

Economy, Communities and Corporate

Geoff Hughes - Director

TO: ALL MEMBERS OF THE COUNCIL

Our Ref: Council - 7 February 2014

Please ask for: Governance Services

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30 January 2014

Dear Councillor,

YOU ARE HEREBY SUMMONED to attend the meeting of the Herefordshire Council to be held on **Friday 7 February 2014** at the 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

Bill Norman

**BILL NORMAN
SOLICITOR TO THE COUNCIL**

AGENDA

Council

Date: **Friday 7 February 2014**

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:

Governance Services

Tel: 01432 260249

Email: councillorservices@herefordshire.gov.uk

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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 J Hardwick
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 CA North
Councillor GJ Powell
Councillor R Preece
Councillor SJ Robertson
Councillor A Seldon
Councillor J Stone
Councillor DC Taylor
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 EPJ Harvey
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 J Norris
Councillor RJ Phillips
Councillor AJW Powers
Councillor PD Price
Councillor P Rone
Councillor P Sinclair-Knipe
Councillor GR Swinford
Councillor GA Vaughan-Powell
Councillor DB Wilcox

AGENDA

		Pages
1.	PRAYERS	
2.	APOLOGIES FOR ABSENCE To receive apologies for absence.	
3.	DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4.	MINUTES To approve and sign the Minutes of the meeting held on 17 January 2014.	11 - 22
5.	QUESTIONS FROM MEMBERS OF THE PUBLIC To receive questions from members of the public.	23 - 26
6.	FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS To receive any written questions from Councillors.	
7.	BUDGET 2014/15 AND MEDIUM TERM FINANCIAL STRATEGY To approve the medium term financial strategy for 2014/15 to 2016/17, the 2014/15 revenue budget, capital programme and Treasury Management Strategy. <i>Full details of the views put forward during the consultation and the response to those views is available at the following page on the council's website:</i> https://www.herefordshire.gov.uk/budget2014 <i>The possible cumulative impacts of budget reductions have been assessed and were included in the papers for the Cabinet meeting on 23 January available at the following webpage:</i> http://go.m-gov.eu/064M5010	27 - 38
	Appendix 1 - Revenue Budget Summary 2014/15	39 - 44
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	Appendix 5 - Equality Impact of Budget Proposals	109 - 122
	Appendix 6 - Overview and Scrutiny Committees' Recommendations and Cabinet's Response	123 - 126
8.	PAY POLICY STATEMENT 2014 To approve the annual pay policy statement for publication.	127 - 140

The Public's Rights to Information and Attendance at Meetings

YOU HAVE A RIGHT TO: -

- Attend all Council, Cabinet, Committee and Sub-Committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
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- Public transport access can be gained to Brockington via the service runs approximately every 20 minutes from the City bus station at the Tesco store in Bewell Street (next to the roundabout junction of Blueschool Street / Victoria Street / Edgar Street).
- The nearest bus stop to Brockington is located in Vineyard Road near to its junction with Old Eign Hill. The return journey can be made from the same bus stop.

HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

FIRE AND EMERGENCY EVACUATION PROCEDURE

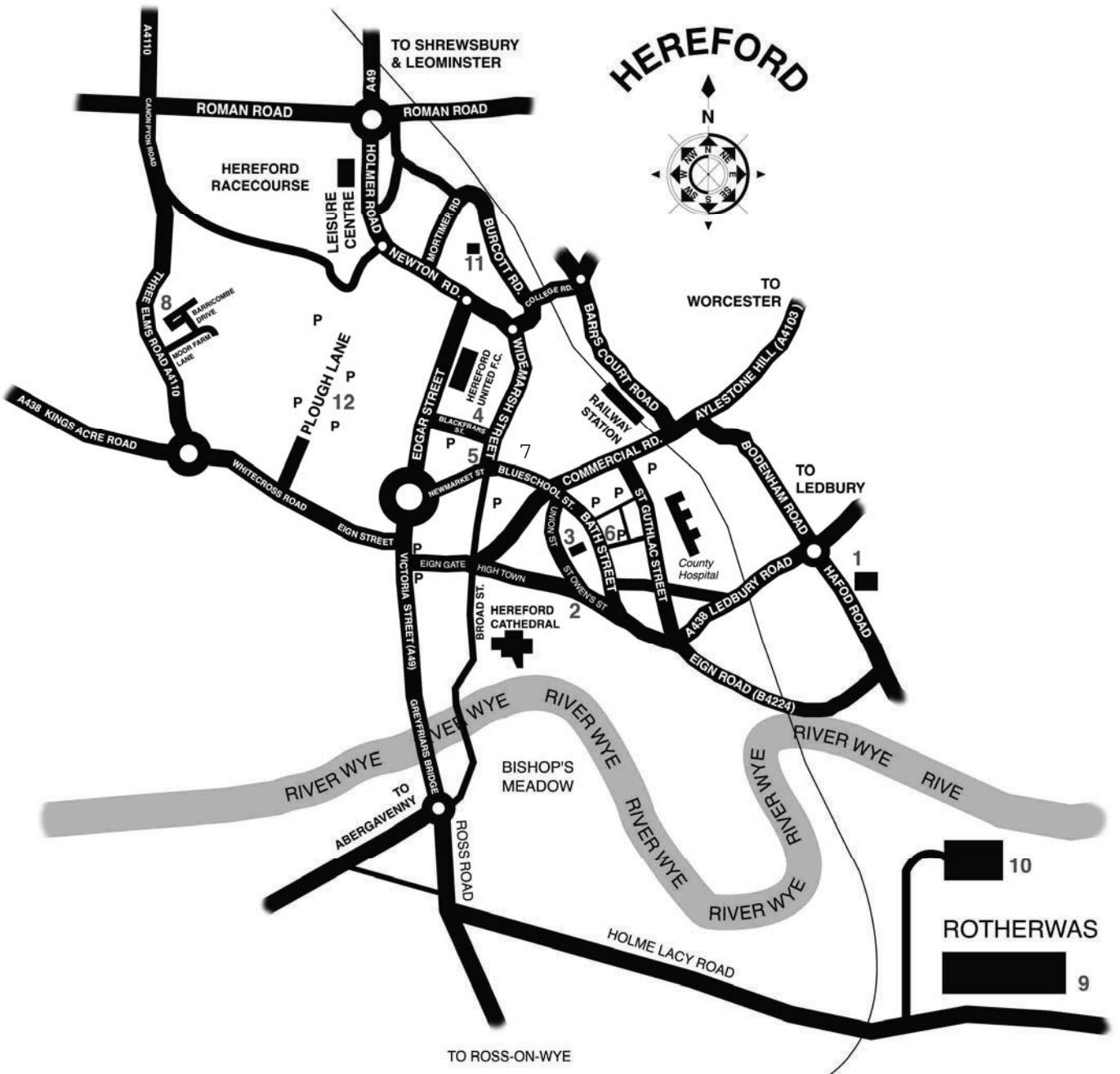
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Do not delay your vacation of the building by stopping or returning to collect coats or other personal belongings.



- | | | | |
|---|--------------------------|----|-----------------------------|
| 1 | Brockington | 7 | Blueschool House (Planning) |
| 2 | Town Hall | 8 | Trinity House |
| 3 | Shire Hall | 9 | Thorn Office Centre (ICT) |
| 4 | Blackfriars (inc. Legal) | 10 | Amey |
| 5 | Garrick House | 11 | Merchant House |
| 6 | Bath Street | 12 | Plough Lane |

HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Council held at Council Chamber - Brockington on Friday 17 January 2014 at 10.00 am

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

Councillors: AM Atkinson, CNH Attwood, CM Bartrum, PL Bettington, AJM Blackshaw, WLS Bowen, H Bramer, EMK Chave, MJK Cooper, PGH Cutter, BA Durkin, PJ Edwards, KS Guthrie, J Hardwick, EPJ Harvey, JW Hope MBE, MAF Hubbard, JA Hyde, TM James, JG Jarvis, AW Johnson, JLV Kenyon, JG Lester, MD Lloyd-Hayes, RI Matthews, RL Mayo, PJ McCaull, SM Michael, JW Millar, PM Morgan, NP Nenadich, C Nicholls, FM Norman, J Norris, CA North, RJ Phillips, GJ Powell, AJW Powers, R Preece, PD Price, SJ Robertson, P Rone, A Seldon, P Sinclair-Knipe, GR Swinford, DC Taylor and DB Wilcox

49. PRAYERS

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

50. APOLOGIES FOR ABSENCE

Apologies were received from Councillors PA Andrews, AN Bridges, DW Greenow, Brig P Jones CBE, JF Knipe, J Stone, GA Vaughan-Powell and PJ Watts.

51. DECLARATIONS OF INTEREST

Councillor JG Jarvis declared a non-pecuniary interest in agenda item 12, General Overview and Scrutiny Committee Task and Finish Group Report – Hereford & Worcestershire Fire and Rescue Authority (FRA) Consultation response. As ward Member for Whitchurch he had been actively involved in the Parish Council’s response to the consultation document.

52. MINUTES

The Minutes of the meeting held on 18 October 2013 were approved.

53. CHAIRMAN'S ANNOUNCEMENTS

In the Chairman’s announcements, the Chairman:

- Welcomed two new Members to Council. Councillor Cath North, Tupsley Ward and Councillor Jon Norris, Pontrilas Ward.
- Reported that the Vice Chairman of the Council had officially opened the new Greenway Bridge in mid December.
- Announced that the launch of the 2014 Diamond County Awards would take place the following week, and that there would be an additional award for ‘Outstanding Apprentice’, the winner of which would receive a cash prize of £750 to help their career.
- Reported that the Princess Royal visited the new Livestock market on 15 January, where she met with dignitaries, staff and other representatives. At the conclusion of her visit she unveiled a plaque to officially open the market.
- Announced that the Vice Chairman had attended the Road Peace Service at Hereford Cathedral, a very moving service of remembrance for the victims and families of those who had lost loved ones in accidents on Herefordshire’s roads.

- Congratulated the Children’s Wellbeing Directorate in meeting the Government’s “Action Plan for Adoption” targets for 2010-13. Herefordshire Council was one of only 36 local authorities to have met these targets..

54. QUESTIONS FROM MEMBERS OF THE PUBLIC

A copy of the Public Questions and written answers is attached to the Minutes at Appendix 1. There were no supplementary questions asked.

55. NOTICES OF MOTION UNDER STANDING ORDERS

There were two Notices of Motion for consideration by Council. The Chairman proposed that the second Motion be taken first. This was agreed unanimously.

Proposed by Councillor PM Morgan and Seconded by Councillor ARC Chappell.

This Council resolves to amend the Constitution, with immediate effect, so that a named vote at Council will only be required if eight or more members present so request it.

The Cabinet Member, Health and Wellbeing said that she had proposed this motion as she was responding to concerns from members that the named vote system was proving unwieldy. Accountability could still be achieved either by a specified number of members requesting a named vote and/or an individual member requesting that their vote be recorded. The Vice Chairman added that he could think of no other local authority that had a named vote system of this nature.

- In the ensuing debate a number of members expressed the view that the Council needed to be seen to be democratic, and as a result it was important to know who had voted for items on the Agenda at meetings.

Councillor TM James proposed an amendment that ‘a named vote at Council will only be required if five or more members present so request it’. The amendment was not moved.

After further discussion, the Motion was carried.

For the motion 38		Against: 10	Abstained:1
CNH Attwood	JLV Kenyon	AM Atkinson	EMK Chave
CM Bartrum	JG Lester	EPJ Harvey	
LO Barnett	RI Matthews	MAF Hubbard	
PL Bettington	RL Mayo	MD Lloyd-Hayes	
AJM Blackshaw	PJ McCaull	SM Michael	
WLS Bowen	JW Millar	FM Norman	
H Bramer	PM Morgan	J Norris	
ACR Chappell	NP Nenadich	GJ Powell	
MJK Cooper	C Nicholls	AJW Powers	
PGH Cutter	CA North	A Seldon	
BA Durkin	RJ Phillips		
PJ Edwards	R Preece		
KS Guthrie	PD Price		
J Hardwick	SJ Robertson		
JW Hope MBE	P Rone		
JA Hyde	P Sinclair-Knipe		
TM James	GR Swinford		
JG Jarvis	DC Taylor		
AW Johnson	DB Wilcox		

RESOLVED: That with immediate effect, the Constitution be amended so that a named vote at Council would only be required if 8 or more members present so requested it.

Proposed by Councillor BA Durkin and seconded by Councillor NP Nenadich.

This Council welcomes the Government's intention to introduce a national funding formula for schools from 2015-16.

Herefordshire funding is £244.10 per pupil below the national average despite the additional costs we face in maintaining a network of small schools to support our rural communities.

We are anxious to see greater fairness and consistency in the way schools and academies are funded and support the approach taken by the Cabinet Member for Children's Wellbeing, working with local authority colleagues through the f40 group, in seeking a national funding formula as the way to achieve this.

We believe that the funding formula should:

- **Have at its core a basic unit of funding per pupil that is based on a clear expectation of what schools are expected to deliver.**
- **Allow a degree of local discretion to cover those local circumstances that a formula covering more than 24,000 schools cannot be expected to embrace.**
- **Include support for rural primary schools through a lump sum and a an allowance for 'sparsity'.**

We join with the Cabinet Member for Children's Wellbeing in urging the Government to work closely with local authorities, and the f40 group in particular, in developing an appropriate funding model for schools.

We acknowledge that a redistribution of the budget for schools will need to be implemented over time in order for the change to be manageable for those areas where funding is currently more generous.

Councillor B Durkin said that whilst schools in the county performed well, they should be provided with realistic budgets that would allow them to focus on teaching.

Councillor NP Nenadich added that whilst funding for schools was below the national average, Herefordshire operated in a global economy and the business development of the county should be considered as paramount. The presence of an able and capable young workforce would be important in attracting businesses into the business development zone.

RESOLVED: That the Motion be unanimously agreed.

56. LEADER'S REPORT

The Leader of the Council, Councillor AW Johnson, presented the report on the activities of Cabinet since the meeting of Council on 18 October 2013. The Leader highlighted the following issues in his report:

- That he had met with the Minister in December to discuss issues regarding the Waste contract. DEFRA officials met with a joint Herefordshire/Worcestershire team to resolve final details and joint and separate meetings of the two councils' Cabinets were held in early December. Agreement with DEFRA was reached on 20th December. Alternative solutions had been considered and rejected in favour

of one with the necessary conditions in place including control of a site, planning permission, proven technology and finance.

During the subsequent debate the following issues were raised:

- That when the waste contract with Worcestershire expired in 2023, it was the Leaders understanding that it would be at the behest of the council to decide how it wanted to continue with the site, and to look at whatever technologies were available at that time and decide on the most appropriate way forward. In answer to a further question, he went on to say that he would check what the possible area of vulnerability were for the council at the end of the contract period;
- That consideration would be given to the possibility of revitalising the Rural Members Forum;
- That members would be contacted to ensure their involvement in the actions contained within the Town Centres Motion passed by Council in July 2012.
- That, as the consultation to raise Council Tax above 1.9% had been county wide and not limited to a specific local issue, the response rate had been appropriate.
- Whether the state of the highways drainage system should be carefully considered;
- That a list of the organisations to be involved in the Summit Meeting to encourage economic growth in the county would be circulated to Members;
- That no action had been taken to move forward the Retail Impact Study motion passed at Council in July 2012. Co-ordinated assessment was needed of the impact on the historic core of the city of the Old Cattle Market development. The Leader undertook to discuss the matter further with the Chief Finance Officer;
- The Leader reassured Council that whilst the Cabinet Members were subjected to a high workload, this was a reflection of the period of transition that the council was going through, and if the quality of work from Cabinet suffered as a result, he would ensure that changes were made;
- That a meeting between the Leader and the Chairmen of the General Scrutiny and the Health and Social Care Committees would be held in order to establish how the Executive could work most effectively with Scrutiny;

RESOLVED: That the report be noted.

57. APPOINTMENT OF MONITORING OFFICER, RETURNING OFFICER, ELECTORAL REGISTRATION OFFICER, STATUTORY SCRUTINY OFFICER AND PROPER OFFICER FOR REGISTRATION SERVICES

((Mr A Neill, Chief Executive, Mr G Hughes, Director for Economy, Communities and Corporate and Mr B Norman, Solicitor to the Council, left the meeting for this item).

Council received a report to designate specific posts to discharge the functions of Monitoring Officer, Returning (and Acting Returning) Officer, Electoral Registration Officer, statutory Scrutiny Officer and Proper Officer for Registration Services (including responsibility for the Coroners Service).

RESOLVED:

THAT with immediate effect:

- (a) the Solicitor to the Council be designated Monitoring Officer;
- (b) the Chief Executive be designated Returning Officer (Acting Returning Officer in respect of European elections) and Electoral Registration Officer;
- (c) the Director for Economy, Communities & Corporate be designated Scrutiny Officer; and
- (d) the Solicitor to the Council be designated Proper Officer for Registration Services (including responsibility for the Coroners Service).

58. APPOINTMENTS TO COUNCIL COMMITTEES

Council received a report on appointments to council committees. The Solicitor to the Council reported that, in light of changes to the political balance to the Council following by-elections, it was necessary to change the composition of the committees in order to reflect the proportionality of the council. During the ensuing debate, the following points were made:

- that it would be preferable to use Table 1 in the appendix, which increased the size of the committee. The cost difference would be miniscule between the two options, and the public would be better served by this option, which would be more democratic and accountable.
- local members had a heavy workload, and increasing the size of the committee would help to share that load.
- that this was a particular issue for the Planning Committee, where the numbers of Members eligible to vote on a particular issue was reduced if there were more than one local Member present to address an issue whilst at the same time serving on the Committee.
- that the position of the It's Our County! group had not changed, and had always been in favour of rounding up the number of members serving on committees.
- That whilst there was concern across most committees regarding attendance, it was the job of the Chairman to ensure that committee members were actively involved in the work of a given committee.

The resolution that the 'size of ordinary committees and the allocation of seats on those committees to political groups be increased as shown at table 1 in appendix 1' was put to the vote and carried by 25 in favour to 21 against. Resolutions (b), (c) and (d) below were carried with no member voting against.

RESOLVED:

That:

- (a) the size of ordinary committees and the allocation of seats on those committees to political groups be increased as shown at Table 1 in appendix 1;
- (b) the political groups provide names of Members to the Solicitor to the Council to fill their respective increased allocations of seats;
- (c) should the membership of committees at appendix 2 result in any vacancies the appointments of Chairmen and Vice-Chairmen be confirmed in accordance with appendix 2; and

- (d) **the partial suspension of the rules of proportionality, in respect of the Regulatory Sub-Committee, the River Lugg Internal Drainage Board and the Wye Valley AONB Joint Advisory Committee, remain in place.**

59. REVISION TO THE CURRENT COUNCIL TAX REDUCTION SCHEME

Council received a report on amendments to the Council Tax Reduction Scheme as recommended by the Cabinet Member.

The Leader said that the rationale behind the decision to amend the scheme was that where appropriate, those who were able to make a contribution to Council Tax should do so. There was a hardship fund in place to ensure that those who were not in a position to pay would not be penalised. He pointed out that neighbouring councils had brought in a figure of 20% for those currently receiving support, rather than the 16% proposed by the council. During the ensuing discussion, the following points were raised:

- That residents in South Wye lived in one of the twenty five most deprived areas in England, and were still adjusting to the impact that the 'Bedroom Tax' had as a result of the changes in housing benefit rules by central government. They would need time to readjust, possibly into smaller accommodation, before being asked to pay additional costs through Council Tax.
- That the benefits of such a policy would be far outweighed by the damage that would be done to households on low incomes.
- The amendments would not be cost effective in the long run as additional charges of this nature on those least able to pay would mean that the collection rates for Council Tax would drop, and that there would be a rise in court cases for collection, with all that the costs that this would entail for the council.
- That consideration be given to admitting that the attainability of a balanced budget was less likely. Council could give consideration to a rise in council tax in order to protect the most vulnerable within the community.

In reply to a comment, the Cabinet Member (Health and Wellbeing) said that there were no further savings to be had in the Adult Social Care budget for the year. He had explained to service users that the council was no longer in a position to be able to provide care to all those who had received it, as some users would no longer be eligible for the level of care that they had received.

- That an additional five thousand people in the county had been asked to pay Council Tax in 2013, and the default rate had not increased. Should this measure not be taken, the necessary £400k to balance it would have to be found elsewhere in the budget.
- That there would be funds available to support the most vulnerable, as they would be available to apply to the hardship fund.
- That secure continuity of the tax base was required in order to provide services for the residents of the county, and especially for those who needed care and support.
- That this was a decision for one year only in the first instance, and Council would be in a position to reverse it for the financial year 2015-16.
- Concern was expressed that the figures for the hardship fund were not available for members as part of the report, as many members did not feel that they had all the information required to allow them to vote on the recommendations.

After further discussion, the Leader said that whilst recommendation (b) in the report before Council did not have to be agreed at this meeting, Recommendations (a) and (c) would have to be agreed by the end of January.

Councillor A Seldon proposed that the item be deferred to a future meeting of Council, to allow officers time to provide the relevant information. The proposal was seconded by Councillor JLV Kenyon, who asked how well the fund was publicised as he had been unaware of it and would like to be in a position to tell the public in his ward of its existence. It was resolved unanimously that resolution (b) 'Agreement is given to further phased reductions, in support in the following two financial years, 76% from 1st April 2015 and 70% from 1st April 2016' should be deferred to a future meeting.

It was proposed that there should be a named vote on resolution (a) 'the minimum support rate for those working age applicants who currently receive 91.5% council tax support is reduced to 84% from 1st April 2014. Claimants having a maximum liability of 16% of council tax'. The resolution was put to the vote and was passed on the Chairman's casting vote.

For: 23

Against: 23

LO Barnett	AW Johnson	CM Bartrum	PJ McCaull
AM Atkinson	JG Lester	WLS Bowen	SM Michael
PL Bettington	RL Mayo	ACR Chappell	C Nicholls
AJM Blackshaw	JW Millar	EMK Chave	CA North
H Bramer	PM Morgan	PJ Edwards	FM Norman
MJK Cooper	NP Nenadich	J Hardwick	J Norris
PGH Cutter	GJ Powell	EPJ Harvey	AJW Powers
BA Durkin	PD Price	MAF Hubbard	R Preece
KS Guthrie	P Rone	TM James	SJ Robertson
JW Hope MBE	P Sinclair-Knipe	JLV Kenyon	A Seldon
JA Hyde	DB Wilcox	MD Lloyd-Hayes	GR Swinford
JG Jarvis		RI Matthews	

It was proposed that the resolution 'Further changes to the scheme are approved which caps the council tax reduction to a level of Band D for working age claimants' should be put to the vote. It was passed with 25 for, 4 against and 14 abstentions.

RESOLVED:

THAT:

- (a) The minimum support rate for those working age applicants who currently receive 91.5% council tax support is reduced to 84% from 1st April 2014. Claimants having a maximum liability of 16% of council tax;**
- (b) Further changes to the scheme are approved which caps the council tax reduction to a level of Band D for working age claimants.**

60. GENERAL OVERVIEW AND SCRUTINY COMMITTEE TASK AND FINISH GROUP REPORT - HEREFORD AND WORCESTER FIRE AND RESCUE AUTHORITY CONSULTATION RESPONSE

Councillor A Seldon, as Chairman of the General Overview & Scrutiny Committee, presented a report on the Hereford & Worcester Fire and Rescue Authority (FRA) Consultation Response. In the ensuing discussion, the following points were made:

- That the report was one sided, and lacked authoritative opposing and contrary views, and no opposing evidence appeared to have been read.
- That the recommendations were contrary to the FRA's draft Risk Management Plan.
- A member reported that ten parishes in the Whitchurch area had met on six occasions to discuss the options in the consultation. They had also met with the Chief Fire Officer and had submitted a report to the consultation process.
- That an additional recommendation had also been made which had not been included in the Task and Finish Group which expressed concern over whether there would be sufficient cover in Ledbury with only one pump as, at the moment, the second pump was frequently called away to deal with motorway incidents.

RESOLVED: That the report be noted

61. 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 is attached to the Minutes at Appendix 2.

The meeting ended at 1.12 pm

CHAIRMAN

PUBLIC QUESTIONS TO COUNCIL – 17 JANUARY 2014

Question from Mr P McKay, Leominster

Question 1

Reported in Hereford Times on 13 November 2013 is fact that back in 2009 a review of the backlog of Definitive Map modification orders advised the cost as £200,000 per year plus £300,000 per year for factors like legal support, whereas I am advised in reply to question 19 July 2013 that the Local Street Gazetteer will be online in coming months, this data comprising roads, both adopted and unadopted highways, cycleways and paths, not all of which are dual recorded on the Definitive Map, and by Grant Thornton, your auditor, that it only costs about £10,000 per year to maintain this data. Whilst the volume of work covered by these reports may not be identical I think it fair to conclude that the cost of maintaining the Definitive Map is significantly more than maintaining the Local Street Gazetteer, with the main reason for this being that the Definitive Map is a legally conclusive document subject of more stringent procedures. Yet when I ask for copies of the "Protocol for Processing Requests for Determination of Highway Status", the title given to the procedure for modifying the Local Street Gazetteer, it is not available, with only procedures for modifying the Definitive Map being available.

So may I ask when the "Protocol for Processing Requests for Determination of Highway Status" can be expected to be made available enabling errors and omissions to be reported maximising the most cost efficient procures, and keeping dual recording to the minimum ?

Answer from Councillor PD Price Cabinet Member Infrastructure

Answer to question 1

Herefordshire Council is currently finalising a draft protocol for processing requests for Determination of Highway Status and it is anticipated that the draft will be available for consultation in March 2014. Mr Mackay and other interested individuals and organisations will be able to comment on it at that time. Once adopted following consultation the protocol will be published on the Council's website.

