Herefordshire Council

AGENDA

Cabinet

Date:	**Thursday 22 January 2015**
Time:	**2.00 pm**
Place:	**The Hall, Shire Hall, St Peters Square, Hereford, HR1 2Hx**
Notes:	Please note the **time, date** and **venue** of the meeting. For any further information please contact: **Governance Services** Tel: (01432) 260249 Email: councillorservices@herefordshire.gov.uk

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Agenda for the Meeting of the Cabinet

Membership

Chairman	**Councillor AW Johnson**

Councillor H Bramer
Councillor JW Millar
Councillor PM Morgan
Councillor GJ Powell
Councillor PD Price
Councillor P Rone

AGENDA

Pages

HEREFORDSHIRE COUNCIL

Notice has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Item No	Title	Portfolio Responsibility	Scrutiny Committee	28 Day Notice Given
4	**Budget And Medium Term Financial Strategy**	Corporate Strategy and Finance	General Overview and Scrutiny Committee	Yes
5	**Hereford United Football Club (1939) Ltd (Approval To Seek New Tenant At Edgar Street Athletic Ground, Hereford)**	Contracts and Assets	General Overview and Scrutiny Committee	Yes
6	**Joint Property Vehicle**	Contracts and Assets	General Overview and Scrutiny Committee	Yes

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on the Agenda.

3. MINUTES 7 - 14

To approve and sign the minutes of the meeting held on 18 December 2014.

4. BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 15 - 144

To agree the draft medium term financial strategy for 2015/16 to 2016/17 and the 2015/16 revenue budget for recommendation to Council on 6 February 2015.

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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.
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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 Cabinet held at The Hall, Shire Hall, St Peters Square, Hereford, HR1 2H on Thursday 18 December 2014 at 2.00 pm

Present: **Councillor PM Morgan (Vice Chairman)**

Councillors: H Bramer, JW Millar, GJ Powell, PD Price and P Rone

In attendance: **Councillors CNH Attwood, AR Chappell, EMK Chave, BA Durkin, PJ Edwards, J Hardwick, JA Hyde, TM James, RI Matthews, FM Norman, AJW Powers.**

Officers: **Chris Baird (Assistant Director, Commissioning and Education), Richard Ball (Assistant Director, Place Based Commissioning), Jason Collins (Parsons Brinkerhoff), Helen Coombes (Director of Adults Wellbeing), Phil Davidson (Parsons Brinkerhoff), Gary Dymond (Parsons Brinkerhoff), Geoff Hughes (Director for Economy, Communities and Corporate), Mairead Lane (Construction Manager), Alistair Neill (Chief Executive), Bill Norman (Assistant Director, Governance), Ben Pritchard (Parsons Brinkerhoff), Peter Robinson (Section 151 Officer), Natalia Silver (Head of Community and Customer Services), Marc Thomas (Parsons Brinkerhoff), Andy Williams (Balfour Beatty Living Places).**

46. APOLOGIES FOR ABSENCE

Councillor AW Johnson.

47. DECLARATIONS OF INTEREST

There were no declarations of interest.

48. MINUTES

RESOLVED: That the Minutes of the meeting held on 13 November 2014 be approved as a correct record and signed by the Chairman.

49. CALL-IN OF THE CABINET DECISION ON THE SOUTH WYE TRANSPORT PACKAGE

The Vice Chairman of the General Overview and Scrutiny Committee (GOSC) opened this item by explaining how the committee had spent approximately 5 hours looking in depth at the decision made by cabinet on 13 November 2014 and had resolved that the decision should be referred back to cabinet with the two recommendations in the report.

The Cabinet Member for Infrastructure advised the decision taken on the 13 November 2014 for the preferred route was key in providing infrastructure improvements. The call in from GOSC had allowed the decision to be looked at to ensure it was sound and well founded. Having listened to the arguments put forward and the responses from officers and consultants he was satisfied the decision was based on sound reasons and had been through a robust process. He reminded members that the funding for the project was in place.

The Assistant Director, Place Based Commissioning began his presentation by explaining the layout of the report and confirming that it was focussed on the two recommendations from GOSC.

A Group Leader wished to make a point of correction at this point as he alleged the wording of the first recommendation from GOSC was incorrect; the word actuality should have been accuracy. He questioned if this affected the content of the report.

The Assistant Director, Place Based Commissioning advised that both the accuracy and actuality of the cost modelling and scoring had been looked at and the changing of the word within the recommendation would not change the response given.

Gary Dymond from Parsons Brinkerhoff (PB) presented the response to the first of the GOSC recommendations. He confirmed that cost estimates had been consistently undertaken for all route options and were in line with industry practice and relevant guidance. A review of the approach had been done by Balfour Beatty and this had validated the results. He pointed out to members the details of the approach within the report.

Phil Davidson (PB) gave the response to the second of the GOSC recommendations. He advised that the inclusion of Grafton Wood on the Ancient Woodland Register does not change the mitigation measures they would have to put in place. He confirmed the exact nature of the mitigation being developed will be in the environmental statements produced as part of the planning process. He pointed out that similar mitigiation would be required for all route options.

In reply to a Cabinet Members question, the Section 151 Officer confirmed that he was satisfied with the robustness of the response and recommended that Cabinet proceed with their decision. He confirmed he had spent time with the project team and had looked at the robustness, accuracy and risks of the project along with the consistency of the approach taken, from a financial perspective. He confirmed to cabinet that he has had experience of projects of this nature. Having gone through the figures in detail he was satisfied the information presented to cabinet was accurate and consistent.

A Cabinet Member questioned if the delay due to the call in would have any effect on the funding received. The Assistant Director, Place Based Commissioning advised that it had delayed the planning application by a month, but the timing was still within the tolerance levels for the funding and the project could still be delivered within the LEP funding timescales.

Concerning Grafton Wood, a Cabinet Member asked how many trees would need to be removed and replaced due to the scheme, and if the mitigation of the woodland was included in the estimated costs.

Phil Davidson (PB) advised that they estimate the loss of 15 trees for route SC2, and this would be similar for the other route options. The full details of this would be available once the mitigation had been fully designed but was likely to be of this magnitude. He confirmed that the compensation of loss of habitat is 2:1; therefore approximately 30 trees would be planted as a replacement habitat. The cost of the mitigation (approximately £20,000) was included as part of the scheme estimates.

A Cabinet Member asked for further details about how the sustainable element of the package will be developed. The Assistant Director, Place Based Commissioning advised that the delivery of a sustainable package is integral to the scheme, both for the benefits to the local community and as its delivery is a condition of the funding. The details of the package will be part of the evidence base to the planning application; however this is likely to include cycle lanes, improved pedestrian crossings and extensions to 20mph zones. These plans would develop over time and would involve public consultation.

In reply to a Cabinet Member's question about if the cost modelling was to industry best practice, and if it was robust and tested, Andy Williams from Balfour Beatty (BBLP) confirmed that cost estimation had been undertaken in line with industry standard practise. He went on to advise that the data had been taken through an extra step and had been validated by Balfour Beatty Construction. He informed members that PB had undertaken geotechnical modelling work for each route, and this had been key in highlighting the differences in costs for each route.

A Group Leader questioned if the £1.5million difference in estimated cost between routes SC2 and SC8 was significant and if the reason that SC8 was not chosen was because further public consultation would be needed.

The Assistant Director, Place Based Commissioning advised that the reason SC8 was not the preferred route was a combination of the cost and the extra public consultation needed. He advised a difference of £1.5million pounds was considered significant.

Gary Dymond (PB) confirmed that the difference in the costs between the two routes did warrant the scoring difference between them. He advised there had been no bias towards the preferred route.

The Section 151 Officer confirmed that the estimated costs and the scores given were the basis of his challenge to PB. He was satisfied a consistent approach had been given and there would always be a difference between the costs of the two routes, with SC2 being cheaper.

Andy Williams (BBLP) confirmed both route options had been modelled and there was a significant difference in the earth works required. SC8 would always be more expensive than SC2 due to the relatively greater structures work and earthworks required.

A Group Leader questioned how the planning application could be made in January 2015 given the levels of work required to do this.

The Assistant Director, Place Based Commissioning advised that there was a considerable amount of work to be done, however the generic work that would be needed for all routes (within the study corridor), regardless of the preferred route, had already been carried out.

When asked by a Group Leader if the decision making process was correct for this decision, the Assistant Director, Governance, confirmed that it was lawful and that Cabinet were authorised to make Executive Decisions.

A Group Leader wished to voice their concerns about the reports and the schemes value for money. They pointed out that they feel a greater need is for an Eastern Bypass.

A Ward Member gave his support for the scheme, pointing out that Belmont has one of the highest rates of asthma in the country. However he wished to point out that route SC2A, which was to go under the railway line may lead to fewer local objections. He also commented on the need for a weight restriction order on Belmont Road.

Gary Dymond (PB) advised he has had consultations with Network Rail, who prefer the route to go over the railway line.

In answer to a Group Leader's question about if all areas of sustainable transport had been looked at prior to deciding to build a road, the Assistant Director, Place Based

Commissioning confirmed that investments had been made into sustainable transport plans. The assessment process was fully within Department for Transport guidance and the plan was not just for a road but a sustainable package of measures.

A Group Leader commented that he hoped the assurances given by officers and consultants were accurate.

A Group Leader read out a statement that he wished to be on record.

If the original decision is to be ratified today it would go against the advice and concerns of the local MP Jesse Norman, members of the EZ Board and the ward member Cllr Sinclair-Knipe; it would not be supported by any housing allocation policies currently in the Core Strategy, it would not be supported by the policy implementation priorities in the council's own Local Transport Plan, and it would not be consistent with instruction and guidance from the Department for Transport and the Highways Agency. It is also apparent that councillors and the public may have been misled on the assertions and justifications made for the need for the SLR, in the absence of the Package Assembly Report which is yet to be written, the non-availability to the public of the South Wye Transport Package Strategic Outline Business Case, and within the wider context of the SWTP itself.

I and many others, evidently including the local MP, believe there is ample evidence in the inconsistencies and partiality in the reports informing this decision for the decision to be referred to the Secretary of State for call in to a Public Inquiry. It is not proper or right that such a major planning decision – one which has elicited 50 public questions, a Scrutiny Committee call-in, and so many continuing concerns about is evidence base and robustness – should be made by the council's own planning committee.

In my judgement a ratification of the decision now is likely to lead to a call for Judicial Review, in addition to a call for intervention by the Secretary of State. I urge the Cabinet to consider this, along with all the above, before moving to their decision today.
Cllr A Powers 18/12/14

In reply the Assistant Director, Place Based Commissioning advised the evidence had been clearly presented; there is a robust case, which had been fully scrutinised. The Highways Agency has provided positive comments and the robust assessment and benefits of the scheme are laid out in the reports.

The Assistant Director, Governance, advised he was satisfied with the approach taken and it was, in his opinion, professionally and legally sound, and therefore robust.

The Cabinet Member for Infrastructure stated his disagreement with the Group Leaders statement. He advised that the discussions he has had with the Highways Agency and other bodies have been of a positive nature.

Resolved

THAT:

(a) **the responses to the resolutions of General Overview & Scrutiny Committee (2 December 2014) as set out in this report be noted and in light of those responses the following recommendations (previously agreed by cabinet) be reaffirmed;**

(b) **route SC2 is selected as the preferred route for the Southern Link Road (SLR);**

(c) **authority is delegated to Assistant Director Place Based Commissioning to prepare and submit a planning application for a scheme along route SC2; and**

(d) **subject to planning consent being obtained authority is delegated to the Assistant Director Place Based Commissioning to continue detailed design of the scheme and develop proposals for land acquisition. A further report will be prepared for cabinet outlining land and property acquisition plans and draft orders in due course.**

50. BUDGET MONITORING REPORT - OCTOBER 2014

The Section 151 Officer presented Cabinet with the Budget Monitoring Report giving an updated position on the projected outturn for 2014/15 as at the 31 October 2014.

It was confirmed that the budget was on target for this year and progress has been made on hitting targets for the next two financial years.

The Section 151 Officer pointed out the report is consistent with previous statements but additional items have been added in line with good practise.

The level of bad debts reported is comparable with previous years, and is within acceptable limits.

Details of savings schemes are shown in the new savings monitoring report. Thanks were given to the Audit and Governance Task Group who gave their comments about the report, which has been implemented following an external audit recommendation. The information within the report shows savings are being delivered in line with the decisions made by council in February 2014.

In answer to a Cabinet Members query about the risks surrounding the possible lowering of the cap on Council Tax increases and the settlement to local authorities from central government, the Section 151 Officer was confident that the cap would remain at 2%. As the budget has been set with a proposed increase of 1.9% no referendum on this matter would need to be held. Further information will be available in the coming days on the level of settlement that will be received but it is expected to be in line with previous assumptions on which the budget has been set.

Resolved

THAT:

(a) **Cabinet notes the council is projected to spend within its budget for this financial year;**

(b) **Cabinet notes the capital and treasury projected outturns;**

(c) **The bad debt written off to date in 2014/15 be noted; and**

(d) **Cabinet agrees the virement of 2014/15 revenue and capital budgets to meet in year pressures within council directorates; and**

(e) **Cabinet notes the performance to achieve 2014/15 and future savings plans.**

51. HEREFORDSHIRE NURSERY EDUCATION FUNDING POLICY (2, 3 & 4 YEAR OLDS)

The Cabinet Member for Young People and Children's Wellbeing presented the report asking Cabinet to approve the Nursery Education Funding Policy. It is a statutory duty of the council to deliver nursery education for 2, 3 and 4 year olds and the policy sets out the criteria for this and brings together the processes required.

The Assistant Director, Commissioning and Education added that there are just under 10,000 0 – 5 year olds in the county. There is currently a good take up of nursery education for 3 and 4 year olds and a national expectation that there will be an increasing number of 2 year olds. The policy has been developed together with providers. The policy supports the Health and Wellbeing strategy around the Healthy Child Agenda.

A Cabinet Member welcomed the extra funding to areas of extra need.

Resolved:

THAT: the Herefordshire Nursery Education Funding Policy (appendix 1) be approved.

52. ESTABLISHING A WELL BEING CENTRE IN KINGTON

The Cabinet Member for Health and Wellbeing presented Cabinet with a report to seek approval to establish a well-being centre in Kington, based at the current library. This would be a new model of well-being centre for the town and surrounding rural areas bringing together health, social care and shared services into one building. If the centre is a success it is hoped the model could be rolled out to other areas, but modified to suit their needs.

The Head of Community and Customer Services went onto explain that Kington had two issues relating to this project, how to maintain the existing library and customer service site and the health prevention needs of the town. Work had been done together with the Town Council and it is hoped this project will kick start the further engagement with health providers, private and voluntary sector.

Further clarification was given on the calculations of the revenue funding figures.

Following a members concern about if the public understand the concept and name of the scheme and what it will mean for them, the Head of Community and Customer Services explained the name had not been yet decided upon.

The Director of Adults Wellbeing advised the community will have its part to play in the naming of the service and what they want from it. An example of a service that will be provided is a drop in social care clinics where potential service users and carers can get face to face, general advice, without being on a waiting list for assistance.

The Cabinet Member for Health and Wellbeing added that the publicity for the centre would be done once the project is approved.

Resolved

THAT:

(a) **a wellbeing centre is established in Kington at the current customer services and library from a combination of funding from customer services and health prevention from April 2015; and**

(b) **£78,000 capital funding is allocated to improve the facilities at the centre.**

53. EXTENDED NATIONAL TROUBLED FAMILIES PROGRAMME

The Cabinet Member for Young People and Children's Wellbeing presented the item concerning the joining of the extended National Troubled Families Programme to run from 2015/16 to 2019/20.

He confirmed the council has been part of the scheme since 2012 and so far has helped 250 families. This has reduced crime and anti-social behaviour and improved school attendance and back to work rates for these families. Additional funding of £1.1million has been received, by the end of this financial year it is hoped 310 families would have been helped.

Due to the success of the scheme, the council has been asked to join the extended scheme for 5 years. This extends the reasons families can be assisted and it is hoped 1000 extra families can be helped over the lifetime of the initiative.

Concerning the identification of families the Assistant Director, Commissioning and Education confirmed that most of the extra families will already be known to the council and our partners such as the Police, Job Centre Plus and Housing. The figure of 1000 is an estimate based on known information and the widening criteria of the scheme.

The Assistant Director, Commissioning and Education clarified the use of figures in paragraph 6 of the report. The figures in brackets refer to national figures for the whole population.

It was also confirmed that locally the scheme is known as Families First, the name used in the report refers to the national scheme that it is part of.

The Assistant Director, Commissioning and Education confirmed payments are received from central government as a one off fee, and then payment by results.

Following a member's query about youth services the Assistant Director, Commissioning and Education confirmed the council does not directly fund universal youth services but does facilitate multi agency meetings and a support approach using he common assessment framework. Youth clubs and other opportunities are provided by schools, colleges, the voluntary, community and private sectors..

Resolved

THAT: the council, as lead partner, joins the extended national Troubled Families programme.

The meeting ended at 3.40 pm **CHAIRMAN**

Herefordshire Council

MEETING:	**Cabinet**
MEETING DATE:	**22 January 2015**
TITLE OF REPORT:	**Budget and medium term financial strategy (MTFS)**
REPORT BY:	**Chief financial officer**

Classification

Open

Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates and because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards Affected

County-wide

Purpose

To agree the draft medium term financial strategy for 2015/16 to 2016/17 and the 2015/16 revenue budget for recommendation to Council on 6 February 2015.

Recommendation(s)

THAT:

(a) the following be recommended to Council:

i. **approval of the revenue budget as set out in appendix 2;**

ii. **approval of 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,**

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

iii. approval of the medium term financial strategy shown in appendix 4 ;

iv. approval of the treasury management strategy for 2015/16 shown in appendix 5; and

(b) it be noted that the council is projected to spend within its budget for the 2014/15 financial year.

Alternative Options

1 It is open to Cabinet 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 Cabinet is responsible for developing proposals for recommendation to Council in line with the budget and policy framework rules within the constitution.

Key Considerations

Summary

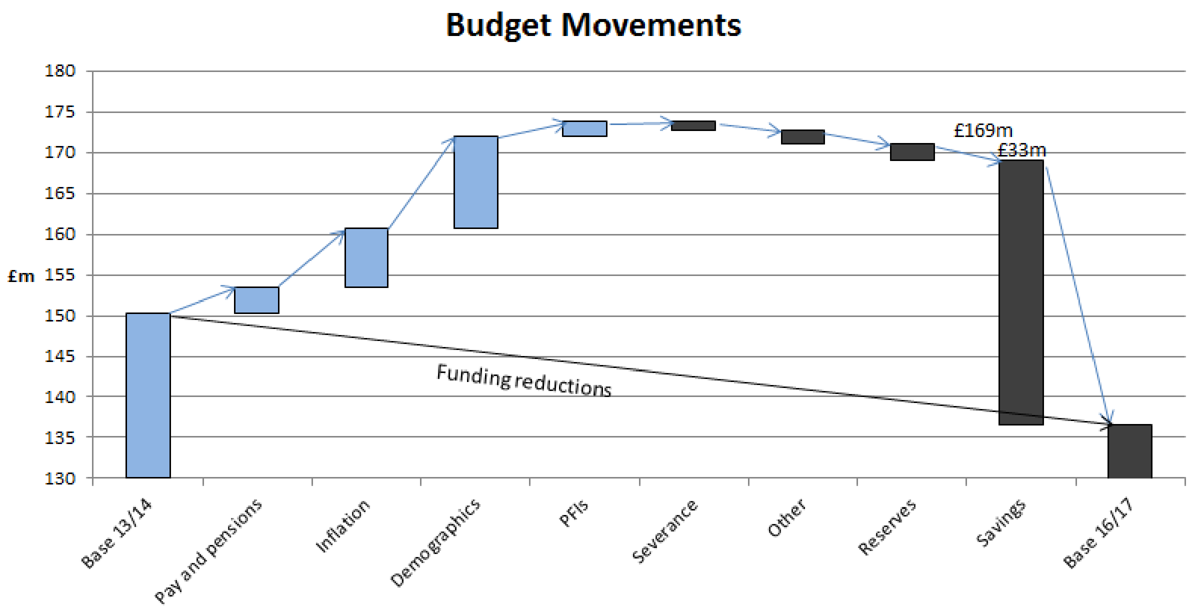
3 The medium term financial strategy (MTFS) has been updated to reflect the provisional funding settlement, current spending (budget monitoring to the end of November 2014 set out in appendix 3 indicates the council will spend within its overall budget for 2014/15), a review of agreed savings plans, contingencies, demographic pressures and a 1.9% increase in council tax. Confirmation of the final settlement is expected in February. 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.

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. Attached at appendix 3 is the latest 2014/15 forecast outturn showing overall delivery of savings in the current year. Looking forward an additional £18m of savings are required in period 2015/16 - 2016/17, £10m in 2015/16. This gives a total savings plan for the financial period 2011/12- 2016/17 of £67m. The reviewed savings plans are provided in appendix 1, summary by directorate below.

Revised Savings Plans

	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
	10,185	7,613	17,798

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	Net changes	Proposed Budget 2015/16
	£000	£000	£000
Adults Wellbeing	54,923	(1,680)	53,243
Children's Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,530)	50,535
Total Directorates	**129,230**	**(3,315)**	**125,915**
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(5,440)
Other central budgets			1,374
Transfer from general balances			500
Total net spend (budget Requirement)			**141,783**
Financed by:			
Formula grant			26,461
Locally retained rates			21,784
Business rates top up			6,814
Council tax			83,963
Collection fund surplus			1,251
Reserves			1,510
			141,783

9 The provisional settlement for 2015/16 was announced on 18th December 2014 and may change in the final settlement expected in early February 2015 although this is not anticipated to be material enough to effect the budget. The provisional settlement confirmed another year of funding reductions in 2015/16 in line with expectations.

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 8 provides further details.

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
Children's			
Baseline placements (in year)	762		762
Child sexual exploitation prevention	100		100
	862	**-**	**862**
Adults Wellbeing			
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
	1,974	**246**	**2,220**
ECC			
Grass cutting	400		400
Rockfield Road car park closure		30	30
Valuations		41	41
	400	**71**	**471**
Corporate			
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
	400	**1,173**	**1,573**
TOTAL	**3,636**	**1,490**	**5,126**

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; note 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 recognition of the possibility of increased difficulty in achieving the savings plans going forward 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;
- 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 7 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 37 estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

28 Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals (the statement is contained within the 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.

- 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 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.

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.

Proposing the budget for 2015/16

45 In preparing the budget for 2015/16, we started with the priorities that local people had previously identified and which we had focused upon in the 2014/15 budget.

46 Our public consultation was on a budget that we felt, 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. We also held 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

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 reduction in the council tax increase to 0.9% from 1.9%.

Appendices

Appendix 1 – Savings plan by directorate

Appendix 2 - 2015/16 detailed base budgets

Appendix 3 – 2014/15 Budget monitoring

Appendix 4 – Medium term financial strategy 2015-17

Appendix 5 – Treasury management strategy 2015/16

Appendix 6 – Budget consultation results

Appendix 7 – Cumulative equality impact assessment

Appendix 8 – Additional Rural Transport Funding

Background Papers

- None identified.

