

**Corporate Services**

Dean Taylor, Deputy Chief Executive and Director  
Your Ref:

Our Ref: CC/GH

Please ask for: Mr G Hardy

Direct Line / Extension: (01432) 383408

E-mail: [ghardy@herefordshire.gov.uk](mailto:ghardy@herefordshire.gov.uk)

**TO: ALL MEMBERS OF THE COUNCIL**

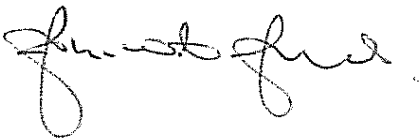
08 February 2013

Dear Councillor

**YOU ARE HEREBY SUMMONED** to attend the meeting of the Herefordshire Council to be held on **Monday 18 February 2013** at Council Chamber - Brockington at 10.00 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 Brockington for elected Members.

Yours sincerely



**J JONES**  
**HEAD OF GOVERNANCE AND MONITORING OFFICER**

---

Working in partnership for the people of Herefordshire  
240, Brockington, 35 Hafod Road, Hereford HR1 1ZT

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



# AGENDA

## Council

Date: **Monday 18 February 2013**

---

Time: **10.00 am**

---

Place: **Council Chamber - Brockington**

---

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

For any further information please contact:

**Geoff Hardy, Governance Services**

Tel: 01432 383408

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

---

If you would like help to understand this document, or would like it in another format or language, please call Geoff Hardy, Governance Services on 01432 383408 or e-mail [ghardy@herefordshire.gov.uk](mailto:ghardy@herefordshire.gov.uk) in advance of the meeting.

# Agenda for the Meeting of the Council

## Membership

**Chairman**

**Vice-Chairman**

**Councillor LO Barnett**

**Councillor ACR Chappell**

Councillor PA Andrews  
Councillor CNH Attwood  
Councillor PL Bettington  
Councillor WLS Bowen  
Councillor AN Bridges  
Councillor MJK Cooper  
Councillor BA Durkin  
Councillor DW Greenow  
Councillor RB Hamilton  
Councillor EPJ Harvey  
Councillor JW Hope MBE  
Councillor RC Hunt  
Councillor TM James  
Councillor AW Johnson  
Councillor JLV Kenyon  
Councillor JG Lester  
Councillor RI Matthews  
Councillor PJ McCaull  
Councillor JW Millar  
Councillor NP Nenadich  
Councillor FM Norman  
Councillor GA Powell  
Councillor AJW Powers  
Councillor PD Price  
Councillor P Rone  
Councillor P Sinclair-Knipe  
Councillor GR Swinford  
Councillor PJ Watts

Councillor AM Atkinson  
Councillor CM Bartrum  
Councillor AJM Blackshaw  
Councillor H Bramer  
Councillor EMK Chave  
Councillor PGH Cutter  
Councillor PJ Edwards  
Councillor KS Guthrie  
Councillor J Hardwick  
Councillor AJ Hempton-Smith  
Councillor MAF Hubbard  
Councillor JA Hyde  
Councillor JG Jarvis  
Councillor Brig P Jones CBE  
Councillor JF Knipe  
Councillor MD Lloyd-Hayes  
Councillor RL Mayo  
Councillor SM Michael  
Councillor PM Morgan  
Councillor C Nicholls  
Councillor RJ Phillips  
Councillor GJ Powell  
Councillor R Preece  
Councillor SJ Robertson  
Councillor A Seldon  
Councillor J Stone  
Councillor DC Taylor  
Councillor DB Wilcox

**AGENDA**

	<b>Pages</b>
<b>1. PRAYERS</b>	
<b>2. APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>3. DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>4. MINUTES</b> To approve and sign the Minutes of the meetings held on 23 November 2012 and 4 January 2013.	1 - 38
<b>5. CHAIRMAN'S ANNOUNCEMENTS</b> To receive the Chairman's announcements and petitions from members of the public.	
<b>6. QUESTIONS FROM MEMBERS OF THE PUBLIC</b> To receive questions from members of the public.	
<b>7. MEDIUM TERM FINANCIAL STRATEGY</b> To receive a report from the Chief Officer Finance and Commercial.	39 - 168
<b>8. PAY POLICY STATEMENT</b> To approve a Pay Policy Statement for the authority.	169 - 180
<b>9. FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS</b> To receive any written questions from Councillors.	



HEREFORDSHIRE COUNCIL

**MINUTES of the meeting of Council held at The Shire Hall, St Peter's Square, Hereford, on Friday 23 November 2012 at 10.30 am**

**Present:** Councillor LO Barnett (Chairman)  
Councillor ACR Chappell (Vice Chairman)

**Councillors:** PA Andrews, AM Atkinson, CNH Attwood, CM Bartrum, AJM Blackshaw, WLS Bowen, H Bramer, AN Bridges, EMK Chave, MJK Cooper, PGH Cutter, BA Durkin, PJ Edwards, DW Greenow, KS Guthrie, RB Hamilton, J Hardwick, EPJ Harvey, AJ Hempton-Smith, JW Hope MBE, MAF Hubbard, RC Hunt, JA Hyde, TM James, JG Jarvis, AW Johnson, Brig P Jones CBE, JLV Kenyon, JF Knipe, JG Lester, MD Lloyd-Hayes, RI Matthews, PJ McCaull, SM Michael, JW Millar, PM Morgan, NP Nenadich, C Nicholls, RJ Phillips, GA Powell, GJ Powell, R Preece, PD Price, SJ Robertson, P Rone, A Seldon, P Sinclair-Knipe, J Stone, DC Taylor, PJ Watts and DB Wilcox

**52. PRAYERS**

The Very Reverend Michael Tavinor led the Council in prayers.

Following prayers Council stood for a minute's silence in remembrance of Councillor Gordon Lucas.

**53. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors: PL Bettington, FM Norman and GR Swinford.

**54. DECLARATIONS OF INTEREST**

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor CNH Attwood, Non-Pecuniary.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor DC Taylor, Personal, Property.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor DW Greenow, Personal.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor GA Powell, Personal.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor J Stone, Prejudicial.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor JF Knipe, Non-Pecuniary.

11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor KS Guthrie, Personal.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor MAF Hubbard, Non-Pecuniary.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor MD Lloyd-Hayes, Personal.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor MJK Cooper, Personal.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor PJ Edwards, Personal.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor RI Matthews, Prejudicial.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor RJ Phillips, Personal.
11. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS.  
Councillor WLS Bowen, Prejudicial.
13. INDEPENDENT REMUNERATION PANEL.  
Councillor A Seldon, Non-Disclosable Pecuniary, Chairman of General Overview and Scrutiny Committee.
13. INDEPENDENT REMUNERATION PANEL.  
Councillor EPJ Harvey, Non-Disclosable Pecuniary, Vice Chairman of General Overview and Scrutiny Committee.
13. INDEPENDENT REMUNERATION PANEL.  
Councillor JW Millar, Prejudicial, Chairman of Health and Adult Social Care Overview and Scrutiny Committee.
13. INDEPENDENT REMUNERATION PANEL.  
Councillor PD Price, Prejudicial, Deputy Leader of the Council.
13. INDEPENDENT REMUNERATION PANEL.  
Councillor PM Morgan, Prejudicial, .
13. INDEPENDENT REMUNERATION PANEL.  
Councillor SJ Robertson, Non-Disclosable Pecuniary, Vice Chairman of Health and Adult Social Care Overview and Scrutiny Committee.
14. BREACH OF THE MEMBERS' CODE OF CONDUCT.  
Councillor MAF Hubbard, Non-Pecuniary.



## 55. MINUTES

**RESOLVED:** That the Minutes of the meeting held on 28 September 2012 be confirmed as a correct record and signed by the Chairman, subject to the following amendment that was made at the meeting to clarify the decision in respect of Minute No: 43, which was as follows.

**Notice of Motion Three:** Councillor Hubbard proposed the amendment to the motion with the addition of a final paragraph to the resolution of the motion.

**RESOLVED:**

**THAT this Council:**

- a) embrace its new responsibilities for public health in accordance with the Health and Social Care Act 2012 that takes effect from 1 April 2013 by demonstrating its leadership as an exemplar employer;
- b) makes a clear commitment to the health and well-being of its staff, volunteers and their families through the introduction of support to adopt healthy lifestyles; and,
- c) makes a clear commitment to active travel arrangements across the County using the Council's public health role to promote and fund sustainable forms of active travel across the County.

## 56. CHAIRMAN'S ANNOUNCEMENTS

The Chairman in her announcements:

- Informed Council of the Vice-Chairman's attendance at a concert hosted by The Rifles at the Royal Albert Hall on 18 October.
- Expressed her pleasure in officially opening the newly extended and refurbished facilities at the Hereford Leisure Pool.
- Reported that she launched the Herefordshire Poppy Appeal at Asda on 27 October 2012.
- Informed Council that the Vice-Chairman attended the opening of the Allpay Flavours of Herefordshire Festival on 27 October.
- Thanked all Herefordshire Councillors for attending remembrance services across the county.
- Expressed her pleasure in opening the launch of Herefordian Alfred Watkins' book Herefordshire.
- Advised that the Vice-Chairman attended the Sports Awards at which paralympian Josie Pearson was awarded the Herefordshire and Worcestershire Sports Personality of the Year 2012 award.
- Finally, Council was informed of the fund raising activities carried out by staff for the 2012 Children in Need appeal when £2,500 was raised.

## PETITIONS

One petition was received from Councillor McCaull regarding the increasing of car parking charges in Leominster and was handed to the Cabinet Member Education and Infrastructure.

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

A copy of the public questions and written answers, together with the supplementary questions and answers asked at the meeting are attached to the Minutes at Appendix 1.

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

A copy of the Member questions and written answers, together with the supplementary questions and answers asked at the meeting are attached to the Minutes at Appendix 2.

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

### **NOTICE OF MOTION – RETAIL DEVELOPMENT OLD CATTLE MARKET SITE**

Moved by Councillor MAF Hubbard and seconded by Councillor RI Matthews.

Councillor Hubbard addressed Council and made the following points:

- In stating the historic city centre has an impact on the market towns the proposer of the motion stated that should a Member wish to amend the motion to reflect a cross county city centre, to ensure the market towns receive the same support, the proposer would be in agreement.
- Council was reminded that it was originally stated that 80% of retail space would be developed with new stores and only 20% of retail space given to current retailers in the city centre.
- As the economy has worsened the restriction on retail space has been removed and replaced by a list of high town retailers that it was originally agreed developers would not approach.
- Councillor Hubbard accepted there had been an issue of confidentiality and agreed to rule himself out with regards to recommendation (a) of the motion, which was to share the list of named retailers that could not be approached by developers.
- The administration was planning a rapid expansion of the retail quarter at a time of economic crisis nationally and believed the administration should work on what was already in place in the city.
- There was a need for a well researched retail impact assessment to be carried out covering heritage, tourism and retail and develop a cross county strategy encompassing all the market towns to provide vision for the county.
- Consideration should also be given to the rapid growth of internet shopping and to use what is already in the city to its best advantage.

The following points were made in debate.

- Council must look to the sustainability of the city centre and ensure it is viable for generations to come.
- Believe the points raised relate to the core strategy.
- Important to ensure processes are in place to engage with the public and as much information as possible should be put in the public domain.
- Proposed the notice of motion be amended, that Council accept points b) and c) and delete a) as it was not considered to be enforceable. Councillor Edwards proposed the amendment to delete recommendation a). This was accepted by Councillor Hubbard as the proposer.

- It was felt that because internet shopping had risen so significantly Council should take stock of what was already in place and revitalise the city centre, particularly as a further dip in the economy was predicted. Any analysis could be undertaken by Council officers and therefore, there was no requirement to engage consultants.
- The Leader stated his support for Councillor Hubbard on recommendations b) and c) but stated the survey referred to had 4 been carried out and the information was available.

It was proposed by Councillor Wilcox and seconded by Councillor Taylor that the motion be put to a vote and following a vote this was agreed.

Following a vote the motion was declared carried with:

For	47
Against	3
Abstentions	0

**RESOLVED:**

- That the appropriate Cabinet Member be requested to arrange for a revised retail impact assessment to be undertaken to understand the potential impact of the new development on Hereford's historic retail area;**
- That the Leader be requested to arrange cross party talks to develop a comprehensive strategy to tackle issues arising out of the revised retail impact assessment detailed in a) above.**

**60. APPOINTMENT OF HEREFORDSHIRE COUNCIL CHIEF EXECUTIVE AND HEAD OF PAID SERVICE**

Council considered a report of the Employment Panel which met on 13 November 2012. The Leader addressed Council and advised that the process for appointing the Chief Executive had been a clear, thorough and well conducted one with the final decision being a unanimous one of the Employment Panel. The Leader assured Council of the high quality of the candidates that had applied for the position and recommended to Council the appointment of Alistair Neill as Chief Executive.

Concern was raised by some Members with regards to the process and the Monitoring Officer assured Council that legal opinion had been sought and that the process had been robust, carried out correctly and was likely to withstand any potential legal challenge.

It was moved and seconded that the report be accepted. A vote was taken and it was unanimously agreed:

For	47
Against	0
Abstentions	6

**RESOLVED: That the appointment of Alistair Neill as Chief Executive and Head of Paid Service for Herefordshire Council be approved.**

## 61. LEADER'S REPORT

The Leader of the Council, Councillor Jarvis, presented his report to Council. The following comments were made by Council:

- Planning for the Future – agenda page 35. In response to a question on the provision of services and town and parish councils bidding to take over the provision of some services, the Leader said he would endeavour to ensure town and parish councils had all the information they required.
- In response to a question on the statistical accuracy on the Quality of Life survey, the Leader reassured Council of the reliability of the survey and noted the comments made on communications with the public.
- Planning for the Future – agenda page 36 5.3 and 5.4 – delivery of Core Strategy and how long it is taking. The Cabinet Member advised that a timetable was in place and the end date of completion had not changed even though further consultation was proposed.
- In referring to Adult Social Care Councillor Glenda Powell stated she could not support the administration in increasing fees and charges. In response the Cabinet Member reminded Council that the demands on Adult Social Care were great and that there were tough choices to be made. In consultation Councillors had supported the increases, however, any member of the public who was not able to pay would not be expected to do so. The Chairman of Adult Social Care Overview and Scrutiny confirmed to Council that the Committee had reviewed the changes to fees and charges and would be reviewing the budget. He added that as changes took place the Committee would look to carry out a review.
- In response to a question on the Ofsted report the Cabinet Member confirmed that the report had been sent to all Members prior to public release.
- Herefordshire People – agenda page 36 5.7 – taxi marshalling service. In response to a question on the new taxi marshalling service the Leader advised Councillor Kenyon that he would contact him separately on how much money the Council had put into the service.
- Herefordshire's Economy and Communities – agenda page 37 5.13. Councillor McCaull referred to the consultation on car parking charges and the proposed increase and stated all Councillors in Leominster were against the proposed fee for Etnam Street car park. Councillors asked that the fee to be reversed or reviewed in six months time. The Cabinet Member reminded Council that all Members for the City or market towns had been consulted, that it had been explained and agreement had been reached. He added that there was a revenue issue and this was a way of supporting the budget. During the course of the year a review would be carried out and all points set out in the General Overview and Scrutiny Committee would be taken into consideration.
- The Cabinet Member was congratulated on the H.Energy week and the Council's commitment to environmental sustainability.
- In response to a question on the sale price of the Edgar Street Grid the Leader reiterated that the quote of £90m for the site referred to its development value.
- In response to a question on the cycling project to support sustainable travel the Cabinet Member stated the project would be completed before the money ran out in 2015.

**RESOLVED: That the overview of the Executive's activity be noted.**

## 62. COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNTS

The Cabinet Member Corporate Services presented the report of the Chief Officer Finance and Commercial on the Council Tax Support Scheme and Council Tax Discounts.

Note: At this point those Members that had declared an interest left the chamber whilst the item was discussed.

The Cabinet Member advised that the current Council Tax Benefit subsidy was £13m. This was to be replaced with grant funding amounting to £11.6m leaving a funding gap of £1.4m. The Cabinet Member stated there were not the reserves to fall back on therefore savings had to be made. Council was referred to agenda page 36 paragraph 8.3 and the table outlining the proposed changes or funding streams. The Cabinet Member added that the proposed budget was intended to take the Council forward, but referred to paragraph 10.4 of the report, which stated the new scheme was no longer a national scheme and therefore there was potential for local challenges. It was not clear the impact this could have on the scheme or on the implementation timescales.

In response to a question of clarification Council was reminded that Government would be taking 10% off Council Tax support, which raised concern for young families on low incomes. Concern was also raised at the low percentage of the population that had responded to the consultation and at the way residents were being reached for consultation. Council was reminded that in the Government response it stated that all people should pay something towards Council tax. It was moved and seconded that the recommendation be adopted and upon a vote being taken:

For	24
Against	5
Abstentions	6

### RESOLVED

#### THAT:

- a) the Council Tax Transitional Grant be accepted;
- b) Council adopts a new Council Tax Support Scheme for 2013/14 based on the adoption of two of the principles that were consulted upon as indicated in paragraph 31 of the Cabinet report, so that the requirements of the grant be met; and
- c) changes to Council tax discounts outlined in the report be implemented from 1 April 2013.

## 63. COUNCIL CORPORATE PLAN 2013/15

The Cabinet Member Corporate Services presented the report of the Acting Chief Executive on the Council's Corporate Plan 2013/15.

**RESOLVED**

**THAT:**

- a) the Corporate Plan 2013/15 as set out at Appendix B to the report be approved; and
- b) authority be delegated to Cabinet to agree in year amendments to outcome measures as necessary.

**64. INDEPENDENT REMUNERATION PANEL**

The Leader of the Council presented the report of the Assistant Director Law, Governance and Resilience on the Independent Remuneration Panel. Council considered the recommendations and following a vote it was agreed to amend recommendation b) 2 – the number of Task and Finish Groups a Vice Chairman of Overview and Scrutiny Committee must chair, from 50% to 40% of Task and Finish Group meetings.

**RESOLVED**

**THAT:**

- a) the Independent Remuneration Panel be thanked for its report;
- b) having regard to the recommendations of the Independent Remuneration Panel Council adopts the following:
  - 1 the level of allowance paid to the Chairmen of the two Overview and Scrutiny Committees be set at Band 2, and that this rate be reviewed not later than 2015;
  - 2 an allowance be paid to the Vice-Chairmen of the two Overview and Scrutiny Committees and that this be set at Band 4, subject to the Vice Chairmen chairing at least 40% of the Task and Finish Groups held by the Committee. An allowance to otherwise be set for Vice Chairmen at Band 5. These rates to be reviewed in 2015.
  - 3 that an allowance of £500 be paid to Chairmen of special Scrutiny Task and Finish Groups appointed by the relevant Overview and Scrutiny Committee subject to appropriate criteria being met. The number of payments to be reviewed at the end of 12 months;
  - 4 that a separate allowance be paid to the Deputy Leader of the Council, and that this be set at 60% of the Leader's allowance, an amount of £16,763. Only one special responsibility allowance to be paid to any one Member, and the rate of the allowance for the Deputy Leader of the Council to be reviewed in 2015;
  - 5 that Her Majesty's Revenue and Customs Service rates be paid regardless of the fuel type used by a vehicle and that these rates be reviewed by Herefordshire Council before 2016;

- 6 that where practicable, Members requiring overnight accommodation utilise three star accommodation or equivalent, evidenced by receipts. If no suitable accommodation is available, Members may, with the approval of the Monitoring Officer, book accommodation to the value of £120 per night, evidenced by receipts;
  - 7 that no allowance be recommended for the Chairmen of the Rural and the Urban Forums. However, the activities of both Forums to be reviewed by the Panel in December 2013; and
- c) the new Allowances Scheme to take effect from 23 November 2012.

**Note:** As the Council meeting had exceeded the three hours set aside for the meeting in accordance with the Council's Constitution 4.1.7. the Chairman determined that the remaining business be deferred to an extraordinary meeting of Council to be held on Friday 4 January 2013.

The meeting ended at 2.10 pm

CHAIRMAN





## PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

### Question from Mrs P Churchward, Breinton

Question 1

#### Refurbishment of Hereford's Historic Butter Market

*The Executive Rolling Programme indicated that the Cabinet Member Corporate Services and the Cabinet Member Enterprise and Culture were due to make a decision on the refurbishment of Hereford's historic Butter Market on 18 October 2012 and how the Council plans to fund that refurbishment. Considering that the Council has so far spent millions supporting the ESG retail development could one of these Cabinet Members please advise what the current situation is regarding funding the Butter Market refurbishment?*

### Answer from Councillor RJ Phillips Cabinet Member Enterprise and Culture

Answer to question 1

Options, including the potential for private sector investment, for refurbishment of the Buttermarket have been explored and a detailed survey of the structure and mechanical & electrical services must next be carried out along with an evidence based assessment of private sector market readiness.

The outcomes of this work will help to inform any decision to include the refurbishment of the Buttermarket in the council's Capital Programme. In the meantime we continue to support activities that bring increased footfall into the city and therefore support existing retailers, as evidenced by the recent Flavours of Herefordshire Food Festival and promotional activities such as the Truffle scheme and Shop Herefordshire.

### Supplementary Question

The Butter Market refurbishment is now not intended to be started until April 2013. As the Butter Market refurbishment was part of a carefully considered and presumably financially secure rolling programme, I want to know why this delay has occurred and can Herefordshire Council explain to the independent traders involved in Hereford why we are now short of funds for this?

### Cabinet Member Response

A written response will be provided.

### Written Response

Various financial options have been examined to refurbish the Butter Market and it has now been agreed that this matter is to be considered as part of the future Capital Programme.

In order for this to progress more detailed costings need to be explored along with any potential funding methods. In addition, an evidence based assessment of some of the supporting documentation presented to the Council is now being carried out and should be

## **PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012**

concluded in the near future. The outcomes of this work will help to inform the decision to include the refurbishment of the Butter Market in the Council's Capital Programme.

The report to Council on the budget states

"In addition to the above the Butter Market will be subject to further feasibility studies and this may require a capital programme addition in the future."

---

### **Question from Mrs E Morawiecka, Breinton**

Question 2

#### Webcasting of Council Meetings

As part of its drive to make democracy more transparent, accessible and open, Herefordshire Council carried out a trial webcast of a planning meeting in February 2012. The Head of Governance said that this was one of the Council's priorities and it also increased the accessibility of such meetings to members of the public and staff who cannot travel to meetings or miss them because of other commitments. The Council press release stated that "The first webcast of a Herefordshire Council meeting proved a resounding success with more than 1,000 people having viewed it...Consideration will now be given to extending webcasting to all of the council's public meetings".

*With this resounding success and the fact that many other councils already provide this service for local taxpayers to engage in democracy, can the Cabinet Member responsible for Governance and Democracy confirm when they are due to extend webcasting of meetings to help deliver this priority of Herefordshire Council?*

### **Answer from Councillor PD Price Cabinet Member Corporate Services**

Answer to question 2

The trial webcast of the planning committee in February was successful and we received lots of positive feedback. This is an initiative that the Council is looking to extend and we are currently reviewing how best to achieve this as part of our new office accommodation plans for a civic hub at the Shire Hall. This approach will enable us to acquire the right technology, in the right place, at the right time and keep costs to a minimum.

---

### **Question from Mrs BC McHarg**

Question 3

#### Herefordshire Council Capital Overspend on Supporting Retail Development

*The budget report to Cabinet on 18 October 2012, in Appendix 2, states that there is already a "capital overspend on the Link Road in excess of £1.5million on property*

## PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

*purchases”. What other additional costs is the Council incurring in order to facilitate the delivery of this new retail development?*

### **Answer from Councillor GJ Powell Cabinet Member Education & Infrastructure**

Answer to question 3

Capital expenditure on the Link Road is not linked to the retail development at the Old Market Site; the ‘capital overspend’ noted in the budget report is a matter of spend profile rather than capital budget overspend.

There is no ‘overspend’ on the retail development; as part of the variation agreed by Cabinet the Council will forego £500,000 of capital receipt from the £1.5m to be received from the developer, but there are no additional costs to the council.

---

### **Question from Mr P McKay, Leominster**

Question 4

#### Car Parking Charges

Leominster Town Council minute 09.09.83 of 21 September 2009 records Leominster Town Council request to review waiting restrictions in Broad Street with objective of bringing parking bays marked double yellow lines outside Hintons into use, with minute 09.10.98 of 19 October 2009 advising will be included on list for ranking, with the June 2010 TRO work program showing review of Broad Street waiting restrictions has a project start date of 28 May 2013. Leominster Town Council minute 11.01.129 & 130 of 17/01/2011 record concern about the way in which other parking bays are marked with single and double yellow lines enforced by wardens throughout Leominster, due to waiting restriction orders dating back to 1977 not having been updated when town centre redesigned, seeking to bring all these other parking bays into use, with minute 11.02.159.2 of meeting 21/02/2011 recording that Leominster Town Council’s request for a review of waiting restrictions in the town was noted and that the request would be included on the lists for ranking in June/July 2011.

*Requests asking for current information regarding these project start dates remain unanswered, so may I enquire just when we may expect these projects to start, aiming to make Leominster more parking friendly in these times of austerity, and to reduce parking demands on adjacent residential streets?*

### **Answer from Councillor GJ Powell Cabinet Member Education and Infrastructure**

Answer to question 4

It is unacceptable that the requests for an update on the progress of a Traffic Regulation Order (TRO) remain unanswered. We are currently reviewing our communication channels to resolve the issue.

## PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

In regard to this particular scheme, which affects Broad Street Leominster, it currently ranks at number 55 out of 99 TRO projects that are with the service to pursue. Realistically this means a projected start date of July 2014. I am working closely with the highway service to improve timescales for TROs as a consequence of greater productivity, improved resource management, and a revision of the current process. I anticipate issuing a briefing to all Members within 30 days.

---

### **Question from Mrs V Wegg-Prosser, Breinton**

Question 5

#### 5 year Housing Land Availability Target

*Could the Cabinet Member responsible for Planning confirm that the Council's decisions to delay the completion of the 5 year housing land availability target and to delay the preparation of the core strategy were agreed in order to take advantage of the relaxation of planning rules that can occur (in accordance with the NPPF) in the event that 5 year housing land availability and core strategy are not in place?*

### **Answer from Councillor RB Hamilton Cabinet Member Environment, Housing and Planning**

Answer to question 5

No, the Leader's Report to Council (appearing elsewhere on the agenda today) provides an update regarding the progress of the Core Strategy, which itself will be used to establish the future 5-year housing land availability target for Herefordshire. There is certainly no hidden agenda as may be inferred from the question.

---

### **Question from Mr P Mitchell,**

Question 6

#### Explanation and justification of capital funding priority over essential service provision

Against a background of tightened central government funding and relatively stagnant council tax receipts, would the Council explain and justify its reduced budgetary allocations to increasing demand and cost of social and health care support against its clear preference towards provision of land and funding significant project costs to underpin developer profit on the Edgar Grid development (thus compounding the reduction impact to budget due to debt financing costs).

I would ask the Council to address this (and any other) capital funding priority in the context of its primary duty to meet essential core services and especially to provide support to the most needy and vulnerable in society. In particular

- *Provide assurance and demonstrate how it will address recently reported management failures to meet adequate (legal minimum) requirements for ensuring safety and care of children at risk or in care and maintain necessary resources to*

## **PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012**

*achieve its statutory and more important moral obligation to ensure good or excellent standards of care provision.*

- *Explain and justify reported cuts in the extent of service provision for care of the elderly against an increasingly demanding demographic going forward.*
- *Explain and justify reported cuts in support to vulnerable families at a time when they are suffering particularly badly due to the current economic climate and are increasing in numbers.*
- *How it will ensure required resourcing of care and support to those with mental health problems under reported reductions in available funding having already being been targeted with more stringent benefits requirements (and will otherwise require more care and support getting into and maintaining suitable employment and safeguarding their personal circumstances).*

### **Answer from Councillor PM Morgan Cabinet Member Health & Wellbeing**

Answer to question 6

I would like to make it clear that we have not reduced budgetary allocations to social care support or our support for vulnerable families. It is of course true that reducing central government funding and rising demographic pressures mean that resources are being stretched more thinly, that difficult choices around prioritisation of those resources are and will continue to be needed; however we remain committed to ensuring that vulnerable people receive the services they need, and to ensure that we do our best to support activities which help to prevent people requiring such services in the future. It is a principle underpinning our budget setting that resources are directed towards supporting the most vulnerable.

It is important to take an holistic approach to overall health and wellbeing. Without jobs and homes we know that people's health suffers and costs to health and social care services increase. That is why we must continue to invest in things that contribute to overall health and wellbeing within our community whilst ensuring that the most vulnerable receive the support they need.

We are very disappointed by the findings of the recent inspection of children's safeguarding but accept the findings and are using them as an opportunity to change and improve the support we provide to vulnerable families. The improvement plan in response to the findings has already been presented to the Health & Social Care Overview & Scrutiny Committee and the council and its partners are committed to maintain improvement over the coming weeks and months. Additional resources have already been identified to support these necessary improvements.

The scale of the issue we face is significant, and it is not Herefordshire's alone. Our proposed corporate plan (appearing elsewhere on the agenda today) makes clear our continued commitment in this area. Despite the challenge that exists we will, through our root & branch reviews and the budget planning process, continue to ensure that the right resources are in the right place to meet the needs of the most vulnerable as well as the wider community.

## PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

### Supplementary Question

The Cabinet Member was thanked for her response, but resources are being stretched more thinly than ever due to value erosion by inflation and the burden arising from the recent capital commitment associated with the Edgar Street grid?

### Cabinet Member Response

Social Care is difficult to fund. The Council is looking to provide a budget it can achieve and use money in the best way possible. It is the job of the Council to weigh up where money is spent on capital projects.

---

### Question from Ms Paige Mitchell, Hereford

Question 7

#### Completeness of traffic modelling for policy evaluation and soundness of the Local Development Framework

The Council is about to embark on another consultation on another version of the Local Development Framework Core Strategy, in part because of concerns expressed by statutory organisations, including the Highways Agency, the Environment Agency and Natural England.

In their 28 November 2011 letter to the Council on the Revised Preferred Option consultation, the Highways Agency stated:

'The Agency currently finds the Revised Preferred Options Consultation as **unsound** due to lack of supporting transport evidence base.' (Letter from Serena Howell, NDD West Midlands Area 9 to Forward Planning)

To remedy this lack of 'supporting transport evidence base', the Council planners proposed, and the Cabinet agreed (at its meeting on the 12th of July), that from July to September of this year there would be 'continuing work on outstanding elements, including ... completion of road studies and **upgraded modeling**' in preparation for 'Consultation upon a Draft Plan and SA/SEA [Sustainability Appraisal and Strategic Environmental Assessment] and HRA [Habitats Regulation Assessment]' (para 50)

The Local Transport Plan 2011-12 Annual Progress Report (APR, October 2012) describes the 'Hereford Transport Model Upgrade' as

'a standard process all models go through every 5 years or so, [to] ensure the model accurately represents existing transport conditions for all types of transport and so can be used with confidence to predict transport conditions in the future to help the council develop its transport strategies and business cases for transport investment.'  
(p6)

However the APR also reports that. due to 'the very poor weather in the spring' completion

## PUBLIC QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

of the upgraded model is not expected until spring 2013.

This indicates that not only will the evidence base for revising the Core Strategy and presenting it at the forthcoming consultation still be incomplete but so will the statutory components of the plan — the Sustainability Appraisal, the Strategic Environmental Assessment, and the Habitats Regulation Assessment.

Can Cllr Hamilton confirm either that:

- a) *further consultation on the Local Development Framework will be delayed until the upgraded transport model is available to inform policy including 'the business cases for transport investment' and the statutory environmental assessments of the LDF;*

*or that*

- b) *if consultation is to proceed, reasonable alternative policies whose impacts can be assessed will be presented alongside the Council's preferred option which, it appears, must remain unsound until the problem of incomplete evidence has been addressed.*

### **Answer from Councillor RB Hamilton Cabinet Member Environment, Housing and Planning**

Answer to question 7

I believe that there is widespread recognition and support for the need to have an agreed Core Strategy in place and that it is important that progress continues towards adoption, including the consultation that is planned for the spring. The council is continuing to work closely with the Highways Agency and others in respect of a number of important local proposals including the LDF Core Strategy and development of the Rotherwas Enterprise Zone. We are seeking to ensure that the Agency is supportive of the Core Strategy and its evidence base as this will be important in progressing it through to adoption. Officers are meeting with the Regional Director of the Highways Agency in the near future for further discussions on this issue.

### **Supplementary Question**

Do you think it is reasonable to expect a 5% share for cycling in 2030 in a world with measures to prevent dangerous climate change, oil costing 20% more than today and where a local authority has followed best practice in promoting cycling?

### **Cabinet Member Response**

I share concerns about issues relating to oil and support ideas of sustainable options. I will be guided by expert reports produced.





## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

### Question from Councillor DC Taylor of Councillor PD Price Cabinet Member Corporate Services

#### Your Community Your Say Public Event

- 1A *What is the total number of members of the public that attended each of the Your Community Your Say public event?*
- B *How many public questions were submitted at each event?*
- C *What was the total cost of holding all of the events and can this be seen as providing value for money for the public?*

### Answer from Councillor PD Price Cabinet Member Corporate Services

Answer to question 1

We held a total of 21 “your community – your say” (YCYS) events across Herefordshire with attendance numbers provided below:

<b>Event</b>	<b>Date</b>	<b>Attendance</b>
Ross-on-Wye	20 <sup>th</sup> September	40
St Peter's Centre, Peterchurch	22 <sup>nd</sup> September	20
Ledbury	24 <sup>th</sup> September	60
Ewyas Harold	25 <sup>th</sup> September	30
Leintwardine	26 <sup>th</sup> September	18
Dorstone	27 <sup>th</sup> September	19
Weobley	1 <sup>st</sup> October	23
Hereford (Belmont)	2 <sup>nd</sup> October	15
Shobdon	8 <sup>th</sup> October	9
Bromyard	9 <sup>th</sup> October	45
Kington	10 <sup>th</sup> October	52
Herefordshire International School	13 <sup>th</sup> October	18
Leominster	15 <sup>th</sup> October	14
Hereford (St Barnabas)	17 <sup>th</sup> October	20
Hereford Disability United	17 <sup>th</sup> October	14
Leominster Area Regeneration Company meeting	22 <sup>nd</sup> October	12
Burley Gate	23 <sup>rd</sup> October	10
Fownhope	24 <sup>th</sup> October	30
Ledbury children's centre	31 <sup>st</sup> October	10
Herefordshire Carers Support Group	7 <sup>th</sup> November	20
Cleghonger	8 <sup>th</sup> November	10
<b>Total</b>		<b>489</b>

In addition to these locality based events we also worked with eleven local organisations that helped us to hear the views of seldom heard and hard to reach groups, including Age UK and West Mercia Women's Aid. For those who didn't wish to or were unable to attend an event, there was the opportunity to have their say online.

In total we believe we reached approximately 1,000 residents through the YCYS process.