Question from Mr V Wegg-Prosser, Breinton

Question 2

Herefordshire Council Local Plan / Core Strategy

In the light of recent Transport Modelling for the Core Strategy which indicates that the County's Local Transport Plan objectives have a greater chance of being met without a Western Relief Road, when will the Council abandon its endorsement of this proposal?

The results reported in the Summary Report include:

- *Up to 69% increases in journey times through the urban area*
- *Up to 58% increases in CO2 emissions*
- *Up to 38% increase in junctions above capacity*
- *Up to 27% increase in traffic crossing the river*
- *Modal shift of only 5 percentage points away from car use in 20 years*

https://www.herefordshire.gov.uk/media/7020236/summary_report_of_core_strategy_modelling.pdf

PUBLIC QUESTIONS TO COUNCIL – 17 JANUARY 2014

Answer from Councillor PD Price Cabinet Member Infrastructure

Answer to question 2

The council will not be abandoning proposals for a Western Relief Road for Hereford.

The purpose of the modelling was to confirm that there was a need for a western relief road for the city if we are to deliver the growth ambitions contained in the Core Strategy. The modelling showed that journey times using the old and new routes of the A49 would nearly halve with the delivery of a Western Relief Road – a reduction of 43% in the morning peak and 48% in the evening. Such a reduction would make a significant contribution to economic growth. The summary report makes a clear statement that these initial results demonstrate that the ‘with road’ option is the only option which can help deliver the Core Strategy and meet capacity and technical requirements.

In the light of these results the council now has the support of the Highways Agency for the delivery of a transport strategy for the city which includes a Western relief road. JMP Consultants have been commissioned to refine our transport strategy so that it delivers improved outcomes against the metrics set out above. The work to refine the strategy, undertake further modelling and appraisal is ongoing and a final report will be made available when the work is completed.

MEMBER QUESTIONS TO COUNCIL – 17 JANUARY 2014

Question from Councillor N Nenadich

NATIONAL HUNT RACING

1. *Is there any realistic development in the negotiation with ARC Northern Racing that will see National Hunt Racing return to Hereford in the foreseeable future?*

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 1

ARC Northern Racing has not advised us that there is any immediate prospect that National Hunt Racing will return to Hereford in the foreseeable future.

Supplementary Question

Have ARC Northern Racing intimated that they might give up their lease entitlement?

Cabinet Member response

ARC Northern Racing have not intimated that they might give up their lease entitlement.

Question from Councillor AJW Powers

HOME FARM, BELMONT

2. *Whilst I am delighted that the Home Farm, Belmont Planning Appeal has been dismissed, will the Cabinet Member responsible please comment on the Inspector's judgment in the Appeal Decision published on 10 January in which, contrary to the Council's assertion that "6.9 years HLS (Housing Land Supply) exists" (Appeal Decision Para.20), he concluded that "the Council is unable to demonstrate five years HLS against the emerging CS (Core Strategy) housing requirement" (Para.22)?*

Answer from Councillor PD Price Cabinet Member Infrastructure

Answer to question 2

It is pleasing to note that the planning appeal at Home Farm, Belmont has been dismissed, demonstrating that a temporary absence of a current 5 year land supply does not of itself leave the county open to unrestrained development.

The Inspector's judgement does reinforce the importance of adopting the Local Development Framework as swiftly as possible.



MEETING:	COUNCIL
MEETING DATE:	7 FEBRUARY 2014
TITLE OF REPORT:	QUESTIONS FROM MEMBERS OF THE PUBLIC
REPORT BY:	GOVERNANCE MANAGER

1. Classification

Open

2. Purpose

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

3. Introduction and Background

- 3.1 Members of the public may ask one question of a Cabinet Member or Committee or other Chairmen at any meeting of Council, subject to the exceptions in the paragraph below. Written answers will be circulated to Members, the press and public prior to the start of the Council meeting. Questions subject to a Freedom of Information request will be dealt with under that separate process.
- 3.2 No questions from the public will be considered at the Annual Meeting of Council which Council has agreed will concentrate on the civic and ceremonial role of the Annual Council meeting. No questions from the public will be considered at the Budget (February) meeting of Council except on those items listed on the agenda.
- 3.3 Standing Order 4.1.14.4 of the Constitution states that: a question may only be asked if notice has been given by delivering it in writing or by electronic mail to the Monitoring Officer no later than midday eight clear working days before the day of the meeting (ie the Monday of the week preceding the Council meeting where that meeting is on a Friday). Each question must give the name and address of the questioner and must name the person to whom it is to be put.
- 3.4 A questioner who has submitted a written question may also put **one** brief supplementary question without notice to the person (if s/he is present at the meeting) who has replied to his or her original question. A supplementary question must arise directly out of the original request or reply. The Chairman may reject a supplementary question on any of the grounds for rejecting written questions (as set out in paragraph 3.5 below), or if the question is too lengthy, is in multiple parts or takes the form of a speech. In any event, any person asking a supplementary question will be permitted only **1 minute** to do so.

Further information on the subject of this Report is available from
Governance Services on Tel (01432) 260249

3.5 A question may be rejected if it:

- Is not about a matter for which the Council has a responsibility or which affects the County or a part of it;
- Is illegal, scurrilous, defamatory, frivolous or offensive or otherwise out of order;
- Is substantially the same as or similar to a question which has been put at a meeting of the Council in the past six months or relates to the same subject matter or the answer to the question will be substantially the same as the previous answer;
- Requires the disclosure of confidential or exempt information;
- Relates to a planning or licensing application;
- Relates to an employment matter that should more properly be dealt with through the Council's human resources processes.

3.6 There will be a time limit of a maximum of 30 minutes for public questions and of 30 minutes for Members' questions. There will normally be no extension of time, unless the Chairman decides that there are reasonable grounds to allow such an extension, and questions not dealt with in this time will be dealt with by written response. The Chairman will decide the time allocated to each question.

4. Questions

4.1 Five questions have been received and accepted by the deadline and are attached at Appendix 1.

PUBLIC QUESTIONS TO COUNCIL – 7 FEBRUARY 2014

Question from Miss R Stanier, Hereford

Question 1

Financing of Proposed Energy-from-Waste Facility at Hartlebury

I gather that it is proposed to borrow 40 million pounds to finance an energy-from-waste incinerator at Hartlebury.

Please let me know how the public will be able to track the actual cost of the incinerator during both the construction and usage phases. Could you let me know which headings to look for in the council budget and accounts, please? The arguments for the energy-from-waste incinerator are based on value for money, so it is necessary to see clearly how this is achieved.

I tried to comment using your on-line budget consultation, but I could not find any reference to the Energy from Waste project under either Public Health or Finance.

Question from Mrs E Jones, Herefordshire

Question 2

Medium Term Financial Strategy

Herefordshire Council plan to allocate £40million towards the planned incinerator in Worcestershire. To ensure that this can be considered value for money, how does HC plan to mitigate for the various negative impacts? Some of these are changes in legislation which may happen in the very near future. Others are outlined in the Business Case Lite 2009 such as the 'inability to import waste from outside of the two counties', 'mass burn efw technology becoming outdated and deemed redundant as a means of ensuring sustainable waste management for public authorities', site specific costs which it is stated could add considerably to the overall costs, foreign exchange rates etc.'

Question from Ms L Brookes, Herefordshire

Question 3

Incinerator/recycling costs

Herefordshire's Mid Term Financial Strategy is about to commit an extra £1.5 million pounds from other budgets to help finance an incinerator, yet 68% of waste is organic and can be treated for between £27 to £80 per tonne. Recycling can pay £26 per tonne and much more waste can be recycled, so is the Council convinced that paying £123 per tonne to burn waste, and increasing Herefords share of costs is good value for money and if so why?

PUBLIC QUESTIONS TO COUNCIL – 7 FEBRUARY 2014

Question from Mr S Tranter, Herefordshire

Question 4

Finance

y questions relates to the Medium Term Financial Strategy, regarding the extra monies that will be required to finance the incinerator in Hartlebury, to be paid for by Prudential Borrowing till 2042.

On the assumption that the Cabinet made themselves aware of the KPMG report written for Hereford's Overview and Scrutiny Committee, and of any limitations of the Deloitte financial document put before the Joint Cabinet on the 12th December 2013, for example "We do not take responsibility for the Mercia's financial models and have not audited or otherwise verified them." I ask: Why are you prepared to take the risk of being tied into Prudential Borrowing with Worcestershire till 2042 with the associated risk that this will have to be shown on your balance sheet and could easily create problems with raising funds for more pressing services?

Question from Mr R Wilden, Herefordshire

Question 5

What assurance has Herefordshire Council received from Worcestershire County Council regarding Herefordshire's ability to opt-out of the waste contract in 2023?



MEETING:	COUNCIL
MEETING DATE:	7 FEBRUARY 2014
TITLE OF REPORT:	BUDGET 2014/15 AND MEDIUM TERM FINANCIAL STRATEGY
REPORT BY:	LEADER OF THE COUNCIL

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To approve the medium term financial strategy for 2014/15 to 2016/17, the 2014/15 revenue budget, capital programme and Treasury Management Strategy.

Recommendation(s)

THAT:

- (a) the revenue budget 2014/15 set out in Appendix 1 be approved;**
- (b) a council tax increase of 1.9% equating to a band D council tax of £1,251.32 be approved on the assumption that no referendum is required and therefore rejecting the 2014/15 council tax freeze grant;**
- (c) the medium term financial strategy for 2014/15 to 2016/17, including the capital programme shown in Appendix 3 be approved; and**
- (d) the Treasury Management Strategy for 2014/15 attached as Appendix 4 be approved.**

Alternative Options

- 1 It is open to Council to amend the proposals; however, any amendments to increase expenditure in one area must be accompanied by deliverable and compensating savings elsewhere to ensure the budget is balanced.

Reasons for Recommendations

- 2 The council has a legal obligation to set a balanced budget.

Key Considerations

3 Summary

- The budget proposals (appendix 1) will mean a band D council tax of £1,251.32, a below inflation increase of 1.9% and below that required for a referendum
- The council's draft medium-term financial strategy is attached as Appendix 3. As a result of reduced funding from central government, compounded by increasing costs and demands for services, Herefordshire Council will need to save £33m by 2016/17.
- In order to achieve this target the council must make savings of £15.4m in 2014/15. This is in addition to the £34m savings required in the previous three financial years.
- The 2014/15 proposed capital programme, included in Section 4.13 of the medium term financial strategy totals £85.3m and is funded by borrowing (£57.2m), grants (£24.9m) and the capital receipts reserve (£3.2m).
- The proposed Treasury Management Strategy is attached as Appendix 4

4 Pensions

- 4.1 The pension fund's actuaries have undertaken their triennial review of the pension fund assets and liabilities and revised the contribution rates required to bring the fund into balance over a period of 21 years. The financial implications are included in the council's medium term financial plan.
- 4.2 The estimated deficit on the fund for Herefordshire is £138m, against a required balance to pay future liabilities of £394m. This proportionate level of deficit is normal for Local Authority pension funds and relates to falling returns on investments and employees living significantly longer than anticipated when the scheme was initially set-up. We have agreed with the actuary that in order to recover the deficit over 21 years that the employer's deficit contribution increases from £4.5m in 2014/15 to £7.6m by 2016/17 (£4.2m in 2013/14). The actuary has also requested that the element of the employer's contribution related to clearing the deficit is paid as an annual cash sum. This amount will be reflected in a percentage charge still but it will be recognised as a fixed cost rather than a variable one based on staff numbers employed.
- 4.3 The actuary has confirmed that the future employers service contribution rate, which is paid as a percentage of current employees' gross pay, is to increase from 11.7% to 14.6%. We have agreed with the actuary to phase this in by paying 12.2% in 2014/15 and 14.6% from 2015/16. This equates to an increase from £4.2m per annum in 2013/14 to £4.6m in 2014/15 and £5.5m per annum thereafter based on current employee numbers.

5 Waste Disposal Contract

- 5.1 Cabinet have agreed to conclude a variation to the Waste Disposal contract within the

parameters defined in the Cabinet report dated 12th December 2013. For 2014/15 the waste disposal revenue budget has been increased by £400k to reflect this approval. This is a saving of £100k from the previous revenue budget increase included in Appendix B of the Medium Term Financial Strategy (MTFS) approved by Full Council on the 18th February 2013.

- 5.2 The capital budget implications of this decision are covered in paragraph 18.3 below and the borrowing requirements have been included in the Treasury Management Strategy. Borrowing to fund this variation will result in a surplus being generated on the loan provided. An element of this surplus will be used to improve the affordability of the variation and the remainder will be set aside to the waste disposal reserve. Contract negotiations will continue until financial close, expected in March 2014, and continued professional industry advice is being obtained to ensure the council takes all precautions to mitigate all financial risks that this variation may pose.

6 Savings

- 6.1 A budget gap of £33m has been estimated in the medium-term financial plan. However, there is further work to do to ensure there is allowance in the budget for slippage, changes arising out of the Local Government Settlement and other potential changes in assumptions. Directors have been tasked with identifying further savings.

- 6.2 Proposed savings for 2014/15 to 2016/17 are as follows;

	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Childrens Wellbeing	2,500	1,632	2,236	6,368
Adult Wellbeing	5,490	3,435	3,146	12,071
Economy, Communities & Corporate and Organisational Development	7,407	3,602	4,269	15,278
Savings Identified	15,397	8,669	9,651	33,717

- 6.3 In 2014/15 over £10m of the savings, approximately 65%, relate to efficiency savings.
- 6.4 The council will also receive a £7.9m ring-fenced grant from the Department of Health for Public Health responsibilities as set out in the Health and Social Care Act 2012. This grant comes with a set of conditions for its use. The Director of Public Health works collaboratively within the council to maximise use of the grant for demand management on other services, enabling them to make further efficiencies.

7 Revenue Budget

The recommended budget position is as follows:

	£000
Directorate budgets	128,431
Capital Financing – principal/debt repayment	10,196
Capital Financing – interest	5,929
Managing change	2,000
Central Government grants	(5,064)
Other centrally held budgets	1,384
Repayment of 13/14 overspend/top-up reserves	3,580
Net revenue budget requirement	146,456

Funding for the budget will be:	£000
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Revenue support grant	35,803
Council tax	81,263
Retained business rates	22,704
Business Rates top-up from central government	6,686
	146,456

- 8 A summary of the budget proposal is attached as Appendix 1.
- 9 In the 2013 spending round the Government announced funding will be made available to support local authorities that choose to freeze their council tax in 2014/15 and 2015/16. Authorities that freeze or reduce their band D council tax will receive a grant equivalent to a 1% increase on 2013/14 Band D council levels for 2014/15 and 2015/16. A 1% increase for Herefordshire equates to £0.8m. The budget proposal has assumed a council tax increase of 1.9% which equates to £1.5m and is below the anticipated threshold for a referendum of 2%.
- 10 The council tax collection fund is estimated to break-even at 31st March 2014. In terms of performance, the in-year collection rate is expected to be 98.5% in line with the target set, with a final collection rate over future years of 99.5%. For 2014/15 the assumed final collection rate has been reduced to 99% to take account of additional risks around the impact of welfare reforms, the council tax reduction scheme and the continuing effects of the economic downturn.
- 11 The business rates collection fund is also estimated to break-even for 2013/14, so there is no impact on the 2014/15 budget.
- 12 The provisional settlement for 2014/15 was announced on 18th December 2013. The settlement funding allocation is £64.9m but may change in the final settlement expected in early February 2014. This includes revenue support grant, estimated local rates and a business rates top-up. The provisional settlement confirms that Herefordshire will face another year of funding reductions with more than £6m being cut in 2014/15 and a further £9m in 2015/16. The position for Herefordshire is broadly in line with budget assumptions in the medium-term financial plan. However, additional funding for rural authorities of £9.5m has been included in the settlement which has given Herefordshire an extra £598k in 2014/15 and 2015/16.
- 13 The estimated amount of Dedicated School Grant for Herefordshire to be received in 2014/15 is anticipated to be £110.6m of which an estimated £34.5m will go directly to Academy schools and £76.1m through the council to county schools.
- 14 The government has announced the creation of a Better Care Fund (BCF) in 2015/16, in order to improve integration across health and social care. A key component of this will be funding (section 256) received from the Department of Health to support activities and programmes that are jointly agreed with the Clinical Commissioning Group (CCG) and have joint benefits. Confirmation of 2014/15 funding has not yet been received but is assumed to be approximately £3.7m with an additional amount of £0.6m subject to negotiation with the CCG. The allocation method for distribution of the BCF has yet to be confirmed but the government has confirmed a proportion of the funding will be performance based. The fund will also contain capital elements including the Disabled Facilities Grant and capital funding for adult social care (2013/14 values £0.7m and £0.5m respectively).

15 Reserves and Balances

The projected general fund working balance, based on the October forecast is as follows;

	£m
31 st March 2013	4.6
31 st March 2014	2.2
31 st March 2015	5.7

The proposed 2014/15 budget includes repayment of the potential overspend in 2013/14 plus an additional £1m contribution to reserves.

- 16 In addition the council has a number of revenue reserves which are earmarked for specific purposes; it should be noted that the council cannot use schools balances. Including these earmarked reserves total reserves are estimated as follows;

	General working balance £m	Earmarked reserves £m	Schools £m	Total £m
31 st March 2013	4.6	8.5	5.5	18.6
31 st March 2014	2.2	9.0	5.0	16.2
31 st March 2015	5.7	8.8	4.5	19.0

17 Medium Term Financial Strategy (MTFS)

- 17.1 The MTFS (Appendix 3) covers the period 2014/15 to 2016/17 and is designed to match available resources to corporate priorities, which are:

- To enable residents to be independent and lead healthy, fulfilling lives with resources focussed on supporting the most vulnerable and keeping children and young people safe and giving them a great start in life
- To engender a successful economy through investment in projects to improve roads, create jobs and build more homes

- 17.2 The strategy sets out the projected financial position for the council, the funding gap and the savings proposals to deliver a balanced budget.

18 Capital Programme

Capital scheme	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Capital Schemes approved in prior years	57,075	17,609	3,066	77,750
New Capital Schemes – all self funded / equivalent savings				
Energy from waste plant	11,000	14,000	15,000	40,000
Road infrastructure	15,000	5,000	-	20,000
Leisure Centres	2,000	3,300	3,370	8,670
Disabled Facilities Grants	200	-	-	200
Closed Landfill Sites	76	-	-	76
Total	85,351	39,909	21,436	146,696

Further detail is included in section 4.13 of the MTFS

- 18.1 The following additional capital schemes are proposed as part of the 2014/15 capital budget.
- (a) **Closed landfill sites** – This is for replacement boreholes at the Belmont site and improvements to the Leominster site, the total for both schemes being £76k with the cost of borrowing funded by a revenue budget contribution.
 - (b) **Disabled Facilities Grants (DFGs)** - The council has a statutory duty to provide DFGs and providing funding reduces the risk of the hospitalisation of vulnerable people, enabling them to remain in their own homes. The council receives grant funding from the Government, which used to require a match funding commitment and although this requirement has been removed the need exceeds current grant value by an estimated £200k. The cost of borrowing (£200k) will be funded by a revenue budget contribution.
- 18.2 The capital programme also includes an additional £20m (£15m in 2014/15 and £5m in 2015/16) to be spent on road improvements which will reduce the need to spend on road maintenance, this was approved by Cabinet on 25th July 2013. Spending will be funded by prudential borrowing, with the repayments funded by Local Transport Plan (LTP) capital grant and the commensurate savings in the roads revenue maintenance budget.
- 18.3 Approval of the proposed variation to the waste disposal contract will add up to £40m to the capital programme (exact value to be confirmed at financial close expected in March 2014) to support the capital cost of building the new Energy from Waste plant in Hartlebury. The cost of borrowing will be financed by the contractor Mercia via loan repayments as detailed in the Cabinet report approved on the 12th December 2013. The scheme is projected to save £32m over the life of the plant in comparison to continuing as is (sending residual waste to landfill) based on Net Present Values.
- 18.4 An allocation of £9m has been included as capital investment in the refurbishment and enhancement of council owned leisure centres. The investment is anticipated to increase usage of Herefordshire's leisure centres and thus income covering both the cost of borrowing and planned reductions in the leisure subsidy paid by the council built into the MTFs. The scheme was approved by Cabinet on 23 January 2014. The cost of borrowing will be financed by rental charges for the centres payable by the provider, currently Halo Leisure.

19 Treasury Management Strategy

- 19.1 The treasury management strategy, attached as Appendix 4, sets out the council's borrowing and investment strategy for 2014/15 and includes the prudential indicators for the budget proposals.
- 19.2 The strategy, based on the proposed capital programme, includes an estimated additional borrowing requirement of £57.2m for new capital spend in 2014/15.
- 19.3 The borrowing requirement has been calculated by reference to the projected balance sheet position which is set out below:

	2014/15	2015/16	2016/17
	£m	£m	£m
Borrowing Requirement b/fwd (excl. PFI contracts and long-term liabilities)	190.8	237.8	264.9
New borrowing	57.2	37.4	20.8
Less MRP (provision for principal repayment)	(10.2)	(10.3)	(10.7)
Borrowing Requirement cfwd	237.8	264.9	275.0
Less existing long-term loans	(132.5)	(124.3)	(117.2)
Less estimated revenue and capital reserves	(19.6)	(18.9)	(18.5)
Less capital receipts reserve from proposed asset sales (cumulative)		(20.0)	(40.0)
Additional Borrowing Requirement (excl. PFI contracts and other long-term liabilities)	85.7	101.7	99.3

- 19.4 It should be noted that the above projection includes a proposal to reduce borrowing through the sale of assets (realising total receipts of £60m or £20m per annum over the three years 2015/16 to 2017/18 inclusive).
- 19.5 The forecast is for interest rates to stay low for the foreseeable future. Therefore council strategy is to continue to use short-term loans, which are the cheapest source of finance available both in the short and over the medium/long term. Also, the anticipated sale of assets supports the policy of borrowing in the short-term rather than locking in loans in advance of receiving capital receipts.
- 19.6 By the end of 2014/15 short-term loans could reach a total of £85.7m. Of this amount £57.2m relates to the borrowing requirement for 2014/15 with the balance relating to prior years. The advice from our treasury management advisors is that this level of short-term borrowing, as a percentage of total debt, is in line with other local authorities. Interest rate projections are constantly monitored to ensure the strategy is in the long-term interests of the council. The prudential indicator for the upper limit for variable interest rate exposure is set at 45% of debt in the draft treasury management strategy.
- 19.7 The council is required to make an annual provision for the repayment of borrowing charged to its revenue account, £10.2m in 2014/15, referred to as the minimum revenue provision. Prudential borrowing is 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.

Consultation

19.8 Internal

- The budget proposals are considered to be deliverable by the Management Board
- The Chief Finance Officer held a cross party budget consultation event on 18th December 2013 which was the culmination of an engagement process undertaken with members through the autumn.
- The budget proposals were considered by General Overview and Scrutiny Committee on 13th January 2014 whose views informed Cabinet's decision on 23 January 2014

19.9 External

19.9.1 The council has consulted with the public on the proposed budget for 2014/15 and the financial plan 2014/15 to 2016/17. As a result of this consultation we propose to vary our proposals in the following ways:

- We do not propose to trigger a referendum by planning for a 5% rise in council tax.
- We have looked again at the budget for next year. If we did not increase the level of council tax by 1.9% we would have to find an additional £700,000 in savings, on top of the £15.4million we have already identified. Given both the demographic and inflationary pressures and very legitimate concerns raised in other parts of the consultation we will need to raise council tax by 1.9% this year.
- We will do everything we can to ensure that the vital 'market day' bus services in rural areas are protected.
- We agree with the comments that suggest we could further reduce our core and management costs by more outsourcing and by merging particular service areas with other councils or organisations. We will do as much of that as possible over the next three years.
- Working age people who qualify for council tax reduction will have to pay a bigger share of their bill themselves under our budget as a result of the consultation we will phase the increases over a period of three years.
- We will remove the discounts people receive on the council tax bills when their properties are empty. Where properties are empty for two years or more we will charge a premium. Long-term empty properties will be charged at 150% of the standard council tax rate.
- While we do need to change the way we work with voluntary and community groups, we agree with some of the concerns raised and recognise that this will take some time. We will be forced to continue to reduce the funding to library services from April 2015 but are not deciding to close any library. We will work even harder to facilitate the use of self service, online services, greater support from volunteers and user groups, opportunities for trading, and possibly local financial support.
- We believe we can support the voluntary sector in many different ways including the transfer of buildings and the provision of training and expert advice. We will

phase in funding reductions over the next three years to CAB and will work with them to see what other forms of support are available.

- We will continue to talk with local councils and community organisations to find opportunities to transfer appropriate buildings and pieces of land to communities.
- We have agreed with our partners in the Herefordshire Business Board to support them in holding an economic summit in Herefordshire. This will enable businesses to agree what they will do and what the council will do to deliver many new jobs to Herefordshire.
- We will continue the existing business engagement contract with Hereford and Worcester Chamber of Commerce but with a reduced level of funding.

Full details of the views put forward during the consultation and the response to those views is available at the following page on the council's website:

<https://www.herefordshire.gov.uk/budget2014>

19.9.2 A budget consultation meeting with parish council representatives was held on 5th December 2013.

Risk Assessment

19.10 The most substantial risks have been assessed in the budget process and reasonable mitigation has been made. Risks will be monitored through the year and reported to Cabinet as part of budget monitoring.

19.11 **Substantial Reductions to Directorate Budgets** - £15.4m of reductions have been identified within the draft budget proposals. These are in addition to the £34m savings in the previous three financial years, with savings also identified for 2015/16 and 2016/17 of £18.3m. Key risks for directorates are set out below;

Economy, Communities and Corporate

- The economic climate continues to have a direct impact on income (planning and parking fees). The budget reflects prudent assumptions around the continued impact of the economic situation.
- There is risk to the budget for the emergency costs in response to severe weather conditions, such as flooding or harsh winter conditions. Whilst DCLG assist in the funding of these costs through the Bellwin scheme, the council would have to fund the remainder within current budgets. £450k has been included in the financial plan to cover this cost.