Savings Proposals Summary 2015/16 to 2016/17

APPENDIX 1

		Original Savings Plans				New Savings Plans			Movement		
	2014/15 £000	**2015/16 £000**	**2016/17 £000**	**Total 14-17 £000**	**Total 15-17 £000**	**2015-16 £'000**	**2016-17 £'000**	**Total 15-17 £'000**	**2015-16 £'000**	**2016-17 £'000**	**Total 15-17 £'000**
Adults Wellbeing	5,490	3,935	3,646	13,071	7,581	5,460	2,363	7,823	(1,525)	1,283	(242)
Childrens	2,500	1,132	1,736	5,368	2,868	1,129	1,720	2,849	3	16	19
Economic Communities & Corporate	7,407	3,602	4,269	15,278	7,871	3,596	3,530	7,126	6	739	745
	15,397	**8,669**	**9,651**	**33,717**	**18,320**	**10,185**	**7,613**	**17,798**	**(1,516)**	**2,038**	**522**

* 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	Savings Plans 2016-17 £'000	Savings Plans 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	Savings Plans 2016-17 £'000	Savings Plans 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
Total			**5,460**	**2,363**	**7,823**

Savings Proposals
Children's Wellbeing Directorate

Savings Proposal	Impact	Equalities Impact	Savings Plans 2015-16 £'000	Savings Plans 2016-17 £'000	Savings Plans Total £'000
Care Placement Strategy - 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
Recruitment Strategy	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
Adoptions Initiatives	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
Children in Need, Service re-design	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
			1,129	**1,720**	**2,849**

Savings Proposals
Economy, Communities & Corporate

Savings Proposal	Impact	Equalities Impact	Savings Plans 2015-16 £'000	Savings Plans 2016-17 £'000	Savings Plans Total £'000
Waste & Sustainability 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
Country Parks and Picnic Sites - 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
Public and School/College Transport - 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
Car Parking Income.	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
Council Tax reduction Scheme - 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
Discretionary Rate Relief - 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
Withdrawal of Subsidies to Cultural Services partners.	No impact.	No adverse impact identified as no proposed change to service.	466	863	1,329
Removal of funding to Voluntary Organisations Support Services including the Citizens Advice Bureau	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 Plans		
Savings Proposal	**Impact**	**Equalities Impact**	**2015-16 £'000**	**2016-17 £'000**	**Total £'000**
Customer & Library Services: 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
Back Office Services (including Finance, Revenues and Benefits and Hoople)	No impact - efficiency saving	None	420	450	870
Management Savings.	No impact - efficiency saving	No adverse impact expected as no proposed change to service.	90	355	445
Asset Review 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
Corporate Accommodation - Further rationalisation	No impact - efficiency saving	Impact Assessments required on an individual basis when assets are identified.		435	435
Contract Efficiencies - review of current contracts for Waste and Transportation	No impact - efficiency saving	No adverse impact expected as no proposed change to service.		380	380
			3,596	**3,530**	**7,126**

APPENDIX 2

Revenue Budget Summary 2015/16

Directorate	Base Budget 2014/15	Net changes	Draft Budget 2015/16
	£000	£000	£000
Adults Wellbeing	54,923	(1,680)	53,243
Childrens Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,530)	50,535
Total Directorates	**129,230**	**(3,315)**	**125,915**
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(5,440)
Other central budgets			1,374
Transfer from General Balances			500
Total net spend (Budget Requirement)			**141,783**
Financed by;			
Formula grant			26,461
Locally retained rates			21,784
Business rates top up			6,814
Council tax			83,963
Collection Fund Surplus			1,251
Reserves			1,510
			141,783

REVENUE BUDGET 2015/16 SUMMARY

Service	Current Budget 2014/15	Pensions, pay and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
Adults Wellbeing						
Adults Operations	6,354	310	0	0	(215)	**6,449**
Commissioning	7,242	56	0	(1,148)	1,087	**7,237**
Director and Management	(2,232)	56	0	(1,200)	(951)	**(4,327)**
Adults	15,052	263	1,243	(2,260)	883	**15,181**
Learning Disabilities	2,411	23	241	45	374	**3,094**
Mental Health	20,502	133	490	(752)	(617)	**19,756**
Older People	5,059	5	0	(108)	94	**5,050**
Physical Disabilities	468	7	0	(37)	242	**681**
Public Health	66	2	0	0	54	**122**
Total Adults Wellbeing	**54,923**	**855**	**1,974**	**(5,460)**	**(951)**	**53,243**
Childrens Wellbeing						
Education & Commissioning	5,614	134	0	0	0	**5,748**
Safeguarding & Early Help	16,650	328	762	(1,029)	0	**16,711**
Central Childrens Directorate Costs	(1,022)	362	100	(100)	338	**(322)**
Total Childrens Wellbeing	**21,242**	**824**	**862**	**(1,129)**	**338**	**22,137**
Economy, Community & Culture and Chief Executive Directorate						
Economic, Environment & Cultural Services	939	33	0	(966)	(304)	**(298)**
Placed Based Commissioning	37,966	1,121	400	(1,542)	(1,082)	**36,863**
Finance	2,363	19	0	(35)	8	**2,355**
Community & Customer Services	3,019	54	0	(443)	1	**2,631**
Governance	3,571	43	0	0	0	**3,614**
Directorate Support	421	566	0	(90)	(183)	**714**
Property Services	2,551	92	0	(20)	(115)	**2,508**
Directors	2,235	13	0	(100)	0	**2,148**
Total Economy, Community and Culture	**53,065**	**1,941**	**400**	**(3,196)**	**(1,675)**	**50,535**
Consolidated Revenue Account	16,905	90	400	(400)	(1,127)	**15,868**
Total Herefordshire Council	**146,134**	**3,710**	**3,636**	**(10,185)**	**(3,415)**	**141,783**

Herefordshire Council

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
Adults Operations						
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**
Total Adults Operations	**6,354**	**310**	**0**	**0**	**(215)**	**6,449**
Commissioning Adults						
IC Staffing	7,242	56	0	(1,148)	1,087	**7,237**
Total Commissioning	**7,242**	**56**	**0**	**(1,148)**	**1,087**	**7,237**
Director and Management						
Director and Management	(3,601)	9	0	(1,200)	(707)	**(5,500)**
Transformation and safeguarding	1,369	47	0	0	(243)	**1,172**
Total Director and Management	**(2,232)**	**56**	**0**	**(1,200)**	**(951)**	**(4,327)**
Commissioned Care						
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**
Total Commissioned Care	**43,493**	**430**	**1,974**	**(3,112)**	**976**	**43,762**
Public Health						
Public Health	66	2	0	0	54	**122**
Total Public Health	**66**	**2**	**0**	**0**	**54**	**122**
Total Adults Wellbeing	**54,923**	**855**	**1,974**	**(5,460)**	**951**	**53,243**

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
Education and Commissioning (Excluding DSG)						
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**
Total Education and Commissioning	**5,614**	**134**	**0**	**0**	**0**	**5,748**
Directorate						
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**
Total Directorate	**(1,022)**	**362**	**100**	**(100)**	**338**	**(322)**
Safeguarding and Early Help						
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**
Total Safeguarding and Early Help	**16,650**	**328**	**762**	**(1,029)**	**0**	**16,711**
Total Childrens and Wellbeing	**21,242**	**824**	**862**	**(1,129)**	**338**	**22,137**

Herefordshire Council

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
Economic, Environment & Cultural Services						
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	0	**673**
Strategic Planning	527	6	0	0	0	**533**
Trading Standards and Licensing	482	20	0	0	(26)	**476**
Total Economic, Environment & Cultural Services	**939**	**33**	**0**	**(966)**	**(304)**	**(298)**
Placed Based Commissioning						
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**
Total Placed Based Commissioning	**37,966**	**1,121**	**400**	**(1,542)**	**(1,082)**	**36,863**
Finance & ICT						
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)**
Total Finance	**2,363**	**19**	**0**	**(35)**	**8**	**2,355**
Community & Customer Services						
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**
Total Community & Customer Services	**3,019**	**54**	**0**	**(443)**	**1**	**2,631**
Governance						
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**
Total Governance	**3,571**	**43**	**0**	**0**	**0**	**3,614**
Directorate Support						
Management	421	566	0	(90)	(183)	**714**
Total Directorate Support	**421**	**566**	**0**	**(90)**	**(183)**	**714**
Property Services						
Maintenance	4,418	92	0	0	(115)	**4,395**
Corporate Asset Management	(1,867)	0	0	(20)	0	**(1,887)**
Total Property Services	**2,551**	**92**	**0**	**(20)**	**(115)**	**2,508**
Chief Executive Directorate						
Chief Executive and Web Communications & Engageme	991	13	0	(100)	0	**904**
Corporate Costs	1,244	0	0	0	0	**1,244**
Total Chief Executive Directorate	**2,235**	**13**	**0**	**(100)**	**0**	**2,148**
Total ECC	**53,065**	**1,941**	**400**	**(3,196)**	**(1,675)**	**50,535**

APPENDIX 3

2014/15 Budget Monitoring Report

Summary

1. This report sets out the forecast outturn position based on information as at the end of November 2014. Monitoring indicates an improvement of £97k in all Directorates budgets since the October position reported to Cabinet 18th December 2014, providing an overall underspend of £523k.

Directorate	Budget Exp.	Budget (income)	Net budget	November Forecast Outturn	Projected Over/ (under) spend
	£000	£000	£000	£000	£000
Adults and Wellbeing	78,828	(23,422)	55,406	56,205	799
Children's Wellbeing	43,529	(21,678)	21,851	22,323	472
Economy, Communities & Corporate	125,009	(71,498)	53,511	53,347	(164)
Directorate total*	**247,366**	**(116,598)**	**130,768**	**131,875**	**1,107**
Treasury management	16,305	(425)	15,880	15,250	(630)
Other budgets and reserves	5,426	(5,939)	(513)	(1,513)	(1,000)
Total	**269,097**	**(122,962)**	**146,135**	**145,612**	**(523)**

The directorate totals above are shown after 2014/15 budget virements made to date, these include the allocation of one-off sums from the £700k corporate contingency budget and £838k transferred from reserves alongside transfers between directorates.

Directorate Variances

Adults & Wellbeing

1. The latest forecast predicts an overspend against budget of £799k at the year-end. This compares to a forecast overspend of £974k that was previously reported to Cabinet. This is largely due to a reduction in the forecast spend on winter pressures within the Directorate Management area.

2. The forecast overspend within adult social care client groups has stabilised due to savings in package costs as a result of recent high cost placement reviews and the delivery of other savings initiatives offsetting increases in the number of Nursing packages as a result of pressures in the hospital system. These deficits continue to be partially offset by the forecast underspend on Domiciliary Care.

3. The Client forecast assumes that any further demand pressures will be managed. New services such as Reablement and Telecare that are now fully operational are beginning to impact on managing growth, particularly in domiciliary care. This continues to be monitored within the operational teams, by AWB panel and by senior management.

Children's Wellbeing

4. The directorate forecasted outturn remains at an £472k overspend. There is a continuing demand pressures on external fostering placements, the cost is being managed through savings in the safeguarding and early help.

5. The number of agency staff increased in month for Children with Disabilities, this reflects an accelerated programme to deal with a back log and address the service design, which was planned for 2015-16. This will be funded from reserves.

6. There continues to be a cost pressure of using agency staff has been in safeguarding however the successful recruitment of 3 permanent social workers and the next cohort of newly qualified social workers, savings will be beginning to be seen in the last month of the year and in 2015-16.

Economy, Communities & Corporate

7. The projected underspend is £164k, a net reduction of £78k since the October position.
8. There is a reduction in planning fee income for the year of £347k, this relates to the expectation that 2 major planning applications will not be submitted until 2015/16.
9. Following the transfer of the Benefit Fraud Team to DWP on 1st November 2014, there is an underspend of £116k representing the reduced costs to the end of the year.
10. There are further one off underspends in relation to utilisation of the Managing change reserve and previous years grant reserves.
11. There is a reduction in the overspend in Property Services in relation to rates payable on council properties however risks on Property maintenance budgets remain. These will be managed within the overall directorate budget.

Changes to forecast between October and November forecasts

12. Summarised in the table below and the forecast movements from the October position reported to Cabinet 18th December 2014 the November forecast.

Directorate Net Budget	Net Budget November £000	November Variance £000	October Variance £000	Difference £000	Explanation
Adults and Wellbeing	55,406	799	974	(175)	Reduction in Packages and joint funding with the CCG
Children's Wellbeing	21,851	472	472	0	
Economy, Communities & Corporate	53,511	(164)	(242)	78	Reduction in Planning Fee income £347k. Reduction in spend on Benefit Fraud team and use of reserves.
DIRECTORATES TOTAL	**130,768**	**1,107**	**1,204**	**97**	
Treasury	15,880	(630)	(630)	0	

Management					
Other budgets and reserves	(513)	(1,000)	(1,000)	0	
TOTAL	**146,135**	**(523)**	**(426)**	**97**	

Herefordshire Council
Medium Term Financial Strategy

2015/16 – 2016/17

Medium Term Financial Strategy - Contents

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 18th 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 to £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:

	% Growth in Population v 2012 position			
	2015	2020	2025	2030
Total Population	1%	4%	7%	10%
Over 65	10%	22%	34%	50%
Over 85	15%	30%	45%	62%

2.2.2 In Herefordshire many people over 65 years old are active and well. However, there is a sizeable and growing group of over 65s living with chronic health conditions; dementia and increasing frailty, and it has been 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 turn over 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 Governments proposals for tackling Britain's deficit, including significant reductions in public spending.

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

3.3 2013 Spending Round

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

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

3.4 Autumn Statement – December 2014

3.4.1 On 3rd 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 18th 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
Settlement Funding Assessment	**64,873**	**56,086**
Reduction in Formula funding		**(8,787)**

*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.

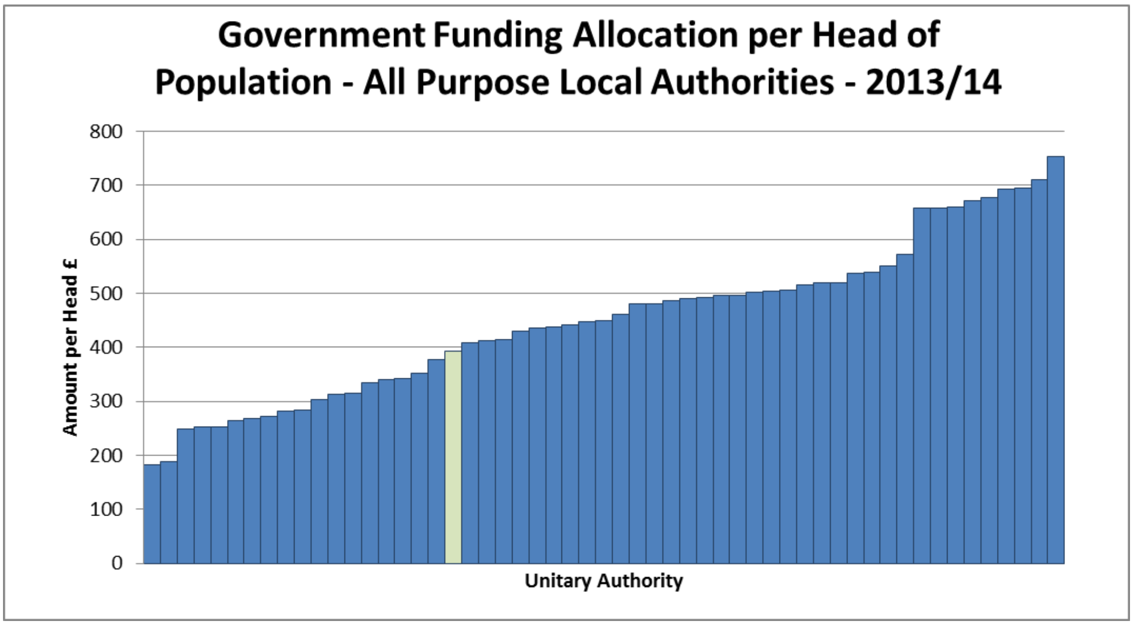
4.2.3 The Government has accepted that rural areas have been comparatively underfunded. This was reflected in an additional one-off grant allocation of £531k in the final settlement for 2013/14 and an Efficiency Support for Sparse areas grant has been added into the financial settlement for 2014/15 and 2015/16. This has benefited Herefordshire by £976k in 2015/16.

4.2.4 The 2015/16 budget figures show that:

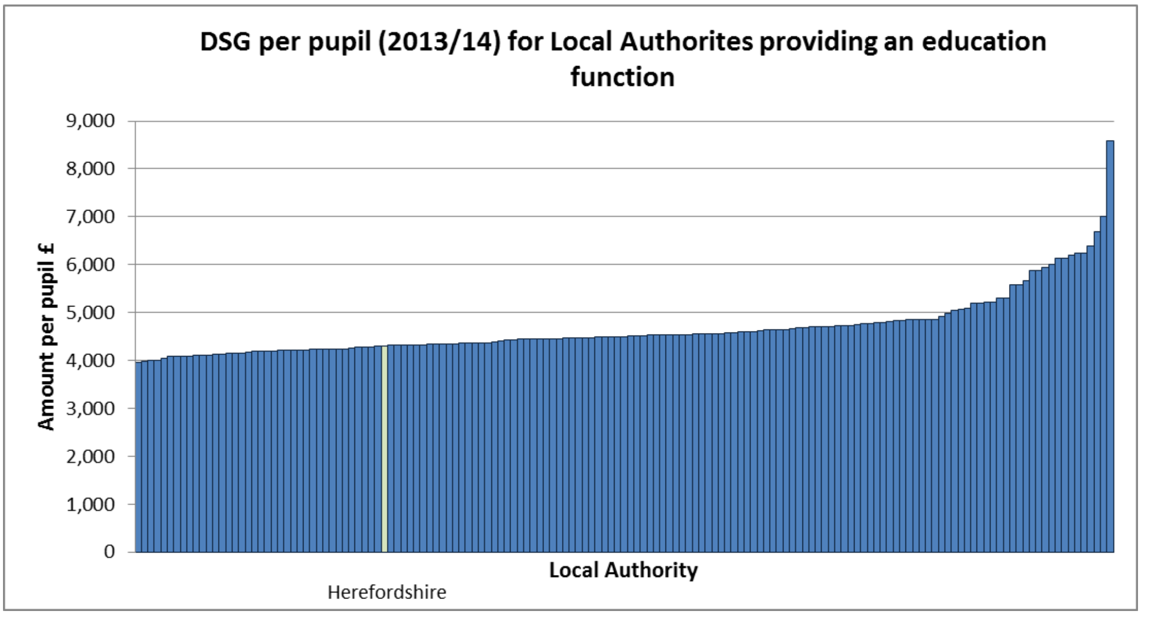
a) The Government Funding Allocation per dwelling is £675, 24% below the national average of £885; and

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.



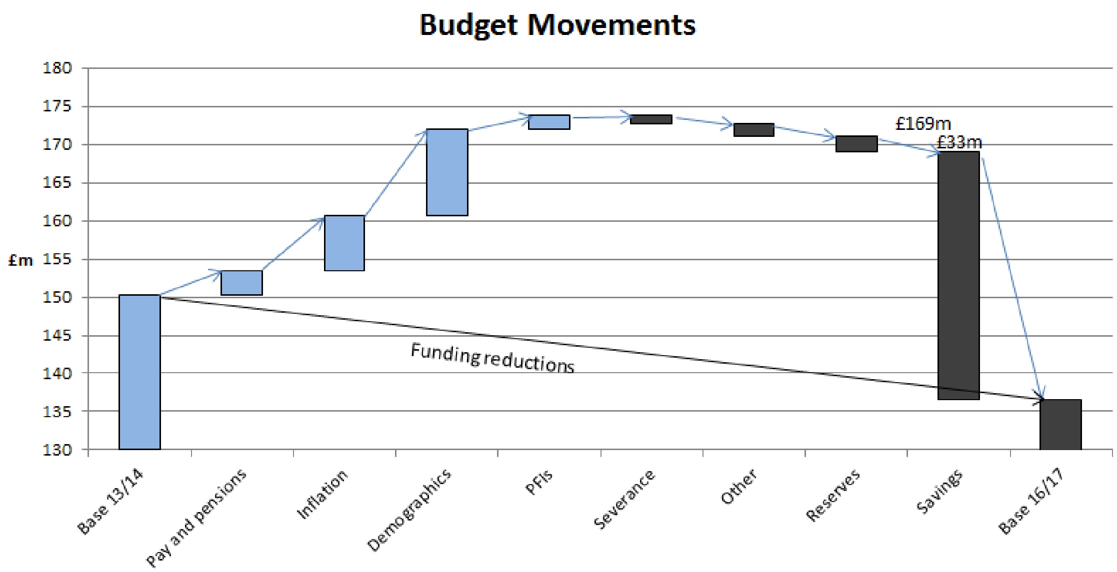
4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



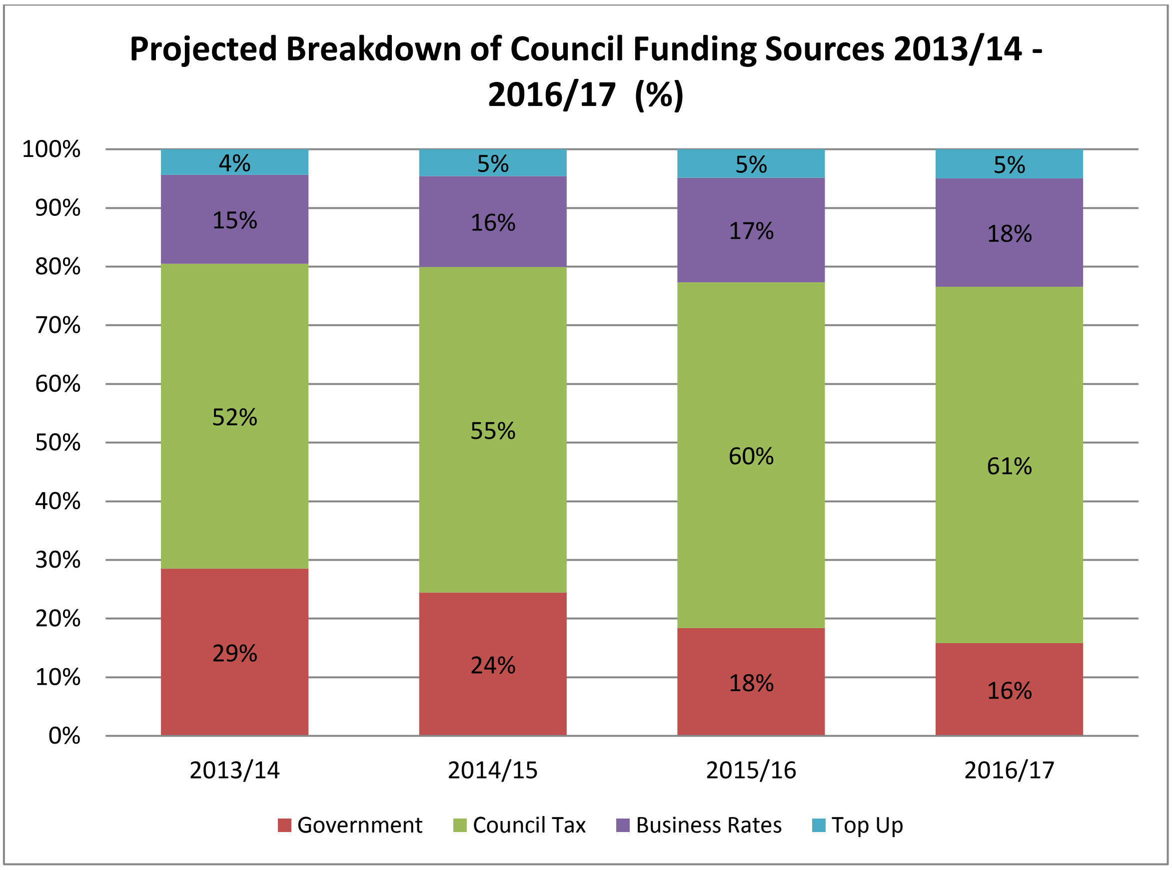
4.3 Funding Gap

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

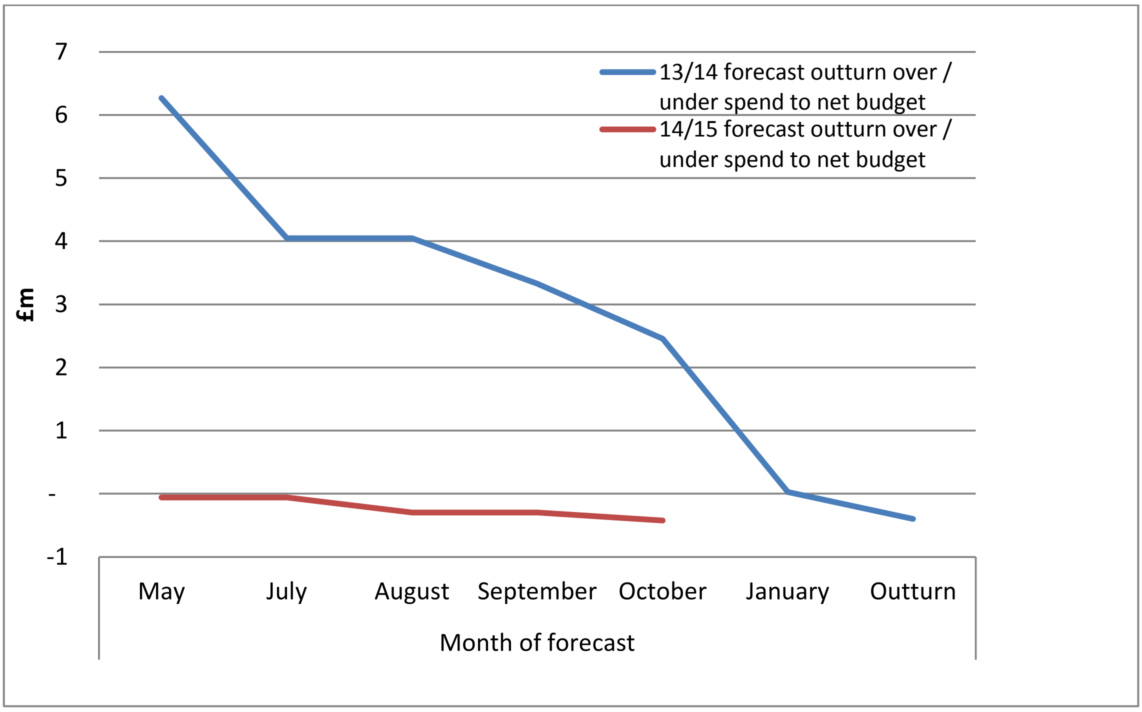
4.3.2 The chart below shows the funding gap arising out of cost increases and funding reductions up to 2016/17.



