, Goodrich Grove, Hereford. However that venue is no longer available and efforts to find another location proved unsuccessful. An inspection was made of Belmont Community Centre which was already being used as a polling station and the decision made to add a second polling station in the Main Hall. During the 2010 Parliamentary election the queues were kept to a minimum due to efficient use of polling station staff

### Current Situation

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>	<b>% Turnout on 6/5/10</b>
Belmont Community Centre 1, Belmont Road, Hereford	H-CA	Belmont Rural	Belmont	2631	<b>2631</b>	63.04
Belmont Community Centre 2, Belmont Road, Hereford	H-CB	Hereford (Belmont)	Belmont	1679	<b>2768</b>	43.63
	H-CC	Hereford (Belmont)	Belmont	1089		
Scout Hut, Blackmarston Road, Hereford, HR2 7AN	H-CD	Hereford (Belmont)	Belmont	1180	<b>1180</b>	48.69

## BELMONT WARD cont.

### Proposal

To move polling district H-CC electorate to the Scout Hut, Blackmarston Road, Hereford. Also to ensure that there are adequate staffing levels at all three polling stations.

#### Option 1

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Belmont Community Centre 1, Belmont Road, Hereford	H-CA	Belmont Rural	Belmont	2631	<b>2631</b>
Belmont Community Centre 2, Belmont Road, Hereford	H-CB	Hereford (Belmont)	Belmont	1679	<b>1679</b>
Scout Hut, Blackmarston Road, Hereford, HR2 7AN	H-CC	Hereford (Belmont)	Belmont	1089	<b>2269</b>
	H-CD	Hereford (Belmont)	Belmont	1180	

#### Option 2:

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Northolme Community Centre, Northolme Road, Hereford	H-CA	Belmont Rural	Belmont	2631	<b>2631</b>
Belmont Community Centre 1, Belmont Road, Hereford	H-CB	Hereford (Belmont)	Belmont	1679	<b>1679</b>
Belmont Community Centre 2, Belmont Road, Hereford	H-CC	Hereford (Belmont)	Belmont	1089	<b>1089</b>
Scout Hut, Blackmarston Road, Hereford, HR2 7AN	H-CD	Hereford (Belmont)	Belmont	1180	<b>1180</b>



## KINGTON WARD

In 2007 Kington Town Council requested that the polling station arrangements be moved from the Lady Hawkins Youth Centre to a more central location in Kington. This request was agreed to and since 2008 the Kington electorate have voted at Markwick Close Community Hall. The current review is being undertaken because the electorate numbers are close to the 2500 recommended maximum per polling station.

### Current Situation

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>	<b>% Turnout on 6/5/10</b>
Markwick Close Community Hall, Markwick Close, Kington, HR5 3UE	N-TA	Kington	Kington	1930	<b>2425</b>	63.39
	N-TB	Kington Rural	Kington	465		
	N-TC	Lower Harpton	Kington	30		

### Proposal

No change to current arrangements

## LEDBURY WARD

Voting in Ledbury Ward caused significant problems for the electorate in terms of the length of time queuing to vote. Polling District N-UE at Ledbury Community Centre 2 was staffed by one presiding officer and two poll clerks. The station was busy through out the whole of the day but the staff managed to keep the queues to a minimum. Polling district N-UC has the second largest electorate in Herefordshire and also had the most problems with queues at the parliamentary election. The polling station at St Katherine's Hall initially had one presiding officer and three poll clerks allocated as staff. As it became apparent that the staff were unable to cope with the work load another very experienced presiding officer was sent to assist them. This greatly improved the throughput of electors.