19.12 **Adults Well-Being**

- Demographic pressures have been included within the draft budget proposals for expected growth, but pressures within health funding may result in added costs due to earlier hospital discharges.
- Re-commissioning of services is dependent upon successful contract negotiations and an appetite within the marketplace for change and the management of delivering to proposed timescales.

- Reviews of high cost packages run the risk of care packages also increasing in value as well as decreasing in value.
- Increased income expectations are at risk as if successful at preventative and redirection demand initiatives, then this may reduce the ability to increase income generation.

19.13 Childrens Well being

- Social work recruitment within Children's Services remains a risk and the use of agency staff has been profiled to reduce over the year. This national shortage is seen across the country. Work is progressing on a local social work academy to support a "Grow your Own" and "Progression" initiative in order to support a more sustainable workforce for the future.
- Foster carers may be required to look after children until the age of 21. The Government are currently looking at proposals to extend the current age with circa £40m being allocated across the country. However, there is an expected increase in foster carers within Herefordshire of circa 20-30 by 2017 in order to meet current demand.
- Children's placement budget has increased risks due to the transfer of responsibilities of court ordered placements to the local authority. The lack of local residential opportunities has lead to increased cost. Work is underway to look at early intervention work. In additional specialist foster carers are due to be recruited to support children with complex and challenging behaviours.
- Court costs are a risk due to an increase in care proceedings.

Statutory Statement by the Council's Chief Finance Officer

19.14 The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer must report on the:

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

19.15 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer 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.

19.16 The Chief Finance Officer 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.

Community Impact

- 20 The MTFS and budget demonstrate how the council is using its financial resources to deliver the priorities within the agreed corporate plan.

Equality and Human Rights

- 21 The impact of the main budget proposals in terms of equality issues has been assessed and are summarised in Appendix 2.
- 22 The possible cumulative impacts of budget reductions have been assessed and were included in the papers for the Cabinet meeting on 23 January available at the following webpage:

<http://councillors.herefordshire.gov.uk/ielListDocuments.aspx?CId=251&MId=5010&Ver=4>

Financial Implications

- 23 These are contained within the report.

Legal Implications

- 24 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.
- 25 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.
- 26 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.
- 27 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.

- 28 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 paragraph 23 of this report). 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.
- 29 Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with its obligations under the Equalities Act 2010 - the public sector equality duty (PSED). This duty imposes a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the PSED when taking any decisions on service changes. However, the courts also recognise that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government.
- 30 Where a decision is likely to result in detrimental impact on any group sharing a protected characteristic it must be justified objectively. This means that attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance this detrimental impact against the strength of legitimate public need to pursue the service remodelling to deliver savings. The more serious the residual detrimental impact, the greater the financial savings must be to justify the decision. The harm can only be justified if it is proportionate to the financial benefit and if there have been reasonable efforts to mitigate the harm.

Risk Management

- 31 As outlined within the report.

Consultees

- 32 Consultation has been carried out as outlined within the report. In addition the Health and Social Care Overview and Scrutiny Committee and the General Overview and Scrutiny Committee considered the proposals in this report on 13 January 2013. Their recommendations were considered by Cabinet on 23 January and the recommendations and response to those recommendations is shown at Appendix 6.

Appendices

Appendix 1 – Revenue Budget Summary 2014/15.

Appendix 2 – Savings Proposals 2014/15

Appendix 3 – Medium Term Financial Strategy

Appendix 4 – Treasury Management Strategy

Appendix 5 – Equality Impact of Budget Proposals

Appendix 6 – Overview & Scrutiny Committees' Recommendations and Cabinet's Response

Background Papers

None identified.

APPENDIX 1

Draft Revenue Budget Summary 2014/15

Directorate	Base Budget 2013/14 £000	Net changes £000	Draft Budget 2014/15 £000
Adults Wellbeing	53,873	1,060	54,933
Childrens Wellbeing	28,380	(1,879)	26,501
Economies, Communities, Corporate, Chief Executive and Organisational development	51,877	(4,880)	46,997
Total Directorates	134,130	(5,699)	128,431
Capital financing - principal/debt repayments			10,196
Capital financing - interest			5,929
Severence			2,000
Government grants			(5,064)
Other central budgets			1,384
Top-up reserves/repayment of overspend			3,580
Total net spend (Budget Requirement)			146,456
Financed by;			
Formula grant			35,803
Council tax			81,263
Retained business rates (NNDR)			22,704
Business rates top-up from central government			6,686
			146,456

REVENUE BUDGET 2014/15

ADULTS WELLBEING

Service	Base Budget 2013/14	Pensions and Inflation	Pressures	Savings	Other Adjusts	Budget 2014/15
	£000	£000	£000	£000	£000	£000
Adults Operations						
Locality Operations	2,128	42	0	(888)	2,699	3,981
Operations Mgt	403	8	540	356	(441)	866
Provider Services	1,024	19	0	(569)	1,543	2,017
Total Adults Operations	3,555	69	540	(1,101)	3,801	6,864
Commissioning Adults						
Commissioning Staffing	1,016	1,218	272	316	(650)	2,172
Total Commissioning	1,016	1,218	272	316	(650)	2,172
Housing and Independent Living						
Housing	3,477	28	(30)	(631)	(24)	2,820
Total Housing and Independent Living	3,477	28	(30)	(631)	(24)	2,820
Commissioned Care						
Adults	1,684	(15)	2,941	(1,701)	(3,760)	(851)
Learning Disabilities	15,911	(25)	(28)	(546)	(5)	15,307
Mental Health	8,409	(35)	35	(356)	633	8,686
Older People	12,605	(85)	1,211	(1,212)	144	12,663
Physical Disabilities	7,216	(14)	371	(259)	(42)	7,272
Total Commissioned Care	45,825	(174)	4,530	(4,074)	(3,030)	43,077
Total Adults Wellbeing	53,873	1,141	5,312	(5,490)	97	54,933

REVENUE BUDGET 2014/15

CHILDRENS WELLBEING

Service	Base Budget 2013/14	Pensions and Inflation	Pressures	Savings	Other Adjusts	Budget 2014/15
	£000	£000	£000	£000	£000	£000
Education and Commissioning						
Additional Needs	2,311	10	100	(85)	34	2,370
Children's Commissioning	1,172	8	0	(187)	128	1,121
Commissioning Management	507	6	0	(61)	(77)	375
Development and Sufficiency	5,205	(4)	0	(40)	393	5,554
Education Improvement	1,337	4	0	(80)	(242)	1,019
Total Education and Commissioning	10,532	24	100	(453)	236	10,439
Directorate						
Business Support	1,033	15	0	(250)	(33)	765
Directors Office	273	407	0	(343)	(70)	267
DSG Schools	226	0	74	(500)	(164)	(364)
Improvement	470	6	0	0	121	597
Directorate ESG Income	0	0	0	0	(1,785)	(1,785)
Total Directorate	2,002	428	74	(1,093)	(1,931)	(520)
Safeguarding and Early Help						
Safeguarding and Review	533	6	0	0	226	765
Early Help and Family Support	2,991	30	0	(543)	(31)	2,447
Fieldwork	2,722	25	0	(60)	398	3,085
Looked After Children	3,904	11	0	0	496	4,411
LAC External Placements	5,195	14	443	(281)	(13)	5,358
Safeguarding Training	145	1	0	0	4	150
Safeguarding and Early Help Management	356	4	0	(70)	76	366
Total Safeguarding and Early Help	15,846	91	443	(954)	1,156	16,582
Total Childrens Wellbeing	28,380	543	617	(2,500)	(539)	26,501

REVENUE BUDGET 2014/15

ECC, CHIEF EXECUTIVE and PUBLIC HEALTH

Service	Base Budget 2013/14	Pensions and Inflation	Pressures	Savings	Other Adjusts	Budget 2014/15
	£000	£000	£000	£000	£000	£000
Economic, Environment & Cultural Services						
Car Parking & Community Protection	(1,888)	(65)	0	(176)	1	(2,128)
Cemeteries & Crematorium	(442)	(19)	0	0	0	(461)
Cultural Services	2,929	10	0	(549)	(109)	2,281
Environmental Health	1,252	3	0	(120)	0	1,135
Markets & Fairs	(241)	(10)	0	0	0	(251)
Planning	1,578	(1)	(130)	(490)	(105)	852
Economic Development	835	5	0	(169)	0	671
Total Economic, Environment & Cultural Services	4,023	(77)	(130)	(1,504)	(213)	2,099
Placed Based Commissioning						
Commercial	245	(3)	200	0	4	446
Directorate Support	170	1	0	0	30	201
Highways	8,276	3	(250)	(1,169)	1,107	7,967
Parks Countryside & Prow	1,627	4	0	(212)	(1,047)	372
Transport	4,517	9	175	(729)	240	4,212
Waste & Sustainability	12,955	(9)	0	(188)	625	13,383
Total Placed Based Commissioning	27,790	5	125	(2,298)	959	26,581
Finance & Corporate Management						
Chief Officer Finance	161	2	0	0	15	178
Internal Audit Services	345	0	0	(75)	(15)	255
Benefits & Exchequer	(21)	2	91	(100)	(19)	(47)
Corporate Services	1,665	1	580	(250)	(280)	1,716
Finance Support	1,778	6	0	(225)	0	1,559
Total Finance & Corporate Management	3,928	11	671	(650)	(299)	3,661
Community & Customer Services						
Customer & Library Services	2,672	23	0	(348)	1	2,348
Community Regeneration	1,026	8	0	(151)	0	883
Economic Projects (Broadband)	257	4	0	0	0	261
Total Community & Customer Services	3,955	35	0	(499)	1	3,492
Law, Governance and Resilience						
Assistant Director Law & Governance	164	2	0	0	(43)	123
Electoral	369	3	0	0	(94)	278
Governance	1,305	3	0	(59)	79	1,328
Legal Services	684	12	0	126	108	930
Policy & Performance	347	2	0	(67)	1	283
Total Law, Governance and Resilience	2,869	22	0	0	51	2,942
Directorate Management						
Management*	237	956	167	0	(640)	720
Total Directorate Management	237	956	167	0	(640)	720
Property Services						
Property Management	2,369	(4)	71	(169)	(39)	2,228
Property Strategy	(784)	(43)	150	(263)	(42)	(982)
Total Property Services	1,585	(47)	221	(432)	(81)	1,246
Chief Executive & ODT						
Chief Executive	385	140	0	(95)	(29)	401

REVENUE BUDGET 2014/15

ECC, CHIEF EXECUTIVE and PUBLIC HEALTH

Service	Base Budget 2013/14 £000	Pensions and Inflation £000	Pressures £000	Savings £000	Other Adjusts £000	Budget 2014/15 £000
Organisational Development	7,105	14	0	(1,297)	(106)	5,716
Total Chief Executive Directorate	7,490	154	0	(1,392)	(135)	6,117
Total ECC and Chief Executive	51,877	1,059	1,054	(6,775)	(357)	46,858
Public Health	0	0	0	0	139	139
Total ECC,Chief Executive and Public Health	51,877	1,059	1,054	(6,775)	(218)	46,997

* This budget includes non pay inflation to be allocated.

APPENDIX 2**Savings Proposals Summary 2014/15 to 2016/17**

	2014/15 £000	2015/16 £000	2016/17 £000	Total £000
Adults	5,490	3,435	3,146	12,071
Childrens	2,500	1,632	2,236	6,368
Economic Communities & Corporate & CEODT	7,407	3,602	4,269	15,278
	15,397	8,669	9,651	33,717

**Draft Savings Proposals
Adults Well-Being**

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
Manage demographic pressures/Improvements in Demand Management		This proposal will result in those people who do not have 'eligible' adult social care need provided with information, advice and guidance on how to live independently. If they wish to purchase care and support given information on how they can do this, and advice on accessing independent financial advice	Detailed EIA required for strands within this proposal. However high level analysis has identified that the majority of proposals will have a neutral or positive impact on service users and their families with protected characteristics. This is about adopting a more preventative approach to social care, encouraging people to address their care and support needs by first looking towards the social capital within their community and working in partnership with NHS colleagues to enable as many people as possible to live independently.	1,160	616	588	2,364
Recommissioning & Reductions in Cost of Older People Residential and Nursing Care		Good quality Residential and Nursing care for Older People that demonstrates value for money and effective use of council funding	EIA completed 2013 with ongoing review of impact during decision making and implementation process. This should have a positive and/or neutral impact on groups with protected characteristics, maximising value for money and standardising approaches to quality monitoring within care homes .	300	75	95	470
Recommissioning and Reductions in the cost of Homecare		Good quality and affordable homecare for service users, that offers choice and control through a range of personal budget payment mechanisms, including Direct Payments and Individual Service Funds	Detailed EIA completed 2013. Proposal should have a positive impact on groups with protected characteristics delivering greater value for money, maintaining as wide a range of services as possible despite significant cuts in funding and re directing resource where possible as part of a whole system approach to prevention including intermediate care and reablement.	765	0	0	765
Workforce Reshaping		Realignment and re shaping of the workforce to deliver a more efficient and effective workforce at a reduced cost	Detailed EIA to be completed but high level analysis has identified that this will have a neutral and/or positive impact on groups with protected characteristics as increased resource directed towards care and support	315	0	100	415
Revising personalisation offer		Improving how we communicate with eligible adult social care users about the amount available within their personal budget, based on the resources available to the council and the number within the population requiring support. Offering a range of mechanisms for people to exercise their choice and control including increasing the numbers taking a direct payment	Detailed EIA required for each strand of implementation. High level initial analysis has identified that the majority of the proposals will have a neutral or positive impact on people who use services and their carers. Where a potential negative impact is identified due to service users and their carers within the protected groups having a reduced indicative amount of money available to meet their need, this will be mitigated by clear guidance on how the council will discharge its responsibilities to meet assessed need.	450	450	450	1,350
Contract Changes		Completing contractual changes commenced and consulted on within 2013/14, including the ending of the remainder of funding for village wardens and subsidy for meals on wheels so all service users who should pay for meals do so.		300	1,021	976	2,297
Service redesign - operational services		Completion of the Next Stage Integration programme, with all direct provision externalised and provided by the independent and voluntary sector through contracts delivering greater flexibility and creativity for individual service users and better value for money for the council	Detailed EIA completed 2013 and ongoing review of potential impact and mitigating actions if a negative impact may affect service users and their families who are within the groups with protected characteristics.	1,100	0	0	1,100
Reductions in accommodation based support		The effectiveness of current contracts will be reviewed in line with the priorities to focus on those people who are eligible for adult social care and who are homeless where we have a statutory responsibility. This will release savings and we will look to informal social networks and local communities to support the transition to minimise any negative impact on service users	N/A	0	623	287	910
Increased income		Continuing to implement the Fairer Charging policy which was consulted on in 13/14 will ensure all service users who are assessed as required to pay, do so, so that it is equitable for everyone.	Detailed EIA completed as part of Fairer Charging Consultation 2012. This is a continuation of applying Fairer Charging across all eligible service users	50	50	0	100
High Cost care reductions		Increased local capacity for people with a Learning Disability and mental health will enable more people to live near their communities and friends and families at a lower cost. Ensuring that the cost of care is based on need and reflects local market variations will support the council in making sure it can support people within the available resources.	Detailed EIA required but high level analysis has identified that this should have a neutral and/or positive impact on people and their carers across the protected characteristics. It will maximise value for money and maintain as wide a range of services as possible despite significant cuts in service	100	100	100	300
Remove funding for non eligible services		In line with the council's priorities and statutory responsibilities, this will ensure that those who have the most need are able to be supported effectively		900	300	300	1,500
Use of technology to reduce cost of care		Enables more people to live independently at home and uses council resources effectively so that those with eligible need are supported reducing the cost of care through increased use of technology	Detailed EIA requires completion. High level analysis identifies that this is expected to have an overall positive impact by enabling people to stay independent for longer in their own homes and by supporting carers in their caring role. There is however a potential negative impact around the removal of personal/human contact for some people	50	200	250	500
Total	53,873			5,490	3,435	3,146	12,071

Draft Savings Proposals
Children's Wellbeing Directorate

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
Reducing Residential Care - Children currently looked after by the authority reaching adulthood and ceasing to receive residential care		Potential risks include homelessness / reoffending. This will be mitigated by the work carried out by the aftercare service	N/A	366	422	611	1,399
Target reduction in children's residential placement costs from service redesign and development of alternative / preventative approaches to reduce need for high cost residential placements	2,599	Around 1 to 2 children per annum do not need to be placed in a residential setting but can either be successfully kept within the family through early interventions work, or where behaviour/ needs escalation is controlled so can be placed with foster carers rather than residential placement	More children kept with own family, or within a family environment through foster care placement. This improves outcome for the child and future life expectations.		200	200	400
Reshape Social Care Management including a reduction in the requirement for agency social work staff		Safeguarding staffing reconfiguration and reductions in 2014/15, 15/16 & 16/17. To be achieved through reductions in agency staff as case numbers reduce the requirement for additional social workers. The impact of a regular employment of newly qualified social workers as the 'Grow our Own' strategy takes effect will also impact on costs in this area.	Potentially may affect opportunities for some children and families with protected characteristics if savings are taken but caseloads do not reduce, therefore increasing the caseload per worker and potentially reducing service quality and levels. Will be addressed through reconfiguration of service and maximising the effectiveness and targetting of early help services to reduce the demand for social care intervention	130	260	325	715
Social work academy set up to recruit, train support career progression. In addition the Authority will also investigate alternative funding methods e.g. Social Impact Bonds in order to invest in areas which will provide future financial benefits and support a sustainable financial position.	2,188	The Social Work Academy will lead to a better long term flow of newly qualified staff and staff supported through their first three years employment which will improve quality, retention and reduce cost of recruitment and agency staff. Developing new models of service delivery, includes identifying new models of financing those models, such as social impact bonds.	By its nature, these services are there for children and young people with protected characteristics. Finding new ways of funding those services protects them and potentially enhances them.			500	500
Management Workforce Reshaping	1,346	Work being taken on by Head of Children's Commissioning and team, which requires reprioritisation of work programme, including service development work for early years and safeguarding services	Potentially may affect opportunities for some children and families, particularly those with protected characteristics, included Troubled Families due to capacity being stretched and it taking longer therefore to deliver all statutory duties effectively. Will be addressed through prioritisation and developing sector led approaches, including work with adults services.	149			149
Redesign Children's Centre offer, Early help/family support Remodelling - use of voluntary sector to deliver universal services / integrate with local services / potential reduced hours to divert centre staff to undertake activities in social care such as supervised visits. Renegotiate existing contracts.	2,222	Developing new service models may impact on individual children and families by changing services they may have been used to receiving.	Many of the parents and children who may be impacted either positively or negatively by these proposed changes will have one or more of the Protected Characteristics.	470	100		570
Remodelled Early Years Development and Sufficiency services to deliver statutory responsibilities	93	Redesign of functions to meet Local Authority responsibilities and focus on challenge and quality assurance, as well as meet the 2 year old offer. Some responsibilities for payments transferring to Hoople.	Potential high impact for children and families, particularly with protected characteristics. Identified that Herefordshire has significant gaps in early years development between vulnerable groups and their peers. To be addressed through strong focus on quality assurance and challenge, development of 2 year old offer and clarifying the relationships with the voluntary, independent and school sectors	40			40
Youth Services - Impact of staffing cuts in year	132	Reduction in spend covered by previous budget consultation and equalities impact assessment	N/A	87			87
Short breaks. Reduce universal provision as part of joint commissioning exercise	383	Reduction in direct funding for universal short break services as they are able to access other sources of funding e.g. lottery funding.	Potentially may limit opportunities for some children and families with protected characteristics. Will be addressed through market development and working with individual providers to access different funding which is available and reduce the reliance of some providers on Council funding.	100			100
Contract Changes	311	Review impact of bringing services in-house and alignment to existing services in order to create greater efficiency	A better performing contract, whether delivered by the council or by others, will benefit positively people with protected characteristics.	80			80
Reshape functions - identified savings	1,032	Reduce staffing levels in business support and performance. Transfer some functions to adult services and ECC. Establish different ways of working, whilst ensuring statutory duties (including statistical returns) are met. Expect some staff including social workers to carry out more tasks themselves and be supported through technology. Requires changes to some Council business processes, being led by the Assistant Director for Organisational Development.	Potentially may affect opportunities for some children and families, particularly those with protected characteristics, included those open to social care and Troubled Families. Services including social workers, peripatetic teachers, commissioning and improvement staff may be stretched due to taking on tasks no longer being delivered by business support and performance. This may result in delays with work and poorer service user experience (including early years providers and schools). Will be addressed through developing more effective service processes, including technological solutions, and stopping some back office activities which are of lower priority. Priority will be given to essential safeguarding and improvement services.	250	150	100	500

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
Collaborative use of the public health grant		Use of public health investment for transformation and demand management across council services		500	500	500	1,500
Use of non-pay inflation		Service will deliver within the same budget as 2013/14	N/A	328			328
OTHER SERVICES WITHOUT SAVINGS	18,074						
	28,380			2,500	1,632	2,236	6,368

** Net Budget includes contributions from Dedicated Schools Grant and CCG

Draft Savings Proposals
Economy, Communities & Corporate

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
Waste & Sustainability Introducing alternate weekly collection of waste and limited collection to the contents of a refuse wheelie bin.	4,630	Non-Recyclable waste will be collected every fortnight rather than weekly. Limiting the amount of non-recyclable waste collected will mean families will need to re-cycle more or dispose of excess household waste at a Household waste disposal site.	Should be minimal impact as there is an 'assisted collection' requirement within the existing contract for disabled residents which will be retained	188	412	50	650
Waste Disposal Contract - No changes	8,307						0
Roads and Public Spaces Cleaning and Maintenance Efficiency Improvements: Reducing the amount of amount spent on highways and public spaces whilst prioritising road repairs. Full year effect of toilet closures and transfer of responsibilities to Town Councils in 2013/14 - no further changes planned.		Grass will not be cut as frequently and litter not collected as often.	None	1,231			1,231
Country Parks and Picnic Sites - Disposal of small sites and reduction in subsidy for larger sites at Queenswood and Bodenham Lake	9,881	May lead to introduction of car parking charges which could discourage use	None	150	150		300
Public Transport Fewer bus services across the County	4,673	Increased social isolation amongst rural and vulnerable groups due to lack of transport. Potential increase in cost of statutory school transport. Potential increase in road accidents. Adverse impact on local economy as people unable to access retail, particularly market towns. Does not support growth agenda and consequent economic impact of lack of infrastructure.	Significant impacts amongst key groups (elderly, disabled, low income etc.) in respect of reduced bus network. Impacts on some vulnerable groups in respect of road safety. Potential financial barrier for disabled to access post 16 educational opportunities	729	776	250	1,755
Council Tax reduction Scheme - reduction in discount awarded for some council tax payers in receipt of welfare benefits from 91.5% to 84% in 2014/15, reducing further in 15/16 and 16/17. Note: Pensioners are exempt from the changes		The lowest earners in Herefordshire, approximately 5,000 individuals currently only have to pay 8.5% of their total bill. These people will have to pay 16% of their total Council Tax bill from April 2014.	To be completed	362	308	230	900
Council Tax Discount - Removal of 25% Council Tax discount of six or 12 months for empty properties and charge an additional 50%, i.e. 150% Council Tax for properties empty for over two years.		Owners of empty properties will have to pay 100% Council Tax despite not living in the premises. The 150% charge for properties empty over two years will encourage landlords to get the properties back into use. This will have the added advantage of the council receiving a New Homes Bonus, the equivalent of an additional council tax payment from government for six years.	To be completed	270			270
Discretionary Rate Relief - Removal of discretionary National Non-Domestic Rates/Business Rate relief for some voluntary organisations		From April 2014 discretionary relief is only available to top up the 80% mandatory relief for those: <ul style="list-style-type: none"> Charities that are locally based (are not national organisations) and which provide facilities that benefit the wider community of Herefordshire and are of a social/welfare nature; Community Halls – provide non-profit making community users are in paramount occupation. Scouts and Guides – where the Scouts or Guides are in paramount occupation. Credit Unions - where dividend or interest is available for distribution to its members and assistance is provided to avoid social exclusion 	To be completed	250	150		400
Back Office Services (including Finance, Revenues and Benefits, Legal and Equality teams & Info)	5,406	No impact - efficiency saving	None	400	200		600
Housing Benefits	(1,297)						0
Property Services Reduced property services focussed on a smaller estate with maintenance reduced to ensure legal compliance. Reacting to basic statutory emergencies etc.	1,637	No impact - efficiency saving	None	432			432
Asset Review Disposal or increased income to reduce debt charges		Capital receipt from sale of assets utilised to offset current or future debt costs. Loss of annual rental income.	None			2,750	2,750
Cultural Services - Remodelling of Museum Services so that funding is only supporting the Collections Service at Friar Street and not to Hereford Museum.		Museum offer confined to Friar Street.	Minimal. There could be reduced opportunities for disabled individuals to access these facilities.	239			239
Withdrawal of Subsidies to Cultural Services partners		Withdrawal of Halo management fees by end of 2015/16 and for Kington and Wigmore by 2014/15.	None				

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
		Reduction to Visit Herefordshire and Courtyard management fees in 2014/15.	None				
		Reduction to zero of Brightstripe management fee from 2016/17.	None				
	2,901	Withdrawal of Arts Commissioning grants from 2014/15.	None	310	453	724	1,487
Regulatory Services Reduction in all regulatory services to the statutory minimum, unless supported by income generation or necessary to facilitate economic growth. Planning - priority given to supporting economic development with potential reduced capacity to deal with low level applications, slowing down of processing of applications, reactive enforcement. Reduction in other regulatory services likely to result in increased antisocial behaviour, environmental degradation and community safety issues.	3,243	No impact - efficiency saving	None	786	90	100	976
Car Parking Provide adequate supply of parking to support economic activity whilst maximising financial return from HC's land holding.	(2,273)	Increase and introduction of parking charges	No impact upon disabled groups as free parking provided.		600		600
Economic Development & Community Regeneration Service prioritises Business Support (grant delivery and business advice), Capital Infrastructure delivery (Hereford Enterprise Zone) and attracting Government and EU funding (including working with the LEP and other partners). Remaining funding withdrawn from Hereford Futures executive team and reduction of funding to the Chamber of Commerce for their Strategic Business Engagement contract. Reduction in infrastructure investment.			none	169			169
Removal of funding to HVOSS, HALC & CAB	2,064	Reliance on voluntary sector to provide for itself.	Adverse impact on low income and vulnerable groups.	151	40	165	356
Customer & Library Services Remove funding from all libraries with the exception of Hereford, Leominster and Ross.	2,538	Reduced opening hours in Hereford, Leominster and Ross, along with potential closures in Bromyard, Ledbury and Kington.	EIA completed for 19-Sep Cabinet. Combined impact on older people without use of the internet, in rural areas unable to access travel, people in crisis.	348	423		771
OTHER SERVICES WITHOUT SAVINGS	2,676						0
	44,386			6,015	3,602	4,269	13,886

Chief Executive & Organisational Development Team

Savings Proposal	Net Budget 13/14 £000	Impact	Equalities Impact	Proposed Reduction 2014/15 £000	Proposed Reduction 2015/16 £000	Proposed Reduction 2016/17 £000	Total 2014/15 to 2016/17 £000
Chief Executive - FYE of post reduction June 2013	385	No impact - efficiency saving	None	95			95
Back Office Services (including Communications, HR & ICT)	7,106	No impact - efficiency saving	None	1,297			1,297
Total	7,491			1,392			1,392

Total	51,877			7,407	3,602	4,269	15,278
Council tax and business rates collection fund				(632)	(458)	(230)	(1,320)
General fund				6,775	3,144	4,039	13,958

Herefordshire Council Medium Term Financial Strategy

2014/17



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Medium Term Financial Strategy - Contents

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1. Introduction

- 1.1. The MTFS covers the financial years 2014/2017 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. Herefordshire's key priority areas are to keep children and young people safe and give them a great start in life, enable residents to live safe, healthy and independent lives, and invest in projects to improve roads, create jobs and build more homes.
- 1.3. All local authorities are reducing services as the Government continues to significantly reduce the funding it provides to local governments across England.
- 1.4. The Local Government provisional settlement announced on 18th December 2013 set out the funding assessment for local authorities. As expected this settlement confirmed further substantial cuts for the council and local authorities nationally in 2014/15 and 2015/16. The position for Herefordshire is a reduction in the funding allocation in 2014/15 of £6.7m and a further £9m in 2015/16.
- 1.5. In addition the demand for services has grown and we have been serving more and more people, particularly in essential areas such as childrens' safeguarding and adult social care.
- 1.6. The reduction in funding compounded by the additional service pressures have resulted in a funding gap of £33m in the period 2014/15 to 2016/17. Savings proposals have been identified to meet this gap, including £15.4m in 2014/15.