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 18th December 2014, the Communities and Local Government Minister Kris Hopkins in 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
Specific grants	
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
Total	**12,008**

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;

	Annual allocation	**Cumulative receivable**
	£000	**£000**
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. Additionally the S31 grant in relation to extended business rates relief will not be confirmed until February.

Grant	**Provisional 2015/16 £000**
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
DoH Social care funding	119
Lead Flood	46
Extended rights to travel	106
Commons Registration	4
Better Care Fund	11,694
TOTAL	**22,014**

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
Total Schools Block Funding	95.6
High Needs Block – 2014/15 baseline	13.36
Additional funding for hospital education (£65k) and exceptional growth in places (£145k)	0.21
Total High Needs Block Funding	13.57
Early Years Block – estimated numbers 1,475 pupils x £3,454.43 per pupil	5.1
Estimated early years pupil premium	0.1
Total Early Years Block funding	5.2
TOTAL DSG 2015/16	**114.4**

Less estimated academy recoupment at source schools	**(40.1)**
Less estimated academy recoupment at source high needs	**(1.9)**
DSG received by the council	**72.4**

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 31st 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;

Balance as at:	Opening Balance £'000	Receipts £'000	Spend £'000	Closing Balance £'000
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 MTFS.

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

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

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 £20 million 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).

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

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

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.

	2015/16 £000
Estimated rates (retained by council)	21,784
Top-up	6,814
RSG	26,461
Council tax	83,963
Collection Fund Surplus	1,251
Reserves	1,510
Funding for net budget requirement	**141,783**

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

5.5 Directorate pressures

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

	2015-16 £000's	2016-17 £000's	Total £000's
Children's			
Baseline placements (in year)	762		762
Child sexual exploitation prevention	100		100
	862	**-**	**862**
Adults Wellbeing			
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
	1,974	**246**	**2,220**
ECC			
Grass cutting	400		400
Rockfield Road car park closure		30	30
Valuations		41	41
	400	**71**	**471**
Corporate			
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

	400	**1,173**	**1,573**
TOTAL	**3,636**	**1,490**	**5,126**

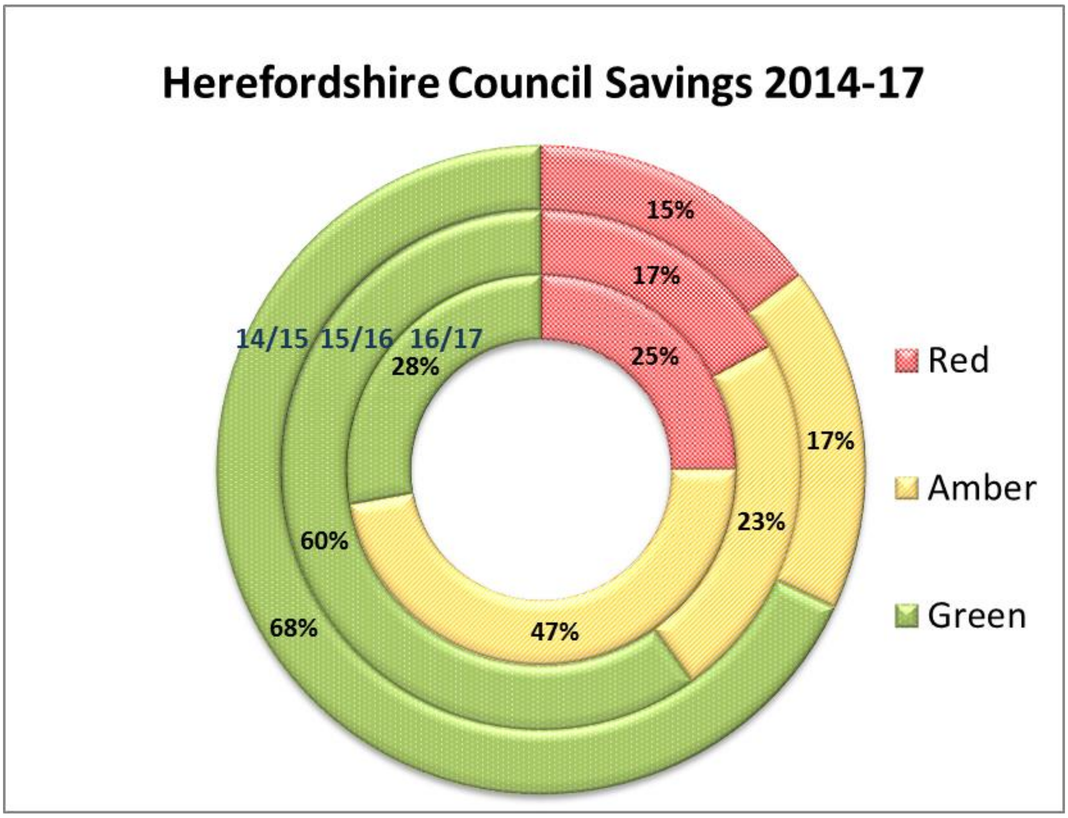
5.5.2 Any new pressures will have to be self-funded through savings within directorates.

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 £000	**2016/17 £000**	**Total £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
Savings Identified	**10,185**	**7,613**	**17,798**

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

Directorate	Base Budget 2014/15	Net changes	Draft Budget 2015/16
	£000	£000	£000
Adults Wellbeing	54,923	(1,680)	53,243
Childrens Wellbeing	21,242	895	22,137
Economies, Communities and Corporate	53,065	(2,530)	50,535
Total Directorates	**129,230**	**(3,315)**	**125,915**
Capital financing - debt repayments			10,183
Capital financing - interest			6,233
Change management			3,018
Government grants			(5,440)
Other central budgets			1,374
Transfer from General Balances			500
Total net spend (Budget Requirement)			**141,783**
Financed by;			
Formula grant			26,461
Locally retained rates			21,784
Business rates top up			6,814
Council tax			83,963
Collection Fund Surplus			1,251
Reserves			1,510
			141,783

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 £'000	2016/2017 £'000
Base Budget	**146,135**	**141,318**
Inflation - Pay Award	379	386
Superannuation	631	
Superannuation deficit	531	1,649
Inflation - Non-Pay Expenditure	2,068	1,890
Inflation - Income	(354)	(419)
Total Inflation	**3,255**	**3,506**
Additional NI from 2016/17		**1,400**
Inflated base budget	**149,390**	**146,224**
Waste disposal - PFI Contract	200	
Managing change budget reduction		(880)
Capital Financing Costs		
- Cost of borrowing	(376)	250
- Investment Income	(65)	100
New capital bids approved	100	300
Identified Pressures		
Adults	2,741	988
Childrens	862	
ECC	(24)	71
Insurance/Safeguarding Board	300	
Contingency - unforeseen items/grants	(26)	
Pension back-funding requirement in savings plans	165	106
Funding		
ESG grant reduction	338	
New Homes Bonus	(784)	(654)
Rates changes -s31 grant	619	1,641
NHB topslice returned	98	
Reserves		
£3.58m contribution in 2014/15	(3,080)	(500)
Reserve funded one off costs	1,510	619
Savings Target	(10,185)	(7,613)
TOTAL	**141,783**	**140,652**

Appendix 6

Herefordshire Council

Treasury Management Strategy 2015/16

Contents

Appendices

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

<u>Borrowing</u>

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
Estimated council borrowing as at 31st March 2015	**215.4**
Investment in ongoing approved capital schemes (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)	**36.9**
Investment in new capital schemes proposed (Including South Wye Transport Package £1m; Three Elms Trading Estate £1.8m and Colwall School £1.6m)	**7.5**
Less: Provision for Repayment of Principal (MRP)	**(10.5)**
Less: Increase in council reserves	**(7.0)**
Estimated council borrowing as at 31st March 2016	**242.3**

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 31st 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.

<u>Investments</u>

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 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.

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

Less: Existing Profile of Longer Term Borrowing – PWLB and bank loans	132,523	124,285	117,243	113,185
Cumulative Maximum External Borrowing Requirement	**99,936**	**142,043**	**163,463**	**155,698**
Estimated Usable Reserves*	**17,000**	**24,000**	**34,000**	**59,000**
Cumulative Net Borrowing Requirement	**82,936**	**118,043**	**129,463**	**96,698**
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.				
Total Council Borrowing	**215,459**	**242,328**	**246,706**	**209,883**

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 31st 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 31st 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 31st March 2015 and to £242 million by 31st 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.

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

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.

Table 2: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
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
Other investments:					
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 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.

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".

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.

Table 3: Non-Specified Investment Limits	**Cash limit**
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 31st March 2011, MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure.
- For unsupported capital expenditure incurred after 31st 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.

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 31st March 2015, the budget for MRP has been set as follows:

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

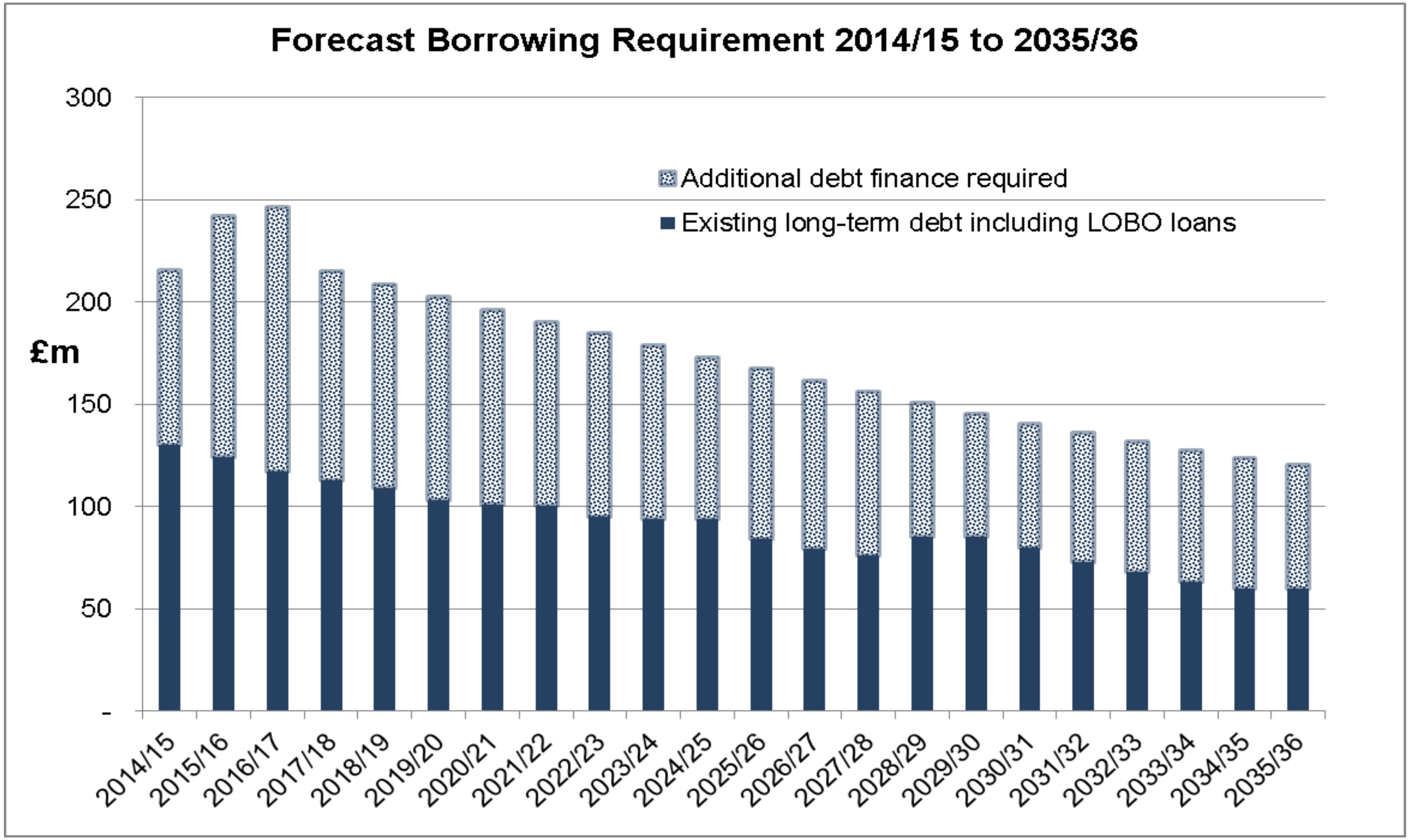
APPENDIX 1

EXISTING BORROWING & INVESTMENTS AS AT 31 OCTOBER 2014

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

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

APPENDIX 2


Forecast Borrowing Requirement 2014/15 to 2035/36
£m
300
250
200
150
100
50
-
Additional debt finance required
Existing long-term debt including LOBO loans
2014/15
2015/16
2016/17
2017/18
2018/19
2019/20
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
2026/27
2027/28
2028/29
2029/30
2030/31
2031/32
2032/33
2033/34
2034/35
2035/36

APPENDIX 3

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.

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

2.2 Capital expenditure will be financed as follows:

Funding	2014/15 Approved £'000	2014/15 Revised £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
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

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

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
Total CFR	**264,038**	**258,909**	**291,450**	**304,451**	**291,346**

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

Operational Boundary for other Long-Term Liabilities	30	30	30	25	25
Operational Boundary for External Debt	**270**	**270**	**300**	**310**	**295**

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
Authorised Limit for External Debt	**290**	**290**	**320**	**335**	**320**

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	**146,456**	146,135	**141,318**	140,474	139,994
Financing Costs	**18,288**	16,633	**18,502**	19,804	21,704

Percentage	**12.49%**	**11.38%**	**13.09%**	**14.10%**	**15.50%**

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 13th November 2014.

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

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.

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.

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

Maturity structure of fixed rate borrowing	Estimated level at 31/03/15	Lower Limit for 2015/16	Upper Limit for 2015/16
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%
Total	100.00%		

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.

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

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

APPENDIX 4

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
Bank Base Rate (%)	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
PWLB Rates (%):													
5 years	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
10 years	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
20 years	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
50 years	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

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.

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.

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%.

- 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.**

APPENDIX 5

TREASURY MANAGEMENT POLICY STATEMENT

1. Statement of Purpose

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

2. Key Principles

2.1 Herefordshire council adopts the following three key principles (identified in Section 4 of the Code):

- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.

- The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and liquidity when investing funds.

- The council acknowledges that the pursuits of best value in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of business and service objectives, whilst recognising that in balancing risk against return, the council is more concerned to avoid risks than to maximise returns.

3. Adopted Clauses

3.1 Herefordshire council formally adopts the following clauses (identified in Section 5 of the code):

- The council will create and maintain, as the cornerstones for effective treasury management:

  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

  - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

- Full council will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Chief Officer-Finance and Commercial, who will act in accordance with the organisation's policy statement and TMPs and, if he or she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Definition of Treasury Management

4.1 Herefordshire council defines its treasury management activities as: -

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

5. Policy Objectives

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

Herefordshire Council

Contents

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.

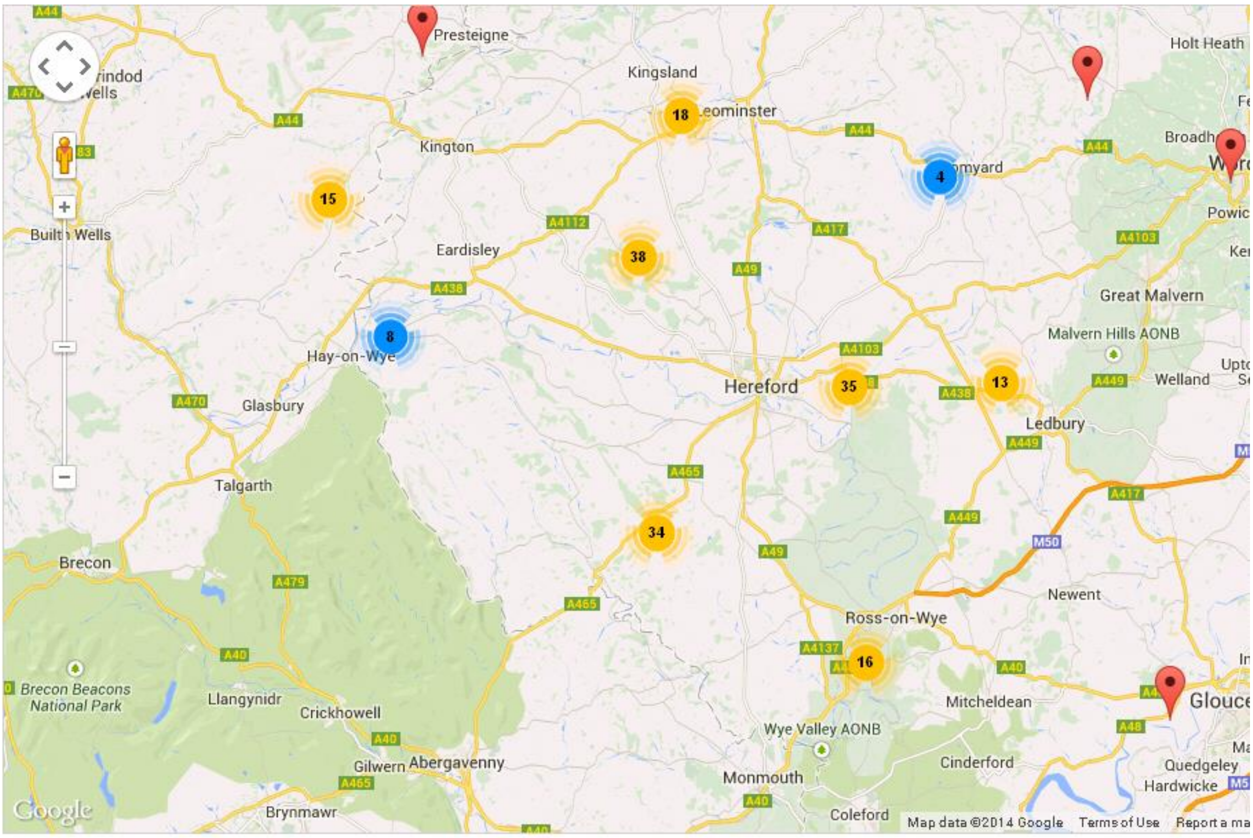
Other ways of responding:

- 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

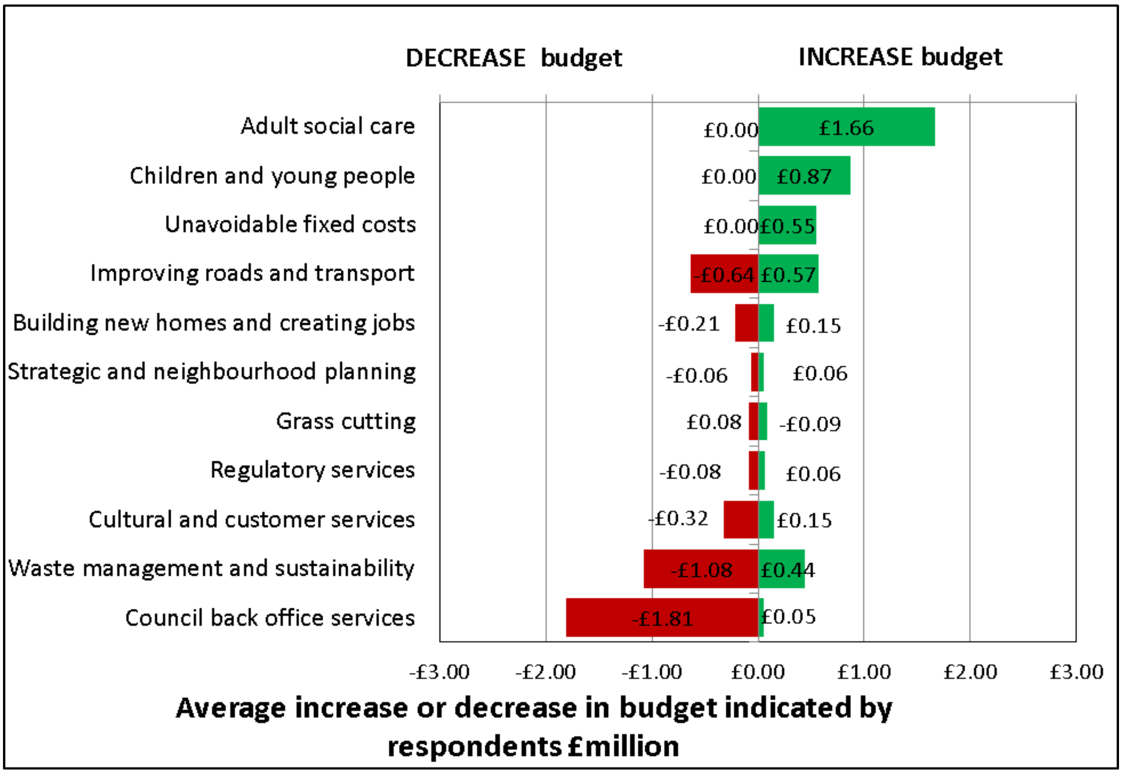
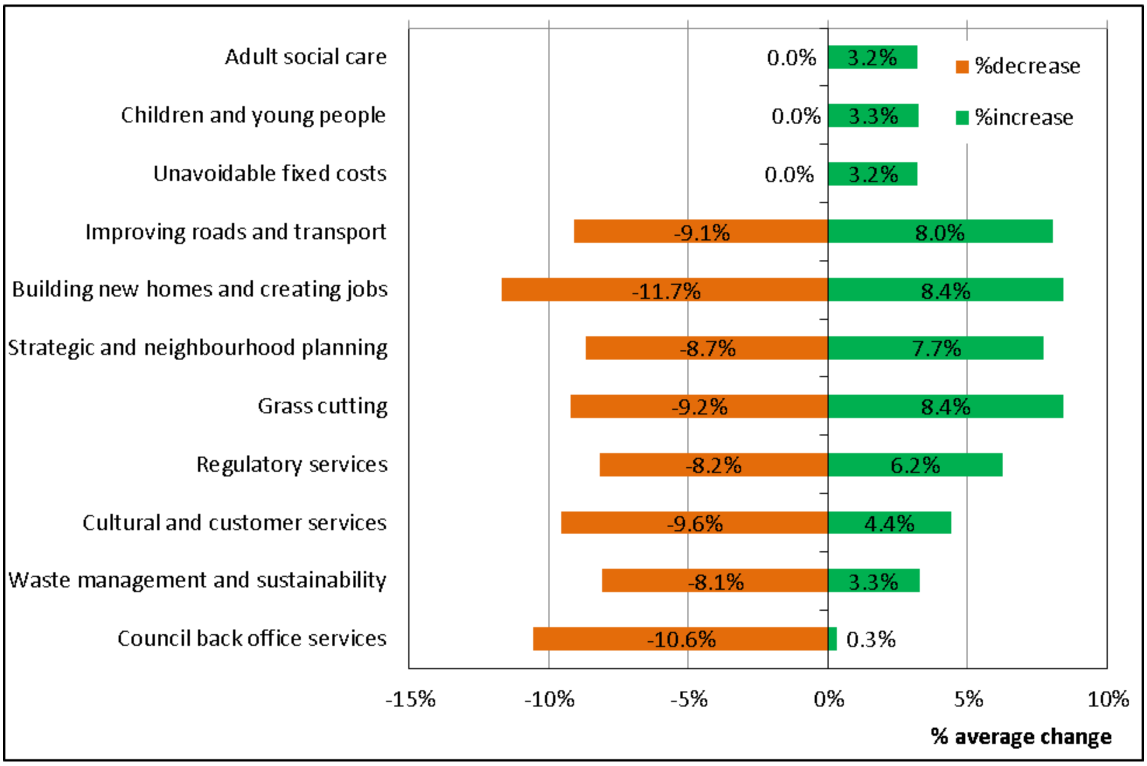


Chart 2: Average increase or decrease to net budget as a proportion of the starting budget for each section



- 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
REDUCE HEADTEACHERS PAY AND BENEFITS IN MAINSTREAM SCHOOLS
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.

Suggestions
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.

Suggestions
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 & share, park and cycle, but not park & 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.
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 & Information Services in Hereford. Reduce all subsidies to cultural etc. organizations.
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.
Communication and education of change, reasons and outcomes is vital
Reduce amount of street lighting during the middle of the night - say midnight to 5am
Stop wasting money on Council offices giving them facelift Stop wasting money on Council running costs Cut the grass SORT OUT THE ROADS!
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
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.

Suggestions
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!
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??
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!
Reduce money given to parish councils, they never spend it all! Charge more money for services that currently cost.
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.
Lower parking charges!! £3 all day that's expensive when you're parking there 6days a week!!!
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?
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?