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Ledbury Community Centre 1, Lawnside Road, Ledbury	N-UA	Donnington	Ledbury	70	<b>1220</b>	82.64
	N-UD	Ledbury	Ledbury	1150		
Eastnor Castle Visitor Centre, Eastnor, Ledbury HR8 1RL	N-UB	Eastnor	Ledbury	203	<b>203</b>	71.84
St Katherine's Hall, High Street, Ledbury	N-UC	Ledbury	Ledbury	3278	<b>3278</b>	60.93
Ledbury Community Centre 2, Lawnside Road, Ledbury	N-UE	Ledbury	Ledbury	2988	<b>2988</b>	64.96

## LEDBURY WARD cont.

### Proposal

There are three options proposed:

**Option 1:** To reduce polling districts N-UC and N-UE by creating a new polling district N-UF based on the New Mills estate and including some roads to the east of The Homend. The polling station would be based at the Ledbury Primary School campus, using either the primary school itself, or the Children's Centre, or the Co Location Team Building. This latter venue is due for completion in March 2011.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Ledbury Community Centre 1, Lawnside Road, Ledbury	N-UA	Donnington	Ledbury	70	<b>1220</b>
	N-UD	Ledbury	Ledbury	1150	
Eastnor Castle Visitor Centre, Eastnor, Ledbury HR8 1RL	N-UB	Eastnor	Ledbury	203	<b>203</b>
St Katherine's Hall, High Street, Ledbury	N-UC	Ledbury	Ledbury	2503	<b>2503</b>
Ledbury Community Centre 2, Lawnside Road, Ledbury	N-UE	Ledbury	Ledbury	1640	<b>1640</b>
Ledbury Primary School Campus, Longacres, Ledbury, HR8 2BE	N-UF	Ledbury	Ledbury	2123	<b>2123</b>

## LEDBURY WARD cont.

**Option 2:** To reduce polling districts N-UC and N-UE by creating a new polling district N-UF based on the New Mills estate and using the northern part of The Homend as the boundary. The polling station would be based at the Ledbury Primary School campus, using either the primary school itself, or the Children's Centre, or the Co Location Team Building. This latter venue is due for completion in March 2011.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Ledbury Community Centre 1, Lawnside Road, Ledbury	N-UA	Donnington	Ledbury	70	<b>1220</b>
	N-UD	Ledbury	Ledbury	1150	
Eastnor Castle Visitor Centre, Eastnor, Ledbury HR8 1RL	N-UB	Eastnor	Ledbury	203	<b>203</b>
St Katherine's Hall, High Street, Ledbury	N-UC	Ledbury	Ledbury	2607	<b>2607</b>
Ledbury Community Centre 2, Lawnside Road, Ledbury	N-UE	Ledbury	Ledbury	1640	<b>1640</b>
Ledbury Primary School Campus, Longacres, Ledbury, HR8 2BE	N-UF	Ledbury	Ledbury	2019	<b>2019</b>

## LEDBURY WARD cont.

**Option 3:** To reduce polling districts N-UC and N-UE by creating a new polling district N-UF based on the New Mills estate and including some roads to the east of The Homend. The polling station would be based at the Ledbury Primary School campus, using either the primary school itself, or the Children's Centre, or the Co Location Team Building. To reduce the pressure on the Ledbury Community Centre which currently takes two separate polling stations, by allocating polling district N-UD to the Ledbury Leisure Centre at John Masefield High School. The Leisure Centre lies within polling district N-UD, however it is poorly served by public transport and parking might be an issue during school hours.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Ledbury Community Centre , Lawnside Road, Ledbury	N-UA	Donnington	Ledbury	70	<b>1710</b>
	N-UE	Ledbury	Ledbury	1640	
Eastnor Castle Visitor Centre, Eastnor, Ledbury HR8 1RL	N-UB	Eastnor	Ledbury	203	<b>203</b>
St Katherine's Hall, High Street, Ledbury	N-UC	Ledbury	Ledbury	2503	<b>2503</b>
Ledbury Leisure Centre, John Masfield High School, Mabel's Furlong, Ledbury	N-UD	Ledbury	Ledbury	1150	<b>1150</b>
Ledbury Primary School Campus, Longacres, Ledbury, HR8 2BE	N-UF	Ledbury	Ledbury	2123	<b>2123</b>