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

The events were deliberately not based on a traditional public meeting format with questions and answers; rather the approach taken was designed to engage residents in a discussion around a number of key questions about future priorities. Of course any questions that attendees had and which we were not able to answer immediately are being followed up and answers will be provided to all residents who asked to be kept informed about the YCYS process and will be included on the council's website.

The total cost for the YCYS process is approximately £42,700. This does not relate solely to the events but includes, for example, production of an introductory DVD which can be used for future consultations. We have also created an online forum to capture the views of those people who did not wish to or could not attend the events. The online forum will be used for future public consultation.

Engaging the community in the future of service delivery has always been important and, as we face significant reductions in funding from central government together with increasing demographic pressures on services for the vulnerable, the need to inform the community of these issues and include their views in the process of prioritising those resources becomes even more important.

A members' seminar on the YCYS process is planned for 12 December and I would encourage all members to attend.

---

### **Question from Councillor RI Matthews of Councillor R Hamilton Cabinet Member Environment Housing & Planning**

#### Eastern Access Road

2 *It is a well known fact that local businessmen generally support an eastern access road to serve the existing, and hopefully expanding, Rotherwas Industrial Estate. I understand that such a road could be constructed for substantially less than the proposed city link road, owing to the considerable cost of compulsory purchase orders and other associated expenditure. Which of these schemes does the executive believe would be of most benefit to the local economy in these difficult times?*

### **Answer from Councillor R Hamilton Cabinet Member Environment Housing & Planning**

Answer to question 2

The council has, of course, already invested significantly in improving road access to the existing industrial estate at Rotherwas; indeed this investment contributed to the success of the bid for Enterprise Zone status which was in no way dependent on the additional access suggested by Cllr Matthews.

The already approved City Link Road and talk of any potential eastern access road to an expanding Rotherwas Industrial Estate that would serve a very different purpose and should not be confused or linked. Whilst I am aware that some members of the business community support the idea of an additional access road I know that this is not the view of the business community as a whole as may be inferred by the question. As Cllr Matthews

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

knows, a recently commissioned assessment of the economic and wider social impacts of a potential eastern link road extending from the Rotherwas Enterprise Zone to the A438 recommended that the construction of an Eastern Link Road should be dismissed as providing insufficient economic impact and poor value for money.

In times of reducing finances we must ensure that future investment is directed towards those projects which best meet the needs and ambitions of the county as a whole; this prioritisation will inform our proposals for the future capital programme to be considered by Council in February.

### **Supplementary Question**

I don't believe the question has been answered could the Cabinet Member please answer the question.

### **Cabinet Member Response**

They are not directly comparable.

---

Question 3 disallowed under Herefordshire Council Constitution Part 4, 4.1.15.4 c on the grounds that the answer to the question will be substantially the same as a previous answer, public question 4, 20 July 2012.

---

### **Question from Councillor AJW Powers of Councillor RJ Phillips, Cabinet Member Enterprise and Culture**

#### Board Meetings of Hereford Futures

- 4 Following a Freedom of Information request from a member of the public it has been confirmed that minutes of the Board meetings of Hereford Futures Ltd are not held by the Council, that no copies of minutes are kept by any Council staff present at those meetings and that, under Schedule 1 of the Freedom of Information Act, Hereford Futures is deemed not to be a 'public authority' and therefore not obliged to respond to FOI requests. The Old Cattle Market Development Agreement has finally been signed, and has gone unconditional, so "commercial confidentiality" ought no longer to be the justification for the non-disclosure of minutes.

*As the providers of funding to Hereford Futures, when will members of the public, Councillors and Council officers be entitled to receive the minutes of previous and forthcoming HF Board meetings?*

### **Answer from Councillor RJ Phillips, Cabinet Member Enterprise and Culture**

Answer to question 4

Cabinet agreed with Overview & Scrutiny Committee's recommendation (number 5), and a review is underway.

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

Of course, as with any project or organisation that receives funding from Herefordshire Council there are financial and performance reporting arrangements in place to ensure that funding is used for the purposes intended and to deliver agreed objectives or outcomes. If there is a particular performance concern that you have I would be happy to look into this for you.

### Supplementary Question

Why does Hereford Futures Ltd., of which the Leader and the Chief Executive are Board members, appear to be exempt from the Council's 'principles to guide behaviour' (Corporate Plan) which include being 'open, transparent and accountable'.

### Cabinet Member Response

There is a technical answer to your question, which I will ensure reaches you.

### Written Response

Hereford Futures was established by the Council as an independent, arms-length company with separate governance and procedures set outside the Council's political process with a remit to deliver projects on the Council's behalf. As such, the company routinely deals with a great deal of commercially sensitive material. The Company reports to the Council, through a variety of channels, at both officer and member level. The Company is responsible for the delivery of a Business Plan which is a public document. In addition to appearing before Cabinet and Overview and Scrutiny Committee, the Company also publishes an annual report, annually discloses financial information, operates a website and has Facebook and Twitter networks through which it publishes progress on the business with which it is charged. The Company has recently taken the decision to publish board minutes, commencing in January, 2013.

Furthermore at the Cabinet meeting on 12 November 2012, which discussed the development of the old livestock market, it was agreed that the Monitoring Officer would review the issues of disclosure and commercial confidentiality and report back further.

---

### Question from Councillor GA Powell of Councillor PM Morgan, Cabinet Member Health and Wellbeing

#### Co-operation between the Council and the Health Authority

5 *During these difficult financial times can Cllr Morgan assure us that the co-operation between the council and health authority is still providing satisfactory results?*

### Answer from Councillor PM Morgan, Cabinet Member Health and Wellbeing

Answer to question 5

Following the national changes to NHS commissioning structures it is true that the council, as with other local authorities across England, is developing new relationships with the Herefordshire Clinical Commissioning Group. We are of course building on existing section

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

75 joint funding agreements to ensure that we effectively commission services that provide efficient and effective care pathways.

Whatever the structural changes, it remains true that all partners working across the health and social care system, under the leadership of the Health & Wellbeing Board, must continue to work together to ensure that our reducing resources are directed in the most effective way, to meeting the priority needs of the community.

The Health & Wellbeing Board has identified three priority work streams:

- Sustainability of the local health and social care system – focusing on financial sustainability and overall effectiveness of the system;
- Demand management – improving care pathways, raising awareness of factors influencing health and wellbeing and enabling individuals to take greater responsibility for their own health and care management
- Crisis prevention – ensuring the most vulnerable including older people, families and children have access to the services they need, when they need them

The Health and Social Care Overview & Scrutiny Committee will have a key role to play in providing robust challenge to all partners to ensure that our resources are used effectively and efficiently in delivering positive outcomes for Herefordshire people.

### Supplementary Question

I acknowledge the work to be done by Health and Social Care Scrutiny Committee, but what personally will you be doing to ensure in these difficult times that all our vulnerable people do receive the services they need?

### Cabinet Member Response

I spend all my time ensuring services are available for peoples' needs.

---

### Question from Councillor MAF Hubbard of Councillor GJ Powell, Cabinet Member Education & Infrastructure

#### Negotiations with Royal Mail and Delivery of the Link Road

6 Please would the Cabinet Member explain:

- a) what stage the negotiations with Royal Mail have got to with regard to the acquisition of part of their site to enable the delivery of the Link Road?
- b) an estimate of how much the deal with Royal Mail will cost?
- c) whether delivery of the Link Road will be within the £27million budget set aside by this Council to deliver the project?

### Answer from Councillor GJ Powell, Cabinet Member Education & Infrastructure

Answer to question 6

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

- a) Following the latest meeting with Royal Mail on 4 October, they have reconfirmed they are supportive of the scheme in principle and will be working with HC to agree options for re-provision of facilities to meet the current operational requirements of this site. However once a Compulsory Purchase Order is published, it could be expected that Royal Mail would be likely to lodge an objection to protect their position until formal agreement is reached regarding the delivery of any agreed works.
- b) The cost will be subject to commercial negotiations and agreement with Royal Mail regarding the extent of works required to meet their operational requirements.
- c) The budget for the scheme remains at £27million. Scheme cost estimates will be regularly reviewed during the project as the scheme design and accommodation works are developed in detail. Any changes to the estimated cost of the scheme would be reported in accordance with budget monitoring procedures and at key stages in the project.

### Supplementary Question

Please would the Cabinet Member confirm that, other than an agreement 'in principle', there is nothing else in place pursuant to finalising a deal with Royal Mail and that this constitutes a major risk to delivery of the project and should be marked as such on the relevant risk register.

### Cabinet Member Response

Supportive of scheme, they will at time of Compulsory Purchase Order (CPO) register. They are in principle in agreement and do not see as risk, I will confirm in the next Cabinet report.

---

### Question from Councillor WLS Bowen of Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning

#### Energy Efficiency for all New Builds

- 7 *Is the Cabinet Member aware that I have asked many times that our Planning Department should demand much higher than national standards of energy efficiency for all new builds in Herefordshire? When can we expect to see some positive action taken on this matter?*

### Answer from Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning

Answer to question 7

I was not aware of Cllr Bowen's long-standing interest in this matter, but I would like to thank him for his interest.

Cllr Bowen will hopefully be aware of my own commitment to energy efficiency as evidenced by my recent significant announcements of energy efficiency measures including greater use of LED units in public street lighting, installation of photo-voltaic

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

panels on public buildings and the installation of a network of electric car charging points throughout the County.

The national standards for energy efficiency in new development are applied through the planning process and by the Building Regulations; these national standards are regularly reviewed. With respect to the planning process in order to be able to apply a standard there must be an appropriate policy in place.

The Unitary Development Plan 2007 does not contain such a specific policy so progress on this issue has to date been through negotiation with the developer. However I believe that this needs to change and that the council will demonstrate leadership in this important area. I can reassure Cllr Bowen that I will be doing all that I can to ensure that policies that will be included in the emergent Local Plan (Core Strategy), will go as far as reasonably possible but as a minimum, conform to national policy as set out in the National Planning Policy Framework. In addition to this I would strongly encourage local communities to embrace the opportunity to develop Neighbourhood Plans through which they will be able to develop their own planning policy in this regard should they choose.

### **Supplementary Question**

Do you agree that Herefordshire Council planners should and could demand much higher standards of energy efficiency and design policy for all developments, and should implement these standards as soon as possible and not at some vague time in the future?

### **Cabinet Member Response**

Set out is a clear commitment as to what to expect. There is a clear timetable around the core strategy and I hope that many of these issues will be addressed through the core strategy.

---

### **Question from Councillor WLS Bowen of Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning**

#### Protection of Locally Important Buildings

8 *Is the Cabinet Member aware that many, usually small, cottages which have recognition as being of local significance and importance are all too often wantonly destroyed? Can it be ensured that these locally important buildings can be given the protection that they deserve? Is the Cabinet Member aware that these cottages can be saved and adapted for modern use and thereby preserve the historic, and beautiful look of our villages and also retain important relics of our local vernacular architecture? Please, can action be taken before these local treasures are torn down to appease the greed of developers?*

### **Answer from Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning**

Answer to question 8

I am aware of the importance of character buildings to the environment and diversity of the county.

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

Clearly buildings which are listed buildings and/or those in a Conservation Areas are subject to protection. For other buildings the Unitary Development Plan 2007 contains a policy which protects "locally important buildings". A similar policy context will be included in the emerging Local Plan (Core Strategy). Local communities if they choose to develop a Neighbourhood Development Plan could choose to include more locally specific policies in this area. In every case there is of course a balance to be struck between retaining the historic character and adapting the building for modern use.

I know that the Council's development control officers, local communities and town/parish councils attach great importance to the desirability of retaining local buildings of character; and buildings considered to be of special architectural or historic interest and in danger of demolition or alteration in such a way as to affect their special character may receive temporary protection through issue of a Building Preservation Notice. Local members are best advised to raise issues of concern directly with the relevant case officer when a planning application has the potential to impact on any building of local character, or should they become concerned about a particular building of local interest.

### Supplementary Question

Is the Cabinet Member aware that Herefordshire planning officers seem to be totally unaware of the policy of respecting 'locally important buildings' and consequently we are constantly losing locally important historic and irreplaceable buildings?

### Cabinet Member Response

I would object to anyone saying planning officers are not aware of issues in their remit of work and feel this is a generalised statement. I am aware of one property that has been brought to my attention by a Councillor, but if the Councillor knows of another property then please let me know.

---

### Question from Councillor SJ Robertson of Councillor PM Morgan, Cabinet Member Health and Wellbeing

#### Ofsted Safeguarding Report

9 Following release of the September 2012 OFSTED Safeguarding report, it was noted that there had been significant improvements in early help services. Therefore:

- a) *How is the Cabinet Member going to ensure that this continues, particularly with the government reducing the size of the early intervention grant and the predicted rise in the number of children in care and children in the early help system?*
- b) *With demands on the Council's budget for implementing the Improvement Plan, can the Cabinet Member give an assurance that funds for early intervention will not be siphoned away from this area, especially as resources to support costs relating to the Improvement Plan have yet to be identified?*



## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

### **Answer from Councillor PM Morgan, Cabinet Member Health and Wellbeing**

Answer to question 9

I hope all councillors will be aware, given the importance of this issue, that following the findings of the inspection we have moved swiftly to increase the pace of our improvement under the guidance of an independently chaired improvement board. The improvement plan rightly tackles the areas identified as of greatest risk and lays the foundation for good practice and these improvement actions must be resourced and delivered in a way that minimises any adverse impacts on other valued services.

This council has protected and enhanced the child protection budgets over the past three years at a time when overall council funding has seen significant reductions. We know that we are facing further significant cuts in funding from central government at a time when service demand amongst the most vulnerable in our community is increasing. This challenge will need to be addressed when Council sets its budget in February 2013 to ensure we continue to direct our resources to meet our agreed priorities.

### **Supplementary Question**

In light of recent media coverage and the very worrying report from the Office of the Children's Commissioner, does the Cabinet Member not agree that early intervention is crucial to ensuring children are protected from harm or neglect and, therefore, should have the financial support to achieve this aim?

### **Cabinet Member Response**

Would absolutely agree with Councillor Robertson, we must do all we can to stop children from being harmed and ensure a budget is in place to support this.

---

### **Question from Councillor MD Lloyd Hayes of Councillor JG Jarvis, Leader of the Council**

#### Cattle Market Development

- 10 *Having provided Stanhope to the tune of £500,000 to prop up the deal for the Cattle Market development – Can the Leader of the council reassure me that no further council assets, in cash or in kind , will be employed ,transferred, paid, waived, channelled or borrowed in aid of this project ?*

### **Answer from Councillor JG Jarvis, Leader of the Council**

Answer to question 10

I do not envisage any further resource requirements beyond those agreed.

**Supplementary Question**

Can the leader provide reassurance with regards to leases taken up for the cattle market development?

**Leader's Response**

Since last I spoke on this matter three parties have signed leases. With regards to queries regarding availability of minutes on the web for Hereford Futures. Full discussion has taken place with the Board with a view to publishing minutes in an appropriate way for the public to view.

---

**Question from Councillor MD Lloyd Hayes of Councillor GJ Powell, Cabinet Member Education and Infrastructure**

Replacement of Trees in High Town

11 *What is the programme for replacing the trees in high town as promised when the Hereford bull was installed?*

**Answer from Councillor GJ Powell, Cabinet Member Education and Infrastructure**

Answer to question 11

Discussions have taken place with interested parties, including local traders, regarding the location and number of trees. Opinions vary regarding the number and location of trees to be replaced and the provision of benches. A final decision will be taken early in the New Year in consultation with the local ward member.

**Supplementary Question**

As the decision has been made on the replacement of trees in high town what consultation was carried out?

**Cabinet Member Response**

Consultation was carried out with traders not long ago as to the best thing to do and there was some disagreement as some didn't want trees. I have discussed with traders what we are going to do in high town and I think the number of trees to be planted in town will meet all expectations.

---

**Question from Councillor JLV Kenyon of Councillor RJ Phillips, Cabinet Member Enterprise and Culture**

Council Priorities

12 *Where on this Council's list of priorities for economic development does active support to the historic city centre come?*

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

### Answer from Councillor RJ Phillips, Cabinet Member Enterprise and Culture

Answer to question 12

As you will see from the corporate plan report appearing elsewhere on Council's agenda today, supporting a successful economy that includes vibrant city and market town centres that are attractive and keep people spending locally, is and will continue to be a key priority for this council together with our support for vulnerable people.

### Supplementary Question

What is the Cabinet Member doing to ensure that Hereford Futures adhere to their priority to support the historic core, and as leader of the Council for four years prior why wasn't it done?

### Cabinet Member Response

This has been on the Council's priority list from 2003. No one has spent more money in the city centre than I have. It can be shown exactly how much has been spent in the city centre compared to the market towns. The city centre must always be the focus as a city retail centre.

---

### Question from Councillor EPJ Harvey of Councillor RJ Phillips, Cabinet Member Enterprise and Culture

#### Town Team Partnerships

- 13 This month four towns in Herefordshire will each receive £10k towards the launch of Town Team Partnerships as a result of the work they have done this year under the Portas initiative to encourage community use and economic enhancement of their town centres.

*If the Town Teams are successful in acquiring further contributions to these projects from parish councils and local businesses by the end of this financial year, what level of additional or matched funding would Herefordshire Council be prepared to contribute to these community-led economic development projects in 2013?*

### Answer from Councillor RJ Phillips, Cabinet Member Enterprise and Culture

Answer to question 13

Firstly I would like to congratulate Hereford, Ledbury, Leominster and Ross on Wye; the energy they put into their initial bids for Portas Pilot funding and their subsequent activities which have resulted in this award of funding are an excellent demonstration of what communities can achieve when they work together.

We are of course in the process of developing our budget proposals for the coming financial year and it would be inappropriate to speculate at this stage on any of the detail within those proposals. I am however pleased to note that Cllr Harvey is participating in the

## MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012

economic review and would hope that we can identify opportunities for support to market towns through this process.

### Supplementary Question

I remain disappointed that no assurance in principle has been made to provide matched funding. I ask why this council has shown no inclination in the last four months, despite my repeated requests, to make any progress in implementing the unanimously supported notice of motion from July's Council meeting to realise the local government level recommended from the Portas review.

### Cabinet Member Response

Pleased to see that we are on the list of Portas review. I know work has been done with the Hereford Business Board. There has been heavy criticism for moving the livestock market from the town centre, but I note that the Portas report states that's exactly what should be done.

---

### Question from Councillor EPJ Harvey of Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning

#### Adoption of the Core Strategy and the County's Economic Future

- 14 The adoption of the core strategy is central to the delivery of the county's economic future.

*What level of importance does this council place on ensuring consistency between this strategy and those policies in development by business, economic and community stakeholders within the county and beyond; and how is this coherence being realised?*

### Answer from Councillor RB Hamilton, Cabinet Member Environment, Housing and Planning

Answer to question 14

The adoption of the Core Strategy is central to the development and prosperity of the county as a whole. The strategy will address a wide range of important subjects that together will underpin the economic prosperity of the county for the future.

It is critically important that the Core Strategy provides a suite of positive policies and proposals which will meet the needs of business and enable economic development over the lifetime of the plan.

The council has engaged with the business community throughout the preparation of the Core Strategy and will continue with this engagement in on-going work and through the future consultation processes.

In addition I have had helpful meetings with rural members, four of the five market towns and the city (and further meetings are scheduled with those I have not yet met) so that we can collectively ensure that the core strategy provides an effective tool to pull the different

## **MEMBERS' QUESTIONS TO COUNCIL – 23 NOVEMBER 2012**

housing planning and land use policies together and demonstrate how all areas of the county contribute to its overall prosperity of Herefordshire.

The Core Strategy continues to be prepared in such a fashion so that it will be consistent with (amongst others) the council's Sustainable Community Strategy, Health & Wellbeing Strategy, the Economic Development Strategy and the Local Transport Plan.

### **Supplementary Question**

I thank the Cabinet Member for his answer, but I direct my supplementary question to the Leader. Despite my asking this Council back in May, again in July and September, why has the Leader persisted in his failure to explain why this Council is not using the LFD Steering Group?

### **Leader's Response**

The Cabinet Member and I have discussed this and we feel it is better to have Member seminars and therefore, dates have been organised for both rural and urban seminars. I suggest that we meet to discuss this with Councillor Hamilton. A letter can then be sent to Members.



**MINUTES of the meeting of Council held at The Council Chamber, Brockington, 35 Hafod Road, Hereford. on Friday 4 January 2013 at 10.30 am**

**Present:** Councillor LO Barnett (Chairman)  
Councillor ACR Chappell (Vice Chairman)

Councillors: PA Andrews, AM Atkinson, CNH Attwood, CM Bartrum, PL Bettington, AJM Blackshaw, WLS Bowen, H Bramer, AN Bridges, MJK Cooper, PGH Cutter, BA Durkin, PJ Edwards, DW Greenow, KS Guthrie, RB Hamilton, J Hardwick, EPJ Harvey, AJ Hempton-Smith, JW Hope MBE, MAF Hubbard, JA Hyde, TM James, JG Jarvis, Brig P Jones CBE, JLV Kenyon, JF Knipe, MD Lloyd-Hayes, RI Matthews, PJ McCaull, SM Michael, PM Morgan, NP Nenadich, C Nicholls, FM Norman, RJ Phillips, GA Powell, GJ Powell, AJW Powers, R Preece, PD Price, SJ Robertson, P Rone, A Seldon, P Sinclair-Knipe, J Stone, GR Swinford, PJ Watts and DB Wilcox

**68. PRAYERS**

Canon Andrew Piper led the Council in prayers.

**69. APOLOGIES FOR ABSENCE**

Apologies had been received from Councillors:-

EMK Chave, MAF Hubbard, RC Hunt, AW Johnson, JG Lester, JW Millar, and DC Taylor

(Cllr RJ Phillips left the meeting partway through item 4 and was absent for the remainder of the meeting.)

**70. DECLARATIONS OF INTEREST**

**4. ELECTORAL REVIEW OF HEREFORDSHIRE.**

Councillor AN Bridges, Non-Pecuniary, The Councillor would be affected by the proposed ward changes.

**5. BREACH OF THE MEMBERS' CODE OF CONDUCT BY COUNCILLOR MARK HUBBARD.**

Councillor ACR Chappell, Non-Pecuniary, The Councillor was a member of the standards panel that had considered the matter.

**71. ELECTORAL REVIEW OF HEREFORDSHIRE**

The Leader of the Council presented a report on the proposed submission to the Local Government Boundary Commission of England in respect of the Commission's proposals for Council size and warding arrangements in Herefordshire. The Leader informed the Council that the Commission was unlikely to make any significant changes at this late stage and any proposed changes would need to be well argued and well presented with evidence. The Leader commended the report to Council and the recommendations therein.

The following points were made in discussion:-

- That there was a feeling a reduction to 53 members would put greater strain on members populating existing Council Committees. In many cases Councillors commit 40-60 hours per week on Council work and this would also add to the overall carbon footprint.
- The reduction in Member numbers would adversely affect the access to skills and experience that members bring to meetings.
- At least one of the 3 guiding principles of the Boundary Commission seems to be breached in that there are examples of Multi Agency wards working very strongly in particular:-
  - i) Tupsley and the work of the Tupsley Community Group and N. Tupsley Action Group
  - ii) Leominster and the work of the 'Bridge Street Buddies'
- Many of the Communities were being cut in half by the proposals on boundary lines inappropriately drawn up based on landscape features or numbers rather than community make-up.
- The Commission seemed determined to pursue the idea of single member wards with no consideration to alternative views.
- Councillor WLS Bowen, in respect of recommendation (c) stated that the current proposition was not a practical one with too much focus on the South of the ward. Councillor Bowen stated that the banner between Hanway Common and Mortimer Forest was significant and the ward was not drawn up in a practical way for Richards Castle to receive a proper service from a Councillor at Mortimer, for example.
- Councillor GA Powell made the point that the proposals in respect of Hunderton and Hinton were unsatisfactory and Hunderton and Newton Farm should be linked as one Ward.
- The consultation period was abnormally short, without explanation from the Commission, and rendered even shorter by the Christmas holidays.
- The Council had already made its substantive submissions in its letter to the Commission in the summer of 2012 and effectively therefore there were no alternatives on the table to consider and these issues were not up for debate.
- The proposals could be considered as a more efficient use of the time of both officers and members once implemented.

The recommendation at (a) in the report was moved and seconded whereupon a vote was taken as follows:-

For: 30  
 Against: 16  
 Abstentions: 2

Councillor FM Norman proposed a motion that 'this Council agrees that greater flexibility is needed and multi-member arrangements should be possible where called for' which was seconded, whereupon a vote was taken as follows:-

For: 23



Against: 24 (The Chairman having used her vote)  
Abstentions: 2

The recommendation at (b) in the report was proposed and seconded and carried UNANIMOUSLY.

A named vote was requested in accordance with paragraph 4.1.16.38 in respect of motion (c). The motion being proposed and seconded the vote was taken as follows:-

For: 24 votes

Councillors: PA Andrews, AM Atkinson, LO Barnett, CM Bartrum, AJM Blackshaw, H Bramer, ACR Chappell, MJK Cooper, PGH Cutter, BA Durkin, DW Greenow, KS Guthrie, JW Hope MBE, JA Hyde, TM James, JG Jarvis, JF Knipe, PM Morgan, NP Nenadich, RJ Phillips, GJ Powell, PD Price, P Sinclair-Knipe, DB Wilcox

Against: 23 votes

Councillors: CNH Attwood, PL Bettington, WLS Bowen, AM Bridges, J Hardwick, EPJ Harvey, AJ Hempton-Smith, Brig. P Jones CBE, JLV Kenyon, MD Lloyd-Hayes, RI Matthews, PJ McCaull, SM Michael, C Nicholls, FM Norman, GA Powell, AJW Powers, R Preece, SJ Robertson, A Seldon, J Stone, GR Swinford, PJ Watts

Abstentions: 1

Councillor: PJ Edwards

In respect of Motion (d) after agreeing that each name change be passed, subject to proposal and seconding, changes to ward names would be sent to the Boundary Commission for their consideration

## **RESOLVED**

**That the Council:**

- (a) accepts the Boundary Commission proposal for a council size of 53 members.**
- (b) supports the submission of Richards Castle Parish Council that the parish should be included in the proposed Kingsland Ward rather than Mortimer Ward**
- (c) accepts the recommended wording arrangements for the county**
- (d) approves the list of ward names as set out in appendix A of the report, subject to the changes as follows:-**

<b>No 8</b>	<b>Bromyard Downs</b>	<b>to Bromyard East</b>
<b>No 28</b>	<b>Kingsland</b>	<b>to Bircher</b>
<b>No 10</b>	<b>Broomy Hill</b>	<b>to Greyfriars</b>
<b>No 19</b>	<b>Eign Hill</b>	<b>to Central Tupsley</b>
<b>No 29</b>	<b>Kingstone</b>	<b>to Wormside</b>
<b>No 1</b>	<b>Ashperton</b>	<b>to Trumpet, Newton and Burley Gate</b>
<b>No 5</b>	<b>Bishops Frome</b>	<b>to Bishops Frome and Cradley</b>

**72. BREACH OF THE MEMBERS' CODE OF CONDUCT BY COUNCILLOR MARK HUBBARD**

The Report was introduced by Councillor Stone, the Chairman of the Council's Audit and Governance Committee. Councillor Stone observed that this was a case that fell within the transitional period between the old and new standards regimes. Councillor Stone also confirmed that the Council had set up a new Independent Standards panel four months ago and that Audit and Governance Committee agreed that this report should be presented to full Council.

In the discussion that followed, the following issues were raised:-

- Some Councillors expressed the view that the Subject Member's conduct had fallen well below the standard of honesty and integrity expected. There were concerns that Councillors would be tarnished as peers.
- It was noted that no expression of remorse had been put forward.
- Not all Councillors agreed they were brought into disrepute by the actions of another Councillor.
- There were concerns that some Councillors may have had the benefit of access to the investigation report that other Councillors had not and that evidence should be properly considered.
- That concerns should perhaps be diverted towards the lack of robustness in the current process and that the Council's options were limited.
- That sometimes it was in the public interest to 'whistle blow'.
- That in this case the Subject Member made no attempt to seek advice in respect of the decision to disclose the report in Complaint 1209.

The Deputy Monitoring Officer confirmed that the process these complaints had gone through was a properly recognised one. The decision of the Audit and Governance Committee was the most action they could take and that the options open to Council was solely to either note the incident or issue a censure.

The Leader confirmed that the investigation report had been supplied in response to a Freedom of Information request. The Leader stated he would check who had access to the report. To enable the subject member to have his say and address the Full Council, the Leader proposed that the Chief Executive, the Leader and the Chairman of Audit and Governance Committee look at the process and make recommendations back to Council and that the item be referred back to Full Council. This was seconded and UNANIMOUSLY agreed.

**RESOLVED**

**That this item be brought back to Council with Councillor MAF Hubbard being given the opportunity to attend.**

**73. COUNCIL MEETING DATE**

This item was UNANIMOUSLY agreed, with the suggestion being made that future Council meetings are held at Brockington to effect savings.

**74. ANNUAL REPORT OF THE HEREFORD AND WORCESTER FIRE AND RESCUE AUTHORITY**

Councillor Brigadier P Jones CBE commended the report to Council.

In the brief ensuing discussion it was confirmed that the fire service was looking at the balance between retained and full fire fighters. Congratulations were offered to the service for its good work over the past year and the Chairman was requested to send a letter to this effect to the Fire Authority.

**RESOLVED**

**THAT the report be noted.**

The meeting ended at 1.15 pm

**CHAIRMAN**



<b>MEETING :</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>5 FEBRUARY 2013</b>
<b>TITLE OF REPORT:</b>	<b>BUDGET 2013/14 AND MEDIUM TERM FINANCIAL STRATEGY</b>
<b>REPORT BY:</b>	<b>CLLR ANTHONY JOHNSON – CABINET MEMBER FOR FINANCIAL MANAGEMENT</b>

## 1. Classification

Open

## 2. Key Decision

This is not a key decision.

## 3. Wards Affected

County-wide

## 4. Purpose

To receive the recommendations from Cabinet on the draft financial strategy for 2013/14 to 2015/16 that includes the 2013/14 budget.

## 5. Recommendation(s)

**THAT:**

- a) **the Medium Term Financial Strategy (MTFS) shown in Appendix A, which includes the 2013/14 Budget and Treasury Management Strategy and Policy Statement be approved;**
- b) **a Council Tax increase of 1.9% for 2013/14 be approved; and**
- c) **the Capital Programme outlined in paragraphs 10.58 and 10.59 of the report be approved.**

## 6. Key Points Summary

- Herefordshire's funding from central government will reduce by £5.45m (6.9%) in 2013/14. The proposed budget will meet this shortfall and other agreed pressures facing the Council. Additional savings will need to be made in future years as

Government grant is reduced further. These figures are based on the Final Settlement.

- The budget is based on a 1.9% Council Tax increase. This would increase a Band D Council Tax by £22.90 per annum to £1,227.99 per annum.
- Based on the final settlement the net budget requirement is £150.296m, funded by Revenue Support Grant (£42.861m), retained business rates (£22.726m), Government top-up funding (£6.559m) and Council Tax (£78.911m) less an amount of £761k for a deficit brought forward on the Collection Fund.
- Total savings of £9.142m from the Root and Branch Review programme are included to meet the budget shortfall and demographic and other service pressures that require funding.
- The capital programme for 2013/14 includes new schemes totalling £13.78m. The majority (£8.85m) of the total for new schemes covers self funded schemes.
- The attached Medium Term Financial Strategy (MTFS) covers the period 2013/14 to 2015/16 and includes the Treasury Management Strategy. The document is part of an integrated set of policy and delivery documents designed to match available resources to corporate priorities as set out in the Corporate Plan.
- The Leadership Team have put in place arrangements, outlined in this report, to assure delivery of budget savings and the actions from the Root and Branch Reviews.

## **7. Alternative Options**

- 7.1 It is open to Council to amend the proposals; however any amendments to increase expenditure in one area must be accompanied by compensatory savings elsewhere to ensure that an overall balanced budget is maintained.
- 7.2 Any changes to the budget proposed at Council will need to be supported by Cabinet and therefore it may be necessary to refer the matter back to a meeting of the Cabinet. This will then require the calling of a further meeting of Council to approve the budget.

## **8. Reasons for Recommendations**

- 8.1 The Council has a legal obligation to set a balanced budget as required by Local Government legislation.

## **9. Introduction and Background**

- 9.1 In 2012/13 Herefordshire Council is budgeted to spend over £340m gross (£143m net of service income) delivering services across the county. The gross spend is reducing as schools transfer to Academy status.
- 9.2 Each year Cabinet is required to develop budget proposals for Council to consider. This is in order to stay within the cash limit that includes income from Council Tax. To develop its proposals, Cabinet draws on a wide range of information including the Corporate Plan agreed by Council in November, information about service need and priority gained from a range of sources (and summarised in *Understanding Herefordshire*), views of partners and the community about how and where the Council should spend its money, and what is known about other sources of funding.

- 9.3 The Corporate Plan priorities agreed on 23 November 2012 are:
- Create and maintain a successful economy
  - Enable residents to be independent and lead fulfilling lives; and
  - Underpinned by efficient and effective operations to deliver value for money
- 9.4 On 13 December 2012 Cabinet received the initial indication of the updated budget position for 2013/14 and confirmed the financial planning assumptions as well as the approach being taken to achieve savings via the 'Root and Branch' process.
- 9.5 The provisional local government settlement was announced on 19 December 2012 and final settlement on 4 February 2013.. The provisional settlement reflects the fundamental reform of local government funding that has been a key feature affecting financial planning since the agreement of the current year's budget in 2012. The settlement indicated a reduction of £5.453m (6.9%) for Herefordshire.
- 9.6 On 17 January 2013 Cabinet was updated on the provisional local government settlement and its views on the draft Medium Term Financial Strategy was sought along with the emerging proposals contained in the budget for 2013/14. The comments were used to inform the version contained in this report for agreement as part of the budget policy document.
- 9.7 General Overview and Scrutiny Committee received a presentation on 14 January and the Committee's views were provided to Cabinet on 17 January. There were further meetings of the Health and Social Care and General Overview & Scrutiny Committees on 1 February to consider the budget. The Committee's recommendations were reported to Cabinet and are set out in this report.
- 9.8 At its meeting on 5 February 2013, the Cabinet considered revised budget proposals updated to take account of the final settlement, the outcome from the public consultation and the recommendations from the Overview and Scrutiny Committees. This report sets out the Cabinet's recommendations to Council for the Medium Term Financial Strategy and the 2013/14 revenue budget based on a Council Tax increase of 1.9%. For information the Government has set the 2013/14 Business rate increase at 2.7%. It uses the previous September's retail price index when determining the level of increase.

## **10. Key Considerations**

### **Budget Background and Future Prospects**

- 10.1 The government has set a four year Comprehensive Spending Review (CSR) over the period 2011/12 to 2014/15. The initial local government settlement covered 2011/12 and 2012/13. The latest announcement provides a two year funding position covering 2013/14 and 2014/15. Within this context our response has been to develop a corporate savings and transformation programme (Root and Branch) to be brought forward to provide major changes within a reduced funding envelope.
- 10.2 When the CSR was originally announced by central government, the reductions were principally in the first two years (2011/12 and 2012/13) and our financial plans reflected this position. However the worsening national economic environment has led to a continuing requirement to respond to a reducing funding settlement.
- 10.3 The Chancellor's Autumn Statement indicated further reductions may be required beyond the lifetime to the current CSR. There was also an indication that this may be until 2016/17.