Suggestions
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.
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!
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?
Examine revenue implications of capital projects e.g. road building.
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
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.
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.
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.

Suggestions
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:
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)
Increase council tax by 10% to pay for services
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.
Reduce duplication. Streamline management - take out at least one layer. Remove unnecessary paperwork/form filling. Get rid of unproductive staff.
Car park charges.
REDUCE THE PROCE OF PARKING AT THE SWIMMING POOL, NO ONE PARKS THERE ANYMORE. CHEAPER APRKING AND IT WAS FULL... NO BRAINER REALLY!!
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.
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.
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)
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.
Why should any council member receive more salary than the Prime Minister? No one is should receive a higher salary than him.

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 Counci l 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 15th January 2014) and one from Cllr Tony Johnson (dated 20th 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 6th 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[1] 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[2], as follows:

Mid Year Population 2009 (ONS)	Herefordshire 179,100
Lost Benefits Income 2011 Jobs Lost 2011	£6,753,350 157
Additional Lost Benefits Income 2012 Jobs Lost 2012	£14,303,769 332
Additional Lost Benefits Income 2013 Jobs Lost 2013	£19,926,730 462
Additional Lost Benefits Income 2014 Jobs Lost	£11,419,828 265
Total Lost Benefits Income Annually – 2014 Jobs Lost 2011 - 2014	£52,408,677 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[3]	£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."[3]

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

<u>Volunteering</u>

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.

<u>Support for Maintaining the CAB grant</u>

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

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

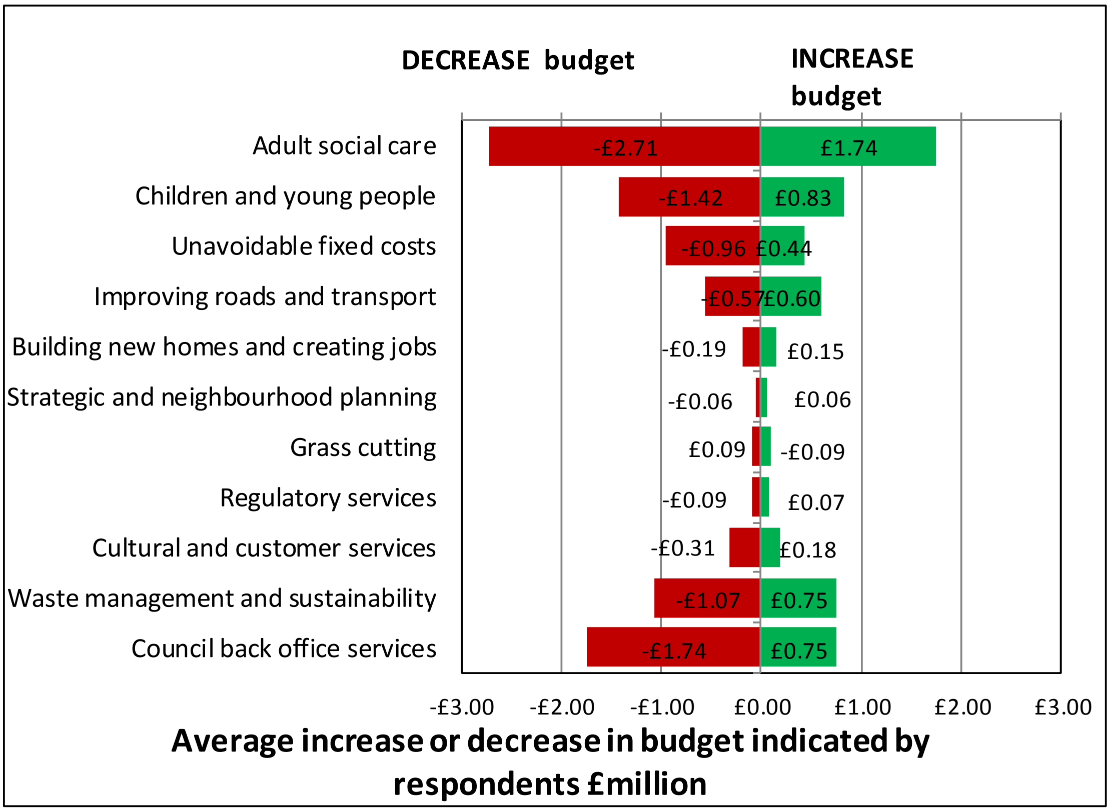
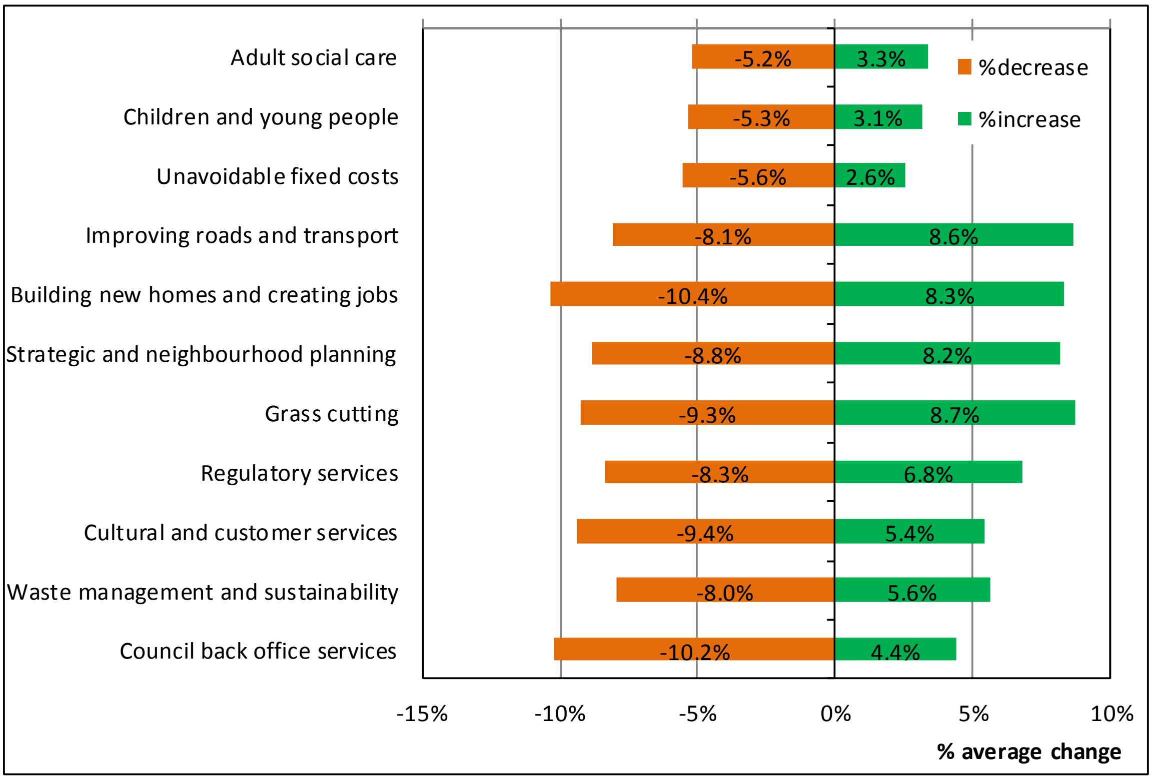


Chart 2: Average increase or decrease to net budget as a proportion of the starting budget for each section



- 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.

Appendix 7

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[1]).

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

[1] "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.

Appendix 8

Additional Rural Transport Funding

Josie Rushgrove, January 2015

1. Background

The provisional local government funding settlement for Herefordshire for 2015/16 was announced on 18th 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.

Herefordshire Council

DECISION MAKER:	Cabinet
MEETING DATE:	22 January 2015
TITLE OF REPORT:	Hereford United Football Club (1939) Ltd (approval to seek new tenant at Edgar Street athletic ground, Hereford)
REPORT BY:	Head of Corporate Asset Management

Classification

Open.

Key Decision

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 .

Wards Affected

Hereford Central ward.

Purpose

To consider future lease arrangements in relation to the former Hereford United Football Club ground and of land at ground ends.

Recommendations

THAT:

(a) the cabinet member contracts and assets be authorised (following consultation with the leader of the council) to seek a new football tenant for the pitch (and such ancillary sports related facilities as he considers appropriate) at the Edgar Street athletics ground through an open public advertisement process and consultation with parties likely to be affected by the decision including as a minimum the Hereford United

Supporters' Trust, the Football Association and Sport England);

(b) the director for economy, communities and corporate be authorised (following consultation with the assistant director, governance) to grant an initial short term lease to the new football tenant on such terms as are appropriate to protect the council and the use of the ground; and

(c) the director for economy, communities and corporate submit a further report to Cabinet to recommend longer term arrangements.

Alternative Options

1 Seek to dispose of the council's freehold interest in the asset. This would not be in the council's best interest in the short term as the asset has significant long term value which may be compromised by a freehold disposal at this time and in its present form.

2 Seek to relocate the sports facility having due regard for viable alternatives. This may be a long term option but would need significant consultation and evaluation before any decision is contemplated.

Reasons for Recommendations

3 The premises are now vacant and constitute a liability to the council.

4 The council have identified no operational use for the premises.

Key Considerations

5 Hereford United Football Club (1939) Limited was subject to a successful winding up order on 19th December 2014. This has not been challenged by the club and the time limits for challenge have now expired.

6 The leases of the ground and ends were forfeited by peaceable re-entry following the making of the winding up order. That forfeiture has not been challenged by way of a court application for relief against forfeiture by the official receiver and as such the leasehold interest no longer exists.

7 The development agreement has been terminated as a result of the successful winding up order.

8 The issue of the vacant ground has generated significant public interest which will lead to pressure upon the council to secure a new tenant at the earliest reasonable opportunity. There is likely to be intense public scrutiny of any decision and therefore a transparent and open process of attracting a new tenant will be essential. It is proposed that a two stage process is adopted, with the grant of an initial short term lease to enable a potential tenant to comply with football league requirements. The potential for a further lease will be considered once the long term future of the site has been determined. A further report will be made to cabinet setting out the options for the longer term.

9 There may be interest from potential non-sporting users following completion of the

Old Market and Urban Village developments. Consideration should be given to the longer term vision for the site within the context of the wider development proposals for the Edgar Street Grid area.

10 Legal advice has been sought to determine the process and timing of any attempts to secure a new tenant (see Legal Implications and Risk Management sections of the report below).

11 Consideration should be given to those parts of the total demise that might be made available to a new tenant e.g. excluding the former leases 2 & 3 (Meadow and Blackfriars end development leases).

12 It is not the duty of Herefordshire Council to secure and retain league football at Edgar Street Athletic Ground; however, due to the level of public interest shown, Herefordshire Council wish to work with interested parties to enable this to be facilitated, should appropriate interest be forthcoming.

Community Impact

13 There is significant community interest in the future of the ground.

14 There is a strong body of support for the continued use of the ground for sporting purposes.

15 There appears to be a number of interested parties who might seek a tenancy agreement for the ground.

16 By seeking a new short term tenant Herefordshire council is seeking to demonstrate best use of resources and value for money for the taxpayer in the short to medium term whilst not compromising the ability to obtain better value for money in the longer term.

Equality and Human Rights

17 No equality or human rights implications identified.

Financial Implications

18 The council have a budget for rental income of £10k pa and while the ground is vacant will need to pay the vacant property NNDR liability of £20k. There will also costs relate to securing the ground while there is no tenant, estimated to be £20k pa plus essential repairs. Total unbudgeted revenue costs could therefore be in the region of £100k while the property remains vacant.

Legal Implications

19 On 22 December 2014 following the making of a winding up order against HUFC (1939) Ltd, the leases to HUFC were forfeited by peaceable re-entry.

20 It is possible for the official receiver, who must now investigate the demise of the club and distribute their assets to seek to pay off creditors (of whom the council is one), to apply to court for relief against forfeiture. He could do this and if successful apply to the council to assign the leases. However as the making of a winding up order and appointment of the liquidator is a valid ground for forfeiture such application would be

unlikely to succeed.

21 It is likely that the official receiver will arrange a meeting of creditors to appoint a liquidator other than herself as nominations have been made by a number of creditors for more than one insolvency practitioner. The meeting will need to take place no later than 12 weeks after the date of the winding-up order and once this takes place, that liquidator will then take over control of the affairs of the company. The official receiver has been notified of the debts still owed to the council which chiefly concern rates and re-entry costs but as the council are an unsecured creditor the amount the council will receive is unlikely to be enough to pay that sum.

22 It is recommended that the new short term and any longer tem lease contain terms protecting the council and the site for its intended use. The initial lease will be for a period of not more than three years and excluded from the security of tenure provisions of the Landlord & Tenant Act 1954 thus removing any statutory right of renewal or compensation for non renewal from the tenant. The lease should also contain:

- A full repairing and insuring liability on the tenant;
- A probation on alienation i.e. no assignment/subletting or sharing of occupation or charging permitted thus ensuring the lease remains with the entity to whom it is granted only;
- A landlord's break clause operable by events including change of ownership of the entity who are the tenant;
- Clear forfeiture provisions.

23 Consideration will need to be given to the ends of the site over which access must be granted. It is recommended that a right of access, for the same period as the initial lease, is granted, subject to contribution to maintenance of such access way, rather than leases.

Risk Management

24 Any pre-emptive action could trigger a challenge to forfeiture on behalf of the liquidator and unfortunately frustrate the process of securing a new tenant.

25 The longer the building remains vacant, the greater the costs of reinstatement and repair and the potential for vandalism and other incremental cost.

Consultees

26 The local member is being consulted and their views will be reported to Cabinet.

27 Group leaders have been kept fully informed throughout the process and are supportive of the recommended action.

28 General Overview & Scrutiny Committee – plan to review the management of the Edgar Street leases on 10 February, and their views will be taken into consideration in the development of future options for the site.

Appendices

None.

Background Papers

None identified.

Further information on the subject of this report is available from
Tony Featherstone – Head of Corporate Asset Management Herefordshire Council on (01432) 383368

MEETING:	**Cabinet**
MEETING DATE:	**22 January 2015**
TITLE OF REPORT:	**Joint property vehicle (JPV)**
REPORT BY:	**Assistant director place based commissioning**

Classification

Open

Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Wards Affected

County-wide

Purpose

To consider the proposals for a joint property vehicle (JPV) with Worcestershire and the alternative options for commissioning of property services.

Recommendation(s)

THAT:

(a) Herefordshire Council does not join the proposed joint property vehicle as a founding member; and

(b) the director of economy, communities, and corporate, produce a further report following completion of a review of the options for ensuring a sustainable property service for Herefordshire including consideration of joining or becoming a customer of the joint property vehicle once it has been established.

Further information on the subject of this report is available from
Richard Ball on Tel (01432) 260965

Alternative options

1 Become a founding member of the JPV – the target launch date for the joint venture (JV) is 1 April 2015. The decision whether to join from day one is, therefore, needed in January 2015. Seven potential partners have been identified in Worcestershire, Herefordshire, Shropshire and Warwickshire with most headquartered in Worcestershire. It is currently proposed that the main office would be in Worcestershire with a satellite office in Herefordshire. Herefordshire's contribution to total costs (£43.8m est.) would be approximately 20% (full business case estimates). Many of the benefits which are identified for the JPV have already been substantially delivered in Herefordshire. For example, significant progress has been made in the county towards the implementation of a single public estate and the consolidation of the council's operational estate, contracts, and client team. Further benefits are possible but Herefordshire is significantly ahead of the other partners in most areas where benefits are expected. This option is therefore not recommended.

2 Do minimum – the contracts put in place after the end of Herefordshire Council's strategic partnership with Amey were intended to be interim arrangements. The intention was to allow time to develop a more sustainable approach to property services. The 'do minimum' option would be to re-let similar arrangements potentially for longer terms. However, this option does not address succession planning and the sustainability of the client side operation.

3 Other collaborations – the council has started to investigate options for collaborations.

Reasons for recommendations

4 The recommended approach will allow the council to properly assess all its options for the future of property services without incurring the costs associated with the establishment of the proposed joint property vehicle. This would allow the council to retain the option of joining or becoming a customer of the joint property vehicle once it has been established and allow the exploration of other approaches to collaboration. This will ensure we take the best approach for Herefordshire Council.

Key considerations

Origins and objectives of the JPV

5 The JPV is a development of the Worcestershire capital and asset pathfinder (WCAP) set up as part of an initiative supported by the Local Government Association (LGA) and Department for Communities and Local Government (DCLG) in 2010/11. The WCAP has led to over 40 projects in Worcestershire involving co-location and property sharing amongst partners and has led to the development of a 'one town' approach to the strategic development of public sector assets in a number of towns.

6 The partners now feel that further progress can be made in using property to promote service integration and economies of scale. They believe that the way to achieve this is to bring together the estates functions of each partner into a single organisation. The partners therefore agreed to start investigating the possibility of setting up the JPV in May 2013. The Cabinet Office process has been followed and has resulted in a full business case (FBC) completed in October 2014.

7 The JPV would create a public sector owned company to provide a single property management unit across a range of public sector bodies. Potential partners

considered in the development of the business case have been Herefordshire Council, Hereford and Worcester Fire and Rescue Service, Redditch Borough Council, Warwickshire Police, West Mercia Police, each authority's police and crime commissioner, Worcester City Council, and Worcestershire County Council.

8 The FBC has now been developed and has been considered and analysed by the council's finance and asset management teams during the preparation of this report. The FBC proposes that implementation of the company will begin from the second quarter of 2015.

9 The potential benefits identified in the FBC include cost savings – driven by a reduction in establishment numbers, contract alignment, and property rationalisation – and other benefits including: a more commercial approach to property management; swift payment for small and medium enterprises (SME); and locality reviews delivering improved service for the community; and encouraging main contractors to invest in local apprenticeships. In the longer term the JPV aims to drive regeneration and growth and provide better value through increased purchasing power.

Analysis of savings

10 An analysis of the cost savings has been carried out by Herefordshire Council's finance team. This is a more tailored analysis based on the specific circumstances of Herefordshire. The benefits identified in the FBC are likely to be valid overall, however, the detailed circumstances of Herefordshire mean that the level of savings are likely to be lower than the average (see financial implications and appendix 1). For Herefordshire, in the early years, set-up costs are significantly higher than savings, with pay-back on a net present value basis (3.5% discount rate – the rate specified for business cases in the treasury green book) not until year five: 2019/20. The set-up and running costs of the JPV are a significant influence.

11 The payback from the JPV is assessed against a 'do nothing' scenario. The analysis carried out by the council's finance and asset management teams shows that when assessed against savings that Herefordshire Council would expect to make without joining the JPV, the JPV would not be anticipated to break even for Herefordshire. Net present value of net savings over 10 years for the JPV option is £1.94m versus £3.67m by not joining the JPV.

Other benefits

12 A number of the benefits identified in the FBC will have less of an impact for Herefordshire Council. For example, the council's services are already largely commissioned via contracts with external commercial organisations. These contracts have been recently market tested via procurement which put in place both swift payment terms for SMEs and encourage the use and development of local suppliers.

13 Herefordshire Council, working in partnership with its suppliers has already attained academy status from the Construction Industry Training Board across its contracts in public realm and property services – demonstrating a commitment to apprenticeships, training, and work experience for young people still at school.

14 Since 2010 Herefordshire Council and its partners in the county have also been successfully pursuing a locality strategy which has seen locality reviews (similar to the proposed 'one town' reviews) carried out across the whole county. The first wave of these reviews completed in 2014 delivering integration across government

departments, local government, parish councils, community groups, and the third sector. More can always be done and the council and its partners continue to identify and exploit opportunities. The move towards one public estate is, therefore, already underway and all government departments operating in Herefordshire are co-located in some form (including the NHS Hospital Trust, Herefordshire Clinical Commissioning Group, Environment Agency, Ministry of Justice, Department for Work and Pensions, Probation Service, and (potentially) Driver and Vehicle Standards Agency). Herefordshire Council also maintains a set of multi-agency offices across the county which offer flexible office facilities to multiple organisations.

15 In Herefordshire, as part of its locality reviews, twenty community asset transfers will have completed by April 2015. Transferring assets to the community has already led to a reduction in the council's maintenance liability of approximately £1m per annum. Community groups have accessed sources of funds that are not available to the council to develop and maintain facilities that have become the focus of community development and regeneration; examples include the Ross sports centre (£200k) and Hereford Model Engineers (£50k) where in 2012 land and buildings at Broomy Hill were transferred to the Hereford Society of Model Engineers, which run a mini railway and education centre.

16 Herefordshire Council recently re-procured its public realm and property related contracts. Important aspects of these contracts are swift payment terms for SMEs, encouragement to use and support the development of local SMEs, and an emphasis on workforce development and training. The council and its providers have already attained academy status from the Construction Industry Training Board (CITB). The jpv has committed itself to delivering similar benefits for its partners in the future.

17 Herefordshire has been driving forward its locality strategy since 2010. This has resulted in the delivery of cross-public sector locality reviews covering the entire county. The implementation of recommendations from the first round of reviews is now complete. The council and its partners will continue to look for opportunities to move towards a single public estate although a number of the benefits of this approach have already been delivered in the county.

18 In the longer term the JPV aims to drive regeneration and growth for its partners. However, Herefordshire Council has already developed a strong track record of cooperation with public and private sector partners to bring forward property-led regeneration through projects such as the Old Market Development and Hereford Enterprise Zone.

Conclusion

19 While the JPV proposals are not considered to provide a level of benefits which would be attractive to Herefordshire Council, the business case does highlight that the other partners could benefit from such an approach. However, the council needs to ensure the best approach for Herefordshire. Whilst it is recommended that the council should not join the JPV as a founder member, it will still be necessary to ensure we retain a successful and sustainable model for delivering property services in the future.

20 There are a number of potential ways in which this can be accomplished. It is therefore recommended that a further review be carried out to determine the most appropriate approach for Herefordshire. Options to be considered would include:

a. Considering taking advantage of the flexibility offered by the JPV by becoming a customer of its services or potentially a full partner once established;

b. Exploring joint ventures with other authorities;

c. Putting in place a partnership agreement with a private sector partner while retaining an intelligent client/strategic asset management capability within the council;

d. Other forms of public sector collaboration e.g. with neighbouring authorities.

21 It is proposed that these, and any other options, form part of an option appraisal with a preferred option being the subject of a future report

Community impact

22 Herefordshire's locality strategy was established in 2010. Its objectives were: strengthened community leadership; local service delivery meeting the needs of communities; joined up local services; and working in partnership with empowered communities.

23 Local democracy has been enhanced with the local councils and their use of participatory budgeting, community led planning and increased number of robust action plans produced. One of the key benefits has been the positive difference made by members working with their parish councils. Benefits have been delivered by consolidation of the public estate with all government departments operating in Herefordshire being co-located in some form. The lessons learned from the locality reviews will continue to support these changes as opportunities arise.

24 It is vital that any new approach to delivering property services will continue to develop in line with these aims.

25 The recommendations support achievement of the council's corporate plan objectives to:

- Make the best use of the resources available to meet the council's priorities;
- Continually looking for improvement and remaining open to challenge

Equality and human rights

26 The recommendation of this report is that a wide-ranging option appraisal is carried out which will identify the preferred way forward for property services in Herefordshire Council. An equality impact assessment will form part of the option appraisal and will be used to inform the choice of preferred option. A more detailed assessment of the impact of the preferred option on equality and human rights will then form part of the implementation plan for that option.

Financial implications

27 Joining the JPV would require initial investment of £400k – including one-off and running costs net of savings over the first two years. The net savings over 10 years are estimated by the JPV working group to total £1.9m with a break-even in year five 2019/20. This is based on expected efficiency staff savings within the JPV and further rationalisation of properties. This is based on estimated levels of savings

which are not guaranteed and might not be achieved.

28 It is anticipated that the council could exceed this level of saving without the upfront costs by continuing its own rationalisation plans outlined in the medium term financial strategy. It is expected that a review of the property function will also highlight options around contract management to deliver further cost savings.

Legal implications

29 There are no legal implications arising from a decision not to join the JPV as a founding partner. Legal services will be involved in assessing the potential legal implications of alternative options for future service delivery as part of the recommended review.

