

**Economy, Communities and Corporate**

Geoff Hughes - Director

**TO: ALL MEMBERS OF THE COUNCIL**

Our Ref: Council - 6 February 2015

Please ask for: Governance Services

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29 January 2015

Dear Councillor,

**YOU ARE HEREBY SUMMONED** to attend the meeting of the Herefordshire Council to be held on **Friday 6 February 2015** at The Shire Hall, St Peter's Square, Hereford HR1 2HX at **10.00 am** at which the business set out in the attached agenda is proposed to be transacted.

Yours sincerely

*Bill Norman*

**BILL NORMAN  
ASSISTANT DIRECTOR GOVERNANCE**



# AGENDA

## Council

Date: **Friday 6 February 2015**

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Time: **10.00 am**

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Place: **The Shire Hall, St Peter's Square, Hereford HR1 2HX**

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

For any further information please contact:

**Governance Services**

Tel: 01432 260239

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

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# Agenda for the Meeting of the Council

## Membership

**Chairman**

**Vice-Chairman**

**Councillor J Stone**

**Councillor R Preece**

Councillor PA Andrews  
Councillor CNH Attwood  
Councillor CM Bartrum  
Councillor AJM Blackshaw  
Councillor H Bramer  
Councillor ACR Chappell  
Councillor MJK Cooper  
Councillor BA Durkin  
Councillor DW Greenow  
Councillor J Hardwick  
Councillor JW Hope MBE  
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 SJ Robertson  
Councillor A Seldon  
Councillor GR Swinford  
Councillor GA Vaughan-Powell  
Councillor DB Wilcox

Councillor AM Atkinson  
Councillor JM Bartlett  
Councillor PL Bettington  
Councillor WLS Bowen  
Councillor AN Bridges  
Councillor EMK Chave  
Councillor PGH Cutter  
Councillor PJ Edwards  
Councillor KS Guthrie  
Councillor EPJ Harvey  
Councillor MAF Hubbard  
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 PD Price  
Councillor P Rone  
Councillor P Sinclair-Knipe  
Councillor DC Taylor  
Councillor TL Widdows

## AGENDA

Pages

*(The meeting will be preceded by prayers.)*

<b>1.</b>	<b>APOLOGIES FOR ABSENCE</b>	
	To receive apologies for absence.	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
	To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>3.</b>	<b>MINUTES</b>	9 - 20
	To approve and sign the Minutes of the meeting held on 12 December 2014.	
<b>4.</b>	<b>QUESTIONS FROM MEMBERS OF THE PUBLIC</b>	21 - 24
	To receive questions from members of the public.	
<b>5.</b>	<b>FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS</b>	
	To receive any written questions from Councillors.	
<b>6.</b>	<b>BUDGET AND MEDIUM TERM FINANCIAL STRATEGY</b>	25 - 36
	To approve the draft medium term financial strategy for 2015/16 to 2016/17 and the 2015/16 revenue budget as recommended by Cabinet on 22 January.	
	<i>Two proposed amendments to the revenue budget have been submitted and published to the council's website as a supplement to the agenda papers</i>	
	<i>Guidance on how the debate on the budget will be conducted has also been published to the council's website as a supplement.</i>	
	<i>These documents are available at the following page on the council's website:</i>	
	<a href="http://go.m-gov.eu/064M5054">http://go.m-gov.eu/064M5054</a>	
	Appendix 1 - Savings Plan by Directorate	37 - 42
	Appendix 2 - 2015/16 detailed base budgets	43 - 48
	Appendix 3 - Medium Term Financial Strategy 2015-17	49 - 78
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	Appendix 5 - Budget Consultation Results	105 - 144
	Appendix 6 - Cumulative Equality Impact Assessment	145 - 148
	Appendix 7 - Additional Rural Strategy Funding	149 - 150
<b>7.</b>	<b>PAY POLICY STATEMENT</b>	151 - 168
	To consider the pay policy statement and the approval of salary packages in accordance with the provisions of the Localism Act 2011.	



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- 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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- Anyone filming a meeting is asked to focus only on those actively participating.
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Do not delay your vacation of the building by stopping or returning to collect coats or other personal belongings.

The Chairman or an attendee at the meeting must take the signing in sheet so it can be checked when everyone is at the assembly point.



HEREFORDSHIRE COUNCIL

**MINUTES of the meeting of Council held at The Shire Hall, St Peter's Square, Hereford HR1 2HX on Friday 12 December 2014 at 10.00 am**

**Present:** Councillor J Stone (Chairman)  
Councillor R Preece (Vice Chairman)

**Councillors:** PA Andrews, AM Atkinson, CNH Attwood, JM Bartlett, CM Bartrum, PL Bettington, AJM Blackshaw, WLS Bowen, H Bramer, AN Bridges, EMK Chave, PGH Cutter, BA Durkin, PJ Edwards, DW Greenow, KS Guthrie, EPJ Harvey, JW Hope MBE, MAF Hubbard, JA Hyde, TM James, JG Jarvis, AW Johnson, Brig P Jones CBE, JLV Kenyon, JF Knipe, JG Lester, MD Lloyd-Hayes, RI Matthews, PJ McCaull, SM Michael, JW Millar, PM Morgan, NP Nenadich, C Nicholls, FM Norman, J Norris, CA North, RJ Phillips, GJ Powell, AJW Powers, PD Price, SJ Robertson, P Rone, A Seldon, P Sinclair-Knipe, GR Swinford, DC Taylor, GA Vaughan-Powell and TL Widdows

**Councillor LO Barnett**

Council observed a silence in memory of Councillor LO Barnett.

The Leader and the other political group leaders paid tribute to Councillor Barnett.

During the course of the meeting a number of other Members also paid their respects to Councillor Barnett.

**40. ELECTION OF CHAIRMAN**

*(Councillor Stone left the meeting for the duration of this item.)*

Councillor RI Matthews proposed and Councillor SJ Robertson seconded the nomination of Councillor J Stone.

**RESOLVED: That Councillor J Stone be elected Chairman of the Council for the remainder of the municipal year.**

(Councillor Stone in the Chair)

**41. APPOINTMENT OF VICE-CHAIRMAN**

*(Councillor Preece left the meeting for the duration of this item.)*

Councillor JLV Kenyon proposed and Councillor AJW Powers seconded the nomination of Councillor R Preece.

**RESOLVED: That Councillor R Preece be appointed Vice-Chairman of the Council for the remainder of the municipal year.**

#### **42. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors ACR Chappell, J Hardwick, RL Mayo and DB Wilcox.

#### **43. DECLARATIONS OF INTEREST**

##### **Agenda Item 8 – Notice of Motion – The Living Wage**

Councillor RJ Phillips declared a non-pecuniary interest as Vice-Chairman of the Employers' side on the National Joint Council.

##### **Agenda item 8 – Notice of Motion – Wellington Level Crossing, Haywood Lane near Marden**

Councillor AN Bridges declared a non-pecuniary interest as an employee of Network Rail.

##### **Agenda item 13 – Ross-on-Wye Community Governance Review**

Councillors AM Atkinson, CM Bartrum and PGH Cutter declared non-pecuniary interests as Members of Ross-on-Wye Town Council.

#### **44. MINUTES**

The Chairman reported that he had been notified of a correction to Minute no 25 – declarations of interest. The Minute should state that Councillor Bridges had declared a non-pecuniary interest.

**RESOLVED: That the Minutes of the meeting held on 26 September 2014, as amended, be confirmed as a correct record and signed by the Chairman.**

#### **45. CHAIRMAN'S ANNOUNCEMENTS**

Council noted the Chairman's announcements as printed in the agenda papers.

The Chairman thanked colleagues who had assisted him in fulfilling the considerable number of engagements that had needed to be undertaken between September and November.

He added congratulations to Councillor PJ Edwards and his fiancée on their forthcoming marriage and also to Councillor DW Greenow and his fiancée on their forthcoming marriage.

##### **Petition**

The Chairman reported that he had received a petition from Climate Action Now requesting support for policies that address the impact of climate change. He handed the petition to Councillor PD Price (Cabinet Member – Infrastructure).

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

A copy of the public questions and written answers is attached to the Minutes at Appendix 1.

## 47. NOTICES OF MOTION UNDER STANDING ORDERS

### Notice of Motion One- Support for City of Culture Bid

Councillor Nenadich proposed the motion. He commented on the process that would need to be followed to make a bid noting that the intention was that the bid would be based on a county-wide approach. He emphasised how important substantial support from the local community would be to making a successful bid. He highlighted the breadth of cultural assets within the County in which the County should take pride. He also emphasised the economic benefits that being city of culture had brought to other UK cities who had made successful bids.

There was general support for a bid to be made. Members emphasised the importance of engaging the county as a whole.

It was observed that if the Council's support was to be meaningful careful consideration would need to be given to arts funding in setting the budget. Funding from the Council could be critical to arts organisations in helping them to secure funding from other sources. There was evidence that every £1 spent on the arts generated £25-40 aside from providing health and wellbeing benefits.

The motion was carried with 36 votes in favour of it, none against it and one abstention.

**RESOLVED: to ask the executive to explore ways of supporting a bid by the courtyard theatre and its partners for Hereford to be made the UK city of culture 2021.**

### Notice of Motion Two – Governance Arrangements

Councillor James proposed the motion. He commented that the programme panels that had formed part of the governance arrangements when he had been Leader, when executive arrangements had been required by legislation to be introduced, had provided Members with a role in contributing to decision making and had enabled them to keep informed about decisions that were being taken. He considered that under the current arrangements the majority of Members were not aware of and informed about the difficult decisions that had to be made. There was a lack of accountability and no public support for the system. The motion did not advocate a particular solution but proposed an exploration of the available options for the new Council to consider in May.

Councillor Matthews, seconding the motion, stated that there was a need for decision making to be more open and transparent. There was too much power in the hands of too few Councillors. Members not on the executive felt sidelined.

The Leader of the Council commented that whilst he received correspondence about decisions that had been taken he had never received any complaining about the decision making process. In his view the matter was not of concern to the public. The real motivation for some Members was their dissatisfaction that they themselves did not have decision making powers

He did not accept that the process was secretive and lacked accountability. He noted that the public had only been excluded on a very few occasions from Cabinet meetings. Those exclusions had been in accordance with the customary procedure when commercially sensitive material was discussed. Details of forthcoming decisions were available to Members.

He supported the formation of a working group to examine options for governance arrangements but remarked that it was important to establish what the reasons for seeking change were so that the correct solution could be found.

In discussion the following principal points were made:

- A number of authorities had been exploring options for revising their governance arrangements for some time and had already made improvements.
- Councillors had sought election to be involved in the decision making process. Instead they found themselves excluded from it. There was a lack of influence in decision making. Members felt disenfranchised.
- The expertise and experience of many Councillors was not being drawn upon.
- It should be recognised that Members had different skills. Some relished exercising decision making powers; others flourished in a community representational role.
- The respective roles of Council and the executive as currently established caused dissatisfaction.
- The public were concerned when it was explained to them that under the current system the majority of the 58 Councillors had little decision making power. A number of people had signed a petition in High Town supporting a change to the current arrangements.
- New arrangements could ensure inclusivity in decision making without hindering the speed with which decisions could be taken.
- It was important that decisions could be taken promptly and acted upon.
- The Committee system had not been perfect and had not been immune from charges of decisions having been taken behind closed doors.
- It was noted that the reference to the Committee system in the motion was not advocating that system be adopted but requesting that it be considered alongside other options.
- The role of the Audit and Governance Committee in relation to governance matters should not be overlooked.
- A Member recorded his disagreement with the sentiments expressed in paragraph 1 of the motion, considering paragraph 2 sufficient.
- The Cabinet Member (Health and Wellbeing) commented that he had issued a considerable number of briefing notes. He had also offered Members the opportunity to discuss issues with him but few Members had taken advantage of this offer.

The motion was carried with 36 votes in favour of it, 1 against it and 13 abstentions.

**RESOLVED:**

- That**
- (a) Council take note of the public disillusionment with the current arrangements of Herefordshire Council. Their arrangements failing to include the majority of elected Councillors in the decision making process and the highly secretive manner in which the Council operates; and**
  - (b) officers be instructed to produce a report on the alternative governance arrangement to include a streamlined committee system, with an all party working group being set up to oversee this alternative arrangement.**

### **Notice of Motion 3 – The Living Wage**

Councillor Norman proposed the motion. She commented that the motion provided an opportunity to encourage other employers to follow the lead set by the Council. Only a few Council employees were paid below the living wage and the differential between the lowest and highest paid posts was at a ratio of 1:11, compared with the 1:10 proposed in the motion.

Herefordshire was a low wage area and people were struggling to meet costs. The consequences of low pay including the implication for crime levels were known. The payment of low wages meant that tax income was lower and that other parts of society had to provide support through the benefits system to supplement wages.

A number of businesses including several large employers and a number of Councils had adopted the living wage. The Federation of Small Businesses had said the payment of the living wage should be a voluntary goal.

Councillor Bartlett, seconding the motion, commented that adopting the motion would set a good example. It would also not be difficult for the Council to implement as it affected few employees and the proposed wage differential between the highest and lowest paid staff had almost been attained.

In the course of discussion the following principal points were made:

- The Leader cautioned that he supported the introduction of the living wage payment for Council staff. However, restricting the Council to an inflexible wage differential between the highest and lowest paid staff might prove restrictive. Market rates should determine the appointment to the post of Chief Executive. Also, if contractors, for example those providing care services, were to pay the living wage the additional cost to the Council would be some £3-5 million per annum. In addition a number of people receiving care services were currently self-funding. If costs were increased by the Council's actions this would increase the burden on them. Whilst the aim of the motion could be applauded the real solution was to provide economic growth. The administration had put forward proposals to achieve growth, for example through infrastructure projects, although these had not received support across the Council.
- The Cabinet Member (Health and Wellbeing) commented further on the difficult negotiations over the costs of commissioning adult social care services. Advocates of the introduction of the living wage needed to be prepared to consider where savings could be obtained to support its implementation.
- Small and medium sized businesses were facing difficult economic conditions. In seeking to set a good example the Council should not give the impression that anyone not paying the living wage was setting a bad example.
- It was noted that the motion proposed to encourage other employers to follow the Council's example and was not prescriptive.
- It was confirmed that by redefining posts currently paid below the minimum wage and giving them additional responsibilities the Council could introduce the living wage without having to revisit the evaluation of other posts.
- The living wage had no statutory basis. It was based on one calculated rate for London and one rate for elsewhere in the UK, making no distinction between urban and rural areas.
- There were alternative ways of growing the economy to that proposed by the administration, for example a green economy.

Separate votes were taken on each part of the motion.

Point one of the motion was carried with 34 votes in favour of it, 3 against and 12 abstentions.

Point 2 of the motion was lost with 13 votes for it, 25 votes against it and 10 abstentions.

Point 3 of the motion was lost with 17 votes for it, 24 against it and 8 abstentions.

**RESOLVED: That the Chief Executive, as Head of Paid Service, be requested to report to the Employment Panel and Council on how to achieve the following outcome: introduce the living wage (£7.85/hr) into the Council's pay policy in place of the inadequate minimum wage.**

#### **Notice of Motion Four – Wellington Level Crossing, Haywood Lane, near Marden**

Councillor Guthrie proposed the motion. She commented on the situation as set out in the text accompanying the motion set out in the agenda papers. She added that no action had been taken to examine the drainage issues to resolve the flooding at the location and there had been no explanation of Balfour Beatty's decision not to proceed with the approach recommended in its report. Action needed to be taken to avoid a serious accident.

The Leader commented that the situation was more difficult to resolve than it appeared. He proposed a meeting between himself, the Cabinet Member, the Local Member, Chief Executive and Balfour Beatty to take the matter forward.

Councillor Bridges, seconding the motion, expressed his dismay that a solution to address such a serious safety issue had not been implemented. He emphasised that gates needed to be provided and arrangements made to enable them to be locked when necessary at times of flooding. Local residents supported this approach. An upgrade to the crossing would cost over £1m and even if it were to be approved by Network Rail it would take several years before it would be implemented. He explained how the crossing currently operated and the risk to both rail users and road traffic inherent in the current situation.

The Cabinet Member (Transport and Roads) outlined a number of practical complications associated with locking gates at the crossing and the legal implications. He observed that a majority of those who ignored the road closed signs and got into difficulty were local people. However, he supported a further meeting to discuss the issues.

Councillor Guthrie reiterated that it was essential that the gates were closed and locked when flooding occurred as originally recommended in Balfour Beatty's report.

The motion was carried with 37 votes in favour of it, none against it and 6 abstentions.

**RESOLVED: That to prevent a major incident with resultant loss of life at the Level Crossing and to ensure the safety of all road users, rail passengers and nearby residents, this Council resolves to request the executive to expedite the repositioning and locking of the gates as recommended in Balfour Beatty's report.**

#### **48. LEADER'S REPORT**

The Leader presented his report on the activities of Cabinet since the meeting of Council in September.

He added with reference to paragraph 8 of the report relating to the Marches Local Enterprise Partnership (LEP) that bids had also been submitted for “growth deal” funding for an east-west Leominster relief road and the development of the Model Farm site, Ross-on-Wye.

In discussion the following principal points were made:

- (paragraph 7 of the report) The Leader stated that he was not aware of any plans to relocate Hereford United Football Club to the racecourse. Discussions had taken place on the area identified for development at the eastern end of the ground. He would inform Members of the outcome of the court action involving the football club.
- (paragraph 8) With regard to the Rotherwas rail link, including the provision of a bridge across the river, the Leader commented that information had been sought from London Midland. He would provide an update to Councillor Matthews.
- Concern was expressed about air pollution in the Bargates area of Leominster which would be exacerbated by proposed housing development. It was asked if funding would be available from the LEP bid to mitigate the issue. The Leader commented that this could not be confirmed until the outcome of the bidding process. Local Ward Members would be consulted on how funding received could best be used.
- (paragraph 9 – waste disposal) Councillor Harvey questioned how the Leader, in replying to her supplementary question to Council in September, could give the assurance that “the energy from waste project was demonstrated as the best value option for Herefordshire”. The Leader commented that in his view all questions about the project had been exhaustively tested and answered. The cost of withdrawing from the project and pursuing another course would be huge.
- (paragraph 10) Whilst welcoming the development of the Old Market site it was requested that support also be provided to the historic core.

A specific concern was expressed about the state of the paving in High Town, Hereford. It was stated that the City Council had set aside a sum to contribute to repairs but no one had taken up their offer. The Leader agreed to check on the matter.

The Leader commented that he wanted the historic core to be properly developed. He added that the Butter Market project in High Town was progressing and he would provide an update to Members.

The feedback he had received was that the Old Market development was increasing business overall and drawing business into the historic core. He would provide a written response on this matter to Councillor Robertson.

A Member suggested that the developers of the Old Market had previously indicated a willingness as part of the scheme to provide signing from the development to the historic core. The Leader agreed to investigate.

**RESOLVED: That the report be noted.**

#### **49. LOCAL COUNCIL TAX SUPPORT SCHEME 2015-2016 EFFECT ON PARISH PRECEPTS**

Council was asked to note the recommended approach to the funding changes as a result of the abolition of the council tax benefit scheme and the introduction of the council tax reduction scheme and to approve the recommended funding allocation to parish councils.

**RESOLVED: That Council tax reduction support scheme grant funding estimated at £289k is passed onto parishes in 2015/16 (as it was in 2014/15).**

**50. PROPOSED CAPITAL PROGRAMME 2015/16 TO 2017/18**

Council was asked to approve the additional capital investment programme for 2015/16 to 2017/18 inclusive, as proposed by Cabinet on 13 November 2014.

There were 19 votes in favour of the proposal, 5 votes against it and 10 abstentions.

**RESOLVED: That the additional capital schemes as detailed in appendix 1 of the report be approved for inclusion in the 2015/16 to 2017/18 capital programme.**

**51. HEALTH AND WELLBEING BOARD TERMS OF REFERENCE**

Council was asked to approve amended terms of reference for the Board.

Councillor GJ Powell, Chairman of the Health and Wellbeing Board, presented the report.

There were 31 votes in favour of the proposal, no votes against it and 1 abstention.

**RESOLVED: That the revised terms of reference as set out at appendix 2 to the report, including amendments to membership, be agreed.**

**52. THE ROSS-ON-WYE COMMUNITY GOVERNANCE REVIEW**

Further to the report to Council on 26 September 2014, Council was asked to consider further recommendations, as agreed by the Audit and Governance Committee on 26 November 2014, regarding the Ross-on-Wye Community Governance Review as the changes proposed by that review required the consent of the Local Government Boundary Commission for England and that consent had now been obtained.

The Chairman of the Audit and Governance Committee presented the report.

**RESOLVED unanimously:**

- That (a) **the County of Herefordshire District Council (Reorganisation of Community Governance) (Ross-on-Wye) Order 2014 be revoked with immediate effect; and**
- (b) **the Assistant Director, Governance be given delegated authority to execute The County of Herefordshire District Council (Reorganisation of Community Governance) (Ross-on-Wye) (No. 2) Order 2014 (to be substantially in the form set out in Appendix 2 to this report, subject to any necessary typographical and/or technical amendments) and publicise the outcome of the community governance review in accordance with section 96 of the Local Government and Public Involvement in Health Act 2007.**

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

A copy of the Member questions and written answers, together with a supplementary question asked at the meeting and the answer, is attached to the Minutes at Appendix 2

The meeting ended at 1.32 pm

**CHAIRMAN**



Public questions to Council – 12 December 2014

**Question from Mr M Sandaver, Herefordshire**

Question 1

**Council contractors**

Why are outside contractors used, instead of the council taking responsibility for employing their own staff to carry out these tasks?

**Answer from Councillor H Bramer, cabinet member contracts and assets**

Answer to question 1

The council's vision, as set out in our commissioning and commercial strategy is to be an innovative, agile commissioning organisation that secures better outcomes by commissioning the right services from the right provider, at the right time and at the right price.

Outside contractors, whether from the private or the voluntary and community sector, may be used where they will deliver better outcomes in the most cost effective and efficient way.

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**Question from Mr P McKay, Leominster**

Question 2

**Determination of highway status**

At January 2014 Council meeting I was advised that *"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 McKay 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."* The October LAF minutes advise that *"The Highways Draft Protocol needs some minor tweaks, and the Cabinet Member report needs to be written. This report will be submitted by the end of the year."*

Could you confirm that this is progressing and anticipated date by which this will be published on the council's website?

**Answer from Councillor P Rone, cabinet member transport and roads**

Answer to question 2

I can confirm this is progressing. The report will be ready for consideration in early January and, subject to approval, the final protocol will be available to view on the council's website by the end of January 2015.

## Public questions to Council – 12 December 2014

## Question from Mrs V Wegg-Prosser, Breinton

Question 3

## The Local Plan Core Strategy Costs

Could the cabinet member responsible for the core strategy please provide the cost to date of the entire local plan process, dating from the finance year 2007/8 to the year 2013/14, broken down by year, and with spend to date for the year 2014/15, and an estimate of costs to this year end, March 2015?

## Answer from Councillor P Price, cabinet member infrastructure

Answer to question 3

	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2014/ 15
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual to Date	Fore- cast
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Local Development Framework	291	132	345	131	221	255	199	139	330
Forward Planning	490	472	410	491	558	416	301	133	197
<b>Total Core Strategy</b>	<b>781</b>	<b>604</b>	<b>755</b>	<b>622</b>	<b>779</b>	<b>671</b>	<b>500</b>	<b>272</b>	<b>527</b>

Please note that a proportion of these costs has been supported by external funding. Forward planning costs relate to the staffing costs but it is not possible to specify which proportion is directly attributable to the local plan process.

## Members' questions at Council – 12 December 2014

## Question from Councillor R Matthews

## Customer contact

- 1 *I am constantly receiving complaints from extremely irate members of the public who are concerned that they cannot make contact with the council by telephone, as they are frequently having to wait in excess of thirty minutes for their calls to be answered. Can you please inform members as to why this should be, and what you intend to do about this appalling and unacceptable situation?*

## Answer from Councillor P Morgan Cabinet Member Corporate Services

## Answer to question 1

Councillor Matthews is well aware of the substantial savings that the council is having to make and our very clear priorities.

How people contact customer services is changing, so that we can use the resources we have to best effect. We are doing this because:

- the way people want to access services is changing with more demand for 24hr internet services.
- the service has seen 25% reduction in staffing since April 2013 as part of the budget reduction plan to direct resources to essential services.
- we want to reduce customer waiting and response times, and to make sure queries go to the right place to be answered

During October and November alone the customer services team handled a total of 44,673 telephone calls. Of those 13,964 had telephoned the general switchboard number; the average time calls to that number were queued being 32 seconds.

In terms of addressing both the volume of calls and the waiting times there are a range of actions already taking place:

- Transfer of customer contact for public realm queries to Balfour Beatty Living Places
- Comprehensive on-line council tax programme for customers to manage their own account and payments
- Programme of improved messaging relating to council tax to mitigate the need to call the local authority
- Current campaign for more people access services on-line who have the ability to do so
- Automated messaging for customers to use the extension number to divert their call directly to the person intended
- Increase of on-line reporting (e.g. pothole reporting direct to BBLP systems) and social media to pre-empt queries
- A concentration of resources when call volumes are at their highest (between 9-10am)

**Members' questions at Council – 12 December 2014**

- Additional staff being drawn in from the services to deal with surges in call numbers, for example when individual electoral registration notifications first went out to residents or black bin delivery.

The support of Councillor Matthews and all ward members in helping to promote alternative self-help contact methods would be welcomed, and will ensure that those residents with no choice but to use telephone contact will be able to access the service more easily.

**Supplementary Question**

Many people continued to want to contact the Council by telephone. It was unacceptable to have to wait up to 45 minutes for a call to be dealt with.

**Answer by Councillor Morgan**

The Cabinet Member commented that only 1 call out of over 44,000 calls received by Customer Services in October and November 2014 had been queued for 30 minutes or more. The Council had to make savings and ensure that contact with the public was managed in the most efficient way. The Council had invested in the website and the public satisfaction statistics were reasonable although there was clearly room for improvement. She accepted that using the website was not suitable for everyone and provision had to be made for those people. She invited Councillor Matthews to supply her with evidence to support his assertion that the information that had been provided to her was incorrect.



<b>MEETING:</b>	<b>Council</b>
<b>MEETING DATE:</b>	<b>6 February 2015</b>
<b>TITLE OF REPORT:</b>	<b>Questions from members of the public</b>
<b>REPORT BY:</b>	<b>Governance Manager</b>

## Wards Affected

County-wide

## Purpose

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

## Introduction and Background

- 1 Members of the public may ask 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.
- 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 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.
- 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.

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Further information on the subject of this report is available from  
Governance Services on Tel (01432) 260659

- 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.
- 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.

#### **QUESTIONS**

- 7 Two questions have been received and accepted by the deadline and are attached at Appendix 1.

### **Background Papers**

- None

## Public questions to Council – 6 February 2015

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

Question 1

#### Medium term financial strategy and South Wye transport package

Regarding the approved capital investment programme within the MTFs, please advise why the South Wye transport package is so called when its costings are only related to the building of the Southern Link Road.

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### Question from Dr N Geeson, Hereford

Question 2

#### Medium term financial strategy and biological records

Regarding Appendix 1 of the MTFs papers for Council, please provide information as to where the hosting costs of the Herefordshire Biological Records Centre are listed in the Savings Proposal. This was allocated for the period 2015/16 to 2016/17 against some anticipated self-sustaining new funding streams, with the provision for reduced service provision, if necessary, as per Cl. 11.12 of Herefordshire Council's Annual Monitoring Report (2013-14):

*P56 "11.12 The council's Planning Service is reliant on biodiversity and geodiversity data collected, managed and supplied by the Herefordshire Biological Records Centre (HBRC). The council has withdrawn direct funding for the HBRC but is continuing to cover the hosting costs. The aspiration is for the HBRC to become financially self-sustaining; it is in a process of expanding existing and developing new funding streams to this end. Should full cost recovery not be achievable, the outcome would be reduced service provision which would impact significantly on the supply and updating of environmental data to the Planning Service and to strategic biodiversity work by other organisations."*

Surely the Council needs to pin-point finance for ongoing biological record-keeping for the County? Otherwise it will not have up-to-date information to assess planning applications, it will not be able to make accurate Strategic Environmental Assessments and Habitat Regulations Assessments, and it will not conform with the NPPF.

More specifically, there are other actions referred to in the Annual Monitoring Report (2013-14) that will depend on ongoing provision of up-to-date biological information, e.g. for the Green Infrastructure Strategy (Cl 11.16), for funding management plans for local wildlife sites, (Cl 11.17) and for monitoring Priority Species. (Cl 11.13). How will these actions be continued and funded?







<b>MEETING:</b>	<b>Council</b>
<b>MEETING DATE:</b>	<b>6 February 2015</b>
<b>TITLE OF REPORT:</b>	<b>Budget and medium term financial strategy (MTFS)</b>
<b>REPORT BY:</b>	<b>Leader of the Council</b>

## Classification

Open

## Key Decision

This is a not an executive decision.

## Wards Affected

County-wide

## Purpose

To approve the draft medium term financial strategy for 2015/16 to 2016/17 and the 2015/16 revenue budget as recommended by Cabinet on 22 January.

## Recommendation(s)

THA:

(a) the following be approved:

- i. the revenue budget as set out in appendix 2;
- ii. a council tax increase of 1.9% in 2015/16, therefore rejecting the 2015/16 council tax freeze grant, this will result in a band D council tax level of £1,275.10;
- iii. the medium term financial strategy shown in appendix 3 ;
- iv. the treasury management strategy for 2015/16 shown in appendix 4; and

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Further information on the subject of this report is available from Peter Robinson, Chief Financial Officer on Tel (01432) 383519

- (b) To note that the council is projected to spend within its budget for the 2014/15 financial year.

## Alternative Options

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

## Reasons for Recommendations

- 2 The council has a legal obligation to set a balanced budget and Council is responsible for approving a budget following recommendations from Cabinet in line with the budget and policy framework rules within the constitution.