## ROSS-ON-WYE EAST WARD

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Ross-on-Wye Y Zone Youth Centre, Hill St, Ross-on-Wye	H-DDA	Ross-on-Wye	Ross-on-Wye East	2566	<b>2566</b>	71.24
Tudorville Youth Centre, Walford Road, Ross-on-Wye	H-DDB	Ross-on-Wye	Ross-on-Wye East	832	<b>832</b>	58.27
Larruperz Community Centre, Grammar School Close, Ross-on-Wye	H-DDC	Ross Rural	Ross-on-Wye East	348	<b>348</b>	74.64

### Proposal

As the H-DDA polling district is only just over the recommended maximum electorate number is it proposed not to change the current arrangements but to keep the situation under review.

## ROSS-ON-WYE WEST WARD

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Brampton Abbots C of E School, Brampton Road, Ross-on-Wye	H-EEA	Ross-on-Wye	Ross-on-Wye West	1333	<b>1833</b>	71.24
	H-EEC	Ross-on-Wye	Ross-on-Wye East	500		58.27
Ross-on-Wye Bowling Club, Old Maids Walk Ross-on-Wye	H-EEB	Ross Rural	Ross-on-Wye East	2514	<b>2514</b>	74.64

### Proposal

As the H-EEB polling district is only just over the recommended maximum electorate number is it proposed not to change the current arrangements but to keep the situation under review.

## ST MARTIN'S AND HINTON WARD

In previous elections, registers H-FFC and H-FFG were allocated to two polling stations in the Main Hall at Putson Baptist Church, Web Tree Avenue. However in 2009, the Church authorities would not make the Main Hall available and could only offer the Minor Hall which was not large enough to accommodate two polling stations. An alternative venue at the Saxon Community Hall, Hoarwithy Road was used for the 2009 European Parliamentary election and also for the 2010 UK Parliamentary election. For the 2010 Parliamentary election H-FFC register was allocated one presiding officer and two poll clerks and did not experience any problems with queuing.

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Hinton Community Centre, Ross Road, Hereford	H-FFA	Hereford	St Martin's and Hinton	952	<b>1899</b>	50.80
	H-FFB	Hereford	St Martin's and Hinton	947		
Saxon Community Hall 1, Hoarwithy Road, Hereford	H-FFC	Hereford	St Martin's and Hinton	2551	<b>2551</b>	51.92
Hunderton & Belmont Residents Assoc., Belmont Ave. Hereford	H-FFD	Hereford	St Martin's and Hinton	769	<b>769</b>	46.30
Pentwyn Court, Pentwyn Ave, Hereford	H-FFE	Hereford	St Martin's and Hinton	1122	<b>1122</b>	47.57
Redhill Golden Jubilee Hall, Stanberrow Road, Hereford	H-FFF	Hereford	St Martin's and Hinton	1055	<b>1055</b>	53.60
Saxon Community Hall 2,	H-FFG	Lower Bullingham	St Martin's and	1074	<b>1074</b>	54.39



Hoarwithy Rd.			Hinton			
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**Proposal**

As this polling district is only just over the recommended maximum electorate number it is proposed not to change the current arrangements but to keep the situation under review.

## THREE ELMS WARD

There have been continuing problems finding a suitable venue for a polling station to cover polling district H-JJE. To address this difficulty both H-JJB and H-JJE have been allocated to Westfields Hall. Unfortunately for the last two elections the management of the hall have only allowed their small committee room to be used. This has proved to be inadequate for the number of electorate allocated to the polling station.