Risk management

30 ISSUE – Herefordshire needs to ensure that it continues to have a professional property service; the current team is mature; we must do something

31 ISSUE – Herefordshire will need to continue to drive property enabled savings from: efficiencies; rationalising the operational estate; community involvement; devolving services – this challenge is key to the council's sustainability

Risks of not joining the JPV

32 RISK – opportunities to drive the single public estate are missed by not being part of the JPV; RESPONSE – Herefordshire Council has already driven integration within Herefordshire that is not obvious elsewhere; Herefordshire Council will be open to opportunities identified in the 'one town' reviews and has a track record of a cooperative approach

33 RISK – the increased regional influence of the JPV drives additional investment which will not be available to Herefordshire; RESPONSE – Herefordshire Council's track record of influence is good and should be measured against any expected gains

34 RISK – we replace an effective, local service for an organisation that is just starting to go through the transformation that has already taken place in Herefordshire; RESPONSE – the benefits case and financial case for the JPV assumes that all partners are at a similar level of development. The council's finance department has based its assessment of the JPV on savings and benefits that Herefordshire Council could realistically expect to gain

Risk of joining the JPV

35 ISSUE – the financial case in the FBC appears to be based on targets based on overall industry benchmarks with no sensitivity analysis; there are no guaranteed savings in the FBC; RESPONSE – Herefordshire Council's finance department has carried out an analysis based on a more detailed assessment of the benefits and providing estimated benefits which give a greater level of confidence

36 ISSUE – the benefits identified for Herefordshire Council have largely been delivered or are in process; RESPONSE – the progress in Herefordshire towards a single public estate will provide useful experience for the JPV whether Herefordshire Council is a founding partner or not. The council will still be able to cooperate with any plans to consolidate the public estate

37 ISSUE – there is no mention of community asset transfers in the FBC; this has been a major benefit of Herefordshire's localities strategy; RESPONSE – the council's experience will be available to the JPV

38 RISK – Herefordshire will be a minor partner in the larger group; there is a risk that the service provided will be remote and unresponsive; RESPONSE – the FBC promises 'high quality customer service' to its partners. This will be driven, in part, by a culture change programme led by Innovation Central Ltd

39 RISK – there is a risk that the progress on integrating the public estate in Herefordshire through its localities strategy stalls as the JPV learns how to deliver these complex projects; RESPONSE – In assessing the JPV business case, the council has assumed that a client team will be required. This client team would need to retain the understanding built up via Herefordshire's approach to localities

40 RISK – there is likely to be a need for strong client teams within each of the JPV partners to manage stakeholders and drive the integration of the public estate; this will erode the efficiency savings; REPONSE – this has been included in the assessment of the full business case

Consultees

41 The JPV FBC has been developed collaboratively by the partners. This approach has led to a document that reflects the input provided by local specialists and a document that is understood and endorsed by all the partners. This has facilitated the analysis of the local situation in Herefordshire (in particular by finance and corporate asset management) which has underpinned the conclusions and recommendation of this document.

42 Further consultation will be carried out as part of the proposed review of alternative options for future service delivery of property services.

Appendices

Appendix 1: Chief Finance Officer's financial analysis of JPV FBC

Appendix 2: Full Business Case Joint Property Vehicle Project Version A – Issued 20 October 2014.

Background papers

- None identified

Further information on the subject of this report is available from
Richard Ball on Tel (01432) 260965

MEETING:	**CABINET**
MEETING DATE:	**22 JANUARY 2015**
TITLE OF REPORT:	**JOINT PROPERTY VEHICLE**
REPORT BY:	**ASSISTANT DIRECTOR PLACE BASED COMMISSIONING**

Assumptions

Expenditure Type	JPV Savings identified	Herefordshire Validated
ESTABLISHMENT	Based on revised staff reduction in Business case	As per JPV
MAINTENANCE	20%	3% at each contract renewal. (20% taken out in 14/15)
ENERGY	10%	Based on rationalisation of current properties
WATER	5%	Based on rationalisation of current properties
RENTS	40%	Based on rationalisation of current properties (majority of budget for 2 properties that are unlikely to change)
RATES	15%	No savings. Based on current pressure on the revaluation of assets which is increasing rates.
CLEANING	10%	10% at each contract renewal. (20% taken out in 14/15)
MISC COSTS	20%	20%

Further information on the subject of this report is available from
Richard Ball on Tel (01432) 260965

Analysis of savings

JPV Savings versus no JPV option 15/16 to 24/25

1. Savings by joining JPV (validated by Herefordshire Finance)

	BASELINE YEAR 2014/15	YEAR 1 2015/16	YEAR 2 2016/17	YEAR 3 2017/18	YEAR 4 2018/19	YEAR 5 2019/20	YEAR 6 2020/21	YEAR 7 2021/22	YEAR 8 2022/23	YEAR 9 2023/24	YEAR 10 2024/25
Inflows											
Savings	6,472	(183)	(385)	(535)	(534)	(659)	(692)	(688)	(720)	(763)	(788)
Overhead Savings		(6)	(37)	(68)	(99)	(99)	(99)	(99)	(99)	(99)	(99)
Outflows											
Implementation Costs (20%) - assume redundancy costs only		162									
Implementation Costs (20%) Total £107k funded by Cabinet Office		0									
Running Costs (20%)		238	238	238	238	238	238	238	238	238	238
Retained Contract Management		154	154	154	154	154	154	154	154	154	154
Additional contributions to capital			82								
Annual cost / (savings)	**6,472**	**365**	**52**	**(211)**	**(240)**	**(365)**	**(399)**	**(394)**	**(427)**	**(470)**	**(495)**
Cumulative cost / (savings)		**365**	**417**	**206**	**(34)**	**(399)**	**(798)**	**(1,192)**	**(1,619)**	**(2,089)**	**(2,584)**
Net Present Value at 3.5%	**1.00**	**0.965**	**0.931**	**0.899**	**0.867**	**0.837**	**0.808**	**0.779**	**0.752**	**0.726**	**0.700**
Annual cost / (savings) on Net Present Value		**352**	**48**	**(189)**	**(208)**	**(306)**	**(322)**	**(307)**	**(321)**	**(341)**	**(347)**
Cumulative based on Net Present Value		**352**	**400**	**211**	**3**	**(303)**	**(625)**	**(932)**	**(1,253)**	**(1,594)**	**(1,940)**

2 Savings by not joining into JPV

	BASELINE YEAR 2014/15	YEAR 1 2015/16	YEAR 2 2016/17	YEAR 3 2017/18	YEAR 4 2018/19	YEAR 5 2019/20	YEAR 6 2020/21	YEAR 7 2021/22	YEAR 8 2022/23	YEAR 9 2023/24	YEAR 10 2024/25
Inflows											
Savings	6,472	(190)	(307)	(493)	(492)	(492)	(526)	(521)	(516)	(549)	(544)
Outflows											
Additional contributions to capital			82								
Annual cost / (savings)	**6,472**	**(190)**	**(225)**	**(493)**	**(492)**	**(492)**	**(526)**	**(521)**	**(516)**	**(549)**	**(544)**
Cumulative cost / (savings)		**(190)**	**(415)**	**(908)**	**(1,400)**	**(1,892)**	**(2,417)**	**(2,938)**	**(3,454)**	**(4,003)**	**(4,547)**
Net Present Value at 3.5%	**1.00**	**0.965**	**0.931**	**0.899**	**0.867**	**0.837**	**0.808**	**0.779**	**0.752**	**0.726**	**0.700**
Annual cost / (savings) on Net Present Value		**(184)**	**(209)**	**(443)**	**(427)**	**(412)**	**(424)**	**(406)**	**(388)**	**(398)**	**(381)**
Cumulative based on Net Present Value		**(184)**	**(393)**	**(836)**	**(1,263)**	**(1,674)**	**(2,099)**	**(2,504)**	**(2,893)**	**(3,291)**	**(3,672)**

Further information on the subject of this report is available from
Richard Ball on Tel (01432) 260965

2014

Full Business Case

Joint Property Vehicle Project

Proposals to develop a single Property Management function across a wide range of public sector organisations covering the Counties of Herefordshire, Shropshire (incl. Telford and Wrekin), Warwickshire and Worcestershire

A One Public Estate Pilot

A partnership study between the following public sector organisations

Version Control

Version A – Issued 20th October 2014

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Foreword

The Worcestershire Capital and Asset Partnership have been at the forefront in better using public sector assets and has shown what can be done when public sector organisations work together for the benefit of local communities. This approach means that much more can be achieved than simply rationalising assets, important as that is. This innovative partnership has opened up real opportunities for service improvement and inward investment, to support regeneration, growth and the creation of jobs. The Worcestershire Partnership is a great example of the Government's 'One Public Estate' Programme.

We have therefore been pleased to support the Partnership in its work to set up a unique Joint Property Vehicle, which could see seven public sector partners come together to manage their property in a collaborative way across the region. Not only would this provide significant savings, it would also offer the chance to influence regeneration and the delivery of public services through the adoption of a single asset management strategy. It could truly deliver a 'One Public Estate'.

It is pleasing but not surprising, given the Partners past track record in innovation, that they would wish to take this step, to seek out a truly transformational way of cementing this way of working into the future. So I am delighted to have been able to support the partners as Chair of the Shadow Shareholder Group and it is in this role that I commend the Full Business Case to you.

Bruce Mann
Executive Director, Government Property Unit &
Finance Director, Cabinet Office

Independent Chair of the Shadow Shareholder Group

Introduction

The concept of Joint Property Vehicle is developed under the Cabinet Office's "One Public Estate" Programme and has attracted funding from DCLG, LGA, GPU and Home Office to support the delivery of the project.

This Full Business Case (FBC) represents the culmination of a process to examine options for delivering an improved and more efficient property management service. Through this journey the vision has grown to present more strategic opportunities, acting as a catalyst to regeneration proposals and being an enabler for economic growth. The possibility exists to expand the partnership to others within our operating area, including central government. However delivery of this report is not the end of the road, but simply a milestone achieved on a potential longer journey. Whilst a challenging timetable was set at Strategic Outline Case (SOC) stage, all key milestones have been achieved over the 18 months of development.

Many of the questions raised from the Outline Business Case (OBC) are answered, however, some remain to be resolved, not due to lack of time but rather clarity and commitment by partners to progress to delivery before a number of tasks can be finalised. It is intended to use the time between delivery of this report, decision making, and implementation to resolve such matters to Shareholders satisfaction through the Shadow Shareholder Board.

This report builds on the outputs from the Outline Business Case, which each partner supported for further development. It enhances the picture and enriches the proposals with a greater level of detail, evidence and validation. The report creates a platform from which Directors, Chief Executives, Elected Members and PCC's can make an informed choice about whether to pursue this pioneering venture.

We operate in challenging times; the current landscape in the public sector is one of budget shortfalls, efficiency drives, change programmes and an exploration of partnerships and collaborations. Transformation in the public sector is paramount with a need for each organisation to break the mould and consider pioneering, radical solutions and brave decision making.

In developing this study it becomes more and more apparent that change is needed in the management of public sector assets and the need to break out of individual silo`s and manage a portfolio as a vehicle to deliver public sector services, rather than service delivery being defined by the property it owns and occupies. Property is an expensive asset, yet through years of devolvement, separate silos of property portfolios have flourished in the public sector. This perpetuates under use, and vacant space exists for substantial periods of any working week. We shall need to challenge not only our need for property but also how we use them in order to maximise their benefit.

This principle underpins the latest Government Estate Strategy to "*remove artificial boundaries between departments, local authorities and other public bodies*", and, "planning *a smarter working revolution to transform how and where civil servants work*". We believe this partnership can exceed the parameters identified in this document and become a beacon of best practice, a national exemplar.

Property continues to be the largest and second most expensive asset an organisation has, after its people. We procure contractors and services from a restricted pool of suppliers in our region. Yet through our duplication of property management we continue to create an oversupply of demand through multiple tendering exercises which can be disadvantageous to Small and Medium Enterprises (SME) who cannot operate over wide geographic area but could readily support property clusters in towns and cities.

Strategic Property Management can drive and facilitate transformation in service delivery. To do so requires a holistic approach to the wider public sector property portfolio. This Joint Property Vehicle can deliver to that goal.

This Joint Property Vehicle proposal aims to create a model which is more efficient and improves service delivery to its partner shareholders. It is a model which can expand to embrace other partner shareholders within the geographic area. Importantly it is a model which can be replicated nationally by other public sector groups and in other support service areas.

To deliver this project requires commitment at all levels of an organisation and represents a major operational and culture change in how we do business in the property management arena in the public sector in our region.

Partnership and collaborative working in the public sector today remains complex to achieve, but with the drive and commitment shown by our Chief Officers, Members and PCCs it remains worthwhile pursuing. Especially when it can deliver operational gains and community benefits. This proposal represents an opportunity to deliver an important legacy in public sector property management.

1:00: Executive Summary

The intention of this section is to give a brief summary of the extensive detail in each of the sections which follow. This will allow decision makers to gain a quick over view of the report. Each section can then be digested independently, appreciating that this review whilst important, is quite extensive to read.

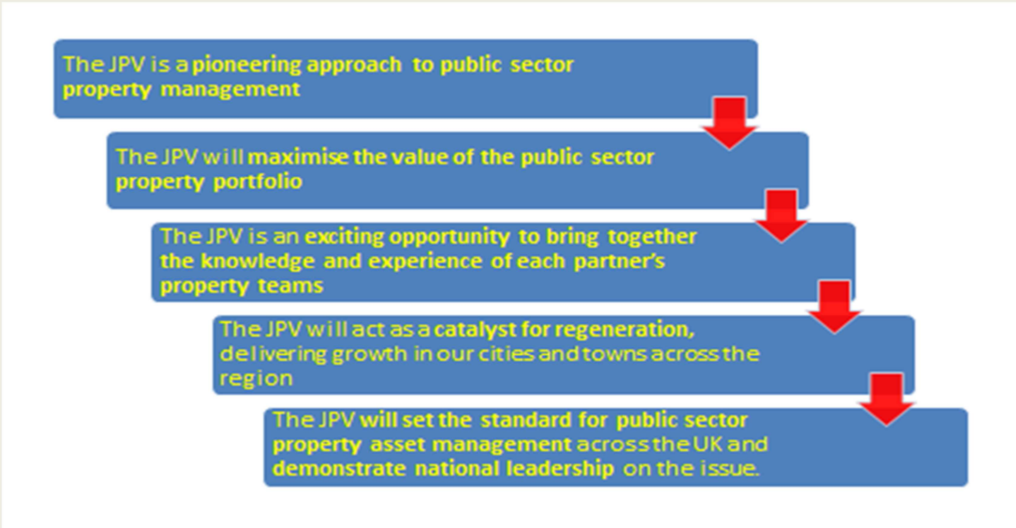
Generally this report will be presented to Chief Officers and Members with an accompanying PowerPoint presentation to aid understanding and explanation.

Police Central Records Store, Worcestershire, (potential multi agency)

Executive Summary: Economic Case

The Economic Case is a short review of the journey so far through the SOC and OBC stage of investigation and how they have informed the FBC study. It reviews the current risk and those which may impact on implementation. The Target Operating Model is defined in brief and sets the scene for more detailed study in the Organisational Development and Implementation section. Finally it reviews the data collection and benchmarking position.

- **Review Critical Success Factors**
  These are reviewed and it demonstrates the journey of development experienced by the partners, showing a more strategic view of the key measures of success.



- **Statement of journey to decide on Options**
  This quickly reviews the original six options explored in the SOC, which was refined to two options in the OBC for more detailed study.

- **Preferred Option**
  The preferred model for more detailed analysis, as approved by partners, was to explore the JPV concept as outlined in the OBC.

- **Risk/ Liability**
  A risk register has been prepared and will be maintained as a live document for report to the Board. We have also collated thoughts from team members on the risks associated with undertaking no strategic changes to how we do business.

- **Target Operating Model**
  This set outs the basic principles of how the business will operate and is explained in more detail in Section 7:04:01.

- **Benchmarking**
  Comments on the process of assembling data to allow accurate comparison between all partners building and suggests an exercise to be completed during the transition phase.

Executive Summary: Commercial Case

The governance structure recommended in the OBC has been developed with defined roles and responsibilities for the different levels in the structure. In summary, this determines that the JPV as an organisation will:

- Be a company limited by shares, wholly owned by the partner organisations as shareholders with an equal share in the company.

- Have a board of directors consisting of partner representatives as directors, a JPV Director and Non-Executive Directors (NEDs).

- Have a shareholder Annual General Meeting (AGM), consisting of other representatives of the partners.

- Be underpinned by a shareholder Members Agreement which details how the organisation will be formed and includes details such as appointments, entry and termination arrangements and reserved matters etc.

- Operate to a Service Agreement which details how the organisation will provide the service to shareholders and includes details such as pricing, customer service and performance management, and indemnity arrangements etc.

- Be formed to preserve 'Teckal' principles of operation, providing best-value for partners and driving savings on their behalf.

- Transfer staff on the agreement that 'TUPE' will apply to the transfer process.

- Receive a budget in the form of an annual service charge from partners, proportionate to the equivalent revenue budgets at start-up, acting as a 'retaining fee' for services.

- Administer direct partner charges (such as energy use) as 'disbursements', which will be paid at cost and will 'pass-through' the JPV.

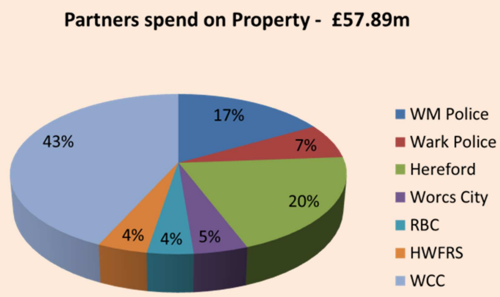
- Manage special projects on behalf of partners, which will be paid separately as an individually agreed 'professional fee' to partners.

- Manage all partners' contracts to maximise efficiencies and create savings, within a procurement strategy which provides transparency and assurance for partners.

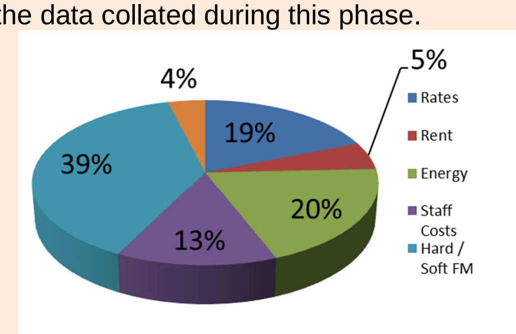
Executive Summary: Financial Case

The financial appraisal and benchmark data presented in the OBC has been updated to September 2014, with information provided by partner representatives on the Finance Workgroup and HR workgroup. They have checked and validated this benchmark position so that we have a sound base for savings assumptions to be built upon. The assumptions used are identified in the document. The financial management arrangements for the JPV can be found in the Organisational Development and Implementation Section 7:00.

- A gross spend by partners of £57.9 mill has been identified. This is an increase on data presented in the OBC and accounts for savings made by partners and data not previously available. We believe this still does not capture the total spend partners may have on their property holdings.
- The breakdown of spend by partner is identified as a percentage.



- The breakdown of property portfolio costs is presented as a pie chart. This breakdown has variance on percentage from OBC due to greater accuracy on the data collated during this phase.



- Value of savings over 10 years; the partners can reduce the spend in the public sector by a conservative projection of £76 mill over the period.
- Savings assumptions; key assumptions are identified based on experience and professional knowledge held by partners and industry consultants.
- 3 key areas of savings are identified; firstly a reduction in establishment numbers, secondly contract alignment, and thirdly property rationalisation.
- Annual running costs of JPV are identified as approx. £5.88 mill per annum.
- Audit proposals, these are to be delivered by Worcester City Council.

Executive Summary: Benefits

The benefits outlined at OBC stage remain constant in principle although the details may have changed. We previously identified a £15 mill saving on the gross spend by year 10. Due to more detailed analysis and choosing to take a more conservative view of the appetite for cultural change partners may have we have now identified a saving of £11.35 mill. Benefits are identified for each partner. They include:-

Quick Wins

- Equal shareholding
- Commercial ethos to property management
- Efficiency savings
- Improve service integration
- More sustainable service
- Property database
- Access to helpdesk
- Access to own property team
- One Town Review
- Contribution towards change programmes

Medium Term

- Legislative compliance
- Embrace new technology
- Strategic estate management
- Drive revenue savings
- Contribute to local economy through SME's
- Greater purchasing power
- Serve the community
- Enhance quality of property portfolio
- Maintain and protect front-line services
- Drive operational efficiency

Long Term

- Drive regeneration and growth
- Drive capital receipts
- Drive cross organisational working
- Development of national model for benchmarking
- Potential regional vehicle to manage central government estate

Executive Summary: Organisational Development and Implementation

In preparedness for the formation of the JPV the following activities are required:

Legal

- Continue legal advice to support the Implementation Phase
- Establish the JPV as a limited company, including company registration

Procurement

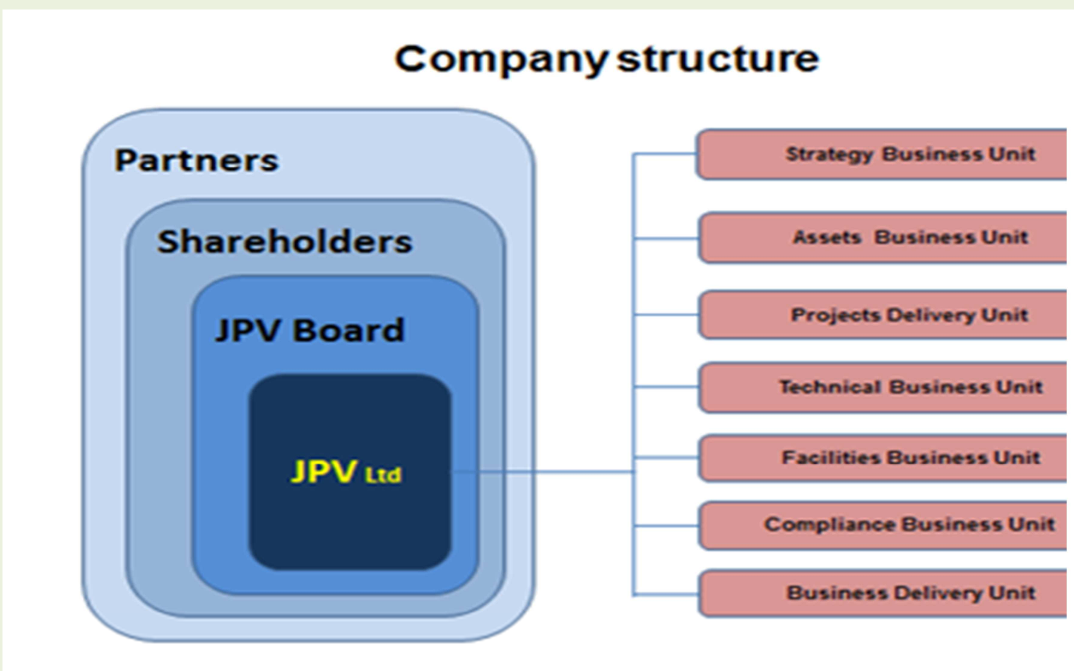
- Develop a comprehensive contracts register
- Develop a set of Procurement Strategy for the JPV to operate for all partners

Communication

- Continue the development of a brand vision and identity for the JPV, including identifying a name for the company
- Identify communication support for post formation of the JPV

Operating Model

- Use the Target Operating Model in support of the development of Roles and Responsibilities under the JPV



- Develop a single database for all partner asset information.
- Develop a Helpdesk model linked to the single database and in support of Service Excellence.
- Put in place a management structure of Chief Operating Officer (COO) (Director), Commercial Executive, Operations Executive and Business Executive as the Management Team for the JPV operating across the organisation rather than in a vertical specialist silo.
- Put in place an operational structure based upon seven identified Business Units.
- Agree a set of Service Levels for the JPV identified against the Business Units
- Support the commencement of a five year Locality Review programme following the formation of the JPV.
- Implement the identified activities to put in place support functions (HR, ICT and Finance) for the JPV.
- Secure a main office location for the JPV in Worcestershire with a satellite office in Herefordshire.

Transfer of Staff

- Appoint a Chief Operating Officer (Director) to the JPV in early 2015.
- Implement the staff transfer timeline with TUPE taking place for identified staff on 1 April 2015 and a six-month timeframe to move selected staff into the JPV Terms and Conditions.

Finance

- Establish a Finance System to manage payments between and on behalf of partners as well as the JPV and link to JPV HR, Payroll and Property Management systems.
- Payment of a service charge to the JPV will be quarterly and cover JPV running costs, 'pass through' costs and 'Professional Fees'.
- Worcester City Council will undertake an Audit of the JPV during the implementation phase and the first year of operation of the company.

Implementation Costs

- The costs for the implementation phase of the JPV have been identified as £2.7m (inclusive of an estimated redundancy strain of £1.75m).

2:00: Strategic Context

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the FBC documents the wide range of options that have been considered in response to the potential scope identified within the Strategic Outline Case and Outline Business Case.

Warndon Community Centre, Worcester, Worcestershire

Strategic Context

2:01 Case for Change

The status quo for asset management is not a sustainable option for most public sector bodies. The ability of individual organisations to meet an increasingly challenging asset management environment with what is likely to be diminishing resources is very questionable. We have identified in the OBC that there are differing levels of performance across each organisation, (this is explored in Section 3.06). Only a single management organisation could have the capacity to exploit the potential of the combined estate.

Background

By 2013 the Worcestershire Capital Asset Pathfinder (WCAP) project was well established and delivering co-location and sharing services across public bodies in Worcestershire and the wider region. Its achievements were being acknowledged nationally and it has already delivered evidenced projects of co-location, releasing financial and social benefits.