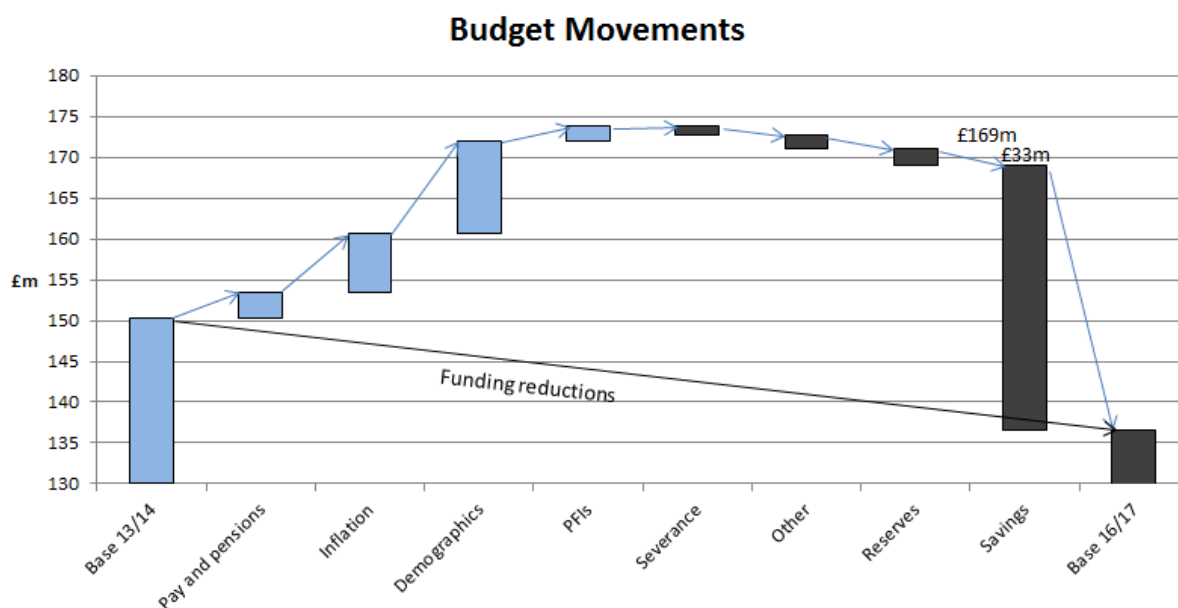
## Key Considerations

### Summary

- 3 The medium term financial strategy (MTFS) has been updated to reflect the provisional funding settlement, a review of agreed savings plans, contingencies, demographic pressures and a 1.9% increase in council tax. Confirmation of the final settlement is expected on 4 February and will be verbally confirmed by the Chief Financial Officer at the meeting. Initial proposals were discussed by both overview and scrutiny committees on 24 November and no alternative options were proposed by either committee.
- 4 Although on target to deliver within the overall budget in 2014/15 there is slippage in some savings and additional pressures in both 2015/16 and 2016/17 that have been mitigated by alternative savings and the use of contingencies.
- 5 Council will be asked to approve the 2015/16 budget on 6 February 2015. It will also approve the MTFS to 2016/17 although this will be refreshed, alongside the corporate plan, with the new administration between June – October 2015 to cover the period 2016/17 – 2019/20. Council has, at its meeting on 12 December 2014, approved the capital programme contained within the MTFS.

### Current savings plan 2014/15 – 2016/17

- 6 The MTFS agreed at Council in February 2014 set out the estimated £33.7m funding gap arising from increased costs and reduced funding. This is a culmination of unavoidable increases in costs such as inflation and demographic pressures and reductions in government funding. The table below sets this out graphically:



- 7 The council delivered a total of £34m savings in the financial years 2011/12 - 2013/14 followed by a further £15.4m of targeted savings, as part of the £33m, in the current financial year 2014/15. Looking forward an additional £18m of savings are required in period 2015/16 - 2016/17, £10m in 2015/16. This gives a total savings target for the period 2011/12 - 2016/17 of £67m. The reviewed savings plans are provided in appendix 1, summary by directorate below:

	<b>Revised Savings Plans</b>		
	2015-16 £'000	2016-17 £'000	Total 15-17 £'000
Adults Wellbeing	5,460	2,363	7,823
Children's Wellbeing	1,129	1,720	2,849
Economic Communities and Corporate	3,596	3,530	7,126
	<b>10,185</b>	<b>7,613</b>	<b>17,798</b>

#### 2015/16 Budget

- 8 Proposed directorate budgets for 2015/16 are attached at appendix 2 and summarised below. This reflects increases in inflation and pensions, pressures, savings and other adjustments.

## Revenue Budget Summary 2015/16

Directorate	Approved Budget 2014/15 £000	Net changes £000	Proposed Budget 2015/16 £000
Adults Wellbeing	54,923	(1,680)	53,243
Children's Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,430)	50,635
<b>Total Directorates</b>	<b>129,230</b>	<b>(3,215)</b>	<b>126,015</b>
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(6,153)
Other central budgets			1,374
Transfer from general balances			928
<b>Total net spend (budget requirement)</b>			<b>141,598</b>
<b>Financed by:</b>			
Formula grant			26,461
Locally retained business rates			21,599
Business rates top up			6,814
Council tax			83,963
Collection fund surplus			1,251
Reserves			1,510
			<b>141,598</b>

- 9 The provisional settlement for 2015/16 was announced on 18th December 2014 and may change in the final settlement expected 4 February 2015 although this is not anticipated to be material enough to affect the budget. The provisional settlement confirmed another year of funding reductions in 2015/16 in line with expectations. Members may wish to be aware that since the proposals were considered by Cabinet on 22 January business rates budgets have been realigned to reflect relief received from government for certain premises. This does not affect any of the budgets or savings plans in the report.
- 10 The provisional settlement allocation included an increase in rural funding, resulting in a net increase in funding compared to budget assumptions of £251k. This will be used to fund transportation costs specifically to improve public transport services for elderly members of the community and support trips to health and social care opportunities in addition to funding further feasibility work in relation to the Rotherwas rail link proposals. Appendix 7 provides further details.

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Further information on the subject of this report is available from  
Peter Robinson, Chief Financial Officer on Tel (01432) 383519

## New pressures affecting budget planning

- 11 A contingency was allowed for in the MTFS to provide for slippage / optimism of future savings and unforeseen pressures. This alongside additional savings, a provision set aside for increases in the cost of the waste disposal contract and inflation have not all been required. These have been used to fund additional budget pressures set out below.

	2015-16 £000's	2016-17 £000's	Total £000's
<b>Children's</b>			
Baseline placements (in year)	762		762
Child sexual exploitation prevention	100		100
	<b>862</b>	-	<b>862</b>
<b>Adults Wellbeing</b>			
Savings not achieved in demand management (replaced by new savings)	1,160		1,160
New / additional demographic pressures	114	146	260
Transitions – ongoing impact of growth	700	100	800
	<b>1,974</b>	<b>246</b>	<b>2,220</b>
<b>ECC</b>			
Grass cutting	400		400
Rockfield Road car park closure		30	30
Valuations		41	41
	<b>400</b>	<b>71</b>	<b>471</b>
<b>Corporate</b>			
Insurance premiums	200		200
Grant reduction assumption 7%		873	873
Cost of funding new capital investment need	100	300	400
Joint safeguarding board	100		100
	<b>400</b>	<b>1,173</b>	<b>1,573</b>
<b>TOTAL</b>	<b>3,636</b>	<b>1,490</b>	<b>5,126</b>

- 12 All pressures have been challenged, in addition the adults wellbeing budgets have gone through an external assurance and stress test process and amendments have been reflected where improvements were identified as needing to be made.

## Reserves and balances

- 13 The projected general fund working balance is as follows being in excess of the policy requirement to retain a balance of 3% of the net budget (approximately £4.3m);

Year ending	£m
31.3.14	5.1
31.3.15	8.6
31.3.16	7.6

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 reserves total reserves going forward are estimated to be as follows:

Year ending	General working balance £m	Earmarked reserves £m	Schools £m	Total £m
31.3.14	5.1	17.6	6.3	29.0
31.3.15	8.6	9.7	6.1	24.4
31.3.16	7.6	9.6	5.0	22.2

- 14 Earmarked reserves include specific grant funding carried forward, for example, the severe weather grant funding of £2m received in March 2014.
- 15 The level of general reserves retained have been increased in 2014/15 in recognition of the possibility of increased difficulty in achieving the savings plans going forward and to fund one-off investment costs in 2015/16 in addition to providing a more prudent level of contingency for the additional risks as set out in paragraph 27 below.

### Statutory statement by the council's chief finance officer

- 16 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.
- 17 Section 25 of the Local Government Act 2003 requires the chief finance officer to report to Council when it is setting the budget and precept (council tax). 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.
- 18 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;

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Further information on the subject of this report is available from Peter Robinson, Chief Financial Officer on Tel (01432) 383519

- 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**

- 19 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**

- 20 Individual budget proposals have been impact assessed where necessary and a cumulative equality impact assessment is attached at appendix 6 and should be considered with this report.
- 21 Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with its obligations under the Equality 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.
- 22 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.

## **Financial Implications**

- 23 As set out in 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 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 risk management section 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.

## **Risk Management**

- 29 The budget has been updated using the best available information, current spending, anticipated pressures and an assessment of the grant settlement.
- Demand management in social care continues to be a key issue, against a backdrop of a demographic of older people that is rising faster than the national average and some specific areas of inequalities amongst families and young people. Focusing public health commissioning and strategy on growth management through disease prevention and behaviour change in communities is critical for medium term change.



- Key areas of focus include, sustaining the current focus on a new relationship with citizens and communities, managing the price paid where the council is the commissioner and/or where this is taking place with partners with a specific reference to health, improvements in commercial interface including contract management, using technology to enable new ways of working including significant channel shift around self-service and automated business process improvement and a subsequent headcount reduction.
  - 75% of council funding is provided from council tax and business rates. Both are subject to appeals, collection rates and bad debts. For business rates appeals can be backdated for up to six years. The council has set-aside a reserve to cover this of £1m, however if a number of significant claims are lost above this amount, the council would have to identify funding to cover this.
- 30 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 the budget monitoring process. The proposed budget includes contingency and reserves that, if required, can be used to manage realised risks in addition to the normal budget virement risk management process.
- 31 **Substantial reductions to directorate budgets** - £10m of reductions have been identified within the 2015/16 budget proposals. These are in addition to the £49m savings in the previous four financial years, with savings also identified of £8m in 2016/17. Key risks for directorates are set out below:
- 32 **Economy, Communities and Corporate**
- 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 or reserves.
  - The current property market may impact on the ability to dispose of current surplus assets when anticipated. This will incur additional running costs and impact on borrowing costs.
- 33 **Adults Well-Being**
- Demographic pressures have been included within the 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.

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Further information on the subject of this report is available from  
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- There is a risk that the national publicity campaign to support the implementation of the Care Act in 2015/16 may give rise to a higher level of additional local activity from carers and self-funders than anticipated which results in increased expenditure above the new burdens funding received.

#### 34 **Children's Wellbeing**

- The care placement strategy step down approach requires children to be identified and the care placements and foster carers to be available. Demand pressures have been included in the budget, and the strategy includes prevention, however, demand is a risk.
- Social work recruitment within children's services remains a risk with a national shortage of social workers. The recruitment and retention strategy of growing our own, maintaining low caseloads, offering retention benefits, managing the quality and cost of agency staff and a review of employment models all support a sustainable workforce.

35 The level of reserves planned for are considered adequate to cover the risks outlined above.

#### **Shaping our priorities**

36 This year's budget consultation was conducted slightly differently to previous years, in that we used an online budget simulator which invited residents to balance the council's budget.

37 This provided a slightly more complex consultation, which didn't just involve offering opinions. However, these results will not be used in isolation, as they will be added to the results from our previous consultations, which have and will continue to help us shape our priorities.

#### **Quality of life survey**

38 In 2011 and 2012, we undertook quality of life surveys with local residents. A random sample of 4,125 households was surveyed and asked a range of questions about public services and the quality of local people's lives. The results are available online at <http://factsandfigures.herefordshire.gov.uk/2056.aspx>.

#### **Your Community - Your Say**

39 We also held a series of conversations with local people across the county discussing their concerns and priorities in their communities.

40 The results of the Your Community - Your Say events are available online at <http://factsandfigures.herefordshire.gov.uk/2323.aspx>.

41 We considered the views of residents identified through these two projects when agreeing our corporate plan and setting the budget priorities for 2013/14.

### *Consultation on the 2014/15 budget*

- 42 In proposing the budget for 2014/15, we started with what we understood were local people's priorities based on the results of the quality of life survey and the Your Community - Your Say project.
- 43 We focused the budget on a small number of priorities, which were in line with priorities of local people and consulted on these in the budget proposal.
- 44 The full details of this consultation and results are available online at [www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-finances/budget-consultation/our-priorities](http://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-finances/budget-consultation/our-priorities).

### **Proposing the budget for 2015/16**

- 45 In preparing the budget for 2015/16, consultation started with the priorities that local people had previously identified and the council had focused upon in the 2014/15 budget.
- 46 Public consultation was on a budget that given the constraints of increased demand and reducing income, invested in the key priorities for the county and the council. This was based on a good understanding of the priorities of local people built up over a number of years of research and consultation.
- 47 Alongside the main online budget simulator, we also engaged with the public through six face to face consultation events in Bromyard, Hereford, Kington, Ledbury, Leominster and Ross-on-Wye and two parish council events in July and October. There were also four live question and answers sessions on the council's Twitter and Facebook accounts.
- 48 The details of this consultation and results are available online at [www.herefordshire.gov.uk/budgetconsultation2015](http://www.herefordshire.gov.uk/budgetconsultation2015)

### **Key messages**

- For **adult social care**, while some responses chose to decrease the budget most respondents chose to keep the budget the same (71 per cent) with 29 per cent opting to increase it.
- For **children and young people**, after responses that decreased the budget were excluded, the same pattern emerged with 71 per cent choosing to keep the budget the same and 29 per cent opting to increase it.
- For **unavoidable fixed costs**, after responses that decreased the budget were excluded, the same pattern emerged with 72 per cent choosing to keep the budget the same and 28 per cent opting to increase it.
- For **investing in improving roads and transport**, most respondents chose to keep the budget the same (38 per cent) with a third opting to increase it and 29 per cent opting to decrease it.

- For **building new homes and creating jobs**, opinion was divided with a third of responses opting to decrease, increase or not change the budget. A similar pattern emerged for **strategic and neighbourhood planning** and **grass cutting**.
- Responses for **regulatory services, environment, cultural and customer services** and **waste management** showed a similar pattern of about 44 percent opting to increase the budget with about a third opting to decrease the budget.
- Nearly 80 per cent of responses chose to decrease the budget for **council back office functions**; this was the highest average decrease amount.
- On average the results indicated a council tax increase of 0.9%.

## Appendices

Appendix 1 – Savings plan by directorate

Appendix 2 - 2015/16 detailed base budgets

Appendix 3 – Medium term financial strategy 2015-17

Appendix 4 – Treasury management strategy 2015/16

Appendix 5 – Budget consultation results

Appendix 6 – Cumulative equality impact assessment

Appendix 7 – Additional Rural Transport Funding

## Background Papers

- Equality Impact Assessments – these will be published to the Council's website.

## Savings Proposals Summary 2015/16 to 2016/17

## APPENDIX 1

	Original Savings Plans				
	2014/15 £000	2015/16 £000	2016/17 £000	Total 14-17 £000	Total 15-17 £000
Adults Wellbeing	5,490	3,935	3,646	13,071	7,581
Childrens	2,500	1,132	1,736	5,368	2,868
Economic Communities & Corporate	7,407	3,602	4,269	15,278	7,871
	<b>15,397</b>	<b>8,669</b>	<b>9,651</b>	<b>33,717</b>	<b>18,320</b>

New Savings Plans		
2015-16 £'000	2016-17 £'000	Total 15-17 £'000
5,460	2,363	7,823
1,129	1,720	2,849
3,596	3,530	7,126
<b>10,185</b>	<b>7,613</b>	<b>17,798</b>

Movement		
2015-16 £'000	2016-17 £'000	Total 15-17 £'000
(1,525)	1,283	(242)
3	16	19
6	739	745
<b>(1,516)</b>	<b>2,038</b>	<b>522</b>

\* Public Health responsibility including savings transferred to Adults for 15/16 & 16/17.

**Savings Proposals  
Adults Wellbeing Directorate**

Savings Proposal	Impact	Equalities Impact	Savings Plans		
			2015-16 £'000	2016-17 £'000	Total £'000
Re-commissioning & 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 on-going review of impact during decision making and implementation process. The existing EIA will be refreshed as the project moves through the implementation process. Potential of unintended consequence as providers not signing up to new rate and therefore service users may not be able to receive care from same providers.	200	200	400
Re-commissioning 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.	116		116
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	All service user groups impacted *Increase in the time it takes to establish final care provision *Existing clients may lose support from current provider *Market for Personal Budgets under development and therefore more established in some geographical areas than others *Increase in support required for people lacking mental capacity *More choice and control over care provision for clients *Outcomes focus for care provision *Coincides with the development of new community service development.	300	300	600
Contract Changes	Completing all contract changes consulted on during 14/15 and driving improved value for money and negotiating improved rates / efficiencies from existing providers / contracts. Impact on service users will be minimal and will be considered on a contract by contract basis before changes are implemented. Impact on the local social care provider market will be regularly reviewed to ensure that the market is strengthened and where possible provider capacity and resilience is improved.	Contract management plan developed which will identify how contracts can be managed more effectively to drive better value for money. Minimal impact on service users. As each contract is reviewed and efficiencies identified, an EIA will be done as part of the contract management process.	1,021	476	1,497
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	Clients signposted to other relevant housing related support services, other organisations or referred back to their own housing association. Service currently being wound down, service users being reduced to 220 as part of the extension of the contract conditions. Bi-monthly monitoring meetings on-going. Increase to other services to mitigate. EIA for specific contracts will be developed as part of the decision making process.	823	287	1,110
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.	These savings will come from removing joint assessments for couples, changes to certain income disregards such as pension credit (under new care act regulations) and implementing admin charges for self-funders who want us to purchase care in their own home, or want a deferred payment.	150		150
High Cost care reductions	Increased local capacity for people with a learning disability and mental health service users 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 with the available resources.	Move to a more outcomes based approach.	300	100	400
Remove funding for non eligible services	Improved information and advice regarding community based support and voluntary sector provision to be provided to service users with low level care needs who are no longer eligible for Council services, In line with the council's priorities and statutory responsibilities, this will ensure that those who have the most need can be supported effectively.	Through reassessments, people may no longer receive ASC support. But developing the support network within the community will support individuals and provide a mitigating factor.	150	150	300

**Savings Proposals**  
**Adults Wellbeing Directorate**

Savings Proposal	Impact	Equalities Impact	Savings Plans		
			2015-16 £'000	2016-17 £'000	Total £'000
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.	200	250	450
Maximisation of Continuing Health Care (CHC) funding	To offset the demographic / demand growth that AWB have been experiencing and to ensure sufficient available budget is in place to support social care elements of nursing packages.	No impact to service user - no reassessment of package for care	500	-	500
Workforce Reshaping	Realignment and re shaping of the workforce to deliver a more efficient and effective workforce at a reduced cost. Savings in 2015/16 will be delivered from bringing social care MH staff back in house from 2g. 2016/17 savings will be delivered from efficiencies within the wider AWB workforce	There will be a clearer focus on service users who are eligible for ASC services and support. It will reinvigorate the recovery model within Mental Health which brings an empowering agenda for service users and provides support within community setting. This project will also align to the new processes around adult protection.	300	100	400
Workforce Reshaping (Senior Management)	Realignment and re shaping of the senior management team to deliver a more efficient and effective structure at a reduced cost	This will be an internal management restructure to provide a more integrated management structure and reduce costs. No impact on service users except in a positive way to protect front line services.	200		200
Reduce carers respite	To reduce the maximum entitlement and standardise to carers respite services, ensuring that this doesn't result in placement breakdown and therefore result in additional cost	Light touch desktop analysis of data will be undertaken to ensure impact is understood.	200	-	200
Population wellbeing interventions	Efficiencies to be delivered through closer working, collaborative commissioning, and demand management interventions between AWB and Public Health	Not applicable	1,000		1,000
Protection of Adult Social Care (Better Care Fund) - funding from Clinical Commissioning Group	To protect adult social care services and maximise available BCF funding from the NHS	Not applicable	-	500	500
<b>Total</b>			<b>5,460</b>	<b>2,363</b>	<b>7,823</b>

## Savings Proposals

### Children's Wellbeing Directorate

			Savings Plans		
Savings Proposal	Impact	Equalities Impact	2015-16 £'000	2016-17 £'000	Total £'000
<b>Care Placement Strategy</b> - Reduction in residential placement costs	The implementation of a Prevent and Step down approach to Residential placements via Herefordshire Intensive Placement Support Service and In-House Foster Care Placements. 10 placements to be transfer out of residential over the next five years and for the split of in house fostering and external agencies to move from 76:24 to 90:10.	Not applicable	588	995	1,583
<b>Recruitment Strategy</b>	This is a five point recruitment and retention approach to enable the reduction of agency staff, including continuation of the NQSW programme, Regional standard rates for agency, international recruitment, reviewing the recruitment offer, training development. The Ratio of permanent to agency moves from 54:46 to 90:10 over the next three years	Potentially may affect opportunities for some children and families with protected characteristics if savings are taken, but caseloads increase per worker potentially reducing service quality and levels. Will be addressed through reconfiguration of service and maximising the effectiveness and targeting of early help services to reduce the demand for social care intervention.	259	549	808
<b>Adoptions Initiatives</b>	Increase by 10 external adoption placements/reduce cost of provision through economies of scale of the West Mercia Adoption Partnership	No negative impact perceived as broad recruitment drive to attract a diverse cohort of adopters to reflect the children coming into the service.	181	176	357
<b>Children in Need, Service re-design</b>	Reduction from 6 to 4 teams, with 1 service manager and the introduction of Senior Practitioners to provide management oversight and offer development opportunities for staff.	Not applicable	101	-	101
			<b>1,129</b>	<b>1,720</b>	<b>2,849</b>



## Savings Proposals Economy, Communities & Corporate

			Savings Plans		
Savings Proposal	Impact	Equalities Impact	2015-16 £'000	2016-17 £'000	Total £'000
<b>Waste &amp; Sustainability</b> Full year effect of introducing alternate weekly collection of waste and limited collection to the contents of a refuse wheelie bin, implemented in November 2014.	Non-recyclable waste is now collected every fortnight rather than weekly. Limiting the amount of non-recyclable waste collected means families now re-cycle more or dispose of excess household waste at a household waste disposal site.	No adverse impact reported since the implementation, this will be monitored on an on-going basis	412	50	462
<b>Country Parks and Picnic Sites</b> - Disposal of small sites and reduction in subsidy for larger sites at Queenswood and Bodenham Lake	The management of the sites will be passed to community groups. At Queenswood that may need to include the introduction a membership scheme and/or car parking charges to enable them to fund the site running cost.	None identified as no proposal to change service provision.	150		150
<b>Public and School/College Transport</b> - Full-year effect of reductions in bus subsidies implemented in September 2014 and associated efficiency savings in contract management. Implementation of revised school/college transport policy from September 2015	No additional impact in 2015/16 for transport. Policy for school/college transport effective from Autumn term. Year 7 pupils only will be effected by the nearest school policy.	No additional impact in 2015/16 for transport. Impact assessments completed for school/college transport policy and included within the original report. There are various bursaries available to cover costs.	595	250	845
<b>Car Parking Income.</b>	Full year effect of introducing new car parking charges from June 14 and additional spaces within the Old Market Development. If this savings target is not achieved car parking charges may be reviewed / extended.	No impact as maintaining blue badge parking scheme enabling free parking for those who meet the criteria.	600	230	830
<b>Council Tax reduction Scheme</b> - the discount awarded to some council tax payers in receipt of welfare benefits was reduced from 91.5% to 84% in 2014/15. There will be no changes in 2015/16, however collection performance has been higher than anticipated meaning increased income. Further reductions in discount from 2016/17 will be required to balance the budget. Note: Pensioners are exempt from the changes.	No additional impact in 2015/16. Further reductions in discount will be consulted upon as part of the 2016/17 budget process and the impact assessed	The lowest earners in Herefordshire now pay 16% of their total Council Tax bill.	150	150	300
<b>Discretionary Rate Relief</b> - Removal of discretionary National Non-Domestic Rates/Business Rate relief for some voluntary organisations	Following the Cabinet report agreed in June 2014, a new Discretionary Rate Relief charter and policy has been agreed from April 2015. Relief will be given to those organisations who run, develop facilities, services or activities which directly benefit Herefordshire residents and meet the priorities of the council in support of council services and their budgets.	Discretionary relief (in addition to mandatory relief) is only available for those charities that are locally based providing facilities that benefit the wider community of Herefordshire and are of a social/welfare nature.	150		150
<b>Withdrawal of Subsidies to Cultural Services partners.</b>	No impact.	No adverse impact identified as no proposed change to service.	466	863	1,329
<b>Removal of funding to Voluntary Organisations Support Services including the Citizens Advice Bureau</b>	Council funding contributes to total funding supporting these organisations. New tendering opportunities are available for these organisations to bid for. This will support mitigation of savings and will match the organisations objectives.	Impact assessments carried out in 13/14. HVOSS and HALC implemented and no recorded negative impact. CAB impact assessment completed in 2013 and a further EIA completed in December 14 as included in review of Information advice and guidance paper.	40	117	157

**Savings Proposals  
Economy, Communities & Corporate**

Savings Proposal	Impact	Equalities Impact	Savings Plans		
			2015-16 £'000	2016-17 £'000	Total £'000
<b>Customer &amp; Library Services:</b> Co-location of services at sites, move services to provide on-line, increase income generation and community involvement in operation of sites.	Bromyard – reducing the space allocation and appointment basis for customer services. Kington – becoming a health and wellbeing centre including the customer service element agreed at Cabinet in December 2014. Ledbury – co-location of Libraries and Customer Services at the Masters House. Belmont – increased community involvement and local contribution. Hereford – public realm phone contact to Balfour Beatty/ increased council tax transactions on-line.	Impact Assessments complete for cabinet report of 23 January 2014, updated in September 2014. Limited adverse effect, although consideration given to people accessing digital services, specifically older people and disabled people therefore face to face / phone contact remains a mitigating option.	423	-	423
<b>Back Office Services</b> (including Finance, Revenues and Benefits and Hoople)	No impact - efficiency saving	None	420	450	870
<b>Management Savings.</b>	No impact - efficiency saving	No adverse impact expected as no proposed change to service.	90	355	445
<b>Asset Review</b> Disposal or increased income to reduce debt charges	Capital receipt from sale of assets utilised to offset current or future debt costs. Sale of assets surplus to requirements.	None	100	250	350
<b>Corporate Accommodation</b> - Further rationalisation	No impact - efficiency saving	Impact Assessments required on an individual basis when assets are identified.		435	435
<b>Contract Efficiencies</b> - review of current contracts for Waste and Transportation	No impact - efficiency saving	No adverse impact expected as no proposed change to service.		380	380
			<b>3,596</b>	<b>3,530</b>	<b>7,126</b>

## APPENDIX 2

### Revenue Budget Summary 2015/16

Directorate	Base Budget 2014/15 £000	Net changes £000	Draft Budget 2015/16 £000
Adults Wellbeing	54,923	(1,680)	53,243
Childrens Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,430)	50,635
<b>Total Directorates</b>	<b>129,230</b>	<b>(3,215)</b>	<b>126,015</b>
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(6,153)
Other central budgets			1,374
Transfer from General Balances			928
<b>Total net spend (Budget Requirement)</b>			<b>141,598</b>
<b>Financed by;</b>			
Formula grant			26,461
Locally retained rates			21,599
Business rates top up			6,814
Council tax			83,963
Collection Fund Surplus			1,251
Reserves			1,510
			<b>141,598</b>

**REVENUE BUDGET 2015/16**
**SUMMARY**

<b>Service</b>	<b>Current Budget 2014/15</b>	<b>Pensions, pay and Inflation</b>	<b>Pressures</b>	<b>Savings</b>	<b>Other Adjusts</b>	<b>Total Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adults Wellbeing</b>						
Adults Operations	6,354	310	0	0	(215)	<b>6,449</b>
Commissioning	7,242	56	0	(1,148)	1,087	<b>7,237</b>
Director and Management	(2,232)	56	0	(1,200)	(951)	<b>(4,327)</b>
Adults	15,052	263	1,243	(2,260)	883	<b>15,181</b>
Learning Disabilities	2,411	23	241	45	374	<b>3,094</b>
Mental Health	20,502	133	490	(752)	(617)	<b>19,756</b>
Older People	5,059	5	0	(108)	94	<b>5,050</b>
Physical Disabilities	468	7	0	(37)	242	<b>681</b>
Public Health	66	2	0	0	54	<b>122</b>
<b>Total Adults Wellbeing</b>	<b>54,923</b>	<b>855</b>	<b>1,974</b>	<b>(5,460)</b>	<b>(951)</b>	<b>53,243</b>
<b>Childrens Wellbeing</b>						
Education & Commissioning	5,614	134	0	0	0	<b>5,748</b>
Safeguarding & Early Help	16,650	328	762	(1,029)	0	<b>16,711</b>
Central Childrens Directorate Costs	(1,022)	362	100	(100)	338	<b>(322)</b>
<b>Total Childrens Wellbeing</b>	<b>21,242</b>	<b>824</b>	<b>862</b>	<b>(1,129)</b>	<b>338</b>	<b>22,137</b>
<b>Economy, Community &amp; Culture and Chief Executive Directorate</b>						
Economic, Environment & Cultural Services	939	33	0	(966)	(204)	<b>(198)</b>
Placed Based Commissioning	37,966	1,121	400	(1,542)	(1,082)	<b>36,863</b>
Finance	2,363	19	0	(35)	8	<b>2,355</b>
Community & Customer Services	3,019	54	0	(443)	1	<b>2,631</b>
Governance	3,571	43	0	0	0	<b>3,614</b>
Directorate Support	421	566	0	(90)	(183)	<b>714</b>
Property Services	2,551	92	0	(20)	(115)	<b>2,508</b>
Directors	2,235	13	0	(100)	0	<b>2,148</b>
<b>Total Economy, Community and Culture</b>	<b>53,065</b>	<b>1,941</b>	<b>400</b>	<b>(3,196)</b>	<b>(1,575)</b>	<b>50,635</b>
Consolidated Revenue Account	16,905	90	400	(400)	(1,412)	<b>15,583</b>
<b>Total Herefordshire Council</b>	<b>146,134</b>	<b>3,710</b>	<b>3,636</b>	<b>(10,185)</b>	<b>(3,600)</b>	<b>141,599</b>

**REVENUE BUDGET 2015/16**
**ADULTS WELLBEING**

Service	Base Budget 2014/15	Pensions and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
<b>Adults Operations</b>						
General Fund Housing	619	41	0	0	(22)	637
Locality Operations	3,908	213	0	0	258	4,378
Operations Mgt	702	30	0	0	27	759
Provider Services	1,126	28	0	0	(478)	675
<b>Total Adults Operations</b>	<b>6,354</b>	<b>310</b>	<b>0</b>	<b>0</b>	<b>(215)</b>	<b>6,449</b>
<b>Commissioning Adults</b>						
IC Staffing	7,242	56	0	(1,148)	1,087	7,237
<b>Total Commissioning</b>	<b>7,242</b>	<b>56</b>	<b>0</b>	<b>(1,148)</b>	<b>1,087</b>	<b>7,237</b>
<b>Director and Management</b>						
Director and Management	(3,601)	9	0	(1,200)	(707)	(5,500)
Transformation and safeguarding	1,369	47	0	0	(243)	1,172
<b>Total Director and Management</b>	<b>(2,232)</b>	<b>56</b>	<b>0</b>	<b>(1,200)</b>	<b>(951)</b>	<b>(4,327)</b>
<b>Commissioned Care</b>						
Learning Disabilities	15,052	263	1,243	(2,260)	883	15,181
Mental Health	2,411	22	241	45	374	3,094
Physical Disabilities	20,502	133	490	(752)	(617)	19,756
Memory & Cognition	5,059	5	0	(108)	94	5,050
Sensory Support	469	7	0	(37)	242	681
<b>Total Commissioned Care</b>	<b>43,493</b>	<b>430</b>	<b>1,974</b>	<b>(3,112)</b>	<b>976</b>	<b>43,762</b>
<b>Public Health</b>						
Public Health	66	2	0	0	54	122
<b>Total Public Health</b>	<b>66</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>122</b>
<b>Total Adults Wellbeing</b>	<b>54,923</b>	<b>855</b>	<b>1,974</b>	<b>(5,460)</b>	<b>951</b>	<b>53,243</b>