## Local Government Settlement 2013/14

- 10.4 On 19 December 2012, the 2013/14 provisional Local Government Finance Settlement was published. It included details of elements of the business rates retention scheme which will be implemented from 1 April 2013. The provisional settlement was announced late and did not include some important elements of the estimated financial position; the key being the amount to be received for the transfer of public health responsibility to local government from the Health Service, which was subsequently announced on 10 January 2013.
- 10.5 This new rates retention scheme provides a baseline for business rates funding. Authorities can be categorised as tariff or top-up authorities under the new system. Tariff authorities are those that have more business rates than their baseline funding levels. Tariffs will be used to top up payments to authorities whose business rates are less than their baseline funding levels. The system is in place to ensure that those areas with a below average business rates base continue to receive an element of redistribution when the new system commences in April 2013. Herefordshire is one of those authorities that benefit from redistribution because of its lower than average business rate base and is therefore a top-up authority. In 2013/14 we will receive £6.559m top-up that will remain in our base funding. The opening funding position is known as 'start-up funding' and consists of a formula funding allocation plus allocation of former specific grants transferring from April 2013.
- 10.6 For Herefordshire the start-up funding allocation is comprised of the following and 2012/13 is included for comparison on a "like for like" basis;

### Start Up Funding

	<b>2012/2013</b>	<b>2013/2014</b>
	<b>£000</b>	<b>£000</b>
<b>Formula Funding</b>	54,462	50,092
<b>Specific Grants</b>		
11/12 Council Tax Freeze	2,153	2,153
Council Tax Support	11,039	9,683
Early Intervention Grant	7,097	5,271
Homelessness	225	206
Lead Flood Authority	200	130
Learning Disability and Public Health Reform Grants	3,738	3,842
<b>Start-up Funding Allocation</b>		<b>71,377</b>
<b>Central Education funding</b>		<b>2,085</b>
<b>'Like for like' total</b>	<b>78,914</b>	<b>73,462</b>

- 10.7 The start-up funding allocation is £71.377m and when added to our education services grant (included in formula grant in 2012/13) means that when compared with our 2012/13 funding Herefordshire has £5.452m (6.9%) reduction in its central government funding allocation.
- 10.8 Herefordshire may gain as a top-up authority because of its low business rates tax base but it then loses some funding because the Government's overall funding formula has a 'guarantee'



designed to provide stability in the financing of local services that covers those authorities who fall below a guaranteed minimum level of funding. Herefordshire loses money through this system and the settlement includes a reduction of £3.575 m.

- 10.9 Those authorities with a greater than 8.8% reduction in “revenue spending power” in 2013/14 and/or 2014/15 will receive a special grant known as the Efficiency Support Grant. The revenue spending power measure does not adequately reflect the impact of cuts in central government funding as it seeks to include funding received via transfers for the NHS which cannot be used to support the overall budget and must be spent in a manner specified by an external body. Only seven local authorities qualified for this grant, which did not include Herefordshire.
- 10.10 It appears that DCLG has not considered rural areas sufficiently in its determination of the settlement. It remains the case that providing services in rural areas can cost more and this key point informed our response to the provisional settlement. Adjustments were made to the funding formula, but were then largely lost through the “damping” mechanism. This issue of funding a rural area was noted by the Council’s Overview and Scrutiny Committee on 14<sup>th</sup> January. Government is indicating a willingness to look at this national issue for the 2014/15 settlement.
- 10.11 The final settlement was announced on 4 February in a written ministerial statement. The key changes affecting Herefordshire are as follows:

- Extra funding for Sparsely Populated Areas

The Council has consistently responded to central government consultation on funding to make the case for additional resources because of the rural nature of the County. The final settlement announces that “following consultation .... more needs to be done to further support rural areas”. Government announced a further £8.5m national allocation in 2013/14 as a separate new (unringfenced) transitional grant to help authorities in sparsely populated areas. Herefordshire received 6% of the total.

Herefordshire’s allocation is £531,374.

- New Homes Bonus – Returned Topslice

In 2013/14 the government topsliced £500m for year three of the New Homes Bonus, this (when combined with the additional £250m already announced from Government), was more than the national total of 2013/14 New Homes Bonus allocation of £668m. This meant that the “spare” £82m of funding has been redistributed back again.

Herefordshire’s allocation is £241,696.

- 10.12 The combined impact of these two additional sums sees funding increase by £773,070. It is proposed that this is held as a revenue contingency given the one-off nature of the funding and the pressures within the 2013/14 budget.
- 10.13 In addition there are minor changes to our funding in other areas because of the local government funding formula being updated between the announcements of the provisional settlement and final settlement. These will be absorbed in centrally funded areas.

## Specific Grants

- 10.14 The table below sets out the specific grants for Herefordshire announced at the time of the Settlement:

<b>Grant</b>	2012/13	2013/14	2014/15
	£000	£000	£000
*Social Fund	3	371	366
Local Reform and Community Voices	n/a	154	159
** Lead Local Flood Authority	200	70	70
Housing Benefit Admin Subsidy	1,177	1,075	tbc
Community Right to Bid	5	8	8
Community Right to Challenge	9	9	9
Council Tax Support – new burdens	84	91	98
Social care funding	2,274	3,152	tbc
Public Health Grant (new in 2013/14)	0	7,752	7,969

*\*Set up funding only in 2012/13*

*\*\*In 2013/14 there is also £130k included in the Rates Retention funding*

10.15 The government has not announced some of the 2013/14 grants as of early February 2013, including Education Support Grant and funding for Home to School transport.

### **Council Tax Freeze Grant**

10.16 Details of the Council Tax freeze for 2013/14 for England, first announced by the Chancellor on 8 October 2012, were published in December. A local authority will be eligible for the grant providing it does not increase the basic amount of Council Tax in 2013/14, compared to 2012/13. The grant will be equivalent to a 1% increase in the 2012/13 average band D amount multiplied by the Council Tax base for 2013/14.

10.17 Providing the 2013/14 Council Tax is frozen or reduced, the grant will be paid in each of the financial years 2013/14 and 2014/15. DCLG has published indicative allocations. The indicative figure for Herefordshire is £875k. Cabinet has agreed that for planning purposes we assume a Council Tax increase of 1.9%

### **New Public Health Responsibilities**

10.18 As a result of the Health and Social Care Act, from 1 April 2013, local authorities will have a range of new responsibilities for public health, including a set of mandatory public health services. The public health functions currently undertaken by Primary Care Trusts (PCT) will transfer, along with their associated budgets and staff, to local authorities and to other legacy organisations.

10.19 The public health grant allocation for Herefordshire has been confirmed for 2013/14 and 2014/15 as £7.752m (2013/14) and £7.969m (2014/15). This is a ringfenced grant which national guidance specifies is to be used:

- To improve significantly the health and wellbeing of local populations
- To carry out health protection functions delegated from the Secretary of State
- To reduce health inequalities across the life course, including within hard to reach groups

- To ensure the provision of population healthcare advice (including core offer to CCG)

## Social Care Funding – NHS Transfer

10.20 On 19 December the Department of Health confirmed the funding to be transferred to local authorities to support adult social care services which also benefit health. The arrangements for 2013/14 have been changed to reflect the demise of PCTs. The new approach will see funding transferred via the NHS Commissioning Board. In 2013/14, Herefordshire will receive £3.152m compared to £2.274m in 2012/13. Use of the money will be agreed between the Council and the Clinical Commissioning Group through the Health and Wellbeing Board.

## Dedicated Schools Grant (DSG)

10.21 The DSG is a significant amount of expenditure that is included in our gross budget but excluded in our net budget calculation. This is because schools are funded by a specific grant that is not funded by either Council Tax or the other funding sources from Government that make up the funding of our net budget.

10.22 It is important that all areas of funding are considered and the DSG will be subject to change in 2013/14. In future it will be split into three distinct blocks:

- Schools Block - funding delegated to schools as determined by the new national funding formula
- High Needs Block – all funding for special educational needs including post-16
- Early Years Block – funding for Private, voluntary, independent nursery providers and central early years services. This includes a transfer of funding for two year old nursery education previously paid within the Early Intervention Grant

10.23 DSG is the main source of income for schools. Each block within DSG, although not ringfenced, will in future be funded separately. The schools block will be based upon a per pupil formula using the actual pupil numbers from the October school census data, The Early Years block will be calculated on a rolling basis through the year based on three termly pupil census dates. The High Needs Block will be determined on an assessment of the 2012/13 spend as previously submitted by the authority. Responsibility and funding for post-16 high needs is to be transferred to the authority from August 2013.

10.24 The totals for the three blocks and top-slice for academies are estimated to be;

<b>2013/14 DSG Allocations</b>	<b>£m</b>
Schools Block 21,060 pupils x £4,306.44 per pupil	90.7
High Needs Block Schools - Pre-16 Colleges – Post-16	12.0 0.7
Estimated Early Years Block 1,385 pupils x £3,454.43 per pupil	4.8
Additional funding for two year old grant, early years and newly qualified teachers	1.2

Additional funding for hospital education grant and growth in special school places	0.3
<b>TOTAL DSG 2013/14</b>	<b>109.7</b>
<b>Less</b> money paid by Government directly to Academies in Herefordshire	<b>(33.0)</b>
<b>DSG received by the council</b>	<b>76.7</b>

## Budget Principles and Corporate Plan

10.25 The Council's budget process has been set within the overall principles agreed as part of the budget setting approach. These principles are as follows:

<b>PRINCIPLE</b>	<b>WHAT THIS MEANS</b>
Valued Services	<ul style="list-style-type: none"> <li>• Focussing on our priorities and what matters to people; our core business</li> <li>• Stopping things we don't need to do or that don't demonstrate value for money</li> </ul>
Reducing Bureaucracy	<ul style="list-style-type: none"> <li>• Less regulation, process and red tape; smaller local government</li> <li>• Making it easier to contact us; right first time delivery</li> </ul>
Supporting the Vulnerable	<ul style="list-style-type: none"> <li>• Targeting resources on individuals, families and communities at risk or disadvantaged</li> <li>• Early intervention and prevention; a shift in social care provision</li> </ul>
Value for Money	<ul style="list-style-type: none"> <li>• Reducing the cost of running the council: the paybill; third party spend; smarter delivery</li> <li>• Reducing public subsidy of services; increasing income and trading; full cost recovery</li> </ul>
Local Delivery	<ul style="list-style-type: none"> <li>• Setting priorities for the nine localities and increasing local decision making</li> <li>• More choice to local councils and the voluntary &amp; community sector to deliver services</li> </ul>
Personal Responsibility	<ul style="list-style-type: none"> <li>• Increasing self-reliance; more people and communities helping themselves; behavioural change</li> <li>• Increase in personalisation and personal budgets</li> </ul>

10.26 The principles have been framed in order to support the delivery of the Council's corporate plan agreed on 23 November, 2012. The Corporate Plan contains three overarching priorities for the Council:

- Create and maintain a successful economy
- Enable residents to be independent and lead fulfilling lives; and
- Underpinned by efficient and effective operations to deliver value for money

- 10.27 In addition the income/charging principles agreed by Cabinet in 2012 support the overarching budget principles.
- 10.28 The corporate plan provides the context for development of budget proposals that will then be delivered by 2013/14 service delivery planning. This approach has been further developed to allow a more consistent and strategic link between available resources and service delivery. In turn the corporate plan links with the Herefordshire Partnership Community Strategy and the Health and Wellbeing Strategy. The Corporate Plan includes a strong emphasis on prevention and early intervention, to seek to divert demand for services to reduce costs and promote independence.

### 2013/14 Recommended Budget – the overall funding position

- 10.29 Based on the Settlement and a Council Tax increase of 1.9% the funding available for the net budget (known as the Budget Requirement) is £150.296m. This is funded by Revenue Support Grant (£42.861m), retained business rates (£22.726m), Government top-up (£6.559m) and Council Tax (£78.911m) less an amount of £761k for a deficit brought forward on the Collection Fund.
- 10.30 The following table summarises the movements on the Net Budget Requirement from 2012/13. It also shows how the new total of £150.296m is funded.

	2013/14	
	£000	%
<b>2013/14 NET BUDGET FUNDING</b>		
<b>Estimated rates (retained by council)</b>	22,726	15.1
<b>Business Rates Top-up</b>	6,559	4.4
<b>Revenue Support Grant</b>	42,861	28.5
<b>Council Tax (net of discounts from 13/14)</b>	78,911	52.5
<b>Collection fund deficit</b>	(761)	(0.5)
	<b>150,296</b>	<b>100</b>

<b>EXPENDITURE REQUIREMENT AND CHANGES TO BUDGET</b>	
<b>2012/13 Base budget</b>	<b>143,359</b>
<b>Inflation</b>	2,603
<b>Grants rolled into Rates Retention</b>	9,449
<b>Directorate pressures</b>	5,180
<b>New capital schemes</b>	189
<b>Borrowing budget for existing capital programme</b>	(1,0567)
<b>Growth in New Homes Bonus</b>	(654)
<b>Education support grant</b>	(2,085)

<b>Increase general reserves</b>	2,000
<b>Other movements</b>	454
<b>Root and Branch savings</b>	(9,142)
<b>2013/14 Net Budget Requirement</b>	<b>150,296</b>

- 10.31 It is important to note that the 2013/14 budget has not increased in terms of overall funding despite moving from £143.359m in 2012/13 to £150.297m in 2013/14. The “increase” represents money moving from specific grant in 2012/13 to general grant funding in 2013/14 that is part of the net budget funding. In fact at the point of transfer between sources central government cut the amount we receive.
- 10.32 The detailed budgets are still being worked through as the delivery plans for Root and Branch reviews are firmed up and other budget adjustments are allocated to specific cost centres. Although subject to further refinement Appendix C illustrates the provisional budget in more detail.

### **2013/14 Budget Pressures**

- 10.33 The recommended budget recognises a number of pressures and initiatives as well as responding to the need to protect the Council’s financial standing and manage corporate financial risks. It also ensures the Council’s balances and reserves are appropriate.
- 10.34 As part of the budget process the scale and extent of pressures faced by directorates was reviewed. The outcome is that in 2013/14 £5.18m is recognised as additional financial pressure (money we know we must spend but which is not in the 2012/13 budget) with a further £5.33m in 2014/15.
- 10.35 The following table indicates the areas and amounts where budget additions are included.

<b>Directorate</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£’000</b>	<b>£’000</b>
Adult services	2,500	5,596
Children’s’ safeguarding	650	0
Commissioning and transformation support	700	0
Procurement costs (incl public realm)	400	(135)
Local Development Framework (LDF)	430	(310)
Relief road feasibility	500	175
<b>Total</b>	<b>5,180</b>	<b>5,326</b>

- 10.36 It is important that the budget makes provision for known or estimated requirements. It includes provision for demographic and inflation changes. The overall inflation uplift includes provision for a 1% pay award for 2013/14 whilst noting this is a matter for national negotiations.
- 10.37 In addition to the pressures outlined in above, the budget strengthens the base budget in

some key areas. The most significant areas (excluding the items in budget pressures table) are outlined below.

	<b>£m</b>
Waste Management Reserve Addition	0.250
Whitecross PFI Requirement	0.075
West Mercia Income reduction	0.374
New Capital Funding requirement	0.189
Investment Income Reduction	0.153
Management of Change Provision	1.000
Council Tax Support Grant for Parishes	0.289
General Reserves	2.000
<b>Total</b>	<b>4.330</b>

10.38 The pressures in Adult Services have previously been reported. These are driven by three challenges:

- An increase in demand associated with our ageing population and changing expectations
- A reduction in the growth of public funding for health and social care
- Increasing chronic health conditions meaning more people requiring long term, complex care and support

10.39 The proposals in the budget require a comprehensive approach to vulnerable adults of all ages, changing the way resources are invested over time, and enabling individuals and communities to do more to help themselves remain healthy, independent and involved with a good quality of life.

10.40 The outcomes these changes are set to achieve are:

- Greater engagement of vulnerable adults as partners in planning how they will live an active, independent life
- Better health and well-being through better practical self-help services and support and access to information, leisure, transport, appropriate housing and social opportunities
- Improved ability to cope with social opportunities
- Improved ability to cope with crisis and transitions through reablement, community support, avoidance of admissions to hospital or residential care and timely discharge from hospital
- Extended use of community based housing and support

### **Root and Branch Review Programme**

10.41 The Root and Branch Review Programme has been developed to respond to the many challenges that the Council and other public services are facing over the next decade. The Programme forms part of the Rising to the Challenge Programme, closely linked to the Better Services workstream. The Review Programme was incorporated into the Council's Medium Term Financial Strategy agreed at Council on 3 February 2012. The Reviews seek to deliver

the Council's Vision as set out in the Corporate Plan and will also help to shape the future vision of Herefordshire 2020.

10.42 The aims, scope and methodology for the Reviews were approved by Cabinet on 5 April 2012 in the form of a Project Mandate. The overall aims of the Programme are to:

- Redefine the role of Herefordshire Council and other public services
- Set out the priorities for the next decade
- Rebuild budgets, with clear links between spend and results

10.43 The programme consists of twelve reviews (based on cross cutting themes) with four reviews in each phase and each phase lasting six months.

10.44 All reviews use the same gateway methodology to ensure rigour, challenge and consistency. The process includes the following stages and identifies key questions which have been asked as part of the process.

- **Discovery** - What is the core purpose of the service or function? Are we good at delivering the service? How do we compare against other local authorities or organisations?
- **Challenge** - What would be the impact if we didn't provide the services? Who else could provide the service?
- **Options** - What are the different delivery model options for the services? Is there an option to stop providing this service altogether? What would be the impact of any changes to the services?
- **Proposal** – What are the key changes? What would be the benefits of the change? What do we need to do to deliver the change?

The reviews have also had regard to a number of underpinning themes: Localities Sustainability, Inequalities, Partnerships, Prevention and Support Services.

10.45 Recommendations from the Phase 1 Reviews were approved by Cabinet on 11 October 2012 and Delivery Plans have been produced and are being implemented.

10.46 In November 2012, it was decided to accelerate the Phase 2 and 3 Reviews to ensure that proposals were made to inform the Medium Term Financial Strategy and, in particular, the budget for 2013/14 in view of the cuts in Government funding and the increased pressures in Adult Social Care.

10.47 Appendix B contains a position statement for each of the 12 Reviews, including further information about how the proposed savings are to be made and the service impact. These statements also set out what further work is required on each Review following the accelerated process. This is important for several reasons:

- To allow further engagement with Members, employees and partners on the proposals
- To conclude work on options for 2014/15 and 2015/16
- To produce any further recommendations on our future policy and approach in the Review areas
- To ensure that the original aims of the Root and Branch Programme are met



## Transformation Fund

10.48 In 2012/13 the Council created a transformation Fund using £1.164m of the one-off Council Tax Grant. As of early February 2013 £1.088m had been allocated to support project delivery. The funding has been used to help deliver the Root and Branch programme with governance supplied by the Rising to the Challenge Board, which is monitoring the benefits achieved. A number of projects have received financial support to help delivery including the reablement function within Neighbourhood Teams. The funding has also supported the Broadband Project by encouraging more services to be delivered electronically.

## 2013/14 Budget and Savings

10.49 The financial planning process has been closely linked with the delivery programme for the Root and Branch programme.

10.50 Our budget planning assumptions were based on the targets agreed as part of the programme and the following indicates reductions by each of the 12 reviews. The Older Peoples review is recycling its budget savings to help deliver financial balance in this area.

<b>ROOT AND BRANCH REVIEW</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Housing, Environment and Regulatory Services (HERS)	773	186
Street Scene	300	1,417
Customer Services	509	0
Vulnerable People	4,210	500
Travel and transport	252	861
Safer and Stronger communities	178	97
Environment	500	250
Learning and Skills	30	0
Living and wellbeing	500	500
Herefordshire 2020	1,540	0
Children and Young People	350	0
Older People's	0	0
<b>TOTAL</b>	<b>9,142</b>	<b>3,811</b>

10.51 A schedule setting out the Root and Branch savings is contained in Appendix B.

## Assuring Delivery

10.52 The report to Cabinet in October 2012 stated that, just as the Root and Branch programme is intended to be radical and challenging in approach, so should be delivery. This is essential given the scale of the change that we have to deliver, the size of the savings, the tight timescales that we face and the inevitable risks to delivery.

10.53 Accordingly, the concept of *excellence in service delivery* alongside these reviews was agreed, including assuring delivery, linking finance to outcomes and dynamic communications.

10.54 The Leadership Team have developed this objective and are putting in place a number of changes to address the delivery challenges highlighted above:

<b>Delivery Challenge</b>	<b>Assurance</b>
Leadership	<ul style="list-style-type: none"> <li>• New Leadership Team Delivery Board in place from February 2013</li> <li>• Monthly meetings to focus on overall delivery plan, track progress, provide challenge and take decisions about resources/priorities</li> <li>• Monthly review of Directorate Delivery Plans at DMTs</li> <li>• Monthly update to Cabinet</li> </ul>
Delivery Plans	<ul style="list-style-type: none"> <li>• Delivery Plans for each project linked to change/savings</li> <li>• Standard format based on learning about “what good delivery looks like”</li> <li>• Plans include: actions and milestones, accountabilities, cross council contribution, resources and risks</li> <li>• Sign off by Assistant Directors/Directors/Chief Finance Officer</li> <li>• Delivery Plans inputted to P+ system</li> </ul>
Programme Management	<ul style="list-style-type: none"> <li>• Master programme plan for all delivery plans (currently circa 140) maintained jointly by the corporate programme office and corporate finance team</li> <li>• Highlight reports and action required reported to Delivery Board, Directors and Chief Finance Officer</li> </ul>
Capacity and capability;	<ul style="list-style-type: none"> <li>• Resource requirements assessed in delivery plans</li> <li>• Skills and knowledge will be reallocated across the Council by Leadership Team to deliver agreed priorities</li> <li>• This will require decisions about stopping or deferring other things to focus on priorities</li> <li>• Additional external capacity and expertise will be brought in on business case basis as required</li> </ul>
Profiling savings	<ul style="list-style-type: none"> <li>• Savings will be profiled month by month to allow monitoring and early identification of any risks to delivery</li> <li>• Assurance statements will be linked to monthly budget monitoring reports</li> <li>• Process will be supported by Internal Audit</li> </ul>
Performance management	<ul style="list-style-type: none"> <li>• Accountabilities for delivery will be built into individual objectives for senior managers and performance managed as part of monthly 1:1s</li> </ul>

	<ul style="list-style-type: none"> <li>• New competency framework is being introduced to improve appraisals and individual development</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Delivery plans include key risks to delivery with mitigation</li> <li>• Programme plan for the Delivery Board includes overall assessment of risks, linked to the corporate risk register</li> </ul>
Contingency planning	<ul style="list-style-type: none"> <li>• Further options for in year savings will be developed from March onwards to provide mitigation against slippage if necessary and/or pump priming delivery</li> </ul>
Communications	<ul style="list-style-type: none"> <li>• Monthly updates to employees from the Delivery Board</li> <li>• Change Champions network will be used for informal feedback</li> <li>• Updates to Members through the quarterly Cabinet performance report</li> </ul>

10.55 Cabinet reviewed and noted the actions put in place by the Leadership Team to assure delivery of savings. Cabinet also noted that the Overview and Scrutiny Committees have an important complementary role to play in challenging and assuring delivery.

## **Reserves and Balances**

10.56 The Council's financial management strategy is to maintain specific reserves to deal with the key corporate financial risks. This approach has been adopted to reduce the need for a high level of General Fund balance.

10.57 The need for and level of specific reserves as well as the approach to General Fund balances is reviewed annually as part of the budget setting process. The current policy is to hold 3% (£4.5m) of General Fund balances.

10.58 In the 2012/13 budget process Cabinet was advised of the need to put in place appropriate budget contingency over the medium term. As a result, the 2013/14 budget includes a £2m addition to the General Fund reserve. This is required for the following reasons: the continuing pressure on the financial resilience of the Council given demand led pressures in People's Services, the achievement of budget savings and continuing central government funding reductions. This assessment reflects good practice by using a risk based approach when setting the required level of reserves.

10.59 The Council also maintains reserves set out for specific purposes. A full list of reserves is at Appendix D.

10.60 As indicated it is the intention to continue to strengthen the reserves position in the medium term. A Council's financial health and resilience can be assessed as its level of General Fund Reserves and Specific Reserves. This is a matter that full Council is required to consider advice on from the Council's Section 151 Officer (Chief Finance Officer) as part of budget setting.

## **Capital Programme Proposals**

10.61 The Council's capital programme has been largely funded by grants from Central Government with borrowing, capital receipts and revenue contributions to capital making up the difference. The government is still making some capital grant allocations and the report to Cabinet on 17

January outlined the grants to be received in 2013/14. The following represent the capital schemes proposed as part of the 2013/14 budget.

- a. **Yazor Brook Flood Alleviation** – this is for remedial works to stabilise the river bank and floodplain following the completion of the grant funded flood alleviation scheme. The bid represents the worst case scenario with actual costs dependant on the solution and liability determinations. The scheme totals £450k.
- b. **Garrick House multi-storey car park**– this is the second part of the previous approved bid to complete the enhancement works underway to prolong the assets safe use. This does not include the installation of pay on foot. The scheme totals £500k.
- c. **Blackmarston School** – this is towards the cost of the construction of a substantial extension and significant internal remodelling of the current building mainly funded by grant monies. The scheme will remove all temporary accommodation from the site. The scheme totals £638k.
- d. **Leominster & Stretton Sugwas Landfill Sites** – bid to fund pumps and a monitoring system to manage the sites better to maintain remediation measures required. The scheme totals £55k.
- e. **Leominster Primary School** – towards the costs of a new build combining the junior and infants school which is mainly a grant funded scheme. The scheme totals £205k.
- f. **Traveller Sites Accommodation Units** – improvement works to the 43 accommodation units at the traveller sites that are in very poor condition so that the Council meets the statutory obligation to provide accommodation of minimum standard. Full cost recovery is reflected in rent levels. The scheme totals £430k.
- g. **Backlog Maintenance** –an allocation is needed for backlog maintenance works on the Council's residual property holding which will improve energy efficiency and reduce Health and Safety issues. The allocation will also be available for the council's smallholdings estate. The scheme totals £600k.
- h. **Funding to support Car Parking Strategy** – As part of the overall review of car parking there is likely to be a requirement to change the location of car parks in Hereford. This will also link to the emerging sustainable transport policy and options for its delivery. The scheme will require detailed costing but a capital allocation of £2m is proposed for inclusion but will be subject to further review.

### Self-financed Capital Schemes

10.62 The following are self-financed capital schemes not requiring additional long term revenue budget to meet the cost of borrowing. However they will still need to be included in the programme for agreement.

- (a) **Rotherwas Enterprise Zone** - £1.066m of costs to provide serviced deployment plots to inward investors to be funded by the capital receipts generated. The scheme will have access to up to £5m. Recovery of costs will be sought from the uplift in business rates. Alongside capital receipts there will be business rate income generated by the site, expected from 2014/15. The use of these funds are to be approved by the Marches LEP which has agreed that the related enterprise zone revenue costs incurred will have first call on this funding resource. There is likely to be a requirement to cash flow this scheme in the short term and it is estimated that the spending profile will be over three years with capital receipts for the plots reducing borrowing.
- (b) **LED street lighting** is a self-financing bid for the expansion of the current programme to all public lighting across the County funded by energy costs saved. Salix interest

free loans will also be used to part fund the capital cost. This scheme will contribute to the Council's commitment to reduce CO2 emissions. This will require a reduction in revenue budgets to fund the borrowing.

- (c) **Solar photovoltaic panels** is a self-financing bid for the insulation of solar panel at 36 sites funded by reduced energy costs, community investment is also being sought and the investment will result in the avoidance of future levies. This will require a reduction in revenue budgets to fund the borrowing.

- 10.63 If the above schemes are agreed (and assumed to be funded) then £13.8m of capital expenditure will require funding. This splits into two funding sources with £8.9m of the total being self funded with the required revenue budget for borrowing of £133k in 2013/14 rising to £388k in 2015/16 from savings that the schemes generate.
- 10.64 This leaves a balance of £4.9m for schemes requiring additional revenue funding to meet borrowing costs. This requirement is £189k in 2013/14 rising to £382k in 2015/16.
- 10.65 Agreement of the proposed schemes will not breach the Council's prudential indicators for borrowing contained in the Treasury Management Strategy within the MTFs.
- 10.66 In addition to the above the Buttermarket will be subject to further feasibility studies and this may require a capital programme addition in the future.

## **11. Community Impact**

- 11.1 The budget proposals are intended to support delivery of the Corporate Plan agreed by Council in November. The agreed plan reflects two broad priorities: supporting the development of a successful economy, and improving quality of life for the people of Herefordshire. For the latter a particular emphasis is placed on ensuring public services are prioritised to meet the needs of the most vulnerable within our communities (i.e. those in need of services to maintain their independence or stay safe) whilst enabling an improved quality of life for the wider population which is less reliant upon existing models of public sector service delivery. The plan was also strengthened from a public health perspective, prioritising the need to reduce social inequalities, increase prevention and encourage greater independence.

## **12. Equality and Human Rights**

- 12.1 Reducing inequalities are clearly articulated outcomes within the corporate plan, and the budget proposals are intended to support delivery of the corporate plan. The council's budget and charging principles reflect the need for fairness and support the targeting of resources towards those in most need. Where budget proposals are made which require a change to the service being delivered equality impact assessments will be undertaken as an integral part of the planning and implementation of such proposals.
- 12.2 Officers will further assess those elements which are perceived as engaging the council's duties under the Equalities Act 2010 and report further on any necessary amendments to this budgetary framework

## **13. Financial Implications**

- 13.1 The financial implications of the report are covered in the contents.

## 14. Legal Implications

- 14.1 When setting the budget it is important that Councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and Council Tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.
- 14.2 The Local Government Finance Act 1992 requires a Council to set a balanced budget. To do this the Council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure. The Act also covers the legal issues around Council Tax setting.
- 14.3 Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under Local Government legislation.
- 14.4 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.
- 14.5 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 (the statement is contained within the MTFS at Appendix A). This is done so that members will have authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the Chief Finance Officer's statutory report. If they do not they must provide clear reasons for not following the professional advice put forward by the Chief Finance Officer.

## 15. Risk Management

- 15.1 The position outlined in the report indicates the state of national public finances means a reducing funding envelope for local government. This creates a number of additional risks to those normally associated with any budget setting process. The following lists specific risks:
- a. **Directorate Savings:** the loss of funding requires a significant level of savings. There is a risk of slippage should unforeseen delays occur. Directorates' plans for delivery of savings will need robust management, and action plans to ensure delivery. Contingency plans will form part of the process with regular monitoring by Directors and through the Leadership Team and Delivery Board.
  - b. **Local Government Resource Review:** 2013/14 sees one of the most significant changes to funding for local government. The proposal to allow councils to retain a proportion of business rates rather than contribute all rates to the national pool creates

risk if the level of rates income reduces. Central government will continue to control the level of business rate increase.

- c. **Treasury Management:** the council has significant treasury management activity covering borrowing and investment. The current financial climate means this area plays an important part in resource delivery for the council. The decision to refinance existing borrowing and take on additional requirements will need to be timed to take advantage of opportunities provided by historically low interest rates.
- d. **Income:** the council's budget is supported by income. The level of income receipt could be affected by factors such as the economic climate. The council's review of income and charging levels will need to play an appropriate part delivering the balanced budget with regular monitoring by Directors and through the Leadership Team.
- e. **Council Tax Base:** the level of Council Tax income is directly related to the number of properties that are required to pay Council Tax. The number of properties will be monitored over the year along with levels of payment.
- f. **Local Council Tax Reduction:** from April 2013 Council Tax benefit is abolished and it has been replaced by a locally determined Council Tax Reduction Scheme. This transfer of responsibility has been accompanied by a 10% cut in funding. Council in November 2012 agreed a new local scheme that met government's requirements of protecting those aged 65 and over as well as other factors. The new scheme was carefully designed and subject to consultation and aims to ensure expenditure is within the reduced government funding received by the Council. This was required because any demand for support within our policy must be met. A clear risk for 2013/14 is that the Council's level of payment to individuals may increase if the economy deteriorates and employment reduces.
- g. **Business Rates Changes:** the new arrangements from April 2013 for localisation of Business Rates means that the Council will keep 50% of growth in Business Rates from April 2013. However, a key risk is that the Council will also have to manage 50% of loss in business rate income. In previous years the national business "pool" absorbed all such charges.

## 16. Consultees

16.1 The views of residents and the community have been captured and incorporated into the evidence base which was used to inform the development of the Corporate Plan. In addition the recent 'Your Community, Your Say' engagement process began with the Quality of Life survey; a postal survey to 4,125 households in the county, which achieved a response rate of 33%. The key findings of the survey informed a further phase of locality based engagement events held during Autumn 2012. The consultation process was set within the context of significant financial cuts resulting in major changes in the way that public services are commissioned and delivered; residents were provided with a range of opportunities to have their say, including:

- A series of open public meetings in each locality area
- Targeted workshops with minority ethnic groups, young people, people with disabilities and other demographic and geographic 'gaps' identified during the process
- Enlisting support from organisations working with 'seldom heard' individuals / groups

- Recruiting Community Researchers & Young Researchers
- An online discussion forum
- A YCYS Facebook page
- A @haveyoursay\_ Twitter account

16.2 The focus across these consultation streams was the collection of qualitative information from residents to help the council understand and explore:

- Whether the council are focusing on the right priorities
- Whether the council are providing the services people believe are needed
- Which services matter most to the residents of Herefordshire and which are less important
- How services could be delivered differently.

16.3 This stage of the process involved 21 events and engaged over 1,400 residents.

16.4 The key findings from this consultation (available on the website at [http://www.herefordshire.gov.uk/community\\_and\\_living/62347.asp](http://www.herefordshire.gov.uk/community_and_living/62347.asp)) have been taken into account in identifying budget proposals as part of the Root and Branch Review programme.

16.5 In light of the severity of the cuts in government funding which were published on 19 December combined with the known financial pressures, a further, time limited consultation was held regarding particular proposals to reduce service delivery in some areas. This consultation, which ran between and 31 January 2013, was designed to provide the greatest opportunity for residents, businesses and organisations in the county to make their views known. The final findings of this consultation were reported to Cabinet on 5 February 2013. Cabinet discussed the feedback in each area and this was used to inform the final recommendations to Council on the budget. An Executive Summary is included at Appendix F.

16.6 The Health and Social care and General Overview & Scrutiny Committees met to consider the draft budget proposals on 1 February 2013. Their recommendations are set out in Appendix E. Cabinet considered these recommendations on 5 February and accepted these as part of its ongoing role in budget implementation, with the exception of 1c, relating to a 2013/14 transition fund.

16.7 The Council has consulted separately with parishes, business community representatives and the Voluntary Sector. The challenges presented by the funding reductions were explained and whilst there was concern about impact on respective sectors, there was general understanding about the consequences of the reductions arising from the Government's deficit reduction programme. The council will continue to engage with these sectors during 2013/14 to outline the challenges presented by likely further government funding reductions.