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.
- 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 54% 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 a 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.

2.2 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 40,800. In 2015, it is projected to be 44,700 which represents 24% of total population, by 2020 49,600 it will increase to 26% of total population, by 2025 54,800 (28% of population) and in 2030 it is projected to be 61,400 or 30% of the total population.
 - In the corresponding periods the population growth / growth in the over 65 / over 85 population compared to a 2012 baseline are shown in the table below;

% Growth in Population v 20120 base	2015	2020	2025	2030
Total Population	1%	4%	7%	10%
Over 65	10%	22%	34%	50%
Over 85	15%	30%	45%	62%

2.2.2 In Herefordshire many people over 65 years old are active and well. However, there is a sizeable and growing group of over 65s living with chronic health conditions; dementia and increasing frailty, and it has been recently reported that Herefordshire has one of the lowest rates for diagnosis of dementia in England. The full extent of the implications of managing the increase in dementia is therefore likely to be underestimated.

2.2.3 The proposed changes through the creation of the Better Care Fund which will create a pooled budget across health and social care worth £3.8bn nationally in 2015/16 will have significant implications for the future design and development of services across Herefordshire. The council and the Clinical Commissioning Group are actively working on the implications and improvements this will mean for the county.

2.3 Children

2.3.1 Based on October 2013 pupil numbers, primary school numbers (including nursery classes) are predicted to increase in 2013/14 by 302 pupils or 2.5%. Secondary school numbers are predicted to fall by 162 pupils or 2%. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 1,799 from a high of 14,230 in 1998, a reduction equivalent to 12.6%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,405 a reduction of 1,106 (equivalent to 10.5%) and are expected to continue to fall until 2017. School Funding is based upon pupil numbers in October each year and the Dedicated Schools Grant in 2014/15 is expected to be funded on 12,432 primary pupils and 8,685 secondary pupils (excluding sixth form pupils). Pupil numbers will be confirmed by the Department for Education in late December 2013.

2.3.2 The new schools funding formula distributes the same amount of funding to Herefordshire Schools but on a different basis from 2014/15, creating winners and losers. The Minimum Funding Guarantee (MFG) limits the budget losses to -1.5% per pupil and those schools gaining budget, will be capped by a similar percentage in order to fund the cost of the MFG protection. After protection has been phased out, it is estimated that most schools will gain or lose funding within a + /- 5% band. A handful of schools will lose or gain a greater amount.

- 2.3.3 The numbers for Looked After Children (LAC) had stabilised in 2013/14 and were set to be maintained. However, the transfer of responsibilities of court ordered placements to the Local Authority from April 2013 will continue to cause budget pressures. The lack of local residential opportunities has also led to increased cost. Work is underway to look at early intervention work, MST (Multi-Systemic Treatment Programme). In addition specialist foster carers are due to be recruited to support children with complex and challenging behaviour.
- 2.3.4 Foster Carers will be required to look after children until the age of 21 from April 2014 as the Government are currently looking at proposals to extend the current age with circa £40m allocated across the country. However, there is an expected increase in foster carers within Herefordshire of circa 20-30 by 2017 in order to meet current demand with associated staff costs.
- 2.3.5 The increasing number of children requiring protection or care has placed additional pressures on the Safeguarding staffing budget. Social Work Recruitment within Children's Services remains a risk and the use of agency staff has been profiled to reduce over the year. This national shortage is seen across the country. Work is progressing on a local social work academy to support a "Grow your Own" and "Progression" initiative in order to support a more sustainable workforce for the future.
- 2.3.6 Court Costs are a risk due to an increase in care proceedings per 10,000 of the population in line with other Authorities. Some of this is attributed to the renewed emphasis on permanency planning and recognition of the 1989 Children Act.
- 2.3.7 The number of children with Complex Needs cases continues to rise and show an increase in average cost per placement.

2.4 Value for Money





- 2.4.1 The Audit Commission has published comparative data, which enables councils to focus on the areas which vary significantly from other authorities.
- 2.4.2 The following is an overview of the authority's spend on its services expressed per head of total population (or subsections of the population for adult social care and children's services). Most of the expenditure data comes from the 2011/12 Revenue Outturn return, however, spending on children's services and the planned net current expenditure come from different sources and are for different time periods

Overview

This is an overview of the authority's spend on its services expressed per head of total population (or subsections of the population for adult social care and children's services). Most of the expenditure data come from the latest Revenue Outturn return however spending on children's services and the planned net current expenditure come from different sources and are for different time periods. Each indicator links to another set of related indicators. You can view an indicator in detail by clicking on the icon next to the indicator name.

Indicator	Period	Value	% change	DoT	Rank	Average
Total net spend per head	2011/12	£1,597.91 per head	-8%	↓	 Average	£1,624.51 per head
Spend on adult social care per adult	2011/12	£440.62 per head 18+	2%	↑	 In the highest third	£401.53 per head 18+
Spend on council tax benefits and housing benefits administration per head	2011/12	£0.00 per head	-100%	↓	 In the lowest 10%	£11.15 per head
Planned spend on children's services per young person aged 0 to 17	2012/13	£956.77 per head 0-17	14%	↑	 Average	£1,000.66 per head 0-17
Spend on culture and sport per head	2011/12	£64.89 per head	-20%	↓	 Average	£73.49 per head
Spend on environmental services per head	2011/12	£90.19 per head	0%	↑	 In the highest 20%	£85.57 per head
Spend on housing services per head	2011/12	£40.75 per head	-28%	↓	 In the highest third	£30.11 per head
Spend on sustainable economy per head	2011/12	£136.93 per head	10%	↑	 In the lowest third	£150.65 per head

Benchmarking data gives an indication of areas of comparative high cost to examine compared to other, similar, authorities. In Herefordshire's case our costs in Adult Care are comparatively high which reflects the position to reduce costs in the MTFS over the planning period while maintaining service levels.

Indicator	Period	Value	% change	DoT	Rank	Average
Spend on all social care for older people including older mentally ill per adult aged 65+	2011/12	£825.33 per head 65+	-9%	↓	 Average	£884.55 per head 65+
Spend on all social care for adults with mental health needs per adult aged 18-64	2011/12	£40.45 per head 18-64	2%	↑	 In the highest 20%	£30.19 per head 18-64
Spend on all social care for adults with learning disabilities per adult aged 18-64	2011/12	£191.28 per head 18-64	20%	↑	 In the highest 10%	£158.50 per head 18-64
Spend on all social care for adults with a physical disability or sensory impairment per adult aged 18-64	2011/12	£85.39 per head 18-64	6%	↑	 In the highest 5%	£48.40 per head 18-64

3 National Financial Context

3.1 Introduction

3.1.1 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.

3.2 2010 Comprehensive Spending Review

3.2.1 The 2010 Comprehensive Spending Review set out the overall spending for the public sector for four years from 2011/12 to 2014/15. This set out the Governments proposals for tackling Britain's deficit, including significant reductions in public spending.

3.2.2 Since 2010 a number of changes to the 2010 Spending review totals have been announced, further reducing public sector budgets.

3.3 2013 Spending Round

3.3.1 On 26 June 2013 the Chancellor of the Exchequer, George Osborne MP, announced the outcome of the Spending Round 2013 (SR2013), which set out public spending totals for the financial year 2015/16. In his speech he said the three principles applied to the Spending Round were 'growth, reform and fairness'. The key SR2013 announcements for local authorities are summarised below;

- The Communities and Local Government department's resource budget is to reduce by 10% in real terms (8.2% cash).
- From 2015/16 £400m of New Homes Bonus was proposed to be pooled with Local Enterprise Partnership areas to support strategic housing and economic development priorities.
- £100m collaboration and efficiency fund will be available to support 'upfront costs' of local authorities working together and encourage 'better ways of operating', such as for new IT systems.
- The Chancellor announced that funding will be made available to support local authorities that choose to freeze their council tax in 2014/15 and 2015/16. Authorities that freeze or reduce their band D council tax will receive a grant equivalent to a 1% increase on 2013/14 Band D council levels in both years.

3.4 Autumn Statement – December 2013

3.4.1 On 5th December 2013 the Chancellor of the Exchequer delivered his Autumn Statement to the House of Commons updating MPs on economic and fiscal forecasts for the UK economy.

3.4.2 The Chancellor made a number of key announcements affecting local government, which are summarised in Appendix A.

3.4.3 The significant points for Herefordshire were;

- Plans to top-slice £400m of the New Homes Bonus for the single pot will not now be imposed. This benefits Herefordshire Council by around £1.1m per annum from 2015/16.
- The Government will cap the RPI increase in business rates to 2% in 2014/15.
- The Small Business Rate Relief (SBRR), doubling to provide 100% relief from business rates, will be extended again to April 2015. This will benefit Herefordshire businesses by around £2m.
- A discount of up to £1,000 will be introduced against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/15 and 2015/16.
- A temporary reoccupation relief will be introduced, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months.

3.5 Provisional Settlement 2014/15 and 2015/16

3.5.1 On 18th December 2013, the 2014/15 and 2015/16 Provisional Local Government Finance Settlement was published. Key announcements for Herefordshire were as set out below.

3.5.2 The position for Herefordshire is in line with budget assumptions in the medium-term financial plan, with three main changes improving the overall position;

- Additional funding for rural authorities of £9.5m has been included in the Settlement. This has given Herefordshire an extra £598k in 2014/15 and 2015/16. (In 2013/14 a specific grant was awarded as part of the Final Settlement).
- £50m previously to be held back for capitalisation has been returned to authorities in proportion to their settlement funding assessment, after meeting the cost of additional funding for rural authorities and a cap on spending power reductions. This has resulted in an estimated additional £77k for Herefordshire in 2014/15.
- The planned top-slice from Revenue Support Grant to fund the New Homes Bonus for local councils has been reduced from £800m to £700m (the specific amount for Herefordshire has not been disclosed)

3.5.3 The position may change as further information on specific grants is published. Given the uncertainty and low level of grants it is not proposed to adjust the overall budget proposals but use the additional funding as a contingency against specific grant reductions or to increase our level of reserves.

3.5.4 The Settlement confirms Government funding reductions of £6.7m in 2014/15 and a further £9m in 2015/16;

	2013/14	2014/15	2015/16
	£000	£000	£000
*Efficiency support for services in sparse areas	531		
Settlement Funding Assessment	71,376	64,873	55,807
Compensation for 2% rates freeze		374	399
	71,907	65,247	56,206
Reduction in Formula funding		(6,660)	(9,041)

*In Settlement from 2014/15

3.5.5 Prior to the Chancellor's Autumn Statement on 5 December local government were expecting an RPI increase in Business Rates for 2014/15. However, the Chancellor has capped the rise in the business rate multiplier at 2%. DCLG has confirmed that local authorities will be fully compensated for the loss of income. We have now learnt that this compensation grant will be for 2014/15 and 2015/16 in the first instance – with future years to be decided by the government in place after the 2015 general election. DCLG have not yet been able to publish the exact way in which all the compensating section grants will be calculated but we have included an estimate of the impact of these changes in our budget plan.

4 Herefordshire Council's Financial Context

4.1 Introduction

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

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

4.2 Comparative Funding Position

4.2.1 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.

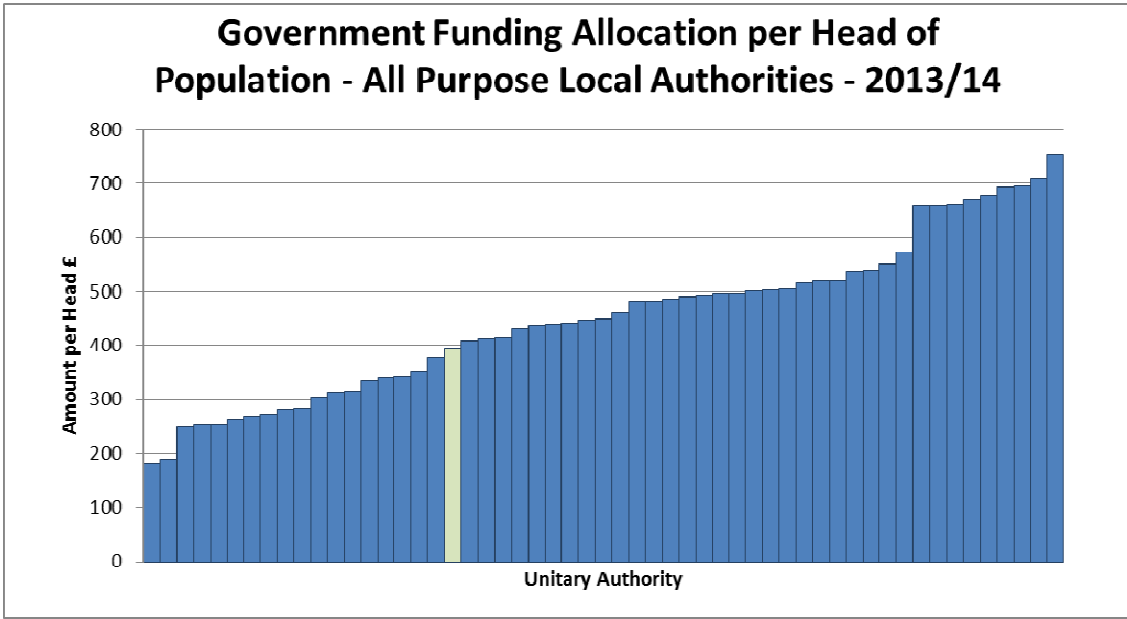
4.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives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

4.2.3 The Government has now accepted that rural areas have been comparatively underfunded. This was reflected in an additional one-off grant allocation of £531k in the final settlement for 2013/14 and an Efficiency Support for Sparse areas grant has been added into the financial settlement for 2014/15 and 2015/16. This has benefited Herefordshire by £598k in both years.

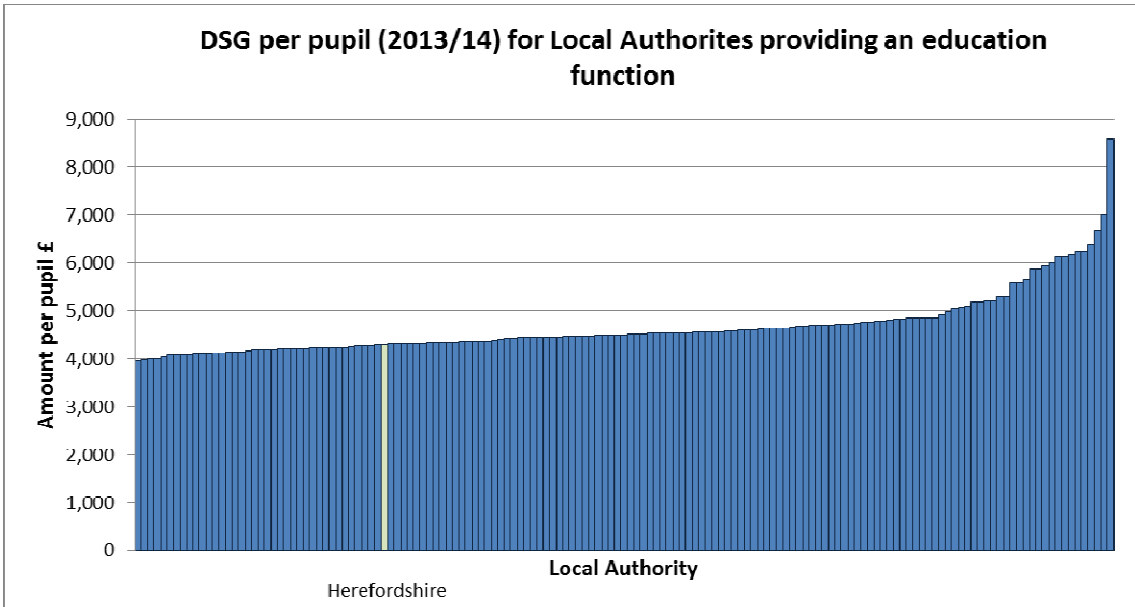
4.2.4 The 2013/14 budget figures show that:

- a) The Government Funding Allocation per head of population is £392.42, 12.2% below the national average of £446.77; and
- b) Indicative Dedicated Schools (DSG) Grant per pupil is £4,306.44, 5% below the average for education authorities of £4,550.54.

4.2.5 The graph below shows Formula Grant per head of population for all unitary authorities 2013/14. It shows that Herefordshire is 37th out of 55 unitary authorities.



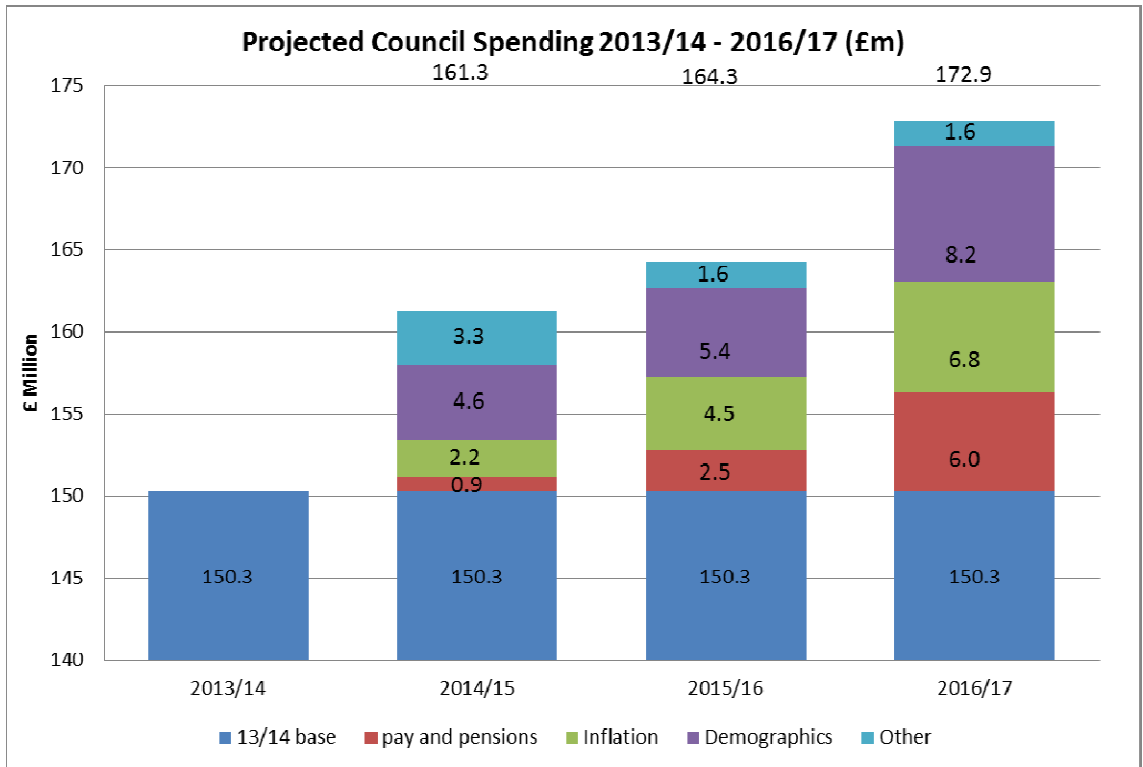
4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



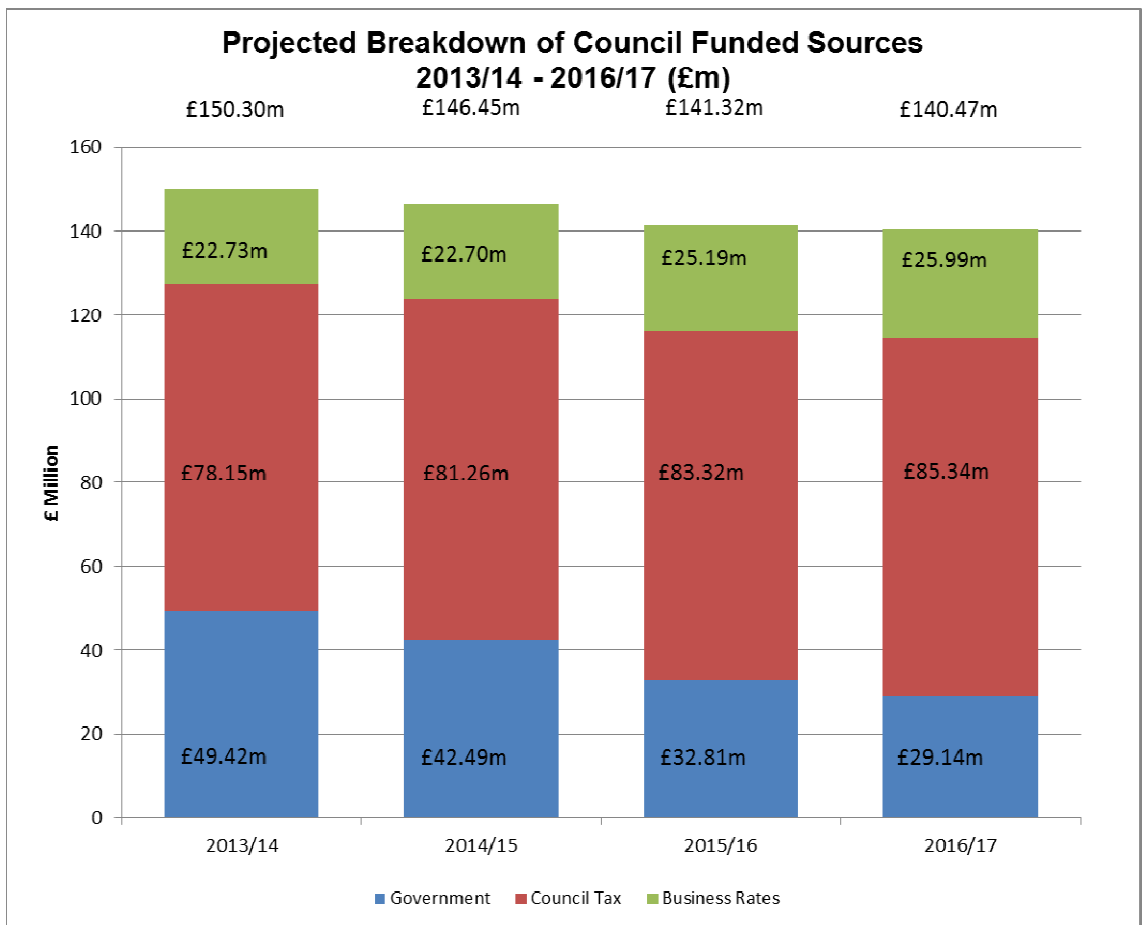
4.3 Funding Gap

4.3.1 Between 2014/15 and 2016/17 the council will need to make savings of £33m to balance the budget.

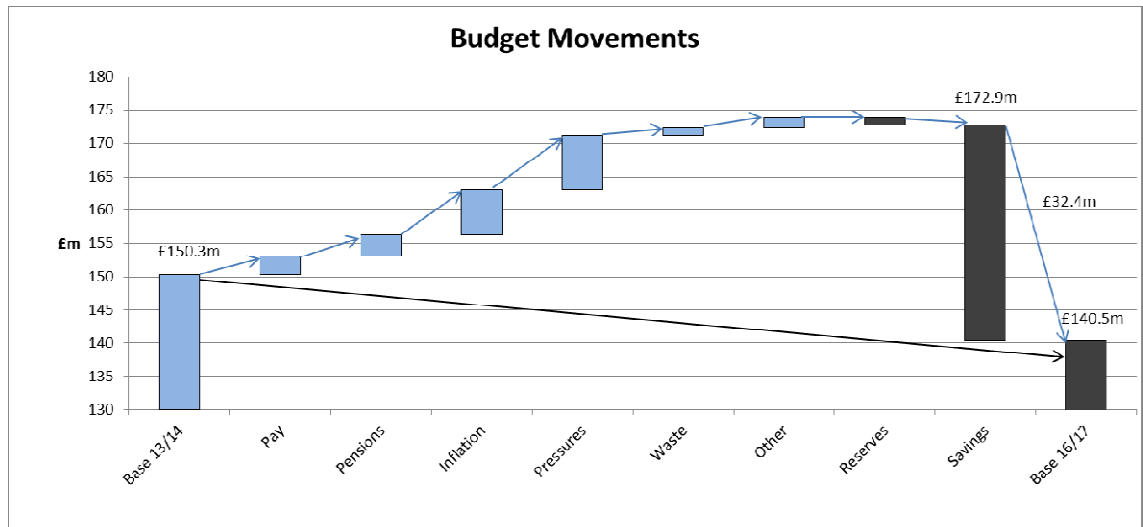
4.3.2 The chart below shows an analysis of council spend growth over the period 2013/14 to 2016/17.