**REVENUE BUDGET 2015/16**
**CHILDRENS WELLBEING**

Service	Base Budget 2014/15	Pensions and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
<b>Education and Commissioning (Excluding DSG)</b>						
Additional Needs	2,329	11	0	0	0	2,340
Children's Commissioning	1,369	21	0	0	0	1,390
Commissioning Management	410	7	0	0	0	417
Development and Sufficiency	1,260	93	0	0	0	1,353
Education Improvement	246	2	0	0	0	248
<b>Total Education and Commissioning</b>	<b>5,614</b>	<b>134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,748</b>
<b>Directorate</b>						
Directorate Grant Income	(1,785)	0	0	0	338	(1,447)
Directors Office	166	351	100	(100)	0	517
Improvement	350	6	0	0	0	356
Youth Offending	247	5	0	0	0	252
<b>Total Directorate</b>	<b>(1,022)</b>	<b>362</b>	<b>100</b>	<b>(100)</b>	<b>338</b>	<b>(322)</b>
<b>Safeguarding and Early Help</b>						
Safeguarding and Review	615	12	0	0	0	627
Early Help and Family Support	1,845	37	0	0	0	1,882
Fieldwork	3,072	59	0	(251)	0	2,880
Looked After Children	6,920	118	0	(14)	0	7,024
LAC External Placements	2,636	62	762	(764)	0	2,696
Safeguarding development	821	22	0	0	0	843
Safeguarding and Early Help Management	741	18	0	0	0	759
<b>Total Safeguarding and Early Help</b>	<b>16,650</b>	<b>328</b>	<b>762</b>	<b>(1,029)</b>	<b>0</b>	<b>16,711</b>
<b>Total Childrens and Wellbeing</b>	<b>21,242</b>	<b>824</b>	<b>862</b>	<b>(1,129)</b>	<b>338</b>	<b>22,137</b>

**REVENUE BUDGET 2015/16**
**ECC**

Service	Base Budget 2014/15	Pensions and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
<b>Economic, Environment &amp; Cultural Services</b>						
Collections & Archives	495	11	0	0	0	506
CCTV and Car Parking	(2,729)	(57)	0	(500)	1	(3,285)
Cultural Services	1,542	4	0	(466)	(274)	806
EEC Management	277	5	0	0	0	282
Environmental Health and Development Management	659	49	0	0	(5)	703
Environmental Services	(977)	(15)	0	0	0	(992)
Economic Development	663	10	0	0	100	773
Strategic Planning	527	6	0	0	0	533
Trading Standards and Licensing	482	20	0	0	(26)	476
<b>Total Economic, Environment &amp; Cultural Services</b>	<b>939</b>	<b>33</b>	<b>0</b>	<b>(966)</b>	<b>(204)</b>	<b>(198)</b>
<b>Placed Based Commissioning</b>						
Commercial Services	5,624	155	0	(385)	(0)	5,394
Directorate Services	373	8	0	0	0	381
Highways & community services	6,731	202	0	0	(333)	6,600
Parks & Countryside	1,648	34	400	(150)	1	1,933
Transport & Access Services	8,523	243	0	(595)	(675)	7,496
Environment and Waste	15,067	479	0	(412)	(75)	15,059
<b>Total Placed Based Commissioning</b>	<b>37,966</b>	<b>1,121</b>	<b>400</b>	<b>(1,542)</b>	<b>(1,082)</b>	<b>36,863</b>
<b>Finance &amp; ICT</b>						
Financial Management	1,583	8	0	(35)	0	1,556
Internal Audit	179	0	0	0	0	179
ICT	2,141	11	0	0	8	2,160
Benefits and Exchequer	(1,540)	0	0	0	0	(1,540)
<b>Total Finance</b>	<b>2,363</b>	<b>19</b>	<b>0</b>	<b>(35)</b>	<b>8</b>	<b>2,355</b>
<b>Community &amp; Customer Services</b>						
Sustainable Communities	4	1	0	0	0	5
Customer & Library Services	2,013	42	0	(403)	1	1,653
Community Regeneration	479	1	0	(40)	0	440
Economic Projects	249	4	0	0	0	253
Regeneration	274	6	0	0	0	280
<b>Total Community &amp; Customer Services</b>	<b>3,019</b>	<b>54</b>	<b>0</b>	<b>(443)</b>	<b>1</b>	<b>2,631</b>
<b>Governance</b>						
Assistant Director Governance	138	0	0	0	0	138
Corporate HR	391	1	0	0	0	392
Equality, Information & Records	322	6	0	0	0	328
Governance	1,504	15	0	0	0	1,519
Legal Services	1,216	21	0	0	0	1,237
<b>Total Governance</b>	<b>3,571</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,614</b>
<b>Directorate Support</b>						
Management	421	566	0	(90)	(183)	714
<b>Total Directorate Support</b>	<b>421</b>	<b>566</b>	<b>0</b>	<b>(90)</b>	<b>(183)</b>	<b>714</b>
<b>Property Services</b>						
Maintenance	4,418	92	0	0	(115)	4,395
Corporate Asset Management	(1,867)	0	0	(20)	0	(1,887)
<b>Total Property Services</b>	<b>2,551</b>	<b>92</b>	<b>0</b>	<b>(20)</b>	<b>(115)</b>	<b>2,508</b>
<b>Chief Executive Directorate</b>						
Chief Executive and Web Communications & Engagemen	991	13	0	(100)	0	904
Corporate Costs	1,244	0	0	0	0	1,244
<b>Total Chief Executive Directorate</b>	<b>2,235</b>	<b>13</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>2,148</b>
<b>Total ECC</b>	<b>53,065</b>	<b>1,941</b>	<b>400</b>	<b>(3,196)</b>	<b>(1,575)</b>	<b>50,635</b>





# Herefordshire Council Medium Term Financial Strategy

2015/16 – 2016/17



# Medium Term Financial Strategy - Contents

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# 1. Introduction

- 1.1. The MTFS covers the financial years 2015/16 – 2016/17 and demonstrates how the council will maintain financial stability, deliver 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 government across England.
- 1.4. The Local Government provisional settlement announced on 18<sup>th</sup> December 2014 set out the funding assessment for local authorities. As expected this settlement confirmed further reductions in funding for the council and local authorities nationally in 2015/16. Herefordshire's Revenue Support Grant (RSG) has been reduced by £9m (25%). This funding will now provide only £26m (18%) of the councils £142m 2015/16 net budget requirement. This is projected to reduce still further by an additional £4m in 2016/17.
- 1.5. In addition the demand for services has grown and the council has had to provide care for more people, particularly in essential areas such as children's safeguarding and adult social care.
- 1.6. The reduction in funding compounded by the additional service pressures have resulted in a funding gap of £18m in the period 2015/16 to 2016/17 with savings of £10m needed to meet this gap in 2015/16.

## 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. Herefordshire is the most sparsely populated county in England– with residents dispersed 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 dispersed population across a large geographic area is a challenge and additional resources are 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 some of Herefordshire's residents, along with other services such as public transport or having a local post office.
- 2.1.4 The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures. The impact of the austerity measures has therefore been much greater in rural areas.
- 2.1.5 The 2015/16 provisional settlement included a £4m increase in the government's rural services delivery grant to £15.5m (£1m for Herefordshire). This equates to £1.20 funding per head to people living in rural areas which does not compensate for the difference in settlement funding between urban and rural areas who receive £130 more per head in grant from government.

### 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 a 10% increase this group now represents 24% of total population, by 2020 it is projected to increase to 26% of total population, 49,600 and by 2030 30% or 61,400 people.
  - In the corresponding periods the projected population growth / growth in the over 65 / over 85 population compared to a 2012 baseline are shown in the table below:

	<b>% Growth in Population v 2012 position</b>			
	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>
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 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 implementation of the Care Act has resulted in the allocation of grant funding in 2015/16 in relation to early assessments against the cap, deferred payment agreements, Carers and Care Act implementation and social care in prisons. Herefordshire has been allocated £1.2m out of national funding of £296m to fund these costs.

2.2.4 The creation of the pooled Better Care Fund budget in 2015/16 aims to improve the integration of health and care services. The funding will be allocated from within NHS budgets pooled with social care capital grants. This has significant implications for the future design and development of services across Herefordshire. The council and the Clinical Commissioning Group have published plans on how this funding will be spent and continue to actively work on the implications for the county.

## 2.3 Children

2.3.1 Based on provisional October 2014 pupil numbers, primary school numbers (including nursery classes) are predicted to increase in 2015/16 to 13,067. Secondary school numbers are predicted to increase to 9,420. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 1,163 from a high of 14,230 in 1998, a reduction equivalent to 8.2%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,420 a reduction of 1,091 (equivalent to 10.4%) 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 2015/16 will be funded on 12,790 primary pupils and 8,709 secondary pupils (excluding sixth form pupils).

2.3.2 The new schools funding formula distributes the same amount of funding to Herefordshire Schools but on a different basis as Herefordshire continues to

move towards the expected national school funding formula, 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. It is estimated that due to the additional fairer funding allocation of £2.7m in 2015/16 most schools will gain funding but a handful of schools will lose due to reductions in pupil numbers.

2.3.3 The numbers of Looked After Children increased during 2014/15, and stands at 273 as at 31.12.14, an increase of 13% compared with 31.12.13. The Care Placement Strategy includes action to reduce the costs of meeting the needs of children in our care. This includes the implementation of the Herefordshire Intensive Placement Support Service during the final quarter of 2014/15 financial year.

2.3.4 Foster carers will be required to look after children until the age of 21 from April 2014. The Government are currently looking at proposals to increase funding to support this initiative by approximately £40m across the country. This would require an expected increase in foster carers within Herefordshire of around 20-30 by 2017 to meet demand which will incur additional associated staff costs. There are national concerns about the unfunded costs of meeting these new duties.

2.3.5 Whilst the number of children on Child Protection Plans has reduced to 158 as at 31st December 2014, the numbers of referrals and Children in need remain at very high levels. This combined with the council commitment to low caseloads for social workers, and the ongoing cost of agency staff, mean that the cost of the safeguarding workforce remains high. The planned reduction of the use of agency staff is based on the ongoing positive impact of the social work academy on the recruitment and retention of newly qualified social workers, the introduction of retention payments for specific roles which has had a very positive impact on permanent staff turnover since its introduction in April 2014, and a robust recruitment strategy for experienced social workers for 2015. In addition the new West Midlands agency social work protocol came into effect on 1st January 2015, which will address the significant cost increase in this area over the past two years.

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 indications show an increase in average cost per placement.

## 2.4 Value for Money

2.4.1 Using cost benchmarking data we are able to focus on areas where spend varies from other authorities with similar characteristics and challenges such as providing adult social care services to a sparsely dispersed aging population. The most recent data summarised in the chart below show the position for Herefordshire. Unfortunately data is currently only available from 2012/13; our

expenditure has dropped significantly since this period. Even in 2012/13 our overall net spending was in the lowest third of comparable authorities, £233 per head of population, or £43m less in total. Some areas, as described above particularly in adult care are comparatively high.

## 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 (Percentile)	Average
Total net spend per head	2012/13	£1,538.13 per head	-5%	↓	 In the lowest third	£1,771.18 per head
Spend on adult social care per adult	2012/13	£449.70 per head 18+	0%	↑	 In the highest third	£412.00 per head 18+
Spend on council tax benefits and housing benefits administration per head	2012/13	£0.00 per head	0%	↔	 In the lowest 5%	£14.39 per head
Spend on all children and young people services per head 0-17 yrs	2012/13	£3,389.76 per head 0-17	-9%	↓	 In the lowest 20%	£4,088.72 per head 0-17
Spend on culture and sport per head	2012/13	£59.20 per head	-10%	↓	 In the lowest third	£84.96 per head
Spend on environmental services per head	2012/13	£91.61 per head	0%	↓	 In the highest 25%	£84.98 per head
Spend on housing services per head	2012/13	£37.02 per head	-11%	↓	 Average	£39.56 per head
Spend on sustainable economy per head	2012/13	£147.89 per head	6%	↑	 Average	£153.08 per head

2.4.2 Herefordshire is showing higher than average costs in adult social care and environmental services. Significant transformational activity commenced in adult social care during 2013/14, the benefits of which will begin to show some impact in 2013/14 results but principally will impact in 2014/15. There are also indications that in some service areas average cost of care is reducing and client numbers stable.

2.4.3 The above average environmental costs exclude Herefordshire's waste infrastructure grant provided as part of its PFI contract, if this was taken into account the comparative position would improve. In addition Herefordshire has subsequently instigated alternate weekly domestic waste collections delivering significant cost savings.

2.4.4 Herefordshire's external auditors, Grant Thornton annually review the financial resilience, value for money and statement of accounts of the council. They do this by looking at key indicators of financial performance, its approach to

strategic financial planning, its approach to financial governance and its approach to financial control. Their overall conclusion gave the council a clean bill of health, assessing all areas as green in 2013/14.

### **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 Government's 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 2014**

3.4.1 On 3<sup>rd</sup> December 2014 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;

- The Government will cap the RPI increase in business rates at 2% to April 2016.
- The Small Business Rate Relief (SBRR), doubling to provide 100% relief from business rates, will be extended again to April 2016. This will benefit Herefordshire businesses by around £2m.
- An increase in discount of £1,500 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2015/16.

### 3.5 Provisional Settlement 2015/16

3.5.1 On 18<sup>th</sup> December 2014 the 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 two main changes improving the overall position slightly;

- Additional funding for the super sparse authorities to recognise the additional challenges faced, increasing total grant funding to £15.5m being included in the Settlement. This has given Herefordshire an extra £378k (£976k in total) in 2015/16.
- The additional rural funding has been offset by funding reductions elsewhere including the national funding for the Improvement and Development Agency which has been funded by deducting £23.4m nationally from RSG, Herefordshire's proportion being £127k.
- This means the council has benefited overall by an additional £251k pa, this sum has been allocated for funding additional rural transport.

3.5.3 The Settlement confirms Government funding reductions of £9m in 2015/16:

	2014/15	2015/16
	£000	£000
Baseline rates*	22,384	22,811
Top-up	6,686	6,814
Revenue Support Grant	35,803	26,461
<b>Settlement Funding Assessment</b>	<b>64,873</b>	<b>56,086</b>
<b>Reduction in Formula funding</b>		<b>(8,787)</b>

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

## 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 areas but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the county.

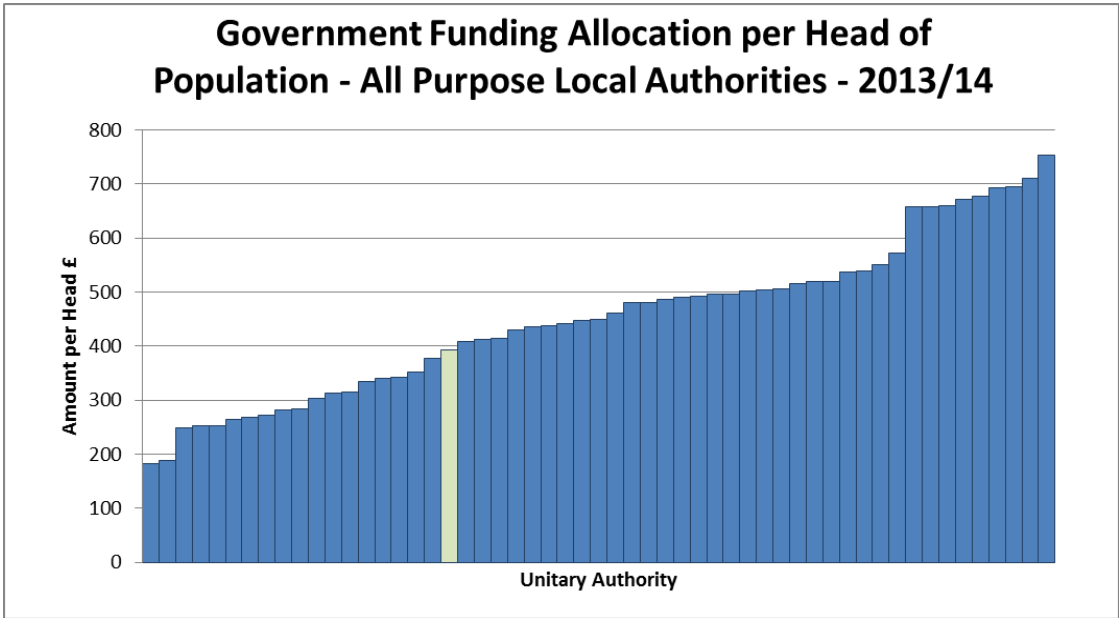
4.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives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

4.2.3 The Government has 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 £976k in 2015/16.

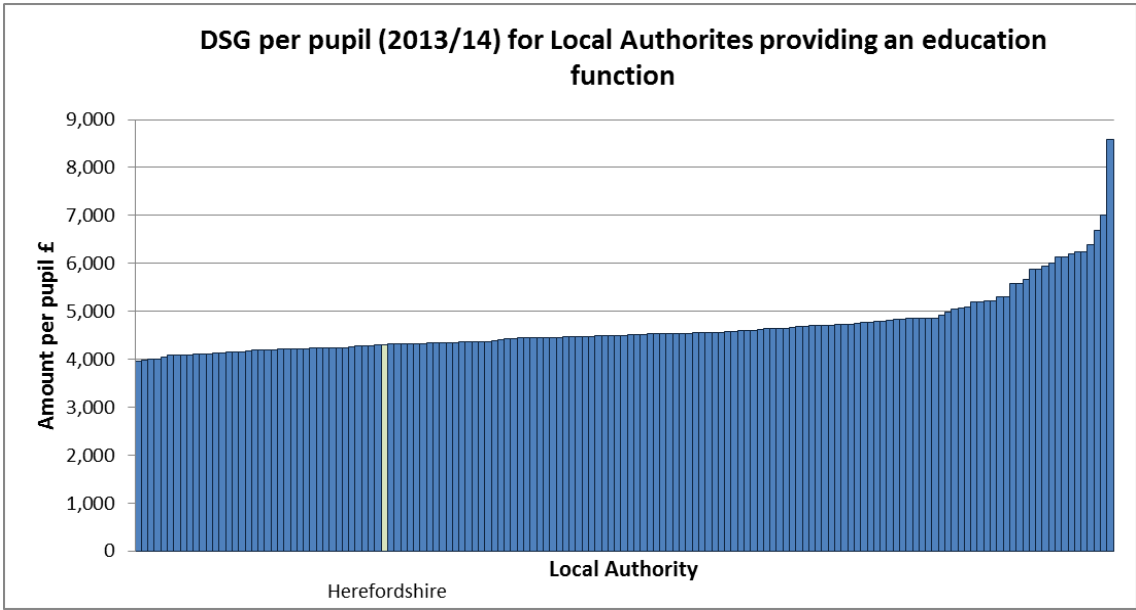
4.2.4 The 2015/16 budget figures show that:

- a) The Government Funding Allocation per dwelling is £675, 24% below the national average of £885; and
- b) Indicative Dedicated Schools (DSG) Grant per pupil is £4,435.87, 4% below the average for education authorities of £4,612.11.

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.



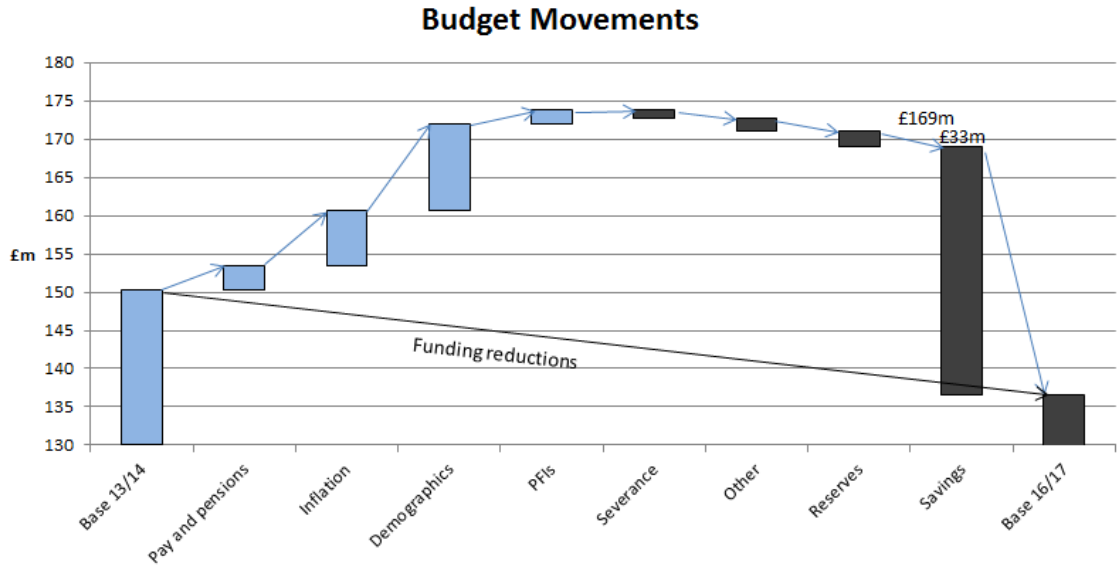
4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



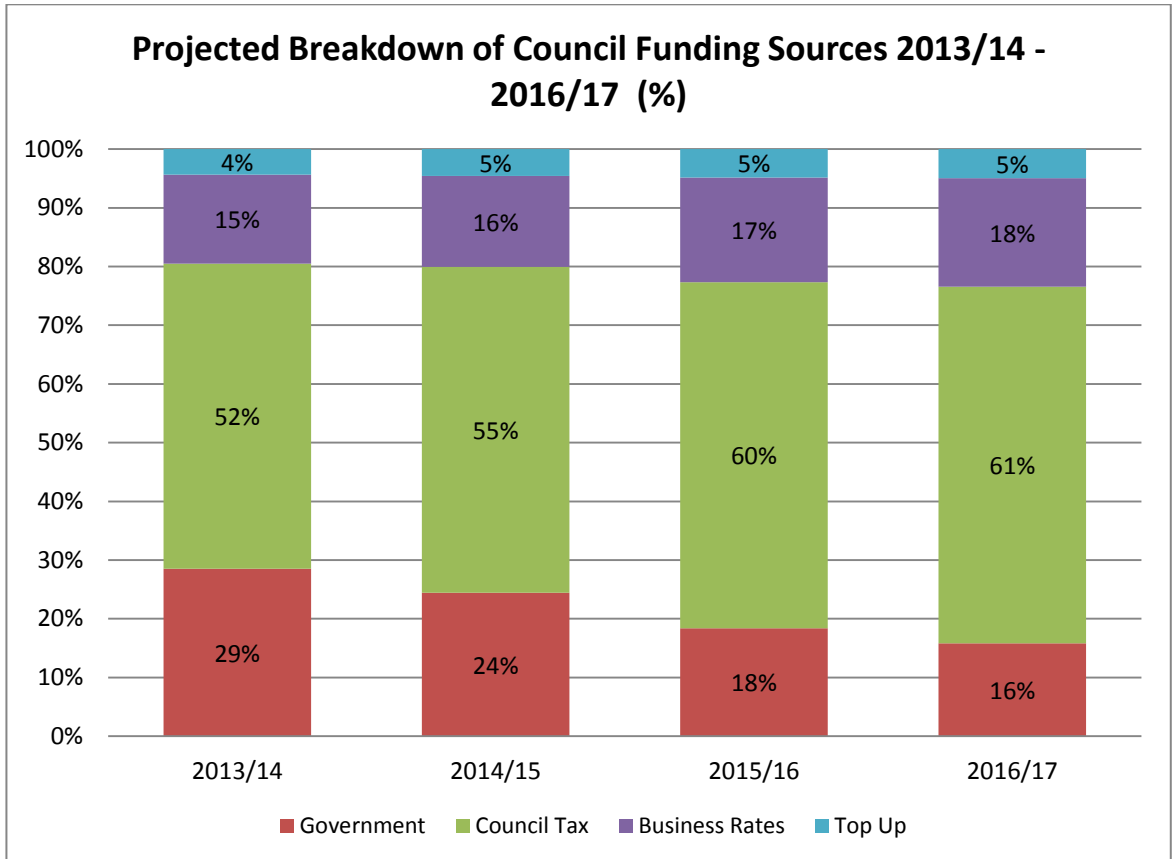
**4.3 Funding Gap**

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

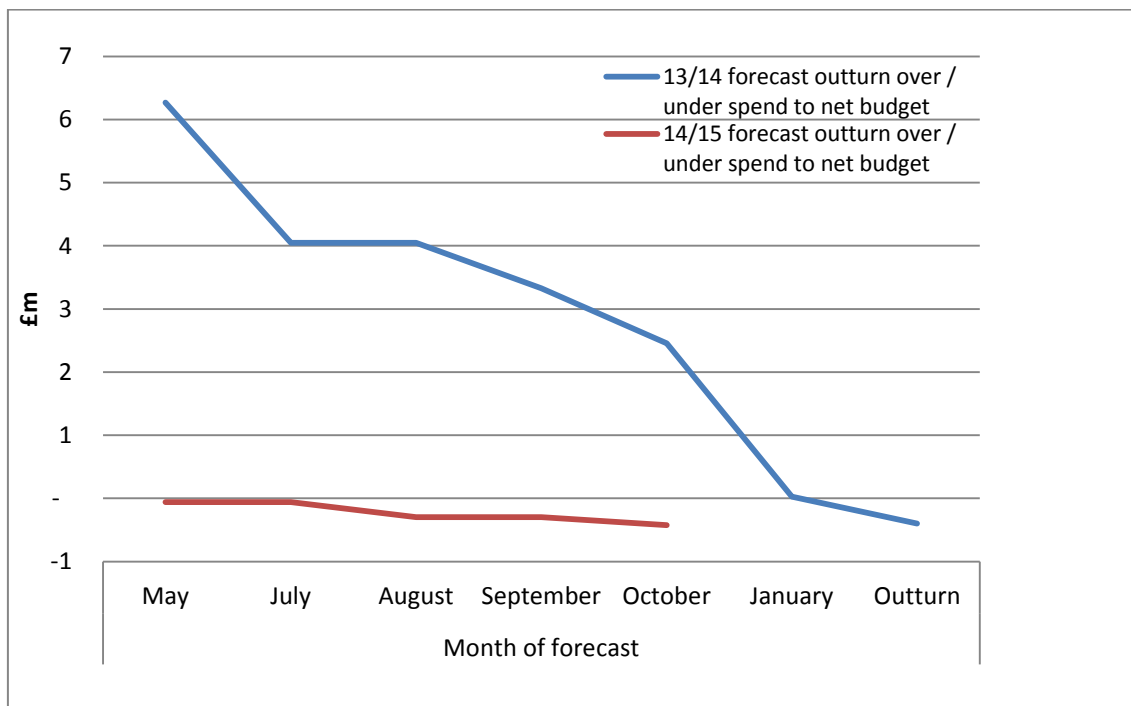
4.3.2 The chart below shows the funding gap arising out of cost increases and funding reductions up to 2016/17.



4.3.3 The chart below shows the projected breakdown of the council's funding by % showing less and less funding being provided by central government and increased self-financing from council tax and business rates.



4.3.4 The line graph below shows how the outturn forecasts have been reported to date in 2014/15 compared to 2013/14. The graph shows that the forecasted position has for 2014/15 been stable through the year, with the final outturn expected to show a small underspend. This is a much more stable position than the forecast outturns reported during 2013/14 which experienced volatility throughout the year and substantially reduced to breakeven before closedown.



## 4.4 Local Government Settlement 2015/16

4.4.1 On 18<sup>th</sup> December 2014, the Communities and Local Government Minister Kris Hopkins announced the provisional 2015/16 settlement. The position for Herefordshire is in line with budget assumptions in the medium-term financial plan with continued funding reductions in support of the government's aim to reduce the budget deficit to zero by 2018/19 whilst protecting health budgets.

## 4.5 Grant funding now in SFA

4.5.1 The following former specific grants have now been included in the assessment;

	2015/16 £000
<b>Specific grants</b>	
11/12 Council tax freeze	2,135
Early Intervention Funding	4,429
Homelessness Prevention Funding	202
Lead Local Flood Authority Funding	127
Learning Disability and Health reform	3,864
Efficiency support for Services in sparse areas	976
Local Welfare Provision	275
<b>Total</b>	<b>12,008</b>

## 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 with the first six years funding of £591k per annum ceasing in 2017/18;

	<b>Annual allocation</b>	<b>Cumulative receivable</b>
	<b>£000</b>	<b>£000</b>
2011/12	591	591
2012/13	824	1,415
2013/14	655	2,070
2014/15	738	2,808
2015/16 estimated	784	3,592

## 4.7 Specific Grants

- 4.7.1 The table below sets out the specific grants for Herefordshire announced at the time of the Settlement, the Better Care Fund grant however includes £6.7m NHS pooled funding.

<b>Grant</b>	<b>Provisional 2015/16 £000</b>
Provisional Housing Benefit Admin Subsidy	819
Council Tax Support – new burdens	32
Social care funding – new burdens	1,224
Public Health Grant (to be finalised)	7,970
S31 grant	2,354
DoH Social care funding	119
Lead Flood	46
Extended rights to travel	106
Commons Registration	4
Better Care Fund	11,694
<b>TOTAL</b>	<b>24,368</b>

## 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 year’s 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, is 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 has been determined on the basis of the 2014/15 baseline updated for actual exceptional growth rather than predicted growth. 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 resulted in additional “fairer funding” for many low funded authorities including an extra £2.7m for Herefordshire from April 2015. As a high delegator of funding to schools early indications from the Institute of Fiscal Studies suggested that Herefordshire schools will lose funding in the move to a national funding formula however this has not been as significant as initially thought.

4.8.4 Apart from the additional “fairer funding” allocation of £129.43 per pupil within the Schools Block, there is no inflationary uplift in DSG funding rates for the early years and high needs blocks in 2015/16. The Schools Block will be funded at £4,435.87 per 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. The announcement of funding for two year old funding has been postponed until June 2015 to take account of national under spending due to slower than expected take up of places and is excluded from the table below.

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

2015/16 DSG Allocations	£m
Schools Block 21,092 pupils x £4,435.87 per pupil	93.6
Addition for non-recoupment academies ( cost neutral)	2.0
<b>Total Schools Block Funding</b>	<b>95.6</b>
High Needs Block – 2014/15 baseline	13.36
Additional funding for hospital education (£65k) and exceptional growth in places (£145k)	0.21
<b>Total High Needs Block Funding</b>	<b>13.57</b>
Early Years Block – estimated numbers 1,475 pupils x £3,454.43 per pupil	5.1
Estimated early years pupil premium	0.1
<b>Total Early Years Block funding</b>	<b>5.2</b>
<b>TOTAL DSG 2015/16</b>	<b>114.4</b>

<b>Less estimated</b> academy recoupment at source schools	<b>(40.1)</b>
<b>Less estimated</b> academy recoupment at source high needs	<b>(1.9)</b>
<b>DSG received by the council</b>	<b>72.4</b>

- 4.8.6 For 2015/16 spend will be largely 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 £1,320 per eligible primary pupil, £935 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 2015/16 and the final allocation is determined by the number of Herefordshire pupils entitled to Free School Meals (Ever-6) in the January 2015 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 2015.
- 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 is not intending to accept the 2015/2016 government grant to freeze council tax; it is instead choosing to protect services, which comes at a cost. The council has had to deal with very significant reductions in government funding; this has been coupled with increases in demand. Over the past four years Herefordshire has delivered budget reductions of over £50m with another £10m required next year on a net budget of £142m.
- 4.9.2 As a direct result of how the government grant allocation system works Herefordshire, and other rural authorities, do not receive the same level of grant as some other councils, particularly London boroughs, despite the fact that in many instances our geography means some services, such as road maintenance and social care cost more to deliver. Rural authorities also have less ability to benefit from additional incentives offered by government such as business rate localisation.
- 4.9.3 Herefordshire Council has managed the challenge facing the public sector through focusing its resources on the services most essential to ensure the health and wellbeing of the county's residents, in particular the most vulnerable, and to promote economic growth. We have increased council tax and intend to do so again to continue this work, having already significantly reduced 'back office' operating costs and non-essential service delivery.