## 17. Appendices

A. Draft Medium Term Financial Strategy

B. Root and Branch Review Programme summaries including information on savings

C. Draft Budget for 2013/14

D. List of Reserves



E. Recommendations from Scrutiny to Cabinet 5 February 2013

F. Executive Summary of Consultation Exercise

## **18. Background Papers**

18.1 None identified.



# **Medium Term Financial Strategy**

**2013/16**

This page is intentionally blank

# Medium Term Financial Strategy 2013/16

## Foreword by the Council Leader and Cabinet Member –

The Council is setting its Budget and Medium Term Financial Strategy (MTFS) in the most difficult financial circumstances faced by local government in recent times. The coalition government continues to reduce funding for local authorities as part of its policy to remove the UK's budget deficit. However, recovery from the recession is proving to be more challenging and the Council will be required to continue to plan for reductions in funding and at the same time look at how it can best meet increasing demand for services and improve outcomes for Herefordshire's residents. This means we will have to set clear priorities for the services we will continue to provide and take difficult decisions about those we are no longer able to provide in order to make significant savings over the next 3-5 years.

It is clear that any future growth in our resources is unlikely to come in the form of government grants. This means that we must look for alternative local sources of funding. Herefordshire must increase the level of economic activity by attracting new businesses into the county and increasing the number of Council Tax payers through new housing. From 2013/14 local government will see the most significant change to the way it is funded in recent years. We will be able to keep a proportion of new business rates and this puts economic regeneration at the forefront of ensuring we remain sustainable as an authority. Promoting a prosperous local economy, job creation and increasing wage levels are top priorities for the Council and the county.

We will need to help local businesses at a time when they are also facing economic challenges and we will seek to procure our goods and services from within the county wherever possible. Ensuring our local economy employs as many people as possible will be helped by our plans to develop the Enterprise Zone located at Rotherwas. It is to Herefordshire's credit that this site was chosen by the Marches Local Enterprise Partnership as the site of the only Enterprise Zone across Herefordshire, Shropshire and Telford and Wrekin. We are also developing a high tech employment park outside Ross-on-Wye and these initiatives will provide our young people with the skills they need to get work and be able to remain in the county rather than move away to seek employment.

Like many other councils we have been preparing for the changes for some time and also changing our financial planning assumptions. We foresaw this scenario when the impact of the recession first became clear and we have sought to deliver better public services with less funding. This year we have taken our council change programme known as Rising to the Challenge and included a fundamental "root and branch" review of all our services with the aim of saving 20% of our costs over the medium term. This is an ambitious target and we need to have financial resilience when faced by a reduction in our resources and growing demand for services. The Council is committed to delivering value for money through effective commissioning and procurement of services. We have also adopted a policy of optimising income potential and full cost recovery where we can. As part of our efforts to balance the budget we have saved £21m over the past two years and have reduced our workforce by nearly 300 posts

In addition to further reductions in Government grant Herefordshire faces a significant demand for adult social care services and rising pressures in the support needed by children and families at risk .We have agreed the need to prioritise vulnerable people and our Root and Branch process of reviewing all services will continue to identify 20% savings in order to fund our priorities.

The Government is making another council tax freeze grant available but unfortunately it is only for 1% and means we cannot have sustainable income for increasing demand for services. As a result we have taken the difficult decision to propose we increase our council tax by 1.9% in 2013/14. This will be the first council tax rise since 2010/11.

Herefordshire has a significant demand for its social care services and we need to ensure that we protect these services where we are able to do so.

Finally we need to remember that despite the current focus on government cuts we still help people access valued services across the County. During 2012/13 we have:

- Agreed a new broadband contract with BT
- Started work on the Retail development on the Old Cattle Market site
- Attracted the first new jobs to the Enterprise Zone at Rotherwas

Effective and prudent medium term financial planning plays a significant part in our approach to help make Herefordshire a great place to live and work.

**Cllr. John Jarvis**  
**Leader of the**  
**Council**

**Cllr Tony Johnson**  
**Cabinet Member –**  
**Financial**  
**Management**

## Contents

	Page
<b>1. Introduction</b>	<b>7</b>
<b>2. Herefordshire's Context</b>	
2.1 Rural pressures	8
2.2 Adult social care	8
2.3 Children	9
2.4 Other pressures	9
<b>3. Herefordshire's Policy Context</b>	
3.1 Introduction	10
3.2 Quality of Life Survey 2012 & Your Community Your Say	10
3.3 Corporate Plan	10
3.4 Corporate Financial Objectives	11
3.5 Working in partnership	11
3.6 Managing external funding	12
<b>4. National Financial Context</b>	
4.1 Introduction	13
4.2 Four year Spending Review	13
4.3 Subsequent changes to Government Spending Controls	13
4.4 Local Authority Central Spend Equivalent Grant	15
4.5 Impact on Control Totals	15
4.6 Local Government Finance Act 2012	16
4.7 Business Rates Retention	16
4.8 Localisation of Council Tax Support	17
4.9 Schools Funding	17
4.10 Council Tax	17
4.11 Council Tax Freeze Grant 2013/14 and 2014/15	17
4.12 Council Tax Referendums	17
4.13 Autumn Statement –December 2012	18
4.14 Provisional Local Government Settlement 2013/14 and 2014/15	19
4.15 Final Local Government Settlement 2013/14 and Provisional 2014/15	20
<b>5. Herefordshire Council's Financial Context</b>	
5.1 Introduction	21
5.2 Comparative Funding Position	21
5.3 Local Government Settlement 2013/14 and 2014/15	22
5.4 Start-up Funding Allocation	23
5.5 Comparison to 2012/13	24
5.6 New Homes Bonus	25
5.7 Specific Grants	25
5.8 LACSEG	27

5.9	DSG	27
5.10	Council Tax	29
5.11	Reserves	29
5.12	Managing the General Fund Balance and Specific Reserves	30
5.13	Capital Reserves	30
5.14	Funding Arrangements for Capital Investment	30
5.15	Capital Programme	32
5.16	Treasury Management Strategy	34
5.17	Key Corporate and Financial Risks	35
<b>6.</b>	<b>Medium Term Financial Resource Model (FRM)</b>	
6.1	Background	36
6.2	Financial choices	36
6.3	Budget Principles	37
6.4	Assumptions	37
6.5	Funding Assumptions Included in the FRM	38
6.6	Directorate Pressures	38
6.7	Savings targets & Root and Branch Review Programme	39
6.8	Budget Engagement	39
<b>7.</b>	<b>Statutory Statement by the Chief Finance Officer</b>	<b>40</b>
	Appendix A- Treasury Management Strategy	41
	Appendix B- Financial Resource Model 2012-15	64
	Appendix C – Charging Principles	65



# 1. Introduction

- 1.1. The MTFS covers the financial years 2013/2016 and demonstrates how the council 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 MTFS is a key part of the council'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 set out in the Corporate Plan agreed by Council in November 2012.
- 1.3. The continuation of the downturn in the economy has had a direct effect on the income earned from investing balances, income collected from the provision of services and increased service pressures.
- 1.4. In 2010 the coalition government published a Comprehensive Spending Review for four years 2011/12 to 2014/15 and a two year local government financial settlement. The settlement reduces public sector funding, thus providing a challenge to deliver front line services against severe financial constraints.
- 1.5. The Government is introducing major changes in the way local authorities are funded from 2013/14 and also to housing and council tax benefits. This has meant that budget planning has been difficult due to the uncertainty of future funding and the lateness of government announcements.
- 1.6. The Local Government settlement announced on 4<sup>th</sup> February 2013 sets out the 'Start-up Funding' assessment for local authorities. As expected this settlement confirmed further substantial cuts for the council and local authorities nationally.

## 2. Herefordshire's Characteristics

### 2.1 Rural Pressures

- 2.1.1 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately funded through the current national formula. This is particularly acute for Herefordshire, which is the most sparsely populated county in England according to measures used in this formula – with residents scattered right across its 842 square miles. Areas of poverty and deprivation exist in Herefordshire and there are crucial economic, geographic and demographic factors, relating to distance, population sparsity, ageing, social inclusion and market structure. These factors significantly impact on people's lives and on whether and how their needs and circumstances are met effectively and accounted for by Government.
- 2.1.2 Social isolation is a growing concern, not least because of the disproportionately increasing number of older people living in Herefordshire – but also due to poverty and deprivation. The cost of living in rural areas, for example transport and domestic fuel costs, can be higher than in urban areas. There is also recognition that it is often the most vulnerable members of the community, such as frail elderly people and deprived families, who suffer most from the loss of local services and the high cost of living.
- 2.1.3 53% of Herefordshire's population live in rural areas; 42% in the most rural locations. Providing services to a scattered population across a large geographic area is a challenge and additional resources will be required for professionals that need to visit clients across the county. Some health services - such as a dentist and GP - are difficult to access for a significant minority of Herefordshire residents, along with other services such as post office and public transport.
- 2.1.4 The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures. The impact of the austerity measures has therefore been much greater in rural areas.
- 2.1.5 The variance in spending power per head of population between urban and rural areas could widen even more as a result of the introduction of the Business Rate Retention scheme and the New Homes Bonus arrangements, the consequences of which are extremely difficult to predict, but which appear likely to be beneficial to urban areas far more than rural.

### 2.2 Adult Social Care

- 2.2.1 Adult Social Care faces significant future pressures due to increased life expectancy and future demand due to an aging population
- In 2012, the over 65 population of Herefordshire was 42,500. In 2015, it is projected to be 51,700 and in 2030 it is projected to be 63,300.
  - As a proportion of total population, the older population is expected to increase from 2012 by 12% to 2016, 22% to 2020, 34% to 2025, and 49% to 2030
- 2.2.2 Herefordshire's change is higher than the change for England by 2.8% to 2016 and higher than the change for the region by 3.3% over the same period. In comparison to England, Herefordshire's projected change in over 65 population to 2030 is 6.2% higher. In comparison to the region, the projected change is also higher, by 10.6%.

2.2.3 Many older people in Herefordshire are active and well. Rates of limiting long-term illness amongst those aged 65-84 are lower than nationally, and people turning 65 in the county can expect to live longer, and in good health and without a disability, than those elsewhere. Nevertheless, the natural ageing of the population, as the 'baby-boomers' become very elderly, will have continuing implications for the numbers in need of care and support. In particular, an estimated 3,000 people with dementia (two-thirds of whom are undiagnosed) could almost double in 20 years.

## 2.3 Children

2.3.1 Based on October 2012 pupil numbers, Primary school numbers (including nursery classes) are predicted to increase in 2012/13 by 168 pupils or 1.4%. Secondary school numbers are predicted to fall by 35 pupils or 0.4%. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 2,185 from a high of 14,230 in 1998, a reduction equivalent to 13.3%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,635, a reduction of 876 (equivalent to 8.3%) and are expected to continue to fall until 2017. School Funding is based upon pupil numbers in January each year and these estimates will be updated when final pupil numbers are confirmed in mid- late December 2012.

2.3.2 The numbers for Looked After Children (LAC) had stabilised in 2012/13 and were on a downward trend. The successful development and expansion of the Herefordshire foster carers produced savings as higher cost residential and agency placements reduced.

2.3.3 The Edge of Care project has been working successfully with children presented to the LAC panel to be placed in care to avoid this outcome. The service is working actively to reduce the numbers of children in high cost placements through a combination of developing additional in house fostering capacity, edge of care intervention and the use of other carers such as special guardians or kinship carers.

2.3.4 Following the recent Ofsted inspection the Children's Safeguarding service has seen a sharp rise in referrals and a sharp growth in Child Protection plans has been experienced. There is also some growth in the numbers of children in care.

2.3.5 The increasing number of children requiring protection or care has placed additional pressures on the Safeguarding staffing budget. The on-going shortage of qualified and experienced social workers has resulted in a need to rely on higher cost agency staff to ensure that appropriate case-loads for social workers are maintained. Management costs are also higher than in previous years due to a short term reliance on agency managers whilst the Council makes permanent recruitments.

2.3.6 The number of children with Complex Needs cases continues to rise and show an increase in average cost per placement.

## 2.4 Other Pressures

2.4.1 Herefordshire's rural nature means that we face a considerable challenge when seeking to maintain our roads using government funding that does not adequately reflect the need to spend on our transport network. Our road network continues to require considerable investment and we see this as one of our priorities for the future.

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

#### **3.1 Introduction**

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

#### **3.2 Herefordshire Quality of Life Survey 2012**

3.2.1 The Quality of Life survey was a postal survey to 4,125 households in the county, stratified to reflect the three sub-localities of Hereford and the eight other localities.

3.2.2 When asked to choose the most important priorities for Herefordshire, 3 stood out:

- Create a successful economy (79%)
- Improve health and social care (65%)
- Raise standards for children and young people (54%)

3.2.3 Agreement that communities should have a say in the running of various services ranged from 44% to 71%, with the most interest being in road and pavement repairs, public bus services and health and care services. The desire amongst respondents for communities to run certain services if they wished was markedly more muted with facilities and activities for young children and for youths receiving the most support.

3.2.4 The council engaged with approximately 1,427 people during the Your community - your say process, with a total of 1,163 people being involved in meaningful conversations about public services.

3.2.5 There were 295 participants at the 14 locality events, with a further 125 participating through targeted workshops or discussions held as part of a prescheduled meeting. The remainder were either engaged by the YCYS young and community researchers or through organisations that supported the cascading process.

3.2.6 An additional 264 people engaged with YCYS via online channels, with 189 people following the Twitter account, 45 people liking the Facebook page and a further 30 contributing their views via the discussion forum.

3.2.7 Just under half of those involved with the YCYS process were aged between 45 and 74, with over a third being under 25. This compares with 40% of Herefordshire's population aged between 45 and 74, just over a quarter of under 25 year olds and 11% aged 15 to 24. The YCYS locality events and workshops were most commonly attended by those aged between 45 and 74.

3.2.8 Overall, from those who completed an evaluation form, 886 people (81%) had never participated in any form of Herefordshire Council consultation. From the 295 people who attended a locality event, 114 (39%) also said that they had not previously participated in a Herefordshire Council consultation, while 45 (36%) of the 125 people who attended a targeted workshop

#### **3.3 Corporate Plan**

3.3.1 The corporate plan provides the overarching policy framework within which decisions will be taken and resources allocated. The plan identifies the council's contribution to

meeting the broader county vision set out in the Herefordshire Partnership community strategy (currently under review), and the draft Health & Wellbeing Strategy. It is underpinned by a number of key thematic strategies such as the economic development strategy, child poverty strategy, strategic delivery plan for transforming adult services and Yes We Can the strategic plan for children and young people.

3.3.2 The Corporate Plan reflects two broad priorities: supporting the development of a successful economy, and improving quality of life for the people of Herefordshire. For the latter a particular emphasis is placed upon ensuring that public services are prioritised to meet the needs of the most vulnerable within our communities (i.e. those in need of services to maintain their independence or stay safe) whilst enabling an improved quality of life for the wider population less reliant upon existing models of public sector service delivery. These priorities are underpinned by a number of organisational objectives including a commitment to deliver value for money in everything that we do. We have also recognised the importance of adopting a corporate approach to prevention and early intervention across all service areas. This includes a new strategy called “Making Every Contact Count” which support residents to be more self-reliant and to divert demand for services.

### 3.4 Corporate Financial Objectives

3.4.1 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 are required 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 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.

### 3.5 Working in Partnership

3.5.1 Herefordshire has a successful track record of partnership working to improve outcomes. The Herefordshire Partnership is being refreshed to address the new challenges that we face and this may lead to greater integration around commissioning and delivery. The new Health and Wellbeing Board will become statutory from 1 April 2013 and will oversee the joint strategic needs assessment (Understanding Herefordshire) and the Health and Wellbeing Strategy.

3.5.2 We are also redefining our relationship with our Health partners. The abolition of Primary Care Trusts across the country has required Herefordshire to look at how it works with new organisations such as the Clinical Commissioning Group that helps GPs deliver their decisions about care. We believe the emerging arrangements mark a new phase in our partnership with health and that we will keep the many excellent features of the former arrangement that means Herefordshire will continue to be a model of good practice for local authority and health joint working. We will also continue discussions

with Wye Valley NHS Trust and 2gether NHS Trust about the future model for the delivery of social care and mental health services in the County.

3.5.3 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

## 3.6 Managing External Funding

3.6.1 Grants provide another opportunity to increase financial capacity. The MTFS 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 on-going 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

3.6.2 **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). The council aims to maximise the potential for increasing financial capacity and managing growth in volumes through s106 agreements, where possible. The council is producing an action plan for the implementation of a Community Infrastructure Charging Levy (CIL). It is envisaged that the CIL will be adopted in Spring 2013.

3.6.3 **Managing Fees and Charges** - The council's policy is to ensure full cost recovery where feasible and appropriate, and minimise the subsidy from council tax payers. As part of its commitment to Herefordshire residents the council aims to run services on the most cost effective basis to maintain reasonable charges. The council also has a policy of removing subsidies which give unfair advantage to particular providers or suppliers. Appendix C sets out the council's charging principles.

## 4. National Financial Context

### 4.1 Introduction

4.1.1 This section of the MTFs sets out the financial context at national level. Central government's plans for public spending are documented in the following sections.

### 4.2 Four Year Spending Review

4.2.1 In 2010 the Coalition Budget gave the overall level of public spending (spending envelope) for the four years from 2011/12 to 2014/15. The Comprehensive Spending Review 2010, announced on 20<sup>th</sup> October 2010, was the process through which this spending envelope was allocated to pay for all areas of government activity including public services, social security, and administration costs.

4.2.2 The Government was borrowing one pound in every four that it spent and the UK was spending £43 billion on debt interest, which is more than it spent on schools in England.

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

4.2.4 The Spending Review set out spending plans for the four years until 2014/15. In its approach to these choices, the Government 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.

### 4.3 Subsequent changes to Government Spending Controls

4.3.1 Before calculating how much funding each local authority will receive, the Government first determines how much overall funding will be allocated to the local government sector. The 2010 Comprehensive Spending Review set out the overall spending for the public sector for 4 years from 2011/12 to 2014/15 (with 2 years figures for councils). The local government spending control totals are used to establish the start-up funding assessment for local authorities.

4.3.2 The first changes to the original spending control totals were announced in the Autumn Statement on 29 November 2011. In order to maintain economic stability and meet its fiscal rules, the Government said it would set public sector pay awards at an average of one per cent for each of the two years after the current pay freeze came to an end. Departmental budgets were adjusted in line with this policy.

4.3.3 A number of other changes to the 2010 Spending review totals have been announced;

4.3.4 **New Development Deals:** The Local Government Finance Act 2012 enables all local authorities to undertake Tax Increment Financing through borrowing against their business rates. The Government is funding a limited number of projects in which business rates uplift will be exempt from the levy on disproportion growth and any resetting of the rates retention system for a period of 25 years. These are known as New Development Deals and have been funded within the government spending controls. The Government will make available £120m of funding over six years (£20m in both

2013/14 and 2014/15) to provide investment in growth through financing additional infrastructure.

- 4.3.5 **Fire Grants:** The Spending Review spending control totals assumed that certain fire grants paid to authorities to enable them to maintain equipment for national resilience would be rolled into formula grant. It has now been agreed that this will remain as a specific grant and removed from the business rates retention scheme (£48.8m and £50.3m in 2013/14 and 2014/15 respectively).
- 4.3.6 **Neighbourhood Planning:** The original Spending Review control totals also included neighbourhood planning grant worth £15 million in 2013/14 and £20 million in 2014/15. However, it has been decided that this will not be included in the Rates Retention scheme at this stage.
- 4.3.7 **Capitalisation:** This is the means by which Government permits local authorities to treat revenue expenditure as capital e.g. for redundancy costs. This is treated as revenue expenditure in the national accounts and is counted against revenue spending limits. This will be funded at £100m in both 2013-14 and 2014-15. Any funding that is not needed will be redistributed to local authorities in proportion to their individual authority start-up funding assessment.
- 4.3.8 **Safety net:** The Business rates retention scheme will include a safety net to protect local authorities from significant negative shocks to their income by guaranteeing that no authority will see its income from business rates fall beyond a set percentage of its baseline funding level. This will be funded by a levy on the disproportionate benefits that some authorities will experience as a result of business rates growth, caused by the uneven distribution of business rates bases. However, in the first few years of the scheme there is a risk that the levy won't be enough to cover the amount required to be paid out via the safety net. The Government has decided that it will be prudent to keep some resources back to cover this (£25m in both 2013/14 and 2014/15). In the same way as for the capitalisation resource, any funding that is not needed will be redistributed to local authorities in proportion to their start-up funding assessment.
- 4.3.9 **New Homes Bonus:** In order to ensure that there will be sufficient funding available to fund the New Homes Bonus the Government is holding back £500m in 2013/14 and £800m in 2014/15. Again any funding that is not needed for this will be redistributed back to local authorities in proportion to their individual authority start-up funding assessment.
- 4.3.10 **Grants 'transferred in'.** Adjustments have been made to reflect grants being transferred into the local government spending control total. In May 2012, the Government announced that a number of local government grants would be transferred into the main local government funding stream from 2013/14 rather than being administered as separate, unringfenced grants. The following national totals are for grants being transferred in:
- 2011-12 Council Tax Freeze Grant (£593m)
  - Council Tax Support Grant (£3,295m)
  - Early Intervention Grant, excluding funding for free education for two year olds (£1,079m)
  - Greater London Authority General Grant (£46m)
  - A proportion of Greater London Authority Transport Grant (£770m)
  - Homelessness Prevention Grant (£80m)
  - A proportion of Lead Local Flood Authorities Grant (£21m)
  - Learning Disability and Health Reform Grant (£1,413m)



- Bus Service Operators' Grant for London (£45m)

#### 4.4 Local Authority Central Spend Equivalent Grant

- 4.4.1 Local authorities deliver a wide range of central education functions on behalf of maintained schools and when a school converts to an academy the responsibility for those functions transfers.
- 4.4.2 As part of the 2011 Local Government Resource Review, DfE are consulted on transferring all LACSEG funding (i.e. for local authorities as well) out of Formula Grant and the Business Rates Retention Scheme. This funding will form a new unringfenced single grant that will be distributed by DfE directly to local authorities and Academies.
- 4.4.3 The grant will be distributed using a national per-pupil rate proportional to the number of pupils that the maintained school/Academy is responsible for according to the October 2012 Schools Census.
- 4.4.4 DCLG have used the January 2012 School Census data to illustrate the effect of the LACSEG Formula Grant transfer in the provisional 2013/14 Local Government Finance Settlement but will include October 2012 School Census data in the calculation of the final 2013/14 Local Government Finance Settlement (mid-January 2013).

#### 4.5 Impact on Control Totals

- 4.5.1 The effect of all of these changes explained above taken together is given in the table below.

<b>Calculation of the Aggregate Start-Up Funding Assessment</b>	<b>2013/14 £000</b>
SR10 Local Government Control Total	23,223,902
<b><i>Transfers out</i></b>	
New Development Deals	-15,000
AS 2011 Pay Restraint	-244,574
Fire Grants	-49,822
Neighbourhood Planning	-15,000
Capitalisation and Safety Net Support	-125,000
New Homes Bonus	-505,890
LACSEG	-1,038,748
Police	-3,067,152
LSC London Councils Transfer	-517
LSC Transfer to YPLA	-222
Ordnance Survey	-20,523

### ***Transfers in***

Mobile Homes Act	1
LFEPA	500
LSC Update to Baseline	2
2011/12 Council Tax Freeze Grant	593,350
Council Tax Support Grant	3,295,028
Early Intervention Grant	1,708,918
GLA General Grant	45,711
GLA Transport Grant - <i>a proportion</i>	758,450
Homelessness Prevention Grant	80,002
Lead Local Flood Authorities Grant ( <i>proportion</i> )	21,000
Learning Disability and Health Reform Grant	1,412,710
Bus services Operators Grant - <i>for London</i>	44,325
<b>Adjusted Local Government Control Total i.e. Aggregate Start-Up Funding Assessment</b>	<b>26,101,451</b>

## 4.6 Local Government Finance Act 2012

4.6.1 On 1 November the Local Government Finance Act 2012 received Royal Assent from Her Majesty the Queen. This Act 'supports the Government's commitment to delivering economic growth, decentralising control over finance and reducing the deficit.'

4.6.2 Key elements;

- Local Government will keep a 'local share' of business rates and then keep any growth they generate.
- The Act also provides a framework for the localisation of support for council tax (replacing council tax benefits).
- It also makes a number of technical reforms to council tax, including powers to reduce certain discounts and exemptions.

## 4.7 Business Rates Retention

4.7.1 From April 2013 the system of local government funding will change fundamentally. The business rates retention scheme will create a direct link between business rates collected and local authority income and provides an incentive for economic growth.

4.7.2 The main features of the scheme are;

- Rates will be split between the 'local share' (retained by authorities) and 'central share' held by the Government (a 50/50 split).
- A top-slice will be taken for funding Police, New Homes Bonus and other central funding
- All rates will come back to local authorities through specific grants etc
- There will be a stable starting point for all authorities, i.e they are no worse off than would have been under current system.
- A system of tariffs and top-ups will even out resources by comparing;

- An authority's business rate baseline (based on average of rates over previous years and after allocation to fire authorities)
- Its baseline funding level (using a slightly adjusted 2012/13 formula and 2013/14 and 2014/15 national control totals)

4.7.3 Councils will benefit from business rate growth over the base position, but are subject to risks of rates decline, losses on appeals and also meet the cost of uncollected rates.

## 4.8 Localisation of Council Tax Support

4.8.1 Billing authorities are required to adopt a localised council tax reduction scheme by January 2013. There will be a reduction in funding of 10% but at the same time vulnerable groups e.g. pensioners will be protected. This is to be funded within the Rates Retention scheme

## 4.9 Schools Funding

4.9.1 The Department of Education has announced the Dedicated Schools Grant funding for 2013/14. An increase in the Pupil Premium has already been announced;

- Overall DSG is based on the same flat cash sum per pupil, however the calculation for schools and early years have been split out.
- There remains no increase in baseline funding for any authority
- The Minimum Funding Guarantee remains at -1.5%
- Spend on the pupil premium will increase nationally to £1.875bn.
- The pupil premium will be £900 per free school meals pupil and Looked After Children and £300 for service children (up £50 from £250). The basis for payment has been widened so that it includes pupils who have ever had free school meals within the last 6 years. This will widen eligibility by approximately 30% and hence depresses the payment rate per individual pupil.

## 4.10 Council Tax

4.10.1 At the Conservative Party conference on 8<sup>th</sup> October 2012, the Chancellor made two announcements on council tax: another freeze, for 2013/14, and the threshold for referendums in 2013/14.

## 4.11 Council Tax Freeze Grant 2013/14 and 2014/15

4.11.1 Under the terms of the freeze, if an authority sets its Band D council tax for 2013/14 at the same (or lower) level as the 2012/13 Band D amount, the authority will receive a grant equivalent to a 1% increase in the 2012/13 amount, in both 2013/14 and 2014/15. The Department for Communities and Local Government is expected to write to local authorities in the next few weeks with full details of the council tax freeze. An indicative breakdown of estimated grants has been published. The figure for Herefordshire is £875k and is only for two years meaning it is not in our "base" funding.

## 4.12 Council Tax Referendums

4.12.1 The Chancellor also announced the Government will lower the threshold at which a referendum on council tax increases can be triggered to 2%. If an authority proposes to increase its relevant basic amount of council tax by more than 2% compared to 2012/13, it will be required to subject this decision to a binding referendum. In 2012/13 the

threshold was set at 3.5%. The details were formally announced as part of the provisional local government finance settlement in December.

4.12.2 The threshold triggering a referendum has moved from 3.5% in 2012/13 to 2% in 2013/14. This threshold may reduce further in future years as Government seeks to limit public sector spending. If so, the ability to raise council tax in 2013/14 by 1.9% may not be available in future years unless a referendum is held. Any cost of a referendum will have to be met by local funding, wiping out part of the immediate increase in funding.

## 4.13 Autumn Statement – December 2012

4.13.1 On 5<sup>th</sup> December 2012 the Chancellor of the Exchequer made his Autumn Statement to the House of Commons updating MPs on economic and fiscal forecasts for the UK economy. At the same time the Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook (EFO), with its forecasts for the economy and the public finances. Key points for public sector spending are;

### 4.13.2 Public Spending

- Government departments' revenue budgets, known as resource Departmental Expenditure Limits (DELs), will be reduced by 1% in 2013/14 and 2% in 2014/15. This will reduce total government expenditure by £980m in 2013/14 and £2.4bn in 2014/15.
- The DEL savings, as above, and other savings from the welfare budget, will be used to fund £5.5bn of new capital expenditure.
- Overall public expenditure in 2015/16 and 2016/17 will continue to decrease at the same rate as the 2010 Spending Review period. Detailed spending plans for 2015/16 will be published in the first half of 2013. Spending on health, schools and overseas development will be protected from further reductions.
- Public expenditure in 2017/18 will also continue to fall at the same rate as in the SR2010 period.

### 4.13.3 Local Government

- The Local Government Resource DEL will be exempted from the 1% DEL reduction in 2013/14. Council spending will already be in effect reduced by a 'comparable amount through the decision to allow local authorities to hold council tax down in that year'.
- The Local Government DEL will be reduced by £445m (2%) in 2014/15, in line with other departmental budgets.
- As announced in October 2012, the Government will set aside £450m to fund a council tax freeze grant in 2013/14 and 2014/15 for those authorities which freeze or reduce their council tax in 2013/14.
- The Government will provide an additional £333m for essential maintenance of the national and local road network.
- Small Business Rates Relief will be extended to April 2014; it was due to end April 2013.
- All newly built non-domestic property completed between 1 October 2013 and 30 September 2016 will be exempted from empty property rates for the first 18 months, up to the state aids limits and subject to consultation.
- The introduction of the business rates retention schemes will result in some classification changes in the way local government funding and spending is recorded.

### 4.13.4 Schools

- Nationally the Government will provide £275m in 2013/14 and £895m in 2014/15 for capital expenditure on schools. This includes funding for 100 new academies and

free schools, as well as investment to expand 'good schools', in the areas experiencing highest demand for places.

- All schools will be given greater freedom to set pay for teachers in line with performance, as recommended by the Schoolteachers' Pay Review Body.

#### 4.13.5 Local Enterprise Partnerships

- The Government will support local authorities that wish to create a combined authority or implement other forms of collaboration (for example, shared management). This will involve reviewing whether the existing legislation is fit for purpose.
- The Government will provide £10m per year to LEPs for capacity building. Each LEP will be able to apply for up to £250,000 additional funding per year to support the development and delivery of their strategic plan, which they will be required to develop by Government.
- Funding for growth-related projects will be devolved to LEPs on the basis of the strategic plans developed by LEPs, though a single funding pot for local areas from April 2015.
- Growth-related funding is likely to include some of the funding for local transport, housing, schemes to get people back into work, skills and any additional local growth funding.
- Each LEP will be able to nominate one strategic priority project to benefit from borrowing from PWLB at a 'project rate' 40bps below the PWLB standard rate. Total borrowing at this rate will be capped at £1.5bn for LEPs outside London.
- The Government will provide a further £350m for the Regional Growth Fund by May 2015.

## 4.14 Provisional Settlement 2013/14 and 2014/15

4.14.1 On 19 December 2012, the 2013/14 and 2014/15 Provisional Local Government Finance Settlement was published, including details of elements of the rates retention scheme which will be implemented from 1 April 2013. Key announcements were as set out below.

4.14.2 **Adjustment to control totals;** The top-slice funding for New Homes Bonus increased from the recently reduced level of £500m to £505.89m, relating to an overspend in 2012/13. However, the transfer out of funding for the Safety Net Support has been substantially reduced from £250m to £25m. These adjustments have increased the amount of funding left to fund council spending. The main announcements relating to the rates retention scheme and the 2013/14 settlement were as follows;

4.14.3 **LACSEG Transfer for the Education Services Grant;** In a written ministerial statement the Schools Minister David Laws also announced details of the LACSEG transfer out of the Local Government Department Expenditure Limits (DEL) to support the establishment of the Education Services Grant (ESG) from 2013/14, which will be allocated on a per-pupil basis to local authorities and Academies according to the number of pupils for whom they are responsible. In response to the summer 2012 consultation, the Government has reduced the amount transferred out by £180m in 2013/14 from the proposed £1.22bn to £1.04bn. In 2014/15 £1.03bn is being transferred out.

4.14.4 The new grant will be paid for all pupils aged 3 to 19 in state-funded schools, including maintained schools, academies and Free Schools. In 2013/14 the single, national per-pupil rate will be £116. Multipliers will apply for pupils in PRUs and special schools, of 3.75 and 4.25 respectively. Local authorities will also receive £15 for every pupil in the local authority area, for the statutory duties which do not transfer to academies.

Provisional 2013/14 Education Services Grant allocations for local authorities will be confirmed early in 2013, based on the number of pupils in maintained schools and academies at that time.

4.14.5 Whilst the transfer out has reduced, the Government believe that “it would not be right for Academies to lose out as a result”. DfE are therefore using money from their own budget to supplement the Education Services Grant (ESG) rate for Academies over the next two years. The ESG rate for Academies will be set at £150 per pupil in 2013/14 and £140 in 2014/15. The intention is to remove this transitional protection for Academies over a limited period of time so that the rates for local authorities and Academies are brought together.

4.14.6 **Revenue Support Grant;** The Draft Local Government Finance Report states that in 2013/14 £15.203bn will be provided to local authorities via Revenue Support Grant. This is the difference between the local share of estimated business rates and the adjusted 2012/13 local government control total.

4.14.7 Funding for individual authority start-up assessments will be provided by the Local Share (of business rates) and Revenue Support Grant at a national ratio. In 2013/14 this will be 10.1:15.2.

4.14.8 **Public Health Grant;** In his teleconference with local government on 20 December Brandon Lewis confirmed that the Department of Health will not be publishing local authority public health budgets until later in January 2013. These were subsequently announced on 10<sup>th</sup> January. The total available nationally is £2.66bn in 2013/14 and £2.79bn in 2014/15.

## 4.15 Final Local Government Settlement 2013/14 and Provisional 2014/15

4.15.1 The Final Settlement was announced on 4<sup>th</sup> February 2013. There were only minor changes to the headline figures published in the Provisional Settlement in January.

4.15.2 However, the Government announced a further £8.5m additional funding in 2013/14 as a separate new (unringfenced) transitional grant to help authorities in sparsely populated areas.

4.15.3 In 2013/14 the DCLG top-sliced £500m from Revenue Support Grant for year three of the New Homes Bonus. This, when combined with the additional £250m already announced from Central Government, was more than the national total of 2013/14 NHB allocations of £668m. The distribution of the surplus £82m funding was also published, with £241,696 for Herefordshire.

## 5. Herefordshire Council's Financial Context

### 5.1 Introduction

5.1.1 This section of the MTFS describes the council's financial position and approach for:

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

### 5.2 Comparative Funding Position

5.2.1 Herefordshire is not a well-resourced council. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in a sparsely populated area but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the area.

5.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives 50% greater central government assistance than a rural area.