In January 2013 the Worcestershire Partnership Executive Group (PEG), commissioned a feasibility study into the development of a Joint Property Vehicle by the Heads of Estates of the then partner organisations of;

- Hereford & Worcestershire Fire and Rescue Service
- Redditch Borough Council
- Warwickshire Police
- West Mercia Police
- Worcestershire County Council
- Worcestershire Health and Care NHS Trust
- Worcester City Council

Through a successful bidding process to the LGA and GPU the project gained Pilot status under their One Public Estate programme

This Fulll Business Case (FBC) document delivers greater level of detail to allow the partners to make an informed decision on proceeding with the model proposed. The Business Case development has followed the Treasury Green Book guidance with the following analysis being undertaken:

- Strategic Outline Plan; developed the Case for Change.

- Strategic Outline Case; explored six options available ranging from Do Nothing to Outsource with a recommendation of two options to be explored further.

- Outline Business Case; explored and tested two options. Firstly a continuation of the CAP`s partnership working, and secondly the creation of a single Joint Property Unit to service multiple public sector partners, with a recommendation for partners to explore further the Joint property Vehicle (JPV) concept in more detail.

This FBC document represents the culmination of this work, with further Due Diligence testing of the model, greater detail has been explored and evidenced solutions proposed, in particular around Governance, Structure, and Management.

2:02 Proposal

The forming of a public sector owned vehicle to jointly manage property with a singular approach to planning and managing the collective estate will help to realise the greater savings.

It will also have the potential to drive transformational change in the way property is utilised across the four counties in which the JPV will operate resulting in the realisation of a number of significant benefits, including:

- A more joined up, cohesive property management solution with the aim of optimising the use of property on a much larger scale;
- Material efficiencies and economies of scale across property management services;
- A unique model which meets the current government agenda and has the potential to satisfy various partner needs, including the flexibility to allow new partners to join, or existing partners to leave;
- The potential for large scale regeneration acting as a catalyst for both cost savings and growth through the One Town approach, (Locality Review)
- The potential to exploit revenue generating opportunities more effectively.

Whilst the WCAP's Strategy document, included in the OBC, established principles and vision for the public sector estate being a vehicle for transformational change and efficiency savings, this has now evolved into an Estates Transformation Plan which maps out the framework for the JPV to develop its own Estate Strategy included at Appendix 1.

This opportunity is recognised by the Government Property Unit (GPU). The GPU and Cabinet Office have selected the JPV as a pilot to test a model for how Central and Local Government might explore an integrated approach to property management, across Government Departments. We are currently exploring the benefits of a single approach to management of the wider government estate as part of one of the first Locality Reviews.

This report is a result of a combined input from all partners under the direction of the Implementation Team, 12 Workgroups have been established involving 62 members of staff and 7 consultants. Governance to the proposal has been provided by the Shadow Shareholder Group, with the Review and Steering Group providing challenge to proposal as a "critical friend". See Appendix 2 for full details of the structure and compilation of these groups.

2:03 Vision - Leadership Triangle

This leadership triangle aims to capture the rationale of the new organisation by a series of building blocks. This will evolve as the company matures and needs review by the new management team when appointed with the Board.

Purpose

To deliver exceptional property services to the public sector.

Vision

To be a national leader of innovation and outstanding commitment to customer and community service, whilst delivering maximum value to the public sector estate.

Strategic Focus

- Maximise value
- Be unique
- Pioneer new ways of working
- Deliver radical front line services
- Lead innovation and transformation
- Deliver significant savings
- Rationalise properties

2:04 Clients Business Needs

Establishing the business needs was identified through exercises undertaken with many workgroups and the Review and Steering Group; this is captured in a service matrix which can be found in Appendix 7. It compares the existing services delivered by in house departments and identifies what is considered in scope for the JPV. As the JPV matures this will be continually reviewed and market tested on the most cost advantageous delivery model.

To justify why we need to consider such a radical change this has been reviewed in Section 3:04 giving reasons why we cannot maintain the status quo.

Once the new Management Team are appointed they will need to review the Operational Model and Service Delivery Templates with business users and ultimately seek approval from the Board.

2:05 Customer requirements

At OBC stage the customer requirements were identified at quite a tactical level of operation, whilst these are all still relevant, as the vision for the company has matured the requirements have grown to be more strategic.

The bigger picture is now to see the JPV being responsible for transforming environments through our Locality Review, and being a catalyst for regeneration. Also to be pioneers of public sector property management, being a national exemplar.

Underpinning all of this however we seek to deliver;

- High quality customer service
- Be a trusted and respected partner
- Deliver unmatched excellence
- Be experts in our field
- Have a positive impact on operations
- Have visibility in the area.

All of these requirements have been captured and will be reflected in the operating model and service delivery templates.

The customer delivery solution is further explored in Section 7:04:02.

2:06 Delivery requirements of JPV

The new JPV organisation will have a number of transitional issues to address to ensure strong foundations for success are established early.

Opportunity exists to remove substantial duplication of functions and roles particularly at a senior level across each of the organisations current estates team by alignment into a single unified team. This will demand a change programme once staff transfer across into the JPV, covering both a cultural and organisational development change programme in addition to physical change programme.

HR and management consultants have been engaged to work with the Implementation Team to develop further the structure and processes by which this can be achieved. Further detail for which is given in Section 7:00.

Key to the success of this programme is a clear and transparent communication strategy which has been developed and continues to evolve with a joint input from both the Communication and HR Groups.

Ensuring the company moves towards becoming a lean and commercial streamlined organisation is created by undertaking process improvement to make key processes leaner and reduce duplication and bureaucracy. This will take a significant time to deliver potentially over a minimum of a 6-9 month period post FBC approval. Undertaking this work is essential as departments from different organisations are being merged, bringing with them inherited ways of working and possible inefficiencies. It is essential that a new way of working is established from the start of the new company to deliver best practice.

The cultural change programme could take longer to embed and will require strong management to ensure it is delivered and engrained into the new ethos.

We shall also need to accept that a skills gap may exist in this new private limited company. Excellent technical, professional and support staff will be transferring with a depth of knowledge and property expertise, but perhaps with little prior experience of the challenges which working for a limited company will bring, embedding customer service and performance quality.

Part of the change programme therefore not only needs to define the new roles but also identify the existing skills and gaps in staff transferring. We shall need an acceptance that not all transferred staff may secure a role in the new organisation.

Investment in technology is identified elsewhere in the report, particularly with regards a single Assets Database and Helpdesk system. We shall need to be clear that this is not to provide systems in addition to existing resource, but to allow us to stream line resource requirements behind these functions.

Further it would be proposed to advocate more mobile working of staff through the use of laptop computers and tablets rather than desk based equipment. This will give greater flexibility to the workforce when covering such a wide geographic area and reduce the strain on office floor space, further reducing on costs for the organisation. It is imperative that our clients see staff "out on the patch" delivering a service to them and not remotely hidden away in an office.

With the desire to dramatically improve customer service, it could be perceived that there is a natural tension with the key aim of the JPV, which is to reduce cost. With all the savings identified (through for example a reduction in staff and improved negotiation of joint contracts), there is still a requirement for services to be aligned to a common standard where perhaps the 'needs' of partners are delivered rather than their 'wants', in order to achieve the savings partners expect. This proposal may create some concerns for partners so the JPV must have robust systems of performance management to ensure that customer service is improved.

Partners have identified some concerns that service delivery may reduce in the transition to a JPV, and so by providing clear definition of how performance will be measured moving forward, it is hoped that these concerns can be mitigated.

2:07 Constraints and Dependencies

- Analysing data across 7 organisations is a complex process, particularly when these organisations are responding dynamically to shifting financial and workload pressures. It has, therefore, been necessary to fix a baseline for all resources in this report against which the costs and benefits of the JPV can be measured. The position of known structures and establishment levels as of 30 September 2014 has been used for this purpose.

- It is acknowledged that between that date of the publication of the Final Business Case and consideration process by partners the actual baseline position may change. It is unlikely that any variations will have a substantial impact on the viability of this proposal overall.

- Some partners have clearly identified a number of staff particularly in Facilities Management functions which they wish to retain and declare as "out of scope". This has been respected at this stage and noted, but requires further consideration by specific partners if we are to maximise the benefits the JPV can deliver.

- The FBC is not a finalisation of the study on this proposal. Most workgroups have further work to undertake if we are to maintain the programme. Further decisions are dependent upon a decision to proceed. The financial commitment can be addressed through the current funding but resource commitment is unlikely to be forthcoming unless we have certainty to progress with the proposed model.

- Embedded culture was identified early on in this process as a potential constraint on success. As part of a training programme we would intend to lead all incoming staff through a culture change programme led by Innovation Central Ltd. This will serve to break down silo thinking, improve customer services delivery, and develop a commercial ethos. This culture change however will not be restricted to the JPV staff.

It will be critical for all client groups to understand the New Target Operating Model along with incoming Board members, to achieve this a communications plan will be implemented on a phased basis.

- The recruitment of the Director and Senior Management Team is an absolute requirement prior to any restructuring and staff transfer occurring. It is necessary that this new team are embedded, work cohesively and have ownership of the Vision and Values of the company.

- WCC has a Commissioning agenda which proposed considering Hard FM for outsourcing However, the efficiencies captured in the JPV Business Case assume the retention of the Hard FM function as an integral part of it, reflecting the majority view within the Review and Steering Group developing the operational model. Upon delivery of the OBC WCC decided to withdraw the Hard FM from the commissioning process and include in the JPV project.

  The formation of a JPV and transferring responsibility for Hard FM to it as part of a strategic core fulfils the broader goals of the County Council by providing a Commissioned service, delivers financial and operational efficiencies, retains expertise and knowledge within the organisation without loss of ownership, and also removes risk.

- For the purposes of the financial element to this business case the Sold Service to Schools activities that are delivered by both County Councils Property Services teams are embedded as a service provided by the JPV and is captured as a fee earning piece of work. While the removal of this could be seen as being cost neutral overall, since fees earned could be regarded as covering the cost of resource employed to deliver the service, the opportunity to make a trading surplus is lost. Generating trading surpluses through the retention of the capacity to deliver property related services to schools can be used to cross-subsidise other more core activities. The Steering Group believe that this route will also deliver a more cost effective solution through greater quantum and organisational resilience, and also could reduce the eventual cost to schools.

- Other services currently provided by partners, whether by external consultants or by the in house team, are reviewed in the JPV solution and may result in some elements being partially outsourced to the private sector. Alternatively, they may be "internalised" if this is found to be the most cost efficient approach, but in all cases they would be managed by the JPV. The over-arching principle will be to maximise efficiencies and purchasing power through the quantum that the JPV can deliver for the wider public sector partners.

- The Police are currently reviewing and implementing a change programme which will move the Soft FM function out of Estates and into a new department. However the JPV continues to capture this discipline within its remit. We have not been able to assess the implications of this change with the police as their new model is not fully designed. All establishment costs reflect the position when FM was included in the Estates function.

- No partner organisation has been able to deliver accurate information on the impact of other support functions if the JPV is created (i.e. Finance, HR and IT). There exists potential for more staff to be considered in scope and subject to TUPE. This will need to be assessed by each organisation and any such posts identified. This has the potential to add to the savings profile offsetting against running costs of the JPV.

3:00: Economic Case

The Economic Case tests and expands on the proposal in the OBC It presents economic appraisals and validates assumptions made in the OBC, which include estimated costs and benefits.

3:01 Review Critical Success Factors

3:02 Statement of journey to decide on Options

- SOC 6 options
- OBC 2 options

3:03 Preferred option

3:04 Risk/ Liability

- Approach to risk
- Risk register
  - Retained risk
  - Transfer of risk
- Risks associated with status quo position

3:05 Target operating model

3:06 Benchmarking

"Collaboration can take effort,

emotional resilience, and courage."

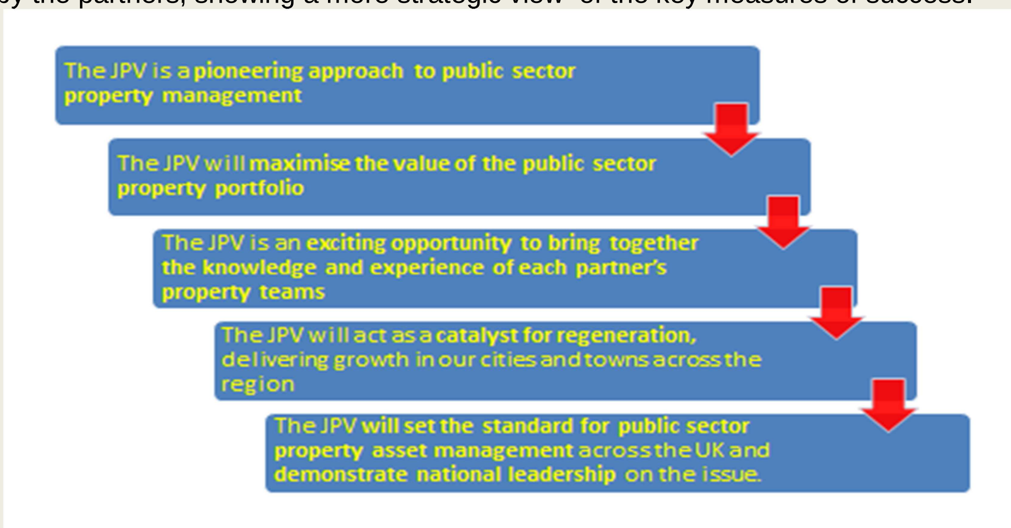
Emily Miles Director of Policing; Home Office

New Police station Market Drayton, Shropshire

Executive Summary: Economic Case

The Economic Case is a short review of the journey so far through the SOC and OBC stage of investigation and how they have informed the FBC study. It reviews the current risk and those which may impact on implementation. The Target Operating Model is defined in brief and sets the scene for more detailed study in the Organisational Development and Implementation section. Finally it reviews the data collection and benchmarking position.

- **Review Critical Success Factors**
  These are reviewed and it demonstrates the journey of development experienced by the partners, showing a more strategic view of the key measures of success.



- **Statement of journey to decide on Options**
  This quickly reviews the original six options explored in the SOC, which was refined to two options in the OBC for more detailed study.

- **Preferred Option**
  The preferred model for more detailed analysis, as approved by partners, was to explore the JPV concept as outlined in the OBC.

- **Risk/ Liability**
  A risk register has been prepared and will be maintained as a live document for report to the Board. We have also collated thoughts from team members on the risks associated with undertaking no strategic changes to how we do business.

- **Target Operating Model**
  This set outs the basic principles of how the business will operate and is explained in more detail in Section 7:04:01.

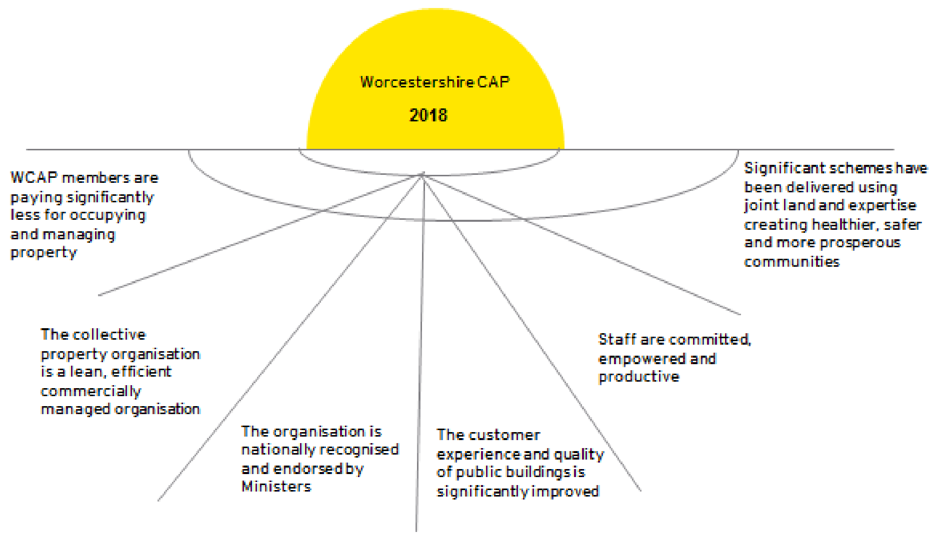
- **Benchmarking**
  Comments on the process of assembling data to allow accurate comparison between all partners building and suggests an exercise to be completed during the transition phase.

3:00 Economic Case

3:01 Review of Critical Success Factors

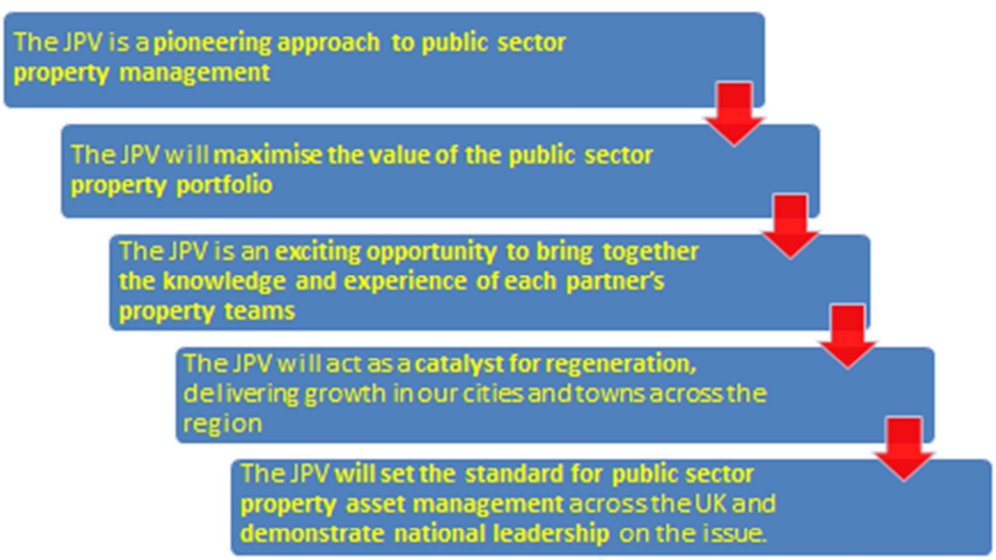
OBC Stage

The original vision and key success factors for the JPV as identified in the Outline Business Case were as follows;



FBC Stage

These have now been further tested and refined and the key measures of success are now identified as;



3:02 Statement of journey to decide on Options

3:02:01 The Strategic Outline Case (SOC) considered 6 options

The long-list of options for pursuing further collaborative working arrangements across the partners has been developed from which a shortlist of preferred options has been derived. The options have been assessed and scored using the CSFs as scoring criteria.

Long listed options	Overview
Option 1: Do not pursue partnership working	This *option* considers the situation where resource and focus is no longer targeted towards pursuit of joint working between the partners. The partners would withdraw completely from partner activity and focus upon their own service in isolation.
Option 2 – Continue current collaborative arrangements (Do minimum)	This option considers the situation where the partners continue with collaboration between the organisations on the present basis. This involves a formal board but with multiple property functions and governance arrangements.
Option 3 – Enhanced hosted shared service	This option considers the situation where a shared service is provided to the WCAP partners, hosted by one or more of the partners.
Option 4 – Outsourcing/Strategic partnership	This option considers the situation where a significant part of the service (of all the WCAP partners) is outsourced jointly to private sector providers or a strategic partner to secure efficiency and improvement in the property service and portfolio. Under this option the private sector controls the collective service. The WCAP partners would retain minimal in house resource and would be focused largely on contract and supplier management.
Option 5 – Joint publicly owned vehicle (with private sector involvement)	This option considers the establishment of an arm's length joint publicly owned vehicle with its own governance arrangement to manage a joint service. Elements of the service are likely to continue to be subcontracted to private sector providers to maximise efficiency and deliverability.
Option 6 – Joint publicly owned vehicle with asset transfer	This option is as per option 5, but including transfer of some or all of the WCAP partner's property assets into the vehicle.

3:02:02 The Outline Business Case reflected on the two preferred models from the SOC as described below

Option 2: Continue current collaborative arrangements (Do minimum)

This option considers the situation where the partners continue with collaboration between the organisations on the present basis, which involves a formal board but with multiple property functions and governance arrangements.

Option 5 – Joint publicly owned vehicle (the JPV)

This option considers establishing a joint property vehicle as an arm's-length company limited by shares, but wholly owned by its public sector partners, with its own governance arrangement to manage a shared service. It was proposed that it should be explored if Teckal exemption would apply to avoid any procurement complications

3:03 Preferred option

The OBC reached a conclusion that the JPV model represented the best solution for partners to explore further. In turn this was supported and approved by each or the partners. Clarity was given that they were not approving the implementation of creating a JPV, but rather approval that they would support the development of the FBC. This report is the output from that recommendation. It must be emphasised at this point that whilst this document tests and explore more fully the JPV concept it is by no means the final fully completed design and further work will be necessary if partners support the approval of this case.

3:04 Risk/ Liability

3:04:01 Risk Register

The JPV project has maintained a risk register during the development of the FBC. This has collated the risks identified by the Project Implementation Team and Workgroups that could impact on the delivery of the FBC and approval of the JPV concept by partner organisations. Obviously as the FBC has progressed, risks relating to the formation of the JPV as a company have also been highlighted and although these risks have been noted, they have not been quantified in the same way. The reason for this is that they are of course subject to approval of the FBC and would require extensive examination outside of the Project Implementation Team. In addition, different organisations will have different risks and so work needs to be undertaken to capture the risks relating to individual partners and then combine these for an overall implementation risk register. It is proposed that this is undertaken by a dedicated workgroup to be established after FBC approval.

The legal workgroup has given consideration to the liabilities of the JPV and these have been included in the draft shareholder agreements. More work will be undertaken following approval of the FBC around this area and further information about company liabilities are given in section 5:09 'Identify insurance liabilities to be accounted for'.

3:04:02 Risks associated with status quo position

With each authority and estates department under pressure to reduce costs still further for the emerging CSR period to commence in April 2015 radical solutions are required if partners continue to own building assets and are required to maintain their estate to conform with legislation and respond to changing operational requirements.

Most departments have undergone a minimum of two restructuring programmes over the last 3 years, which has led to process changes and establishment reductions alongside a property rationalisation programme (where possible). From discussion with staff the sustainability of further reductions, the impact on workload stress and meeting the legislative liabilities which fall to the property teams is beginning to have impact.

Whilst the potential to outsource work and reduce in house establishment numbers to address these concerns is a solution this does not always lead to the most cost efficient proposal, nor one which delivers the operational integrity required.

Most savings plans which are currently transparent are result of a run over from CSR1 and solutions for CSR2 are only currently being explored. The JPV proposal offers a designed solution which can deliver savings within year 1 of the new CSR period.

3:05 Target Operating Model principles

Like many companies, the JPV will develop a business plan to be agreed by the Board of Directors (details of the Board of Directors, under the proposed governance model are given in section 4:02:02 'Test and challenge the function of the governance arrangements' onwards). The aim of the business plan is to give a clear direction that the JPV as a limited company will take over the following 12 months, to achieve the aims of the shareholder partners. It will establish the Key Performance Indicators of the JPV and detail how they will be achieved. Ultimately, it will provide assurance that the JPV is forward thinking.

The business plan will underpin the delivery of the operating model which is detailed later in paragraph 7:04:01 'Operating Model'. The business plan will suggest targets to be achieved in all the functional areas of the JPV, including ones which are not directly property related such as customer care, Health and Safety, resilience arrangements, performance management and staff development and welfare.

In addition, the JPV will develop a number of One Town Reviews, which will propose how property can be better utilised in a specific area, freeing up space for regeneration and creating capital receipts for partners. These are explained later in section 7:04:09 'One Town Review Programme'. The business plan will outline how the JPV will set up and mobilise to achieve these reviews, ensuring that they are completed within budgets and not impacting on the sustainability of the JPV in a negative way.

3:06 Benchmarking

In recommending improvements and cost reduction projections a challenge always exists to compare with what is Best Practice either within a geographic region, a family of similar authorities, or against industry standards.

At OBC Stage it proved impossible to find suitable indicators which could measure across public sector property portfolios. Ernst and Young undertook an exhaustive exercise to try and identify such comparators to no avail.

Currently the Police subscribe to a Police family benchmarking club administered by NPEG, which has taken 10 years to evolve to a state, which now is sustainable to robust challenge. The County Councils contribute to a CIPFA benchmarking exercise. Health also have their own benchmarking system. The Fire service has no national benchmarking requirements. None of these systems measure comparable data leading to complexities when trying to compare building performance between partners.

Discussions with GPU, LGA and CIPFA have concluded that currently, no current benchmarking system exists which allows for comparisons on building performance pan Government. Where performance statistics have been quoted historically to encourage organisations to improve, when examined in detail, the information is flawed and can easily be challenged to have little value.