- 4.9.4 It is also important to note that the council tax collected includes levies not only for Herefordshire Council and the police but the fire authority and the parish councils – all of which face similar challenges in meeting the needs of the local community with increasingly scarce resource, although not all face the same capping limits as local authorities on the levy they can raise. The more we can do to increase the economic prosperity of the county the more financially sustainable these essential public services become.
- 4.9.5 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 and 2014/15 the council did not accept this and approved a 1.9% increase.
- 4.9.6 In the 2015/16 provisional settlement the Chancellor announced a further council tax freeze grant for 2015/16 equivalent to a 1% council tax increase. Budget planning is based on not accepting the council tax freeze and, an increase of 1.9% is proposed for 2015/16. The level at which a referendum has remained at 2%.
- 4.9.7 Indicative freeze grant funding of £921k for Herefordshire has been shared however this is based on indicative council tax base growth, the actual grant will be based on the actual council tax base which would result in lower grant funding of £829k. A 1.9% council tax increase equals to a re-occurring £1,565k additional annual income, this is how current budget projections have been presented to date. Taking the freeze grant would mean identifying additional savings of £736k in 15/16 and in future years.

## 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 31<sup>st</sup> March 2015.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31.03.12	6,113	5,789	7,669	19,571
31.03.13	4,656	5,535	8,433	18,624
31.03.14	5,053	6,345	17,598	28,996
31.03.15	8,633	6,117	9,668	24,418

- 4.10.3 A significant proportion of the specific reserves belong to schools and cannot be used to help pay for non-schools services. Additionally other reserves include unspent government grants carried forward to be spent in future years, for example, the severe weather grant funding of £2m received in March 2014.
- 4.10.4 Herefordshire’s General Fund opening balance for 2014/15 was £8.63m, which was in excess of the policy in place to maintain a minimum balance of £4.5m (around 3% of the net budget). The 2015/16 budget includes £0.5m to increase the general fund balance, although overall reserve balances are budgeted to decrease by £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;

<b>Balance as at:</b>	<b>Opening Balance £'000</b>	<b>Receipts £'000</b>	<b>Spend £'000</b>	<b>Closing Balance £'000</b>
31st March 2012	6,754	516	(4,501)	2,769
31st March 2013	2,769	2,872	(2,948)	2,693
31st March 2014	2,693	5,349	(2,047)	5,995
31st March 2015 (est)	5,995	2,000	(5,098)	2,897

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 2015/16 are, a number are yet to be announced:

- **Local Highways Maintenance Funding** - £11.523m
- **Integrated Transport Block** - £1.069m
- **Basic Need** - £0.634m
- **Better Care Fund** - £1.356m

4.12.3 **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.

4.12.4 **Capital Receipts Reserve** – as shown in paragraph 4.11.1 the capital receipts reserve totalled £5.995m as at 1 April 2014. This is likely to fall to around £2.897m by the end of this financial year. This remaining balance has been committed to fund the capital programme in future years.

4.12.5 **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 adoption of a Community Infrastructure Levy
- **Challenge Funding** – an application will be submitted to the Department for Transport for highway maintenance

- **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.

4.12.6 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 2015/16

4.13.1 The 2015/16 capital programme represents funding allocations received to date, commitments from previous years and new capital schemes. The council's capital programme is funded by grants, borrowing and capital receipts. All schemes funded by borrowing been included in the Treasury Management Strategy and Prudential Borrowing Indicators within this MTF5.

4.13.2 The following table summarises the approved capital investment programme;-

<b>Scheme</b>	<b>Spend in prior years £'000</b>	<b>15/16 £'000</b>	<b>16/17 £'000</b>	<b>17/18 £'000</b>	<b>Future Years £'000</b>	<b>Total £'000</b>
Highways Maintenance	n/a	11,523	10,564	10,244	27,816	<b>60,147</b>
Energy from waste plant	11,000	14,000	15,000	-	-	<b>40,000</b>
Link Road	19,772	7,228	-	-	-	<b>27,000</b>
South Wye Transport Package	-	1,000	1,000	12,300	12,700	<b>27,000</b>
Fastershire Broadband	11,600	6,200	2,400	-	-	<b>20,200</b>
Road infrastructure	15,000	5,000	-	-	-	<b>20,000</b>
Hereford Enterprise Zone	1,967	6,367	7,100	4,000	-	<b>19,434</b>
Corporate accommodation	15,884	976	-	-	-	<b>16,860</b>
Leominster Primary School	10,180	437	-	-	-	<b>10,617</b>
Leisure centres	2,330	3,300	3,370	-	-	<b>9,000</b>
Colwall Primary School	-	1,600	4,800	100	-	<b>6,500</b>
Integrated Transport Plan	n/a	1,069	1,069	1,069	3,207	<b>6,414</b>
Other smaller schemes and contingency	n/a	3,139	440	257	144	<b>3,980</b>
Three Elms Trading Estate	-	1,850	400	350	-	<b>2,600</b>
Schools Basic Need	1,008	634	666	-	-	<b>2,308</b>
Better Care Fund	-	1,356	-	-	-	<b>1,356</b>
Peterchurch Primary School	-	1,000	-	-	-	<b>1,000</b>
Relocation of Broadlands School	-	800	120	-	-	<b>920</b>
Improvement to provision for Social, Emotional and Mental Wellbeing (Brookfield)	-	200	300	-	-	<b>500</b>
Purchase of gritters	-	250	125	125	-	<b>500</b>
<b>TOTAL</b>	<b>88,741</b>	<b>67,929</b>	<b>47,354</b>	<b>28,445</b>	<b>43,867</b>	<b>276,336</b>

## 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 2015/16 complies with the detailed regulations that have to be followed and sets out the council's strategy for making borrowing and investment decisions during the year in the light of its view of 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 includes the Minimum Revenue Provision (MRP) policy.

### Investments

4.14.2 During 2014/15 interest rates have remained low. In the year to date the average daily rate achieved on the council's investments has ranged from 0.55% to 0.81% and averaged 0.67%. The first increase in the Bank Base Rate is not expected until September 2015 at the earliest and it is possible that there will be no increase in 2015/16. The budget for 2015/16 has been set on a prudent basis assuming average investment balances of £20m and an average interest rate of 0.58%. The average rate is lower than 2014/15 because in the current year the average rate has been increased by bank term deposits which it is anticipated will be less in 2015/16.

4.14.3 The council's primary objective in relation to the investment of public funds remains the security of capital. As a result of new banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty, 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 cash-flow profile) and invest these mainly in Money Market Funds.

### Borrowing

4.14.4 On the borrowing side, the strategy, based on the capital programme, includes an estimated additional borrowing requirement of £26.9m for 2015/16 (increasing from an estimated total of £215.4m at 31.03.15 to £242.3m at 31.03.16). This is the net figure after taking account of estimated capital spend, the refinancing of existing loans, MRP and available reserves.

4.14.5 The borrowing requirement has been calculated by reference to the capital financing requirement which is set out below. (The borrowing supports fixed assets which had a Balance Sheet value of £465 million as at 31.03.14).

	<b>31.03.15 Estimate £'000</b>	<b>31.03.16 Estimate £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>
<b>Capital Financing Requirement</b>	258,909	291,450	304,451	291,346
Less: Other Long Term Liabilities:				
PFI schemes	25,882	24,708	23,426	22,144
Finance leases	319	319	319	319
Salix loan	249	95	0	0
<b>CFR excluding other long-</b>	<b>232,459</b>	<b>266,328</b>	<b>280,706</b>	<b>268,883</b>

<b>term liabilities</b>				
Less: Existing Profile of Longer Term Borrowing – PWLB and bank loans	132,523	124,285	117,243	113,185
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>99,936</b>	<b>142,043</b>	<b>163,463</b>	<b>155,698</b>
Estimated cash balances (see 4.14.6 below)	<b>17,000</b>	<b>24,000</b>	<b>34,000</b>	<b>59,000</b>
<b>Cumulative Net Borrowing Requirement</b>	<b>82,936</b>	<b>118,043</b>	<b>129,463</b>	<b>96,698</b>
<b>Total Council Borrowing</b>	<b>215,459</b>	<b>242,328</b>	<b>246,706</b>	<b>209,883</b>

4.14.6 The above projection includes a proposal to reduce borrowing through the sale of assets (realising total receipts of £7m in 2015/16, £10m in 2016/17 and £25m in 2017/18).

4.14.7 The forecast is for interest rates to stay low for the foreseeable future. Therefore council strategy is to continue to use mainly short-term loans, which have the advantages of:

- Being the cheapest source of finance available (both in the short-term and when comparing forecast variable rates against longer-term fixed rate loans from the Public Works Loan Board (PWLB)).
- Being flexible so that loan finance can be varied according to cash flow requirements, including the receipt of proceeds from fixed asset sales.

4.14.8 The budget for 2015/16 includes provision to take out £5m longer term finance from the PWLB if considered prudent to do so.

## 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 2015/16 to 2016/17 although 2016/17 will be refreshed, alongside the corporate plan, with the new administration between June – October 2015 to cover the period 2016/17 – 2019/20.

### 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 2015/16 and 2016/17.
- b) Government funding – the FRM reflects the provisional settlements for 2015/16 plus estimated further reductions in funding for 2016/17.
- c) New Homes Bonus – the provisional 2015/16 allocation for Herefordshire is estimated at £784k, giving a total funding allocation of £3.59m in 2015/16. Further growth has been anticipated in 2016/17 before the first six years funding allocations are withdrawn in 2017/18.
- d) Inflation -the FRM includes 2% inflationary uplift on income and contract inflation indices on non-pay expenditure.
- e) Pay – the recently announced two year 2.2% increase is included in 2015/16 and an additional 1% award is assumed in 2016/17.
- f) Employers' superannuation costs – the FRM includes increases in employers' contributions following the 2013 valuation and agreed deficit repayments (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 2015/16.

### 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.

	<b>2015/16</b>
	<b>£000</b>
Estimated rates (retained by council)	21,599
Top-up	6,814
RSG	26,461
Council tax	83,963
Collection Fund Surplus	1,251
Reserves	1,510
<b>Funding for net budget requirement</b>	<b>141,598</b>

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.

## 5.5 Directorate pressures

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

	<b>2015-16</b>	<b>2016-17</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Children's</b>			
Baseline placements (in year)	762		762
Child sexual exploitation prevention	100		100
	<b>862</b>	-	<b>862</b>
<b>Adults Wellbeing</b>			
Savings not achieved in demand management (replaced by new savings)	1,160		1,160
New / additional demographic pressures	114	146	260
Transitions – ongoing impact of growth	700	100	800
	<b>1,974</b>	<b>246</b>	<b>2,220</b>
<b>ECC</b>			
Grass cutting	400		400
Rockfield Road car park closure		30	30
Valuations		41	41
	<b>400</b>	<b>71</b>	<b>471</b>
<b>Corporate</b>			
Insurance premiums	200		200
Grant reduction assumption 7%		873	873
Cost of funding new capital investment need	100	300	400
Joint safeguarding board	100		100
	<b>400</b>	<b>1,173</b>	<b>1,573</b>
<b>TOTAL</b>	<b>3,636</b>	<b>1,490</b>	<b>5,126</b>

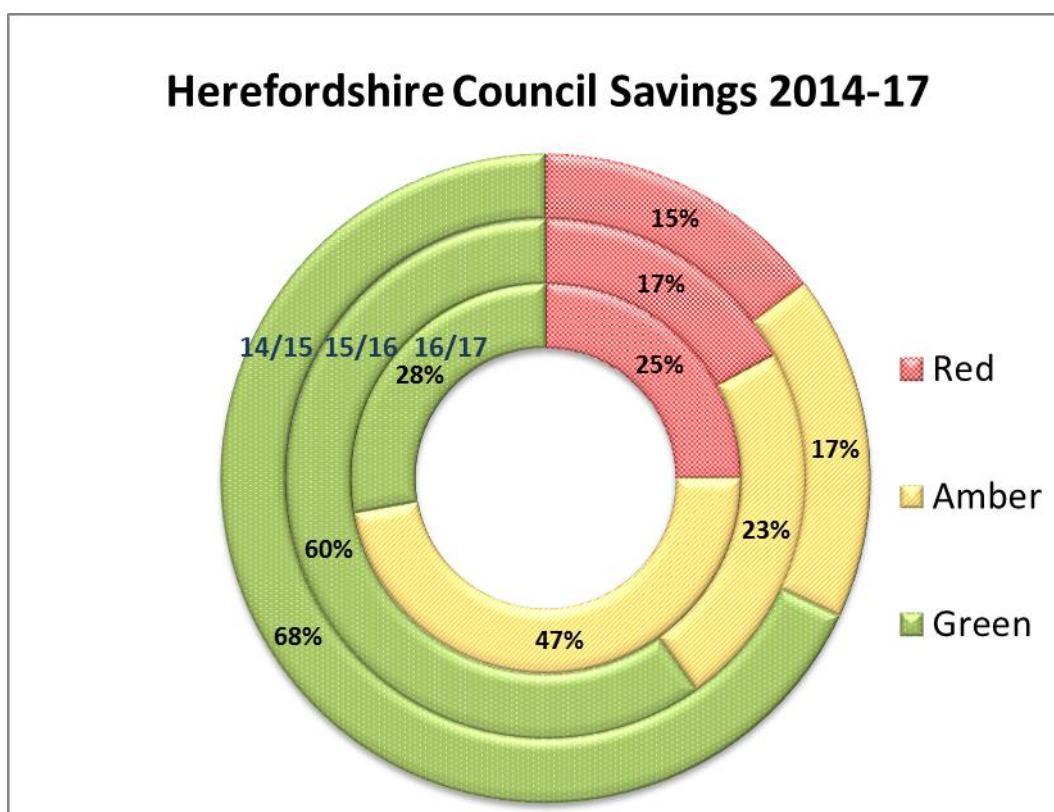
5.5.2 Any new pressures will have to be self-funded through savings within directorates.

## 5.6 Savings Targets

5.6.1 The 2014/15 to 2016/17 budget gap of £33m has been identified in the medium-term financial plan. Savings of £15m are expected in 2014/15 and proposed savings for 2015/16 to 2016/17 are as follows;

	2015/16	2016/17	Total
	£000	£000	£000
Children's	1,129	1,720	2,849
Adults Wellbeing & Public Health	5,460	2,363	7,823
Economy, Communities and Corporate	3,596	3,530	7,126
<b>Savings Identified</b>	<b>10,185</b>	<b>7,613</b>	<b>17,798</b>

5.6.2 The initial savings plans are consistently reviewed and are currently rated as follows.



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

- Care Placement Strategy – reduction in residential placement costs
- Recruitment and retention of permanent staff
- Adoptions initiatives
- Service re-design in safeguarding



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

- Remove 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
- Re-commissioning and reductions in care packages
- Contract Changes, improved value for money
- Reductions in accommodation based support
- Service redesign
- Maximisation of Continuing Health Care
- Population wellbeing interventions

5.6.5 For ECC the savings plans cover the following areas;

- Waste & Sustainability
- Public transport
- Back-office
- Asset Review
- Withdrawal of subsidies to Cultural Services partners
- Co-location of customer and library services
- Car Parking
- Council tax reduction scheme
- Removal of discretionary rate relief to some voluntary organisations

## 5.7 Budget proposal 2015/16

5.7.1 The recommended budget position for 2015/16 is as follows;

### Revenue Budget Summary 2015/16

<b>Directorate</b>	<b>Base Budget 2014/15 £000</b>	<b>Net changes £000</b>	<b>Draft Budget 2015/16 £000</b>
Adults Wellbeing	54,923	(1,680)	53,243
Childrens Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,430)	50,635
<b>Total Directorates</b>	<b>129,230</b>	<b>(3,215)</b>	<b>126,015</b>
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(6,153)
Other central budgets			1,374
Transfer from General Balances			928
<b>Total net spend (Budget Requirement)</b>			<b>141,598</b>
<b>Financed by;</b>			
Formula grant			26,461
Locally retained rates			21,599
Business rates top up			6,814
Council tax			83,963
Collection Fund Surplus			1,251
Reserves			1,510
			<b>141,598</b>

## 5.8 Budget risks

5.8.1 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 the budget monitoring process. The proposed budget includes contingency and reserves that, if required, can be used to manage realised risks in addition to the normal budget virement risk management process.

5.8.2 Substantial Reductions to Directorate Budgets totalling £10m in 2015/16 have been identified within the draft budget proposals, which are in addition to the £49m savings in the previous four financial years. Key risks for Directorates are set out below;

### 5.8.3 Economy, Communities and Corporate

- 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.
- The current property market may impact on the ability to dispose of current surplus assets when anticipated. This will incur additional running costs and impact on borrowing costs.

### 5.8.4 Adults Well-Being

- Demographic Pressures have been included within the 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.
- There is a risk that the national publicity campaign to support the implementation of the Care Act in 2015/16 may give rise to a higher level of additional local activity from carers and self-funders than anticipated which results in increased expenditure above the new burdens funding received.

### 5.8.5 Children's Wellbeing

- The care placement strategy step down approach requires children to be identified and the care placements and foster carer's to be available. Demand pressures have been included in the budget, and the strategy includes prevention however demand is a risk.

- Social work recruitment within Children's Services remains a risk with a national shortage of social workers. The recruitment and retention strategy of growing our own, maintaining low caseloads, offering retention benefits, managing the quality and cost of agency staff and a review employment models all support a sustainable workforce.

## Autumn Statement – December 2014

### Key Announcements affecting Local Government

**Review of the structure of business rates** - A review of the structure of business rates will be carried out by the Government, reporting by Budget 2016. The review will be fiscally neutral and consistent with the Government's agreed financing of local authorities.

**Review of the administration of business rates** - The government will publish its interim findings from the review of business rates administration in December 2015, setting out how it will respond to businesses' calls for clearer billing, better information sharing and a more efficient appeal system.

**Small Business Rate Relief** - The Small Business Rate Relief (SBRR) will be doubled for a further year to provide 100% relief from business rates for 2015/16.

**Business Rate Increases** - The business rate increase will be capped at 2% for a further year. Business rates for 2015/16 would have risen by the September 2014 RPI. £125m has been set aside to compensate local authorities for the difference between the 2% cap and the September RPI figure, as was the case for 2014/15.

**Local Authority Members' Travel Expenses** - The Government will exempt travel expenses paid to councillors by their local authority from income tax and employee NICs. The exemption will be limited to the Approved Mileage Allowance Payment (AMAP) rates, where it applies to mileage payments. This change will take effect from 6 April 2015.

**Local Enterprise Partnerships and Local Growth Fund** - The Government will allocate a further £1bn from the £12bn Local Growth Fund announced in Spending Round 2013 for a second wave of Growth Deals. This will allow LEPs to bid for support for local projects as part of 'their ambitious plans for growth'.

**Highways Network** - The Government has committed £15bn to improve the national road network, operated by the Highways Agency. This will include around £6bn to resurface 80% of their network, and over £9bn to add 1,300 extra lane miles and over 60 junction improvements. The Government also previously committed to £5.8bn in capital funding over the next Parliament to improve the condition of local authority-managed roads.

**Flood Protection Funding** - These include schemes to protect homes from flooding:

- £196m for Thames Estuary projects
- £80m for Humber Estuary improvements, including sea defences between Immingham to Freshney and flood frontage in Hull
- £42m for a flood alleviation scheme in Oxford
- Funding for schemes in Boston, Lincolnshire (£73m), Rossall, Lancashire (£47m), and the Tonbridge area (£17m)
- £15.5m for flood defences in Somerset - including £4.2m on the Somerset Levels and Moors. This is part of at least £35m committed to Somerset from this year until 2021.

**Severe Weather Recovery Scheme** - extensions to the following schemes:

- Council Tax Relief Scheme supporting councils to provide council tax rebates to residents whose homes were flooded.
- Business Rates Relief Scheme, supporting councils to provide business rates rebates to businesses whose premises were flooded.
- Severe Weather Recovery Scheme (communities' element) to support local authorities with the costs associated with impacts on local communities.
- Repair and Renew, which provides grants of up to £5,000 for flooded homeowners and businesses to improve the resilience of their properties; and
- Business Support Scheme providing hardship funding to businesses affected by the floods.

**Bellwin Scheme** - DCLG has launched a consultation on the revised principles of the Bellwin Scheme of Emergency Financial Assistance to LAs. The consultation closes on 2 January 2015 and follows a review of the scheme.

	2015/2016	2016/2017
	£'000	£'000
<b>Base Budget</b>	<b>146,135</b>	<b>141,318</b>
Inflation - Pay Award	379	386
Superannuation	631	
Superannuation deficit	531	1,649
Inflation - Non-Pay Expenditure	2,068	1,890
Inflation - Income	(354)	(419)
<b>Total Inflation</b>	<b>3,255</b>	<b>3,506</b>
<b>Additional NI from 2016/17</b>		<b>1,400</b>
<b>Inflated base budget</b>	<b>149,390</b>	<b>146,224</b>
Waste disposal - PFI Contract	200	
Managing change budget reduction		(880)
<b>Capital Financing Costs</b>		
- Cost of borrowing	(376)	250
- Investment Income	(65)	100
New capital bids approved	100	300
<b>Identified Pressures</b>		
Adults	2,741	988
Childrens	862	
ECC	76	71
Insurance/Safeguarding Board	300	
Contingency - unforeseen items/grants	(26)	
Pension back-funding requirement in savings plans	165	106
<b>Funding</b>		
ESG grant reduction	338	
New Homes Bonus	(784)	(654)
Rates changes -s31 grant	(94)	1,641
NHB topslice returned	98	
<b>Reserves</b>		
£3.58m contribution in 2014/15	(2,652)	(500)
Reserve funded one off costs	1,510	619
Savings Target	(10,185)	(7,613)
<b>TOTAL</b>	<b>141,598</b>	<b>140,652</b>

**Herefordshire Council**

**Treasury Management Strategy 2015/16**

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1. Existing Borrowing and Investments
2. Borrowing Levels in Future Years
3. Prudential Indicators
4. Outlook for Interest Rates
5. Treasury Management Policy Statement

## Treasury Management Strategy Statement 2015/16

### 1. Introduction

- 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 2015-16 (Borrowing – Section 5 and Investments – Section 6)
  - Minimum Revenue Payment (MRP) Statement – Section 7
  - Prudential Indicators - Appendix 3

### 2. Summary of Strategy for 2015/16

#### Borrowing

- 2.1 In 2015/16 council borrowing is estimated to increase by £26.9 million from £215.4 million to £242.3 million. This increase can be analysed as follows.

	£m
<b>Estimated council borrowing as at 31<sup>st</sup> March 2015</b>	<b>215.4</b>
<b>Investment in ongoing approved capital schemes</b> (Including Energy from Waste Plant £14.3m; Faster Broadband £6.2m; Road improvements £5m; Leisure Centres £4m; Inner city link road £2.5m and LED street lighting £2.4m)	<b>36.9</b>
<b>Investment in new capital schemes proposed</b> (Including South Wye Transport Package £1m; Three Elms Trading Estate £1.8m and Colwall School £1.6m)	<b>7.5</b>
<b>Less: Provision for Repayment of Principal (MRP)</b>	<b>(10.5)</b>
<b>Less: Increase in council reserves</b>	<b>(7.0)</b>
<b>Estimated council borrowing as at 31<sup>st</sup> March 2016</b>	<b>242.3</b>



## Treasury Management Strategy Statement 2015/16

- 2.2 The increase in debt will be largely financed by increasing the council's short-term variable rate borrowing. Short-term rates are currently significantly lower than longer-term rates and long-term analysis, comparing short-term finance with a long-term loan, has shown this to be the most cost effective approach with savings in the early years outweighing any additional amounts payable in later years.
- 2.3 The borrowing budget for 2015/16 includes provision to pay short-term interest rates of up to 1.25% (including brokers' commission). It also includes interest on existing fixed term borrowing plus capacity to take out £5m of longer term finance (at a rate of around 3.00%) if it is considered prudent to do so.
- 2.4 Compared to, say, a 20 year EIP loan (currently at 3.00%) short-term finance (at 1.25%) will save the council at least £1.6 million in revenue interest costs in 2015/16 (being the estimated average amount of short-term debt outstanding during 2015/16 of £93m at 1.75%).
- 2.5 If no longer term PWLB loans are taken out, by 31<sup>st</sup> March 2016 variable rate short-term loans may total £118m 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 4, point 10.)
- 2.6 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 and the consideration of our interest rate forecasting.

### Investments

- 2.7 As a result of new banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty, 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 cash-flow profile);
  - Keep low but liquid cash balances and invest these mainly in Money Market Funds;
  - Reduce counterparty limits with banks;
  - Consider other creditworthy investments to increase diversification.
- 2.8 The investment counterparty list includes making payments of up to £40m (over three years) 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 advisers. 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.

### 3. Economic Background and Interest Rate Forecast

#### Economic background

- 3.1 There is momentum in the UK economy, with a continued period of growth. However, Consumer Price Inflation fell to 1.2% year-on-year to September 2014, from 1.5% in August. This was a larger fall than expected and inflation is likely to remain low in the short-term. There have been large falls in unemployment but levels of part-time working, self-employment and underemployment are significant and nominal earnings growth remains weak and below inflation.
- 3.2 In considering an increase in the Bank Base Rate there is no pressure from high inflation and the focus of the Monetary Policy Committee is on both the degree of spare capacity in the economy and the rate at which this will be used up, factors prompting some debate on the Committee. Despite two MPC members having voted for a 0.25% increase in rates at each of the meetings August 2014 onwards, some Committee members have become more concerned that the economic outlook is less optimistic than at the time of the August Inflation Report.

#### Interest rate forecast

- 3.3 The council's treasury management adviser, Arlingclose, forecasts the first rise in The Bank Base Rate in August 2015 and a gradual pace of increases thereafter, with the average for 2015/16 being around 0.75%. Arlingclose believes the normalised level of the Bank Rate post-crisis to range between 2.5% and 3.5%.
- 3.4 Economic weakness in the Eurozone, and the threat of deflation, have increased the risks to the durability of UK growth. If the negative indicators from the Eurozone become more entrenched, the Bank of England will likely defer rate rises to later in the year.
- 3.5 Arlingclose projects gilt yields on an upward path in the medium term, taking the forecast average 10 year PWLB loan rate for 2015/16 to 3.40%.
- 3.6 A more detailed interest rate forecast provided by Arlingclose is attached at **Appendix 4**.

#### Credit outlook

- 3.7 The implementation of two European Union directives into UK legislation in the coming months will place the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors. The *Bank Recovery and Resolution Directive* promotes the interests of individual and small businesses covered by the Financial Services Compensation Scheme and similar European schemes, while the recast *Deposit Guarantee Schemes Directive* includes large companies in these schemes. The combined effect of these two changes is to leave public authorities

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and financial organisations (including pension funds) as the only senior creditors likely to incur losses in a failing bank after July 2015.

- 3.8 The continued global economic recovery has led to a general improvement in credit conditions since last year. However, due to the above legislative changes, the credit risk associated with making unsecured bank deposits will increase relative to the risk of other investment options available to the Authority.

### 4. Capital Financing Requirement

- 4.1 Capital expenditure can be financed in a number of ways including the application of usable capital receipts, a direct charge to revenue, capital grant or by securing an up-front contribution from another party towards the cost of a project.
- 4.2 Capital expenditure not financed by one of the above methods will increase the capital financing requirement (CFR) of the council.
- 4.3 The CFR reflects the council's underlying need to finance capital expenditure by borrowing or by other long-term liability arrangements.
- 4.4 The use of the term "borrowing" in this context does not necessarily imply external debt since, in accordance with best practice; the council has an integrated treasury management strategy. Borrowing is not associated with specific capital expenditure. The council will, at any point in time, have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with this treasury management strategy.
- 4.5 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.

	<b>31.03.15 Estimate £'000</b>	<b>31.03.16 Estimate £'000</b>	<b>31.03.17 Estimate £'000</b>	<b>31.03.18 Estimate £'000</b>
<b>Capital Financing Requirement</b>	258,909	291,450	304,451	291,346
Less: Other Long Term Liabilities:				
PFI schemes	25,882	24,708	23,426	22,144
Finance leases	319	319	319	319
Salix loan	249	95	0	0
<b>CFR excluding other long-term liabilities</b>	<b>232,459</b>	<b>266,328</b>	<b>280,706</b>	<b>268,883</b>

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Less: Existing Profile of Longer Term Borrowing – PWLB and bank loans	132,523	124,285	117,243	113,185
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>99,936</b>	<b>142,043</b>	<b>163,463</b>	<b>155,698</b>
Estimated Usable Reserves*	17,000	24,000	34,000	59,000
<b>Cumulative Net Borrowing Requirement</b>	<b>82,936</b>	<b>118,043</b>	<b>129,463</b>	<b>96,698</b>
Usable reserves are estimated to be £17 million for each year plus proceeds from the sale of fixed assets of £7 million for 2015/16, £10 million for 2016/17 and £25 million for 2017/18.				
<b>Total Council Borrowing</b>	<b>215,459</b>	<b>242,328</b>	<b>246,706</b>	<b>209,883</b>

- 4.6 The above table shows the council's net borrowing requirement over and above its existing long-term loan finance. Part of this requirement relates to the refinancing of principal repaid on long-term EIP and annuity loans with the balance relating to additions to the capital programme financed by borrowing.
- 4.7 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 Provision (MRP)). Annual MRP is estimated to be between £10 million and £12 million for the foreseeable future. Therefore, if the large capital schemes scheduled for the next few years are completed, then the new capital spend financed by borrowing can be reduced to below the annual MRP so the council's total borrowing will fall, as shown in **Appendix 2**.
- 4.8 When comparing the council's Capital Financing Requirement with other English unitary authorities as at 31<sup>st</sup> March 2013 (later values are not yet published), both in terms of absolute levels and affordability, Herefordshire Council's CFR is no higher than average.

## 5 Borrowing Strategy

- 5.1 At 31<sup>st</sup> October 2014 the council held £168 million of loans, comprising long-term fixed rate loans totalling £134.5 million plus short-term variable rate loans of £33.5 million. The balance sheet forecast in table 1 shows that the council's borrowing may need to increase to £215 million by 31<sup>st</sup> March 2015 and to £242 million by 31<sup>st</sup> March 2016, assuming the timing and levels of capital expenditure are as budgeted.