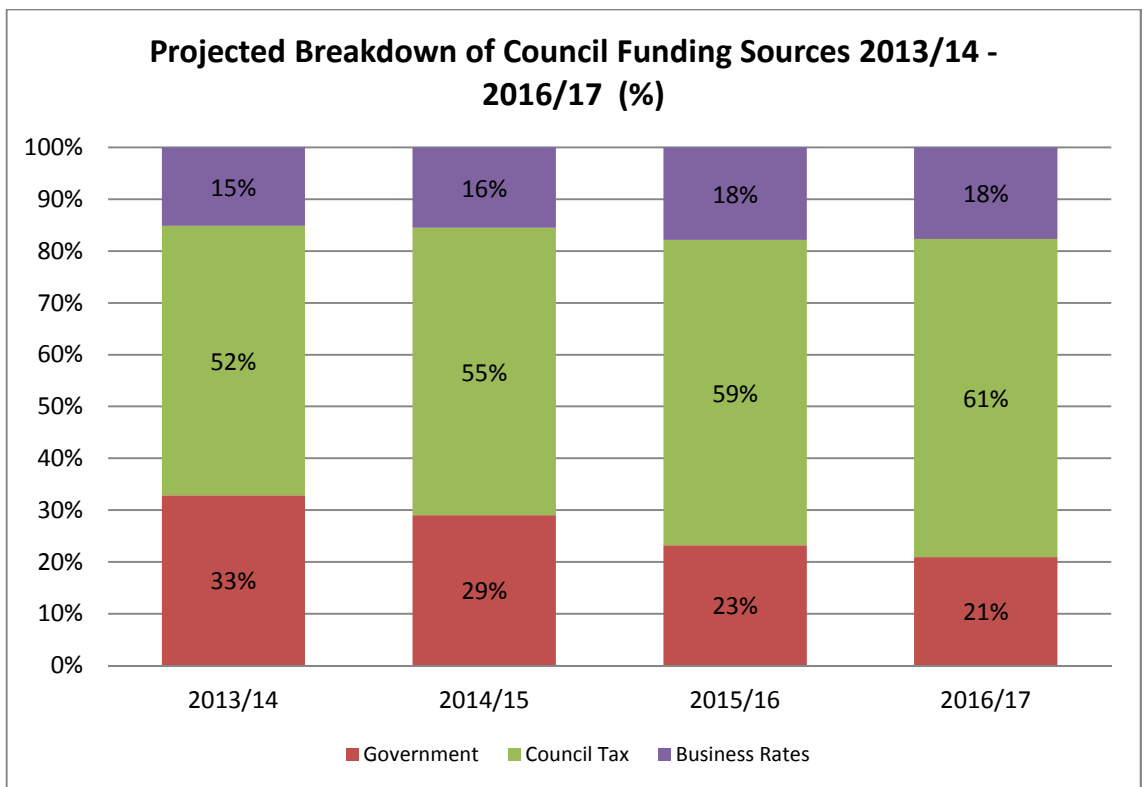
4.3.3 The chart below shows the projected breakdown of the council's funding by amount.



4.3.4 The chart below shows the funding gap arising out of cost increases and funding reductions.



4.3.5 The chart below shows the projected breakdown of the council's funding by %



4.4 Local Government Settlement 2014/15 and 2015/16

4.4.1 On 18 December 2013, the Communities and Local Government Minister Brandon Lewis announced the publication of provisional 2014/15 and 2015/16 settlements. The position for Herefordshire is in line with budget assumptions in the medium-term financial plan

4.5 Funding Allocation 2014/15 and 2015/16

4.5.1 The Provisional Settlement Funding assessment for Herefordshire for 2014/15 is £64.9m in 2014/15 and £55.8m in 2015/16 made up as follows:

	2014/15 £000	2015/16 £000
Baseline rates*	22,384	23,001
Top-up	6,686	6,871
Revenue Support Grant	35,803	25,935
Funding assessment	64,873	55,807

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

4.5.2 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;

	2014/15 £000	2015/16 £000
Specific grants		
11/12 Council tax freeze	2,143	2,143
EIG	4,863	4,447
Homelessness	203	203
Lead Flood	128	128
Learning Disability and Health reform	3,879	3,877
Efficiency support for Services in sparse areas	598	598
Returned funding for capitalisation top-slice	77	

4.6 New Homes Bonus

4.6.1 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.

4.6.2 Herefordshire has been awarded the following since 2011/12;

	Annual £000	Cumulative £000
2011/12	591	591
2012/13	842	1,433
2013/14	654	2,087
2014/15 estimated	751	2,838

4.7 Specific Grants

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

Grant	2013/14 £000	provisional 2014/15 £000
Social Fund	371	366
Local Reform and Community Voices	154	159
Lead Local Flood Authority	70	70
Housing Benefit Admin Subsidy	1,075	tbc
Community Right to Bid	8	8
Community Right to Challenge	9	9
Council Tax Support – new burdens	91	98
Social care funding	3,152	tbc
Public Health Grant (new in 2013/14)	7,752	7,970
Troubled families	576	145
Extended rights to schools	364	147
Education Support Grant	1,905	

4.7.2 The government has not yet announced some of the 2014/15 grants and 2015/16 grants.

4.8 Dedicated Schools Grant

4.8.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and funds the Schools Budget. DSG is 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.

4.8.2 DSG is the main source of income for schools. Each block within DSG, although not ring-fenced, 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 2013/14 spend as previously submitted by the authority. Responsibility and funding for post-16 high needs transferred to the authority from August 2013 and the 2014/15

settlement includes additional funding for the full year cost of post-16 high needs. 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.

- 4.8.3 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. A further consultation paper from the DfE is expected in January 2014 further setting out the process for new school funding arrangements from April 2015. 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.
- 4.8.4 As expected there is no uplift in DSG funding rates for 2014/15 which will continue to be paid at the same rate as in previous years i.e. the Schools Block continues to be funded at £4,306.44 per school pupil and the Early Years Block 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 match changes in pupil numbers.
- 4.8.5 The totals for the three blocks and top-slice for academies are estimated to be;

2014/15 DSG Allocations	£m
Schools Block 21,107 pupils x £4,306.44 per pupil	90.9
High Needs Block	13.1
Estimated Early Years Block 1,420 pupils x £3,454.43 per pupil	4.9
Additional funding for two year old grant, early years	1.7
Additional funding for hospital education grant and growth in special school places – to be advised in due course	n/a
TOTAL DSG 2014/15	110.6
Less estimated academy recoupment at source	(34.5)
DSG received by the council	76.1

- 4.8.6 For 2014/15 spend will be contained within each spending block and detailed budget planning will be undertaken with the Schools Forum. The pupil premium for 2014/15 is set at £1,300 per eligible primary pupil, £953 per eligible secondary pupil and £1,900 for Looked After Children and children adopted from care. The grant is estimated at approximately £1.6m for Herefordshire in 2014/15 and the final allocation is determined by the number of Herefordshire pupils entitled to Free School Meals (Ever-6) in the January 2014 school census.
- 4.8.7 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 will be educated in Academies from April 2014.

4.8.8 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.

4.8.9 Academies receive additional top-up funding from a share of the Education Services Grant 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.

4.9 Council Tax

4.9.1 The council chose to freeze council tax and take up the Government's council tax freeze grant in 2011/12 and 2012/13. However, when the Government offered a further council tax freeze grant for 2013/14 the council did not accept this and approved a 1.9% increase.

4.9.2 In the 2013 Spending Round the Chancellor announced a further council tax freeze grant for 2014/15 equivalent to a 1% council tax increase. Budget planning is based on not accepting the council tax freeze and, instead, planning for a 1.9% increase. The level at which a referendum has been set is 2%.

4.9.3 The average Band D council tax for 2013/14 is £1,227.99, compared to the average Band D council tax for English Unitary authorities at £1,227.39. A 1.9% increase would result in a Band D council tax for 2014/15 of £1,251.32.

4.9.4 The estimated net base after local scheme deductions is estimated to be 64,942.09 and £797k for every 1% on current council tax levels.

4.9.5 A 1.9% council tax increase equates to an increase of £1.5m

4.10 Reserves

4.10.1 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.

4.10.2 The following table shows the year-end balance on the General Fund for the last three financial years and the estimated position at 31st March 2014.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31 st March 2011	6,349	6,002	11,570	23,921
31 st March 2012	6,113	5,789	7,669	19,571
31 st March 2013	4,656	5,535	8,433	18,624
31 st March 2014 (est)	2,210	5,000	9,000	16,201

4.10.3 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.

4.10.4 Herefordshire's General Fund opening balance for 2013/14 was £4.66m, which was slightly in excess of the policy in place to maintain a minimum balance of £4.5m (3%). However, based on the projected out-turn for 2013/14 using the October monitoring information the general reserve would be below the minimum prudent level at 31st March 2014, at £2.2m. The 2014/15 budget includes £3.58m to repay the overspend and add an additional £1m.

4.11 Capital Reserves

4.11.1 There is one capital receipts 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 the estimated position at 31st March 2014;

Balance as at:	Opening Balance £'000	Receipts £'000	Spend £'000	Closing Balance £'000
31st March 2011	13,565	2,097	(8,908)	6,754
31st March 2012	6,754	516	(4,501)	2,769
31st March 2013	2,769	2,872	(2,948)	2,693
31st March 2014 (est)	2,693	2,500	(3,271)	1,922

4.11.2 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.

4.12 Funding Arrangements for Capital Investment

4.12.1 Capital expenditure can be funded from capital receipts, borrowing, grants and revenue contributions.

4.12.2 Government support for capital investment is through the allocation of grants, known grant funding allocations for 2014/15 are:

- **Local Transport Plan** - £10.6m
- **Fastershire** - £6.1m
- **Destination Hereford** - £1.054m
- **Community Capacity Grant for Health** - £0.483m
- **Basic Need** - £0.432m
- **Universal Free School Meals** - £0.247m

4.12.3 The Local Transport Plan (LTP) grant funding includes £857k additional 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 overall decrease in funding from 2013/14 of £731k.

4.12.4 Fastershire (increasing internet broadband access in rural areas) and Destination Hereford (improving Herefords active travel schemes) are specific capital project grant funding allocations allocated in prior years.

4.12.5 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 from 2013/14 to 2014/15 with the distribution based on the total adults social care relative needs formulae.

4.12.6 Basic Need and Universal Free School Meals grant funding allocations are recently announced capital grant funding allocations linked to providing additional school places and free school meals.

4.12.7 The council is waiting for confirmation of the grant funding allocation from the DCLG towards Disabled Facilities Grants; this is expected in March 2014, £679k was allocated in 2013/14.

4.12.8 **Council Borrowing** - This medium-term strategy reflects the borrowing funding requirement implied by the Treasury Management Strategy to support the capital programme. All new capital schemes funded by borrowing are only recommended for approval where the cost of borrowing is fully funded.

4.12.9 **Capital Receipts Reserve** – as shown in paragraph 4.11.1 the capital receipts reserve totalled £2.693m as at 1 April 2013. This is likely to fall to around £1.922m by the end of this financial year. This remaining balance has been committed to fund the capital programme in future years.

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

- **Maximising Capital Receipts** – by disposing of assets
- **Maximising Developers' Contributions** – through planning gains and the future adoption of a Community Infrastructure Levy
- **Pinch Point Grant Funding** – an application has been submitted to the Department for Transport to ease traffic congestion
- **LEP Major Scheme Grant Funding** – applications will be made for infrastructure schemes
- **External Funding Bodies** – to distribute funding for projects that satisfy their key criteria and objectives; bids are submitted where appropriate.
- **New Homes bonus and Retained Business Rate Income Growth** – these revenue funding streams will be linked, where appropriate, to support the cost of financing capital expenditure.

4.12.11 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.

4.13 Capital Programme 2014/15 to 2016/17

4.13.1 The 2014/15 to 2016/17 capital programme represents funding allocations received to date, commitments from previous years and new capital schemes.

4.13.2 The council's capital programme is funded by grants, borrowing and capital receipts. The following capital schemes are proposed to be included in the 2014/15 capital budget, all funded by borrowing on a self-financed basis;-

- a. **Energy from Waste Plant** – approval to fund up to £40m of the capital construction cost of an Energy from Waste plant in Hartlebury was approved by Cabinet on the 12th December 2013. The cost of financing the borrowing will initially be received from the waste contractor loan repayments during the remaining PFI term and subsequently from the waste disposal revenue budget.
- b. **Road Infrastructure** – Cabinet approved on the 25th July 2013 to invest £20m in the improvement of road conditions from spring 2014. The cost of providing this finance will be met from both the Local Transport Plan capital funding and savings in the annual revenue road maintenance budget.
- c. **Leisure Centres** – On 23 January 2014 Cabinet gave approval to invest up to £9m of improvements at council owned leisure facilities. These improvements will generate extra income from increased participation enabling the reduction of the current management fee arrangement to zero over the coming years as well as fund the cost of debt repayment which will be funded by rental charges to the leisure provider, currently Halo.
- d. **Disabled Facilities Grants (DFGs)** – the council has a statutory duty to provide DFGs and providing funding reduces the risk of the hospitalisation of vulnerable people, enabling them to remain in their own homes. The council receives grant funding from the Government, which used to require a match funding commitment and although this requirement has been removed the need exceeds current grant value by an estimated £200k. The cost of borrowing (£200k) will be funded by a revenue budget contribution.
- e. **Closed Landfill Sites** – this is for replacement boreholes at the Belmont site and improvements to the Leominster site, the total for both schemes being £76k with the cost of borrowing funded by a revenue budget contribution.

4.13.3 The addition of the above self-financed capital schemes will add £68.9m prudential borrowing funded capital budgets over the next three years. Due to the self-financing nature of the schemes there is no overall revenue budget impact with no cost of borrowing requiring financing by the council tax payer.

4.13.4 Agreement of the additional self-financing schemes will not breach the council's prudential indicators for borrowing. The above schemes have been included in the Treasury Management Strategy within this MTFS.

4.13.5 The council needs to increase the number of special school places available to children with severe and complex difficulties over the period of this MTFS. The SEN school in the north of the County will be extended, adapted and improved through a series of phases to address this as capital funding is secured.

4.13.6 The following table summarises the existing and proposed capital investment programme;-

Total 3 year budget 2014/15 to 2016/17						
Scheme	Spend in prior years £'000	14/15 Budget £'000	15/16 Budget £'000	16/17 Budget £'000	Sub Total £'000	Total Budget £'000
Fastershire Broadband	4,000	7,600	6,200	2,400	16,200	20,200
Local Transport Plan	n/a *	10,645	**	-	10,645	10,645
Corporate Accommodation ***	9,673	6,211	976	-	7,187	16,860
Link Road	9,064	10,708	7,228	-	17,936	27,000
Leominster Primary School	4,451	5,729	437	-	6,166	10,617
LED Street Lighting ***	-	5,655	-	-	5,655	5,655
Hereford Enterprise Zone	n/a *	1,967	1,467	-	3,434	3,434
Others	n/a *	2,090	667	-	2,757	2,757
Schools Basic Need	n/a *	1,008	634	666	2,308	2,308
Solar photovoltaic panels ***	293	1,841	-	-	1,841	2,134
Destination Hereford	2,207	1,054	-	-	1,054	3,261
Masters House, Ledbury	3,419	606	-	-	606	4,025
Hereford City Surface Car Parking	434	566	-	-	566	1,000
Community Capacity Grant	n/a *	483	-	-	483	483
Disabled Facilities Grant ***	n/a *	462	-	-	462	462
Yazor Brook Flood Alleviation	4,426	450	-	-	450	4,876
SUB TOTAL	37,967	57,075	17,609	3,066	77,750	115,717
New capital schemes (funded)						
Energy from Waste Plant		11,000	14,000	15,000	40,000	
Road Infrastructure		15,000	5,000	-	20,000	
Leisure Centres	330	2,000	3,300	3,370	8,670	9,000
Disabled Facilities Grant		200	-	-	200	
Closed Landfill Sites		76	-	-	76	
TOTAL		85,351	39,909	21,436	146,696	
<i>Financed by:-</i>						
<i>Prudential Borrowing</i>		57,237	37,371	20,770	115,378	
<i>Local Transport Plan Grant</i>		10,645	-	-	10,645	
<i>Fastershire BDUK Grant</i>		6,100	-	-	6,100	
<i>Standards Fund Grant</i>		5,205	-	-	5,205	
<i>Destination Hereford Grant</i>		1,054	-	-	1,054	
<i>Schools Basic Need Grant</i>		1,008	634	666	2,308	
<i>Community Capacity Grant</i>		483	-	-	483	
<i>Other Capital Grants</i>		410	-	-	410	
<i>Capital Receipts Reserve</i>		3,209	1,904	-	5,113	
TOTAL		85,351	39,909	21,436	146,696	

* number of schemes, not scheme specific

** allocation to be via the LEP, amount not yet confirmed

*** schemes partly or wholly funded by savings

4.13.6 The above table does not show any commitment to fund the capital programme from the anticipated receipts from the sale of assets. However, the anticipated reduction to borrowing overall is taken account of in the Treasury Management Strategy.

4.14 Treasury Management Strategy

4.14.1 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 2014/15 complies with the detailed regulations that have to be followed.

4.14.2 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. 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.

Investments

4.14.3 During 2013/14 interest rates on both instant access accounts and term deposits have fallen. At present the council is earning an average rate of 0.60% compared to 0.90% at the start of the year. Interest rates for 2014/15 are not expected to improve. Therefore the budget for 2014/15 has been set assuming an average interest rate of 0.60%.

4.14.4 The council's primary objective in relation to the investment of public funds remains the security of capital. The Banking Reform Act 2014 and the EU Bank Recovery and Resolution Directive both reflect a reduced likelihood of the government supporting failing banks in future, with the possibility of unsecured creditor balances being reduced to provide finance. The council will consult with its treasury adviser, Arlingclose, in order to identify low-risk counterparties and to set prudent limits relating to the amounts invested and the associated maturity periods.

4.14.5 Because of increased credit risk the budget for 2014/15 has been set assuming investment balances of £10 million less than the current financial year.

Borrowing

4.14.6 On the borrowing side, the strategy, based on the proposed capital programme, includes an estimated additional borrowing requirement of £54.8m for 2014/15. This is the net figure after taking account of estimated capital spend, the refinancing of existing loans and MRP.

4.14.7 The borrowing requirement has been calculated by reference to the projected Balance Sheet position which is set out below. (The borrowing supports fixed assets valued at more than £447 million in the balance sheet)

	2014/15	2015/16	2016/17
	£m	£m	£m
Borrowing Requirement b/fwd (Excluding PFI's & other long-term liabilities)	190.8	237.8	264.9
New borrowing	57.2	37.4	20.8
Less MRP (provision for principal repayment)	(10.2)	(10.3)	(10.7)
Borrowing Requirement c/fwd (Excluding PFI's & other long-term liabilities)	237.8	264.9	275.0
Less existing long-term loans	(132.5)	(124.3)	(117.2)
Less estimated revenue and capital reserves	(19.6)	(18.9)	(18.5)
Less capital receipts reserve from proposed asset sales (cumulative)		(20.0)	(40.0)
Additional Borrowing Requirement	85.7	101.7	99.3

4.14.8 The above projection includes a proposal to reduce borrowing through the sale of assets (realising total receipts of £20m per annum in 2015/16 to 2017/18 inclusive).

4.14.9 The forecast is for interest rates to stay low for the foreseeable future. Therefore council strategy is to continue to use short-term loans, which are the cheapest source of finance available both in the short and over the medium/long term. Also, the anticipated sale of assets supports the policy of borrowing in the short-term rather than locking in loans in advance of receiving capital receipts.

5. Medium-Term Financial Resource Model (FRM)

5.1. Background

5.1.1 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 2014/15 to 2016/17.

5.2 Assumptions

5.2.1 The FRM includes a number of key assumptions on which the financial strategy is based. The current planning includes the following;

- a) Council Tax - a 1.9% increase for 2014/15 and there-after.
- b) Government funding – the FRM reflects the provisional settlements for 2014/15 and 2015/16 plus an estimated further reduction in funding for 2016/17.
- c) New Homes Bonus – the provisional 2014/15 allocation for Herefordshire is estimated at £751k, giving a total of £2.82m for the 4 years of the scheme. Further 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
- f) Employers' superannuation costs – the FRM includes increases in employers' contributions following the 2013 valuation (see Section 5.3).
- g) Interest Rates – the FRM reflects interest rate assumptions for investment income and borrowing costs in line with the Treasury Management Strategy 2013/14.

5.2.2 There is less certainty around assumptions for 2016/17 and therefore the FRM includes a higher level of contingency in that year.

5.3 Pensions

5.3.1 The pension fund's Actuaries have undertaken their triennial review of the pension fund assets and liabilities and revised the contribution rates required to bring the fund into balance over a period of 21 years.

5.3.2 The estimated deficit on the fund for Herefordshire is £138m, against a required balance to pay future liabilities of £394m. This proportionate level of deficit is normal for Local Authority pension funds and relates to falling returns on investments and employees living significantly longer than anticipated when the scheme was initially set-up. We have agreed with the Actuary that in order to recover the deficit over 21 years that the employer's deficit contribution increases from £4.5m in 2014/15 to £7.6m by 2016/27 (£4.2m in 2013/14). The Actuary has also requested that the element of the employer's contribution related to clearing the deficit is paid as an annual cash sum. This amount will be reflected in a percentage charge still but it must be recognised as a fixed cost rather than a variable one based on staff numbers employed.

5.3.3 The Actuary has confirmed that the future employers service contribution rate, which is paid as a percentage of current employees' gross pay, is to increase from 11.7% to 14.6%. We have agreed with the Actuary to phase this in by paying 12.2% in 2014/15 and 14.6% from 2015/16. This equates to an increase from £4.2m per annum in 2013/14 to £4.6m in 2014/15 and £5.5m per annum thereafter.

5.4 Funding assumptions included in the FRM

5.4.1 The following funding assumptions are included in the FRM.

	2014/15	2015/16
	£000	£000
Estimated rates (retained by council)	22,704	25,189
Top-up	6,686	6,871
RSG	35,803	25,935
Council tax	81,263	83,323
Funding for net budget requirement	146,456	141,318

5.4.2 The settlement also set out the specific grants for Herefordshire, as detailed in Section 4.7. These grants are used to fund specific functions with Directorates. We await details of some grants from central government.

5.5 Directorate pressures

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

Directorate	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Adults demographic pressures	4,082	767	742	5,591
Childrens' safeguarding	543			543
Loss of property rental income	221			221
*LDF	(130)	(100)	50	(180)
*Public realm procurement	(400)			(400)
*Belmont transport package	175	(675)		(500)
*Elections		130	(130)	0
Procurement targets	480			480
Adverse weather incl. Bellwin	150	150	150	450
Insurance costs	300			300
Reduction in HB admin subsidy	91			91
Total	5,512	272	812	6,596

*Negative figures are reversals of one-off funding in previous years

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

5.6 Waste Disposal Contract

5.6.1 The councils FRM includes the financial impact of the decision to conclude negotiations to execute a variation to the current waste disposal contract within the parameters approved by Cabinet on 12th December 2013. This variation will see the council provide financing for their share of an Energy from Waste plant with the cost of financing to be funded from the waste disposal revenue budget.

5.6.2 To enable the conclusion of the variation negotiations Herefordshire has amended its Treasury Management Strategy and increased its Authorised Borrowing Limits and council credit ceilings. Also Prudential Indicators, Minimum Revenue Provision and the capital programme has been updated with the financial consequences of the decision to proceed. The scheme is projected to save £32m over the life of the plant in comparison to continuing with continuing to landfill based on Net Present Values.