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Holy Trinity Church Hall, 152 Whitecross Road, Hereford	H-JJA	Hereford		1650	<b>1650</b>	47.72
Westfields Hall, Highmore Street, Hereford	H-JJB			1985	<b>3142</b>	61.60
	H-JJE			1157		
Hereford Leisure Centre, Holmer Road, Hereford	H-JJC			1005	<b>1005</b>	56.39
Whitecross High School, Three Elms Road, Hereford	H-JJD			1917	<b>1917</b>	62.55

## THREE ELMS WARD cont.

### Proposal

Following representations made by the Electoral Services Office, the hall management have agreed to allow their main hall to be used as a venue. This room is large enough to accommodate two separate polling stations and therefore allow the polling districts H-JJB and H-JJE to be split. The venue will however need to be adequately staffed to ensure that voters do not have to wait too long in order to vote.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Holy Trinity Church Hall, 152 Whitecross Road, Hereford	H-JJA	Hereford	Three Elms	1650	<b>1650</b>
Westfields Hall, 1 Highmore Street, Hereford	H-JJB	Hereford	Three Elms	1985	<b>1985</b>
Hereford Leisure Centre, Holmer Road, Hereford	H-JJC	Hereford	Three Elms	1005	<b>1005</b>
Whitecross High School, Three Elms Road, Hereford	H-JJD	Hereford	Three Elms	1917	<b>1917</b>
Westfields Hall, 2 Highmore Street, Hereford	H-JJE	Hereford	Three Elms	1157	<b>1157</b>

## TUPSLEY WARD

Hampton Dene Primary School was allocated one Presiding Officer and three Poll Clerks. The presiding officer reported that the station was very busy all day but the staff were able to keep queues to manageable levels.

### Current Situation

Polling Station	Register Code	Polling District	Ward	Electorate	Total	% Turnout on 6/5/10
Broadlands Primary School, Prospect	H-KKA	Hereford	Tupsley	1726	<b>1726</b>	61.88
WRVS Riverside Learning Centre, 26 Vicarage Rd, Hereford	H-KKB	Hereford	Tupsley	1669	<b>1669</b>	66.18
Hampton Dene Primary School, Church Road, Hereford	H-KKC	Hereford	Tupsley	2350	<b>3723</b>	71.50
	H-KKD	Hereford	Tupsley	1373		

## TUPSLEY WARD cont.

### Proposal

There are two options proposed:

**Option 1:** To re-allocate H-KKC polling district to Hampton Park United Reformed Church Hall, Hampton Dene Road, Hereford. This venue has been inspected and has good facilities and is situated just within the H-KKC polling district.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Broadlands Primary School, Prospect	H-KKA	Hereford	Tupsley	1726	<b>1726</b>
WRVS Riverside Learning Centre, 26 Vicarage Rd, Hereford	H-KKB	Hereford	Tupsley	1669	<b>1669</b>
Hampton Park United Reformed Church Hall, Hampton Dene Road, Hereford	H-KKC	Hereford	Tupsley	2350	<b>2350</b>
Hampton Dene Primary School, Church Road, Hereford	H-KKD	Hereford	Tupsley	1373	<b>1373</b>

## TUPSLEY WARD cont.

**Option 2:** To place two polling stations at Hampton Dene Primary School; one for H-KKC and one for H-KKD and ensure good level of staffing at each polling station.

<b>Polling Station</b>	<b>Register Code</b>	<b>Polling District</b>	<b>Ward</b>	<b>Electorate</b>	<b>Total</b>
Broadlands Primary School, Prospect	H-KKA	Hereford	Tupsley	1726	<b>1726</b>
WRVS Riverside Learning Centre, 26 Vicarage Rd, Hereford	H-KKB	Hereford	Tupsley	1669	<b>1669</b>
Hampton Dene Primary School, Church Road, Hereford 1	H-KKC	Hereford	Tupsley	2350	<b>2350</b>
Hampton Dene Primary School, Church Road, Hereford 2	H-KKD	Hereford	Tupsley	1373	<b>1373</b>