In the delivery of this project we have identified issues with the quality and access to data held by all partners. The call for benchmark data at the outset of this phase immediately identified weakness`s which need to be resolved for the JPV to be success. To differing degrees there exists a lack of a common recording systems, incomplete electronic systems and authorities who are still relying upon information held by individuals in personal filing systems.

We have, however, benefited from collating information from a number of senior staff across all partners to ensure accuracy and validation of facts. This has now allowed us to inform our design solutions

It is imperative that the JPV has the ability to benchmark building performance, moving forward. Therefore we have commissioned Mace Macro (responsible for the police national benchmarking exercise) to collect data from all partners and present with a methodology that allows realistic and, worthwhile, informative comparisons across all the partners property portfolios. The outputs from this exercise will be instrumental to informing the portfolio analysis that will be necessary to construct a combined Estates Strategy.

As an exercise this has proved complex due to the different data collection processes and quality of information available as identified above. It has not been possible therefore to conclude this exercise for FBC delivery. However, work continues and will be available for interrogation to inform an emerging estates strategy prior to JPV formation. It is our intention to complete this work by end of December 2014.

Both LGA and GPU have expressed a keen interest in this exercise, and through the funding provided, have requested that once our "internal" exercise is complete they would like us to work with Mace Macro to develop a model which could be adapted for national public sector use.

4:00: Commercial Case

The Commercial Case provides enhanced detail for all the Legal and Governance models and processes. All of which has been designed, tested and validated by the Legal Workgroup representative of each partner group in addition to external legal consultants with expertise in establishing arm's length companies. Fundamental tests and challenges of the HR implications have been explored and answered.

4:01 Review OBC recommended structure

4:02 Legal

- Due diligence test on OBC proposals
- Test and challenge the function of the governance arrangements
- Test and challenge viability of Teckal exemption
- Review implications of sovereignty retained /approvals
- Review of liability transfer
- Exit strategy arrangements

4:03 Finance

- Budget management process

4:04 Procurement

- Review of transfer of contracts to JPV
- Contract values
- Procurement efficiencies (targeted savings)

4:05 HR

- Test and challenge of TUPE transfer proposals
- Review of existing Terms and Conditions

"It is not the strongest of the species that survive,

nor the most intelligent………..

but the one most responsive to change"

Charles Darwin

Countryside Centre, Worcester, Worcestershire

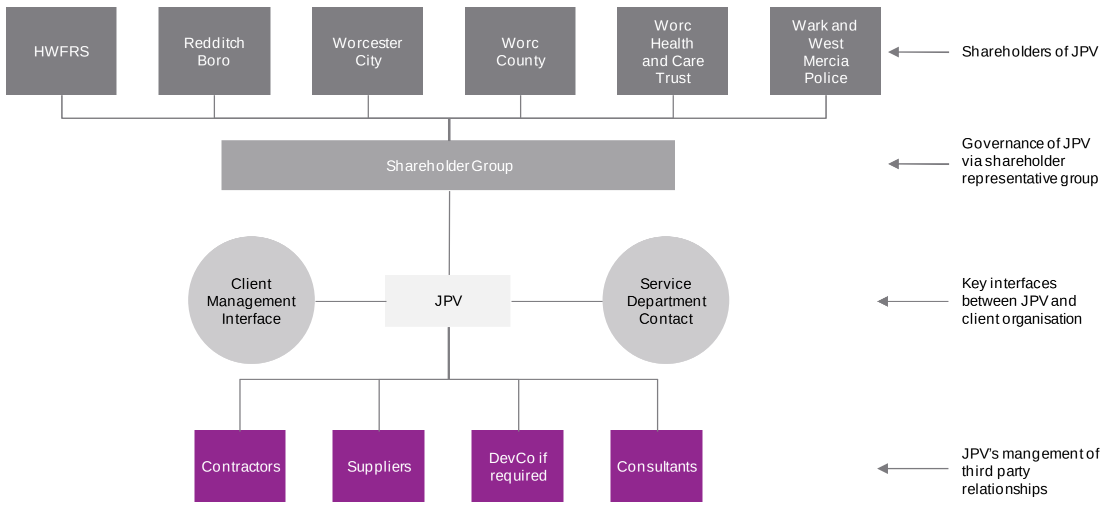
Executive Summary: Commercial Case

The governance structure recommended in the OBC has been developed with defined roles and responsibilities for the different levels in the structure. In summary, this determines that the JPV as an organisation will:

- Be a company limited by shares, wholly owned by the partner organisations as shareholders with an equal share in the company.
- Have a board of directors consisting of partner representatives as directors, a JPV Director and Non-Executive Directors (NEDs).
- Have a shareholder Annual General Meeting (AGM), consisting of other representatives of the partners.
- Be underpinned by a shareholder Members Agreement which details how the organisation will be formed and includes details such as appointments, entry and termination arrangements and reserved matters etc.
- Operate to a Service Agreement which details how the organisation will provide the service to shareholders and includes details such as pricing, customer service and performance management, and indemnity arrangements etc.
- Be formed to preserve 'Teckal' principles of operation, providing best-value for partners and driving savings on their behalf.
- Transfer staff on the agreement that 'TUPE' will apply to the transfer process.
- Receive a budget in the form of an annual service charge from partners, proportionate to the equivalent revenue budgets at start-up, acting as a 'retaining fee' for services.
- Administer direct partner charges (such as energy use) as 'disbursements', which will be paid at cost and will 'pass-through' the JPV.
- Manage special projects on behalf of partners, which will be paid separately as an individually agreed 'professional fee' to partners.
- Manage all partners' contracts to maximise efficiencies and create savings, within a procurement strategy which provides transparency and assurance for partners.

4:01 Review of OBC recommended structure

The Outline Business Case (OBC) proposed a very detailed model for the Governance arrangements of the JPV. The original structure from the OBC is represented in the diagram below* (*please note that partner information has changed during the development of the OBC).



In very broad principles, this arrangement has been supported, but there are a number of significant detail changes which partners felt were critical for the practical application of the proposed structure and to ensure it would work for partners. The detail of the revised proposal is given below.

4:02 Legal

The legal workgroup consists of legal representatives from all partner organisations and was formed to advise on all legal issues relating to formation of the JPV and primarily the governance arrangements for the JPV as an organisation. The group in its early stages requested that an independent legal advisor was employed to work along side the team to inform discussions over the proposed legal issues and governance model. Following a procurement exercise, Freeths LLP were appointed to advise in this respect. The team met on a fortnightly basis and discussed a number of key issues which are dealt with separately below.

4:02:01 Due Diligence test on OBC proposals

The legal workgroup tested a number of assumptions which were included in the Outline Business Case (OBC). In general, it was felt that the proposals for the governance model suggested in the OBC were generally acceptable and the following basic assumptions were tested and agreed:

1) That the organisation should be established as a Company Limited by shares.
2) That partners would be represented as a shareholder group, with a JPV board of directors and the JPV management team reporting to this board.
3) That the company should operate to preserve 'Teckal' principles of operation ('Teckal' was a test case where the principle was established that the procurement of services from a third party supplier may not count as a public services contract, where the authority is deemed to exert the same controlling influence over the third party organisation as there would be if the services were delivered within and by the Authority).
4) That TUPE principles would apply to any staff transfer (see HR implications in 4:05).

The detail of the proposed governance model is given in more detail below in paragraph 4:02:02 'Test and challenge the function of the governance arrangements'. There are some detailed changes, which differ from the OBC and are considered to either not be practical given minor changes to the governance model, or desirable for the partners. These include, but are not limited to:

1) The formation of Joint Venture Companies, 'Devcos', or working with third party suppliers to deliver projects. It is felt that this may impact the 'Teckal' status of the organisation, so will need to be considered on an individual basis.
2) That strategic asset plans will need to be agreed with individual partners, initially proposed by the JPV and agreed by the shareholder group.
3) That OBC proposals for communication channels and decision making will need to be reviewed in the context of discussions within the legal workgroup around Governance arrangements.
4) That some suggestions provided in the OBC, specifically incentivisation mechanisms, the proposed sustainable development fund and methods to develop funding mechanisms may be difficult to create, certainly in the formation of the JPV and if desirable would need consideration by partners after company formation and with significant professional advice.
5) That the system for hosting of support services would be determined as part of the FBC and that the JPV may decide to procure services externally competitively from the market: as discussed later, the assumption that various partners may host support services has not materialised and an option to utilise services from one partner has been explored. This is examined in more detail in the 'Organisational Development' section.
6) The Tax Implications (Corporation Tax and VAT) were to be quantified at FBC stage: VAT treatment has been clarified with partners and is still as suggested in the OBC. However, the suggestion of exemption from Corporation Tax by Mutual status as suggested in the OBC has obviously not been followed with the choice of Limited Company status, so treatment of any surplus as profit will need to be addressed in the Service Level Agreements to be drafted after FBC delivery.

4:02:02 Test and challenge the function of the Governance arrangements

Corporate Structure

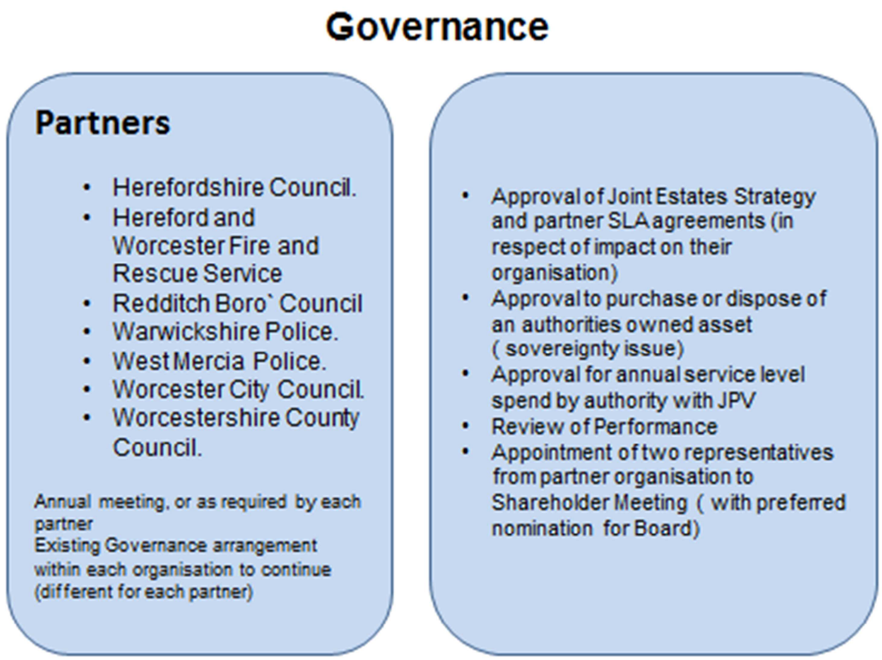
The Outline Business Case suggested the intention that the JPV should be capable of making a profit which could be distributed to the members in accordance with the shares which they hold within the JPV. This would suggest that a corporate structure designed not to share profits or a dividend, for example, a company limited by guarantee, mutual or a Community Interest Company, would be inappropriate. This leaves the choice of either a limited company or a limited liability partnership ("LLP"). Whilst LLPs have tax advantages for local authorities, it is provided under the Localism Act 2011 that where Authorities do things "for a commercial purpose" they are only permitted to do them through a limited company. Accordingly, given that JPV is likely to be carrying out commercial activities (in particular selling property management services to JPV members and potentially to third parties), the preferred structure is a limited company. This has the added advantage of being able to be set up within a few days.

It is suggested that the limited company is set up in such a way that each JPV member is a shareholder holding an equal share. JPV members will have Service Agreements with the JPV and their payment obligation will vary based on the size of the organisation and their need for property support.

Whilst a limited company is set up with a view to profit, it is anticipated in reality that, generally speaking, the fees chargeable under each Service Agreement will be adjusted based on the success of JPV such that, normally speaking, there will be little, if any, declarable profit achieved – see direction below. JPV will be funded by Service Agreement Fees being pre-payable. This will need to be modelled from a cash-flow perspective.

The detail of the constituent parts which make up the governance arrangements are now explained in detail in the following sections, with illustrations of how they fit into the partnership structure.

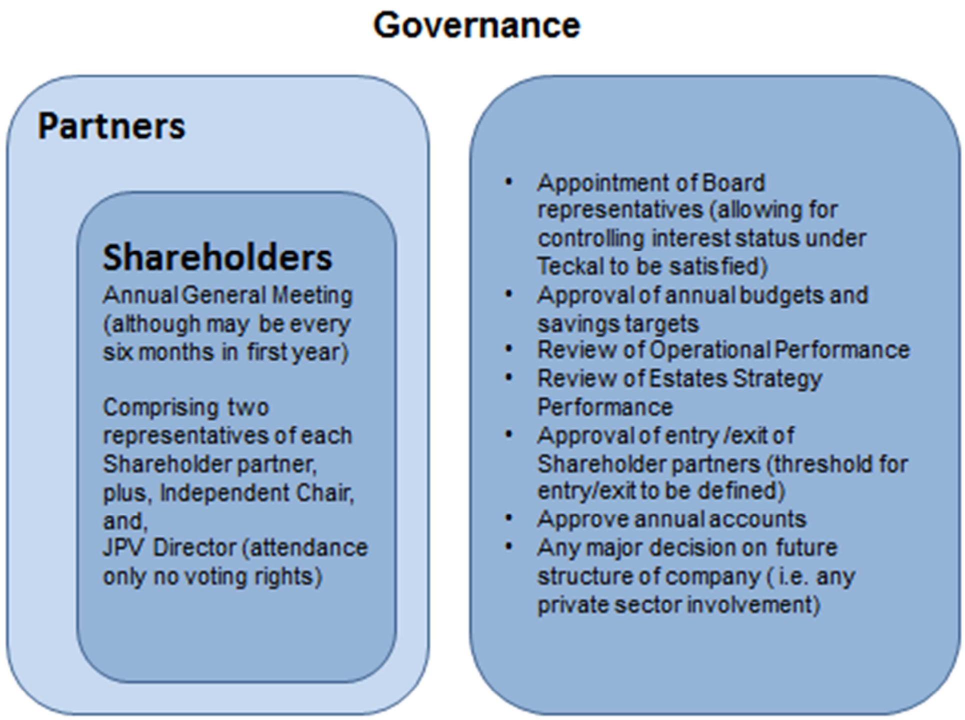
Role of Partners



Partners will be represented through a Shareholder group, which will include key representatives from the partner organisations. It will be the responsibility of partners to manage their individual requirements relating to their estate and property requirements. It is recommended that individual shareholders would hold a meeting annually or as otherwise required (in accordance with their internal governance regimes) to consider any relevant matters such as:

- Approval of the Joint Estates Strategy;
- Service Agreement issues (in terms of the impact on their organisation);
- Approval to purchase or dispose of any of their assets;
- Approval to the annual spend on Service Agreement Services;
- Review of JPV performance;
- Appointment of 2 representatives to Shareholder / AGM Meetings;
- Appointment of their chosen director to JPV Board.

Role of Shareholder



Shareholders would typically meet annually at an Annual General Meeting (AGM), although meetings could be held more frequently.

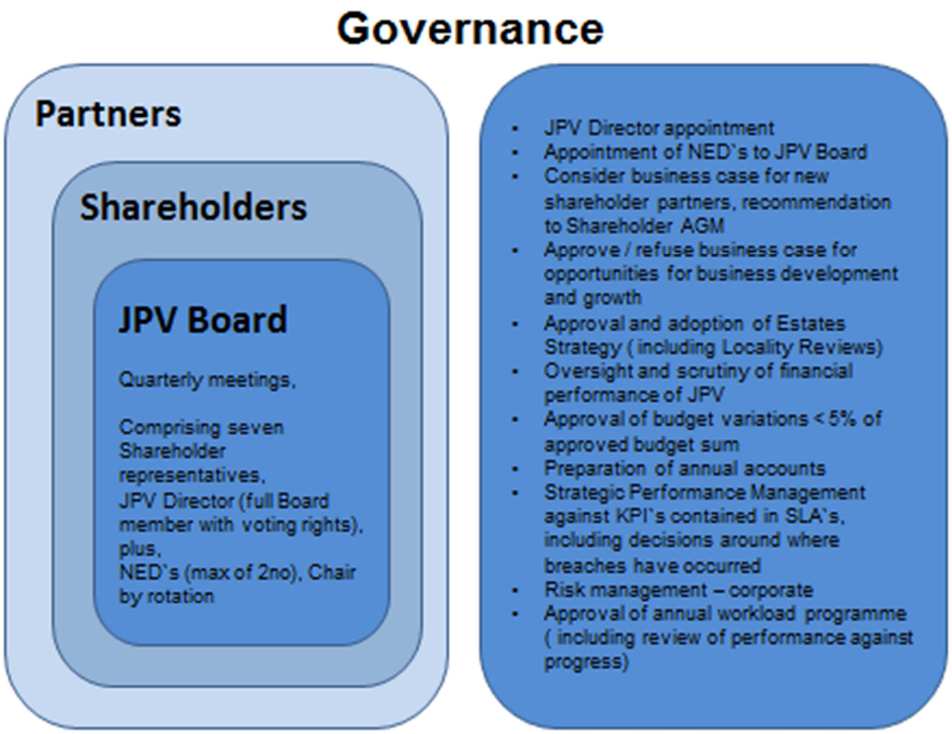
Shareholder / AGM meetings would include determination of:

- Formal appointment of Non-Executive Directors to JPV Board
- Approval of annual budgets, savings targets and JPV business plan
- Review of Performance
- Approval of entry of Shareholder partners
- Approve annual accounts
- Any major decision on the future structure of the JPV
- Approval of the Annual Business Plan

Each Shareholder will have an individual Service Agreement with JPV and reviews of this periodically would incorporate a range of items, for example:

- Approval of individual Estates Strategies
- Approval for annual budget spend by authority with JPV
- Review of Performance

Role of Board



The Directors would form a Board, typically meeting quarterly. It is anticipated that whilst JPV members would each appoint a director (which would normally be an officer with responsibility for property issues), it would encourage a ‘Strategic Approach’ to be taken by not only appointing 7 Directors from the partner organisations, but to allow external influences to be brought on-board by the appointment of external Non- Executive Directors (NEDs). A Chief Operating Officer will be appointed and also sit as a 'Director' of the JPV. One director from a partner organisation can be appointed as Chairperson, potentially by rotation. Under this structure, external Directors will represent only a minority of the Board in order to ensure that the company remains controlled by its members and satisfies “Teckal” requirements.

Note that Freeths advise that there is not a separate Shareholder board, but they can influence the Company through the AGM and other General Meetings: in effect, a shadow board is established prior to company formation and once the company is established, the shadow board will become the board of directors of JPV Limited.

Quarterly Board Meetings of the JPV would be held (although frequency may be bi-monthly in the first year) comprising 7 shareholder-nominated directors, JPV Chief Operating Officer (Director), plus 2 NED directors. As suggested earlier, the chair will be appointed by rotation.

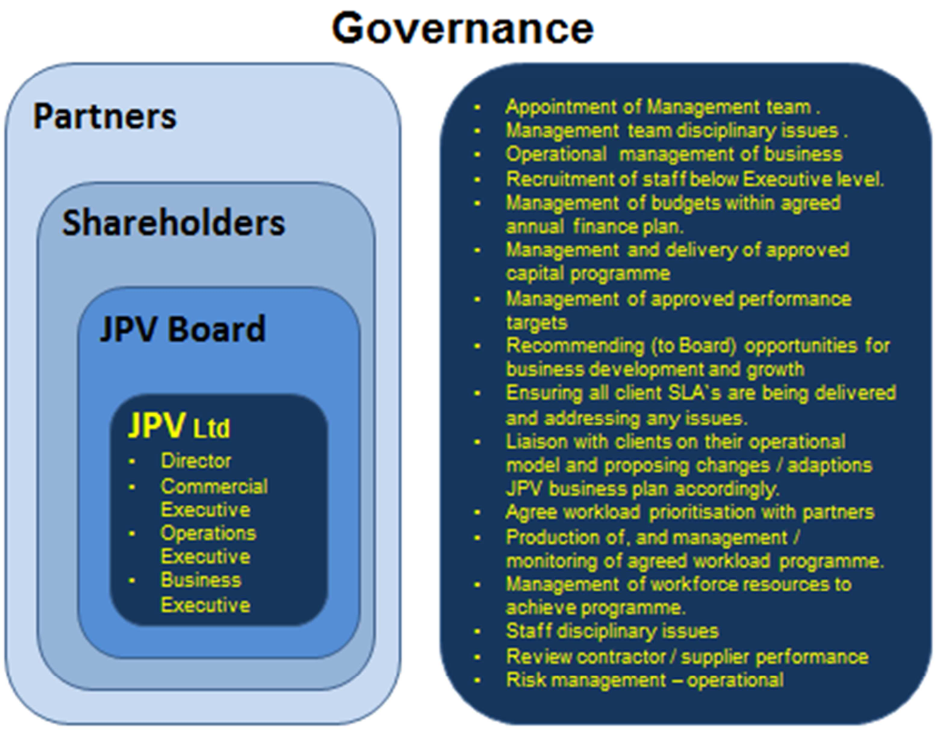
Business to be transacted at Board Meetings would include:

- JPV Management team appointments
- Interim appointments of NED members to JPV Board
- Consider business case for new shareholder partners, recommendation to Shareholder AGM
- Approve / refuse business case for opportunities for business development and growth (provided that it does not change the nature of the JPV's business)
- Recommendation of estates strategy (including locality)
- Oversight and scrutiny of financial performance of JPV
- Approval of budget variations < 5% of approved budget sum and minor reviews / changes to business plan
- Preparation of annual accounts
- Management team disciplinary issues
- Performance management against KPI`s contained in SLA`s, including decisions around where breaches have occurred
- Risk management – corporate
- Approval of annual workload programme (including review of performance against progress)
- Approval of annual Service Agreements with partners on behalf of the JPV
- Recommend the Annual Business Plan for approval by the shareholders AGM.

The role of independent Chair

It has been suggested that the JPV may benefit by accommodating an independent Chair on the Board. However, the legal workgroup and Freeths have advised that this may risk the 'Teckal' provision of the organisation and so is not a practical proposal in this FBC.

Role of Management Team



The role of the management team is to facilitate the business of the JPV as a limited company and would include all the functions usually needed within such a remit. More detail of the JPV Operating Model is given later under the 'Organisational Development' section of this FBC, but in summary it is proposed that the Management Team would typically meet monthly and consider a range of items such as:

- Appointment of management team (although will involve Board Members in process)
- Management team disciplinary issues (in conjunction with Board Members)
- Operational day to day management of business
- Recruitment / retention of all staff below Executive level, within approved annual budget
- Management of budgets within agreed annual finance plan
- Management and delivery of approved capital programme
- Management of approved performance targets
- Recommending (to Board) opportunities for business development and growth
- Ensuring all client SLAs are being delivered and addressing/correcting any issues
- Liaison with clients on their operational model and proposing changes / adaptations JPV business plan accordingly
- Agree workload prioritisation with each partner
- Production of, and management / monitoring of agreed workload programme.
- Management of workforce resources to achieve programme (within budget constraints)
- Staff disciplinary issues

- Review contractor / supplier performance
- Risk management – operational
- Potential for appointment of an additional NED if identified and required by Management Team
- Creation of the Annual Business Plan

Extent of delegated authority

Partners have expressed nervousness about the extent that the JPV may have responsibility for delegated authority over decision making. Specifically, it has proved difficult to agree a 'spend threshold' for example for proactive maintenance and even reactive maintenance from some partners, due to the great disparity of spending profile between partners. It would be impractical for the JPV to operate with these restrictions and it is hoped that over time these concerns will be reduced and will be mitigated after start up through clear reporting of spend, close working relationships between the JPV managers and partners, and by integrating a finance system and other ICT which provides real-time access by activity of spending partners. Please refer to Section 5:10.

Shareholder Agreements

The OBC proposed that the FBC would include draft terms of reference. The legal group have generated key documents which provide initial terms of reference for partners, by agreeing Heads of Terms as a basis for entering into a more detailed agreement. These are included as 'Service Agreement' and 'Members Agreement' in the appendices, and will be expanded in detail should the FBC be approved. These will clearly define how the board will operate and will stipulate the procedure to determine a number of potential issues where, for example partners may wish to have an absolute veto on a topic or that full board agreement needs to be satisfied. Examples of the subject areas included are the entry of new partner members, fundamental change of the nature of the business and adoption of business plans etc.

The list of areas to be dealt with under these Heads of Terms is extensive and will need to be agreed by all partner organisations. It is recommended that the Legal / Governance workgroup continue to develop these agreements to be available for signing after approval of the Full Business Case (FBC), prior to company formation.

These agreements will also provide that certain ‘Reserved Matters’ which may only be dealt with by JPV if all Shareholders are in full agreement. These would include and are not limited to:

- A change in the nature of JPV’s business
- Any financial commitment such as entering into Loan/Leasing Agreements
- Any fundamental change to JPV’s Business Model
- Approval of entry of shareholder partners
- Approval and adoption of Estates Strategy

The Service Agreement Heads of Terms and the Members Agreement Heads of Terms are given at Appendix 3.