### Objective

- 5.2 The council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

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### Strategy

- 5.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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 long-term rates, it is more cost effective in the short-term to use internal resources and borrow using short-term loans.
- 5.4 This enables the council to reduce net borrowing costs (despite foregone investment income) and reduce overall credit risk by tailoring the timing of borrowing to minimise balances held. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The councils treasury advisors will assist with 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2015/16 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. The council budget includes provision to take out additional long-term borrowing of £5 million each year.
- 5.5 Short-term loans leave the council exposed to the risk of short-term interest rate rises; they are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

### Sources

- 5.6 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB)
  - UK local authorities
  - any institution approved for investments (see below)
  - any other bank or building society authorised to operate in the UK
  - UK public and private sector pension funds
  - capital market bond investors
  - Local Capital Finance Company and other special purpose companies created to enable local authority bond issues.
- 5.7 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- operating and finance leases
  - hire purchase
  - Private Finance Initiative
  - sale and leaseback

### LOBO loans

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- 5.8 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.

### Debt rescheduling

- 5.9 The PWLB allows the repayment of loans before maturity by either paying a premium or receiving a discount according to a set formula based on current interest rates. The council have explored the possibility of doing this in 2014/15 but due to low interest rates, opportunities for debt rescheduling are 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.

## **6 Investment Strategy**

- 6.1 The council needs to hold adequate funds to meet day to day liquidity needs, for salary and creditor payments. The council holds balances of around £20 million to cover all contingencies. A cashflow forecast is maintained that includes all known receipts and payments so that the council can take action to ensure that it can meet all its liabilities when they fall due.

### Objective

- 6.2 Both the CIPFA Code and the CLG Guidance require the Authority 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. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

### Strategy

- 6.3 Given the increasing risk and continued low returns from short-term unsecured bank deposits, the council will aim to keep its invested funds as low as possible and reduce the amounts invested with banks and building societies. The council currently has a counterparty limit of £5 million with each bank but for 2015/16 this limit will be reduced as shown in table 2 below.
- 6.4 For 2015/16 the council will increase its reliance on Money Market Funds which are highly diversified and carry reduced credit risk.

### Approved Counterparties

- 6.5 The Authority will invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

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<b>Table 2: Approved Investment Counterparties and Limits</b>					
<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£5m 20 years	£5m 50 years	£2.5m 20 years	£2.5m 20 years
AA+	£2.5m 5 years	£5m 10 years	£5m 25 years	£2.5m 10 years	£2.5m 10 years
AA	£2.5m 4 years	£5m 5 years	£5m 15 years	£2.5m 5 years	£2.5m 10 years
AA-	£2.5m 3 years	£5m 4 years	£5m 10 years	£2.5m 4 years	£2.5m 10 years
A+	£2.5m 2 years	£5m 3 years	£2.5m 5 years	£2.5m 3 years	£2.5m 5 years
A	£2.5m 13 months	£5m 2 years	£2.5m 5 years	£2.5m 2 years	£2.5m 5 years
A-	£2.5m 6 months	£5m 13 months	£2.5m 5 years	£2.5m 13 months	£2.5m 5 years
BBB+	£1.5m 100 days	£2.5m 6 months	£1.5m 2 years	£1.5m 6 months	£1.5m 2 years
BBB or BBB-	£1.5m next day only	£2.5m 100 days	n/a	n/a	n/a
None	£1m 6 months	n/a	£2.5m 25 years	n/a	£2.5m 5 years
<b>Other investments:</b>					
Pooled funds				£5m per fund	
Mercia Waste Management (providing finance for Energy from Waste Plant)				£40m over the loan period	

### Types of Investments

6.6 The following types of investments are included in the table above:

- **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- will not be made unless the bank concerned is National Westminster Bank (the council's own bank) when investments will be restricted to overnight deposits.
- **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments

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are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment-specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.
- **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.
- **Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market 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 pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash, without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

### Risk Assessment and Credit Ratings

- 6.7 Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.



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- 6.8 Credit ratings are obtained and monitored by the Authority'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
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.9 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") and it may fall below the approved rating criteria, then only instant access investments 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.
- 6.10 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.
- 6.11 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

### Specified Investments

- 6.12 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".

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- 6.13 The Authority defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

### Non-specified Investments

- 6.14 Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies. It will be providing investment in capital expenditure through the loan arrangement with Mercia Waste Management. Other non-specified investments will be limited to long-term (over twelve months) investments. Limits on non-specified investments (excluding the waste loan arrangement) are shown in table 3 below.

<b>Table 3: Non-Specified Investment Limits</b>	<b>Cash limit</b>
Total long-term investments	£5m
Total investments with unrecognised credit ratings	£2.5m
Total investments with institutions domiciled in foreign countries rated below AA+	£0m
Total non-specified investments	£7.5m

## 7. Annual Minimum Revenue Provision Statement 2015/16

- 7.1 Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government’s *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012.
- 7.2 The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant.
- 7.3 In line with the CLG Guidance, the policy for the 2015/16 calculation of MRP (unchanged from previous years) is as follows:
- For supported capital expenditure before 31<sup>st</sup> March 2011, MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure.
  - For unsupported capital expenditure incurred after 31<sup>st</sup> March 2004, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments starting in the year after the asset becomes operational.

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Therefore, capital expenditure incurred during 2015/16 will not be subject to a MRP charge until 2016/17 at the earliest.

- For assets acquired by finance leases or Private Finance Initiatives, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For 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.

7.4 Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2015, the budget for MRP has been set as follows:

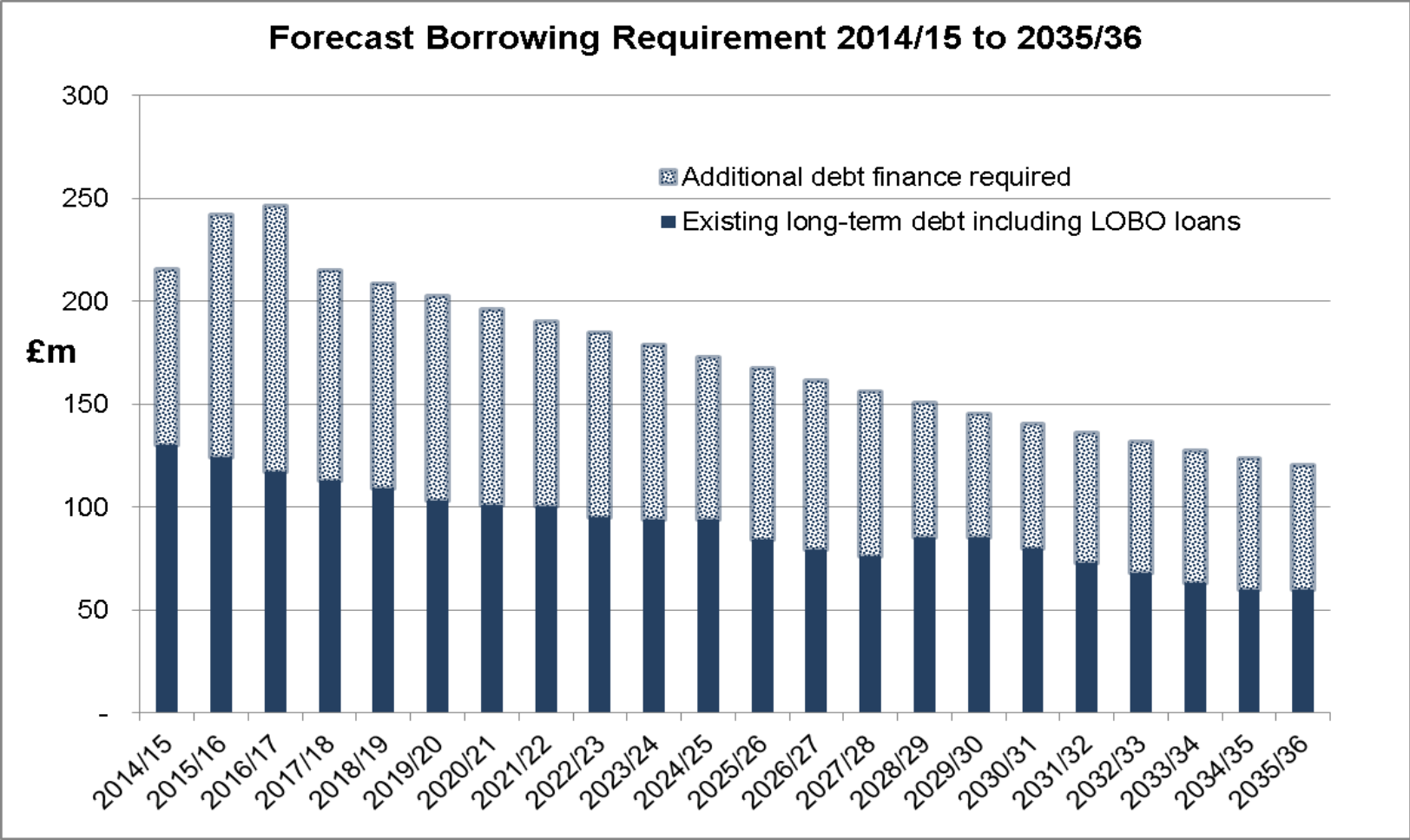
	<b>31.03.2015 Estimated CFR £m</b>	<b>2015/16 Estimated MRP £m</b>
Pre 31/03/11 Supported borrowing & Adj A	<b>119.14</b>	4.84
Prudential borrowing	<b>113.32</b>	5.09
Finance leases and Private Finance Initiative	<b>26.20</b>	1.10
Other loans (Salix)	<b>0.25</b>	0.16
<b>Total</b>	<b>258.91</b>	<b>11.19</b>

**EXISTING BORROWING & INVESTMENTS AS AT 31 OCTOBER 2014**

<b>External Borrowing:</b>	<b>Actual Portfolio £m</b>	<b>Average Rate %</b>
<u>Long-term loans (all fixed rate)</u>		
Public Works Loan Board	<b>123</b>	<b>4.04%</b>
LOBO Loans	<b>12</b>	<b>4.50%</b>
<u>Short-term loans</u>		
Local Authorities	<b>33</b>	<b>0.49%</b>
<b>Total External Borrowing</b>	<b>168</b>	<b>3.38%</b>

<b>Investments:</b>	<b>Actual Portfolio £m</b>	<b>Average Rate %</b>
Handelsbanken (Instant Access Account)	<b>5</b>	<b>0.45%</b>
Money Market Funds (Instant Access)	<b>8</b>	<b>0.48%</b>
Close Brothers Bank (One Month Notice Account)	<b>5</b>	<b>1.00%</b>
Term deposits (all returning before 31 <sup>st</sup> March 2015)	<b>11</b>	<b>0.84%</b>
<b>Total Investments</b>	<b>29</b>	<b>0.70%</b>

Forecast Borrowing Requirement 2014/15 to 2035/36



£m

**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 Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**2. Estimates of Capital Expenditure**

2.1 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.

<b>Capital Expenditure</b>	<b>2014/15 Approved £'000</b>	<b>2014/15 Revised £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
Existing capital programme	85,351	95,014	39,909	21,436	0
This year's additions to programme			26,664	25,918	28,445
<b>Total</b>	<b>85,351</b>	<b>95,014</b>	<b>66,573</b>	<b>47,354</b>	<b>28,445</b>

2.2 Capital expenditure will be financed as follows:

<b>Funding</b>	<b>2014/15 Approved £'000</b>	<b>2014/15 Revised £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>	<b>2017/18 Estimate £'000</b>
Capital receipts	3,209	5,098	7,128	7,100	4,000
Capital Grants	24,905	34,954	14,258	12,499	23,613
Reserves	0	1,300	0	0	0

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Prudential Borrowing	57,237	53,662	45,187	27,755	832
<b>Total</b>	<b>85,351</b>	<b>95,014</b>	<b>66,573</b>	<b>47,354</b>	<b>28,445</b>

### 3. Capital Financing Requirement

- 3.1 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 inclusive of PFI contracts.

Capital Financing Requirement	2014/15 Approved £'000	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
<b>Total CFR</b>	<b>264,038</b>	<b>258,909</b>	<b>291,450</b>	<b>304,451</b>	<b>291,346</b>

### 4. Gross Debt and the Capital Financing Requirement

- 4.1 In order to ensure that over the medium term debt will only be for a capital purpose, the local authority will 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.
- 4.2 The Section 151 Officer reports that the council currently has no difficulty meeting this requirement 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.

### 5. Operational Boundary for External Debt

- 5.1 The operational boundary is based on the Authority's estimate of the most likely (i.e. prudent but not worst case) level for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise of finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Operational Boundary for Borrowing	240	240	270	285	270

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Operational Boundary for other Long-Term Liabilities	30	30	30	25	25
<b>Operational Boundary for External Debt</b>	<b>270</b>	<b>270</b>	<b>300</b>	<b>310</b>	<b>295</b>

### 6. Authorised Limit for External Debt

- 6.1 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Authorised Limit for Borrowing	250	250	280	295	280
Authorised Limit for other Long-Term Liabilities	40	40	40	40	40
<b>Authorised Limit for External Debt</b>	<b>290</b>	<b>290</b>	<b>320</b>	<b>335</b>	<b>320</b>

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

- 7.1 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.

- 7.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Approved £'000	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Net Revenue Stream	<b>146,456</b>	146,135	<b>141,318</b>	140,474	139,994
Financing Costs	<b>18,288</b>	16,633	<b>18,502</b>	19,804	21,704



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<b>Percentage</b>	<b>12.49%</b>	<b>11.38%</b>	<b>13.09%</b>	<b>14.10%</b>	<b>15.50%</b>
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Note: the net revenue stream comprises council tax receipts plus government funding excluding specific grants.

- 7.3 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 (relating to Whitecross School, waste disposal and Shaw Homes).

### 8. Incremental Impact of Capital Investment Decisions

- 8.1 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 approved capital programme with an equivalent calculation of the revenue budget requirement arising from the additional capital schemes approved by Cabinet on 13<sup>th</sup> November 2014.

	<b>15/16 Estimate £'000</b>	<b>16/17 Estimate £'000</b>	<b>17/18 Estimate £'000</b>
Additional borrowing required for proposed capital programme	5,162	5,665	482
Estimated interest charges	30	113	264
Provision for debt repayment (MRP)	0	256	311
<b>Total additional finance charges</b>	<b>30</b>	<b>369</b>	<b>575</b>
Estimated tax base (number)	65,848	66,638	67,438
<b>Estimated cumulative increase in Band D council tax</b>	<b>£0.46</b>	<b>£5.54</b>	<b>£8.53</b>

### 9. Adoption of the CIPFA Treasury Management Code

- 9.1 This indicator demonstrates that the council has adopted the principles of best practice.
- 9.2 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**.

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

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

## Treasury Management Strategy Statement 2015/16

- 10.2 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 unexpected increases 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 potential increase in interest rate risk.

	<b>2014/15 Approved</b>	<b>2014/15 Revised</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100%	100%	<b>100%</b>	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>	45%	45%	<b>50%</b>	50%	50%

### 11. Maturity Structure of Fixed Rate Borrowing

- 11.1 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.
- 11.2 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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<b>Maturity structure of fixed rate borrowing</b>	<b>Estimated level at 31/03/15</b>	<b>Lower Limit for 2015/16</b>	<b>Upper Limit for 2015/16</b>
Under 12 months (including £12m of LOBO loans)	15.27%	0%	20%
12 months and within 24 months	5.31%	0%	20%
24 months and within 5 years	10.53%	0%	20%
5 years and within 10 years	11.08%	0%	20%
10 years and within 20 years	25.36%	0%	40%
20 years and within 30 years	8.30%	0%	40%
30 years and within 40 years	6.79%	0%	40%
40 years and within 50 years	17.36%	0%	40%
<b>Total</b>	<b>100.00%</b>		

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

- 10.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

	<b>2014/15 Approved</b>	<b>2014/15 Revised</b>	<b>2015/16 Estimate</b>	<b>2016/17 Estimate</b>	<b>2017/18 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Upper Limit for total principal sums invested over 364 days</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>5</b>

- 10.2 The limit has been reduced for 2015/16 as the strategy is to keep investments low and therefore liquid.

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

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
<b>Bank Base Rate (%)</b>	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75
<b>PWLB Rates (%):</b>													
<b>5 years</b>	2.50	2.55	2.70	2.80	2.65	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60
<b>10 years</b>	3.20	3.25	3.35	3.40	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85
<b>20 years</b>	3.70	3.75	3.85	3.90	3.95	4.00	4.05	4.10	4.15	4.20	4.25	4.30	4.35
<b>50 years</b>	3.80	3.85	3.90	3.95	4.00	4.05	4.10	4.15	4.20	4.25	4.30	4.35	4.40
<p>The rates quoted above are the “Certainty Rates” which are the rates at which the council could borrow and are 0.20% lower than the published PWLB rates.</p> <p>The above PWLB rates are noted by Arlingclose as being their “central” or most likely forecast, however, they also note that there are significant upside and downside risks to their forecast.</p>													

**Forecast:**

- Arlingclose continues to forecast the first rise in official interest rates in Q3 2015 and general market sentiment is now close to this forecast. There is momentum in the economy, but inflationary pressure is benign and external risks have increased, reducing the likelihood of immediate monetary tightening.
- A slow rise in the Bank Rate is projected. The pace of interest rate rises will be gradual and the extent of rises limited; we believe the normalised level of Bank Rate post-crisis to range between 2.5% and 3.5%.

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- Fears for the Eurozone are likely to maintain a safe haven bid for UK government debt, keeping gilt yields artificially low in the short term. We project gilt yields on an upward path in the medium term.

### **COUNCIL BUDGET:**

- **As can be seen from the table above, Arlingclose's central forecast is for the Bank Base Rate to increase during 2015/16 from 0.50% to 0.75%. However, they advise that there is an upside risk of 0.25% and a downside risk that they could remain at 0.50% throughout the year. The council's short-term borrowing budget has been based on a rate of 1.25% which should incorporate sufficient headroom to accommodate any unexpected changes in the Base Rate.**
- **The investment budget is based on Arlingclose's central forecast using average interest rates of 0.45% for the first six months and 0.70% for the second half of the year, assuming that investment balances will be lower in 2015/16 with a higher proportion of funds held in instant access accounts.**
- **Should the Bank Base Rate increase sooner or more rapidly than forecast, the increased yield on investments will partly offset any increase in short-term variable rates.**

## TREASURY MANAGEMENT POLICY STATEMENT

### 1. Statement of Purpose

- 1.1 Herefordshire council adopts the recommendations made in CIPFA's *Treasury Management in the Public Services: Code of Practice*, which was revised in 2011. In particular, the council adopts the following key principles and clauses.

### 2. Key Principles

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

### 3. Adopted Clauses

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

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

- Full council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the

## Treasury Management Strategy Statement 2015/16

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 in 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.





# **Budget 2015/16**

## **Consultation results**

### **Final report**

**Version 1.0**

**Strategic intelligence team**

**Date: 20 October 2014**

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## Introduction

The consultation on Herefordshire Council's budget for 2015/16 began on Tuesday 22 July 2014 and ended on Friday 10 October 2014. This report presents the key points from the analysis of responses received by midnight on 10 October. The consultation for 2015/16 was publicised on the council's website with the following background documents:

- Savings proposals summary 2014/15 to 2016/17
- Budget 2014/2015 and medium term financial strategy report to full Council dated 7 February 2014
- Council tax leaflet 2014/15

Further background information given to respondents on the budget consultation is provided in Appendix 1.

## Method

The way in which people were encouraged to respond was mainly via an online budget simulator called '**YouChoose**'. This was following the criticism of previous budget consultations that insufficient financial information was given to make an informed decision. The budget simulation tool gave information on net budget in key sections of the council and allowed respondents to increase, decrease or opt for no change to the proposed budget for these sections.

There were three sections where the council cannot reduce spending further, given the scale of savings already made and legal requirements: 'adult social care', 'children and young people' and 'unavoidable fixed costs'. However, the budget simulation tool would still physically allow respondents to reduce spend if they wished, but as the guidance notes to the consultation clearly stated, those responses that reduced spend in adult social care, children and young people and unavoidable fixed costs would be discounted.

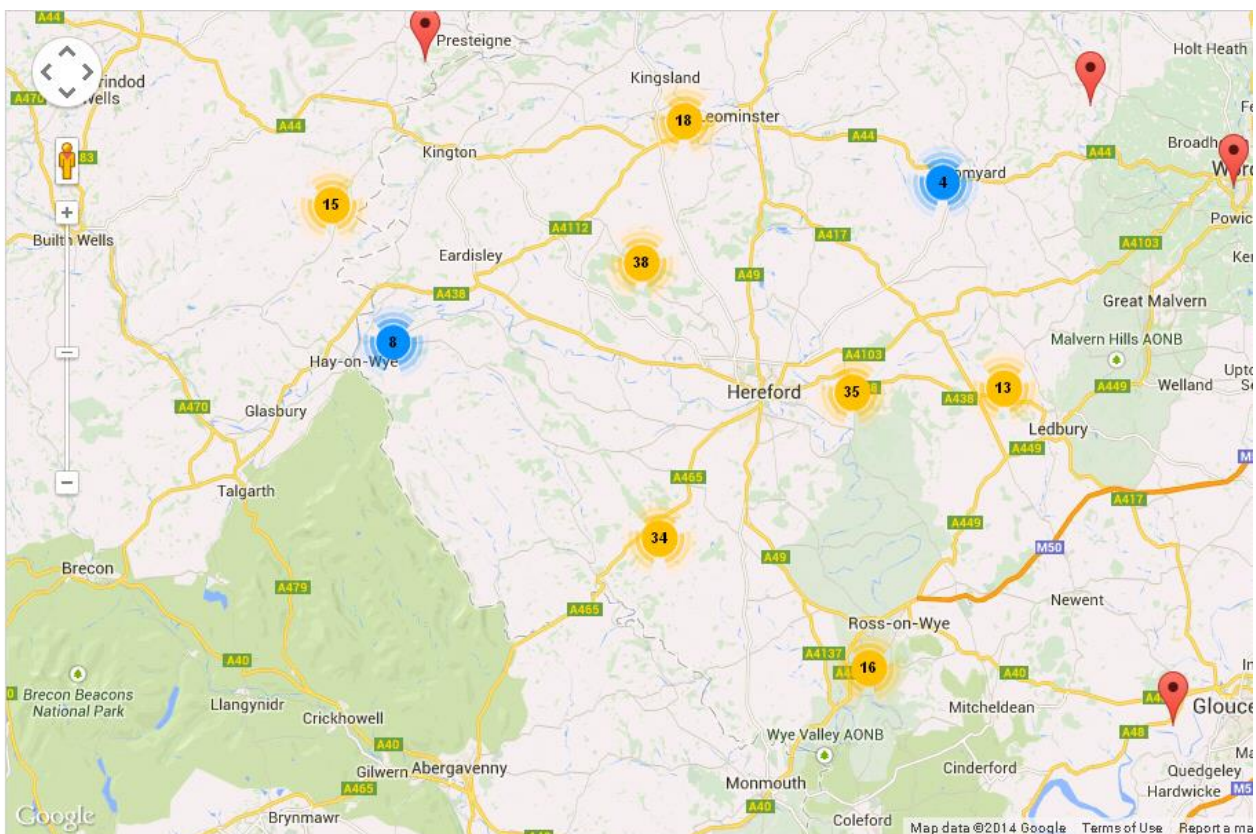
Other ways of responding:

- Online feedback form from the Herefordshire Council website if respondents didn't want to use the budget simulator.
- Comments from two parish council events and six consultation events in the city and market towns in September.

## Responses

The following responses were received:

- There were a total of 253 responses to the online simulator tool, however as the guidance notes to the consultation clearly stated, those responses that reduced spend in key areas were discounted, which left 127 valid responses to the budget simulation model. The results for these 127 responses are shown in this report but a separate analysis for all 253 responses is available in *Appendix 3* for reference.
- 12 responses to the online survey form, one response on the council's Facebook page and two submitted in the form of an email; one from an elected member and the other by the Herefordshire Citizen's Advice Bureau (see Appendix 3 for the content of these).
- A geographical analysis of the submissions to the budget simulator shows a spread of responses, as shown in the map below. This shows 'hotspots' of responses from that area. A few from outside the county which may have been from residents who work outside the county or people who work in the county but live elsewhere.



## Results

The results give an analysis of the information from the budget simulation model, calculated for each section as follows:

- Percentages of responses opting to decrease / increase / no change to the net budget for each section (see Table 1).
- Average increase or decrease of net budget per section (see Chart 1). Chart 2 shows this as a proportion of the net budget per section to show the scale of the average increase or decrease made to the budget by respondents using the simulation tool; particularly in the sections with a greater starting budget, for example adult social care and children and young people.

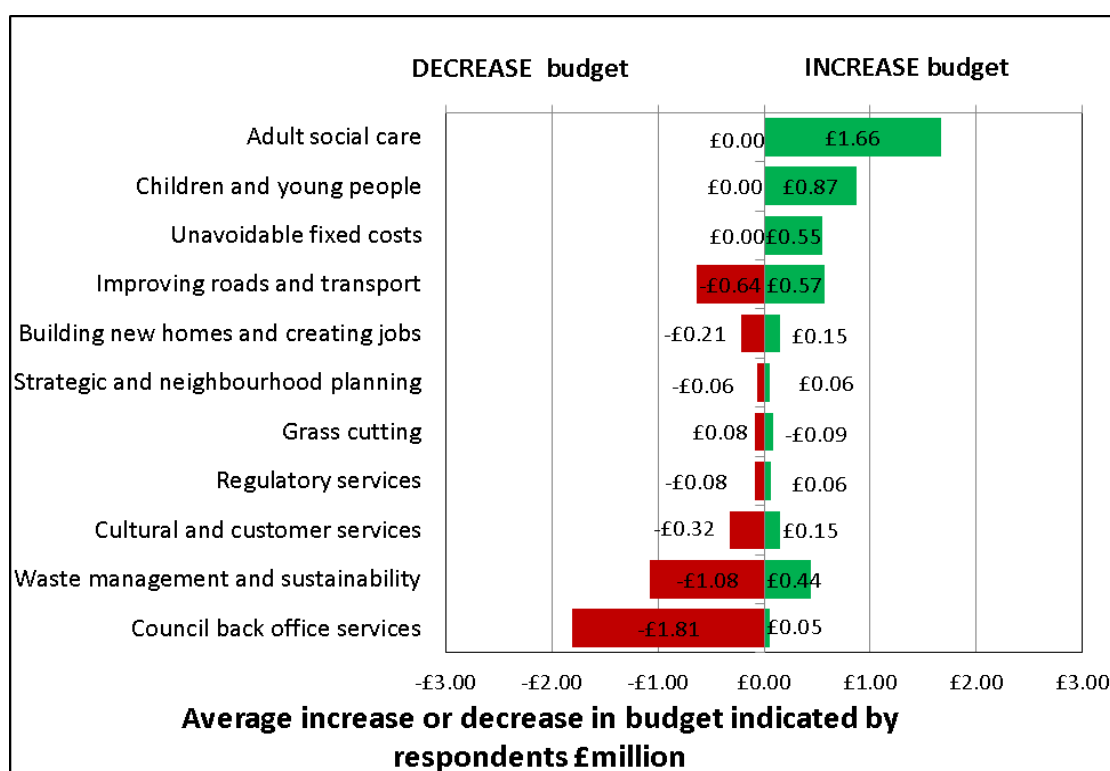
### Key points to note:

- For **adult social care**, while some responses chose to decrease the budget (which were excluded), most respondents chose to keep the budget the same (71 per cent) with 29 per cent opting to increase it. This section showed the greatest average increase in net budget (£1.66 million) but this is only 3.2 per cent of the net budget for this area.
- For **children and young people**, after responses that decreased the budget were excluded, the same pattern emerged with 71 per cent choosing to keep the budget the same and 29 per cent opting to increase it.
- For **unavoidable fixed costs**, after responses that decreased the budget were excluded, the same pattern emerged with 72 per cent choosing to keep the budget the same and 28 per cent opting to increase it.
- For **investing in improving roads and transport**, most respondents chose to keep the budget the same (38 per cent) with a third opting to increase it and 29 per cent opting to decrease it.
- For **building new homes and creating jobs**, opinion was divided with a third of responses opting to decrease, increase or not change the budget. A similar pattern emerged for **strategic and neighbourhood planning** and **grass cutting** as shown in Table 1. The average increase or decrease for these areas and **regulatory services** was small, but a much larger proportion of the starting budget (i.e. these budgets are relatively smaller than those for adult and children's services).
- Responses for **regulatory services, environment, cultural and customer services** and **waste management** showed a similar pattern of about 44 percent opting to increase the budget with about a third opting to decrease the budget.
- Nearly 80 per cent of responses chose to decrease the budget for **council back office functions**; this was the highest average decrease amount.

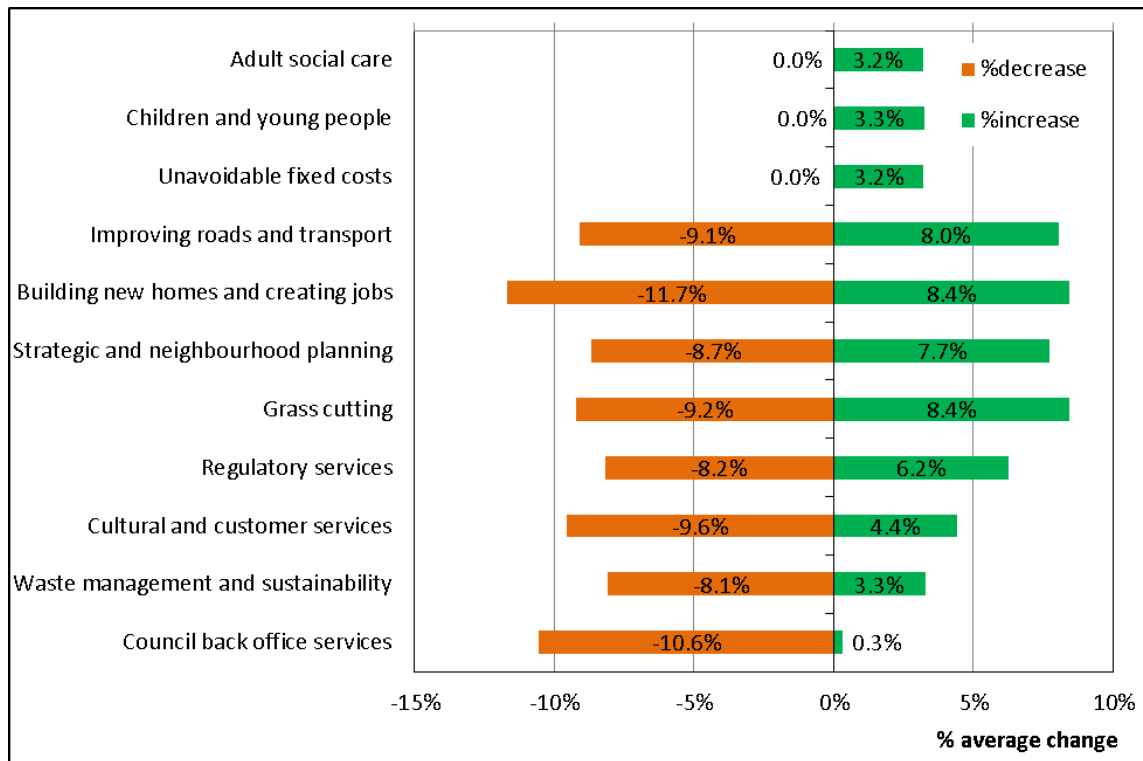
**Table 1: Percentage of responses to increase, decrease or opt for no change to the net budgets in each area:**

Budget options	Percentage count of increases and decreases		
	%decrease	%no change	%increase
Adult social care	0%	71%	29%
Children and young people	0%	71%	29%
Unavoidable fixed costs	0%	72%	28%
Improving roads and transport	29%	38%	33%
Building new homes and creating jobs	33%	33%	34%
Strategic and neighbourhood planning	36%	35%	29%
Grass cutting	34%	34%	32%
Regulatory services	36%	43%	21%
Cultural and customer services	33%	44%	23%
Waste management and sustainability	32%	44%	24%
Council back office services	18%	79%	3%

**Chart 1: Average increase or decrease in net budget**



**Chart 2: Average increase or decrease to net budget as a proportion of the starting budget for each section**



- The budget simulator assumed a council tax rise of 1.99 per cent. Respondents could opt to either keep this the same, decrease or increase it. However the guidance clearly stated that ‘If you wish to increase this level, by law we will be required to hold a public referendum, which would incur a significant cost to the council. The average **council tax change** opted for was a decrease of 1.06 per cent from the starting point, in effect a 0.93 per cent increase (1.99 – 1.06%).
- Of those who responded to the options for **generating income**, 61 opted to do this from the council tax reduction scheme, 55 by discretionary rate relief and 52 via parking.
- For **efficiency**, similar numbers opted to reshape service functions (64) with a similar number opting for council back office services (61) and the smallest number opting for reducing bus service subsidies (34).