5.7 Savings Targets

5.7.1 The budget gap of £33m has been identified with some contingency in the medium-term financial plan. Proposed savings for 2014/15 to 2016/17 are as follows;

	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Children's and Public Health	2,500	1,632	2,236	6,368
Adults Wellbeing	5,490	3,435	3,146	12,071
Economy, Communities and Corporate (ECC) and CEOD	7,407	3,602	4,269	15,278
Savings Identified	15,397	8,669	9,651	33,717

5.7.2 For Children's Wellbeing the savings plans cover the following areas;

- Making better use of data to target work where its most needed
- Reviewing family support services
- Redesigning children's' centres offer
- Exploring ways to bring in external funding
- Develop opportunities for other bodies to run services for children
- Cutting back office costs

5.7.3 For Adults Wellbeing the savings plans cover the following areas;

- Stopping funding people who are not eligible for adult social care
- Maximising income through charging for services
- Shifting to providing enablement focused and time limited support
- Improving how we communicate with service users
- Offering a range of mechanisms to exercise choice on purchasing care
- Service redesign
- Recommissioning services

5.7.4 For ECC the savings plans cover the following areas;

- Roads and public spaces cleaning and maintenance
- Waste collection
- Public transport
- Back-office
- Reduced property services

- Changes to council tax discounts and council tax reduction scheme
- Removal of discretionary rate relief to some voluntary organisations

5.7.5 For Chief Executive and Organisational development the savings plans cover the following areas;

- Reduce back-office support
- Reduce ICT costs

5.8 Budget proposal 2014/15

5.8.1 The recommended budget position for 2014/15 is as follows;

Directorate	Base Budget 2013/14 £000	Net changes £000	Draft Budget 2014/15 £000
Adults Wellbeing	53,873	1,060	54,933
Children's Wellbeing	28,380	(1,879)	26,501
Economies, Communities, Corporate, Chief Executive and Organisational development	51,877	(4,880)	46,997
Total Directorates	134,130	(5,699)	128,431
Capital Financing – principal/debt repayment			10,196
Capital Financing – interest			5,929
Change management			2,000
Government grants			(5,064)
Other central budgets			1,384
Transfer to General Balances			3,580
Total net spend (Budget Requirement)			146,456
Financed by;			
Formula grant			35,803
Locally retained rates			22,704
Rates top-up from government			6,686
Council tax			81,263
			146,456

5.9 Budget risks

5.9.1 The most substantial risks have been assessed in the budget process and reasonable mitigation has been made.

5.9.2 Substantial Reductions to Directorate Budgets totalling £15.4m have been identified within the draft budget proposals, which are in addition to the £34m savings in the previous three financial years. Key risks for Directorates are set out below;

5.9.3 Economy, Communities and Corporate

- The economic climate continues to have a direct impact on income (planning and parking fees). The budget reflects prudent assumptions around the continued impact of the economic situation.
- There is risk to the budget for the emergency costs in response to severe weather conditions, such as flooding or harsh winter conditions. Whilst DCLG assist in the funding of these costs through the Bellwin scheme, the Council would have to fund the remainder within current budgets.

5.9.4 Adults Well-Being

- Demographic Pressures have been included within the draft budget proposals for expected growth, but pressures within Health funding may result in added costs due to earlier hospital discharges.
- Re-commissioning of services is dependent upon successful contract negotiations and an appetite within the marketplace for change and the management of delivering to proposed timescales.
- Reviews of high cost packages run the risk of care packages also increasing in value as well as decreasing in value.
- Increased Income expectations are at risk as if successful at preventative and redirection demand initiatives, then this may reduce the ability to increase income generation.

5.9.5 Children's Well-Being

- Social Work Recruitment within Children's Services remains a risk and the use of agency staff has been profiled to reduce over the year. This national shortage is seen across the country. Work is progressing on a local social work academy to support a "Grow your Own" and "Progression" initiative in order to support a more sustainable workforce for the future.
- Foster Carers may be required to look after children until the age of 21. The Government are currently looking at proposals to extend the current age with circa £40m being allocated across the country. However, there is an expected increase in foster carers within Herefordshire of circa 20-30 by 2017 in order to meet current demand.
- Children's Placement budget has increased risks due to the transfer of responsibilities of Court Ordered Placements to the Local Authority. The lack of local residential opportunities has led to increased cost. Work is underway to look at early intervention work, MST (Multi- Systemic

Treatment Programme). In addition specialist foster carers are due to be recruited to support children with complex and challenging behaviours.

- Court Costs are a risk due to an increase in care proceedings

Autumn Statement – December 2013

Key Announcements

- **Asset Sales** - To incentivise asset sales and support investment in transforming local services, the Government will allow local authorities new flexibility to use £200m of receipts from asset sales over 2015/16 and 2016/17 to pay for the one-off costs of service reforms. They will publish a prospectus inviting bids to access a share of this flexibility in the New Year.
- **New Homes Bonus** – An evaluation of the New Homes Bonus will be carried out for completion by Easter 2014. A consultation will also be carried out on measures to further improve the incentive provided by the New Homes Bonus, in particular through mechanisms to withhold payments where planning approvals are made on appeal.
- **NHB and Single Local Growth Fund** - Plans to top-slice £400m of the New Homes Bonus for the single pot will not now be imposed. The Government will maintain a £2 billion Local Growth Fund, but will not be requiring authorities (except for London) to pool a portion of their New Homes Bonus income. This benefits Herefordshire Council by around £1.1m per annum from 2015/16.
- **Carbon Reduction Commitment (CRC)** – CRC allowance prices in 2014/15 will be priced at £15.60 per tonne of carbon dioxide in the forecast sale and £16.40 per tonne of carbon dioxide in the buy to comply sale. This does not currently affect Herefordshire Council.

Business Rates

- **Business Rate Increases** - With no policy change, business rates for 2014/15 would have risen by the September 2013 RPI. Autumn Statement 2013 announced that the Government will cap the RPI increase in business rates to 2% in 2014/15.
- Under the business rates retention scheme the 2% cap will also be applied to the annual increase for tariffs and top-ups (Herefordshire is a top-up authority).
- **Appeals Backlog** - 95% of outstanding business rate appeal cases will be resolved by July 2015
- **Rateable values** - In 2014 a consultation will look at changes to provide greater transparency over how rateable values are assessed, improve confidence in the system and allow challenges to be resolved faster, preventing backlogs building up in future.
- **Small Business Rates Relief** - The Small Business Rate Relief (SBRR), doubling to provide 100% relief from business rates, will be extended again to April 2015. This will benefit Herefordshire businesses by around £2m.
- **Business Rate Discount** - A discount of up to £1,000 will be introduced against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/15 and 2015/16.

- **Reoccupation Relief** - A temporary reoccupation relief will be introduced, granting a 50% discount from business rates for new occupants of previously empty retail premises for 18 months.
- **Instalment Changes** - Legislation will be made to allow business rates bills to be spread over 12 months rather than 10 months as currently, with effect from 1 April 2014
- **Administration Reform** - A discussion paper will be published in spring 2014 on options for longer-term administrative reform of business rates post-2017.

Schools and Children's Services

- **Early Education** - Free early education will be extended to the 40% most disadvantaged 2 year olds by September 2014.
- **Free School Meal** - The Government will make funding available to offer every pupil attending a state-funded school in reception, year 1 and year 2 a free school lunch from September 2014. Pupil Premium rates and eligibility will be unaffected. Capital funding will also be provided to increase capacity in school kitchens and eating areas.
- **Innovation Programme** – Details of a programme to increase the level of innovation in children's services to help local authorities improve outcomes and increase value for money, and will announced details ahead of Budget 2014.

FINANCIAL RESOURCE MODEL 2014/15 to 2016/17
APPENDIX B

MTFRM	2013/2014 Budget £'000	2014/2015 Budget £'000	2015/2016 Budget £'000	2016/2017 Budget £'000	2014/15 to 2016/17 £'000
Base Budget	143,359	150,296	146,456	141,318	
Inflation - Pay Award	536	416	427	436	1,279
Superannuation - future service (2013 review)		300	631		931
Superannuation - deficit (2013 review)		230	529	1,649	2,408
Inflation - Non-Pay Expenditure (2%)	2,499	2,693	2,747	2,802	8,242
Inflation - Income	(432)	(479)	(489)	(499)	(1,467)
Additional NI from 2016/17				1,400	1,400
Inflated base budget	145,962	153,456	150,301	147,106	12,793
2013/14 Grants rolled into Central Funding					
Early Intervention Grant (excl 2 yr olds)	5,271	(336)			(336)
DoH Learning Disability & Health Reform Grant	3,842	96			96
Other	336				
Waste disposal - PFI Contract	250	400	400	400	1,200
MTFMS Changes 2013/14	(529)				
Capital Financing Costs					
- Cost of borrowing (Other than EfW plant)	(868)	884	(839)	(310)	(265)
- Investment Income	153	79	(45)	(75)	(41)
Identified Pressures					
Income shortfall (car parking, land charges etc)		(112)	(113)		(225)
Management change - £2m p.a.	1,000				0
Additional budget pressures identified:					0
Adults	6,950	4,082	767	742	5,591
Childrens Wellbeing - demographic pressure		543			543
Contingency - unforeseen items/grants		720	1,051	2,182	3,953
ECC	2,030	887	(495)	70	462
Virement to ASC		1,204			1,204
Backfunding element of savings plans		267	98	35	400
Funding					
New Homes Bonus	(654)	(751)	(654)	(654)	(2,059)
Education support grant	(2,085)				0
CT Support Grant to be passed to parishes	289				0
Transitional grant for local ctax support	(259)	259			259
2% cap on rates- s31 grant		(374)	(25)	399	0
Other rates changes -s31 grant		(1,663)	1,663		0
Reserves					
Top up contingency/insurance reserves	(450)				0
Repayment of 13/14 overspend and £1m top-up p.a.	2,000	1,580	(2,580)		(1,000)
					0
Capacity/(shortfall) to achieve desired Tax increase	(12,942)	(14,765)	(8,211)	(9,421)	(32,396)
TOTAL BUDGET	150,296	146,456	141,318	140,474	

Herefordshire Council

Treasury Management Strategy 2014/15

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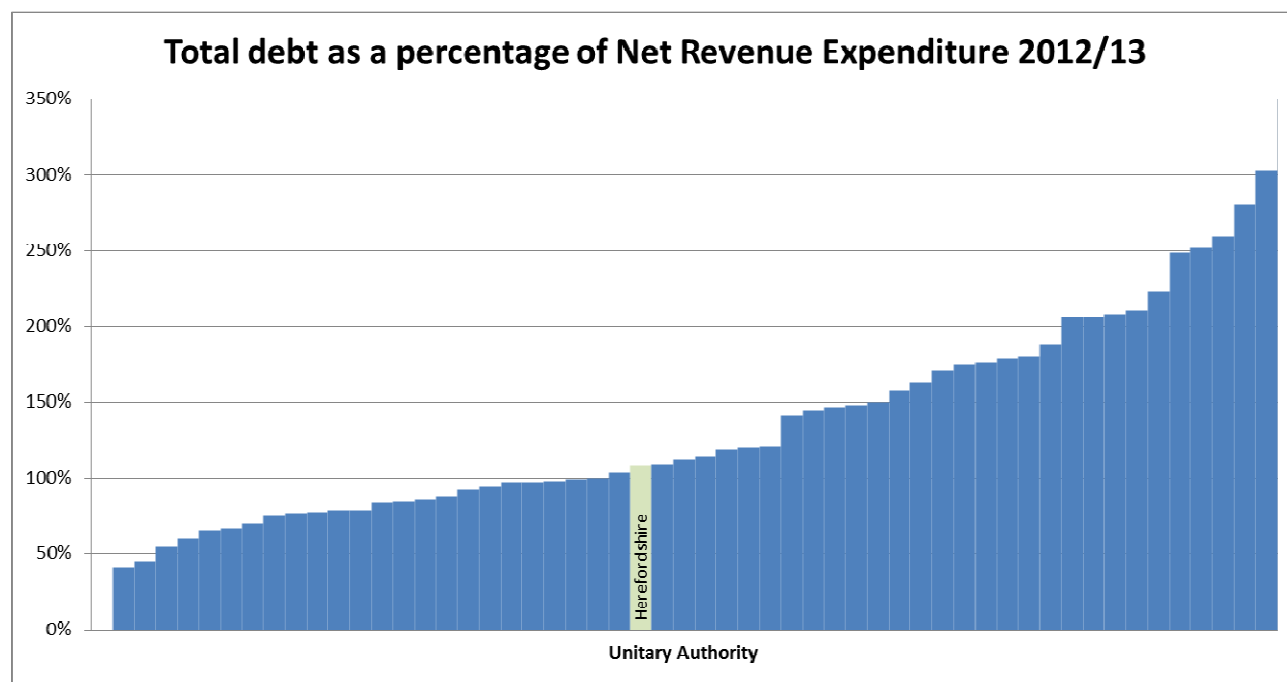
1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) requires the council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. The TMSS also includes the Annual Investment Strategy as required under Investment Guidance provided by Communities and Local Government (CLG).
- 1.2 The council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the council's treasury management strategy.
- 1.3 The purpose of this TMSS is to approve:
- Treasury Management Strategy for 2014-15 (Borrowing – Section 4 and Investments – Section 5)
 - MRP Statement – Section 6
 - Prudential Indicators - Appendix 3

2. Summary of Strategy for 2014/15

Borrowing

- 2.1 The graph below shows Herefordshire's total debt as a percentage of its net revenue expenditure is less than the average of all unitary authorities as at 31.03.13.



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- 2.2 The council does not borrow against individual assets but manages its cash flow overall after taking into account reserves and investments. In the current economic climate, where return on investments is low and suitable counter-parties are reduced, the council has used its own reserves before borrowing externally.
- 2.3 The council's policy on external borrowing continues to be to utilise short-term variable borrowing, which is much cheaper than fixing longer term borrowing. Compared to a 20 year EIP loan (currently at 3.80%) short-term finance (at 1%) will save the council at least £1.6 million in revenue interest costs in 2014/15 (being the average amount of short-term debt outstanding during 2014/15 of £58.3m at 2.80%).
- 2.4 In 2014/15 council borrowing is estimated to increase by £50.8m from £167.4m to £218.2m. The two largest capital schemes are expenditure on the roads (£15m in 2014/15) and a new Energy from Waste Plant (£11m in 2014/15), a joint project with Worcester County Council.

Investments

- 2.5 Credit risk will increase for 2014/15 due to new banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty. As a response the council will:
- Maintain lower investment balances during the year (a policy only possible with short-term loans which can be matched to the council's cashflow profile);
 - Deposit funds with only the strongest of the banks; and
 - Make greater use of building societies which at present have better regulations than the banks in terms of safeguarding council deposits; and
 - Consider other creditworthy investments to increase diversification.

3 Capital Financing Requirement

- 3.1 Capital expenditure can be financed in a number of ways including the application of usable capital receipts, a direct charge to revenue, the application of a capital grant or by securing an up-front contribution from another party towards the cost of a project.
- 3.2 Capital expenditure not financed by one of the above methods will increase the capital financing requirement (CFR) of the council.
- 3.3 The CFR reflects the council's underlying need to finance capital expenditure by borrowing or by other long-term liability arrangements.
- 3.4 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

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negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy.

- 3.5 The forecast movement in the CFR over future years is one of the Prudential Indicators which can be found in Appendix 3. The movement in actual external debt and usable reserves (which have a direct bearing on when any internal borrowing may need to be externalised) combine to identify the council's borrowing requirement and potential investment strategy in the current and future years.

Table 1: Balance Sheet Summary Analysis				
	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital Financing Requirement	218,276	264,038	289,809	298,547
Less: Other Long Term Liabilities:				
PFI schemes	26,853	25,707	24,489	23,208
Finance leases	320	320	320	320
Salix loan	341	208	74	0
CFR excluding other long-term liabilities	190,762	237,803	264,926	275,019
Less: Existing Profile of Longer Term Borrowing – PWLB and bank loans	136,535	132,523	124,285	117,243
Cumulative Maximum External Borrowing Requirement	54,227	105,280	140,641	157,776
Estimated Usable Reserves*	23,323	19,613	38,935	58,435
Cumulative Net Borrowing Requirement	30,904	85,667	101,706	99,341
*Usable Reserves includes fixed asset sales of £20 million in 2015/16 and £20 million in 2016/17				
Total Council Borrowing	167,439	218,190	225,991	216,584

4 Borrowing

- 4.1 At 30th November 2013 the council had £138.4 million of longer term loans, £23 million of short-term loans and £33.6 million of investments. These are set out in further detail in Appendix 1.
- 4.2 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board
 - UK local authorities
 - Any institution approved for investments (see below)

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- Any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
 - UK public and private sector pension funds
 - Capital market bond investors
 - Special purpose companies created to enable joint local authority bond issues.
- 4.3 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, when the interest charges 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.
- 4.4 The council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, by fully utilising usable reserves.
- 4.5 Given the significant cuts to public expenditure, and in particular to local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than longer-term rates, it is likely to be more cost effective in the short-term to use internal resources and to borrow short-term. By doing so, the council is able to reduce net borrowing costs and reduce overall treasury risk. Such a strategy is most likely to be beneficial over at least the next 2-3 years as official interest rates remain low.
- 4.6 The benefits of short-term borrowing are monitored regularly. Analysis comparing the cost of a longer term loan with short-term finance indicates that, with current and projected interest rates, the savings arising from short-term loans outweigh any increased cost in later years. However, as and when short-term rates increase and the gap between short-term and longer-term finance reduces this decision will be reviewed. Arlingclose will assist the council in assessing the "cost of carry" and breakeven analysis.
- 4.7 The borrowing budget for 2014/15 includes provision to pay short-term interest rates of up to 1.00% (including brokers commission). It also includes interest on existing fixed term borrowing plus capacity to take out some new longer term finance if it is considered prudent to do so.
- 4.8 Assuming no longer term loans are taken out, by 31st March 2015 variable rate short-term loans may total £86m compared to fixed rate longer-term borrowing of £132m. This increase in the proportion of variable rate borrowing has required an increase in the council's upper limit for variable interest rate exposure (see performance indicator Appendix 3, point 9.)

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- 4.9 The performance indicator actually relates to net debt after deducting fixed/variable rate investments from fixed/variable rate borrowing. For example, based on the figures above, and assuming (variable rate) investments of £10m at 31st March 2015, the percentage of variable rate exposure will be 36%. This percentage is at its maximum at the end of the year when the total of variable rate borrowing is at its highest level and investment balances are low. The percentage will be around 0% at the end of April 2014 (with short-term loans of £30m brought forward being offset by a similar level of investments) and will rise as the year progresses and additional loan finance is required.
- 4.10 The council's exposure to variable rate debt has been discussed with the council's treasury adviser, Arlingclose, who agree with the council's borrowing policy in the current interest rate regime.
- 4.11 The main reason for the significant increase in council borrowing is to fund the council's share of a new Energy from Waste Plant, a joint project with Worcestershire County Council. The incinerator is projected to cost Herefordshire Council up to £40 million over the three years from 2014/15 to 2016/17 inclusive.
- 4.12 Lending for the provision of a new Energy from Waste Plant will be made alongside Worcester County Council to Mercia Waste Management under the same terms and conditions on an approximate split of 25% from Herefordshire and 75% from Worcestershire. This is accordance with the Joint Agreement between the councils.
- 4.13 The Energy from Waste loan finance will be financed by borrowing and repaid by Mercia Waste Management until 2023 when the outstanding debt finance will be repayable by the council until 2042. The loan finance to Mercia Waste Management will mirror the structure that would be provided by Commercial Banks and will comprise of two elements:
- A interest only loan to the value of circa £31 million (£123 million when combined with Worcester County Council) that will be taken on by the Councils in 2023 (equivalent to the forecast Net Book Value of Asset); and
 - A loan that is repaid by Mercia to the Value of £9.5 million (£38 million when combined with Worcester County Council) between 2017 and 2023.
- Repayments by Mercia Waste Management will be ring-fenced to directly repay the debt that specifically relates to this project.
- 4.14 In order to reduce its overall borrowing requirement, the council proposes selling other fixed assets to raise proceeds of around £60 million (approximately £20 million per annum) over the three years from 2015/16 to 2017/18.
- 4.15 Appendix 2 shows total estimated council borrowing over the next twenty years, assuming that these proceeds are received.
- 4.16 Increased borrowing increases both interest payable and the amount to be set aside from revenue each year for the repayment of loan principal (called Minimum Revenue

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Provision (MRP)). Annual MRP is estimated to be around £10m. Therefore if, after the large capital schemes scheduled for the next few years are completed, the new capital spend financed by borrowing can be reduced to below the annual MRP the council's total borrowing will fall, as shown in Appendix 2.

- 4.17 Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Due to the prevailing low interest rate regime, opportunities for debt rescheduling are likely to be very limited. However, this option will be kept under review and the council may replace some loans with new loans, where this is expected to lead to an overall saving or reduction in risk.

5. Investments

- 5.1 The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the financial year to date the council's investment balances have ranged between £9m and £59m. Sometimes balances have been high due to the council making term deposits and utilising cheaper short-term borrowing for liquidity purposes.
- 5.2 Interest rates on both term deposits and instant access accounts have fallen during the year. Because of this, and because of the increased credit risk due to new banking regulations (see 5.4 below), it is envisaged that investment balances during 2014/15 will be maintained at lower levels.
- 5.3 Both the CIPFA Code and the CLG Guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 5.4 The credit risk of banking failures has diminished, but not dissipated altogether. Planned regulatory changes in the UK, US and Europe will see a move away from the bank bail-outs of previous years to bank resolution regimes in which shareholders, bond holders and unsecured creditors are 'bailed in' to participate in any recovery process. Diversification of investments between creditworthy counterparties to mitigate bail-in risk will become even more important in the light of these developments.
- 5.5 The investment counterparty list for 2014/15 includes making payments of up to £11m to Mercia Waste Management to fund the Energy from Waste Plant. This investment will be made through a joint Credit Control Committee with Worcester County Council. The Committee will have both authorities S151 officers as members who will be advised by external financial and legal advisors. The Committee may decide matters within its terms of reference or refer them to full Council for determination in accordance with the usual rules of delegation.
- 5.6 The council may invest its surplus funds with any of the counterparties in Table 2 below, subject to the limits shown.

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Table 2: Approved Investment Counterparties			
Counterparty		Investment limit	Time limit †
Banks and other organisations and securities whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	Higher of £5m and 15% of total investments	10 years*
	AA+		5 years*
	AA		4 years*
	AA-		3 years*
	A+		2 years
	A		1 year
	A-		1 year
The council's current account bank (Nat West) if it fails to meet the above criteria			next day
UK Central Government (irrespective of credit rating)		unlimited	50 years**
UK Local Authorities (irrespective of credit rating)		£10m each	50 years**
UK Registered Providers of Social Housing whose lowest published long-term credit rating is A- or higher		Higher of £5m and 15%	10 years**
UK Registered Providers of Social Housing without published long-term credit ratings		£2m each	5 years
UK Building Societies without credit ratings		£2m each	1 year
Money market funds and other pooled funds		Higher of £5m and 15%	n/a
Any other organisation, subject to an external credit assessment and specific advice from the council's treasury management adviser		£2m each	3 months
		£1m each	1 year
		£100k each	5 years
Mercia Waste Management (providing finance for Energy from Waste Plant)		£11m	10 years

† the time limit is doubled for investments that are secured on the borrower's assets

* but no longer than 2 years in fixed-term deposits and other illiquid instruments

** but no longer than 5 years in fixed-term deposits and other illiquid instruments

- 5.7 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.
- 5.8 Credit conditions will be monitored during the year and, if credit conditions deteriorate, the above limits will be reviewed and may be reduced.
- 5.9 Investments will not be restricted to bank deposits, and investments may be made with any public or private sector organisations that meet the above credit rating criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the *EU Bank Recovery and Resolution Directive* are implemented.

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- 5.10 In addition, the council may invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the council's treasury management adviser.
- 5.11 **Current Account Bank:** Should the credit ratings fall below A-, the council may continue to deposit surplus cash in instant access accounts with Nat West provided that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).
- 5.12 **Registered Providers:** Formerly known as Housing Associations, Registered Providers of Social Housing are tightly regulated by the Homes and Communities Agency and retain a high likelihood of receiving government support if needed. The council will consider investing with unrated Registered Providers with adequate credit safeguards, subject to receiving independent advice.
- 5.13 **Building Societies:** The council takes additional comfort from the building societies' regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the council's deposits would be paid out in preference to retail depositors. The council will therefore consider investing with unrated building societies where independent credit analysis shows them to be suitably creditworthy. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.
- 5.14 **Money Market Funds:** These funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the council. Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 5.15 **Other Organisations:** The council may also invest cash with other organisations, for example by making loans to small businesses. Because of the higher perceived risk of unrated businesses, such investments may provide considerably higher rates of return. They will however only be made following a favourable external credit assessment and on the specific advice of the council's treasury management adviser.
- 5.16 **Risk Assessment and Credit Ratings:** The council uses long-term credit ratings from the three main rating agencies Fitch Ratings, Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by the council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and

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- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.17 Where a credit rating agency announces that a A- rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 5.18 **Other Information on the Security of Investments:** The council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 5.19 **Specified Investments:** The CLG Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The council defines “high credit quality” organisations as those having a credit rating of A- or higher that are domiciled in the UK or in a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is also defined as those having a credit rating of A- or higher.

- 5.20 **Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits	
	Cash limit
Total long-term investments	£10m
Total investments without credit ratings or rated below A- (including unrated building societies)	£15m

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5.21 **Approved Instruments:** The council may lend or invest money using any of the following instruments:

- interest-bearing bank accounts,
- fixed term deposits and loans,
- callable deposits and loans where the council may demand repayment at any time (with or without notice),
- callable deposits and loans where the borrower may repay before maturity, but subject to a maximum of £5 million in total,
- certificates of deposit,
- bonds, notes, bills, commercial paper and other marketable instruments, and
- shares in money market funds and other pooled funds.

5.22 **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.

6. 2014/15 Minimum Revenue Provision Statement

6.1 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.

6.2 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.

6.3 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'

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

Option 1 - Regulatory

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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.