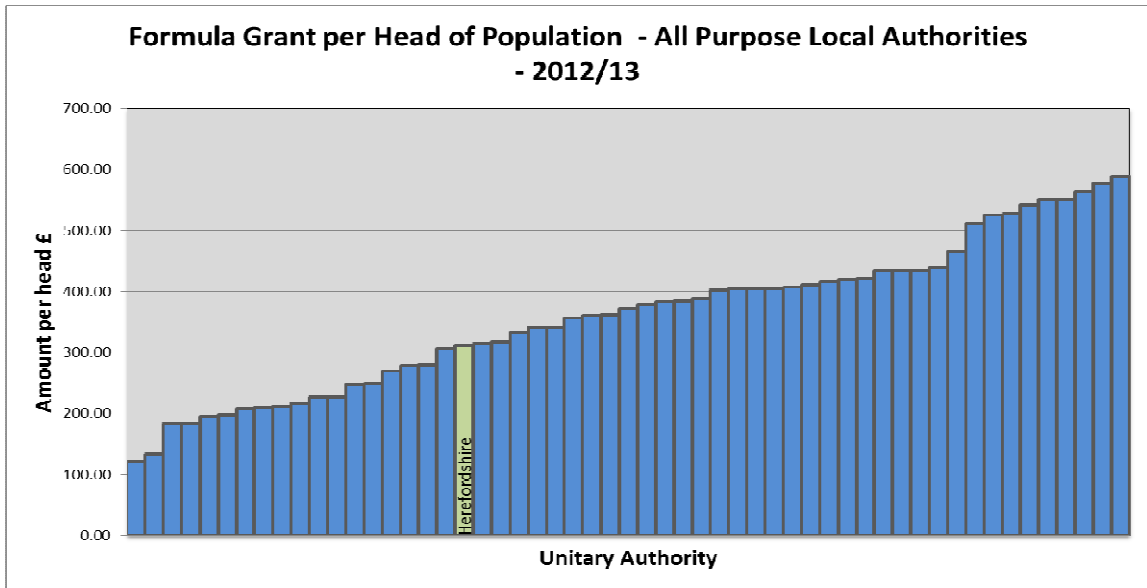
5.2.3 Hence the council welcomed the Government's proposals to implement a number of weightings for sparsity to various relative needs formulae for the 2013/14 settlement as proposed by SPARSE.

5.2.4 Unfortunately much of the benefit will be lost through the damping element of the formula, which is designed to smooth year on year swings. The council has requested that the Government allow the adjustment for rural services to be reflected in cash terms and excluded from the damping calculation. It is estimated that Herefordshire Council should benefit by the exemplified consultation proposals relating to rural services by £6m per annum pre-damping but is set to lose 74 % of that through damping.

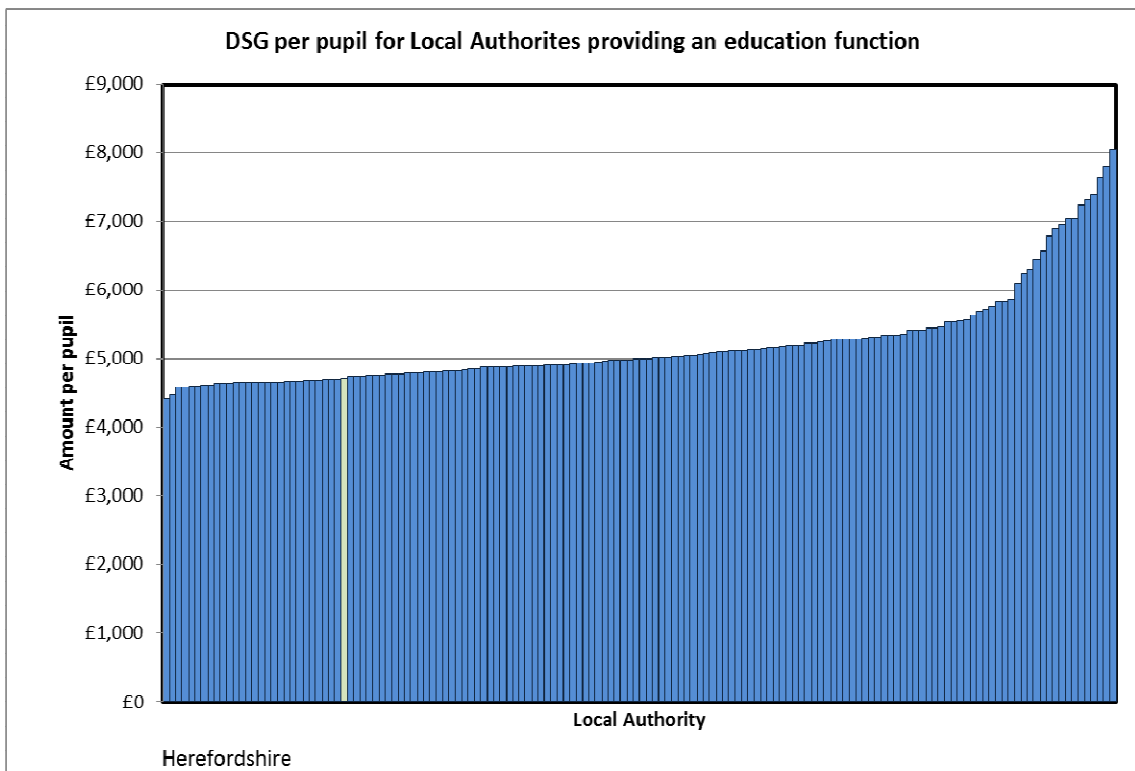
5.2.5 The 2012/13 budget figures show that:

- a) Formula Grant per head of population is £311.26, 13% below that national average of £358.36; and
- b) Indicative Dedicated Schools (DSG) Grant per pupil is £4723.25, 5% below the average for education authorities of £5,220.

5.2.6 The graph below shows Formula Grant per head of population for all unitary authorities 2012/13. It shows that Herefordshire is 37th out of 55 unitary authorities.



5.2.7. The graph below shows DSG per pupil for local authorities providing education functions. Herefordshire is placed 122 out of 150 authorities.



### 5.3. Local government settlement for 2013/14 and 2014/15

5.3.1. The provisional local government settlement for 2013/14 was announced on 19<sup>th</sup> December 2012 and finalised on 4<sup>th</sup> February 2013. The following paragraphs set out the key financial data for Herefordshire;



## 5.4 Start-up Funding Allocation 2013/14

- 5.4.1 The 'start-up funding' allocations for the new Rates Retention scheme consist of a formula funding allocation plus allocations of specific grants transferring from April 2013. For Herefordshire this split is as follows;

	<b>2013/14 £000</b>
<b>Formula Funding</b>	50,091
<b>Specific grants</b>	
11/12 Council tax freeze	2,153
Council tax support	9,683
EIG	5,271
Homelessness	206
Lead Flood	130
Learning Disability and Health reform	3,842
<b>Start-up funding allocation</b>	<b>71,376</b>

- 5.4.2 The provisional funding for 2014/15 is £64.963m. The same level of breakdown as 2013/14 has not been supplied (council tax support element not given), but the following former specific grants have been included;

	<b>2014/15 £000</b>
<b>Specific grants</b>	
11/12 Council tax freeze	2,154
EIG	4,935
Homelessness	206
Lead Flood	129
Learning Disability and Health reform	3,938

- 5.4.3 The start-up funding is made up of the Government's estimate of rates for Herefordshire, a top-up and RSG, as follows

	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Baseline rates***	21,956	22,629
Top-up	6,559	6,760
RSG	42,861	35,574
<b>Start-up funding allocation</b>	<b>71,376</b>	<b>64,963</b>

\*\*\*The rates figure in the Financial Resource Model (FRM) differs from this as the above is the Government's estimate of rates

## 5.5 Comparison to 2012/13

5.5.1 As there has been a fundamental change in the funding system it is difficult to provide a like for like position. In particular, in the table below the funding reduction for Early Intervention grant will be partly offset by money transferring to DSG. Also, a proportion of the Council tax reduction grant will be paid direct to Fire and Police authorities in the new system, whereas the council receives the full funding allocation into the Collection Fund under current arrangements. An estimated adjustment for Herefordshire portion of the £13.3m current council tax benefit has been added at the bottom of the table.

5.5.2 The table below shows a comparison of funding between 2012/13 and 2013/14 for funding streams within the Rates Retention scheme in 2013/14 and Formula grant in 2012/13.

<b>Comparison of funding 2012/13 to 2013/14</b>			
	<b>2012/13</b>	<b>2013/14</b>	
	<b>£000</b>	<b>£000</b>	
Formula grant (incl.11/12 freeze grant)	56,615		
Estimated rates		21,956	
Top-up		6,559	
Revenue support grant		42,861	
<b>Start-up funding</b>		<b>71,376</b>	
<b>Specific grants</b>			<b>In Start up funding 13/14</b>
EIG	7,097		5,271
Homelessness	225		206
Flood levy	200		130
Learning disabilities	3,738		3,842
<b>LACSEG grant (estimated)</b>		2,085	(3,128)
Council tax benefit	13,300		9,683
	<b>81,175</b>	<b>73,461</b>	
<i>Less Fire &amp; Police ctax benefit</i>	(2,261)		
	<b>78,914</b>	<b>73,461</b>	<b>(5,453) (6.9%)</b>

5.5.3. The Early Intervention Grant has decreased by £1.9m from 2012/13 to 2013/14, largely as a result of 2 main changes. In 2013/14 and 2014/15 this will exclude £534 million and £760 million respectively, for free education for two year olds, as announced by the Chancellor in his Spending Review and Autumn Statement. £150 million will also be excluded in 2013/14 and 2014/15 and retained centrally. It has subsequently been announced that this will be returned to councils as an Adoption Reform Grant in 2013/14.

5.5.4 In addition to the above the council has been notified of a provisional allocation of £655k for year 3 of the New Homes bonus (a cumulative figure of £2.069m for 2013/14).

## 5.6 New Homes Bonus

5.6.1 The New Homes Bonus commenced in April 2011, which match funds the additional council tax raised for new homes and empty properties brought back into use for the following six years.

5.6.2 Herefordshire was awarded £591k per annum for 2011/12 (paid for 6 years from 2011/12) and £824k for 2012/13 (paid for 6 years from 2012/13). The figure for 2013/14 is £654k, a cumulative amount of £2.069m to be received in 2013/14.

5.6.3 In 2013/14 the DCLG top-sliced £500m from Revenue Support Grant for year three of the New Homes Bonus. This, when combined with the additional £250m already announced from Central Government, was more than the national total of 2013/14 NHB allocations of £668m. Herefordshire's portion of the returned top-slice was announced with the Final Settlement as £241,696.

## 5.7 Specific Grants

5.7.1 The table below sets out the specific grants for Herefordshire announced at the time of the Settlement:

Grant	2012/13 £000	2013/14 £000	2014/15 £000
*Social Fund	3	371	366
Local Reform and Community Voices	n/a	154	159
** Lead Local Flood Authority	200	70	70
Housing Benefit Admin Subsidy	1,177	1,075	tbc
Community Right to Bid	5	8	8
Community Right to Challenge	9	9	9
Council Tax Support – new burdens	84	91	98
Social care funding	2,274	3,152	tbc
Public Health Grant (new in 2013/14)	0	7,752	7,969

*\*Set up funding only in 2012/13*

*\*\*In 2013/14 there is also £130k included in the Rates Retention funding*

The government has not announced some of the 2013/14 grants as of early February 2013, including Education Support Grant and funding for Home to School transport.

5.7.2 **Social Care Funding – NHS Transfer;** On 19 December the Department of Health (DH) confirmed the amount to be transferred from the NHS to local authorities to support adult social care services, which also benefit health, at £859m. Previously these transfers, totalling £648m nationally in 2011/12 and £622m in 2012/13, were made by local Primary Care Trusts to authorities. From April 2013 the funding will be transferred from the NHS Commissioning Board, as PCTs are being abolished.

5.7.3 As a condition of the transfer local authorities and clinical commissioning groups must have regard in how the funding is used, to the Joint Strategic Needs Assessment for their local population, and existing commissioning plans for both health and social care. In addition local authorities must demonstrate 'how the funding transfer will make a positive difference to social care services, and outcomes for service users, compared to service plans in the absence of the funding transfer'.

5.7.4 The figure for Herefordshire is £3.152m, compared to £2.274m in 2012/13.

5.7.5 **DH Local Reform and Community Voices Grant;** On 19 December also announced details of a new specific grant, the Local Reform and Community Voices Grant totalling £42m in 2013/14 and £43m in 2014/15. This grant is comprised of five funding streams:

- additional funding for Deprivation of Liberty Safeguards (DOLS) in Hospitals;
- additional local Healthwatch funding;
- funding for the transfer of Independent Complaints Advocacy Service (ICAS) to local authorities;
- funding for the transfer of Independent Mental Health Advocacy (IMHA) to local authorities; and
- funding for the veterans Guaranteed Income Payments (GIPs) social care charges exemption.

5.7.6 The allocations for Herefordshire are £154k in 2013/14 and £159k in 2014/15.

5.7.7 **Public Health Grant;** As a result of the Health and Social Care Act, from 1st April 2013, local authorities will have a range of new responsibilities for public health, including a set of mandatory public health services. The public health functions currently undertaken by Primary Care Trusts will transfer, along with their associated budgets and staff, to local authorities and to other legacy organisations.

5.7.8 The public health grant allocation for Herefordshire has been confirmed for 2013/14 and 2014/15 as £7,752,700 (2013/14) and £7,969,800 (2014/15). This is a ringfenced grant which national guidance specifies is to be used to:

- To improve significantly the health and wellbeing of local populations
- To carry out health protection functions delegated from the Secretary of State
- To reduce health inequalities across the life course, including within hard to reach groups
- To ensure the provision of population healthcare advice (including core offer to CCG)

5.7.9 The scope of the grant / services to be provided include both so-called "mandated/ prescribed" public health services (sexual health, NHS Health Checks, health protection, PH advice, National Child Measurement Programme) and "non-prescribed" functions to meet local needs (long list including e.g. obesity, smoking cessation, physical activity, drug & alcohol misuse services, oral health, health intelligence).

5.7.10 The grant can only be used to meet eligible expenditure in carrying out the public health functions specified in Section 73B(2) of NHS Act 2006 (as amended by the Health and Social Care Act 2012) (i.e. as set out above under "use of the grant"). It must be spent on activities whose main or primary purpose is to improve the health and wellbeing of local populations and reduce health inequalities.

5.7.11 **Extra Funding for Sparsely Populated Areas;** As part of the Final Settlement it was announced that "*following consultation...more needs to be done to further support rural*

areas". A further £8.5m additional funding has been allocated in 2013/14 as a separate new (unringfenced) transitional grant to help authorities in sparsely populated areas. Herefordshire's allocation is £531,374.

## 5.8 Local Authority Central Spend Equivalent Grant (LACSEG)

5.8.1 Herefordshire incurred top-slices of £650k in 2011/12 and a further £500k in 2012/13 for central education funding transferred to academies (£235k has since been refunded in 2012/13 in respect of 2011/12) In 2011/12 and 2012/13 £450k base budget reduction was pass-ported to the People's Directorate and spread across all children's budgets, with the balance adsorbed by the rest of the council. An additional £378k will be met by budget reductions in Childrens' Services in 2013/14.

5.8.2 Provisional figures for transfers out of the rate retention system in 2013/14 were published with the Provisional settlement, but will be updated for revised pupil numbers. No provisional figure has yet been published for the money to be returned to the council for LA pupils through the new Education Services Grant (ESG) The estimated funding impact on the new funding arrangements for Herefordshire in 2013/14 is as follows;

	<b>2013/14 £m</b>
Top-slice for all pupils in Herefordshire	(3.128)
Education Services Grant	2.085
Funding transferred to Academies	<b>(1.043)</b>

## 5.9 Dedicated Schools Grant

5.9.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and funds the Schools Budget. Arrangements for the DSG are changing for 2013/14 as DSG will be split into three distinct blocks as follows,

- Schools Block - funding delegated to schools as determined by the new national funding formula
- High Needs Block – all funding for special educational needs including post-16
- Early Years Block – funding for Private, voluntary, independent nursery providers and central early years services. This includes a transfer of funding for 2 year old nursery education previously paid by separate grant.

5.9.2. DSG is the main source of income for schools. Each block within DSG, although not ringfenced, will in future be funded separately. The schools block will be based upon a per pupil formula using the actual pupil numbers from the October school census data, The Early Years block will be calculated on a rolling basis through the year based on three termly pupil census dates. The High Needs Block will be determined on an assessment of the 2012/13 spend as previously submitted by the authority. Responsibility and funding for post-16 high needs is to be transferred to the authority from August 2013. 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.

5.9.3. A national review of the distribution formula for DSG based around the introduction of a national schools funding formula is expected to be phased in over a number of years from April 2013. As a high delegator of funding to schools early indications from the Institute of Fiscal Studies suggest that Herefordshire schools will lose funding in the move to a national funding formula partly due to "averaging down" and partly due to a

gradual move towards a standardised primary/secondary funding ratio which may disadvantage small rural primary schools by up to £25,000 in the medium term.

5.9.4. There is no uplift in DSG for 2013/14 which will continue to be paid at the same rate as in 2012/13 however each funding block is now funded at different rates per constituent pupils. The Schools Block is based on £4,306.44 per school pupil and the Early Years Block will be paid at £3,454.43 per early years pupil. In addition pupil numbers for the Early Years Block will be revised throughout the year so final funding for early years will only be known at year-end.

5.9.5. The totals for the three blocks and top-slice for academies are estimated to be;

2013/14 DSG Allocations	£m
Schools Block 21,060 pupils x £4,306.44 per pupil	90.7
High Needs Block Schools - Pre-16 Colleges – Post-16	12.0 0.7
Estimated Early Years Block 1,385 pupils x £3,454.43 per pupil	4.8
Additional funding for two year old grant, early years and newly qualified teachers	1.2
Additional funding for hospital education grant and growth in special school places	0.3
<b>TOTAL DSG 2013/14</b>	<b>109.7</b>
<b>Less academy recoupment at source</b>	<b>(33.0)</b>
<b>DSG received by the council</b>	<b>76.7</b>

5.9.6. For 2013/14 spend will need to be contained within each spending block although an increased spend on special educational needs of £190,000 has been provided for within the high needs block. The increase in the pupil premium to £900 per eligible pupil is worth approximately £1.5m extra to Herefordshire in 2013/14.

5.9.7. Academies are publicly funded independent local schools. Academies are independent of the council and responsible directly to and funded directly by government. They are freed from national restrictions such as the teachers' pay and conditions documents and the national curriculum. Many Herefordshire schools have embraced the change and approximately 40% of pupils have been educated in Academies from April 2012. This will potentially increase from April 2013.

5.9.8. 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.

5.9.9. Academies receive additional top-up funding to reflect their extra responsibilities which are no longer provided by the local authority. Academies can choose to buy these services from the local authority.

## 5.10. Council Tax

- 5.10.1. Authorities, which chose to freeze council tax in 2011/12, had the resultant loss to their tax base funded at a rate of 2.5%, (equating to £2.1m for Herefordshire), in each year of the Spending Review period.
- 5.10.2. The Government also offered a council tax freeze grant for 2012/13, but unlike the 2011/12 grant, this was only for one year.
- 5.10.3. The council chose to freeze council tax and take up the grant in both years. As the 2012/13 grant was one-off only the funding was used for one-off spending through a transformation fund and contingency budget.
- 5.10.4. The Government has offered a further council tax freeze grant for 2013/14 equating to 1% of the 2012/13 council tax. This would be paid for two years.
- 5.10.5. The level at which a referendum has been set is 2%.
- 5.10.6. Budget planning is based on not accepting the council tax freeze and, instead, planning for a 1.9% increase.
- 5.10.7. The average Band D council tax for 2012/13 is £1,205.09, compared to the average Band D council tax for English Unitary authorities at £1,220.16. A 1.9% increase would result in a Band D council tax for 2013/14 of £1,227.99.
- 5.10.8. From 2013/14 the local scheme for council tax reduction replaces council tax benefits and becomes a discount against the council tax. The estimated net base after local scheme deductions is estimated to be 64,260.18 and £774k for every 1% on council tax.
- 5.10.9. A 1.9% council tax increase equates to an increase of £1.47m

## 5.11. Reserves

- 5.11.1. 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.
- 5.11.2. The following table shows the year-end balance on the General Fund and the level of revenue 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 2010	5,349	5,497	13,745	24,591
31 <sup>st</sup> March 2011	6,349	6,002	11,570	23,921
31 <sup>st</sup> March 2012	6,113	5,789	7,669	19,571

- 5.11.3 A significant proportion of the specific reserves belong to schools and cannot be used to help pay for non-schools services and unspent government grants carried forward in future years.

## 5.12. Managing the General Fund Balance and Specific Reserves

- 5.12.1. Herefordshire's General Fund opening balance for 2012/13 was £6.1m, which was in excess of the policy in place to maintain a minimum balance of £4.5m (3%).
- 5.12.2. 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.
- 5.12.3. 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.
- 5.12.4. 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. The current policy is to maintain a general reserve of at least 3% of net revenue budget or £4.5 million. However given the pressures on the budget it is recommended that over the next two years the council plans to increase the level of reserves over the medium term.

## 5.13. Capital Reserves

- 5.13.1. 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 3 financial years and an estimate for 2013/14;

Balance as at:	£000
31st March 2010	13,565
31st March 2011	6,754
31st March 2012	2,769
31st March 2013 (est)	1,824

- 5.13.2. 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.

## 5.14. Funding Arrangements for Capital Investment

- 5.14.1. Capital expenditure can be funded from capital receipts, borrowing, grants and revenue contributions.
- 5.14.2. Government support for capital investment is through the allocation of grants (it no longer issues supported borrowing allocations). Known grant funding allocations for 2013/14 are:

**Local Transport Plan (£11.376m)**  
**Borders Broadband (£3m)**



**Marches Redundant Building Grant Scheme (£1.3m)**  
**Destination Hereford (£1.055m)**  
**Disabled Facilities Grant (£0.674m)**  
**Community Capacity Grant (£0.474m)**

- 5.14.3. The Local Transport Plan (LTP) grant funding includes £1.584m roads maintenance funding announced in the 2012 autumn statement. This additional funding has been allocated from a dedicated fund to provide for essential maintenance to renew, repair and extend life of the highway network in England. The amount allocated is based on the County's road length. This added to the original LTP funding allocation represents an increase in funding from 2012/13 however the total funding for 2013/14 is less than the 2010/11 LTPs funding allocation which was reduced to £12.489m.
- 5.14.4. The Community Capacity Department for Health capital grant represents funding to support development in three key areas: personalisation, reform and efficiency and has been held constant in real terms for 2013/14 and 2014/15 with the distribution based on the total adults social care relative needs formulae.
- 5.14.5. The council is waiting for grant allocations from the Department of Education which are expected in January 2013. Grant funding has also been applied for to fund refurbishment works at Masters House, Ledbury.
- 5.14.6. **Council Borrowing** - The medium-term strategy reflects the borrowing requirement implied by the Treasury Management Strategy to support the capital programme.
- 5.14.7. **Capital Receipts Reserve** - totalled £2.769m as at 1 April, 2012, this is likely to fall to around £1.824m by the end of the financial year and this funding has been committed to fund the capital programme in coming years.
- 5.14.8. **Other Funding opportunities** - The financial management strategy for increasing capital investment capacity centres on:
- **Maximising Developers' Contributions** – through planning gains and the adoption of a Community Infrastructure Levy.
  - **Growing Places Revolving Fund** – this fund provides loans to enable investments that levers in private funding and will support expenditure on the Rotherwas enterprise zone.
  - **External Funding Bodies** – to distribute funding for projects that satisfy their key criteria and objectives and bids are submitted where appropriate.
  - **New Homes bonus and retained business rate income growth** – these revenue funding streams will support the cost of financing capital expenditure on the new link road.
- 5.14.9. The challenges given to retaining assets will be based on value for money and the delivery of 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 or as a community asset transfer.
- 5.14.10. 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.

5.14.11. 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.

5.14.12 In recognition of this and the increasing pressure on our capital funding, a comprehensive review of the Council's assets and our policy on retention and disposal will be brought to Cabinet in mid 2013.

## 5.15 Capital Programme 2013/14 to 2015/16

5.15.1 The 2013/14 to 2015/16 capital programme represents funding indications received to date from grants, existing schemes that commenced in prior years and new capital schemes.

5.15.2 The Council's capital programme has been largely funded by grants from Central Government with borrowing, capital receipts and revenue contributions to capital making up the difference. The government is still making some capital grant allocations and the report to Cabinet on 17<sup>th</sup> January outlined the grants to be received in 2013/14. The following represent the capital schemes proposed as part of the 2013/14 budget.

- a. **Yazor Brook Flood Alleviation** – this is for remedial works to stabilise the river bank and floodplain following the completion of the grant funded flood alleviation scheme. The bid represents the worst case scenario with actual costs dependant on the solution and liability determinations. Members support remedial works but want officers to pursue compensation from scheme designers. The scheme totals £450k.
- b. **Garrick House multi-storey car park**– this is the second part of the previous approved bid to complete the enhancement works underway to prolong the assets safe use. This does not include the installation of pay on foot. The scheme totals £500k.
- c. **Blackmarston School** – this is towards the cost of the construction of a substantial extension and significant internal remodelling of the current building mainly funded by grant monies. The scheme will remove all temporary accommodation from the site. The scheme totals £638k.
- d. **Leominster & Stretton Sugwas Landfill Sites** – bid to fund pumps and a monitoring system to manage the sites better to maintain remediation measures required. The scheme totals £55k.
- e. **Leominster Primary School** – towards the costs of a new build combining the junior and infants school which is mainly a grant funded scheme. The scheme totals £205k.
- f. **Traveller Sites Accommodation Units** – improvement works to the 43 accommodation units at the traveller sites that are in very poor condition so that

the Council meets the statutory obligation to provide accommodation of minimum standard. Full cost recovery is reflected in rent levels. The scheme totals £430k.

- g. **Backlog Maintenance** – the deteriorating condition of the council's assets means that an allocation is needed for backlog maintenance works on the residual estate which will improve energy efficiency and reduce Health and Safety issues. The allocation will also be available for the council's smallholdings estate. The scheme totals £650k.
- h. **Funding to support Car Parking Strategy** – As part of the overall review of car parking there is likely to be a requirement to change the location of car parks in Hereford. This will also link to the emerging sustainable transport policy and options for its delivery. The scheme will require detailed costing but a capital allocation of £2m is proposed for inclusion but will be subject to further review.

### Self-financed Capital Schemes

5.15.3 The following are self-financed capital schemes not requiring additional long term revenue budget to meet the cost of borrowing. However they will still need to be included in the programme for agreement.

- a. **Rotherwas Enterprise Zone** - £1.066m of costs to provide serviced deployment plots to inward investors to be funded by the capital receipts generated. The scheme will have access to up to £5m. Recovery of costs will be sought from the uplift in business rates. Alongside capital receipts there will be business rate income generated by the site, expected from 2014/15. The use of these funds are to be approved by the Marches LEP which has agreed that the related enterprise zone revenue costs incurred will have first call on this funding resource. There is likely to be a requirement to cash flow this scheme in the short term. This could be £20k in year 1 and possibly as much as £60k in year 2 if the sites are not occupied.
- b. **LED street lighting** is a self-financing bid for the expansion of the current programme to all public lighting across the County funded by energy costs saved. Salix interest free loans will also be used to part fund the capital cost. This scheme will contribute to the Council's commitment to reduce CO2 emissions. This will require a reduction in revenue budgets to fund the borrowing.
- c. **Solar photovoltaic panels** is a self-financing bid for the insulation of solar panel at 36 sites funded by reduced energy costs, community investment is also being sought and the investment will result in the avoidance of future levies. This will require a reduction in revenue budgets to fund the borrowing.

5.15.4 If the above schemes are agreed (and assumed to be funded) then £13.783m of capital expenditure will require funding. This splits into two funding sources with £8.855m of the total being self-funded with the required revenue budget for borrowing of £133k in 2013/14 rising to £388k in 2015/16 from savings that the schemes generate. This leaves a balance of £4.928m for schemes requiring additional revenue funding to meet borrowing costs. This requirement is £189k in 2013/14 rising to £382k in 2015/16.

5.15.5 Agreement of the schemes will not breach the Council's prudential indicators for borrowing contained in the Treasury Management Strategy within the MTFs.

5.15.6 The Buttermarket will be subject to further feasibility studies and this may require a capital programme addition in the future.

5.15.7 The following table summarises the existing capital investment programme:-

Total 3 year budget 2013/14 to 2015/16				
Scheme	13/14 Budget £'000	14/15 Budget £'000	15/16 Budget £'000	Total Budget £'000
Link Road	7,500	9,037	6,179	22,716
Local Transport Plan	11,376	10,645	-	22,021
Borders Broadband	6,000	8,000	5,700	19,700
Corporate Accommodation	10,509	3,346	980	14,835
Leominster Primary School	6,145	2,589	-	8,734
Masters House, Ledbury	2,271	-	-	2,271
Destination Hereford	1,055	1054	-	2,109
Blackmarston School	2,000	-	-	2,000
Others	606	374	667	1,647
Redundant Building Grant	1,300	-	-	1,300
Community Capacity Grant	474	483	-	957
Disabled Facilities Grant	674	-	-	674
<b>SUB TOTAL</b>	<b>49,910</b>	<b>35,528</b>	<b>13,526</b>	<b>98,964</b>
<b>Corporately financed capital bids</b>	<b>4,712</b>	<b>215</b>	<b>-</b>	<b>4,927</b>
<b>Self-financed capital bids</b>	<b>3,454</b>	<b>1,320</b>	<b>1,320</b>	<b>6,094</b>
<b>TOTAL</b>	<b>58,076</b>	<b>37,063</b>	<b>14,846</b>	<b>109,985</b>
<i>Financed by;-</i>				
<i>Prudential Borrowing</i>	<i>30,020</i>	<i>18,237</i>	<i>12,246</i>	<i>60,503</i>
<i>Capital Receipts Reserve</i>	<i>1,569</i>	<i>355</i>	<i>-</i>	<i>1,924</i>
<i>Grant Funding</i>	<i>26,487</i>	<i>18,471</i>	<i>2,600</i>	<i>47,558</i>
<b>TOTAL</b>	<b>58,076</b>	<b>37,063</b>	<b>14,846</b>	<b>109,985</b>

## 5.16 Treasury Management Strategy

5.16.1 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 2013/14 is provided at Appendix A and complies with the detailed regulations that have to be followed.

5.16.2 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.

5.16.3 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 approach, together with a historically low base rate, has resulted in reduced interest on investments used to support council budgets.

- 5.16.4 The council's treasury adviser assists the council in formulating views on interest rates. They are predicting that the bank base rate may well remain at 0.50% until 2016, keeping investment returns low for the foreseeable future.
- 5.16.5 On the borrowing side, PWLB rates are also expected to remain low. The council's treasury advisor is forecasting PWLB rates to increase by only 0.10% per annum over the next few years.
- 5.16.6 As PWLB rates are expected to remain low for the foreseeable future, the council is able to postpone taking out longer term loans and benefit from the lower interest rates offered on short-term loans from other local authorities.
- 5.16.7 These short-term loans are currently available at interest rates of around 0.37% for up to 3 months to 0.60% for one year (including broker's commission) and so have the advantage of reducing the cost of carry (the differential between investment and borrowing rates) compared to PWLB borrowing.
- 5.16.8 PWLB rates will continue to be monitored so that if economic conditions improve and rates start to increase the council will replace its short-term borrowing with longer-term finance.

## 5.17 Key Corporate & Financial Risks

- 5.17.1 The council sees risk management as an essential element of the corporate governance framework. All formal reports include a risk management assessment.
- 5.17.2 Service Plans for each directorate provide a section on risk, assessing the feasibility of delivering their objectives against barriers for delivery.
- 5.17.3 The delivery of a balanced budget in 2013/14 and future years is a significant challenge, requiring close scrutiny of the proposed savings and at what point those savings are realised. This will be a key task for the Leadership Team in 2013 and a new Delivery Board is being established to give added focus to this task.

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

### 6.1. Background

6.1.1. 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 2013/14 to 2015/16.

### 6.2. Financial Choices

6.2.1. The table below sets out key financial choices, which underpin the budget setting process, and the strategy response;

<b>Cash Limits</b>	<p>We will model a three year medium term financial plan</p> <p>We will aim for a savings target that meets the reduction in grant and creates headroom for funding demographic growth, capital investment and a planned increase in reserves</p>
<b>Council Tax</b>	<p>We will model the medium term budget forecast using an increase in council tax of 1.9% in 2013/14</p> <p>We will develop a communications strategy to explain why the increase is necessary and why the 2013/14 council tax freeze grant has not been accepted</p> <p>Future years will be modelled at 0% increase</p>
<b>Reserves</b>	<p>We will plan for an increase in Reserves over the next three years to balance budget risk associated with the worst case adult social care budget variance and to cover potential rates volatility</p>
<b>Income</b>	<p>We will continue with our policy of full cost recovery</p>
<b>Capital</b>	<p>We will refresh our capital strategy to provide the capital investment required to deliver service priorities</p> <p>As part of this we will use revenue savings to offset the cost of prudential borrowing</p>
<b>Council Tax Benefits</b>	<p>We will develop a council tax benefit policy that will deliver a reduction in funding by 10% from 2013/14 through revised benefits and other changes to council tax</p>
<b>Business Rates</b>	<p>We will consider how we can incentivise local business growth through the new business rates scheme</p>
<b>Base Budgeting</b>	<p>One of the outcomes of the Root and Branch Reviews will be a reconstruction of our budgets to give us a better understanding of the impact we get for the money we spend</p>

### 6.3. Budget Principles

PRINCIPLE	WHAT THIS MEANS
Valued Services	<ul style="list-style-type: none"> <li>• Focussing on our priorities and what matters to people; our core business</li> <li>• Stopping things we don't need to do or that don't demonstrate value for money</li> </ul>
Reducing Bureaucracy	<ul style="list-style-type: none"> <li>• Less regulation, process and red tape; smaller local government</li> <li>• Making it easier to contact us; right first time delivery</li> </ul>
Supporting the Vulnerable	<ul style="list-style-type: none"> <li>• Targeting resources on individuals, families and communities at risk or disadvantaged</li> <li>• Early intervention and prevention; a shift in social care provision</li> </ul>
Value for Money	<ul style="list-style-type: none"> <li>• Reducing the cost of running the council: the paybill; third party spend; smarter delivery</li> <li>• Reducing public subsidy of services; increasing income and trading; full cost recovery</li> </ul>
Local Delivery	<ul style="list-style-type: none"> <li>• Setting priorities for the nine localities and increasing local decision making</li> <li>• More choice to local councils and the voluntary &amp; community sector to deliver services</li> </ul>
Personal Responsibility	<ul style="list-style-type: none"> <li>• Increasing self-reliance; more people and communities helping themselves; behavioural change</li> <li>• Increase in personalisation and personal budgets</li> </ul>

### 6.4. Assumptions

6.4.1. The FRM includes the following assumptions;

- a) Council Tax - a 1.9% increase for 2013/14 and 0% there-after.
- b) Rates Retention scheme (including Formula Grant) – the FRM reflects the two year settlement, including the grants transferred in, plus an estimated further reduction in funding for 2015/16 and 2016/17.
- c) New Homes Bonus – the provisional 2013/14 allocation for Herefordshire is £654k, giving a total of £2.069m for the 3 years of the scheme. A similar level of growth has been anticipated for future years.
- d) Inflation -the FRM includes 2% inflationary uplift on non-pay expenditure and income
- e) Pay – 1% awards are assumed for 2013
- f) Employers' superannuation costs – the FRM includes increases in employers' contributions rates of 0.7% on gross pay in line with latest valuation.
- g) Interest Rates – the FRM reflects interest rate assumptions for investment income and borrowing costs in line with the Treasury Management Strategy 2013/14.