## **Comments**

Please see **Appendix 2** for all the comments and suggestions received via the online simulator tool, online form and the e-mailed responses from the Herefordshire Citizen's Advice Bureau and a Councillor.

## **About the respondents**

Where the information was given, 58 per cent of the respondents are men (42 per cent women); 11 per cent of respondents are disabled; 85 per cent are 'White British'. Age of respondents ranged from 2 per cent under 18 years old; 8 per cent aged 18 to 24; 20 per cent aged 25 to 34; 25 per cent aged 35 to 44; 21 per cent aged 45 to 54; 14 per cent aged 55 to 64 and 11 per cent aged 65 or over.



## Appendix 1: Background information

All councils across the country need to make unprecedented savings in light of significant government funding reductions and Herefordshire Council is no different.

Over a six year period from 2011 to 2017, we have to save nearly £70 million. To date we have saved £34 million, but we still need to save an additional £33 million in the next three years.

### What are our priorities?

We have agreed that we must focus our priorities and resources towards:

- Keeping children and young people safe and giving them a great start in life
- Enabling residents to live safe, healthy and independent lives
- Investing in projects to improve roads, create jobs and build more homes

Unfortunately, it is not just severe funding reductions we are facing but also an increasing population with additional needs, particularly in priority areas such as children and young people and adult social care.

In the simplest terms, we can no longer continue to pay for all the services we have traditionally provided. Therefore we must prioritise the services we provide and how we provide them. This means we may need to radically reduce or completely stop providing certain services, especially if they are not within our priority areas. However, even within our priority areas, we have still needed to make reductions to balance our budget.

The council agreed a financial plan to deliver these savings at a meeting on 7 February 2014, the detail of which is included in the savings proposals document on this page. The proposals for 2014/15 are due to be implemented and the council will decide whether to continue with these in February 2015 or implement an alternative proposal, partly based on the public responses received during the consultation.

### What we've already saved

When attempting to balance the budget using the online simulator, please bear in mind that we have already made significant savings in a number of areas, so further savings in these particular areas may be limited. For example:

Area	Approximate savings since 2011	
Children and young people	£6 million	Reducing contract costs, stopping universal youth services, changing children's centre services
Adult social care	£10 million	Reducing contract costs and overheads
Other council areas	£18 million	Streamlining and reducing back office functions

## Areas where we cannot reduce our spending further

This means that in the areas where we cannot reduce our spending any further:

- Adult social care
- Children and young people and
- Unavoidable fixed costs

**The simulator will still allow you to change the budget, whilst in reality we cannot make any changes. If you make changes to an area where no further savings can be made at this time, we will have to disregard your submission.**

## The simulator shows our net budget

This is our net budget as opposed to our gross budget, so doesn't include funding which can only be spent on certain areas, such as school funding.

## The simulator uses whole percentage points

Please note that the budget simulator works in whole percentage points (1%) and not parts of a percentage point (0.25%).

## Assumptions about council tax

**The simulator assumes a council tax rise of 1.9%. If you wish to increase this level, by law we will be required to hold a public referendum, which would incur a significant cost to the council. If you do wish to see an increase or decrease in council tax, please state this in the comments box at the end of the simulator.**

## Appendix 2: Comments and suggestions received

### From the budget simulator tool

Suggestions
Reduce the number of councillors at county and parish level and/or their remuneration/ expenses. Waste less money playing politics and concentrate on delivering good value for money services.
Retain priority services such as refuse collection, street lighting and bus services; ditch the grand schemes such as central link road. It would be good to have good city centre bus interchange facilities.
Further savings can be reduced by reducing internal beauracracy; staff are under increasing pressure to make savings. Increase parking charges which should help finance bus services which should not be cut any further.
Difficult to get around if more cuts are made to bus services. Budget for transport should be increased.
No more cuts to bus services, my daughter has lost a job because she is unable to get home from work by bus as she used to . I don't drive so have no car.
Improve roadside infrastructure such as bus as shelters, pavements etc.
Spend more not less on sustainable transport like bus services and Park and Ride
Save the bus services, any more cuts and people will be totally isolated.
YOU need to LOOK at seeking wider private investment from abroad. A lot of the Money that is helping London now is from China and Russia and in some cases India and Brazil. Being mindful of any negative strings you may find an interest in helping with infrastructure or special projects
Reduce salaries of those receiving more than £50,000
Get rid of town twinning, working lunches and civic receptions. Charge / remove all services that require interpretation from an English format.
None
<b>REDUCE HEADTEACHERS PAY AND BENEFITS IN MAINSTREAM SCHOOLS</b>
Decentralise service planning and management to the Wards. Move central office staff out to offices in temporary buildings in each Ward. The kind of buildings used on building sites. Take funds from all budgets into Ward budgets. Set up mutual not-for-profit organisations in each Ward. The Executive Committees of these organisations would include the Ward Councillor, two members from each Parish Council in the Wards and 2 residents of the Ward. The finances and legal aspects of the Ward organisations would be outsourced to the finance and legal departments of Herefordshire Council. And so on in the same ways.
Decentralise service planning and management to the Wards. Move central office staff out to offices in temporary buildings in each Ward. The kind of buildings used on building sites. Take funds from all budgets into Ward budgets. Set up mutual not-for-profit organisations in each Ward. The Executive Committees of these organisations would include the Ward Councillor, two members from each Parish Council in the Wards and 2 residents of the Ward. The finances and legal aspects of the Ward organisations would be outsourced to the finance and legal departments of Herefordshire Council. And so on in the same ways.
Reduce number of committees and councillors
Save cultural and bus services, we don't all have cars!
The recent cuts to bus services have been very severe with many people now unable to travel. The budget for transport should not be cut any further.
Increase spending on sustainable transport.
Please do not cut services any further.

Suggestions
Regulatory and statutory services need to be maintained. The voluntary sector needs to be taking more responsibility for the arts/cultural services. Technology needs to be utilised to reduce the customer service area.
Improve economy of market towns by improving bus services, paid for by increased parking charges.
Increase council tax.
Reduce traffic congestion by increasing parking charges to fund better bus services.
Please do not reduce bus services any more than you have. I am disabled and rely on bus services to get around.
none
Council officers under increasing stress having to cut services.
Look at other areas of savings rather than bus services which contribute to the economy. Parking should be increased and revenue used to providing bus services
Reducing bus services will leave many isolated.
None.
Need to protect environment and public safety so need to ensure environmental health is adequately funded?
Increase spending for sustainable transport, better bus services.
Stop making further cuts to bus services which are important for the economy and avoiding rural isolation.
By introducing charges for on street parking in Hereford City and the Market Towns there is the possibility of raising £2.5 million per annum. It is quite noticeable that Herefordshire Council are still employing people to carry out works which are not a statutory service this would equate to approx. £50k per person, possible savings £500,000 per annum
Money should be spent on preventative services, prevention is cheaper than cure. More multiagency working, reducing duplication, clear aims/responsibilities of agencies. Voluntary sector are key.
Make an attempt at drawing in revenue by allowing companies to advertise on the wheelie recycling/refuse bins.
Cut Hoople out they are to expensive! Bring Collection of Council tax back in house! External Companies should not be responsible for Collection of our Taxes! Stop employing Senior Managers who are not qualified to be in post stop nepotism immediately! Initiate a pay freeze across all departments and re-evaluate your top earners! You have Staff on 35,000 a year who move boxes around!! No staff without line management responsibility should be paid in excess of 25,000 and only then if they are critical! You really haven't got a clue what's going on!
1. Instead of increasing parking charges in current locations have a look at where cars are being parked i.e. Holmer rd., etc. and put parking meters in, or put no parking anytime. 2. If you do not spend money on the up keep of roads then people will not come to the city new shopping precinct or not. 3. Build a few hundred houses (no don't sell the land you do it) sell them you make 1000's, then you get the council tax
Salaries for council staff are considerably higher than equivalent jobs in Herefordshire in the private sector. For reasons of fairness and equality, salaries of council staff should be reduced to match equivalent jobs in the private sector, including all pension benefits in that calculation.
Keep some part of Merton Meadow south of the proposed relief road, as a car park for revenue generation and put social housing onto the former Whitecross School site within inclusion on the playing field for more community facilities.
No more cuts to bus services in Herefordshire.

<b>Suggestions</b>
I personally think we have too many parish councils and far too many councillors. Reducing these will save a fair amount of money and unnecessary duplication. We need to invest heavily in new homes and new jobs and reduce costs elsewhere as far as possible
Increase council tax by 15%
Reduce spending on council committees, increase funding for sustainable transport including bus services and cycling.
Make the county more sustainable increase measures for better bus services
This is a very silly game you are playing. If you were capable of doing your jobs properly, then rather than accepting central governments dictates, you would form a pressure group with other local authorities and demand that central government increases its your funding. Take on the government, increase council tax by 10% by re accessing council tax banding and increasing taxes to properties worth over £450K with a huge hike in taxes to properties worth over £1m, simultaneously demand a 10% increase in central government funding.
Better collaboration between different services within the council - e.g. different jobs in the council delivering similar functions, when you could have one job delivering a number of functions across the organisation. Better streamlining of services/processes/systems and cutting down on bureaucracy will give efficiency savings. Getting rid of lower levels jobs is not necessarily the answer as it is these people who tend to do all the work, rather than those in the higher paid positions, and there is often talent amongst these people that deserve to be developed.
Stop spending money on 'doing up' buildings like Shire Hall and Plough Lane. Stop wasting money by continuously changing private contractors. EG each time a new company takes over the cleaners they get new uniforms. The last change led to perfectly serviceable paper towel dispensers etc. being ripped out and replaced. At what cost? Make more effort to seek out alternative funding. Lobby government and local MPs for the same level of grants as inner city areas receive. Stop wasting money by setting up companies (Hoople) and partnership deals (NHS) which all go wrong. Invest in tourism to bring in cash from outside the county. Most people visiting Hereford despair at how 'tired' it looks, litter, few public toilets, a museum/art gallery which is rarely open,'so called' tourist information which never seems able to help. A scruffy, down at heel Butter market, a burnt out building (for years) in High Town etc. etc. And NO, the new shops don't make up for this FEW tourists visit Hereford to visit a soul less shopping mall, they want history and character. Riverside eating and drinking. Why not employ chief officers with Imagination and Flair. The salaries they are paid surely they can come up with ideas for income generation.
The latest bus service cuts are enough, to sustain economic growth bus services need to be increased.
Involve more local organisations and people BEFORE making decisions Forget all the 'closed door' deals and nonsense
Reduce wages of the highest earners in the council significantly, sell your share in Hereford united, be open in decision making (i.e. purchase of rockfield for a car park)
A cross the board pay cut increasing as it goes up and not affecting people at living wage or below.

<b>Suggestions</b>
<p>Cut senior management in the council. Not sure what they do. Far too many over-paid people. They are always very keen to get volunteers for things - why don't they volunteer their services for free, or at least volunteer for a pay cut? Cut spending on council buildings. New reception area at Plough Lane - WHY??? What a waste of money. Also why are the lights on there all the time even in sunny weather? We need to do all we can to attract tourists into the county. Tourists spend money, thereby enabling businesses to retain staff, or even employ more. Grass cutting - essential to attract visitors as without this the place looks a complete mess. Also more street cleaning and litter collection is needed as at the moment many roads are a disgrace. If I was a tourist I would not stop here to spend money. Cut congestion - why are buses never promoted? Why there are park &amp; share, park and cycle, but not park &amp; bus? Please could we have a bus shelter on broad street - this is the stop most used by tourists and at the moment there is no shelter there. Also the stop is much used by commuters - a long wait in the pouring rain is not much thanks for taking the bus. To encourage more people to come into the city to spend money you really need to do something about the traffic coming from the south of the county. Not too bad at the moment, but over last winter journeys from Ross to Hereford were taking an average (yes average and not just a one off) of 2 hours. With a journey like this, come the weekend I will NOT be coming into Hereford to shop - I will go to Gloucester. I understand that the sequence on the Asda roundabout traffic lights was changed last summer. Please could you change it back to enable people from the south of the county to get into the city? Please be wary of building too many new houses without the jobs to go with them. Without the jobs we will just get retired people who will need adult social care much sooner and who probably spend less.</p>
<p>Increase Council Tax above the 1.9% threshold, notwithstanding the additional costs and 'criticism' from central government. Maximise all possible sources of income. Sell all non-essential assets. Spatially concentrate still further, all council departments/functions and, where possible, sell 'saved' buildings/land. Where possible (radical view), 'flatten', still further, all staff structures. Where possible (radical view), further increase the outsourcing of services. Centralize Library &amp; Information Services in Hereford. Reduce all subsidies to cultural etc. organizations.</p>
<p>Reduce the number of Councillors and Director-level staff Reduce payments to Councillors Increase monitoring staff on the main contract to keep contract costs as low as possible, Relet this contract as soon as possible, dividing the work into smaller packages given to smaller contractors - yes this will entail higher management and monitoring costs but it will still reduce the overall contract costs. Some Council have taken highway works and grounds maintenance back in house, this is also a model that should be explored, providing that experienced staff are employed to manage this.</p>
<p>Communication and education of change, reasons and outcomes is vital</p>
<p>Reduce amount of street lighting during the middle of the night - say midnight to 5am</p>
<p>Stop wasting money on Council offices giving them facelift Stop wasting money on Council running costs Cut the grass SORT OUT THE ROADS!</p>
<p>Stop giving our jobs, healthcare, houses and benefits to foreigners who turn up at our doorstep milking the system. Reduce costs elsewhere to fund better policing</p>
<p>The implementing of Solar PV to all suitable council runs facilities which in turn will save money In the long run. The initial investment could be funded in part by government Initiatives that I presume the council is eligible for such as feed in tariff.</p>

<b>Suggestions</b>
<p>Savings shouldn't come from frankly ludicrous schemes such as not cutting the grass. The fact is that councils in general are poorly run. If a business was run in the same way as Herefordshire Council, it wouldn't still be running today. It's time for a change of tact. Cutting back-office staff and removing funding for organisations which provide useful services is counter-productive and will undoubtedly cause more long term damage to the county. There needs to be a reduction or at the very least a re-evaluation of staff numbers starting at the top, not the bottom. Any excess in people at the bottom of the council's food chain only exists as a result of ineffective management and lack of real accountability further up that chain. I can't understand how it can happen and continue for as long as it has, but it needs to be sorted. Throwing more people at problems never solves them. On the plus side, the new shopping development is great, so well done for getting that in place!</p>
<p>Reduce the obscene pensions paid out to ex-council employees. The pot set aside for pension payment could be reduced and transferred to the funds for this year's budget. After all, most peoples pension funds have been reduced, why not council workers??</p>
<p>The way you have set this up makes it impossible for people to properly make suggestions for change. Slider movements dictate what the impacts are to be. I can't choose to spend less on road projects and more on the integration of school and public transport and active traffic management technology in the city - for example. I can't spend some of adult social care funds sustaining cultural activities which support social engagement and inclusion for vulnerable groups. I can't opt to pay more council tax for the funds to be ring-fenced for local service provision. So I guess the toolkit is aptly named 'You choose' ... because that's just what you've done. What a sham and a shame!</p>
<p>Reduce money given to parish councils, they never spend it all! Charge more money for services that currently cost.</p>
<p>More has to be done to make Herefordians feel glad to live here. By taking care of the infrastructure and overall look and feel Hereford has we can help attract development and investment within the County. This in turn brings a wealth of experience knowledge and funds to help our existing infrastructure and help make the most of developments that are already present. The budget for car sitting around £90million is by far the biggest outlay of the council. By look at where the funds are going i.e. outside agencies perhaps the idea may be to bring those services in house by investment during a set period of time and then looking at saving going forward. It is time for the people who pay and help contribute to the City get something that they can be proud of. More input from the people living here would be a great way to start rather than secret meetings behind closed doors which inevitably get leaked anyway.</p>
<p>Lower parking charges!! £3 all day that's expensive when you're parking there 6days a week!!!</p>
<p>A full examination by an independent body of all bills and expenses and check there is no cheaper alternative. If something has to be subsidised, why? And if so should it be and WHAT HAPPENS IF COUNCIL DOES NOT PAY FOR THESE THINGS will our world stop?</p>
<p>More focus on the long term future of Herefordshire and the prosperity of the whole area. Current priorities such as Adult Social Care and Child Safeguarding must be balanced with supporting long term growth plans for the region. By this I mean, supporting the typical Herefordshire industries that can create jobs in the future such as tourism, food and drink, farming, small-medium business support etc. IT/Fastershire is a must as the road/rail infrastructure can never compete with other UK areas. When will the provision of food in the UK become a priority? When it starts to run out? When will the government focus on making manufacturers reduce packaging at source and stop expecting our local councils to spend valuable resources recycling it?</p>

<b>Suggestions</b>
<p>You reduced grass cutting/trimming. Why not have a permanent set aside margin/area where appropriate for wildlife. A bit like the farmers does. Places like bishops meadow could easily have very sizeable areas around the edge, and all those banks, that could be left and have a high cut just once a year in autumn. The football area needs cutting regularly, more than now, as its not a good surface at the moment. You could have some pathways cut through long grass to make walks and shortcut routes. It could be actually be a benefit to wildlife, improve diversity and be a very useable space for all. Perhaps we need to get away from the "over tidy" park and other open spaces.</p>
<p>The substantial costs of the changes at the Shire hall should not be spent (wasted) on Councillors (of whom I am supportive). This is disgraceful considering the cuts that Council Workers have been affected by (I am not an employee). The hiring out of what is (or 'was' from September) rooms at the Shire hall brings in an income stream for the Council. The barring of members of the community from hiring these rooms (as they currently do) for most of the day in order to allow Councillors to 'move in' and use them is not only a poor decision for those users, but also considerably reduces the revenue potential of this centrally located building (to only evenings and weekends). A real lost business opportunity here, especially with such helpful custodians etc. The sliding scale idea for spending is great - thank you for allowing us to comment. It is a shame that we were not availed the same opportunity and shown the figures of the above!</p>
<p>I would be happy to pay more than a 2% increase in council tax if I had the confidence in council leadership and management to spend it wisely. I am unimpressed with the decisions that are taken and the people that are in place, even in middle management levels. I strongly suggest performance related pay - if the CEO, for example, made demonstrable, measurable improvements, then I truly believe he would be worth the high salaries we citizens seem forced to pay. Also, swaying people away from a 2%+ increase in cost of council tax just because it would cost money to do so is biasing the answer. Surely surveys should bias people's response?</p>
<p>Examine revenue implications of capital projects e.g. road building.</p>
<p>I think this looks like a vanity project for the council, I think the major cuts needed to fund essential services including re opening the public toilets can be made by restructuring the management structure and excessively high wages and take a good look at all council properties owned and I am sure there a few sales can be made to find the deficit. Also the council should publish all monies paid to 'consultancy' businesses who are paid from the council and I am sure these figures could be looked at with scrutiny</p>
<p>People need to pay for the services they receive, even social care - you get what you pay for. You can't expect people who work to keep subsidizing other.</p>
<p>Reduce staff numbers by as much as possible whilst trying to maintain front line staff. Rent out council buildings for commercial use. Reduce management jobs. Centralise services in fewer or one location which should be Hereford. Reduce opening hours of services in market towns whilst ensuring that longer opening hours for services in Hereford. Maintain bus services so that people from market towns can access services in Hereford rather than in there local market town which is no longer sustainable.</p>
<p>Please, stop changing city centre roads. Resurface them instead. Also, if you can, stop building new shopping center etc. This has no impact on how do we live in the city. We need something to be done to the traffic. Especially on Belmont Road. This is disgraceful what is going on over there. We want our city small but tidy. If the city will look untidy and dirty, we are going to loose people with money. And question: why are you giving so much to the people on benefits? New houses and improvements to old ones? Do something good for working ones. We pay council taxes. I can see that our city has gone down in quality in past few years dramatically. Thank you for letting us have a word in choosing what could be done for us. Remember thou, it is you who are taking responsibility for what is done in Hereford.</p>



<b>Suggestions</b>
Save money by using local providers instead of awarding massive contracts to low-quality out of county providers The voluntary sector not only are the experts in their area but offer fantastic value for money Reconsider procurement and commissioning functions as currently not effective Stop use of interims and consultants - use local experts instead
Reduce councillor allowances - only pay INCURRED expenses not attendance allowances, Bring the role back to people that people who have a passion for their community and not see it as a career or salary supplement. Only buy IT equipment if there is a definite business case, adopt the approach in all budgets of "the answer is no unless you can prove the expenditure will pay for itself in one year". Give department manager and higher management strict financial objectives that reflect in their appraisals and pay increments.
If you give a flat rate council tax increase not a % based system I would think it a fairer TAX. A lot of people's only saving is in their house and they have reduced income so 5 increases are not fair. Increase council workers pension contributions through payee not via the council tax system involve the probation service to pick up the grass cutting and cleaning our lanes and centres
Bus services should not be cut any further.
Excellent idea to give the public the chance to play with the budget, give us the option of increasing council tax too. The options are a bit restricted too. You might find out more of what people really want. I wouldn't stop building affordable housing but I would stop building more expensive houses that developers often build first and then delay the affordable ones. How about an option not to build a by-pass, show how much that would release from reserves and you might have a functioning council with plenty of options.
Increase council tax, the country is rich, people need to spend more money on the essential services that a fair and decent society needs and less on ever large TVs and ever smarter phones. Make strategic plans for true sustainability not just for short term growth based on job creation and have the balls to stick to them. If their really is such an outcry over some long grass that you feel you need to approve half a million more spending to cut it then there's no change in balancing a budget let alone securing a sustainable future. Having the responsibility of being councillors and council officers is not just about giving the public what it wants you are better informed, you must lead and educate or we will all be governed by the lowest common denominator.

## Suggestions

Cut senior management positions within the council. There is far too many highly paid staff - not sure what they actually do. Cut unnecessary spending on council buildings - e.g. why was new reception area needed at Plough Lane? Huge numbers of lights on all the time at Plough Lane even on a bright sunny day - really looks like you have money to waste. Need to do as much as possible to attract visitors into the county to spend money, thus maintaining and even creating jobs. Visitors will only come if it is a pleasant and CLEAN place. Shops, restaurants and so on can only keep going & keep employing staff if people spend money in Herefordshire. Spending on roads, pot-hole repairs, street cleaning, litter picking and grass cutting is essential if we are to keep visitors coming into the county to spend money. The litter on main roads is truly awful and not a great way to advertise our county to tourists passing through. Charging for car parking will deter tourists thus keeping money away from the county. The argument is always that other areas charge for car parking - yes they do, but there are no parking charges when shopping online at home. We need to encourage people to come out and spend money in our shops, thus keeping local people in employment. Money needs to be spent on public transport if we are to reduce congestion and keep Herefordshire a pleasant place to live and work. Please can we have a bus shelter on Broad Street? This is a stop used by many visitors to the county due to proximity to the Cathedral and their experience of the county is often a long wait in the pouring rain with no shelter. Something needs to be done about the congestion on roads coming into Hereford from the south of the county (Ross and Belmont roads). At the moment things are not too bad, but over the previous winter, for months on end a journey from Ross to Hereford was taking an average of well over 2 hours. Doesn't really make me want to come into Hereford to spend money - it is easier to get into Gloucester so I'll go there. I believe that the sequence of the traffic lights at Asda was changed; this seems to have had the effect of stopping people from the south of the county coming into Hereford. Please could it be changed back? Be wary of building too much new housing without the jobs to go with it. Otherwise we just end up with more retired people, who may need social care services sooner and probably spend less money.

get rid of jobs worth pen pushers let every parish keep the council tax paid in their area and use that money for their parish only

Streamline Geoff Hughes section of staff far to many working in the communities section

**DO NOT SPEND £130 MILLION ON THE VANITY PROJECT RELIEF ROAD WHICH WILL INCREASE THE DEBT BY 65%. ARE YOU PEOPLE COMPLETELY INNUMERATE?**

cut staffing and close and sell plough lane office increase bin collection to 2 times a week reverse traffic through high town close theatre stop the rugby club and shut all libraries

Investigate <named councillor>. He's a wrong un.

## Comments received via the online form:

Comments:
<p>Keep the City and County looking good and inviting to tourists. The way in which grass cutting, street cleaning and other street scene matters have been handled have been crass and which make us look 3rd world and an embarrassment for welcoming visitors. To balance any such cut backs, reduce subsidies and ensure all bodies including individuals and companies pay for the service they use (e.g. charge 50p for use of a library book for a month)</p>
<p>Increase council tax by 10% to pay for services</p>
<p>I think savings can definitely be made by outsourcing the library delivered service, or having volunteers as there are 6 weekly vehicle checks, repairs, staffing and maintenance and fuel costs. This service used to be run by volunteer organisations like "Hereford Wheelers" who just charged for their petrol usage. This is a much more cost affective means of delivery. There could also be a thinning out of some of the middle management instead of hitting vital front of house services.</p>
<p>Reduce duplication. Streamline management - take out at least one layer. Remove unnecessary paperwork/form filling. Get rid of unproductive staff.</p>
<p>Car park charges.</p>
<p><b>REDUCE THE PROCE OF PARKING AT THE SWIMMING POOL, NO ONE PARKS THERE ANYMORE. CHEAPER APRKING AND IT WAS FULL... NO BRAINER REALLY!!</b></p>
<p>I would like the council tax to go up by 7-10% to allow the council to do the things it is currently cutting due to the reduction in government funding.</p>
<p>Stop pouring money into developing a Hereford relief road. It will have a miniscule effect in reducing congestion in the city and will make the county's debts even worse. Borrowing money leads to huge debts. Money could be better spent in removing pinch points in the city. I profoundly disagree with charging council tax to household who are on benefits.</p>
<p>We know the Council is willing to let us 'have our say' on budget planning but an important element in genuine consultation is to listen to what we have to say, act on it and let us know how you have listened and acted. Time after time we have said you should reduce the massive overpayment of Directors and Senior Managers. You have said you have addressed this. But this year the Council still has 103 people on salaries over 50,000 a year and last year you had 116 employees on salaries over £50,000, This reduction is small and as we know, actual salaries have increased for some individuals. You say you need to pay this to attract top quality Managers but your track record is one of ever spiralling incompetence. The Council should give due consideration to this point even though the Leader of the Council is known to be incapable of listening to Herefordshire people. (This comment received to council's Facebook page)</p>
<p>I feel that the pay received by the management of the council, in particular the executive's, is far too excessive. Therefore a reduction in their salary would save the council a lot of money that could be used else where e.g. road repairs, hedge and grass cutting, street cleaning and recreation facilities.</p>
<p>Why should any council member receive more salary than the Prime Minister? No one is should receive a higher salary than him.</p>

## Response by Councillor Chave

### Comments on Budget Consultation: 2015/2016

1.9% increase in Council Tax assumed.

Are we taking another £11million out of the budget this year, or more, or less?

The only income we really have any control over IS **Council Tax**. Surely given the economic climate (of further cuts from central government which does not appear to value local delivery of local services, whilst not reducing demands made on it), we will HAVE to increase this income base – and why not have a **referendum** to share some responsibility for the consequences of whatever is decided?

Council Tax is funding just 25% of our expenditure.

Some things to reduce the budget:

- Take the capital investment for road building out – we need to better maintain what we've already got before we build more.
- Exercise extreme caution about borrowing – and loading debt onto future generations.
- Campaign for changes to Council Tax – so those who can afford to pay more do pay more (means testing?) Pensioners should NOT be excluded from increases! And why should those in “mansions” be paying the same as those living in a house that was worth £320,000 or more in 1991? (And how on earth are these bands assessed against current house prices anyway, given the number of residences built since 1991?)
- Reduce reliance on expensive private contractors to deliver public services – use our own staff managed by us – so we are more flexible and have more control over what is done, where, when and by whom – and to what quality!
- Reduce travel expenses and additional allowances for members – consider means testing! The same could apply to senior officers, though I guess this would have to be voluntary.
- Assess “savings” on recent budgets honestly – for example, has the reduction in grass cutting actually saved, or cost more – because more expensive machinery is required to do the task? Publish the numbers, give us the evidence.
- Keep a very tight control on the EFW plant – so it does not cost more than has been agreed.
- Offer residents the option to contribute MORE to support particular services – such funds would need to be ring-fenced – like public subscription used to fund building in the early 1900s – possible beneficiaries might be a pothole fund, libraries and the museum, a looked after children fund etc – could crowd funding also be used to support this?
- Encourage and enable community groups to do more for themselves, by supporting HVOSS to support them, and offering an umbrella public liability insurance deal.

- Ensure that extensions and improvements that move a property into another band for Council Tax are promptly and properly accounted for in the Council Tax bill.
- Be more open and honest about which services are statutory and must be done – and what your interpretation of that is.
- Publish the rates received from the Old Market development – so we can see what benefit the £90m investment is having to our coffers, likewise with Skylon Park, Rotherwas Enterprise Zone etc in due course.

Absolutely do NOT make the poorest people in the county pay more by further reducing the Council Tax Relief. Remove the blanket exemption for pensioners. According to the revs and bens newsletter, 10,294 summons were issued in 2013/14, when the rate to be paid was 16% - I calculate this as stress and misery for 12% of our county households (as according to UH2014, we have 82,700 homes in the county). Perhaps some of the summonses were repeats or additions issued to the same people? Even so. Consequences for wellbeing, and health, among our most vulnerable residents.....

You will argue that there is capacity in the system to squeeze more out of these people. I say the same applies (only more so) to ALL our residents (including pensioners), and that this supply should be tapped first – we should ALL be sharing the corporate, social responsibility for paying for our public services.

Some observations:

The consultation is (as always) “light” on consequences.....