# AYLESTONE WARD

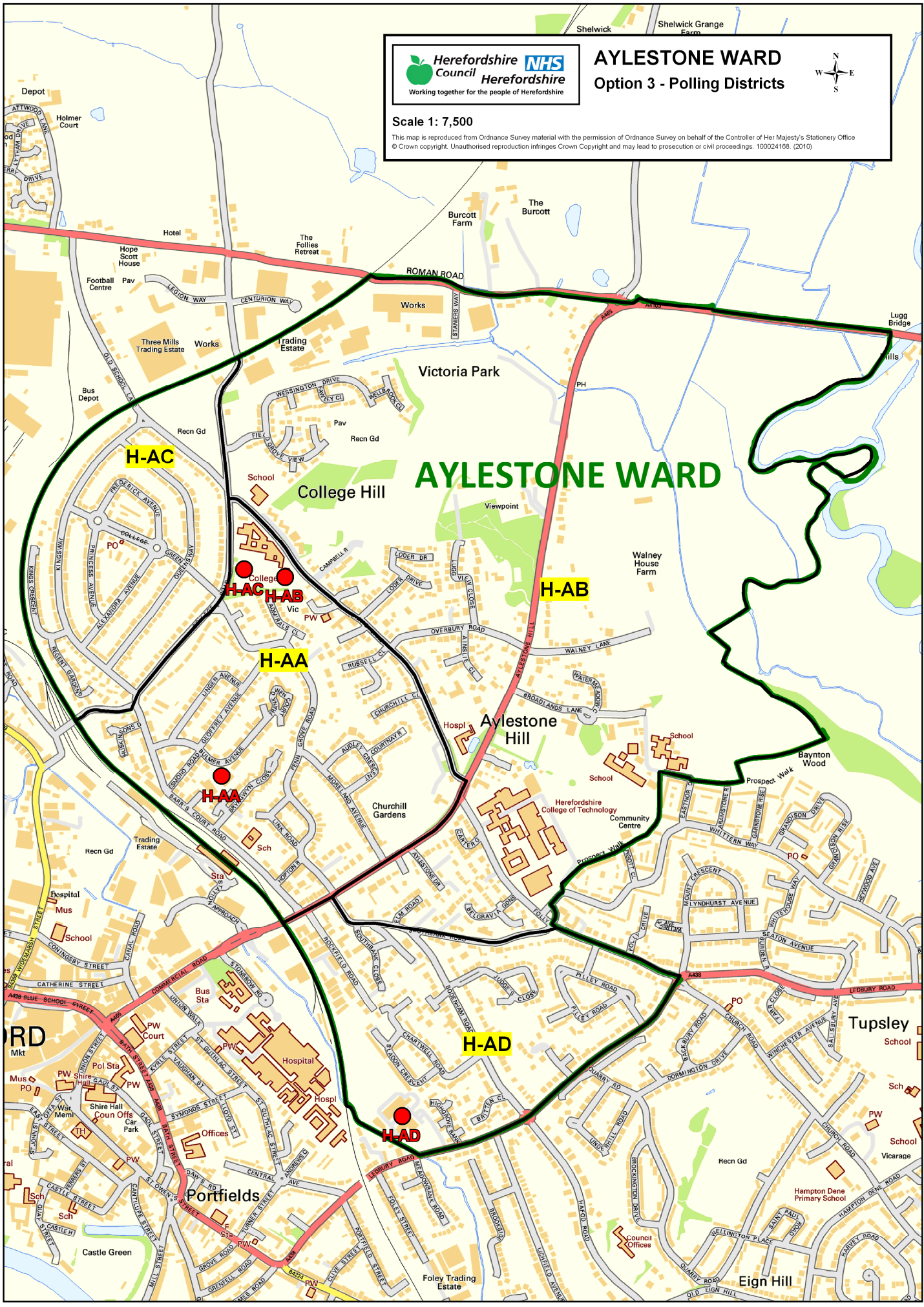
## Option 3 - Polling Districts



Scale 1: 7,500