## 6.5. Funding assumptions included in the FRM

6.5.1 The following funding assumptions are included in the FRM.

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Estimated rates (retained by council)	22,726	23,437
Top-up	6,559	6,760
RSG	42,861	35,574
<b>Funding for net budget requirement</b>	<b>72,146</b>	<b>65,771</b>

6.5.2 We are currently estimating that the level of rates to be retained by Council is greater than the figure supplied by Government. This is because their assessment in the settlement is based on Herefordshire receiving a proportion of the national rate pool.

6.5.3 The general funding above includes the following former grants;

- Early Intervention Grant
- Homelessness prevention
- Local lead flood authority
- Learning disability and public health reform
- Council tax support (formally council tax benefits)

6.5.5 The settlement also set out the specific grants for Herefordshire, as detailed in Section 5.7.1. These grants are used to fund specific functions with Directorates. We await details of some grants from central government.

## 6.6. Directorate pressures

6.6.1. The total of Directorate pressures which are included in the FRM are:

Directorate	2013/14	2014/15
	£'000	£'000
Adult services	2,500	5,596
Childrens' safeguarding	650	
Commissioning and transformation support	700	
Procurement costs (incl public realm)	400	(135)
LDF	430	(310)
Relief road feasibility	500	175
<b>Total</b>	<b>5,180</b>	<b>5,326</b>

6.6.2 Any further growth will have to be self-funded by directorates



## 6.7 Savings Targets and Root and Branch Review Programme

6.7.1 2013/14 and beyond presents the Council with significant financial challenges to deliver a balanced budget. The Root and Branch Review Programme approved by Cabinet in April 2012 has been designed to:

- Redefine the role of the Council and public services
- Set out priorities for Herefordshire to 2020
- Ensure a closer link between what we spend and the outcomes we get for residents

6.7.2 Each Review was allocated 20% savings targets over the next 2/3 years.

6.7.3 The FRM includes the following budget reductions aligned to savings targets;

<b>DIRECTORATE</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
HERS	773	186
Street Scene	300	1,417
Customer Services	509	0
Vulnerable People	4,210	500
Travel and transport	252	861
Safer and Stronger communities	178	97
Environment	500	250
Learning and Skills	30	0
Living and wellbeing	500	500
Herefordshire 2020	1,540	0
Children and Young People	350	0
<b>TOTAL</b>	<b>9,142</b>	<b>3,811</b>

## 6.8 Budget Engagement

6.8.1 A series of 'Your community – your say' events were held in September and October 2012 to consider the services and priorities Herefordshire Council should be focusing on in the future as part of a fundamental review of services

6.8.2 The informal interactive events were an opportunity for local residents to share their views about their local area and to help inform the decisions made about the public services provided on their behalf. There was also the opportunity to meet local elected members / councillors and the council officers responsible for each locality area.

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

- 7.1. 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 Chief Officer (Finance and Commercial) must report on the:
- Robustness of the estimates made for the purposes of the budget calculations.
  - Adequacy of the proposed financial reserves.
- 7.2. Section 25 of the Local Government Act 2003 requires the Chief Officer (Finance and Commercial) 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 report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
- 7.3. The Chief Officer (Finance and Commercial) 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**  
**Chief Officer (Finance and Commercial)**

**Herefordshire Council**  
**Treasury Management Strategy 2013/14**

**Contents**

- 1. Background**
- 2. Capital Financing Requirement**
- 3. Borrowing**
- 4. Investments**
- 5. 2013/14 MRP Statement**

**Appendices**

- 1. Existing Borrowing and Investments**
- 2. Prudential Indicators**
- 3. Outlook for Interest Rates**
- 4. Specified Investments for use by the Council**
- 5. Non- Specified Investments for use by the Council**
- 6. Treasury Management Policy Statement**

## 1. Background

- 1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in 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 includes the Annual 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 has borrowed and invested substantial sums of money and therefore has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 1.4 The purpose of this TMSS is to approve:
  - Treasury Management Strategy for 2013-14 (Borrowing and Debt Rescheduling – Section 3 and Investments and Annual Investment Strategy – Section 4)
  - MRP Statement – Section 5
  - Prudential Indicators (Appendix 2)
  - Use of Specified and Non-Specified Investments – Appendices 4 & 5

## 2. Capital Financing Requirement

- 2.1 Capital expenditure can be financed in a number of ways including the application of useable capital receipts, a direct charge to revenue, and the application of a capital grant or by securing an up-front contribution from another party towards the cost of a project.
- 2.2 Capital expenditure not financed by one of the above methods will increase the capital financing requirement (CFR) of the council.
- 2.3 The CFR reflects the council's underlying need to finance capital expenditure by borrowing or other long-term liability arrangements.
- 2.4 The use of the term "borrowing" in this context does not necessarily imply external debt since, in accordance with best practice; the council has an integrated treasury management strategy. Borrowing is not associated with specific capital expenditure. The council will, at any point in time, have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy.
- 2.5 At 31<sup>st</sup> December 2012 the council had £149 million of debt and £27 million of investments. These are set out in further detail in **Appendix 1**.
- 2.6 **Money Borrowed in Advance of Spending Need:** The council is able to borrow funds in excess of the current level of its CFR up to the projected level in 2015/16. The council is likely to only borrow in advance of need if the benefits of borrowing at interest rates now, compared to where they are expected to be in the future, outweigh the current cost and risks associated with investing the proceeds until the borrowing is actually required.

2.7 The forecast movement in the CFR over future years is one of the Prudential Indicators which can be found in Appendix 2. The movement in actual external debt and usable reserves (which have a direct bearing on when internal borrowing may need to be externalised) combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

<b>Table 1: Balance Sheet Summary Analysis</b>				
	<b>2012/13 Estimate £'000</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>
<b>Capital Financing Requirement</b>	211,496	230,952	238,060	240,143
Less: Existing Profile of Borrowing				
PWLB and bank loans	140,532	136,535	132,523	124,285
Short-term loans from other LA's	*12,000	*12,000	*12,000	*12,000
Less: Other Long Term Liabilities				
PFI schemes	27,906	26,841	25,698	24,484
Finance leases	322	320	320	319
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>30,736</b>	<b>55,256</b>	<b>67,519</b>	<b>79,055</b>
Usable Reserves	<b>28,250</b>	<b>20,640</b>	<b>20,230</b>	<b>20,050</b>
<b>Cumulative Net Borrowing Requirement</b>	<b>2,486</b>	<b>34,616</b>	<b>47,289</b>	<b>59,005</b>
*Current short-term borrowing from other local authorities to be rolled over or replaced by loans from the Public Works Loan Board (PWLB).				

2.8 The level of useable reserves is difficult to forecast at this stage and the figures above are considered to be prudent estimates. Actual reserves may be higher which would reduce the need to externalise borrowing.

### 3. Borrowing

#### Interest Rate Forecast

3.1 The interest rate forecast provided by the council's treasury management adviser, Arlingclose, is that interest rates will remain low for several years to come. Their forecast is for official UK interest rates to remain at 0.50% until 2016 given the poor outlook for economic growth and the extension of austerity measures announced in the Chancellor's Autumn Statement. Until there is a credible resolution of the debt problems in the Eurozone – and that resolution requires full-scale fiscal union which faces many significant political hurdles – then the UK's safe haven status will continue to attract investors in government gilts keeping PWLB interest rates at relatively low levels.

3.2 The economic and interest rate forecast provided by the council's treasury management advisor is attached at **Appendix 3**.

## **Borrowing Strategy**

- 3.3 Treasury management and borrowing strategies, in particular, continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. This difference creates a “cost of carry” for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between the interest rate paid on the borrowing and that earned on investments.
- 3.4 As borrowing is often taken out for longer periods (anything up to 50 years) the cost of carry needs to be considered against a backdrop of uncertainty and affordability constraints in the council’s wider financial position.
- 3.5 As indicated in Table 1 above, the council has a gross and net borrowing requirement and will be required to borrow up to £34 million in 2013/14, relating the council’s 2013-14 capital programme and anticipated reduction in reserves. In previous years it has been possible to “internally borrow” but due to the projected fall in council reserves some of this borrowing may now need to be externalised.
- 3.6 The council will adopt a flexible approach to this borrowing in consultation with its treasury management advisers, Arlingclose. The following issues will be considered prior to undertaking any external borrowing:
- Affordability;
  - Maturity profile of existing debt;
  - Interest rate and refinancing risk; and
  - Borrowing source.

## **Sources of Borrowing and Portfolio Implications**

- 3.7 In conjunction with advice from its treasury advisor, Arlingclose, the council will keep under review the following borrowing sources:
- Internal
  - PWLB
  - Local authorities
  - European Investment Bank (*NB the EIB will only lend up to 50% towards the funding of a specific project and needs to meet the EIB’s specific criteria*)
  - Leasing
  - Commercial banks
- 3.8 The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns. The council’s exposure to shorter dated and variable rate borrowing is kept under regular review by reference to the difference or spread between variable rate and longer term borrowing costs. A significant narrowing in the spread (e.g. by 0.50%) will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.
- 3.9 Short-term borrowing from other local authorities may be regarded as borrowing at variable rates because the loan periods tend to be for periods of one year or less. Apart

from short-term borrowing from other local authorities, all the council's debt portfolio consists of fixed rate loans. There is an argument for diversifying the portfolio and keeping a proportion at variable rates to avoid the cost of carry noted above. In the first nine months of the year to 31<sup>st</sup> December 2012 the council's investment balances have averaged around £30 million and the council may opt to borrow using short dated and variable rate debt up to this amount to more closely align borrowing costs with investment returns and minimise the cost of carry. The alternative is to take out more fixed rate longer term borrowing but this means that the council will have a significant cost of carry for the foreseeable future.

- 3.10 The council has two LOBO loans (Lender's Option Borrower's Option) of £6 million each on which the council pays interest at 4.5%. Every six months, before the interest payments become due, the lenders have the option to increase the interest rate being charged at which point the council can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the council since the decision to amend the terms is entirely at the lender's discretion.
- 3.11 Under the contract the council does not have the option to repay these loans unless the lender seeks to amend the terms of the loan. If the lender does seek to change the terms the default position will be the repayment of the LOBO without penalty i.e. the revised terms will not be accepted. The council will consult with their treasury management advisers regarding any possible way of terminating these loans early.
- 3.12 As interest rates are forecast to remain relatively low, it is considered unlikely that the lender will seek to vary the terms during 2013/14.

### **Debt Rescheduling**

- 3.13 The Council's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 3.14 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans (making redemption premiums much more expensive) has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rationale for undertaking any debt rescheduling or repayment would be one or more of the following:
- Reduce investment balances and credit exposure via debt repayment
  - Savings in interest costs with minimal risk
  - Rebalancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
  - Changing the maturity profile of the debt portfolio to reduce refinancing risks.
- 3.15 Borrowing and rescheduling activity will be reported to Full Council in the annual end of year treasury management report and in the more regular treasury management reports presented to the Leadership Team and Cabinet.

## **4. Investments**

### **Annual Investment Strategy**

- 4.1 In accordance with Investment Guidance issued by the CLG and best practice the council's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the council's investments is secondary, followed by the yield earned.

- 4.2 The council and its advisors remain on a heightened state of alert for signs of credit or market distress that might adversely affect the council.
- 4.3 Investments are categorised as “Specified” or “Non-Specified” within the investment guidance issued by the CLG.
- 4.4 Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the “high credit quality” as determined by the council and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.
- 4.5 The types of investments that will be used by the council and whether they are specified or non-specified are as follows:

<b>Investment</b>	<b>Specified</b>	<b>Non-Specified</b>
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers (Housing Associations)	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills	✓	N/a
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	N/a
Commercial Paper	✓	N/a
Corporate Bonds	✓	✓
AAA-Rated Money Market Funds	✓	N/a
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	N/a

Further details can be found in **Appendices 4. and 5.**

- 4.6 Registered Providers (Housing Associations) have been included within specified and non-specified investments for 2013/14. Investments with Registered Providers will be analysed on an individual basis and discussed with Arlingclose prior to investing.



- 4.7 The minimum credit rating for non-UK sovereign countries is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). As detailed in non-specified investments in Appendix 5 the Chief Officer (Finance and Commercial) will have discretion to make investments with counterparties that do not meet the specified criteria following advice from Arlingclose.
- 4.8 The other credit characteristics, in addition to credit ratings, that the Council monitors are listed in the Prudential Indicator on Credit Risk (**Appendix 2**).
- 4.9 Any institution will be suspended or removed should any of the factors identified above give rise to concern. Arlingclose advises the Council on credit rating changes and appropriate action to be taken.

#### **The Council's Bank**

- 4.10 The council banks with National Westminster Bank. Even if the bank's long term credit rating falls below the council's minimum criteria the bank will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements. Unless credit conditions dictate otherwise, these short term liquidity requirements will include the use of instant access deposit accounts.

#### **Investment Strategy**

- 4.11 With short term interest rates expected to remain low for some time, where cash flow permits an investment strategy will typically result in a lengthening of investment periods in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of risk.
- 4.12 In order to diversify a portfolio largely invested in cash, investments will be placed with various approved counterparties over a range of maturity periods. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved.
- 4.13 Money market funds (MMFs) will be utilised and, whilst MMFs provide good diversification, the council will also seek to mitigate operational risk by utilising at least two MMFs. The council will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.
- 4.14 Collective Investment Schemes (Pooled Funds)  
On the advice of Arlingclose, the council may consider using Collective Investment Schemes or Pooled Funds. Pooled funds would enable the council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. However, Pooled Funds should be regarded as a longer term investment because there may be an initial fee and the value of the capital invested can go down as well as up. The council is not currently using any investments which do not guarantee the safe return of the principal invested but this option will remain under review.
- 4.15 Policy on Use of Financial Derivatives  
The CIPFA Code requires councils to clearly detail their policy on the use of derivatives in the annual strategy. Derivatives are instruments which are used to mitigate interest rate risk. The council will only consider the use of standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria.

## **5. 2013/14 Minimum Revenue Provision Statement**

- 5.1 The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of borrowing. The charge to the Revenue Account is referred to as the Minimum Revenue Provision.
- 5.2 CLG's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.
- 5.3 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.

### **Options for making 'Prudent Provision'**

- 5.4 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 2013-14**

- 5.5 In line with the guidance produced by the Secretary of State, the proposed policy for the 2013-14 calculation of MRP (unchanged from previous years) 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 International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

## EXISTING BORROWING &amp; INVESTMENTS AS AT 31 DECEMBER 2012

<b>External Borrowing:</b>	<b>Actual Portfolio £m</b>	<b>Average Rate %</b>
PWLB – Fixed Rate	130	3.99%
PWLB – Variable Rate	0	
Local Authorities	7	0.41%
LOBO Loans	12	4.50%
<b>Total External Borrowing</b>	<b>149</b>	<b>3.86%</b>

<b>Investments:</b>	<b>Actual Portfolio £m</b>	<b>Average Rate %</b>
<b>Investments: (All short-term (one year or less) and all managed in house)</b>		
Nat West Instant Access Account	5	1.10%
Money Market Funds (Instant Access)	4	0.47%
Term deposits:		
UK Banks	12	1.20%
UK Building Society – Nationwide	2	0.76%
Other Councils	4	0.98%
<b>Total Investments</b>	<b>27</b>	<b>1.00%</b>

## PRUDENTIAL INDICATORS

## 1. Background

- 1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

## 2. Gross Debt and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.
- 2.3 The Chief Officer (Finance and Commercial) reports that the council had no difficulty meeting this requirement in 2012/13, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

## 3. Estimates of Capital Expenditure

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax levels.

Capital Expenditure	2012/13 Original £'000	2012/13 Revised £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
<b>Total</b>	<b>39,362</b>	<b>42,055</b>	<b>58,076</b>	<b>37,063</b>	<b>14,846</b>

- 3.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2012/13 Original £'000	2012/13 Revised £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Capital receipts	465	3,164	1,569	355	0
Government Grants	26,992	25,188	26,487	18,471	2,600
Revenue contributions	0	176	0	0	0
<b>Total Financing</b>	<b>27,457</b>	<b>28,528</b>	<b>28,056</b>	<b>18,826</b>	<b>2,600</b>
<b>Prudential Borrowing</b>	<b>11,905</b>	<b>13,527</b>	<b>30,020</b>	<b>18,237</b>	<b>12,246</b>
<b>Total Financing and Funding</b>	<b>39,362</b>	<b>42,055</b>	<b>58,076</b>	<b>37,063</b>	<b>14,846</b>

#### 4. Ratio of Financing Costs to Net Revenue Stream

4.1 This is an 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 financing costs. The definition of financing costs is set out in the Prudential Code and includes both interest payable and provision for repayment of loan principal.

4.2 The ratio is based on costs net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2012/13 Original £'000</b>	<b>2012/13 Revised £'000</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>
Net Revenue Stream	143,359	143,359	<b>150,296</b>	144,682	138,043
Financing Costs	18,049	17,616	<b>17,725</b>	18,880	18,140
<b>Percentage</b>	<b>12.59%</b>	<b>12.29%</b>	<b>11.79%</b>	<b>13.05%</b>	<b>13.14%</b>

4.3 The net revenue stream comprises council tax receipts plus government funding excluding specific grants. The net revenue stream has increased for 2013/14 because of changes to government funding and the movement of £9.3 million of grants from specific to non-specific.

4.4 The financing costs shown above are stated before deducting any directorate contributions or capitalised interest.

#### 5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

<b>Capital Financing Requirement</b>	<b>2012/13 Original £'000</b>	<b>2012/13 Revised £'000</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>
<b>Total CFR</b>	<b>209,189</b>	<b>211,496</b>	<b>230,952</b>	<b>238,060</b>	<b>240,143</b>

#### 6. Incremental Impact of Capital Investment Decisions

6.1 This is an indicator of affordability that shows 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 including new additional capital schemes.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>
<b>New capital expenditure funded by Prudential borrowing</b>	<b>7,100</b>	<b>1,535</b>	<b>1,320</b>
Interest payable	114	254	307
MRP - Provision for repayment of principal	0	284	345
<b>Total financing costs</b>	<b>114</b>	<b>538</b>	<b>652</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>Estimated tax base</b>	<b>64,260</b>	<b>64,260</b>	<b>64,260</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Increase in Band D Council Tax (Currently £1,205.09 for 2012/13)</b>	<b>1.77</b>	<b>8.37</b>	<b>10.15</b>
<b>Incremental annual increase</b>	<b>1.77</b>	<b>6.60</b>	<b>1.78</b>

- 6.2 The above increase in Band D council tax reflects the increase in the provision for capital financing charges arising from the proposed capital programme. The interest payable is calculated assuming that the supporting loans are taken out mid-year at rates ranging from 3.20% to 4.00%.
- 6.3 As with the other performance indicators, the financing costs shown above are stated before deducting any directorate contributions and associated savings.
- 6.4 An increase in capital financing charges does not necessarily mean that council tax will be increased by an equivalent amount due to savings in other areas.

## **7. Authorised Limit and Operational Boundary for External Debt**

- 7.1 The council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the council and not just those arising from capital spending reflected in the CFR.
- 7.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the council. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 7.3 The Authorised Limit 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</b>	<b>2012/13 Original £m</b>	<b>2012/13 Revised £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
Authorised Limit for Borrowing	185	185	200	210	210
Authorised Limit for Other Long-term Liabilities	40	40	40	40	40
<b>Authorised Limit for External Debt</b>	<b>225</b>	<b>225</b>	<b>240</b>	<b>250</b>	<b>250</b>

- 7.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 7.5 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</b>	<b>2012/13 Original £m</b>	<b>2012/13 Revised £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
Operational Boundary for Borrowing	175	175	195	205	205
Operational Boundary for Other Long-term Liabilities	35	35	35	35	35
<b>Operational Boundary for External Debt</b>	<b>210</b>	<b>210</b>	<b>230</b>	<b>240</b>	<b>240</b>

## 8. Adoption of the CIPFA Treasury Management Code

- 8.1 This indicator demonstrates that the council has adopted the principles of best practice.
- 8.2 The council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices. The council's Treasury Management Policy Statement is attached at **Appendix 6**.

## 9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 9.1 These indicators allow the council to manage the extent to which it is exposed to changes in interest rates.
- 9.2 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.



	2012/13 Original	2012/13 Revised	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100%	100%	<b>100%</b>	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>	25%	25%	<b>25%</b>	25%	25%

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis. The decisions will ultimately be determined by budget constraints and expectations of anticipated interest rate movements as set out in the council's treasury management strategy.

## 10. Maturity Structure of Fixed Rate Borrowing

10.1 The council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

10.2 The maturity of borrowing is determined by reference to the earliest date on which the loans could be repaid. Therefore the council's two LOBO loans are included as being repayable within 12 months although, if the lenders do not increase the interest rates being charged, the loans could remain outstanding until 2054.

Maturity structure of fixed rate borrowing	Estimated level at 31/03/13	Lower Limit for 2013/14	Upper Limit for 2013/14
Under 12 months (including £12m of LOBO loans)	11.38%	0%	30%
12 months and within 24 months	2.85%	0%	30%
24 months and within 5 years	13.76%	0%	30%
5 years and within 10 years	12.82%	0%	30%
10 years and within 20 years	26.45%	0%	40%
20 years and within 30 years	9.25%	0%	40%
30 years and within 40 years	7.12%	0%	40%
40 years and within 50 years	16.37%	0%	40%
Total	100%		

## 11. Credit Risk

11.1 The council considers security, liquidity and yield, in that order, when making investment decisions.

11.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the council's assessment of counterparty credit risk.

11.3 The council also considers alternative assessments of credit strength and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

11.4 Credit ratings remain the only indicators with prescriptive values. Other indicators of creditworthiness are considered in relative rather than absolute terms.

**12. Upper Limit for total principal sums invested over 364 days:**

12.1 The purpose of 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.

<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2012/13 Original £m</b>	<b>2012/13 Revised £m</b>	<b>2013/14 Estimate £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>

**OUTLOOK FOR INTEREST RATES  
(FORECAST & ECONOMIC COMMENT PROVIDED BY ARLINGCLOSE)**

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
<b>Bank Base Rate (%)</b>	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>PWLB Rates (%):</b>													
<b>5 years</b>	1.95	1.95	1.95	1.95	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.20
<b>10 years</b>	3.00	3.00	3.05	3.05	3.05	3.05	3.10	3.10	3.10	3.20	3.20	3.20	3.20
<b>20 years</b>	3.90	3.90	3.90	3.90	4.00	4.00	4.00	4.00	4.10	4.10	4.10	4.10	4.10
<b>50 years</b>	4.35	4.35	4.35	4.40	4.40	4.40	4.50	4.50	4.50	4.50	4.60	4.60	4.60
The above PWLB rates are noted by Arlingclose as their “central” or most likely forecast, however, they also note that they could be up to 1.00% higher or up to 0.25% lower than the above.													

**Underlying Assumptions:**

- Consumer Price Inflation has fallen to 2.7% (November 2012) from a peak of 5.2% (September 2011). Near term CPI is likely to be affected by volatility in commodity prices and its decrease towards the 2% target is expected to be slower than previously estimated.
- Strong Q3 growth data has provided encouragement with the larger than expected 1% rise in GDP. Consumers are yet to loosen purse strings and businesses are still reticent to make long-term investments. The momentum in growth is unlikely to be sustained whilst uncertainty over the economic outlook persists.
- In the absence of a large, unexpected decline in growth, Quantitative Easing is likely to remain on hold at £375 billion for now. The availability of cheaper bank borrowing and subsequently for corporates through the Funding for Lending Scheme (FLS) is a supporting factor.
- The US ‘fiscal cliff’ still remains unresolved. Whilst agreement was reached over tax rises there is another cliff in March 2013 when tougher decisions will need to be made over a further \$110 billion of spending cuts which are due to take effect.
- The Eurozone is making slow headway (the European Stability Mechanism is now operational, announcements on the Outright Monetary Transactions programme, slow progress towards banking union) which has placated markets and curtailed some of the immediate risks although peripheral countries continue to struggle. Full-fledged banking and fiscal union is still some years away.

## SPECIFIED INVESTMENTS FOR USE BY THE COUNCIL

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

<b>Instrument</b>	<b>Country/ Domicile</b>	<b>Counterparty</b>	<b>Maximum Counterparty Limits</b>
Term Deposits	UK	Other UK Local Authorities	No limit
Term Deposits, CDs & Call Accounts	UK	Counterparties rated at least A- Long Term	£5m or 15%, whichever is greater
Term Deposits, CDs & Call Accounts	Non-UK	Counterparties rated at least A- Long Term. Non-UK countries to have a sovereign rating of at least at least AA+	£5m or 15%, whichever is greater
Deposits with Registered Providers (Housing Associations)	UK	Counterparties recommended by Arlingclose (at least A- long term where rated)	£5m or 15%, whichever is greater
Corporate Bonds	UK	Counterparties rated at least A- Long Term	£5m or 15%, whichever is greater
Gilts	UK	DMO	No limit
Treasury Bills	UK	DMO	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/Council of Europe, Inter American Development Bank)	£5m or 15%, whichever is greater
Local Authority Bills	UK	Other UK local authorities	No limit
Commercial Paper	UK and Non- UK	Corporates where the issue is rated at least F1 short-term	£5m or 15%, whichever is greater
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)	£5m or 15%, whichever is greater – Limit applied per Fund
Other MMFs and Collective Investment Schemes	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments	£5m or 15%, whichever is greater – Limit applied per Fund
Term Deposits	UK	Debt Management Office	No limit

**NB**

The limit of 15% relates to the proportion invested with that counterparty as a percentage of the council's total investments and, in the case of term deposits, the limit is applied at the time the investment is made.

In the case of call accounts the 15% limit will be calculated on a monthly basis. The limit for each month will be fixed by taking 15% of the average total investments for the previous month and rounded up to the nearest million.

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 15% but if it is part of a group an overall group limit of 22.5% will be applied.

Non-UK Banks - These will be restricted to a maximum exposure of 25% 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.

**NON-SPECIFIED INVESTMENTS 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?
Term deposits with banks and building societies which meet the specified investment criteria (on advice from Arlingclose)	✓	2 years	25%	No
Certificates of Deposit and other negotiable instruments with banks and building societies which meet the specified investment criteria (on advice from Arlingclose)	✓	5 years	25%	No
Investments with banks and building societies which <b>do not</b> meet the specified investment criteria (on advice from Arlingclose and authority from S151 Officer)	✓	3 months	10%	No
Term deposits with other UK local authorities	✓	10 years	25%	No
Deposits with registered providers (housing associations)	✓ (on advice from treasury advisor)	2 years	20%	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
Corporate Bonds	✓	5 years	20%	No
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 2011. 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 formally 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.
  - Full council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
  - 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 Chief Officer-Finance and Commercial, 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, and any financial instruments entered into to manage these risks.
- 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.

## FINANCIAL RESOURCE MODEL 2013/14 to 2015/16

MTFRM	2013/2014	2014/2015	2015/2016	2016/2017
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
<b>Base Budget</b>	143,359	150,296	144,682	138,043
<b>Total Inflation</b>	2,603	2,931	3,011	3,068
<b>Inflated base budget</b>	<b>145,962</b>	<b>153,227</b>	<b>147,693</b>	<b>141,111</b>
<b>Grant transfers/changes</b>				
<b>2013/14 Grants rolled into Central Funding</b>				
Early Intervention Grant (excl 2 yr olds)	5,271	(336)		
Homelessness Prevention Grant	206			
A proportion of Lead Local Flood Authorities Grant	130			
DoH Learning Disability & Health Reform Grant	3,842	96		
<b>MTFMS Changes</b>				
- Waste management - PFI Contract	250	500	500	500
- Whitecross PFI requirement	75	75	75	75
- Local Development Framework	(300)			
- Reduce Investment Income West Mercia	374			
- Academy schools/LASCEG	(378)	(283)	(210)	(189)
- Relief road feasibility study	(300)			
<b>Capital Financing Costs</b>				
- Cost of borrowing	(1,057)	571	(744)	504
- New capital funding	189	191	2	
- Investment Income	153	10		
<b>Identified Pressures</b>				
- Income shortfall (car parking, land charges etc)		(112)	(113)	
- Management change reserve	1,000	(1,000)		
Additional budget pressures identified:				
People	3,150	5,596	5,708	
Places & Communities	1,330	(270)	(750)	
Corporate	700			
<b>Savings</b>				
- Root and Branch incl. Hoople	(9,142)	(3,811)	(1,282)	
<b>Funding</b>				
Move 11/12 freeze grant to Formula Grant				
Council Tax freeze grant 2012/13 only	2,164			
Contingency	(1,000)			
Use Freeze Grant for "Transformational Change"	(1,164)			
New Homes Bonus	(654)	(654)	(654)	(654)
Returned LACSEG	(2,085)	283	210	189
CT Support Grant to be passed to parishes	289	5	6	6
Transitional grant for local ctax support	(259)	259		
<b>Reserves</b>				
Top up contingency/insurance reserves	(450)			
General reserves	2,000	(1,000)	0	(1,000)
<b>Capacity to achieve desired Tax increase</b>	<b>0</b>	<b>(8,665)</b>	<b>(12,398)</b>	<b>(6,296)</b>
<b>TOTAL BUDGET</b>	<b>150,296</b>	<b>144,682</b>	<b>138,043</b>	<b>134,246</b>
<b>Council Tax increase</b>	1.90%	0.00%	0.00%	0.00%

## ***Council Charging Principles (agreed by Cabinet June 2011)***

- The council should (subject to market conditions) aim to maximise income from fees and charges by ensuring that charges reflect the full cost of provision, unless there are contrary policies, legal or contractual reasons.
- Decisions to subsidise services, or to not make a charge for a service should be clearly linked to council objectives, and the potential income that is not earned must be a consideration in the decision.
- Where the council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by managers and members, and publicised.
- Service Managers should clearly understand the costs of their services including overheads, capital costs and the whole-life costs of new schemes when setting charges. Such costs should be applied on a consistent basis across the council.
- Service managers should undertake comparisons and benchmarking with relevant sectors in terms of charges made, cost of service delivery, levels of subsidy and market variations.
- Managers should implement full cost recovery for all chargeable services, subject to legal, strategy or market considerations, within a maximum of 3 years.
- Charges must be linked to both service and strategic objectives and must be clearly understood.
- The direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.
- Information on service users and research into non-users should be collected and used to inform future decisions for charging.
- Any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all council services.
- Managers should actively consider the use of alternative pricing structures to take advantage of opportunities to segment markets, and to target and promote take up of services to specific target groups as appropriate to strategy objectives.
- The council should seek, where appropriate, to influence the charging policies of partner organisations engaged in delivering council services to align with council policies through robust commissioning arrangements.
- Consideration should be given to the cost and cash flow implications of charging. Wherever possible payment should be received in advance of the service being provided to reduce debt recovery action. Cost effective and efficient income collection channels should be in place.
- The council should aim to charge for all services where it is appropriate to do so, unless there are conflicting policies or legal reasons not to do so.



## ROOT AND BRANCH REVIEW PROGRAMME: SUMMARY & SAVINGS CONTENTS

---

	Page
Housing, Economic Development and Regulatory Services (HERS)	2
Herefordshire Streetscene	4
Customer Services : (Making Every Contact Count)	6
Safer and Stronger Herefordshire	8
Older People in Herefordshire	10
Supporting Vulnerable People in Herefordshire	12
Children and Young People in Herefordshire	14
Transport and Travel in Herefordshire	17
Herefordshire's Environment	19
Living and Wellbeing in Herefordshire	21
Learning and Skills in Herefordshire	23
Herefordshire 2020	25

# Root and Branch Review Programme: Housing, Economic Development and Regulatory Services (HERS)

---

## 1 SCOPE

- Economic development
- Internal administration and external business support
- Housing strategy and provision
- All regulatory services across People and Place

## 2 CORE PURPOSE

To deliver a range of housing, regulatory and economic services that minimise red tape and support the delivery of the Council's strategic objectives around vulnerable people and creating a thriving local economy.

## 3 PROPOSED CHANGES

- Develop changes to strategic policies that will support new service delivery models to address demographic pressures within Adult Social Care, as well as enable infrastructure to deliver economic growth.
- Focus activity onto prevention and early intervention, thereby reducing the demand for services in the longer term, particularly for vulnerable people and enabling people to live longer in their own homes.
- Provide an efficient service with streamlined systems, using the most appropriate model of delivery (e.g. improving our processing of planning applications and enforcement activities).
- Better manage customers' expectations, securing full cost recovery on our core regulatory services wherever appropriate.
- Align services better to customer requirements (e.g. a one stop shop for businesses for advice and support).

## 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Re-procure a range of housing related support services, to deliver value for money savings and service improvement.
- Reduce the regulatory burden in planning, environmental health and trading standards.
- Reshape the economic development service to support the delivery of LEP priorities, including the Enterprise Zone.
- Review statutory policies and thresholds to ensure that we focus on those who are most at need.
- Manage expectations in terms of the level of service we provide and enabling self-help for our customers where appropriate.

## 5 PROPOSED SAVINGS

*Refer to table below*

## 6 UNFINISHED WORK

- The lean systems thinking work and other review activity has commenced in all relevant projects within HERS but only the Planning Permission work has been completed – other projects to be completed before 28<sup>th</sup> February which will enable reshaping of services to reduce cost and increase resilience.
- Awaiting recommendations stemming from the Planning Permission work (and other projects).

**Root and Branch Template 2013/14 – HERS – PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Staff reductions	80				80	80		
Sampling / subscriptions (£10k)	9				9	9		
Annualised hours re-evaluation	17				17	17		
Gull contract - funded by town council	6				6	6		
Taxi marshalling recharges	2				2	2		
Reduction calibration costs	2				2	2		
Boat licences / End street collection licences	5				5	5		
Reduced Travellers site costs	5				5	5		
Travellers site income	10				10	10		
R&B target details TBC	105				105	105		
Housing Solutions	0		75		75	56	19	
Economic Development review	0		80		80	80	0	
Grants service	0		25		25	19	6	
Planning policy	0		100		100	75	25	
Processing of applications	20		110		130	97	33	
Preventative and advisory services	60		40		100	75	25	
Fee generating services	10		50		60	45	15	
Other services supporting permission-based activities	5		25		30	23	7	
Recommissioning within Housing	0		249		249	193	56	
Savings to be identified	0		250		250	250	0	
<b>TOTAL SAVINGS</b>		336	1004	0	1340	1154	186	0

129

Savings already accounted for  
**BUDGET reduction for medium  
term strategy**

381	0	0
<b>773</b>	<b>186</b>	<b>-</b>

## Root and Branch Review Programme: Herefordshire Streetscene

### 1 SCOPE

SCOPE	WHY	KEY ISSUES
Roads and paths construction	Significant spend	What are the priorities for investment
Street cleaning, lighting, amenities	High resident priority	Relationship between spend and outcomes
Public sector property holdings, including locality asset plans	Need for clear vision for streets in Herefordshire	Opportunities for collaboration, including with residents
Investment in new infrastructure	Significant impact on Council reputation	Opportunities for devolving services to parishes etc.
Construction capital programmes	In flight review (Amey contract)	Links to Amey Contract review
Partnering organisations		Links with regeneration LTP etc.
In flight reviews		

### 2 CORE PURPOSE

To deliver Public Realm, Property and ancillary services at the best possible value for money whilst meeting customer expectations through a greater emphasis on locality working to tailor the delivery and implementation of services to meet local needs.