I haven’t bothered with the simulator after a couple of looks at it, because:

- Projects to improve roads / create jobs / build more homes – spending between £10.9m and £11m has “no consequences”. Reducing spending from £10.8m to £8.45m has four negative consequences – this logically suggests we might reduce the spending to £8.45m, and the consequences will be no worse than if we spent £10.8m – a difference of £2.35m!
- There is no option under “how can we bring more money in” to INCREASE Council Tax above 1.9% (and hold that referendum, so at least we’d have a proper mandate whichever way it goes) – yet surely this has to be our best option for bringing more money in.

Personally I would increase parking charges a little more – although people moan, they still seem to be driving their cars, and parking them.....

## Response by Hereford Citizen's Advice Bureaux

### ***Budget Consultation 2015/2016***

#### *The Consultation*

The withdrawal of the CAB grant from April 2014 was proposed in the 2013/2104 consultation and the CAB responded to that consultation, which was well documented in the collation of responses from the Council's Research Team; indeed that document highlighted the significant support for the CAB service.

The consultation for 2015/2016 publicised on the Council's Website, consisted of the budget simulator and accompanying documents:

- Savings Proposals Summary 2014/15 to 2016/17
- Budget 2014/2015 and Medium Term Financial Strategy Report to Council dated 07/02/2015
- Council Tax Leaflet 2014/2015
- And a hyper link to the 2014/2015 budget consultation

Prior to the meeting of Full Council, the CAB received two letters; one from Cllr Harry Bramer (dated 15<sup>th</sup> January 2014) and one from Cllr Tony Johnson (dated 20<sup>th</sup> January 2014). Both letters confirmed the continuation of the full grant to the CAB for 2014/2015, and both made reference to the exploration of commissioning against Council priorities beyond March 2015.

Given that the savings proposals published for the 2015/2016 budget consultation refer only to the documents listed above, it is not entirely clear what the budget proposal is in respect of the CAB. The savings proposal document refers to reductions in 2015/2016 and 2016/2017 but since the figures given are associated with organisations in addition to the CAB, it is not clear what the savings proposal for the CAB is. Additionally, clause 19.9.1 refers to a variance of the proposals following consultation, and says that it "will phase in funding reductions over the next three years to CAB.....".

Prior to responding to this consultation I have sought clarification from Herefordshire Council Officers on exactly what is proposed in terms of the Citizens Advice Bureau, bearing in mind what has been published in this consultation and the letters from Cllr Johnson and Bramer aforementioned. I am not sure I have an entirely clear response.

I would comment that I am not sure how useful a tool the budget simulator is at all, but particularly for those most disadvantaged in our society. The CAB seems to appear in the Cultural and Customer Services section, though is not mentioned in the explanatory note, and if people wanted to increase funding to this section of the budget, the explanatory note, did not mention the CAB or voluntary sector at all. If a "small" reduction of £3.15m or less is made to this

section, then the consequences box highlights removal of support to the voluntary sector and, in terms of the CAB, specifically states that "...the Citizens Advice Bureau is due to have its grant funding withdrawn in the future".

Interestingly, if a larger reduction of £3.19 m or more is made the consequence reported by the software refers to the withdrawal of subsidies to local organisations but makes no reference to support to the voluntary sector, and specifically the CAB. So people using the simulator are only alerted to possible detriment to the CAB if a small reduction is chosen.

### Herefordshire CAB's Service

Herefordshire CABx is a member of the national Citizens Advice organisation and is governed by strict quality and membership standards that ensure that the advice given to clients is accurate, up to date and can be relied upon; however, whilst part of a National Brand, all CAB's are local, autonomous charities.

The CAB service principles are that:

The CAB service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity and promotes equality and challenges discrimination.

The CAB service aims are to:

1. Provide the advice people need for the problems they face.
2. Improve policies and practices that affect people's lives

In respect of the first of those service aims, advice covers a huge range of issues across English Civil Law, but broadly fits into the following categories:

#### *Welfare Benefits*

Advice is available on the complete range of benefits: JSA, State Pension and pension credit, National Insurance, Housing Benefit, Working Tax and Child Tax Credits, DLA care and mobility components, Attendance Allowance, Income Support, Social Fund loans, Child Benefit, Employment Support Allowance, Carers Allowance, Universal Credit, Personal Independent Payments, Localised Social Welfare, Localised Support for Council Tax, Benefit Cap, discrimination and other welfare benefit issues.

#### *Money, Finance and Debt*

This is a huge area of work and advice is available on discrimination, maintenance and child support arrears, bank and building society overdrafts, credit, store and charge cards, unsecured personal loans, catalogue and mail order debts, water supply and sewage debts, unpaid parking charges, mortgages and secured loans, hire purchase, fuel debts, rent arrears, benefits overpayments, council tax arrears, bankruptcy, Debt Relief Orders, bailiffs, utility debts, insurances, hire purchase, pensions, savings and investments, financial

advisers, debt management services, credit reference agencies, payment protection insurance.

### *Housing*

Advice covers discrimination, homelessness or threatened homelessness, Local Authority Homelessness service, temporary accommodation, problems with registered social landlord property, private rented property or owner occupier issues, environmental and neighbour issues.

### *Employment*

Advice covers discrimination, dismissal and redundancy, employment tribunals and appeals, schemes for the unemployed, self-employment, terms and conditions of employment, health and safety, pay and entitlements, parental and carers rights, dispute resolution, resignation and applying for jobs.

### *Consumer and Travel*

Advice covers discrimination issues, new and second hand vehicles, vehicle repairs and servicing, food and drink, health clubs, gyms and sports, competitions and prize draws, private sales and internet auctions, building repairs and improvements, double glazing, furnishings, floor coverings, electrical appliances, clothing and footwear, personal development courses, disability aids and adaptations, public transport, driving, parking and congestion charges, package holidays, timeshare and vacation clubs, holidays and passports.

### *Family and Relationships*

Advice covers discrimination, domestic violence, children and child support issues, death and bereavement, certificates and proof of ID, marriage, cohabitation and civil partnerships, social services and support, divorce, separation and dissolution.

### *Tax and Utilities*

Advice on discrimination, income tax, council tax and other tax issues, fuel, water and sewerage, telephones and mobiles, TV – including satellite, digital and cable, internet and broadband, other communication issues.

### *Immigration*

Advice on discrimination, asylum seekers, failed asylum seekers, refugees, family, dependents and partners, visitors, workers, students, nationality and citizenship, and other immigration issues.

### *Health and Education*

Advice on discrimination, pre-school organisations, schools, FE and 6<sup>th</sup> form colleges, higher education, adult education, health and community care, hospital



services, hospital services (mental health), General Medical Practice, residential care, community care and community care (mental health), NHS costs and charges.

There is significant research<sup>1</sup> to evidence that people experience multiple problems and that each time a person experiences a problem, they become increasingly likely to experience additional problems. This same research also looks at problem clusters and trigger problems, for example where divorce is the primary problem type, related problems can exist around money, children, housing and a range of other issues.

1. Causes of Action: Civil Law and Social Justice, Pascoe Pleasance

Because the CAB can deal with all these enquiry areas, it can, and does, take a holistic, client centered approach to resolving all of a client's problems.

There is no other agency in Herefordshire that can offer this holistic advice service.

### Quality of Advice

Herefordshire CABx holds the Advice Quality Standard and the Advice Quality Standard with Casework in debt, employment, housing and welfare benefits. Herefordshire CAB is registered with the Office of the Immigration Services Commissioner (OISC) for the provision of Level 1 Immigration Advice. Herefordshire CAB is fully licensed with the Office of Fair Trading to provide debt advice (this license moves to the Financial Conduct Authority from 01 April 2014).

I am not aware of any agency in Herefordshire that holds all these Quality Marks and/or legal licenses in respect of the provision of advice.

### The impact of advice

In 2013/2014 Herefordshire Citizens Advice Bureaux dealt with 5,180 unique clients, helping with around 15,000 advice problems. The highest enquiry areas were welfare benefits, debt, employment, relationship and family issues and housing.

It should be noted that this 5,180 statistic is the total of unique people who sought advice during the year, and that many clients visit the bureau more than once in order to resolve their problem(s); the average being three contacts per advice enquiry.

During this year the bureau improved the financial position of individuals by £4.4 million, mainly through accessing welfare benefits and managing and writing off debts. St Martins and Hinton in Hereford City's South Wye was the ward achieving the highest financial outcomes, demonstrating the organisation's ability to be reaching those in the most deprived areas of our community. The

financial outcomes for this ward alone, totals just over £900,000; by itself, over 7.5 times as much as the annual Local Authority grant to the CAB of £117,460.

The profile of CAB clients shows them to be predominately living on low incomes, with significant numbers having a disability or long term health condition, including identified mental health problems.

### Welfare Reform

The Coalition Government is taking £18 billion a year out of the welfare budget and these cuts across the UK can be apportioned to calculate what that means for Herefordshire, as follows:

Mid Year Population 2009 (ONS)	Herefordshire 179,100
Lost Benefits Income 2011	£6,753,350
Additional Lost Benefits Income 2012	£14,303,769
Additional Lost Benefits Income 2013	£19,926,730
Additional Lost Benefits Income 2014	£11,419,828

As it is widely recognized that those on low benefits related income, spend their money in the local economy, the loss of benefit income can be calculated to have an effect on the loss of local jobs<sup>2</sup>, as follows:

Mid Year Population 2009 (ONS)	Herefordshire 179,100
Lost Benefits Income 2011	£6,753,350
Jobs Lost 2011	157
Additional Lost Benefits Income 2012	£14,303,769
Jobs Lost 2012	332
Additional Lost Benefits Income 2013	£19,926,730
Jobs Lost 2013	462
Additional Lost Benefits Income 2014	£11,419,828
Jobs Lost	265
Total Lost Benefits Income Annually – 2014	£52,408,677
Jobs Lost 2011 - 2014	1,216

2. Fraser of Allander Institute, University of Strathclyde

Unclaimed means tested benefits are calculated at £28,448,124 and unclaimed Working Tax Credit at £10,985,063, with associated potential jobs saved through benefit take up, of 660 and 255 respectively.

Herefordshire CAB's input into the local economy can be calculated based on its benefits and debts outcome recording as follows:

Herefordshire CABx Benefits and Debt Results				
	Benefits	Debt	Total	Jobs Saved
Q1 2013/14 Annualised <sup>3</sup>	£1,780,849.52	£1,513,339.48	£3,294,189.00	76

2012/2013	£1,976,449.74	£872,111.31	£2,848,561.05	67
2012/2014	£3,757,299.26	£2,385,450.79	£6,142,750.05	143

3. It should be noted that these figures are annualised on the basis of Q1 of 13/14 statistics; at the time of producing this response, the whole year figures splitting benefits and debt are not known. This then also, affects the following multiplier calculation as underestimated.

The multiplier effect of spending by benefits recipients is estimated to be 1:6, with people on benefits level income spending their money locally and immediately. The value to the Herefordshire economy of the two years results, in only one area of work, becomes £6, 142,750.05 x 6 = **£9,828,400.**

It has been said that if the CAB were not to be in existence in Herefordshire then this economic benefit would not be lost to the county as it would be picked up elsewhere, for example, by the in house Welfare Rights team. This simply is not true. Firstly the Welfare Rights team does not provide debt advice. Secondly, the Welfare Rights team, as I understand it, is not an open access service, but has a remit limited to older people and those deemed vulnerable for adult social care. Thirdly, it has been acknowledged that there is currently no capacity in that team to take on the additional welfare benefit advice issues currently dealt with by the CAB. As referred to earlier, people's problems often come in clusters, and dealing with one problem in isolation, such as welfare benefit entitlement, may only solve part of that individual's problem. Finally, there is the issue of genuine independence and impartiality; the CAB's commitment is to find the best outcome for the client and it's absolute independence means that it has no conflict of interest that might arise with for example, within different parts of the authority.

### Universal Credit

Although the timetable for the introduction of Universal Credit has slipped Herefordshire Citizens Advice Bureaux has a vital role to play in local planning in order that affected individuals can be supported through the transition to Universal Credit.

Lord Freud, the Minister for Welfare Reform, wrote to all Local Authority Chief Executives in February of 2013, announcing the publication of the DWP's Universal Credit Local Support Framework document.

The framework covers who may need help and what services may be needed and emphasises the need to work in local partnerships to plan and deliver these services, and although the Local Authority may not have the figures yet, there is some funding attached to the delivery of this support.

Because of the levels of trust and reach, Citizens Advice Bureaux are the most likely place that Universal Credit claimants will turn to for support. The DWP's own research into the Direct Payment Demonstration project found that "the most common source of advice that was sought about money management, bank accounts or debt problems was Citizens Advice Bureau. No other source came close."<sup>3</sup>

4. DWP RR822 Direct Payment Demonstration Projects: Findings from a baseline survey in five project areas in England and Wales. <http://research.dwp.gov.uk/asd5/rports2011-2012/rrep822.pdf>

To help inform the CAB service's understanding of the level and nature of support individuals will need in making the transition to Universal Credit, Citizens Advice established a "Managing Migration Pilot" with Birmingham, Ynys Mon and North Dorset CAB's. These three bureaux took part in a six month project between March and September 2013, collecting data from over 1,700 'universal credit relevant' clients (from 3,460 overall CAB clients).

The headline figure from the baseline results of the pilot is that:

- 92% of clients needing to make the migration to Universal Credit will need support to make the transition.

The project considered five areas of capability where clients may need support: monthly payments, budgeting, banking, staying informed and getting online. Of those 92% of clients needing support, 38% needed help in all five capability areas.

The baseline findings from this survey show that the migration to Universal Credit is about much more than having on line access, but very much a mix of advice and support needs.

Herefordshire Citizens Advice Bureaux is ideally placed to play a leading role in helping to support statutory authorities in preparing for and delivering support to those affected by Universal Credit and there is a high risk to that successful transition locally, without CAB input.

### Health and Wellbeing

There is a wealth of research linking advice and ill health and poverty and ill health. The following is a list of published research which has found possible links between advice and:

- improvements to health
- benefits in access to health services and medication
- positive practitioners' views
- improvements to social determinates of health
- impacts of specific categories of advice.

#### General Health:

- 62 per cent of GPs agreed or strongly agreed that the service improved general health. (Borland and Owens, 2004).
- 80 per cent of patients reported improvement in their physical or mental wellbeing following CAB advice. (Hobby et al, 1998).
- Wear Valley – 12 of 18 staff reported service had benefited health of patients. (Hobby et al, 1998).

- Improvement in health for those receiving benefit increase (Veitch quoted in Hoskins and Carter, 2000).
- Improvements in mental and physical health in those receiving additional benefit. (Abbot and Hobby (99) study quoted in Hoskins and Carter, 2000).
- Being healthier following increased benefit income (Moffatt, 2008).
- 47 per cent of users of debtline reported that their health had improved (Williams, 2004).

Improved change in health:

- Following welfare benefits advice (Campbell, 2007).

Improvements to chronic illness:

- 61 per cent of GPs felt that advice helps patients deal with chronic illness (Borland and Owens, 2004).

Weight loss:

- Following receipt of additional benefit; less weight loss. (Moffat et al, 2004).

Sleeping better:

- Following receipt of additional benefit; were sleeping better, (Moffat et al, 2004)

IBS:

- Clients in debt report exacerbating pre-existing health conditions such as IBS (Turley and White, 2007).

High blood pressure:

- Following receipt of additional benefit; reduced high blood pressure, (Moffat et al, 2004).

Reduction in bodily pain:

- Caused by increased income (Abbot et al, 2005).

Prescriptions down:

- 41 per cent fewer prescriptions by patients using CAB service. (Hobby et al, 1998).
- Reduction of anti-depressants following advice (Clarke, 2001).

Feeling better:

- 88 per cent of users reported that they felt better after seeing the advice worker (Borland and Owens, 2004).

Dental problems:

- High levels of financial strain and poor coping behaviour associated with

higher levels of periodontal disease and other dental problems. (Jacoby, 2002).

#### Physical health:

- 80 per cent of patients reported improvement in their physical or mental wellbeing following CAB advice. (Hobby et al, 1998).
- Improvements in mental and physical health in those receiving additional benefit. (Abbot and Hobby (99) quoted in Hoskins and Carter, 2000).
- Marked negative effect of debt on physical and mental health ((Ahlstrom) quoted in Williams, 2004)).
- Debt/income ratio is significantly associated with worse physical health and self-reported health. (Jacoby, 2002).

#### Mental Health:

- Improved mental health due to increased income (Abbott and Hobby, 2000a), (Abbott and Hobby 2002) (Abbot et al, 2005).
- 46 per cent of interviewees said accessing money advice and being provided with appropriate support had improved their mental health and wellbeing. (Gillespie et al, 2007).
- Significant improvement in mental health found. (Caiels and Thurston is quoted in Wiggan and Talbot, 2006).
- Of those with mental disorder 23 per cent were in debt, 10 per cent had utility disconnection. More debts people had the more likely they were to have mental disorder. (Jenkins et al, 2008).
- Indices of financial capability are significantly associated with health. Strong association between financial capability and psychological wellbeing reducing probability of individual suffering a health problem related to anxiety or depression by 15 per cent. (Taylor, 2009).
- 70 per cent of over-indebted households suffered from mental health

#### Volunteering

Herefordshire Council makes continued reference to looking to local communities to take on responsibility for local services and to encouraging individuals, communities and organisations to do more for themselves and their local area, and to enabling the voluntary and community sectors to provide different services.

In many operational, strategic and partnership forums, the community and voluntary sector is often referred to as a key partner to take on services.

There seems a huge disconnect between these stated aims and ambitions and the proposal to cut support to the voluntary sector and specifically the CAB service.

Volunteers/communities/voluntary agencies/community groups/charities are often used interchangeably and referred to as one homogenous group. The reality is very different and there is a hugely diverse range of volunteers and

volunteering opportunities throughout the county. A member of a community who calls in to check on an elderly neighbour is different from an individual who turns up on a Saturday to pick litter up from a local park, who is different again, from a volunteer who gives a day a week to provide legal advice at the CAB. This is not a question of one type of volunteering being seen to better or more valuable than the next, but about understanding the differences and the differing levels of support needed to support that volunteering activity.

Legal advice of the kind undertaken by the CAB is not easy; it is complex advice based on knowledge and interpretation of English Civil law. A CAB adviser requires high level of training over several months, supervision and support to achieve and maintain competence, a premises to operate from, insurances, IT equipment and telephones, a sophisticated and complex information system, legal texts and references, stationary, postage, and everything else that comes with front line service delivery.

The economic value of volunteering can be calculated by taking matching volunteer roles to equivalent paid jobs using the ONS Annual Survey of Hours and Earnings. Using the 2012 ONS data, the economic value of volunteering in Herefordshire is calculated at approximately £250,000 per annum.

Whilst there are some people who will look in on an elderly neighbour, or the many carers counted as volunteers through the necessity of their situation, most people choose to volunteer for an organisation or cause they have a particular interest in, with the CAB being a significant beneficiary of such volunteering over many years.

#### Support for Maintaining the CAB grant

The Citizens Advice brand is widely recognised and respected with the service being ranked 1<sup>st</sup> out of 22 national charities on being helpful, approachable, professional, informative, effective, reputable and accountable.<sup>4</sup>

5. nfpSynergy Brands Attributes survey 2010

During the 2013/2014 budget consultation the bureau received (1,140) signatures to its petition against the Local Authority withdrawing any of its grant funding. Copies of the paper petition collected in bureaux and the on line submissions were attached to the bureau's budget 13/14 consultation response. I am also aware that numerous individuals and agencies either wrote to Cllr Johnson or spoke to him in support of maintaining a CAB service. Since the issues are the same I expect this public support for the CAB service to be taken account when consideration is given to the 14/15 budget consultation responses.

The bureau is currently taking part in the national Citizens Advice campaign in support of the delivery of free advice, and to date over 300 individuals have signed the "advice matters" pledge.

## Funding from other sources

The consultation assumes that the CAB can be self-sustaining and find funding from other sources.

The CAB, like most charities, has always sought funding from a variety of sources. The grant from the Local Authority has never completely covered the cost of the service provided. It is worth noting that the monetary grant to the CAB back in 2000 was £100,000, which if inflation had been applied, the grant would today stand at £147,000.

The Local Authority grant, however, is hugely important in helping to lever in funding from other sources. The vast majority of funders like to see, and sometimes require, that an organisation is supported by its Local Authority as this gives the funder reassurance that it is investing wisely.

The other point to raise about funding from other sources is that, almost without exception, it is funding to provide a particular type of service, perhaps to a specific client group, and is nearly always time limited. For example, the bureau receives funding from Macmillan Cancer Support, but that funding is, not unreasonably, restricted to patients with a cancer diagnosis, their family and carers. Similarly, money received from Registered Social Landlords pays for debt advice for their tenants only. Both of these examples provide really excellent and targeted services, but they do not pay for the generalist “open door” service.

As for being self-sustaining; there is not a single model in the country of an advice service like the CAB service being self-sustaining. The service is free to the individual and this is a fundamental principle of the CAB service.

## Equalities Impact Assessment

The 2013/2014 budget consultation’s own EIA acknowledged the significant impact on people in crisis accessing CAB services if funding were to end to the CAB service, and suggested that a detailed EIA would almost certainly be required. It is not clear whether or not that more detailed EIA has been carried out; if it has then it is not published within the budget consultation documents. In respect of the EIA that was published as part of the 2013/2014 budget consultation, the following questions are raised:

1. What consultation has taken place locally with Age UK, prior to listing that organisation as a mitigation/exit route for advice seeking clients aged 50+?
2. The EIA suggests a mitigation/exit route for clients with disabilities as “signposting to disability charities”. Can the Council confirm to which specific charities the document refers?
3. Upon what basis has it been determined that Age UK has the capacity to take on additional advice services?



4. Upon what basis has it been determined that the cited “disability charities” have the capacity to take on additional advice services?
5. Upon what basis has it been determined that AGE UK has the appropriately trained and legally accredited personnel to take on the advice remit currently covered by the CAB?
6. Upon what basis has it been determined that the cited “disability charities” have the appropriately trained and legally accredited personnel to take on the advice remit currently covered the CAB?
7. Can the Council clarify what “Website information” is being referred to in terms of the mitigation/exit route for all other protected characteristics listed?
8. Can the Council confirm what analysis has been done of advice/information available on websites?
9. Is the Council satisfied that there is an understanding of the difference between the provision of information and the provision of legal advice, and can the Council confirm upon what basis it has been decided that “website information” is an adequate substitute for proper legal advice?
10. “Advice” is a very broad term. Can the Council clarify what analysis has been undertaken to aid understanding of the varying levels of provision broadly termed as “advice” but which range from simple provision of information through a website or a leaflet to representing a client in court or at a tribunal?
11. Other EIA’s contained in the reports pack, have identified other groups as being affected by the proposals, acknowledging that they are not protected equality characteristics, such as the effect on volunteers. Can the Council comment on why, the effect of the loss of volunteering resources is not highlighted in the CAB’s EIA?
12. Other EIA’s contained in the reports pack have taken account of other factors such as poverty and low income. Can the Council explain why no account of poverty appears to have been taken in the CAB EIA, considering that the majority of CAB clients are in poverty or on low incomes?
13. Other EIA’s contained in the report refer to the use of Mosaic data as a useful tool to aid understanding of customers and how they access services. Can the Council confirm if Mosaic data has been considered in respect of aiding the understanding of advice clients and how they access services?
14. The reports pack includes a number of EIA’s which differ significantly in terms of content, methodology, depth of analysis and format. Can the Council confirm what criteria has been used to produce the EIA’s and explain why some include factors outside of the protected equality characteristics and others don’t, why a range of other factors, such as poverty/low income and rurality have been used in some and not others, why some acknowledge the need to consider the combined factors of issues such as age, disability and poverty and others do

not, and why some appear to include consultation with specific service and other stakeholders, such as users, staff, local councils etc, and again, others do not?

15. The EIA refers to the Equality Duty 2010 having three aims (general duty).

The very aims of the Citizens Advice Service are to:

- **provide the advice** people need for the problems they face and **improve the policies and practices** that affect people's lives.
- provide free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We value diversity, promote equality and challenge discrimination

When someone contacts the CAB the cause of their problem is often an unfair policy, practice or piece of legislation. The CAB service in Herefordshire contributes significantly to the elimination of discrimination, harassment and victimisation through its individual advice work with clients as well as its social policy work, and this was recognised at a national level recently when the bureau received a commendation from Citizens Advice for its work supporting gypsies and travellers in the county with housing issues, issues relating to the provision and condition of traveller sites, employment, discrimination and domestic violence issues. Is the Council satisfied that there has been sufficient analysis of the work undertaken by the CAB in Herefordshire to reflect this level and complexity of legal advice work?

16. Is the Council satisfied that there has been sufficient analysis of the impact of the loss of CAB services on levels of child poverty, fuel poverty and social and financial inclusion in the county?

17. Can the Council explain why no assessment has been made of the financial risk/impact to the authority at the loss of CAB services?

18. Is the Council satisfied with the overall risk rating of the withdrawal of funding of CAB services as "medium" given that the consequences of poor advice or no advice can result in individuals' losing their homes, their liberty, their jobs, and other serious consequences such as risk of domestic violence and ill health, prevented by the provision of quality, timely legal advice?

## Summary

1. The CAB makes a positive and significant contribution across a range of policy areas, underpinning statutory provision and corporate priorities:

- Child poverty
- Financial inclusion
- Fuel poverty
- Prevention of homelessness
- Reducing health inequalities, particularly in respect of reducing the social gradient
- Improving health and wellbeing
- Supporting families

- Improving access to services
  - Supporting stronger communities through volunteering
  - Development of employment skills through volunteering
  - Community cohesion
  - Reduction in offending behavior through integrated offender management pathways
  - Supporting the maintenance of independence
2. In Herefordshire, the CAB is the only independent, free, open access generalist legal advice service able to offer quality controlled services across the range of Social Welfare Law.
  3. The CAB improves the financial position of individuals in this county by £4.4 million per annum; money largely re-circulated in the local economy
  4. CAB volunteer time can be calculated at around £250K per annum
  5. Good and timely advice stops problems spiraling out of control. One event such as losing a job can lead to debts, rent arrears, eviction, stress and even family breakdown. Advice can stabilize someone's financial situation and avoid homelessness, which as well as the benefits to the individuals and families involved, can save the state money in re-housing, benefit payments and health costs.
  6. Citizens Advice research (2010) estimates that between £2 and £9 is saved for every £1 invested in advice:
    - Every £1 spent on housing advice saves £2.34
    - Every £1 spent on debt advice saves £2.98
    - Every £1 spent on benefits advice saves £8.80
    - Every £1 spent on employment advice saves £7.13
  7. Demand for advice is widespread, 1 in 5 people have sought advice on housing, employment, debt or benefits problem (Local Government Association 2012)

## Appendix 3: Analysis of all responses

There were a total of 253 responses to the online simulator tool, however as the guidance notes to the consultation clearly stated, those responses that reduced spend in key areas (**adult social care; children and young people; unavoidable fixed costs**) were discounted in the main report on the results. However for reference, this appendix includes an analysis of all 253 responses.

### Key points to note:

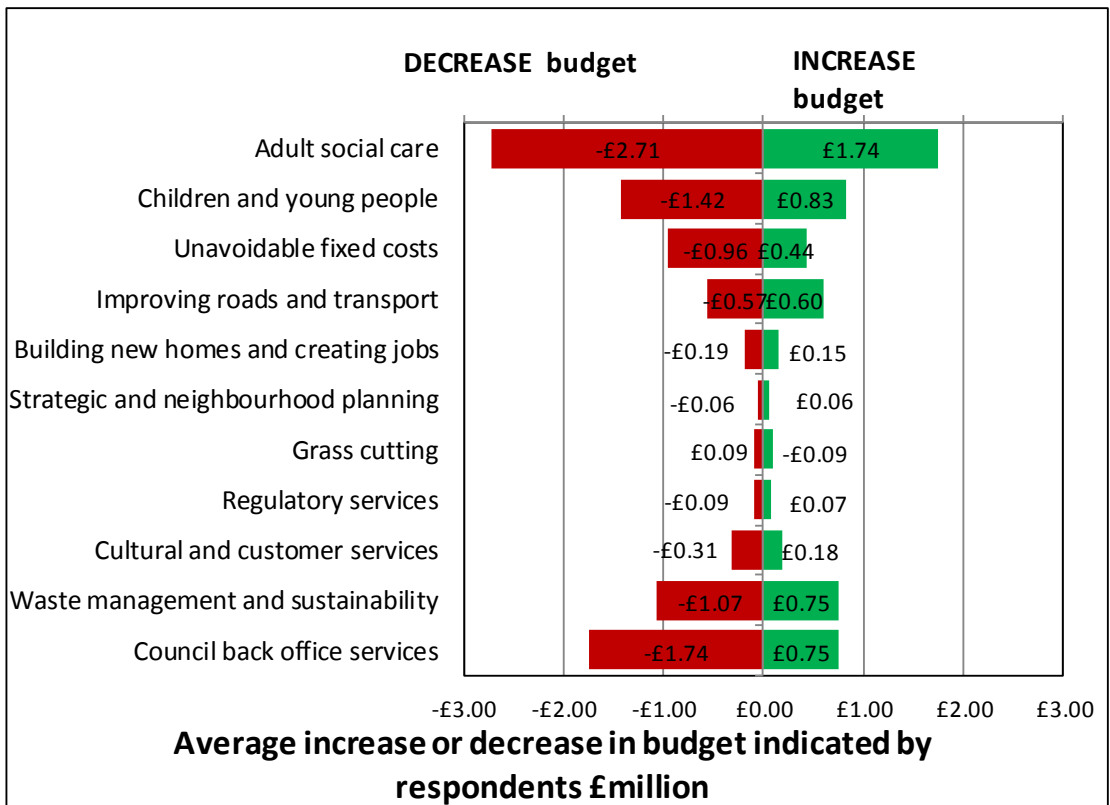
- For **adult social care**, whilst most of respondents chose to decrease the budget (47 per cent), 36 per cent respondents chose to keep the budget the same with 18 per cent opting to increase it. This section showed the greatest average increase in net budget (£1.74 million) but this is only 3.3 per cent of the net budget for this area.
- For **children and young people**, the same pattern emerged with 42 per cent choosing to decrease the budget, 38 per cent choosing to keep the budget the same and 19 per cent opting to increase it.
- For **unavoidable fixed costs**, also shows the same pattern emerged with 43 per cent choosing to decrease the budget, 39 per cent choosing to keep the budget the same and 19 per cent opting to increase it.
- For **investing in improving roads and transport**, most respondents chose to increase the budget (45 per cent) with a quarter choosing to keep the same and 30 per cent opting to decrease it. A similar pattern emerged for **grass cutting** as shown in Table 1.
- For **building new homes and creating jobs**, opinion was divided with 38 per cent of responses opting to decrease, 40 per cent to increase and 24 per cent not change the budget. A similar pattern emerged for **strategic and neighbourhood planning**.
- The average increase or decrease for the areas **building new homes and creating jobs, strategic and neighbourhood planning, grass cutting and regulatory services** was small, but a much larger proportion of the starting budget (i.e. these budgets are relatively smaller than those for adult and children's services).
- Responses for **regulatory services, environment, cultural and customer services** and **waste management** showed a similar pattern of about a half of respondents opting to decrease the budget with about a quarter opting to keep the budget unchanged.
- Three quarters of respondents (74 per cent) chose to decrease the budget for **council back office functions**; this was the highest average decrease

amount.