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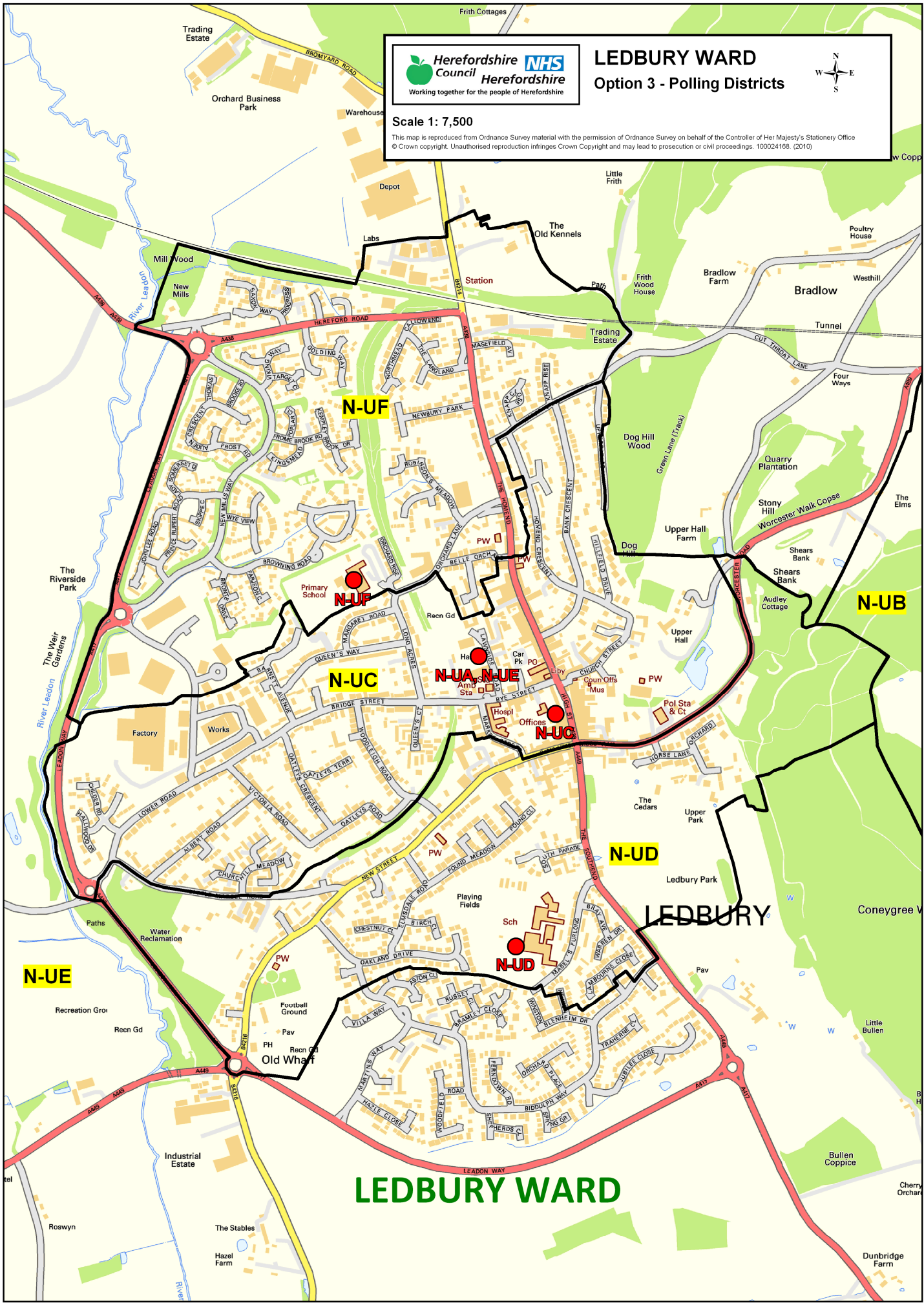
# AYLESTONE WARD