### 3 PROPOSED CHANGES

- Re-commission the services within the scope of the existing Service Delivery Partnership and take forward the commissioning of property services.
- Transformation of public convenience service provision through establishing a community toilet scheme and working with City, Town, Parish Councils and community groups to examine alternative approaches to local service delivery. (Linked to Safer and Stronger Review)

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- The re-procurement of services within the scope of the current Service Delivery Partnership is seeking to deliver value for money savings and service improvement.
- Changes to public convenience services may result in rationalisation of facilities that are no longer required. However, the aim is to deliver higher quality, sustainable, accessible toilet provision to better meet the needs of local people and visitors to Herefordshire through working with partners.

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Delivery a locality approach to highways services within the new contract
- Recommissioning property services
- Countywide asset review



Root and Branch Template 2013/14 – Herefordshire Street Scene – PROPOSED SAVINGS

Cashable £000 Description of measure	Directorate			Review total	Savings		
	People's	Places	Corporate		2013/14	2014/15	2015/16
Re- procurement of Amey contract		1860		1860	750	1,110	
Property Services Review			557	557	250	307	
<b>TOTAL SAVINGS</b>	0	1860	557	2417	1000	1417	0

Savings already accounted for:  
**BUDGET reduction for  
 medium term strategy**

700	0	0
<b>300</b>	<b>1417</b>	<b>0</b>

## Root and Branch Review Programme: Customer Services (Making Every Contact Count)

---

### 1 SCOPE

- All customer contact channels
- Customer insight
- Communications
- Identify opportunities for increasing customer base
- Partner customer services/front offices

### 2 CORE PURPOSE

To improve outcomes for our residents and Herefordshire by making every contact count, so that the following outcomes:

- Predict and prevent the need for services
- Support people to be independent and self- reliant
- Manage and divert demand for services to self- service channels
- Customer led service improvements
- Clear points of access
- Achieve Value for money for residents

### 3 PROPOSED CHANGES

- Adopting a lean and systems approach will inform the future service delivery model whereby a customer enquiry is answered on first contact and key information made available to other teams / professions in order to make every contact with residents count
- Commissioning effective customer contact through our full range of suppliers
- Reduce opening hours for libraries and info shops
- Reduce management costs
- Shift to more electronic customer contact, communication, accessing information, making payments
- Merging where library services, info shops and registration services operate from
- Merging teams where it makes sense from a customer's perspective and provides a more resilient/flexible service

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- 20% reduction in operating costs of service of Customer Contact Centre and Customer Service Centres (info shops)
- 10% reduction in front-line operating costs of Council services
- 10% reduction in cost of service fulfilment budget (reflected in contracts)

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Delivery Plan sign off
- Development and consultation on the *Digital by Default* strategy
- Development of *Making Every Contact Count* framework for commissioning activities
- Consultation with partners on delivery of *Making Every Contact Count*

**Root and Branch Template 2013/14 - Customer Services – PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Review of management team		0		350	350	350		
Customer Organisation Project				100	100	100		
Merging of Corn Square & Leominster Library; (not a saving until full disposal).				33	33	33		
Bromyard Halo take responsibility for their Leisure Facility bookings and registration				17	17	17		
Close Sundays at the Bromyard Customer Service & Library service				12	12	12		
Reduce the working hours on a Saturday at Bromyard by 2 hrs				2	2	2		
Reduce library hours across the county – (close Sats at 1pm & reduce late evenings to 6pm)				20	20	20		
Utilising “All Pay” instead of Cash Offices plus potential staff saving + Securicor savings				35	35	35		
Close the Info Shops & Libraries at lunch times (saves 1 hour per day per branch)				14	14	14		
Close in between Christmas & New Year				4	4	4		
To be identified				22	22	22		
<b>TOTAL SAVINGS</b>		0	0	609	609	609	0	0

CS1

Savings already accounted for  
**BUDGET reduction for  
medium term strategy**

100	0	0
<b>509</b>	<b>0</b>	<b>0</b>

## Root and Branch Review Programme: Safer and Stronger Herefordshire

---

### 1 SCOPE

- Community Safety
- Resilience / Emergency Planning
- Equality, Integration / Diversity
- Partnership (in particular HPEG and South Wye)
- Support for Parish Councils
- Options for the localised delivery of services
- Support for Advice
- Locality working

#### Service areas:

- Sustainable Communities: £676k (grants of £400k)
- Emergency Planning: £241k
- Equality, Integration and Partnership: £232k

### 2 CORE PURPOSE

#### “Get it right first time”

- **Prevention and preparedness** – assign resources to avoid the need for higher levels of intervention.
- **Localised decision making and delivery** – service design to reflect distinctive local needs.
- **Enable and empowerment** – build self-reliance, proactive and resilient communities.
- **Choices** - options and choices for decisions to be made on allocating resources.

### 3 PROPOSED CHANGES

- Authority wide policy on support for community involvement
- Local delivery of services
- Support for parish councils through a menu of options
- Reformed Advice provision to be sustainable
- Grant programme designed to meet review priorities
- Designed service level agreements to meet priorities and not duplicate
- Retain Community Safety requirement
- Internal co-ordination to “getting it right first time”.

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Reduce grants
- Revise service level agreements
- One stop shop for parish councils
- Additional income
- Cross partner working
- Reduction in staffing in Diversity, Community Safety, Emergency Planning
- Reductions due to local delivery of services

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Produce Involvement Strategy
- Finalise consultation with town and parish councils
- Confirm contributions from external partners
- Establish income generation model
- Formulate options for the delivery of local services

## Root and Branch Template 2013/14 - Stronger and Safer Communities – PROPOSED SAVINGS

Cashable	£000	Directorate			Review total	Savings			
		People's	Places	Corporate		2013/14	2014/15	2015/16	
Description of measure									
Grants - Community Buildings			57		57	42	15		
Grant - from Diversity				7	7	7			
Grant - HVOSS reduction			18		18	6	6	6	
Income: Emergency Planning				50	50	50			
Income: Language Network				10	10	10			
Income: Diversity Training				6	6	3	3		
Joint delivery: South Wye			20		20	10	10		
Joint delivery: Places			60		60		60		
Joint delivery: Diversity				20	20		20		
Joint delivery: Emergency Planning				20	20		20		
Quick win: Diversity				1	1		1		
Quick win: Emergency Planning				1	1		1		
Quick win: Sustainable Communities			1				1		
Community Safety			-40		-40		(40)		
Additional Savings to be identified			50			50			
<b>TOTAL SAVINGS</b>			0	166	115	231	178	97	6

Savings already accounted for  
**BUDGET reduction for medium term  
strategy**

0	0	0
<b>178</b>	<b>97</b>	<b>6</b>

## Root and Branch Review Programme: Older People in Herefordshire

---

### 1 SCOPE

- Services supporting older people including those with dementia and end of life care
- Disabilities Facilities Grant, Shop Mobility, bus passes and concessionary bus fares, equipment for people leaving hospital and specialist out of county placements
- Triggers resulting in vulnerability leading to high level crisis

### 2 CORE PURPOSE

- Inclusion of those who are most vulnerable in our society
- Access to universal services for all
- Removing barriers inhibiting inclusion and access to universal services for vulnerable older people who have additional needs
- Early identification of triggers leading to crisis and prevention of high level vulnerability

### 3 PROPOSED CHANGES

- Continue broadening alternatives to residential care through a range of housing and planning options for older adults
- Develop further community support for older people
- Increased focus on information advice and signposting and increased support for carers
- Reshape day opportunities for older adults
- Ensuring an effective and fit for purpose delivery model for re-ablement for older adults and their carers
- Increased use of assistive technologies including telecare
- Reviewing the operation and effectiveness of all major contracts

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Removal of duplication and improvement in the process for delivery of disabled facilities
- Reduction in high cost packages of care
- Reduction in subsidies, i.e. fee increases for services

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Bringing the Older People and Vulnerable Adults reviews together into an effective programme of work and to respond effectively to the opportunities and challenges of the Care and Support Bill
- Options Appraisal of alternative delivery model including mutual/social enterprise, Social Work practice, Local Authority Trading Company
- Recasting of services through new models of commissioning and joint commissioning
- Workforce Transformation utilising LEAN, Skill mix and integrated pathways
- Implementing market development strategy and maximising people centred approaches and preventable approaches
- Fully assessing impact and opportunities of the Care and Support Bill and preparing for this

**Root and Branch Template 2013/14 - Older People – PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Recovery Charging (slippage)		183			183	183		
Reablement (Cashable)		88			88	88		
Reviews		115			115	115		
Disabled Facilities grant		1800			1800	900	900	
Homecare		100			100	100		
High Cost packages		150			150	150		
Direct Payments surplus recovery		92			92	92		
<b>TOTAL SAVINGS</b>		2528	0	0	2528	1628	900	0

Savings already accounted for  
**BUDGET reduction for medium  
 term strategy**

137

1,628	900	0
<b>0</b>	<b>0</b>	<b>0</b>

# Root and Branch Review Programme: Supporting Vulnerable People in Herefordshire

---

## 1 SCOPE

- Physical disability
- Concessionary fares
- Learning disabilities
- Mental health (adult and children)
- Families at Risk
- People on low income/out of work
- Disability
- Disabled children
- Physical disability
- Younger age dementia
- Acquired brain injuries
- Substance misuse services

## 2 CORE PURPOSE

- Inclusion of those who are most vulnerable in our society
- Access to universal services for all
- Removing barriers inhibiting inclusion and access to universal services for vulnerable people who have additional needs
- Early identification of triggers leading to crisis and prevention of high level vulnerability

## 3 PROPOSED CHANGES

- Adopting a lean and systems approach will inform the future service delivery model whereby a customer enquiry is answered on first contact and key information made available to other teams / professions in order to make every contact with residents count

## 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Reducing demand for domiciliary care
- Reducing demand for residential care
- Driving down costs
- Commissioning for better outcomes
- Further market development to secure the best providers for services

## 5 PROPOSED SAVINGS

*Refer to table below*

## 6 UNFINISHED WORK

- Bringing the Older People and Vulnerable Adults reviews together and to respond to the opportunities and challenges of the Care and Support Bill
- Options Appraisal of alternative delivery model including mutual/social enterprise. Social Work practice, Local Authority Trading Company
- Recasting of services through new models of commissioning and joint commissioning
- Workforce Transformation utilising LEAN, Skill mix and integrated pathways
- Implementing market development strategy and maximising people centred approaches and preventable approaches



**Root and Branch Template 2013/14 - Vulnerable People: PROPOSED SAVINGS**

Cashable	£000	Directorate			Review total	Savings		
		People's	Place s	Corporat e		2013/14	2014/15	2015/16
Description of measure								
10% reduction short breaks		32			32	32		
Budget Hold Lead Professional reduction		37			37	37		
Recovery Charging (slippage)		312			312	312		
Reviews PD/LH/MH		245			245	245		
Market negotiation		220			220	220		
Supported living arrangements		100			100	100		
Recovery Direct Payments surplus		158			158	158		
Disraeli court		50			50	50		
Wye Valley 5% savings target		500			500	500		
2G savings target 5%		35			35	35		
Reduce contractual inflation		100			100	100		
Wye Valley Day care		400			400	400		
Target Learning Disability high cost packages		1000			1000	1,000		
Livability contract LD		250			250	250		
Target mental health high cost packages - balance TBC		780			780	780		
Target mental health high cost packages- dom care +10% above residential		220			220	220		
High cost PD packages		200			200	200		
Resource Allocation System Savings #1		300			300	300		
Resource Allocation System further savings #2		300			300	300		
Mutual / social enterprise delivery model		500			500		500	
<b>TOTAL SAVINGS</b>		<b>5,739</b>	<b>0</b>	<b>0</b>	<b>5,239</b>	<b>5,239</b>	<b>500</b>	<b>0</b>

Savings already accounted for  
**BUDGET reduction for medium term strategy**

1,029	0	0
<b>4,210</b>	<b>500</b>	<b>0</b>

# Root and Branch Review Programme: Children and Young People in Herefordshire

---

## 1 SCOPE

- **Locality services** – including Children’s Centres, integrated youth services, education welfare, home education, anti-bullying and Parenting and Family Support services
- **Duke of Edinburgh Award Scheme**
- **Commissioning of agency placements for Looked After Children**
- **Safeguarding** – including FAST, fieldwork, looked after children, fostering, adoption, troubled families, supervised contact and children with disabilities
- **Early Years provision**
- **Schools** – including school performance and standards, admissions, governors, out of school activities, attendance and truancy, learning and achievement services
- **Special Educational Needs and additional support** – including statutory services (SEN, EPS, Re-integration, LAC education), specialist education services (traded and non-traded), equalities team, monitoring and QA role and behaviour system
- **Family support**

## 2 CORE PURPOSE

To ensure positive and sustainable outcomes for all children and young people in Herefordshire, by ensuring that those who are unlikely to thrive are supported

## 3 PROPOSED CHANGES

- **The big idea**
  - one child
  - one record
  - one assessment of need
  - one plan
  - one team (around the family)
  - one multi-agency budget
- **What this means**
  - Full child’s journey analysis using Lean Systems Thinking (6-8 weeks)
  - The development of a Multi Agency Safeguarding Hub (MASH)
  - The introduction of a Single Assessment
  - A locality model for provision of services

## 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Connexions building (close)
- Youth centres (close/transfer to alternate provider)
- Outdoor education centre (transfer to alternate provider)
- Enhanced school budget for Looked After Children (LAC) education support and refocus social care funding for education support
- Education psychology assistants
- Reduction in Children’s centres services
- Substance misuse service
- Management costs for parenting and family support
- Reduction in support for early years provision (75% EIG)
- Reduction in school improvement services (60%)
- Educational advisor (transfer to Corporate Services – traded in future)

## 5 PROPOSED SAVINGS

*Refer to table below*

## 6 UNFINISHED WORK

- Preparatory work for the Child’s Journey project is underway
- The project is due to run from 4 February to 29 March
- Findings, recommendations and next steps will be presented from 2 April onwards

- An implementation plan to redesign services focused on what is best for the child will follow, along with a clear idea of anticipated savings and a strategy to increase effectiveness of early intervention to reduce spend on crisis and long term high need costs.

**Root and Branch Template 2013/14 - Children & Young People in Herefordshire – PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Closure connexions Building		55			55	55		
Integrated Support Services restructure Financial Year impact		63			63	63		
Outdoor education closure		167			167	167		
Reduction LAC education support		12			12	12		
Education Psychology Assistants		21			21	21		
Children's Centres		54			54	54		
Substance Misuse stop service		47			47	47		
Parenting & Family staff reductions		35			35	35		
Reduction Early Years 75% EIG		419			419	419		
Reduction School Imp 60%		326			326	326		
Reduce ISS commissioning support		160			160	160		
Staffing reduction – Education Advisory Service		19			19	19		
ISS/ Children centre target		500			500	500		
Education Psychology target		100			100	100		
Closure Youth Centres		91			91	91		
Reduction 50% 11-19 Learning		90			90	90		
<b>TOTAL SAVINGS</b>		2,159	0	0	2159	2,159	0	0

142

Savings already accounted for  
**BUDGET reduction for  
medium term strategy**

1,809	0	0
<b>350</b>	<b>0</b>	<b>0</b>

## Root and Branch Review Programme: Transport and Travel in Herefordshire

---

### 1 SCOPE

This is a cross directorate review which encompasses the following passenger transport services with a total value of £8.7M:

- Local bus and community transport
- Home to school travel
- 16-19 travel
- Special education needs travel
- Adult social care transport

### 2 CORE PURPOSE

Core purpose of the services covered by this review is set by the Local Transport Plan:

- To deliver a cleaner, healthier more prosperous county (Create and maintain a successful economy)
- To maintain connectivity for all and to reduce social isolation of the elderly and those without access to a car (Enable residents to be independent and lead fulfilling lives)

### 3 PROPOSED CHANGES

- Integrate commissioning of all passenger transport services within Places Directorate with Transport Strategy function to coordinate with policy and deliver savings
- Network Review/Service Design
- Public Transport reductions
- Discretionary Provision School Transport

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Contract efficiencies – reduce wastage on underused vehicles
- Economies of scale on passenger transport services through integrated commissioning
- Full cost recovery for education transport services

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- The key opportunity for savings with passenger transport services is through redesign of services and re-procurement
- This review outlines the need to undertake this review through 2013 with a view to re-procurement in 2014 and savings commencing September of that year (contracting round for buses and school transport)
- The savings plan takes into account best practice examples and the Council's experience of savings from within bus service contracts 2011/12

**Root and Branch Template 2013/14 - Travel and Transport in Herefordshire – PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Transport savings (statutory minimum)	101				101	68	33	
Staff restructure	20				20	20		
Team integration (invest to save)	- 46		-29		-75	-50	-25	-
Network Review/Service Design	609		391		1,000	-	584	416
Public Transport service reductions			305		305	205	100	-
Discretionary Provision/Fee Income School Transport	409				409	97	202	110
<b>TOTAL SAVINGS</b>	<b>1,093</b>		<b>667</b>	<b>-</b>	<b>1,760</b>	<b>340</b>	<b>894</b>	<b>526</b>

144 Savings already accounted for  
**BUDGET reduction for  
medium term strategy**

88	33	<b>0</b>
<b>252</b>	<b>861</b>	<b>526</b>

## Root and Branch Review Programme: Herefordshire's Environment

### 1 SCOPE

Landscape and natural environment Waste Flood defences Drainage Carbon reduction agenda Sustainability	Byways Rights of way Outdoor pursuits Walking Bridleways Waste collection Waste disposals Waste local plan Waste management Trade waste Special waste collections Civic amenity sites Garden refuse disposal Recycling collection schemes Bins Flytipping	Clinical waste disposal Minerals local plan Climate and weather Energy and fuel Energy efficiency Country parks Countryside Preservation Ranger services Nature conservation Nature reserves Hedges Common land Flooding Sandbags Emergency planning Sites of Special Scientific Interest Tree preservation
---	--	--

### 2 CORE PURPOSE

- Promote HC as an environmental exemplar
- Draw together environmental resources to;
  - Deliver renewable energy projects to reduce costs and maximise income
  - Develop energy efficiency projects both in-house and in the community to reduce energy costs
  - Minimise the amount of waste produced to reduce the cost of collection and disposal
  - To view waste as a resource and maximise recovery of value including energy production
  - Protect and enhance Herefordshire's countryside environment for the benefit of residents and visitors

### 3 WHAT WE ARE PROPOSING TO STOP OR CUT

- Change the payment mechanism with WCC to pay the waste disposal contractors
- Stop the bring site recycling collection of glass from the remaining 42 sites
- Change collection of refuse and recycling to alternate weekly
- Establishing independent governance for Countryside Service and require more income generation to cover operational costs
- Further savings may be forthcoming subject to negotiations with partners and contractors

### 4 PROPOSED SAVINGS

*Refer to table below*

### 5 UNFINISHED WORK

- Review is still working through the benefits framework phase of the R&B Programme.
- Key themes emerging around waste and contract management.
- More work needs to be done on process efficiencies and team structures.
- Evaluation meeting with Review leads taking place on Thursday 24th January to ensure that the initial scope has been met and the necessary business cases can be established.

**Root and Branch Template 2013/14 – Herefordshire’s Environment: PROPOSED SAVINGS**

Cashable Description of measure	£000	Directorate			Review total	Savings		
		People's	Places	Corporate		2013/14	2014/15	2015/16
Waste Management Savings			500		500	500		
Alternate weekly collection			500		500		250	250
<b>TOTAL SAVINGS</b>			1,000		1,000	500	250	250

Savings already accounted for  
**BUDGET** reduction for  
medium term strategy

0	0	0
<b>500</b>	<b>250</b>	<b>250</b>



## Root and Branch Review Programme: Living and Wellbeing in Herefordshire

---

### 1 SCOPE

- Culture and leisure services
- Community based health services
- Public Health

### 2 CORE PURPOSE

To promote and improve:

- the health and wellbeing of the population
- physical and mental wellbeing
- belonging to the community and involvement in activities to enhance life

Whilst promoting individual and community responsibility for their own health.  
(*Working Draft*)

Work is progressing in two stages:

- Stage A: review of Culture and Leisure
- Stage B: review of Community Based Health Services & Public Health

### 3 PROPOSED CHANGES

Stage A - Culture and Leisure:

- A shift away from subsidy and towards full cost recovery

Stage B - Community Based Health Services and Public Health:

- Changes to be determined post transfer (April 2013)

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- Stage A -: Removal/reduction of the local government subsidy from
  - Halo
  - The Courtyard,
  - Visit Herefordshire
- Stage B – Community Based Health and Public Health
  - Cuts not anticipated to this ringfenced grant – recommissioning for increased impact of activities and funds will be planned over a two-three year cycle.

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Review of public health contracts
- Statement of vision and outcomes for the Council's new public health responsibilities

**Root and Branch Template 2013/14 - Living and Wellbeing in Herefordshire – PROPOSED SAVINGS**

Cashable £000	Directorate			Review total	Savings			
	Description of measure	People's	Places		Corporate	2013/14	2014/15	2015/16
	Reduction in subsidies to Cultural Services partners etc (currently under negotiation)	0	1500		1500	500	500	500
	<b>TOTAL SAVINGS</b>	0	1500	0	1500	500	500	500

Savings already accounted for  
**BUDGET reduction for  
 medium term strategy**

0	0	0
<b>500</b>	<b>500</b>	<b>500</b>

## Root and Branch Review Programme: Learning and Skills in Herefordshire

---

### 1 SCOPE

- Community Learning and Employability Team (Regeneration Programmes)
- Regeneration team
- Economic Development (employment and skills)
- Post 16 Learning and Skills team
  - Planning and Commissioning
  - Statutory duty
  - Apprenticeships
  - Raise of Participation Age
  - NEET
  - HNS LLDD placement process
- Business Advice Services
- Learning and Curriculum Team
- Adult Social Services (supported employment)

### 2 CORE PURPOSE

To enable effective partnerships between businesses, education/training providers and communities, and maximise external funding in order to:

- Help all residents, including the most vulnerable, to find out what education, training and volunteering support/information is available to them, and what they need to do to gain employment or start a business.
- Help businesses to find out how to develop their workforce and find new employees with the general and specialist skills which they require.
- Work towards realising the full potential of Herefordshire residents and businesses, enabling them to grow, compete and prosper in a global economy.

### 3 PROPOSED CHANGES

- The Learning and Skills review is now entering the Scoping and Discovery Phase of the Root and Branch process.
- We have identified that there is limited budget associated with the in-scope areas.
- We are seeking to identify linked benefits across the wider economy and other Root and Branch reviews including Older People, Vulnerable People and Children and Young People.

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- At this early stage, no proposals to stop or cut have been recommended.
- Whilst the budget for this area is limited, the review does intend to understand and consider the role of a Local Authority for Learning and Skills

### 5 PROPOSED SAVINGS

*Refer to table below*

### 6 UNFINISHED WORK

- Hold a series of workshops with staff across the in-scope areas to:
  - Build a coherent 'bigger picture' of what services/support is currently provided by the organisation and our partners around 'Learning and Skills'.
  - Identify areas which are problematic or contain untapped potential, in relation to the needs of Herefordshire residents, businesses and its economy.
  - Demand analysis, system conditions and process mapping from a customer perspective. If appropriate, external partners will be involved at this stage.
  - Assessment of options in relation to service design, delivery and costs, and the accompanying benefits and risks.
- Engage with Members and partners about options

**Root and Branch Template 2013/14 - Learning & Skills in Herefordshire: PROPOSED SAVINGS**

Cashable £000	Directorate			Review total	Savings			
	Description of measure	People's	Places		Corporate	2013/14	2014/15	2015/16
	Reduction 50% 11-19 Learning - moved to CYP				0			
	Staff reductions		30		30	30		
<b>TOTAL SAVINGS</b>		0	30	0	30	30	0	0

Savings already accounted for  
**BUDGET reduction for medium term strategy**

0	0	0
<b>30</b>	<b>0</b>	<b>0</b>

## Root and Branch Review Programme: Herefordshire 2020

---

### 1 SCOPE

- Herefordshire 2020 underpins and informs the other reviews, it is as much about the future priorities for the County as the role of the Council
- The budget for the functions in scope is £17.132m, including a number of annual provisions
- Scope includes:
  - Herefordshire Partnership(s)
  - Council vision
  - Council operating model
  - Commissioning plan & market development
  - New governance structures
  - Links to other agencies
  - Corporate and support costs (including Hoople)

### 2 CORE PURPOSE

- Completion of the Review awaits the conclusion of the other Reviews and the overall impact on the Council's purpose, functions and structure
- However, initial headlines on core purpose are:
  - Unique democratic role
  - Providing community leadership
  - Doing the things only we can do
  - Helping people to help themselves
  - Safeguarding & vulnerable people
  - Economy, jobs, wages
  - Getting the basics right
  - Demonstrating value for money

### 3 PROPOSED CHANGES

- With the exception of initial scoping, no detailed discussions have taken place and so no firm proposals have been made

### 4 WHAT WE ARE PROPOSING TO STOP OR CUT

- The following high level options are being reviewed
- **Operating Model:**
  - Formal collaboration/integration with other councils (combined authority) eg: social care, highways, education
  - Management and delivery integration with partners in Herefordshire, based on Herefordshire Partnership
  - Joint ventures with the private sector
  - Further reductions to senior management structure and/or changing to a new model eg: locality
- **Commissioning/Outsourcing:**
  - Strategic core model: retention of strategic thinking, statutory posts, client side & contract management
  - Programme of market testing for all services
- **Support Costs:**
  - **Hoople:**
    - Further savings: linked to smaller council and/or reduce service requirement
    - Option appraisal eg: acquire another council partner, re-commission the services, review of ownership model
  - **Corporate support:**
    - 20% reduction in all corporate support functions (democratic, legal, policy, research, property etc)
    - Centralisation of functions (hub and spoke model)
    - Sharing functions with others
- **Lean Programme:**
  - Investment in business process and system change across the Council and with partners as necessary
  - Some initiatives already underway eg: child's journey
- **New Technology:**

- Investment in digital technology and mobile devices to improve productivity and reduce support costs
- Some initiatives already underway eg: customer services, Agresso

**5 PROPOSED SAVINGS**

*Refer to table below*

**6 UNFINISHED WORK**

- Complete the review of high level options
- Outcomes will include:
  - Target operating model for the Council
  - Consolidation of corporate support
  - New partnership framework (inside and outside Herefordshire)
  - New Commissioning and Commercial Strategy

**Root and Branch Template 2013/14 - Herefordshire 2020 – PROPOSED SAVINGS**

Cashable £000 Description of measure	Directorate			Review total	Savings		
	People's	Places	Corporate		2013/14	2014/15	2015/16
Hoople contract savings	0		540	540	540		
Reduction in management and support costs				1,000	1,000		
<b>TOTAL SAVINGS</b>	0	0	540	540	1,540	0	0

Savings already accounted for  
**BUDGET** reduction for  
medium term strategy

0	0	0
<b>1,540</b>	<b>0</b>	<b>0</b>





## Draft 2013/14 Budget

The following provides detail of the proposed 2013/14 Budget on a gross/income/net basis. It also provides a comparison with 2012/13.

### Corporate Directorate

This budget includes executive management costs in relation to the Chief Executive, Deputy Chief Executive and Members and the associated supporting governance team along with other corporate management cost such as charitable relief on NNDR, external audit fees and subscriptions.

The overall total also includes budgets for the management of Housing Benefits and Subsidy Grants.

It also relates to support services such as Finance, Legal, HR and ICT and includes the contract costs in relation to Hoople Ltd of £8.3 million after 2013/14 savings targets.

Income budgets for the Directorate include

	£000	
Government Grants	47,840	Mainly relating to Housing Benefit Subsidy
Customer Receipts	3,990	Includes Rental income and Registrars Fees
Other income	3,653	Includes other contributions and internal recharges
<b>Total</b>	<u>55,483</u>	

	£000s			
	2012/13 Net Budget	2013/14 Gross Exp	2013/14 Gross Income	2013/14 Net Budget
<b>Service Areas</b>				
Asst. Director Customer Services & Communications	419	73	0	73
Customer Service	2,011	2,282	(366)	1,916
Communications & Web	514	540	(23)	517
<b>Total Customer Services &amp; Communications</b>	<b>2,944</b>	<b>2,895</b>	<b>(389)</b>	<b>2,506</b>
Assistant Director PPP	156	157	0	157
Organisational Development	328	332	0	332
Herefordshire Partnership	63	12	0	12
Human Resources Retained	1,363	1,536	(400)	1,136
ICT	3,652	4,623	(1,057)	3,566
Policy & Performance	392	437	(21)	416
Transformation & IMT	1,948	1,632	0	1,632
<b>Total People, Policy &amp; Partnership</b>	<b>7,902</b>	<b>8,729</b>	<b>(1,478)</b>	<b>7,251</b>
Assistant Director Law & Governance	162	173	(8)	165
Electoral	367	372	(2)	370

## APPENDIX C

Governance	1,369	1,941	(503)	1,438
Resilience	249	359	(105)	254
Legal Services	666	928	(266)	662
<b>Total Law, Governance &amp; Resilience</b>	<b>2,813</b>	<b>3,773</b>	<b>(884)</b>	<b>2,889</b>
Commercial	452	446	(200)	246
Chief Officer Finance & Commercial	186	161	0	161
Internal Audit Services	344	352	(7)	345
Benefits & Exchequer	406	48,622	(48,097)	525
Finance Support	1,309	1,360	(119)	1,241
Property Development	(1,531)	1,249	(3,103)	(1,854)
Property Design & AMP; Maintenance	2,979	4,218	(1,287)	2,931
Property Strategy	1,287	1,165	(119)	1,046
<b>Total Finance &amp; Commercial</b>	<b>5,432</b>	<b>57,573</b>	<b>(52,932)</b>	<b>4,641</b>
Corporate Services	2,160	2,449	0	2,449
<b>Total Corporate Management</b>	<b>2,160</b>	<b>2,449</b>	<b>0</b>	<b>2,449</b>
Chief & Deputy Chief Executive	479	641	0	641
Directorate Fund	(255)	(611)	0	(611)
<b>Total Director &amp; Management</b>	<b>223</b>	<b>30</b>	<b>0</b>	<b>30</b>
<b>Total Corporate</b>	<b>21,474</b>	<b>75,449</b>	<b>(55,683)</b>	<b>19,766</b>

Directorate Fund reflects Savings targets not yet allocated.

## People's Directorate

The People's Services budget encompasses Adult Social Care, Children's Services, local authority maintained schools (but not academies), Environmental Health and Trading Standards and, from 1st April 2013 will include the new responsibility for Public Health.

Service Area	Expend.	Income	Net Budget
Directorate Costs	533	0	533
Provider Services	28,739	(5,742)	22,996
Commissioning	11,985	(6,705)	5,280
Adult Social Care	66,491	(17,850)	48,641
EHTS	2,139	(878)	1,261
Public Health	7,753	(7,753)	0
<b>Total People's Services</b>	<b>117,640</b>	<b>(38,928)</b>	<b>78,712</b>
Schools/ central	68,154	(68,154)	0
<b>TOTAL</b>	<b>185,794</b>	<b>(107,082)</b>	<b>78,712</b>

The directorate is funded by a combination of LA funding, grants and fees generated through charges for services / contributions to services by partner agencies. LA maintained schools are fully funded by an education grants (formerly Dedicated Schools Grant). The summary below of funding streams shows how the £38.9m income is received.