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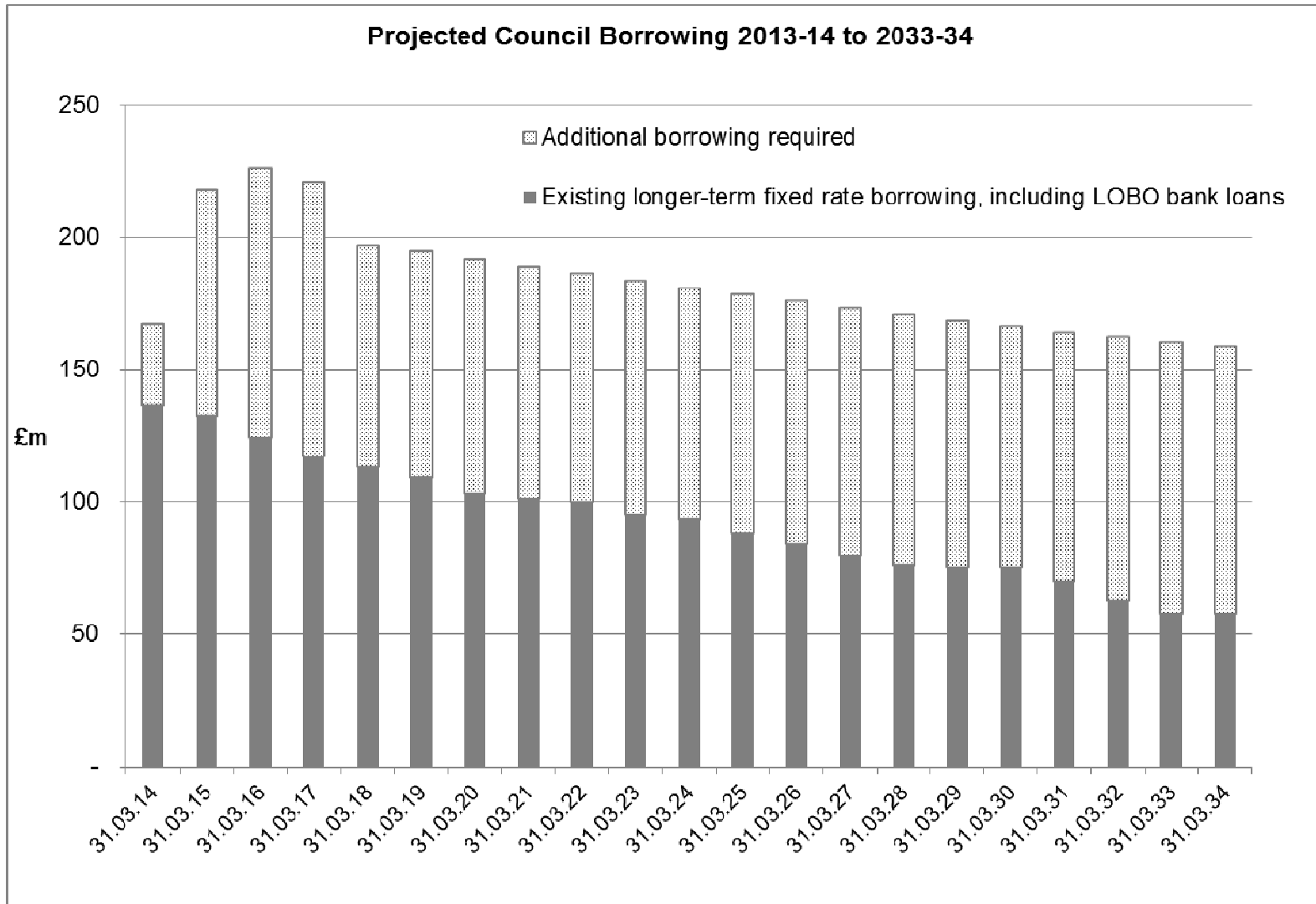
6.5 In line with the guidance produced by the Secretary of State, the proposed policy for the 2014/15 calculation of MRP (unchanged from previous years) is as follows:

- 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 & INVESTMENTS AS AT 30 NOVEMBER 2013

External Borrowing:	Actual Portfolio	Average Rate
	£m	%
PWLB – Fixed Rate	126	4.01%
PWLB – Variable Rate	0	
Local Authorities	23	0.40%
LOBO Loans	12	4.50%
Total External Borrowing	161	3.53%

Investments:	Actual Portfolio	Average Rate
	£m	%
Investments: (All short-term (one year or less) and all managed in house)		
Nat West & Royal Bank of Scotland Instant Access Accounts	10	0.60%
Money Market Funds (Instant Access)	9	0.43%
Close Brothers One Month Notice Account	5	1.00%
Term deposits: UK Banks	10	0.75%
Total Investments	34	0.66%



PRUDENTIAL INDICATORS

1. Background

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

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.

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.

The Chief Finance Officer reports that the council had no difficulty meeting this requirement in 2013/14, 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	2013/14 Approved £'000	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total	58,076	51,176	85,351	39,909	21,436

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3.2 Capital expenditure will be financed as follows:

	2013/14 Approved £'000	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital receipts	1,569	3,271	3,209	1,904	0
Grants	26,487	31,005	24,905	634	666
Revenue contributions	0	61	0	0	0
Prudential Borrowing	30,020	16,839	57,237	37,371	20,770
Total	58,076	51,176	85,351	39,909	21,436

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.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Approved £'000	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Net Revenue Stream	150,296	150,296	146,456	141,318	140,474
Financing Costs	17,725	17,343	18,288	18,781	19,230
Percentage	11.79%	11.54%	12.49%	13.29%	13.69%

Note: the net revenue stream comprises council tax receipts plus government funding excluding specific grants.

4.3 The above table shows gross financing costs payable without deducting any savings or revenue contributions receivable. Financing costs also include the capital element of PFI contracts, Whitecross School, waste disposal and Shaw Homes.

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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. The table below includes PFI contracts.

Capital Financing Requirement	2013/14 Approved £'000	2013/14 Revised £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total CFR	230,952	218,276	264,038	289,809	298,547

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.
- 6.2 All the new additional capital schemes are self-financing in 2014/15 to 2016/17 with all costs covered by additional revenue received. Therefore there should be no increase in Band D council tax in these years arising from new additions to the capital programme.

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).

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Authorised Limit	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Authorised Limit for Borrowing	200	200	250	280	290
Authorised Limit for other Long-Term Liabilities	40	40	40	40	40
Authorised Limit for External Debt	240	240	290	320	330

- 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.

Operational Boundary	2013/14 Approved £m	2013/14 Revised £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
Operational Boundary for Borrowing	195	195	240	270	280
Operational Boundary for other Long-Term Liabilities	35	35	30	30	30
Operational Boundary for External Debt	230	230	270	300	310

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 5**.

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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 Due to the large difference between short-term and longer-term interest rates, the limit has been increased to accommodate the council financing the capital programme by short-term variable rate borrowing. Interest rates are forecast to remain low for the next few years and analysis (comparing a twenty year loan with short-term borrowing over the same period) indicates that short-term savings in the next few years will exceed any increased amounts payable in five to ten years time. In pursuing this policy the council recognises that it is more exposed to an unexpected hike in interest rates but the benefits of affordability and flexibility (enabling the council to reduce its short-term borrowing either to reduce cash investments at times of heightened credit risk or when the borrowing can be replaced by the proceeds from fixed asset sales) outweigh the increased interest rate risk.

	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	25%	25%	45%	45%	45%

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.

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Maturity structure of fixed rate borrowing	Estimated level at 31/03/14	Lower Limit for 2014/15	Upper Limit for 2014/15
Under 12 months (including £12m of LOBO loans)	11.73%	0%	30%
12 months and within 24 months	6.03%	0%	30%
24 months and within 5 years	11.11%	0%	30%
5 years and within 10 years	11.22%	0%	30%
10 years and within 20 years	26.22%	0%	40%
20 years and within 30 years	10.25%	0%	40%
30 years and within 40 years	10.99%	0%	40%
40 years and within 50 years	12.45%	0%	40%
Total	100%		

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

- 11.1 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.

Upper Limit for total principal sums invested over 364 days	2013/14 Approved	2013/14 Revised	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£m	£m	£m	£m	£m
	15	15	10	10	10

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

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Bank Base Rate (%)	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
PWLB Rates (%):													
5 years	2.45	2.50	2.55	2.60	2.65	2.70	2.75	2.85	2.95	3.10	3.30	3.50	3.50
10 years	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.90	4.00	4.10	4.30	4.50	4.50
20 years	4.25	4.30	4.35	4.40	4.45	4.50	4.55	4.65	4.75	4.85	5.05	5.15	5.15
50 years	4.45	4.50	4.55	4.60	4.65	4.70	4.75	4.80	4.85	4.95	5.05	5.15	5.15

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 0.80% lower than the above (with the margin for error increasing in the later years) .

There is an upside risk on the base rate of 0.25% for 2014/15. The council’s short-term borrowing budget has been based on a rate of 1% which should incorporate sufficient headroom to accommodate any unexpected changes in the Base Rate.

The investment budget is based on average interest rates of 0.60% assuming that investment balances will be lower in 2014/15 and a higher proportion of funds will be held in instant access accounts. Should the Bank Base Rate increase the yield on investments will increase which will partly offset any increase in short-term variable rates.

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Underlying assumptions:

- Growth continues to strengthen with the second estimate for the third quarter being an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The CPI for November fell to 2.1%. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- The reduction in uncertainty and easing of credit conditions have begun to unlock demand, much of which has fed through to the housing market. In response to concerns over a house price bubble, the Bank of England announced a curtailment of the Funding for Lending Scheme, which will henceforth concentrate on business lending only.
- Federal Reserve monetary policy expectations - the slowing in the pace of asset purchases ('tapering') and the end of further asset purchases - will remain predominant drivers of the financial markets. Tapering of asset purchases will begin in the first quarter of 2014. The US political deadlock over the debt ceiling will also need resolving in the first quarter.
- The European backstop mechanisms have lowered the risks of catastrophic meltdown. The slightly more stable economic environment could be undone by political risks and uncertainty in Italy, Spain and Portugal (doubts over longevity of their coalitions).
- China data has seen an improvement, easing markets fears. Chinese leaders have signalled possible monetary policy tightening.

Forecast:

- Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth. However, upside risks weight more heavily at the end of our forecast horizon.
- We continue to project gilt yields on an upward path through the medium term. The recent climb in yields was overdone given the global outlook and risks surrounding the Eurozone, China and US.

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 pursuit 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

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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.

Cumulative Equality Impact Assessment – Budget Proposals 2014/15

Carol Trachonitis, January 2014

1. Background

Herefordshire Council needs to have delivered savings of £33 million by 2016/17. To reach this target, we must make savings of £15 million in the financial year 2014/15. In order to achieve this, we have produced and published a number of budget proposals.

Assessing the potential impact of our decisions on “equality groups” and the most vulnerable in our community is an important part of our decision-making process, so we have assessed the potential impact of individual budget proposals using our Equality Impact Assessment process. However we also need to assess the “bigger picture” of these impacts, and this is what this document starts to explore.

The budget proposals are being consulted on between December 2013 and February 2014. We will be listening to the views of our communities in this time, and then feeding these views back into the Equality Impact Assessment process before the proposals go to Cabinet on 7 February 2014.

At this stage in the process, the budget proposals, if implemented in their current form, would have greatest impact on disabled and older people. Where an equality impact assessment reveals a risk of adverse impact on equality groups, a clear understanding of what that impact is must be provided so that any decisions made are informed. Also, where appropriate, action must be taken to mitigate against the impact. This summary recommends that, in addition to carrying out further evidence gathering and consultation with equality groups on the proposals, consideration also is given to developing options to reduce or mitigate the impact on people with protected characteristics, in particular, disabled and older people. It also recognises that there are two factors which, although not “protected characteristics” and not covered by the Equality Act 2010, could compound the disproportionate impact on the equality groups; these factors are rurality, and low income.

2. National Context

There are a number of external factors that affect the context of the proposals that we have developed. Whilst these factors are out of our direct control, we have considered them in both the development of our proposals and any mitigation that we have identified. These external factors include:

- the Comprehensive Spending Review (which means that we are operating in a context of reduced funding for local authorities)
- Welfare Reform
- Education Reform
- Herefordshire demography and geography (rural nature of the county)

3. Legal Context

Herefordshire Council has a legal duty under the Equality Act 2010 to pay 'due regard' to the need to:

- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
- Advance equality of opportunity between people who share a protected characteristic and people who do not share it
- Foster good relations between people who share a protected characteristic and people who do not share it

In practice, having 'due regard' means that consideration of equality issues must influence our policy and decision-making. Equality Impact Assessments are the tool that we use to shape and demonstrate our decision-making.

"Protected Characteristics" are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

The Public Sector Equality Duty (PSED) does not prevent us from changing or ceasing services, but it does require that the decision maker:

- (a) is informed about any impact the change/closure is likely to have on any group who share a protected characteristic
- (b) pays due regard to that impact when taking the decision on change/closure

Complying with the PSED means better quality decision-making.

4. The Potential Impact

The Council is committed to supporting people to live full and independent lives within their local communities. While assessing the cumulative impact of our proposals on equality groups, we have identified two additional factors that could compound the impact. These factors are:

4.1. Rural isolation (due to the rural nature of the county)

According to the 2011 Census, Herefordshire is the 4th largest county (in geographic area) in England, with 54% of its population living in areas classified as rural. These rural areas make up 97% of the land area. The proposals will impact upon our rural communities. We recognise the need to offer support to enable people to exercise more choice and control over the services they receive.

We acknowledge the importance of services such as transport and the rural bus service in providing access to services for rural communities and, in particular, older and disabled people and those on low income.

We acknowledge the need to ensure that our services are as accessible as possible, and are looking at alternative models of delivery to support these budget proposals, including the use of technology to reduce our costs.

We also recognise that these changes will have implications for carers, the majority of whom will be women, and that we need to fulfil our responsibilities to carers. Service users who are facing changes to residential or day centre support may face considerable uncertainty, worry and disruption. These impacts could be disproportionately felt by older and disabled service users, and specifically service users with a learning disability. We also recognise that the changes and remodelling we do around “early years” and children’s centres will have an impact on this same group.

4.2. Risk of financial exclusion (due to low income)

We understand that people are experiencing financial difficulties in the current economic climate. We also recognise that imminent changes such as housing benefit cap will impact on some people, particularly large families that are waiting for social housing. It is recognised that some of our proposals might further impact on these individuals.

There are also some fee increases for non-statutory services that we provide, for example car parking, and we understand that these fee increases all add up. We have also recently decided to change the support through the Council Tax Reduction Scheme. The Council Tax Reduction Scheme provides essential help towards the Council Tax liability for all claimants on a low income. By continuing to assess entitlement on a means-tested basis, similar to the national approach to means-tested benefits, the scheme is equitable, albeit that the level of support overall may be reduced to working age claimants.

Many of the services that are not a statutory requirement for the council to deliver will be delivered at full cost recovery (ie. charged for), or outsourced to an alternative provider.

Again this may not impact on specific protected characteristics, but will impact on those who have a low income.

4.3. Potential positive impact

Where people are eligible for social care support, the aim is to support them in a way that reflects their preferences and the outcomes they wish to achieve. However, this needs to be balanced against the Council's responsibilities to make best use of available resources.

The national move to Personalisation in social care, education and health is driven by a commitment to ensuring that individual service users are in the driving seat about how their needs are met. We believe personalisation will bring benefits to people giving them greater choice and control over their lives.

As part of this budget process, a number of services are being redesigned and re-commissioned in order to make improvements and reduce costs. Many of these changes will have a positive impact on those who share a protected characteristic, particularly people who use residential and nursing care.

It is also widely expected that improved broadband and better use of technology will bring benefits to a number of people who share a protected characteristic, enabling better access to services.

5. A Targeted Approach

A more targeted approach to delivering services will allow us to deliver positive impacts for our most vulnerable communities, but we do recognise that, in these cases, other customers with fewer needs may experience a reduction in services. For example:

We are proposing to make changes to the way that we provide Day Opportunities. Existing and potential service users will be assessed for eligible needs based on the Herefordshire Fair Access to Care policy.

This follows other moves within the Children's Wellbeing directorate towards more targeted operating models, including:

Remodelling of "early help" and children's centres

This potentially may reduce opportunities for some children and families who will have to be more self reliant. This needs to be addressed through market development and working with the voluntary sector. It has been identified that children from vulnerable groups in Herefordshire have a significant gap in their early years development compared to their peers. Some areas of Herefordshire may experience a different way of delivering the core offer, or people may have to travel to benefit from services. This may mean that some vulnerable children and families may not access services and therefore not develop. We propose to address this issue through the development of a new "hub and spoke" service offer, and from clarifying the relationships with the voluntary, independent and school sectors and publishing service offers which clearly show what is available to support families.

We also recognise that a reduction in preventative work that focuses on the highest risk, could have the effect of increasing demand for services in the future. This will be mitigated by much more effective targeting of the work of council services and its partners such as health services.

6. Impacts on Herefordshire Council Staff

The proposals that we have developed present a significant amount of change for our staff. In the future, we will be a smaller organisation. There are a number of proposals across all directorates which reduce the number of posts within teams. This has resulted in some staff being put 'at risk', and ultimately resulted in compulsory redundancy.

The drive to identify efficiencies in the way we carry out our services also affects our staff, with a number of changes to both the internal systems we use and our ways of working, for example:


- our working arrangements with Hoople
- the reduction and redesign of the service level agreements around Human Resources, IT and Finance

- the flexible/mobile working model to reduce cost and improve efficiency






7. Conclusion

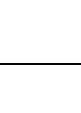
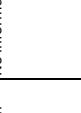
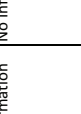

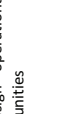
The attached table provides an overview of the budget proposals that we have identified as possibly having a significant impact on particular groups of people who share a protected characteristic. It is evident that some groups are more adversely impacted upon than others. We have tried in all circumstances to mitigate against any negative impact of the individual changes and, where significant impact has been identified, a detailed Equality Impact Assessment has been carried out.



We are aware that there are some protected characteristics which are referenced very little throughout our Equality Impact Assessment process. These include gender reassignment, marriage and civil partnership, pregnancy and maternity, religion or belief and sexual orientation. This may be because some of these groups are not affected by our proposals, but we recognise that this may also be because we have gaps in our monitoring information, or because we simply have not identified these impacts yet. We welcome any views on the impacts of our proposals on these, or other, groups throughout the consultation period.



Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Pregnancy and Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Children's Wellbeing Non-pay inflation - will provide the service within the same budget as 2013/14	328	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Safeguarding (Children) Current packages reaching 18	85										No Information	No Information	
Additional Needs (Children) Current packages reaching 19	281										No Information	No Information	
Locality Services (Children) Remodelling of early years and children's centres	543	Negative	Neutral	Negative - women	Neutral	Negative - Disabled children	Neutral	Neutral	Negative	Neutral	High		Potential high impact for children and families, particularly for those with protected characteristics.
Use of public health investment for transformation and demand management across council services	500	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Workforce Remodelling (Children) Redesign Children's Centre offer - use of voluntary sector to deliver universal services / integrate with local schools/ potential reduced hours to divert centre staff to undertake activities in social care such as supervised visits. Early help / family support remodelling focusing on statutory minimum, making use of voluntary sector to run universal provision	80	Possible Negative	No Information	Negative - women	No Information	Negative	No Information	No Information	No Information	Possible Negative	High	Impact assessment to be completed by February 2014	Potentially may limit opportunities for some children and families with protected characteristics. Will be addressed through market development and working with individual providers
Reshape Social care management including a reduction in the requirement for agency social work staff	206	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Re-shape support function looking at better ways of working and meeting statutory duties	250	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Education Improvement (Children) Remodelled Early Years Development and Sufficiency to deliver statutory responsibilities	40	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Children's Commissioning Youth Services - Remainder of full-year impact of 2013/14 cuts	87	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Pregnancy and Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Short breaks. Reduction in universal provision. Develop a joint commissioning exercise for Short breaks services for disabled children - Reduction in direct funding for universal providers	100	Neutral	No information	No information	No information	Positive or neutral impact	No information	No information	No information	No information	High		Potentially may limit opportunities for some children and families with protected characteristics. Will be addressed through market development and working with individual providers

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Pregnancy and Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Adults' Wellbeing Manage demographic pressures/improvements in Demand Management - providing people who do not have "eligible" adult social care needs with information, advice and guidance on how to live independently and if they wish to purchase care and support, how they can do this.	1,160	Possible Negative	Positive or neutral	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	No Information	No information	Low	On going work on the EIA for this area of work to ensure that the approach to information, advice & guidance is equitable across all protected characteristics.	The majority of proposals will have a neutral or positive impact on service users and their families with protected characteristics.
Recommissioning & reductions in cost of older people residential and nursing care	300	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	High		On-going review of impact during decision-making and implementation process.
Recommissioning and reductions in the cost of Homecare	765	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	High		The vision for the project is to ensure that Home and Community Support Users receive a personalised service that maximises their opportunity to exercise choice and control over their care.
Workforce reshaping	315	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	medium	No Impact assessment required	We will comply with all aspects of the Equality and Diversity policy when considering the impact of managing this change activity
Revising personalisation offer - managing service within the resources available - Resource Allocation System, Self assessment questionnaire	450	Possible Negative	Neutral	Neutral	Neutral	Possible Negative	Neutral	Neutral	Neutral	Neutral	Medium	EIA under development. Meeting 6th January scheduled with operational team	individual EIA will be carried out for - RAS and SAQ
Contract Changes - full years savings from; Talking books, village warden, Meals on Wheels	300	Neutral	Neutral	Neutral	Neutral	Possible Negative	Neutral	Neutral	Neutral	Neutral	No impact	  	Transition plans being developed or are in place to enable alternative arrangements when contracts cease before 1st April 2014

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Service redesign - operational services NSJ - Day Opportunities	1,100	Possible Negative	No information	No information	No information	Possible Negative	No information	No information	No information	No information	High	on-going assessments as next stage integration progresses. Specific Day Opportunities EIA  	On-going review of potential impact required, and mitigating actions as implementation occurs if a negative impact is identified for affected service users, and their families who are within the protected characteristics
Increased income - Continuing to implement the Fairer Charging policy which was consulted on in 13/14 will ensure all service users who are assessed as required to pay, paying for the care they receive	50	No information	No information	No information	No information	Possible Negative	No information	No information	No information	No information	Medium		Review on implementation
High cost care reductions - Review of out of county placements and high cost care packages	100	Positive or neutral impact	Positive or neutral	Positive or neutral impact	Positive or neutral impact	Positive - Increased local capacity for people with a learning disability and mental health conditions will enable more people to live near their communities and families.	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Low	No impact assessment required	high level analysis has identified that this should have a neutral and/or positive impact on people and their carers across the protected characteristics
Remove funding for non-eligible services	900	Possible Negative	No information	No information	No information	Possible Negative	No information	No information	No information	No information	Medium	Impact assessment completed when the Fairer charging policy was adopted	this links to implementation of the Fairer Charging Policy
Use of technology to reduce cost of care - feasibility study has started	50	Possible Negative	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Possible Negative	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Positive or neutral impact	Medium	No impact assessment required	approach being scoped and high level analysis identifies that this is expected to have an overall positive impact
ECC proposals Waste & sustainability - disposal contract - moving to alternate weekly collections of waste and restricting to 1 wheelie bin	188	No information	No information	No information	No information	Neutral as assisted collection for disabled individuals will be maintained	No information	No information	No information	No information	Low	 	

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Pregnancy and Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Public Realm Reducing the amount we spend on highways and public spaces whilst prioritising road repairs	1,132	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No Information	No impact	No Impact assessment required	
Parks - Reducing spending on parks and open spaces - Introduce parking charges at Queenswood - Possible community asset transfers	150	No Information	No Information	No Information	No Information	Negative - Minimal, possible reduced accessibility for disabled people	No Information	No Information	No Information	No Information	Low	EIA will be completed as proposals are developed January / Feb 2014	
Public toilets - no further closures planned	99	limited information	No Information	No Information	No Information	Negative - Disabled people reduced access to facilities	No Information	No Information	No Information	No Information	Low		
Transport (incl Ed Transport) Fewer bus services across the network related to statutory school bus provision only, made available for public use and procured through integrated network design	679	Negative for older people who don't have access to other forms of transport	No Information	No Information	No Information	Negative - Disabled people who don't have access to other forms of transport	No Information	No Information	No Information	No Information	High	Impact assessment last done in 2011 - full consultation scheduled in January 2014, full impact assessment will be completed during the consultation	Significant impacts amongst key groups (elderly, disabled, low income etc.) in respect of reduced bus network. Impacts on some vulnerable groups in respect of road safety
SEN Post 16 Transport	50	Negative as this impacts at post 16	No Information	No Information	No Information	Negative - Increased cost to disabled people post 16 trying to access further education	No Information	No Information	No Information	No Information	High		Potential financial barrier for disabled to access post 16 educational opportunities
Corporate Services (incl Hoople Finance, Revs & Bens, Legal, & Equality & Info) Council tax reduction scheme	362	Neutral as pensioners are exempt from the changes	No Information	No Information	No Information	Neutral - Disability benefits are disregarded from the calculation	No Information	No Information	No Information	No Information	Medium		
Council tax discount empty property scheme	270	No Impact	No Impact	No Impact	No Impact	No Impact	No Impact	No Impact	No Impact	No Impact	Low	No Impact assessment required	