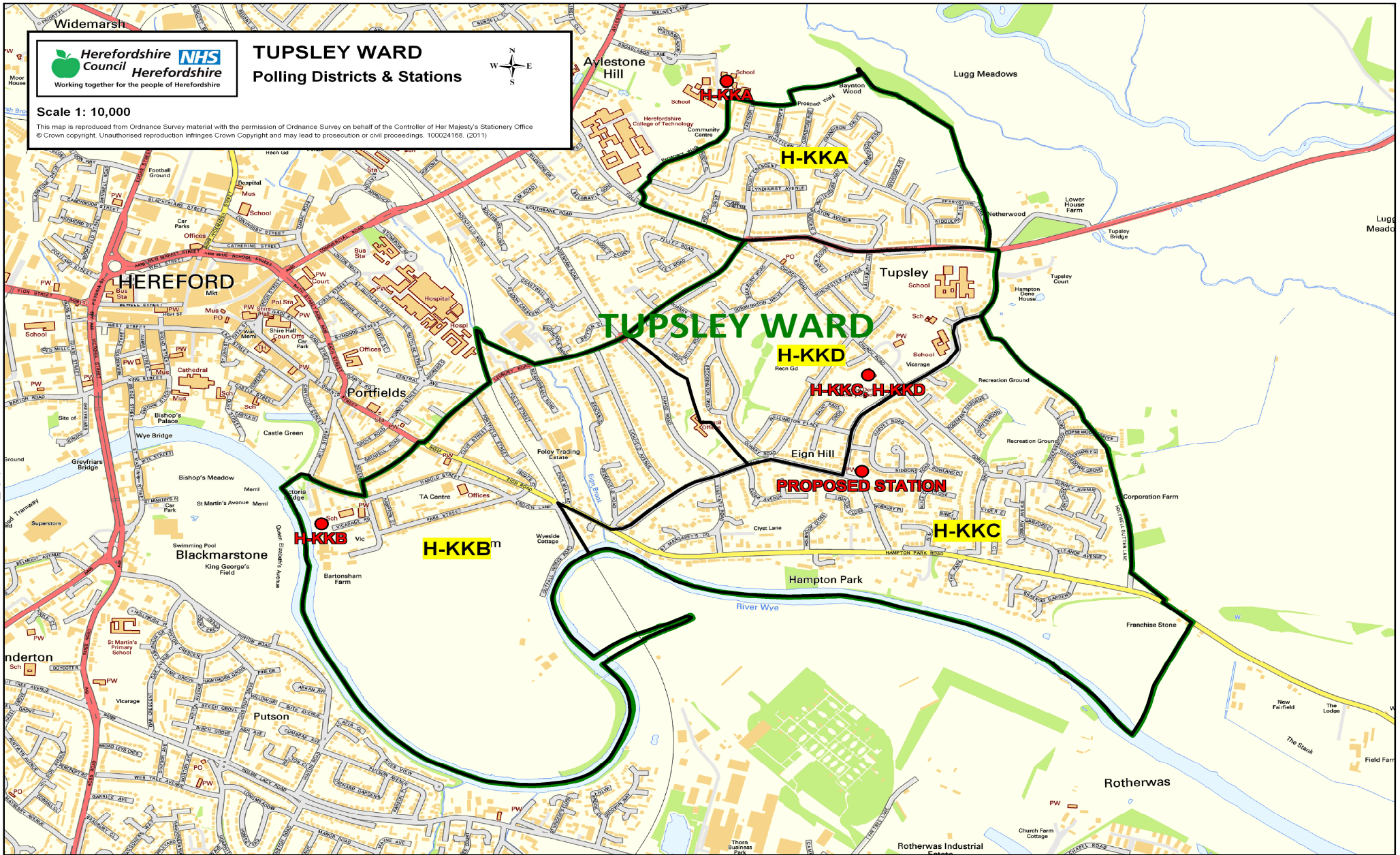
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**LEDBURY WARD**





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