Funding Profile*	Total	Provider	ASC	Comm	EHTS	PH
<b>Grant Income</b>						
PH grant	(7,753)					(7,753)
DSG	(8,650)	(3,886)		(4,764)		
Troubled Families	(498)	(361)		(137)		
Social Care grants	(7,571)		(7,571)			
Other grants	(1,932)	(212)		(1,720)		
Charging for Services	(10,885)	(1,015)	(8,992)		(878)	
SLA's / Contributions	(1,639)	(268)	(1,287)	(84)		
<b>Total Income</b>	<b>(38,928)</b>	<b>(5,742)</b>	<b>(17,850)</b>	<b>(6,705)</b>	<b>(878)</b>	<b>(7,753)</b>

	£000s			
	2012/13 Net Budget	2013/14 Gross Exp	2013/14 Gross Income	2013/14 Net Budget
<b>Service Areas</b>				
Wve Valley - social care services	8,905	8,595	(1,002)	7,593
2Gether - mental health services	1,506	1,487	0	1,487
<b>Section 75 services</b>	<b>10,411</b>	<b>10,082</b>	<b>(1,002)</b>	<b>9,080</b>
AD Other	(9,956)	0	0	0
Other Central Adults services	944	707	(86)	621
Gov Grants	0	568	(3,576)	(3,008)
<b>Total Adults Grants &amp; Other Costs</b>	<b>(9,012)</b>	<b>1,275</b>	<b>(3,662)</b>	<b>(2,387)</b>
<b>Learning Disabilities</b>	<b>14,301</b>	<b>18,743</b>	<b>(5,262)</b>	<b>13,481</b>
<b>Mental Health</b>	<b>8,867</b>	<b>10,241</b>	<b>(2,014)</b>	<b>8,227</b>
<b>Older People</b>	<b>13,779</b>	<b>17,060</b>	<b>(4,885)</b>	<b>12,175</b>
<b>Physical Disabilities</b>	<b>7,895</b>	<b>7,854</b>	<b>(1,025)</b>	<b>6,829</b>

## APPENDIX C

<b>Adults Commissioning Staff</b>	<b>884</b>	<b>1,236</b>	<b>0</b>	<b>1,236</b>
<b>Adult Social Care</b>	<b>47,125</b>	<b>66,491</b>	<b>(17,850)</b>	<b>48,641</b>
Commissioning Management	190	115	0	115
Children's Commissioning	1,829	1,824	(136)	1,688
Children's capital and sufficiency	953	2,733	(1,783)	950
Early Years Sufficiency	0	4,627	(4,627)	0
Quality & Improvement	518	515	0	515
Business Support	1,018	1,113	(78)	1,035
HSCB	132	215	(81)	134
Post 16 services	135	111	0	111
Social Care Quality & Review	455	732	0	732
<b>Total People's Services Commissioning</b>	<b>5,230</b>	<b>11,985</b>	<b>(6,705)</b>	<b>5,280</b>
DSG Income	(97,819)	0	0	0
Schools Budget	97,819	67,892	(67,892)	0
<b>Total Schools Budget</b>	<b>0</b>	<b>67,892</b>	<b>(67,892)</b>	<b>0</b>
Central DSG	0	262	(262)	0
<b>Total Central Schools (DSG)</b>	<b>0</b>	<b>262</b>	<b>(262)</b>	<b>0</b>
<b>Early Intervention Grant Funding</b>	<b>(7,097)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Directors Office	361	311	0	311
Directorate Costs (severances / pensions)	646	222	0	222
<b>Total Directorate Costs</b>	<b>1,007</b>	<b>533</b>	<b>0</b>	<b>533</b>
<b>Total Directorate Costs including Schools</b>	<b>(6,090)</b>	<b>68,687</b>	<b>(68,154)</b>	<b>533</b>
Provider Management	122	127	0	127
<b>Total Children's Provider Management</b>	<b>122</b>	<b>127</b>	<b>0</b>	<b>127</b>
Additional Needs DSG	0	3,344	(3,344)	0
<b>Additional Needs - DSG Funded</b>	<b>0</b>	<b>3,344</b>	<b>(3,344)</b>	<b>0</b>
Complex Needs	1,360	1,483	0	1,483
Education Psychology	388	262		262
Additional Need Mgmt	524	463	0	463
<b>Additional Needs - LA funded</b>	<b>2,272</b>	<b>2,208</b>	<b>0</b>	<b>2,208</b>
<b>Total Additional Needs</b>	<b>2,272</b>	<b>5,552</b>	<b>(3,344)</b>	<b>2,208</b>
Early Years DSG	0	372	(372)	0
Early Years (EIG/LA)	567	144		144
Governor Services	29	71	(42)	29
Learning & Curriculum	151	273	(211)	62
School Improvement	666	454	(183)	271
School Admissions DSG	0	218	(218)	0
School Transport	4,320	5,175	(850)	4,325
<b>Total I&amp;I School Improvement</b>	<b>5,733</b>	<b>6,707</b>	<b>(1,876)</b>	<b>4,831</b>
Education Welfare	143	206	(206)	0

## APPENDIX C

Children's Centres	1,915	1,590	(36)	1,554
Locality Operations	344	364	0	364
Parenting & Family Support	250	304	0	304
Locality Integrated Support Service	1,221	838	(106)	732
Youth Offending Team	259	251	0	251
<b>Children's Locality Services</b>	<b>4,132</b>	<b>3,553</b>	<b>(348)</b>	<b>3,205</b>
Adoption Services	700	850	(54)	796
Children with Disabilities	505	566	(1)	565
Children in Need	2,672	2,166	(7)	2,159
Fostering Services	2,394	2,746	(22)	2,724
Looked After Children	2,290	3,147	(10)	3,137
LAC External Placements	2,990	2,506		2,506
Safeguarding Mgt	429	649	(80)	569
Recruitment & training	252	170	0	170
<b>Total Safeguarding Mgt</b>	<b>12,232</b>	<b>12,800</b>	<b>(174)</b>	<b>12,626</b>
<b>Total People's Services Provider Services</b>	<b>24,491</b>	<b>28,739</b>	<b>(5,742)</b>	<b>22,997</b>
Env Health Admin	388	115	(8)	107
Environmental Health	666	1,189	(574)	615
Environmental Protection	597	835	(296)	539
<b>Total Env Health &amp; Trading Standards</b>	<b>1,651</b>	<b>2,139</b>	<b>(878)</b>	<b>1,261</b>
Public Health Grant	0	0	(7,753)	(7,753)
Public Health Admin	0	1,517	0	1,517
Public Health Programme	0	6,236	0	6,236
<b>Total Public Health</b>	<b>0</b>	<b>7,753</b>	<b>(7,753)</b>	<b>0</b>
<b>Total People's Services Public Health</b>	<b>1,651</b>	<b>9,892</b>	<b>(8,631)</b>	<b>1,261</b>
<b>Total People's Services</b>	<b>72,407</b>	<b>185,794</b>	<b>(107,082)</b>	<b>78,712</b>

## Places & Communities Directorate

Places and Communities Directorate encompasses a varied range of services which include:

- Highways delivered through the strategic partnership with Amey Wye Valley
- Waste Management delivered in partnership with FOCSA and joint PFI contract with WCC
- Cultural Services including libraries, heritage and libraries and includes partnerships with HALO, Visit Herefordshire and Courtyard
- Economic Development includes Hereford futures
- Planning Services including LDF
- Car parking – on and off street
- Enterprise Zone set up costs

Income budgets for the Directorate include

	£000	
Government Grants	2,188	Waste PFI and Destination Herefordshire Grant
Customer Receipts	8,914	Parking and planning fees
Other grants and contributions	2,248	Includes other contributions and recharges
Total	<u>13,350</u>	

	£000s			
	2012/13 Net Budget	2013/14 Gross Exp	2013/14 Gross Income	2013/14 Net Budget
<b>Service Areas</b>				
Bereavement Services	(408)	586	(1,049)	(463)
Cultural Services	4,415	4,124	(234)	3,890
Community Leisure + Halo	93	93	0	93
Markets & Fairs	(228)	354	(589)	(235)
Planning	1,841	3,527	(2,120)	1,407
Economic Development	1,175	1,361	(55)	1,306
<b>Total Economic, Environment &amp; Cultural Services</b>	<b>6,888</b>	<b>10,045</b>	<b>(4,047)</b>	<b>5,998</b>
Car Parking & Comm Prot	(1,846)	1,656	(3,577)	(1,921)
Safer Herefordshire	166	205	(118)	87
Community Regeneration	1,021	940	(46)	894
Housing Services	3,846	4,201	(712)	3,489
<b>Total Homes &amp; Communities</b>	<b>3,187</b>	<b>7,002</b>	<b>(4,453)</b>	<b>2,549</b>
Highways	7,308	8,967	(1,290)	7,677

## APPENDIX C

Parks Countryside & Prow	1,818	1,892	(78)	1,814
Directorate Support	169	171	0	171
Sustainability	21	36	(5)	31
Transport	4,405	5,601	(1,077)	4,524
Waste Management	12,509	15,472	(2,293)	13,179
<b>Total Place Based Commissioning</b>	<b>26,230</b>	<b>32,139</b>	<b>(4,743)</b>	<b>27,396</b>
Management	185	243	(57)	186
Directorate fund	97	454	(50)	404
<b>Total Director &amp; Management</b>	<b>282</b>	<b>697</b>	<b>(107)</b>	<b>590</b>
<b>Total Place &amp; Communities</b>	<b>36,587</b>	<b>49,883</b>	<b>(13,350)</b>	<b>36,533</b>

Directorate Fund reflects includes budget savings and non-pay inflation to be re-allocated to meet contract inflation across the Directorate.

**Central Budgets**

	<b>£000s</b>			
	<b>2012/13 Net Budget</b>	<b>2013/14 Gross Exp</b>	<b>2013/14 Gross Income</b>	<b>2013/14 Net Budget</b>
Borrowing	16,072	15,411		15,411
Interest and investment income	(976)		(449)	(449)
New Homes Bonus	(1,414)		(2,068)	(2,068)
Government grants	(3,209)		(1,642)	(1,642)
Contingency		773		773
Transfer to general fund reserve		2,000		2,000
Other centrally held budgets	2,418	1,260		1,260
<b>Centrally held budgets</b>	<b>12,891</b>	<b>19,444</b>	<b>(4,159)</b>	<b>15,285</b>

<b>Total Budgets</b>	<b>143,359</b>	<b>330,570</b>	<b>(180,274)</b>	<b>150,296</b>
----------------------	----------------	----------------	------------------	----------------

<b>Funded by</b>				
Revenue support grant				42,861
Locally retained rates				22,726
'Top-up'				6,559
Council tax				78,911
Collection fund deficit				(761)
				<b>150,296</b>



## Herefordshire Council: Reserves

	<b>31 March 2012</b> <b>£000</b>
Schools balances	5,789
Grange Court	83
Commutated sums	36
Industrial Estates - maintenance	413
Schools Insurance	495
Schools sickness	84
ICT	91
Members ICT	40
Planning	24
Community Centre	180
Waste Disposal	2,407
Hereford Futures	125
Whitecross school PFI	321
Schools Rates Reserve	106
Economic Development	163
Pool car reserve	10
Three Elms Industrial Estate	362
Unused Grants carried forward	2,729
	<b>13,458</b>



<b>MEETING</b>	<b>CABINET</b>
<b>DATE</b>	<b>5 FEBRUARY 2013</b>
<b>TITLE OF REPORT</b>	<b>SCRUTINY RECOMMENDATIONS TO CABINET - Budget 2013/14 and the Medium Term Financial Strategy</b>
<b>REPORT BY</b>	<b>CHAIRMAN - Health &amp; Social Care Overview &amp; Scrutiny Committee</b>  <b>CHAIRMAN – General Overview &amp; Scrutiny Committee</b>

## **BACKGROUND**

On Friday 1 February 2013 both the Health & Social Care Overview & Scrutiny Committee and the General Overview & Scrutiny Committee met to receive a presentation from the Chief Officer Finance & Commercial and to consider the report to Cabinet entitled 'Budget 2013/14 and the Medium Term Financial Strategy'.

For completeness the recommendations from both Committees are set out below, however, the recommendations specifically relating to Cabinet are highlighted in bold text.

### **Health & Social Care Overview & Scrutiny Committee**

Resolved that:

1. **The Committee recommends that Cabinet:**
  - a. **ensures that all statistics used in compiling the budget e.g. the population figures, are accurate, timely and used correctly;**
  - b. **ensures that all risks arising from the budget are clearly set out in the Risk Register, that the mitigation of the risks are clearly stated and includes a plan, with clear timescales and milestones, for addressing the risks;**
  - c. **considers introducing into the Budget for 2013/14 a transition fund in order to ensure that the necessary transitions/savings are achieved as quickly and efficiently as possible**
  - d. **in the light of the fact that over fifty per cent of the recovery plan for Social Services for 2012/13 is amber or red, that more focus should be placed on the plan in order to ensure greater compliance with the Transformation Plan.**
2. The Committee recommends that in developing the Health & Wellbeing Strategy the Health & Wellbeing Board should ensure that it takes into consideration the wider implications of the various strategic plans for example the provision of additional

Further information on the subject of this report is available from  
D Penrose or P James, Democratic Services (01432) 383690 or (01432) 260460.

houses through Local Development Framework (LDF) and the effect on social care e.g. the additional pressures on doctor's surgeries.

3. **The Committee recommends that full use should be made of the Public Health budget in order to promote preventative measures against ill health and encourage better and more appropriate use of the Counties facilities, including country parks and woodlands**
4. That a regular monitoring report be scheduled into the Committee work programme in order to enable the Committee to keep an overview of progress against the Risks, planned savings, and pace of transition within the remit of the Committee.

### **General Overview & Scrutiny Committee**

RESOLVED: That

1. **Recommendations to Cabinet:**
  - a) **This Committee endorses the recommendations made to Cabinet by the Health and Social Care Overview & Scrutiny Committee held on 1 February 2013 (immediately prior to this Committee);**
  - b) **This Committee recommends that Cabinet closely monitors the collection of Council Tax and Business Rates to ensure that any adverse impacts on the budget due to reduced levels of income are known and addressed;**
  - c) **This Committee recommends that Cabinet ensures that there is sufficient management expertise (either in-house or externally) for the Root & Branch reviews to be implemented across the organisation.**
2. This Committee establishes a Task & Finish Group, to include member representation from the Health & Social Care Overview & Scrutiny Committee, to review the implementation of the Council's IT strategy and systems (including Agresso, Frameworki; Proactis) to ensure that these have been fully implemented and that full efficiencies and value for money is being delivered.
3. The Committee noted the presentation and the report entitled 'Budget 2013/14 and Medium Term Financial Strategy' to Cabinet on 5 February 2013.

## Executive Summary of Consultation Exercise

The views of local residents, businesses and organisations were sought in January 2013 on the savings proposed by Herefordshire Council, to inform how the budget is set for 2013/14 and beyond. There were a total of 2,817 responses received, with 77% submitted online. Social media was also used including a session on Twitter with questions posed by the public and answered by two Councillors.

There were high levels of agreement for the savings proposals to reduce/end the distribution of Herefordshire Matters magazine (90%); and bringing together customer service centres, libraries and other facilities where these are duplicated in a particular area. More than half the respondents disagreed with reducing the support to the voluntary and community sector; and also reducing opening hours for customer service centres/libraries. Comments showed strong support for the latter and the voluntary sector. 83% agreed with better co-ordination of transport to reduce costs, but half disagreed with reducing the subsidy to bus services with concern on the impact on the elderly, young people and rural communities.

Of the total respondents, 87% agreed with working with our partners to improve the way children and young people's services are accessed and delivered, removing duplication; more disagreed than agreed with reducing some children's centre services and reducing funding for universal youth provision to focus resource on targeted youth support. There was a mixed response to increasing charges for some types of school transport and reducing to the statutory minimum the schools transport services provided by the Council. More than half agreed with changing the balance of social care services offered to working age adults, reducing day services and increasing other day activities for those eligible.

There were high levels of agreement with reducing our energy costs (88%) and slightly higher agreement than disagreement with removing the remaining 'bring and recycle' glass collection sites. There was a mixed response to changing the refuse and recycling collection to alternate weekly collections and reducing support to the countryside service. There was strong disagreement expressed in the proposal to remove/reduce current subsidies for leisure, heritage and arts facilities/services and reducing the funding available to support tourism. 43% agreed with delaying major infrastructure projects compared with 32% who disagreed and there was a mixed response to increasing the range of development that does not require planning permission.

A headline report was published on the 1<sup>st</sup> of February including analysis of the many comments with a full report published on the 8<sup>th</sup> of February to inform meetings of the Cabinet and Council.



<b>MEETING</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>18 FEBRUARY 2013</b>
<b>TITLE OF REPORT:</b>	<b>PAY POLICY STATEMENT</b>
<b>REPORT BY:</b>	<b>EMPLOYMENT PANEL</b>

## 1. Classification

Open

## 2. Wards Affected

County-wide

## 3. Purpose

To approve a Pay Policy Statement for the authority.

## 4. Recommendation(s)

THAT:

- (a) the Pay Policy Statement summarising existing Council policies (at Appendix A) be approved; and
- (b) the planned review of the policies underpinning this statement be noted.

## 5. Key Points Summary

- Council is required to approve a 2013/14 Pay Policy Statement by 31 March 2013.
- The statement provides a summary of the remuneration position within the Council and makes reference to existing policies of the Council that are currently under review.
- A review of policies is currently underway and will inform the further development of a Pay and Reward Policy to support key elements within the Workforce Strategy that has been developed to underpin the delivery of the refreshed Corporate Plan.
- In light of the continuing level of financial challenge facing the authority, during the early part of the financial year we will be consulting staff about potential changes to policies and terms and conditions. Should these affect the Pay Policy Statement, Council approval of an amended statement will be sought.

- There have been no changes in policies since the Pay Policy Statement was published in March 2012. The Pay Policy Statement has been updated to reflect current data relating to roles, salaries and financial information.
- The Employment Panel considered the contents of this report at its meeting held on Thursday 24 January 2013 and recommended the Pay Policy Statement to Council for approval.

## **6. Alternative Options**

- 6.1 There are no alternative options; the approval by Council of a Pay Policy Statement for the authority is a statutory requirement.

## **7. Reasons for Recommendations**

- 7.1 To provide transparency with regard to the Council's approach to setting the pay of its employees in compliance with the provisions of the Localism Act 2011.

## **8. Introduction and Background**

- 8.1 The Localism Act places a requirement on local authorities to produce an annual Pay Policy Statement for each financial year and for this statement to be approved by Council before the start of the financial year to which it relates.

- 8.2 The statement must set out the Council's policies relating to:

- a) the remuneration of its chief officers
- b) the remuneration of its lowest paid employees; and
- c) the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

- 8.3 The statement must include the Council's definition of 'lowest paid employees' and the reasons for adopting that definition.

- 8.4 The statement must include policies relating to:

- d) The level and elements of remuneration for each chief officer
- e) Remuneration of chief officers on recruitment
- f) Increases and additions to remuneration for each chief officer
- g) The use of bonuses for chief officers
- h) The approach to the payment of chief officers on their ceasing to hold office under, or to be employed by the authority; and
- i) The publication of and access to information relating to remuneration of chief officers.

## **9. Key Considerations**

- 9.1 The statement draws together factual material and provides a summary of the current pay



policies of the Council.

- 9.2 During the year 2012/13, the authority has been through a significant period of change. To support the delivery of the refreshed corporate plan approved by Council in November, the authority is developing a Workforce Strategy (to be considered by Cabinet in March), that sets out the workforce priorities for 2013-2015.
- 9.3 The policies of the Council and therefore this statement, are underpinned by the following core principles:
- a) Local arrangements are aligned to national terms and conditions.
  - b) Pay structures and progression arrangements enable the business to recruit and retain staff it needs, as an 'employer of choice' to achieve its goals in line with corporate plan, vision and values.
  - c) Policies are competitive with the external labour market to recruit and retain key personnel to achieve business success.
  - d) Governance arrangements for reviewing pay and reward are robust.
- 9.4 A key element of the developing workforce strategy is related to Pay and Reward. The authority has actioned a variety of initiatives recently to support the budget challenges and will be informally consulting with employees in relation to many aspects of pay and reward during January / February 2013.
- 9.5 Any changes arising from this consultation will be implemented for all levels of staff (Chief Executive to HC2). Any amendments needed to the Pay Policy Statement in year to reflect any such changes agreed will be reported to Council.
- 9.6 Previously, the Employment Panel identified areas for review including: whether or not to implement an 'earn-back' pay system for senior staff; adoption of a policy in respect of employment of a chief officer already in receipt of a public sector pension; and approach to maintaining or reaching a specific pay multiple within the organisation. The principles of these options will be included for discussion as part of the proposals for the review of pay and reward following consultation with staff.
- 9.7 The Employment Panel has also identified a number of areas where, in light of increasing localism and the broader economic climate, they would expect to see pay policies be reviewed; the outcome of these reviews will be reported to the Employment Panel to inform the development of the Pay and Reward Policy for the Council and the annual review of the Pay Policy Statement.
- 9.8 As part of the pay and reward review we will test the proposal that recommends a pay principle shift for lowest paid workers from the National Minimum Wage to the Living Wage as the minimum level.
- 9.9 All posts, whether chief officer or not, have their level of remuneration established through assessment by a nationally recognised and independent job evaluation scheme. Council have the opportunity to vote on any new salary packages exceeding £100,000.
- 9.10 In approving its statement, Council must have regard to any guidance issued by the Secretary of State. This has been taken into consideration in the development of the statement.

## **10. Community Impact**

- 10.1 The Council, as an employer, has a significant role to play in the local economy. We have an explicit corporate objective related to increasing the average wage and the number of people that work in Herefordshire. Consideration should continue to be given to the degree to which the commissioning approach adopted by the Council may be used to influence pay policies of local contractors who supply goods or services on behalf of the authority.

## **11. Equality and Human Rights**

- 11.1 The statement makes clear that the Council's employment policies, and the processes by which pay levels for a post are set, have full regard to relevant equalities legislation.

## **12. Financial Implications**

- 12.1 There are no financial implications arising from the report; the statement simply summarises current policies and pay levels. Council has the opportunity to vote on any proposed pay packages exceeding £100,000.

## **13. Legal Implications**

- 13.1 The statement meets the requirements of the Localism Act 2011.

## **14. Risk Management**

- 14.1 Failure to approve and publish a statement would result on non-compliance with a statutory requirement. Arrangements are in place to ensure publication of the statement following approval by Council.

## **15. Consultees**

- 15.1 The Leadership Team, Senior Management Team and the Trade Unions have been involved in discussions in relation to the proposals to review pay and reward policies.

## **16. Appendices**

- 16.1 Appendix A - Draft Pay Policy Statement

## **17. Background Papers**

- 17.1 Agenda for the meeting of the Employment Panel held on 24 January 2013.

# Herefordshire Council Pay Policy Statement

March 2013

## Introduction and Purpose

1. The purpose of this statement is to set out the council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying:
  - the methods by which salaries of all employees are determined;
  - the detail and level of remuneration of its most senior staff (chief officers), as defined by the relevant legislation;
  - who is responsible for ensuring the provisions set out in this statement are applied consistently throughout the council, and for recommending any changes to council.
2. Once approved by Council, this policy statement will come into immediate effect and will be subject to annual review.

## Legislative Framework

3. Section 38(1) of the Localism Act 2011 requires local authorities to produce an annual pay policy statement.
4. Under section 112 of the Local Government Act 1972, the council has the 'power to appoint officers on such reasonable terms and conditions as the authority thinks fit', subject to the provisions of section 41 of the Localism Act (namely for decisions in relation to terms and conditions of chief officers to comply with the pay policy statement).
5. In determining the pay and remuneration of all of its employees, Herefordshire Council will comply with all relevant employment legislation. With regard to the equal pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

## Organisational context

As a result of the changes to the national and local structure of NHS organisations brought about by the Health and Social Care Act 2012, work has been underway throughout 2012 to disaggregate the integrated management arrangements which had been developed between Herefordshire Council and NHS Herefordshire. As part of this work, in November Council appointed a new Chief Executive who took up post on 1 March; Council also approved a new corporate plan.

The council is reaching the end of a three year transformation programme, *Rising to the Challenge*, which aims to deliver:

- Greater integration
- Increasing efficiency and productivity
- Managing with less funding
- Better outcomes for Herefordshire residents

In response to national funding cuts and service pressures, the council has, over the last two years, reduced spending by approximately £21 million, protecting frontline services by, where possible managing reductions through efficiency measures. For example we have reduced our employees by 281 and have set up the shared services company Hoople Ltd, to deliver human resources, financial services and IT functions in partnership with other organisations.

A key element of the *Rising to the Challenge* programme is a series of fundamental reviews of services known as 'root and branch' reviews which are commissioned, or directly provided by Herefordshire Council. The root and branch reviews inform how Herefordshire Council is meeting the significant financial challenges facing local public services, by redefining the role of the council and other public services; setting out the priorities for the next decade; and rebuilding budgets with clear links between spend and results. Workforce resources will need to align to delivery of these priorities.

### **Pay Structure / National Frameworks**

6. Herefordshire Council is committed to fair pay and grading determined by a robust and objective job evaluation process. The *National Job Evaluation Scheme* is used for all posts up to HC7 and the *Hay Job Evaluation Scheme* for all posts above this level.
7. Based on the application of the job evaluation process, the council uses the nationally negotiated pay spine (attached at Appendix 1) as the basis for its local pay rates in relation to job grades. This determines the salaries of the large majority of the non school based workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009.
8. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and or as determined by council policy. In determining its grading structure and setting remuneration levels for all posts, the council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.
9. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate.
10. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. In accordance with the council's policy on market forces, where this is necessary the council will ensure the requirement for such a market forces supplement is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Any market forces supplement will be payable for a pre-determined fixed period and will be subject to ongoing review.
11. The council does not make use of performance related pay for any of its employees.
12. The council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

The Employment Panel is recommending that the council's position on the lowest paid workers being moved from the national minimum wage to the Living Wage should be included in the wider planned consultation exercise with regards our organisations 'Total Reward' package. See item 31 for further details.

### Senior Management Remuneration

13. For the purpose of this statement 'senior management' means 'chief officers' as defined within section 43 of the Localism Act. The posts falling within this definition are listed below, with details of their remuneration (excluding standard pension contribution) as at 1st January 2013.

<b>Post</b>	<b>Salary</b>	<b>Other Financial Benefits</b>	<b>Total Remuneration</b>
Chief Executive ( <i>Head of Paid Service</i> )	£145,000	None	£145,000
Director of Corporate Services	£130,000	None	£130,000
Director for People's Services ( <i>Director of Adult Social Services; Director of Children's Services</i> )	£120,000	None	£120,000
Director for Places and Communities	£120,000	None	£120,000
<i>Director of Public Health</i>	£97,478	None	£97,478
Asst. Director – Children and Young People's Provider Services	£78,231	None	£78,231
Asst. Director – People's Services Commissioning	£78,231	None	£78,231
Asst. Director – Economic, Environmental and Cultural Services	£76,176	None	£76,176
Asst. Director – Place Based Commissioning	£76,176	None	£76,176
Asst. Director – Homes and Community Services	£76,176	None	£76,176
Asst. Director of Law, Governance and Resilience ( <i>Monitoring Officer</i> )	£90,000	None	£90,000
Asst. Director People, Policy and Partnerships	£78,231	None	£78,231
Chief Officer, Finance & Commercial Services ( <i>Section 151 Officer</i> )	£90,000	None	£90,000

*NB: Italics indicate statutory postholder functions*

### **Additions to Salary of Chief Officers**

14. The Chief Executive is the Returning Officer for Herefordshire. No additional payments are made for fulfilling this duty.
15. The council does not apply any bonuses, pension enhancements (subject to para. 22 below) or performance related pay at this time to its chief officers or to other staff within its workforce. No other pay benefits are paid to chief officers at the time of producing this statement. There is a planned review of pay and reward over the next few months.

### **Recruitment of Chief Officers**

16. Herefordshire Council's rules with regard to employment of staff are set out within the Employment Rules contained within section 4.9 of the Constitution, available at the following link:  
[http://www.herefordshire.gov.uk/docs/K\\_004\\_Part\\_4\\_Procedure\\_Rules\\_15Jul11.pdf](http://www.herefordshire.gov.uk/docs/K_004_Part_4_Procedure_Rules_15Jul11.pdf)
17. Where the council remains unable to recruit chief officers under a contract of employment, or there is a need for interim support to either provide cover for a vacant substantive chief officer post, or on a short-term basis to enable the delivery of specific priorities aligned to the Corporate Plan where these do not require a permanent addition to the establishment, the council will consider and utilise engagement of individuals under 'contracts for service'. These will be sourced through a relevant procurement process in accordance with the council's contracts procedure rules, ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service
18. Herefordshire Council currently engages two interim Assistant Directors in the People's Services Directorate under the arrangements detailed in paragraph 17 above. Any officer previously employed by Herefordshire Council in receipt of a severance or redundancy payment when their employment ceases may not be re-employed by the authority (including under a contract of services or as an agency worker) until a period of at least three months has elapsed.
19. Any officer appointed to the council who has been made redundant within the previous two years from an organisation covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (as amended) (which applies to local authorities and related bodies) will have their previous continuous service taken into account for the purpose of calculating annual leave, sick pay, maternity / paternity entitlements. For the purpose of redundancy, the calculation of service would be the date of return to Herefordshire Council.

### **Payments on Termination**

20. The council's policy on termination of employment of employees prior to reaching normal retirement age, in accordance with regulations 5 & 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended), is to base redundancy payments on 'actual weeks pay', and to pay an enhanced lump-sum redundancy payment. This enhanced payment will be calculated by multiplying by 1.5 the number of weeks statutory redundancy that would apply to the employee taking into account relevant continuous local government service and age. (NB Statutory redundancy pay is therefore included in the enhanced payment.). This may, at the discretion of the relevant accountable body (see para 29 below) be increased to a maximum multiplier of up to 2. An alternative to enhancement may be approved, namely to augment service

within the Local Government Pension Scheme at the rate of 1 year/5 years relevant service to a maximum of 4 years. This policy will be included within the pay and reward review.

21. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made in accordance with the relevant process as set out in the council's Employment Rules (see para 29 below).

**Pensions**

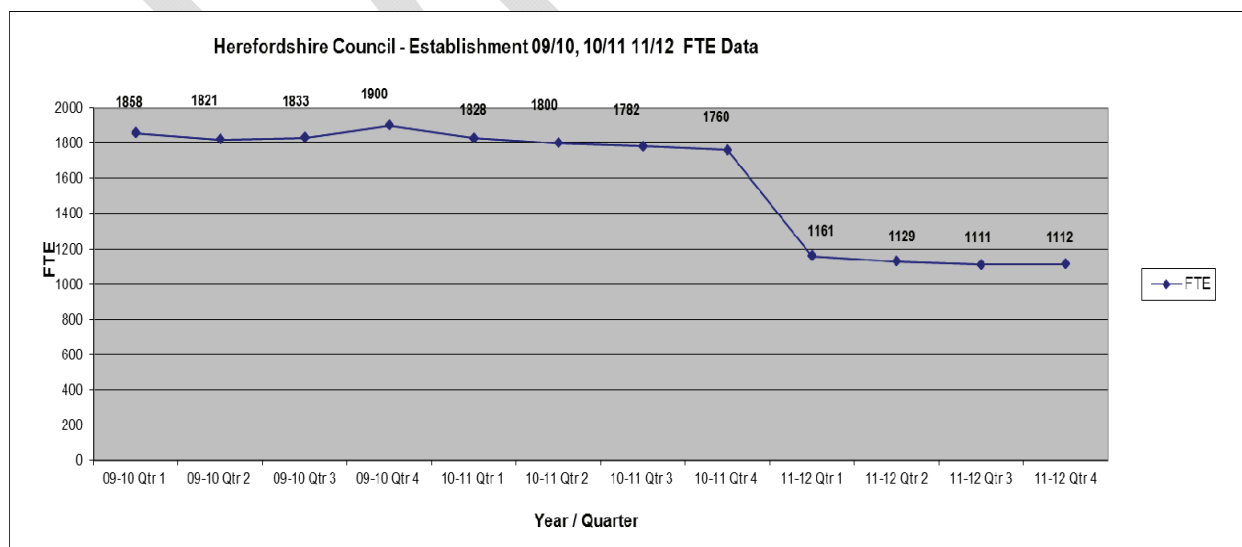
22. Subject to qualifying conditions, employees have a right to join the nationally determined Local Government Pension Scheme. The employee contribution rates, which are defined by statute, are as of 1<sup>st</sup> April 2013:

Whole Time Pay Rate	Contribution Rate
Up to £ 13,500	5.5%
£ 13,501 to £15,800	5.8%
£ 15,801 to £ 20,400	5.9%
£ 20,401 to £ 34,000	6.5%
£ 34,001 to £ 45,500	6.8%
£ 45,501 to £ 85,300	7.2%
More than £85,300	7.5%

23. The employer contribution rates are set by actuaries advising the pension fund; these are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate, as of 1<sup>st</sup> April 2013 is 22.5%.

**Broader Workforce perspective**

24. The overall spend of Herefordshire Council is approximately £350 million. Approximately £38.5 million is spent on employing the non-schools workforce in relation to basic salaries (including national insurance and superannuation) of directly employed staff to which this policy relates. As at 1 January 2013 (the most recent data available at time of drafting) there were 1076 full-time equivalent (fte) posts across the organisation. The table below shows the workforce reduction since 2009/10.



25. As at 1 January 2013, the median basic salary was £22,221 (excluding national insurance and superannuation). The previous year stated a mean average salary of £31,900 which was inclusive of national insurance and superannuation. The median chief officer salary is £90,000.
26. For the purpose of this Pay Policy Statement, and in accordance with the provisions of section 38 of the Localism Act, Herefordshire Council defines “lowest paid employees” as those paid on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the council’s grading structure. As at 1<sup>st</sup> April 2013, this is SCP 7 £12,787 per annum – there is one person paid at this level which has reduced from 5. The council employs apprentices who are not included within the definition of ‘lowest paid employees’.
27. The current pay levels within the council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive as 1:11 which was 1:14 twelve months ago and; between the lowest paid employee and average chief officer as 1:8. The multiple between the median full time equivalent earnings and the Chief Executive is 1:6 and; between the median full time equivalent earnings and median chief officer is 1:4. The multiple between the median salary grade and the Chief Executive is 1:7.

#### **Accountability & Decision Making**

28. In accordance with the council’s Constitution, the Employment Panel (in respect of the Chief Executive, Monitoring Officer, Section 151 Officer, Deputy Chief Executive and Directors) or the Chief Executive (all other employees) is responsible for decision-making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the council.
29. For those pay accountability matters identified within the Localism Act as being reserved to Council, the Employment Panel will be the body accountable for formulating recommendations to Council including the undertaking of an annual review of this statement before recommending its approval to Council as one of the suite of documents Council approves as part of its Medium Term Financial Strategy. The Pay Policy Statement therefore forms part of the Budget & Policy Framework of the council.
30. In addition to approval of this statement, the right of approval of new salary packages over £100,000 is reserved to Council. In such circumstances the Employment Panel will be the body accountable for developing recommendations to Council.

#### **Pay and Reward review**

31. During the year 2012/13, the authority has been through a significant period of change. To support the delivery of the refreshed corporate plan approved by Council in November, the authority has developed a Workforce Strategy that sets out the workforce priorities for 2013-2015. A key element of this strategy is related to Pay and Reward which will be reviewed early in 2013/14.
32. The scope of this review includes all aspects of pay and reward policies, in line with the workforce outcomes described in the Workforce Strategy and will consider the views and feedback from key stakeholders including staff and trade unions in formulating any options and proposals that are then formally consulted on, agreed and implemented.



### **Publication**

33. After approval by Council, this statement will be published on the council's website. In addition, for senior officer posts where the full time equivalent salary is at least £50,000, the council's Annual Statement of Accounts (available at the following link: [http://www.herefordshire.gov.uk/council\\_gov\\_democracy/council/1858.asp](http://www.herefordshire.gov.uk/council_gov_democracy/council/1858.asp)) includes a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

DRAFT

**PAY STRUCTURE AS AT 1.4.10 - NATIONAL JOINT COUNCIL FOR LOCAL  
GOVERNMENT GRADES**

<b>Grade</b>	National SCP (scp50 & above are local)	Annual Pay Rate	Hourly Pay Rate
HC1	4	12145	6.30
	5	12312	6.38
	6	12489	6.47
	7	12787	6.63
HC2	7	12787	6.63
	8	13189	6.84
	9	13589	7.04
HC3	10	13874	7.19
	11	14733	7.64
	12	15039	7.80
	13	15444	8.01
HC4	13	15444	8.01
	14	15725	8.15
	15	16054	8.32
	16	16440	8.52
HC5	17	16830	8.72
	18	17161	8.90
	19	17802	9.23
	20	18453	9.56
HC6	21	19126	9.91
	22	19621	10.17
	23	20198	10.47
	24	20858	10.81
	25	21519	11.15
HC7	26	22221	11.52
	27	22958	11.90
	28	23708	12.29
	29	24646	12.77
	30	25472	13.20
	31	26276	13.62
HC8	31	26276	13.62
	32	27052	14.02
	33	27849	14.43
	34	28636	14.84
	35	29236	15.15
HC9	36	30011	15.56
	37	30851	15.99
	38	31754	16.46
	39	32800	17.00
	40	33661	17.45
HC10	41	34549	17.91
	42	35430	18.36
	43	36313	18.82
	44	37206	19.28
	45	38042	19.72
HC11	46	38961	20.19
	47	39855	20.66
	48	40741	21.12
	49	41616	21.57
	50	42747	22.16
HC12	51	43905	22.76
	52	45099	23.38
	53	46328	24.01
	54	47584	24.66
	55	48876	25.33
HC13	56	50206	26.02
	57	51570	26.73
	58	52972	27.46
	59	54412	28.20