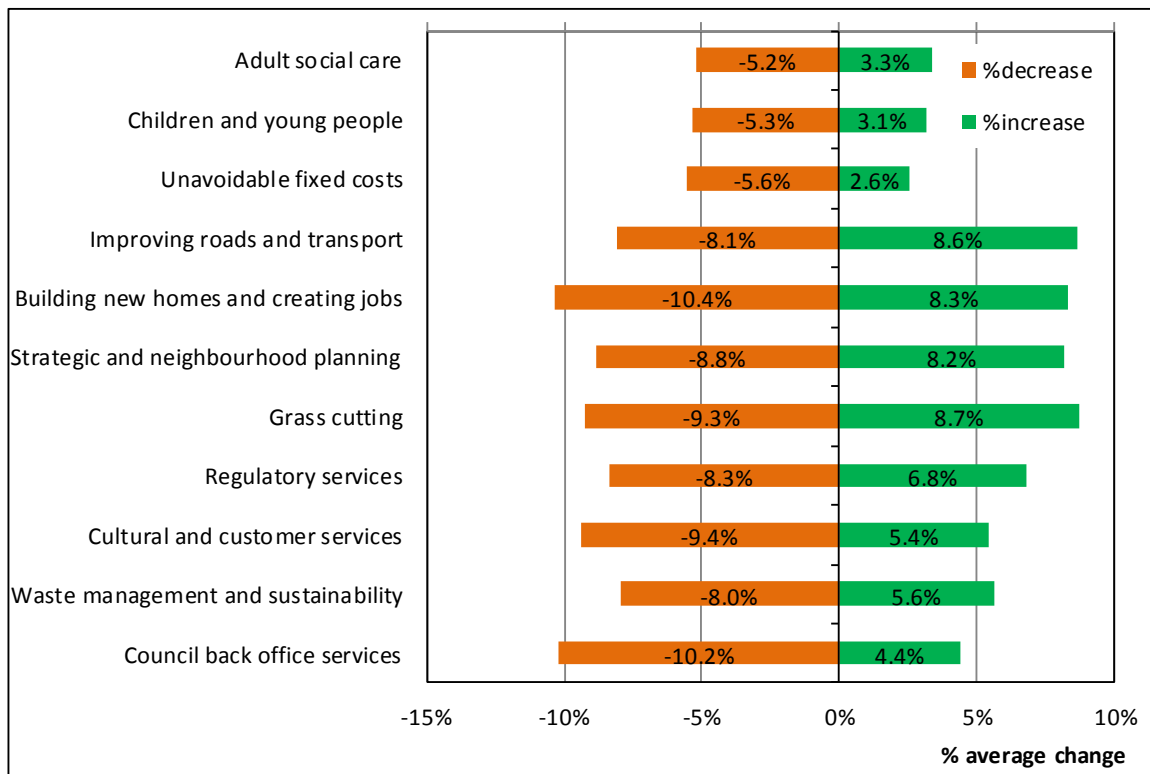
**Table 1: Percentage of responses to increase, decrease or opt for no change to the net budgets in each area:**

Budget options	Percentage count of increases and decreases		
	%decrease	%no change	%increase
Adult social care	47%	36%	18%
Children and young people	42%	38%	19%
Unavoidable fixed costs	43%	39%	19%
Improving roads and transport	30%	25%	45%
Building new homes and creating jobs	38%	23%	40%
Strategic and neighbourhood planning	40%	24%	36%
Grass cutting	34%	23%	43%
Regulatory services	49%	26%	25%
Cultural and customer services	50%	23%	27%
Waste management and sustainability	47%	23%	30%
Council back office services	74%	16%	10%

**Chart 1: Average increase or decrease in net budget**



**Chart 2: Average increase or decrease to net budget as a proportion of the starting budget for each section**



- The budget simulator assumed a council tax rise of 1.99 per cent. Respondents could opt to either keep this the same, decrease or increase it. However the guidance clearly stated that *'If you wish to increase this level, by law we will be required to hold a public referendum, which would incur a significant cost to the council'*. The average **council tax change** opted for was a decrease of 2.68 per cent from the starting point, in effect a 0.69 per cent decrease (1.99 – 2.68%).
- Of those who responded to the options for **generating income**, 127 opted to do this from the council tax reduction scheme, 113 by discretionary rate relief and 115 via parking.
- For **efficiency**, similar numbers opted to reshape service functions (121) with a similar number opting for council back office services and the smallest number opting for reducing bus service subsidies (69).

### **About the respondents**

Where given, 62 per cent of the respondents are men (38 per cent women); 12 per cent of respondents are disabled; 86 per cent are 'White British'. Age of respondents ranged from 1 per cent under 18 years old; 7 per cent aged 18 to 24; 23 per cent aged 25 to 34; 24 per cent aged 35 to 44; 27 per cent aged 45 to 54; 11 per cent aged 55 to 64 and 8 per cent aged 65 or over.





# Cumulative Equality Impact Assessment of Budget 2015/16

Carol Trachonitis, December 2014

## 1. Background

Herefordshire Council had a saving target of £15m in the financial year 2014/15. In order to achieve this, budget proposals were prepared. Those that affected services had an equality impact assessment completed, and these were considered before decisions were taken on the budget.

Over the next three years a further £18m of savings are required (2015/16 = £10.2m, 2016/17 = £7.6m).

This document summarises the Equality Impact Assessment for the budget proposals for the financial year 2015/16. It highlights:

- The key differential impacts of potential budget decisions for legally protected groups
- Where a single decision or series of decisions might have a greater negative impact on a specific group
- Ways in which negative effects across the council may be minimised or avoided, and where positive impacts can be maximised or created

Budget decisions can have different impacts on different groups of people, either changes to individual services or in the way those changes have an impact cumulatively.

The council has a legal duty (under the Equality Act 2010) to evidence that we have paid due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the act
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between person who share a relevant protected characteristic and persons who do not share it

The budget EIAs demonstrate how we are considering impacts, and action we will take where needed.

## 2. The Budget Equality Impact Assessment (EIA) Process

In Herefordshire we use an EIA process to identify the main potential impacts on groups covered by legislation (the protected characteristics in the Equality Act 2010<sup>1</sup>).

EIAs have been completed by service leads on the budget proposals where the potential change impacts on service provision. These have been reviewed for the proposals 15/16 and, where new proposals have been put forward, new impact assessments have been completed. Also, where

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<sup>1</sup> "Protected characteristics" are; age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation (also marriage and civil partnership, but only in relation to eliminating discrimination)

we have implemented changes we have reviewed the impact of those changes. A summary is attached (appendix 1).

The aim of the EIA is to support good decision making; it encourages public bodies to understand how different people will be affected by their activities so that policies and services are appropriate and accessible to all and meet different people's needs.

The aims of an EIA become especially important at times of straitened budgets, enabling us to:

- Think about what the council is trying to achieve
- Consider what impact the decision will have on different groups
- Target resources to those who may be most vulnerable
- Fund services which respond to people's diverse needs and save money by getting it right first time

Nationally there have been a number of successful legal challenges to funding decisions because public authorities have failed to show such consideration during the process. In such cases the public authority will almost always be required to start the decision-making process again, with improved consultation and evidence gathering to identify the impact on particular groups.

We have agreed that we must focus our priorities and resources towards:

- Keeping children and young people safe and giving them a great start in life
- Enabling residents to live safe, healthy and independent lives
- Investing in projects to improve roads, create jobs and build more homes

Unfortunately, it is not just severe funding reductions we are facing, but also an increasing population with additional needs, particularly in priority areas such as children and young people and adult social care.

In the simplest terms, we can no longer continue to pay for all the services we have traditionally provided. Therefore we must prioritise the services we provide and how we provide them. This means we may need to radically reduce or completely stop providing certain services, especially if they are not within our priority areas. However, even within our priority areas, we have still needed to make reductions to balance our budget.

### **3. The National Context**

The budget proposals are being developed within the context of on-going reduced public funding to local government.

Key national issues that may have an equality impact include:

- General Election
- Children's and Families Act 2014
- Comprehensive Spending Review (which means that we are operating in a context of reduced funding for local authorities)
- Welfare Reform
- Education Reform

### **4. The Local Context**

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.

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

We understand that people are experiencing financial difficulties in the current economic climate.

### **5. Equality Impact Assessment Findings**

The EIA process and consultation have been based on identifying whether or not service delivery impacts are likely to be different for a person because of their protected characteristic (with a focus on where impacts may be worse).

There has been an overall assessment of the Equality Impact Assessments that have been produced and the findings are:

- 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.
- 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 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.



### **Additional Rural Transport Funding**

#### **1. Background**

The provisional local government funding settlement for Herefordshire for 2015/16 was announced on 18<sup>th</sup> December 2014 and was in line with expectations in the draft budget with Herefordshire's Revenue Support Grant (RSG) funding reducing by £9m. RSG will now provide just £26m of the councils £142m 2015/16 net budget requirement.

The settlement confirmed another year of additional resources for the most rural authorities to recognise the additional challenges faced by rural communities in delivering services. In 2015/16, national rural grant funding was increased to £15.5 million, an additional £378k for Herefordshire, £976k in total. This grant currently applies only in respect of super sparse areas like Herefordshire. Its incremental growth is relatively small and it does not currently assist some due to the funding being largely removed by damping and other measures.

In Herefordshire this additional funding has been offset by reductions in funding elsewhere, such as the national funding for the Improvement and Development Agency which has been funded by deducting £23.4m nationally from RSG, Herefordshire's proportion being £127k. This means Herefordshire has benefited overall by an additional £251k pa.

#### **2. Funding Rural Transport Costs in 2015/16**

The additional funds are to be used to fund rural transport costs. The intention is to use the bulk of these funds to reintroduce services that received significant local public support and have a potential longer term growth opportunity that were removed during the public transport services cuts made during 2014. Particularly to improve public transport services for elderly members of the community and support trips to health and social care opportunities. The remaining funds will be used to fund further feasibility work in relation to the Rotherwas rail link proposals.

The additional funding is for 2015/16 only therefore if passenger demand exists and increases for services are supported, funding required beyond 2015/16 would become fully commercial or be prioritised for continued support alongside all other supported services in line with the council's public transport policies.





<b>Meeting:</b>	<b>Council</b>
<b>Meeting date:</b>	<b>6 February 2015</b>
<b>Title of report:</b>	<b>Pay policy statement</b>
<b>Report by:</b>	<b>Employment panel</b>

## Classification

Open

## Key Decision

This is not an executive decision.

## Wards Affected

Countywide

## Purpose

To approve the 2015 pay policy statement for publication; to approve the salary package for the director of adults and wellbeing in accordance with the provisions of the Localism Act 2011.

## Recommendations

**THAT:**

- (a) the pay policy statement summarising existing council policies (at Appendix A) be approved; and**
- (b) the director of adults and wellbeing salary of £120,000 be approved.**

## Alternative options

- 1 There are no alternative options to recommendation a); the approval by council of a pay policy statement for the authority is a statutory requirement. The statement does not of itself make any policy changes, but provides a summary of those policies already in place.
- 2 It is open to Council to approve an alternative salary level for the post of director of adults and wellbeing. However to mitigate any risk of equal pay challenge and in a competitive talent market Herefordshire Council must also take account of internal and external relativities (i.e. job evaluation and benchmarking).

## Reasons for recommendations

- 3 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 (the act) and the Local Government Transparency Code 2014.
- 4 The council must have regard to the guidance issued by the secretary of state to under Section 40 of the act. This includes the requirement for council approval for salary packages in excess of £100,000.

## Key considerations

### Pay policy statement.

- 5 The 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.
- 6 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.
- 7 The statement must include the council's definition of 'lowest paid employees' and the reasons for adopting that definition.
- 8 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
- 9 The local government transparency code came into effect in August 2014. Local authorities must, under this code, publish the pay multiple on their website, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce. The measure must:
  - a. Cover all elements of remuneration that can be valued (eg. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind)
  - b. Use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and
  - c. Exclude changes in pension benefits, which due to their variety and



complexity cannot be accurately included in a pay multiple disclosure.

- 10 The pay multiples presented in the pay policy statement comply with the transparency code requirements. In future the pay multiples will be included in the statement of accounts at the time of publishing.
- 11 The statement draws together factual material and provides a summary of the current pay policies of the council.

### **Living Wage**

- 12 Management board has considered an initial review of the implications for moving from paying lowest paid workers at the national minimum wage to the living wage as a minimum level. They have requested further analysis to better understand the financial and non-financial implications for the council and bodies such as schools and organisations contracted to undertake work for the council. There are now only a very small number of posts within the council in this category and it is likely that following a review of distribution of duties, those roles may be evaluated at a higher grade which will be above the living wage.
- 13 Following the resolution passed at Council on Friday 12 December 2014, a further report will be brought to the employment panel once the more detailed work requested by management board has been completed.

### **Director of adults and wellbeing**

- 14 Under the act, Council has the opportunity to vote before large salary packages are offered in respect of a new appointment. The secretary of state considers that £100,000 is the right level for that threshold to be set. For this purpose, salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment; reimbursement of expenses is not included within the definition.
- 15 All posts, whether chief officer or not, have their level of remuneration established through assessment by a nationally recognised and independent job evaluation scheme; in the case of chief officers the Hay scheme is used. This incorporates a national benchmarking across posts with similar roles and accountabilities and provides a salary range suitable for the post with median, upper and lower quartiles.
- 16 The employment panel has considered and supports the proposed salary for the director of adults and wellbeing and therefore makes the recommendation above.
- 17 It is acknowledged that the organisation has made significant progress to respond to the financial challenges and transformation of service delivery over the last two years with significant challenges cited for the foreseeable future. It is important that our organisation continues to recruit quality candidates at best value to the core roles which are required to ensure that we have high calibre people working in our organisation to continue to lead and deliver further significant changes across the public services and in particular the continued challenges to local authorities.
- 18 Interim arrangements in respect of the director of adults and wellbeing post have been in place since 2013 to cover a period of significant change including transformation of adult social care and integration with public health but now need the stability offered by a permanent appointment mitigating the risks identified in the annual governance statement.
- 19 The role profile for the director for adults and wellbeing position has been subject to a job evaluation process and the salary applied is consistent with existing director level roles. The director salary level is a spot salary at £120,000 as detailed in the pay

policy statement.

20 The organisation chart at appendix b shows the chief officer structure.

## **Community impact**

21 The council, as an employer, has a significant role to play in the local economy. We have an explicit corporate objective related to increasing the average wage and the number of people that work in Herefordshire. Consideration should continue to be given to the degree to which the commissioning approach adopted by the council may be used to influence pay policies of local contractors who supply goods or services on behalf of the authority. The council continues to ensure that the resources available are used in the most effective way.

## **Equality duty**

22 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 equality legislation.

23 When conducting further living wage analysis, an equality impact assessment will be completed.

## **Financial implications**

24 There are no financial implications relating to the pay policy statement arising from the report; the statement simply summarises current policies and pay levels.

25 The salary proposed for the director of adults and wellbeing is within existing budgetary provision. There will be a cost for the recruitment campaign and any costs for using specialist agencies to source good quality candidates. The anticipated cost for this would be not more than £15,000 to include agency fees and attraction. Efforts will be made to recruit without incurring specialist fees but should this prove necessary any such fees will be covered from existing budgets.

## **Legal implications**

26 Sections 38 – 43 of the Localism Act 2011 require that the authority prepare a pay policy statement for each financial year. It must be prepared and approved before 31 March and, once approved, published. This policy statement meets the requirements of the act and also meets the requirements of the guidance issued by the Secretary of State for Communities and Local Government to which the authority is required to have regard under Section 40 of the act.

## **Risk management**

27 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.

28 Failure to recruit to statutory roles for the long-term would risk the delivery of strategic transformation across our services.

29 The annual governance statement and action plan highlights the risks associated with high levels of interim senior management cover, the proposed recruitment actions contribute to the mitigation of that risk.

## **Consultees**

- 30 Management board, trade unions and employees will continue to be engaged as appropriate on future thinking and associated plans to make any further changes to elements of the pay policy, or terms and conditions of employment.

## **Appendices**

Appendix A – Draft pay policy statement

Appendix B – Organisation charts

## **Background papers**

- None identified.



## **DRAFT - Pay Policy Statement 2015**

## **Appendix A**

### **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 refresh.

### **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 government across England. Direct government funding is being cut by over 40% in the worst cases.
7. In addition Herefordshire Council serves ever more people, particularly in essential areas such as children's safeguarding and adult social care. Nonetheless we must reduce expenditure in total by approximately £33m in the period 2014/15 – 2016/17; to hit this target we must make savings of £9m in 2015/16, on top of the £34m savings delivered in the previous three financial years.
8. We have managed to reduce our costs substantially by working in better ways and being more efficient, including a reduction in the number of senior posts, and a reduction in the salary levels of chief officer posts. We will keep doing this but there is little opportunity left to reduce costs without reducing our services further.
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. This means changing the way those services are provided and by managing demand.

#### **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. National pay increased by 2.2% in January 2015.
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 3 November 2014.
19. An organisation chart at Appendix B 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.

	<b>Permanent posts</b>	<b>Total Pay £</b>
	<b>CEO Herefordshire Council+ (head of paid service)</b>	143,888
	Head of communications and web	52,824
<b>Children's wellbeing directorate</b>		
	<b>Director of children's wellbeing+ (0.9 fte)</b>	107,172
	Assistant director commissioning and education	80,132
<b>Economy communities and corporate directorate</b>		
	<b>Director for economy communities and corporate</b>	119,260
	Assistant director economic environmental and cultural services	80,132
	Assistant director place based commissioning	80,132
	Assistant director governance ( <i>monitoring officer</i> )	89,310
	Head of community and customer services and project director broadband	70,140
	<b>Section 151 officer+ (1 day a week)</b> *Annual salary (max) of future appointment of director of resources to be in place by September 2015	33,541 (98,040)
	Head of human resources and organisation development	54,260
	Finance business partner	54,260
	Head of corporate finance	51,444
	Head of management accounting (0.92 fte)	47,328
	Head of corporate assets management	50,064
	Property services manager	50,064
	Service manager – ICT commissioning	44,073
<b>Adults Wellbeing directorate</b>		
	*Proposed vacancy - <b>Director of adults and wellbeing+</b>	(120,000)
	*Vacancy - assistant director – adults and wellbeing commissioning	(80,132)
	Head of adult safeguarding and transformation	70,140
	Programme director – housing and growth	73,978
	Head of practice development and targeted support	55,734
	<b>*Director of public health+</b> Annual salary of future appointment to be in place by September 2015	(94,270)
	Public health consultant	84,017
	Public health consultant	84,017
	Health improvement programme manager	49,093

**Total Pay** includes net annual salaries, taking account of two days unpaid leave deduction and any additional payments e.g. market forces supplements, allowances, benefits-in-kind, as defined in the local government transparency code 2014 effective 1 February 2015. Not inclusive of on costs which are typically an additional 24%.

\* denotes agreed/proposed vacancies and salary.

+ denotes statutory chief officers

### Additions to salary of chief officers

20. The chief executive is the returning officer for Herefordshire. No additional payment is 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. Relocation for new employees and mileage are classed as expenses, i.e. are not tax deductible and relate to additional costs incurred.

### 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, public health and commissioning transformation; and financial/resources stability. In the case of the first two, the contracts of service are costing no more than any substantive post at this level including on costs. The contract of service cost for finance/resources transformation will cost slightly more and this was previously agreed with the employment panel on 3 June 2014. 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.

<b>Contract of Service provision</b>	<b>Annual budget £000</b>	<b>Equivalent people</b>
Adult care, public health & commissioning transformation	143	1
Public health	125	1
Adults wellbeing commissioning	105	1
Finance/resources transformation	117	1
Safeguarding and early help	103	1
Adults wellbeing operations	97	1
Enterprise Zone programme director	47	1

24. These figures should not be confused with 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 individuals carrying out the work.
25. 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 service 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).



26. 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**

27. 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.
28. 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.

### **Pensions**

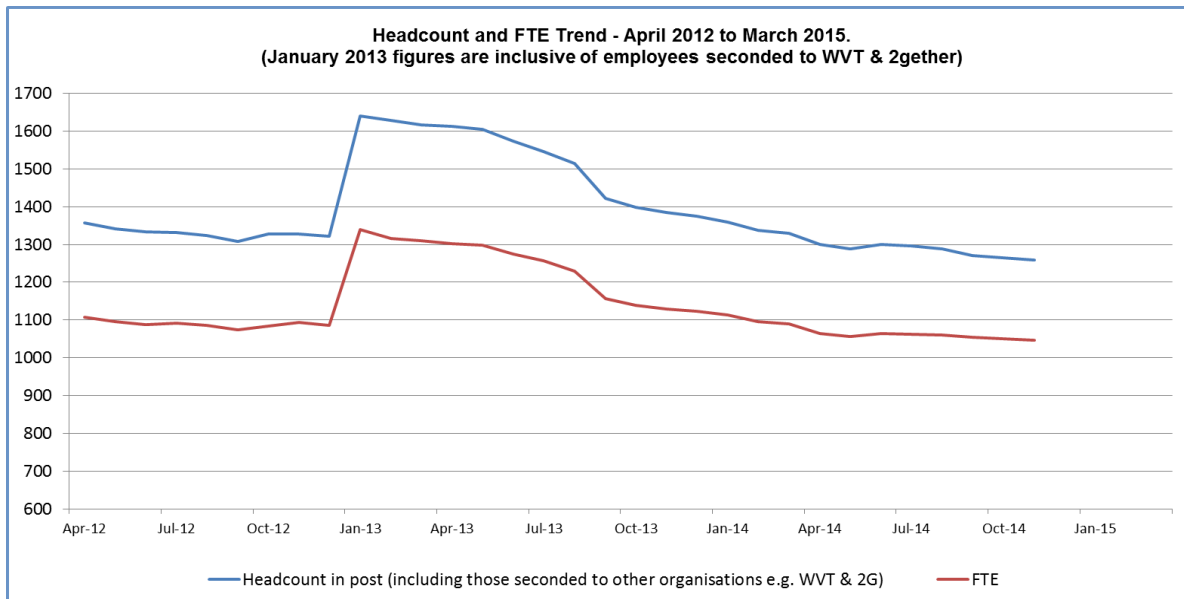
29. Subject to qualifying conditions, employees have a right to join the nationally determined local government pension scheme. The employee contribution rates, which are defined by statute, are as of 1 April 2014:

<b>Whole time pay rate</b>	<b>Contribution rate</b>
Up to £13,500.99	5.5%
£13,501.00 to £21,000.99	5.8%
£21,001 to £34,000.99	6.5%
£34,001.00 to £43,000.99	6.8%
£43,001.00 to £60,000.99	8.5%
£60,001.00 to £85,000.99	9.9%
£85,001.00 to £100,000.99	10.5%
£100,001.00 to £150,000.99	11.4%
£150,001.00 and above	12.5%

30. Scheme members have the right to opt to pay half rate contributions in return for half the benefits.
31. 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 2014 is 24%. This includes an element of past service deficit funding.

### **Broader workforce perspective**

32. This section of the pay policy statement applies to the non-schools workforce only.
33. The overall spend of Herefordshire Council is approximately £319 million. Approximately £36 million is spent on employing the non-schools workforce in relation to basic salaries (including national insurance and superannuation) of directly employed staff to which this policy relates. As at 3 November 2014 (the most recent data available at time of drafting) there were 1049.21 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.*

34. As at 3 November 2014, the median basic salary was £22,443 (excluding national insurance and superannuation). The mean average salary (workforce cost exclusive of national insurance and superannuation divided by headcount) is £25,717 which has reduced from £28,343 in December 2013. The median chief officer annual salary is £70,682 (excluding national insurance and superannuation) this has reduced from £79,013 last year.
35. 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 3 November 2014, this is scp10 £14,013 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'.
36. The current pay levels within the council define the multiple between the lowest paid (full time equivalent) employee and the chief executive as 1:10 (reduced from 1:11) and; between the lowest paid employee and average chief officer as 1:5 (reduced from 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 1:3 (reduced from 1:4). The multiple between the median salary and the chief executive is 1:5. This data will be refreshed in line with the publishing of the statement of accounts and will be available within the statement of accounts and on the website.
37. The authority implemented two days unpaid leave through collective bargaining in May 2013 that applies to all roles within the organisation (excluding schools, TUPE transferred 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.
38. The council values the contribution that interim workers make to achieving organisational objectives. They enable a flexible employment model that makes it possible for the council to attract expertise that is not otherwise internally or locally available. Where the nature of the

work is time limited utilising interims may be the more cost effective approach by mitigating long-term substantive costs and potential redundancy circumstances. It is normal for organisations going through significant transformation to have a flexible workforce model to achieve the challenging priorities and respond to the associated budget pressures.

39. That said, the agency worker market also needs to operate within a cost and quality model which is affordable. The council has signed up to the west midlands children's agency social worker protocol which seeks to be transparent about cost and ensure consistent quality.

### **Accountability and decision making**

40. 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.
41. 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.
42. 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.

### **Member pay**

43. 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**

44. 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.

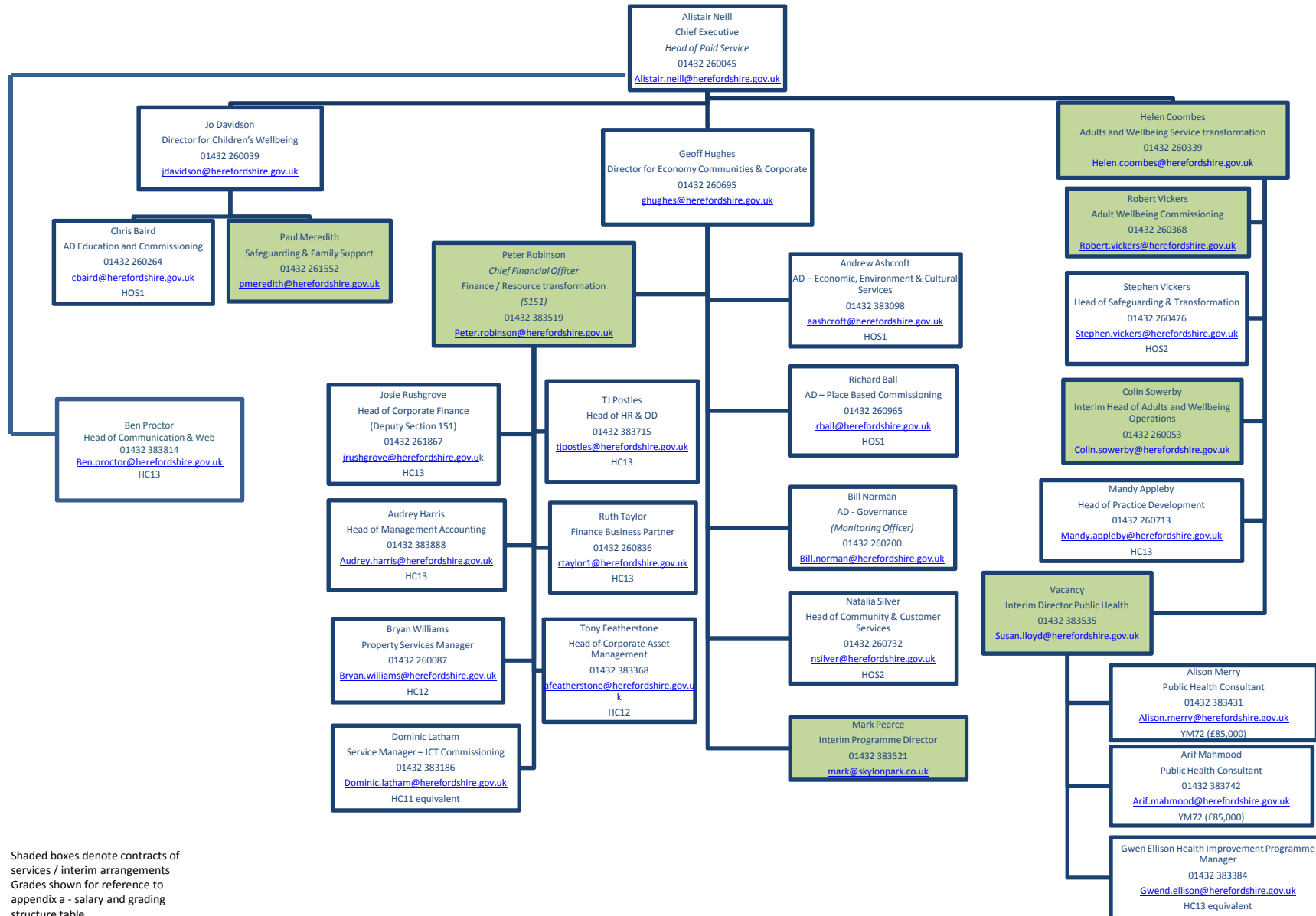
**Herefordshire Council pay and grading structure – 1 January 2015**
**Appendix 1**

<b>Grade</b>	<b>National SCP (scp50 &amp; above are local)</b>	<b>Annual Pay Rate</b>	<b>Hourly Pay Rate(£)</b>
HC1	5	£13,500	6.9974
	6	£13,614	7.0565
	7	£13,715	7.1088
HC2	7	£13,715	7.1088
	8	£13,871	7.1879
	9	£14,075	7.2954
	10	£14,338	7.4317
HC3	10	£14,338	7.4317
	11	£15,207	7.8822
	12	£15,523	8.0460
	13	£15,941	8.2626
HC4	13	£15,941	8.2626
	14	£16,231	8.4129
	15	£16,572	8.5897
	16	£16,969	8.7955
HC5	17	£17,372	9.0043
	18	£17,714	9.1816
	19	£18,376	9.5247
	20	£19,048	9.8731
	21	£19,742	10.2328
HC6	21	£19,742	10.2328
	22	£20,253	10.4976
	23	£20,849	10.8066
	24	£21,530	11.1595
	25	£22,212	11.5130
	26	£22,937	11.8888
HC7	26	£22,937	11.8888
	27	£23,698	12.2833
	28	£24,472	12.6845
	29	£25,440	13.1862
	30	£26,293	13.6283
	31	£27,123	14.0585
HC8	31	£27,123	14.0585
	32	£27,924	14.4737
	33	£28,746	14.8998
	34	£29,558	15.3207
	35	£30,178	15.6420
	36	£30,978	16.0567
HC9	36	£30,978	16.0567
	37	£31,846	16.5066
	38	£32,778	16.9897
	39	£33,857	17.5489
	40	£34,746	18.0097
HC10	41	£35,662	18.4845
	42	£36,571	18.9557
	43	£37,483	19.4284
	44	£38,405	19.9063
	45	£39,267	20.3531

HC11	46	£40,217	20.8455
	47	£41,140	21.3239
	48	£42,053	21.7971
	49	£42,957	22.2657
	50	£44,124	22.8706
HC12	51	£45,320	23.4905
	52	£46,552	24.1291
	53	£47,820	24.7863
	54	£49,117	25.4586
	55	£50,451	26.1500
HC13	56	£51,824	26.8617
	57	£53,232	27.5915
	58	£54,679	28.3415
	59	£56,165	29.1117
HoS2		£70,682	36.6364
		£72,591	37.6258
		£74,550	38.6412
HoS1		£76,563	39.6846
		£78,631	40.7565
		£80,751	41.8554



# Herefordshire Council Chief Officers and their direct reports as at February 2015



Note:  
 1. Shaded boxes denote contracts of services / interim arrangements  
 2. Grades shown for reference to appendix a - salary and grading structure table