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Pregnancy and Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Removal of discretionary National Non-domestic Rates/business rate relief for some voluntary organisations	250	No information	No information	No information	No information	No information	No information	No information	No information	No information	Medium	 Herefordshire EIA RATE RELIEF 0512 13.doc	Charities that are locally based (are not national organisations) and which provide facilities that benefit the wider community of Herefordshire and are of a social/welfare nature
Minimum "back office" services to maintain revenues and effective financial management	1,792	No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	
Property Services Reduced property services focused on a smaller estate with maintenance reduced to ensure legal compliance. Support for completion of capital schemes to be provided only if fully funded. Reacting to basic statutory emergencies etc.	432	No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	
Cultural services													
Museum Proposal confined to Friar Street - funding only supporting the collections service at Friar Street - and not to Hereford Museum, the Old House and Ross	239	No information	No information	No information	No information	No information	No information	No information	No information	No information	Low	No impact assessment required	
Withdrawal of Halo management fees by end of 2015/16		No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	No reduction in service planned
Withdrawal of Kington and Wignore management fee by 2014/15		No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	No reduction in service planned
Reduction to zero of Brightstripes management fee		No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	No reduction in service planned
Withdrawal of Arts commissioning grants 14/15	310	No information	No information	No information	No information	Negative - Physical and Learning disability specifically	No information	No information	No information	No information	Low	 Withdrawal of Arts Commissioning Grants.doc	Report went 11th December
Reduction in Management fees for "Visit Herefordshire" and Courtyard Theatre in 2014/15		No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	
Regulatory Services													
Reduction in all regulatory services to the statutory minimum, unless supported by income generation	786	No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	
Car parking - Provide adequate supply of parking to support economic activity whilst maximising financial return from HC's land holding	0	No information	No information	No information	No information	No information	No information	No information	No information	No information	No impact	No impact assessment required	

Budget Service Proposal	Proposed budget savings 2014/15 £000's	Protected characteristic: Age	Protected characteristic: Race	Protected characteristic: Gender	Protected characteristic: Gender Reassignment	Protected characteristic: Disability	Protected characteristic: Religion or Belief	Protected characteristic: Sexual Orientation	Protected characteristic: Maternity	Protected characteristic: Marriage and Civil Partnership	High level Overall Assessment of Risk	Details of Equality Impact Assessment	Comments
Service prioritises business support (grant delivery and business advice), capital infrastructure deliver (Hereford Enterprise Zone) and attracting Government and EU funding (including working with the LEP and others)	169	No information	No information	No information	No information	No information	No information	No information	No information	No information	No Impact	No impact assessment required	
Removing funding from HVOSS (Aug-March)	100	No information	No information	No information	No information	No information	No information	No information	No information	No information	No Impact	 HVOSS Impact assessment.doc	
Removing funding from HALC	3	No information	No information	No information	No information	No information	No information	No information	No information	No information	No Impact	No impact assessment required	
Removing funding from CAB	48	Negative - Over 50% of clients aged 50+	Negative - 72% of clients other than White British	Negative - Women disproportionately affected	No information	Negative - 47.7% of clients are disabled	No information	No information	No information	Negative - clients seek support	Medium	 CAB Impact assessment.doc	
Governance & Other Services This represents the full year effect of three members of staff who have left	0	No information	No information	No information	No information	No information	No information	No information	No information	No information	No Impact	No impact assessment required	
Customer & Library Services , remove funding from all libraries except Hereford, Leominster and Ross.	348	Negative to older people who don't have access to transport or other means of accessing services, internet	No information	No information	No information	Negative - Disabled people, reduced opportunity and accessibility to services	No information	No information	No information	No information	high	 Document	Option 2 seems to follow the wider shift to greater community involvement and recognising libraries as places for a wide range of activity and function. It also creates some savings, but to work does require investment in web development, self-service systems, redesign of spaces to cater for other functions.
Economic Projects (Broadband) This revenue budget represents essential core costs to enable the delivery of the broadband capital investment project jointly with Gloucestershire.		Positive	Positive	Positive	Positive	Positive impact on disabled people as could improve access to services	Positive	Positive	Positive	Positive	Positive	No impact assessment required	By improving the broadband coverage across the county it is widely agreed that this will support better access to services
Total proposed budget savings	15,397												

Response to recommendations from General Overview and Scrutiny Committee and Health and Social Care Overview and Scrutiny Committee

Recommendation	Response
<p>1. That the final bullet point on paragraph 20.1 of the Cabinet report is amended to 'The budget proposals will be considered by Health and Social Care Overview and Scrutiny Committee General Overview and Scrutiny on 13 January 2014.'</p>	<p>New paragraph 35 of the report addresses this point.</p>
<p>2. That before the budget comes to full Council all of the impacts identified within the equalities impact assessment are accompanied by the appropriate mitigations.</p>	<p>The purpose of equality impact assessments (EIAs) is to ensure that decision-makers are informed and may take account of the potential impacts (positive and negative) of any particular course of action including whether any mitigation is available –which will not always be the case.</p>
<p>3. That the robustness of all equality impact assessments in the budget appendices be considered.</p>	<p>EIAs are living documents which are maintained throughout any policy or funding change process to ensure that when decisions are taken decision makers can take account of the potential impacts of their decisions and, once a decision has been taken, that consideration is given to whether or not there have been any unintended impacts. The range of EIAs providing background to the overarching budget EIA relate to proposals which are at varying stages within the decision-making/implementation process and therefore should not be regarded as 'final' documents; they will, where appropriate, continue to be updated to ensure they are as robust as possible.</p>
<p>4. That an equality impact assessment for funding for the Citizen's Advice Bureau be reviewed prior to submission at Council.</p>	<p>The budget proposals being considered by Council do not impact the CAB in 2014/15; the EIA regarding potential changes to funding for CAB will continue to be updated and used to inform any decision when taken.</p>

5.	That a robust budget monitoring system be put in place, and that exception monitoring reports be submitted to the appropriate Scrutiny Committee where there are deviations from budget of more or less than 5%. This can be submitted electronically for distribution.	Robust budget monitoring is in place with particular emphasis on the high risk areas identified in the budget report. Regular reports are made to Cabinet on the budget position during the year. Scrutiny can request monitoring information for their meetings and deviations of material amounts can be reported by exception.
6.	That the words 'are not national organisations' should be removed from the draft savings proposals for discretionary business rate relief from April 2014 for charities that are locally based.	<p>In April 2013 a revised discretionary rate relief policy was approved. Discretionary rate relief is available as a 20% "top up" of mandatory relief which is 80% funded. New claimants are now assessed on the revised policy, but existing recipients were served notice (12 months) and then have to reapply for 2014-15 under the new criteria. The 2014-15 budget shows the financial effect of this policy change.</p> <p>The revised criteria include "Charities that are locally based (are not national organisations) and which provide facilities that benefit the wider community of Herefordshire and are of a social/welfare nature".</p> <p>If the policy was changed an equivalent saving would need to be identified elsewhere.</p>
7.	That the Task and Finish Group Report on Cultural Services should be considered as part of the report to Council on the budget for the service.	Although the Task & Finish Group report on Cultural Services was only received as the budget proposals were being finalised, the report recommendations have been taken into consideration in relation to decisions affecting cultural services as reflected in reports elsewhere on Cabinet agenda.
8.	That there should be a clear articulation of the statutory regulations for the provision of library services in Herefordshire.	The statutory requirement is for the provision of a comprehensive [and effective] local library service. The legislation does not define this requirement in more detail. The Cabinet believes it is working within the legal framework when making decisions for the future of the service.

<p>9.</p>	<p>That effective consultation is undertaken with Parish Councils at the earliest opportunity, prior to the commencement of the devolution of services to the parishes.</p>	<p>This has, and will continue to take place on a case by case basis with examples of considerable success across the county including community asset transfers and local service delivery across a range of services including the lengthsman scheme, community libraries, community toilets, tourist information and others.</p>
<p>10.</p>	<p>That a clear communication is sent out to the general public about the consequences of the changes proposed in the budget.</p>	<p>This has and will continue to happen but the support of all members is sought in helping to ensure clear and consistent messages are given which enable residents to understand both the impacts and how they may contribute to mitigation of those impacts enabling the taxpayers' resources to continue to support priority services.</p>



MEETING:	COUNCIL
MEETING DATE:	7 FEBRUARY 2014
TITLE OF REPORT:	PAY POLICY STATEMENT 2014
REPORT BY:	EMPLOYMENT PANEL

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To approve the annual pay policy statement for publication.

Recommendation(s)

THAT: the pay policy statement summarising existing council policies (at Appendix A) is approved for publishing by 31 March 2014.

Alternative Options

- 1 There are no alternative options; the approval by Council of a pay policy statement for the authority is a statutory requirement.

Reasons for Recommendations

- 2 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.

Key Considerations

- 3 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.

Further information on the subject of this report is available from
Jenny Lewis, Assistant Director – Organisation Development

- 4 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.
- 5 The statement must include the council's definition of 'lowest paid employees' and the reasons for adopting that definition.
- 6 The statement must include policies relating to:
 - a) The level and elements of remuneration for each chief officer
 - b) Remuneration of chief officers on recruitment
 - c) Increases and additions to remuneration for each chief officer
 - d) The use of bonuses for chief officers
 - e) The approach to the payment of chief officers on their ceasing to hold office under, or to be employed by the authority; and
 - f) The publication of and access to information relating to remuneration of chief officers
- 7 The statement draws together factual material and provides a summary of the current pay policies of the council.
- 8 Following the review of pay and reward in 2013, two changes to terms and conditions were agreed through collective bargaining: (a) reducing the exit payment policy to the statutory minimum retaining the 1.5 multiplier; and (b) 2 days unpaid leave to be taken over the Christmas period as determined by the organisation.
- 9 This year we will test the proposal and associated cost implications that recommends a pay principle shift for lowest paid workers from the National Minimum Wage to the Living Wage as the minimum level.
- 10 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.
- 11 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.
- 12 The pay policy statement follows a previous format and has been updated to reflect current data relating to roles, salaries and financial information.

Community Impact

- 13 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

Further information on the subject of this report is available from
Jenny Lewis, Assistant Director – Organisation Development

behalf of the authority.

Equality and Human Rights

- 14 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.

Financial Implications

- 15 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.

Legal Implications

- 16 The statement meets the requirements of the Localism Act 2011. That Act defines 'chief officer' as including: the Head of Paid Service; the Monitoring Officer; all statutory chief officers; all non-statutory chief officers; and all deputy chief officers (all as defined in the Local Government and Housing Act 1989).

Risk Management

- 17 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.

Consultees

- 18 Management Board, Trade Unions and employees have been consulted on the changes to the terms and conditions that were approved, and will continue to be engaged as appropriate on future thinking and associated plans to any further changes to elements of the pay policy, or terms and conditions of employment.

Appendices

Appendix A – Draft Pay Policy Statement

Background Papers

None identified.

Pay Policy Statement 2014

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 an 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

6. All local authorities are reducing services as the government has indicated that it will continue to significantly reduce the funding it provides to local governments across England. Government funding is being cut by over 40% in the worst cases.
7. In addition we have been serving more and more people, particularly in essential areas such as children's safeguarding and adult social care. This means that by 2016/17 we will need to have delivered savings of £33m to stay within our budget. To hit this target this means that we must make savings of £15m in 2014/15. This is on top of £34m savings required in the previous three financial years.
8. We have managed to reduce our costs substantially by working in better ways and being more efficient. We will keep doing this but there is little opportunity left to reduce costs without reducing our services.
9. We have less, so, even after efficiencies, we must do less.

10. Our priority areas are, within the resource available to us, to keep children and young people safe, and give them a great start in life, enable residents to live safe, healthy and independent lives, and invest in projects to improve roads, create jobs and build more homes.
11. To continue to fund those priority services we have to radically reduce, or stop completely, the funding of all other services. Even in our priority areas we have to make reductions to balance our budget.

Pay structure / national frameworks

12. 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.
13. 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. The national pay spine increased by 1% in April 2013. Staff whose employment has transferred into the council from the NHS are on national NHS Terms and Conditions.
14. 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 those services are required.
15. 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.
16. 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.
17. The council does not make use of performance related pay for any of its employees.

Senior management remuneration

18. 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 1 January 2014.
19. An organisation chart at Appendix 2 shows the current reporting structure of chief officers and their direct reports. The structure shows evidence of removing management roles and increasing the spans of control i.e. number of direct reports, which means fewer layers between the head of paid service and junior staff.

Post	Annual salary (excluding on costs)*	Other financial benefits	Total remuneration
Chief executive (<i>Head of paid service</i>)	£145,000	None	£145,000
Director for children's wellbeing services	Actual £108,000 FTE £120,000	None	£108,000
Director for economy, culture and corporate services	£120,000	None	£120,000
<i>Director of public health Recruitment and retention payment</i>	£98,453 £2,522	None	£ 100,975
Chief officer, finance services (<i>Section 151 officer statutory responsibilities currently covered 1 day a week</i>)	(Annual salary of future appointment: £90,000)	None	£90,000
Solicitor to the council (<i>Monitoring officer</i>)	£78,000	None	£78,000
Assistant director - Organisation development	£79,013	£4,000**	£83,013
Assistant director – Education and commissioning	£79,013	None	£79,013
Assistant director – Economic, environment and cultural services	£79,013	None	£79,013
Assistant director – Place based commissioning	£79,013	None	£79,013
Assistant director – Adults wellbeing commissioning	£79,013	None	£79,013
Public health consultant	£84, 667	None	£84,667
Public health consultant	£84, 667	None	£84,667

NB: Italics indicate statutory post holder functions

* Annual salaries quoted are not inclusive of on costs which are typically an additional 30%

**This was a one-off payment for the interim accountability of the Assistant director – Customer services role.

Additions to salary of chief officers

20. The chief executive is the returning officer for Herefordshire. No additional payments are made for fulfilling this duty.
21. The council does not apply any bonuses, pension enhancements (subject to para. 26 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.

Recruitment of chief officers

22. 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://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=332&MId=4894&Ver=4&Info=1>

23. Where the council requires short term focus on a particular transformation or turnaround priority, it will consider and utilise engagement of specialist consultancy companies under 'contracts of service' rather than employing individuals. Currently, there are three areas where this is applicable. These are children's safeguarding performance improvement, adult

wellbeing transformation and financial stability. In the case of the first two, the contract of services are costing no more than a substantive post at this level including on costs, the latter will cost slightly more as previously agreed with the employment panel. These services will continue to 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.

Interim transformation 2013/2014	Annual budget £000
Adult care transformation	143
Finance transformation	117
Safeguarding and early help	103

These figures should not be confused or interpreted as a salary that an interim person would receive through a contract for service arrangement as the budget covers the cost of the service provided, plus the cost of the agency managing the contract and does not directly relate to the value of the remuneration paid to the individual carrying out the work.

24. 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 six months has elapsed, unless through exceptional circumstances. In which case the payment would be claimed back on a pro-rata basis.
25. 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

26. The council's policy on termination of employment of employees prior to reaching normal retirement age, in accordance with regulations 5 and 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 the statutory calculation multiplied by 1.5.
27. 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

28. 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 April 2013:

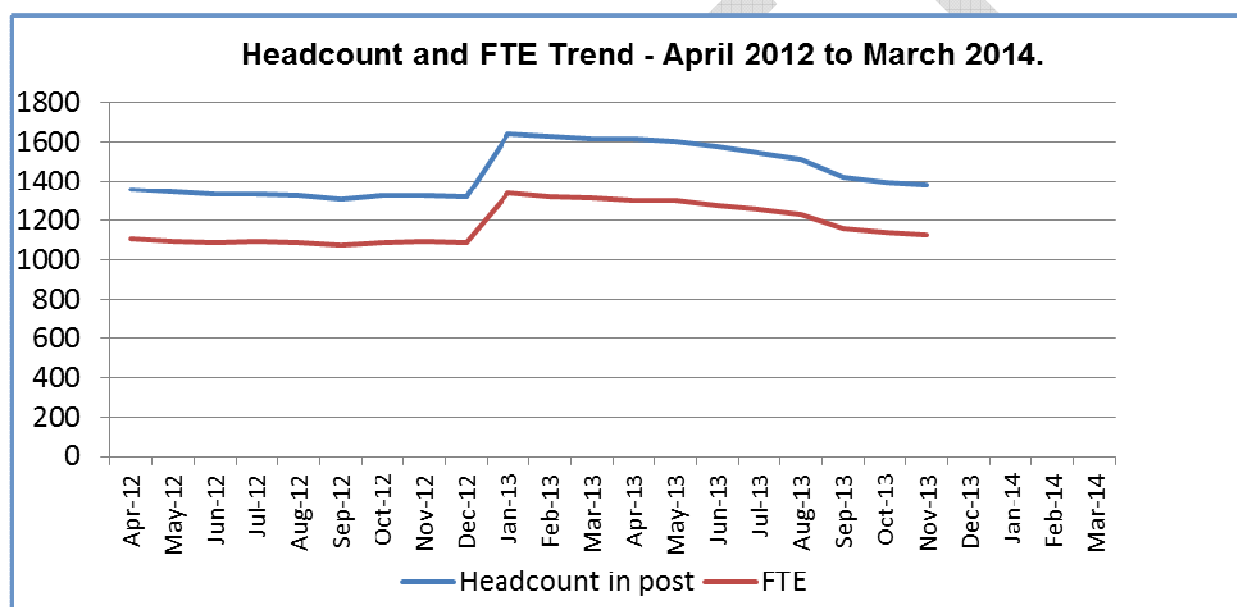
Whole time pay rate	Contribution rate
Up to £13,700.00	5.5%
£13,700.01 to £16,100.00	5.8%
£16,100.01 to £20,800.00	5.9%

Whole time pay rate	Contribution rate
£20,800.01 to £34,700.00	6.5%
£34,700.01 to £46,500.00	6.8%
£46,500.01 to £87,100.00	7.2%
More than £87,100.00	7.5%

29. 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 April 2013 is 22.5%.

Broader workforce perspective

30. The overall spend of Herefordshire Council is approximately £330million. Approximately £37.6million 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 December 2013 (the most recent data available at time of drafting) there were 1128 full-time equivalent (FTE) posts across the organisation.



NOTE: The increased headcount and FTE figures in January 2013 are due to the inclusion of Herefordshire Council employees who were seconded to Wye Valley Trust to September 2013, and those who continue to be seconded to 2gether. This data was not previously recorded in the council's figures. The headcount and FTE trend continues to fall.

31. As at 1 December 2013, the median basic salary was £22,443 (excluding national insurance and superannuation). The mean average salary (workforce cost inclusive of national insurance and superannuation divided by headcount) is £28,343 which has reduced from £31,900 in March 2012. The median chief officer annual salary is £79,013 (excluding national insurance and superannuation) this is a reduction from £90,000 last year.
32. 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 December 2013, this is SCP 8 £13,321 per annum – there are three people paid at this level. The council employs apprentices who are not included within the definition of 'lowest paid employees'.
33. 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 remains unchanged from twelve

months ago and; between the lowest paid employee and average chief officer as 1:7. 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 1:5.

34. The authority implemented two days unpaid leave through collective bargaining in May 2013 that applies to all roles within the organisation (excluding schools, TUPED NHS staff and those employed on a term time only contract). The two days are confirmed by the organisation and coincide with the Christmas bank holidays. Local decisions in relation to leave are taken within critical services that continue through this period.

Accountability and decision making

35. In accordance with the council's Constitution, the employment panel (in respect of the chief executive, monitoring officer, Section 151 officer 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.
36. 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 and Policy Framework of the council.
37. 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

38. In the current organisation context, the authority will continue to review pay and reward policies.

Member pay

39. This pay policy statement does not relate to councillors. Information on councillor allowances can be found at <http://councillors.herefordshire.gov.uk/ecSDDisplay.aspx?name=allowances>.

Publication

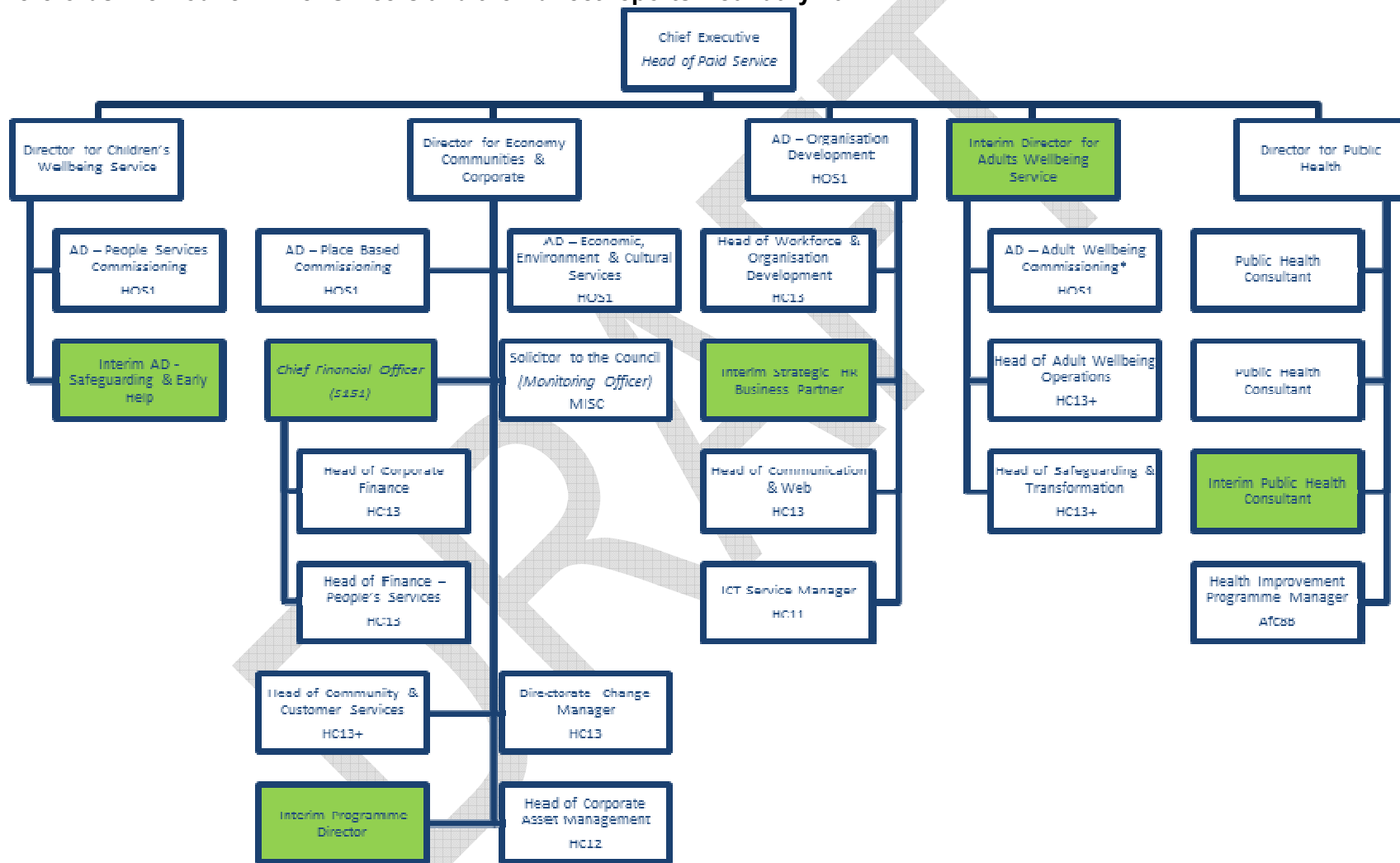
40. After approval by council, this statement will be published on the council's website. In addition, senior employees (directors and staff who report to directors who are employed on head of service pay grades) are included in the council's Annual Statement of Accounts (available at: <https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-finances/>) that 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.

Herefordshire Council pay and grading structure – April 2013

Grade	National SCP (SCP50 & above are local)	Annual pay rate	Hourly pay rate
HC1	4	£12,266	6.3578
	5	£12,435	6.4454
	6	£12,614	6.5382
	7	£12,915	6.6942
HC2	7	£12,915	6.6942
	8	£13,321	6.9046
	9	£13,725	7.1140
	10	£14,013	7.2633
HC3	10	£14,013	7.2633
	11	£14,880	7.7127
	12	£15,189	7.8728
	13	£15,598	8.0848
HC4	13	£15,598	8.0848
	14	£15,882	8.2320
	15	£16,215	8.4046
	16	£16,604	8.6063
HC5	17	£16,998	8.8105
	18	£17,333	8.9841
	19	£17,980	9.3195
	20	£18,638	9.6605
	21	£19,317	10.0125
HC6	21	£19,317	10.0125
	22	£19,817	10.2717
	23	£20,400	10.5738
	24	£21,067	10.9196
	25	£21,734	11.2653
	26	£22,443	11.6328
HC7	26	£22,443	11.6328
	27	£23,188	12.0189
	28	£23,945	12.4113
	29	£24,892	12.9022
	30	£25,727	13.3350
	31	£26,539	13.7558
HC8	31	£26,539	13.7558
	32	£27,323	14.1622
	33	£28,127	14.5789
	34	£28,922	14.9910
	35	£29,528	15.3051
	36	£30,311	15.7110
HC9	36	£30,311	15.7110
	37	£31,160	16.1510
	38	£32,072	16.6237
	39	£33,128	17.1711
	40	£33,998	17.6220
HC10	41	£34,894	18.0864

Grade	National SCP (SCP50 & above are local)	Annual pay rate	Hourly pay rate
	42	£35,784	18.5478
	43	£36,676	19.0101
	44	£37,578	19.4776
	45	£38,422	19.9151
HC11	46	£39,351	20.3966
	47	£40,254	20.8647
	48	£41,148	21.3281
	49	£42,032	21.7863
	50	£43,174	22.3782
HC12	51	£44,344	22.9846
	52	£45,550	23.6097
	53	£46,791	24.2530
	54	£48,060	24.9107
	55	£49,365	25.5871
HC13	56	£50,708	26.2832
	57	£52,086	26.9975
	58	£53,502	27.7314
	59	£54,956	28.4851
HOS2		£69,160	£35.95
		£71,028	£36.92
		£72,945	£37.91
HOS1		£74,915	£38.94
		£76,938	£39.99
		£79,013	£41.07

Herefordshire Council Chief Officers and their direct reports – January 2014



*Transitioning to these roles effective 1 April 2014
+ Market forces supplement applied to these roles
Green = interim / contract of service