4:02:03 Test and challenge viability of 'Teckal' Status

As stated earlier, the legal workgroup have agreed the desirability of the organisation to operate in a manner which will preserve 'Teckal' principles of operation. 'Teckal' relates to a test case where the principle was established that the procurement of services from a third party supplier may not count as a public services contract, where the authority is deemed to exert the same controlling influence over the third party organisation as there would be if the services were delivered within and by the Authority. Teckal will enable the company to still trade on a limited basis with organisations in the public and private sector that are not partners in the JPV, without having to go through a formal procurement process.

4:02:04 Review implications of sovereignty retained /approvals

The OBC established the principle that ownership of assets (property, land etc.) would not be transferred from partners to the JPV. Therefore partners will retain ultimate control over key decisions relating to their property, such as the sale, leasing, major maintenance proposals, all capital projects etc. The JPV board will make recommendations to partners and advise where there may be potential benefits to a partner in managing their estate in a particular way – this is at the core of the 'One Town' approach discussed in the Operational Model section of this FBC. These will be recommendations and partners will still need to gain approval through their existing governance arrangements as currently, and JPV staff will be able to assist in this respect. Similarly, the JPV will respond to requests from partners to undertake work of this nature working in close liaison with partners to maximise value.

4:02:05 Review of liability transfer

Legal liability for legislative compliance of any building, property or land rests with the sovereign owner of the said asset. This liability can either be discharged within an organisation through its own in house experts, or, the liability can be shared through outsourcing to external specialists.

The ownership and adequate discharge of policy will rest with the sovereign owner, however, the duty for implementation of the policy requirements can be provided by a third party who would then carry liability for suitable compliance with the policy.

The sovereign owners (client) must be able to demonstrate that they have appointed a suitably trained and qualified person (expert) to undertake these duties. This is generally tested through a clearly auditable procurement exercise. The third party, (contractor), is then required to fulfil the requirements of the policy through demonstrating and evidencing a robust process for achieving compliance on behalf of the client. Failure to do so would leave them open to liability for any defect or action arising there from.

The JPV would in this respect be a "contractor" for the clients, and, as a separate legal entity they must be able to demonstrate a duty of care to all their clients. As such they would carry a shared liability on any non-compliance issues which they could be held responsible for.

4:02:06 Exit strategy arrangements

To ensure the commitment of partners in supporting the JPV, the draft Heads of Terms for the Members Agreement between the partners have included the concept that there should not be a right for termination by a partner, at least within an agreed minimum period, the suggestion being 3 years, other than where there has been a substantial breach of contract, which will need to be discussed at board level. After the minimum term, termination without cause will be permitted subject to payment of costs, which will be related to the JPV's ongoing liabilities. After this period partners wishing to exit must give a minimum of 12 months notice at the AGM.

4:03 Finance

4:03:01 Budget management process

The budget management process is specified in the draft Heads of Terms for the Service Agreement and Members agreement, and will be developed in detail following approval of the FBC. A summary of payment mechanism is given in paragraph 7:06:04 'Payments' of this FBC. In terms of other revenue contributions, each Authority shall receive a £1 share within the equity of the company. In the event that the company requires additional revenue funds to support its operational requirements, this will be determined by agreement through the proposed governance arrangements.

The Shareholders Agreement will contain a detailed procedure and timetable for the production, submission and audit of annual accounts and calculation of profits and distribution thereof. Any surplus arising from the services provided to partner authorities will be returned to them as a rebate on charges, pro-rata to the amount paid. It is therefore not expected that the Company would make significant surplus, but to the extent that there is any surplus made (e.g. from work undertaken for third parties) shareholders may choose to treat this as 'profit', which could be distributed equally after approval of annual accounts.

4:04 Procurement

4:04:01 Review of transfer of contracts to JPV

The initial view the transfer of contracts to the JPV was to have all the contracts transferred from a 'go-live' date once the JPV became a legal entity. With the partners retaining sovereignty of the properties, how the contracts will be transferred (novated) to the JPV will need to be considered with further legal input (for example, will the JPV be acting as an agent for partners in regard to contracts). In addition, the timing of novation has been discussed as it may be more cost effective to transfer contracts as they expire, rather than all at once as one 'batch'. More detail about the Procurement arrangements is given in section 7:02: Procurement of this FBC.

4:04:02 Contract values

Each partner holds contracts for planned maintenance, reactive maintenance and services. The opportunity to benefit from bringing more than one partner into a contract has only been explored on ad hoc occasions up to now but the JPV provides an opportunity to realise service benefits and cost reductions by joining up contracts.

Each partner undertakes a difference approach to contract management. Hereford holds two major contracts to support their activity. West Mercia Police and Warwickshire Police are going through a tendering process to reduce the number of contracts they hold. Worcestershire County Council manages the contracts for Worcester City and Redditch Borough for all maintenance activity and some services. In total the partners hold over 250 contracts and spend in excess of £8 million (excluding utilities).

Because of these differences in approach it is very difficult to produce comparable data between partners. However, a detailed exercise to look at contract alignment has commenced as it is essential to capture the data in a single format. A Contract Register has been developed to capture this data and a draft version can be seen in Appendix 17. The Contract Register will be used to identify a programme of alignment dependent on when existing contracts come to an end. However there may be instances where contracts can be broken early or other partners added in to an existing contract in before a contract end date.

4:04:03 Procurement efficiencies (targeted savings)

The OBC identified the potential for aligning and reducing the number of contracts currently in place by all the partners to replace duplication in supplies and maintenance works.

Through the FBC process we have been able to produce a combined Contract Register (available at Appendix 17). This identifies the scale of challenge and opportunities which need to be more closely examined with our Procurement colleagues.

The scale of efficiencies which we believe can be delivered is as great as identified at OBC stage; however the delivery dates for these saving to be achieved is now re-scheduled to align with current contract expiry/refresh dates or earlier break clauses. Unfortunately a number of major contracts within authorities have needed to be re-tendered in the intervening period from OBC delivery to FBC approval. It is unlikely therefore that any substantial inroads can be made in this area ahead of 2017 /18.

The projected savings cash flow (see Appendix 6), for maintenance spend reflects this, although still proposing that a 20% reduction can be achieved reducing gross spend from £16.5 mill. to £13.2 mill. Obviously an element of this will be assisted by the property rationalisation programme proposed.

4:05 Human Resources

4:05:01 Test and challenge of TUPE Transfer Proposals

The transfer of staff from the partner organisations to the JPV as a limited company is a key procedure in the success of the venture, and as such the project team ensured that advice was gained at an early stage to ensure the proposals for staff transfer arrangements were robust. The issue was discussed with the Legal and Human Resources (HR) workgroups, who suggested that additional advice from specialist experts was included. An employment law specialist from Warwickshire County Council (representing the Police) drafted an advice note in conjunction with Worcestershire County Council's employment law specialist and Hereford & Worcestershire Fire and Rescue Service's legal specialist on behalf of the legal team, which comprehensively summarised the case law associated with staff transfers of this nature and suggested a definitive position on the legal position of how to proceed. Please refer to Appendix 24.

The advice was a response to the following questions, raised due to the proposed operating model and timescales for delivery:

- Will there be a TUPE transfer in the envisaged circumstances relating to the creation of the JPV?
- What are the risks caused by appointing an externally recruited 'Chief Operating Officer' (Director) prior to the expected transfer date of 1 April 2015?
- Is there a risk of challenge if the JPV takes on new externally recruited staff (for example, at middle management level), given the possibility of there being redundancies for existing property management staff employed by the partners?

To meet the timescales for JPV delivery, there is a desire to put in place a new Chief Operating Officer (Director) who will be externally recruited. This is seen as a new role with a need for private sector experience.

There are currently 238 staff affected by the JPV proposal but it is not known at this stage how many redundancies there might be should the project proceed.

In general terms, it can be accepted that the JPV will carry out as a minimum the same activities which are currently undertaken by the partner's property teams, it is just that they will not be done in-house but will in effect be outsourced to the JPV and there will be agreements between each partner and the JPV relating to the provision of property management services to each partner.

Will there be a 'TUPE' transfer?

Significant advice was gained to establish whether the Transfer of Undertaking (Protection of Employment) Regulations 2006 (“TUPE Regulations”) would apply to the staff transfer proposed for the JPV. The Advice briefly refers to Reg 3 (5) TUPE Regs 2006 and to the Cabinet Office Guidance. Reg 3 (5) provides that:

“An administrative reorganisation of public administrative authorities or the transfer of administrative functions between public administrative authorities is not a relevant transfer.”

On the face of it this would appear to be very helpful in this situation as it would mean we could proceed without worrying about TUPE at all. However case law in the UK indicates that this exemption definition has been narrowly construed. There are four references to the word “administrative” in the definition and the question here is whether what is happening is a reorganisation of administrative functions or whether a broader economic entity is being created.

In addition there is the “Cabinet Office Statement of Practice: Staff Transfers in the Public Sector” (Nov 2007) which provides that:

“in circumstances where TUPE does not apply in a strict legal terms to certain types of transfer between different parts of the public sector, the principles of TUPE should be followed (where possible using legislation to effect the transfer) and the staff should be treated no less favourably than had the Regulations applied.”

The legal status of the Statement of Practice is unclear but on the face of it is not legally binding, but if it is not followed there is the risk of a judicial review application. Legal advice suggests that it is unlikely that this would fall within the Reg 3 (5) exemption and if the JPV were not to apply TUPE on this basis alone, it is likely to be the subject of legal challenge by the Trade Unions or staff either in the Employment Tribunal or by way of judicial review.

Legal advice also considered whether there is a TUPE transfer within the 2006 Regulations by way of a transfer of an 'economic entity' or a 'service provision' change. In conclusion, both the HR and Legal workgroups supported by external legal advisors suggest that on balance the transfer of staff would be a TUPE transfer situation, as in very general terms, property management services are provided in-house for the partners at present and after the reorganisation those functions will effectively be outsourced to the JPV. Whilst there will be changes in what the JPV is providing, particularly in the longer term, that may not be the case in the short term when broadly the same sort of service will be provided for each partner.

All legal advice given to date has cited a number of case law examples, where there have been legal challenges around TUPE. The reason for detailing the facts of these cases is to demonstrate that each case will turn on its facts and therefore to give definitive advice it is critical that all the differences in the activities pre- and post- JPV are identified. Obviously, at the stage that the advice was given, it was practically not possible for the detail of the roles required post JPV formation to be available. If partners proceed on the basis that TUPE doesn’t apply then this is highly likely to be challenged by Unions and employees and if the advice was incorrect and TUPE is held to apply, this is likely to lead to a number of unfair dismissal claims and a protective awards for failure to inform and consult pursuant to the TUPE Regs requirements.

The original advice has been tested by the HR workgroup, with an additional independent employment law specialist. Following their appointment as a legal advisor, Freeths further tested the position and are satisfied with the advice given above. On this basis, and with both workgroups agreeing to proceed on the basis that TUPE will apply, the change management process has been drafted and this is outlined in the section 'Organisational Development'.

Review of existing Terms and Conditions

Initially, it was expected that staff would transfer into the JPV on new terms and conditions after a set 'go-live' date: this would avoid staff working alongside colleagues undertaking the same roles, but on different pay levels, terms and conditions. Obviously, this could lead to lowered morale if left to go on for a long period of time. A review of terms and conditions has been undertaken and as expected terms and conditions vary to some level across each organisation, but there are a number of terms that are the same: Different job evaluation schemes are used and they are applied differently. Further work will need to be undertaken on developing the new terms and conditions package for the JPV, especially due to the difference in job evaluation. How this will be undertaken is discussed in Section 7:05: 'Transfer of Staff' of this FBC.

5:00: Financial Case

The Financial Case examines and tests in more detail with enhanced available data the case established in the OBC. In particular validating the benchmark data and updating to current year. The savings assumptions are more clearly defined. Staff establishment data is current (as provided by HR and Finance workgroups), and a detailed savings analysis is presented for Management to Team Leader levels. Lower grades are presented as a percentage saving, the detail of which is to be designed. We have endeavoured to define insurance liabilities for the JPV.

5:01 Review of budget benchmark stats used for OBC (identify any issues)

5:02 Update benchmark stats to current year

5:03 Areas of spend

5:04 Proposed savings cash flow

5:05 Savings assumptions

5:06 Review of staff structure costs

5:07 Establishment structure cost reductions

5:08 External spend reduction

5:08 Identify investment requirements

5:09 Identify insurance liabilities to be accounted for

5:10 Identify delegated financial responsibility restrictions

5:11 Identify annual running costs of JPV

"Some people want it to happen,

some wish it would happen, others make it happen".

Michael Jordan, Athlete

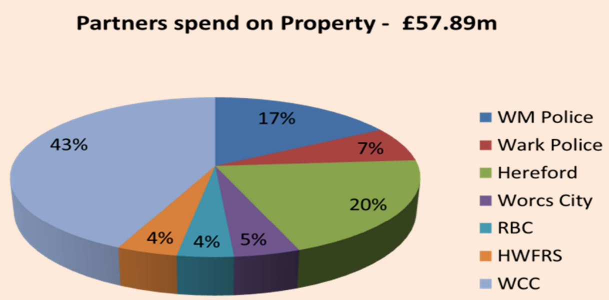
St Johns Library, Worcester

Executive Summary: Financial Case

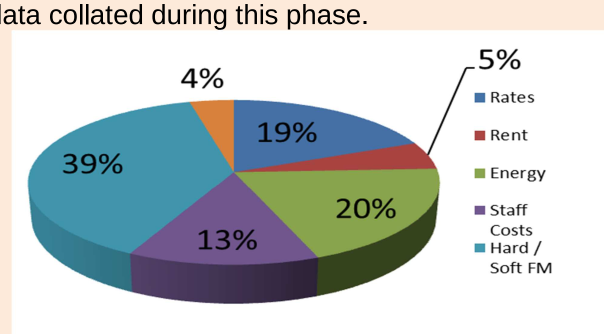
The financial appraisal and benchmark data presented in the OBC has been updated to September 2014, with information provided by partner representatives on the Finance Workgroup and HR workgroup. They have checked and validated this benchmark position so that we have a sound base for savings assumptions to be built upon. The assumptions used are identified in the document. The financial management arrangements for the JPV can be found in the Organisational Development and Implementation Section 7:00.

- A gross spend by partners of £57.9 mill has been identified. This is an increase on data presented in the OBC and accounts for savings made by partners and data not previously available. We believe this still does not capture the total spend partners may have on their property holdings.

- The breakdown of spend by partner is identified as a percentage.



- The breakdown of property portfolio costs is presented as a pie chart. This breakdown has variance on percentage from OBC due to greater accuracy on the data collated during this phase.



- Value of savings over 10 years; the partners can reduce the spend in the public sector by a conservative projection of £76 mill over the period.

- Savings assumptions; key assumptions are identified based on experience and professional knowledge held by partners and industry consultants.

- 3 key areas of savings are identified; firstly a reduction in establishment numbers, secondly contract alignment, and thirdly property rationalisation.

- Annual running costs of JPV are identified as approx. £5.88 mill per annum.

- Audit proposals, these are to be delivered by Worcester City Council.

5:00 Financial Case

5:01 Review of budget benchmark stats used for OBC (13/14)

£m	WCC	Herefordshire Council	Fire Service	Police - Warwickshire	Police - West Mercia	Worcester City Council	Redditch BC	Total
Revenue Receipts	1.1	1.1	0.0	0.2	0.3	0.3	0.8	3.8
Staff Costs	(3.4)	(1.0)	(0.4)	(0.9)	(1.4)	-	-	(7.1)
External Spend	(14.1)	(3.8)	(0.9)	(2.5)	(3.8)	(1.9)	(1.2)	(28.3)
Rates	(1.3)	(2.8)	(0.7)	(1.1)	(1.7)	-	-	(7.7)
Rent	(2.0)	(0.1)	-	(0.5)	(0.7)	-	-	(3.3)
Energy Costs	(4.9)	(1.9)	(0.4)	(1.3)	(2.0)	(0.4)	(0.7)	(11.6)
Total	(24.6)	(8.6)	(2.5)	(6.0)	(9.4)	(2.0)	(1.2)	(54.2)
Total Excl Rent and Rates	(21.3)	(5.6)	(1.8)	(4.4)	(6.9)	(2.0)	(1.2)	(43.2)
Percentage Allocation	49%	13%	4%	10%	16%	5%	3%	100%

The total baseline costs for each organisation are taken as the basis for calculating the percentage allocation of the JPV charge between the partners.

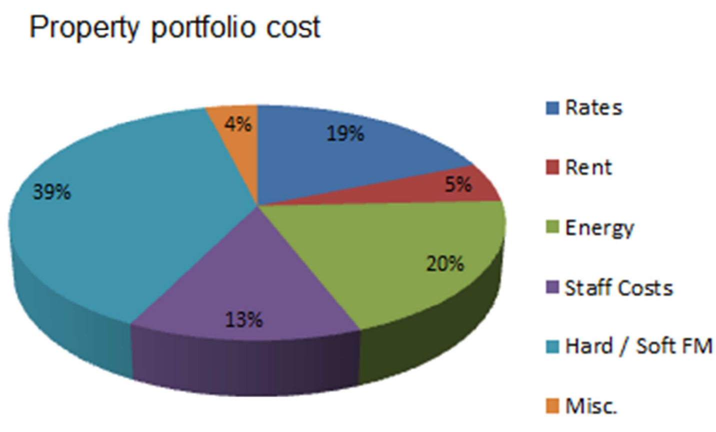
Rent and rates are excluded from the analysis as these costs will remain with the partner organisations and will not form part of the cost base of the JPV.

5:02 Update benchmark stats for current year (14/15)

For more detailed analysis refer to Appendices 5 and 6 for spreadsheet of cost data provided by representatives from each organisation who are part of the Finance Workgroup. These figures have been validated by this group on 2 October 2014.

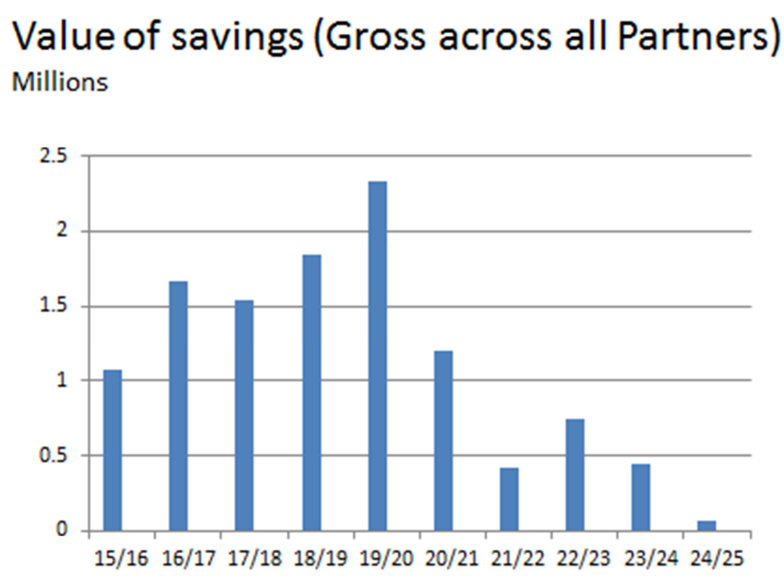
Item	WCC	Hereford Council	HWFRS	West Mercia Police	Warks. Police	Worc. City Council	RBC	Total (mill)
Partner Revenue Receipts	**3.94**	**3.50**	**0.03**	**0.52**	**0.14**	**0.55**	**0.51**	**9.21**
JPV Revenue Receipts	**0.65**	**0.73**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1.38**
Staff Costs	**3.36**	**1.76**	**0.38**	**1.54**	**0.69**	**0.00**	**0.00**	**7.73**
External Spend	**14.57**	**5.44**	**1.01**	**3.72**	**1.70**	**1.19**	**0.80**	**32.35**
Rates	**3.97**	**2.25**	**0.73**	**1.82**	**0.72**	**0.72**	**0.77**	**10.99**
Rent	**1.14**	**0.44**	**0.25**	**0.93**	**0.31**	**0.05**	**0.00**	**3.11**
Energy	**5.31**	**1.87**	**0.44**	**1.73**	**0.64**	**0.75**	**0.67**	**11.41**
Total	**25.00**	**11.70**	**2.46**	**9.74**	**4.06**	**2.64**	**2.25**	**57.90**
Total excluding Rates and Rent	**19.89**	**9.08**	**1.48**	**6.99**	**3.03**	**1.87**	**1.48**	**43.80**
Percentage allocation	**45.00**	**20.00**	**4.00**	**16.00**	**7.00**	**4.00**	**4.00**	**100.00**

5:03 Areas of spend



The partners spend circa £57 mill to manage their joint portfolio. This pie chart describes the spend across the portfolio by function the percentage split has varied from OBC stage due to greater transparency and accuracy of data available. The total values of external spend (Hard / Soft FM and energy) is 59%. We identify under Section 5:04 in this report how we propose to reduce the value of this spending need.

5:04 Proposed savings cash flow



This chart maps out the savings profile over a ten year period. It indicates a peak in 2019/20 (year 5) of JPV when we have maximum efficiencies from establishment rationalisation and alignment of contracts. Moving beyond that date we are dependent upon the property rationalisation achieved through the Locality Reviews.

Schedule of savings for each partner

	BASE LINE	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
£ Mill.	57.89	56.81	55.14	53.60	51.76	49.43	48.22	47.80	47.05	46.61	46.54
HEREFORDSHIRE (20%)	11.70	11.36	11.02	10.72	10.35	9.89	9.65	9.56	9.41	9.32	9.31
HWRFS (4%)	2.31	2.27	2.20	2.14	2.07	1.98	1.93	1.91	1.88	1.86	1.86
REDDITCH BC (4%)	2.31	2.27	2.20	2.14	2.07	1.98	1.93	1.91	1.88	1.86	1.86
WARWICKSHIRE POLICE (7%)	4.06	3.97	3.86	3.75	3.62	3.46	3.37	3.35	3.30	3.26	3.25
WEST MERCIA POLICE (17%)	9.84	9.66	9.37	9.11	8.80	8.40	8.20	8.12	7.99	7.92	7.91
WORCESTER CITY COUNCIL (5%	2.89	2.84	2.76	2.68	2.58	2.47	2.41	2.39	2.35	2.33	2.32
WORCESTERSHIRE CC (43%)	25.00	24.43	23.71	23.04	22.25	21.25	20.74	20.56	20.23	20.04	20.01

5:05 Assumptions for Savings projections

The savings proposals are over a ten year plan in accordance with Treasury Green Book principles for the business case. Greater confidence exists on the accuracy of projections for the next four years of CSR2.

A number of assumptions have been made on the savings projections as identified below. Work on refining the assumptions can continue once approvals are received, at this stage we are confident from the data available these targets can be achieved.

Work on this will continue post-delivery of FBC and we intend to work with CIPFA to validate the projections along with the Finance Workgroup.
All cost data received is benchmarked at September 2014.

Establishment (20%)

Each organisation is currently involved in dynamic change programmes to respond to the demands of CSR1. The establishment data collected is for estates staff deemed in scope. However we are aware that data has not been provided by some partners for FM staff they have currently not identified as being in scope (this is covered in detail elsewhere). There has been complication in understanding how organisations fund some posts ie funding from capital works so posts are not identified as a revenue cost. However we are confident that we now have a more accurate picture than that captured at OBC stage.

Maintenance (20%)

The complexities of collating seven partner maintenance spend budgets has involved numerous one to one meetings to clearly identify the total spend each partner has on their property. Issues ranging from devolved budgets to different terminology, and some partners capitalising maintenance made it complex to compare each partners spend. Collating the benchmark data has taken 3-4 months to ensure accuracy. Since OBC delivery most partners have refreshed a number of contracts (or are about to do so), the impact of which is to defer when larger corporate savings can be achieved by the JPV as most are now, or are to be, let on four year terms.

Energy (10%)

The reduction in portfolio size will not reflect directly on a reduction in these costs due to a higher intensity of use of retained buildings and the expected increase in unit rates over the term considered. Obviously when plans are visible from each partner for their establishment reductions (either by redundancy or outsourcing) then this figure can be re-assessed.
Most major partners currently buy their energy through West Mercia Energy (with the exception of Police). Due to the advantageous pricing structure currently enjoyed by customers of WME there is little scope for improvement, unless the JPV can attract another major partner to the JPV when the scale of business offered may warrant renegotiation.

Water (5%)

The same issues apply as with energy.

Rents (40% reduction)

This will be the main target to reduce in the first five years dependent upon break clauses. There is sufficient portfolio in scope and underused freehold property to facilitate this scale of reduction.

Rates (15% reduction)

The majority of impact on rate reductions will be achieved through the property rationalisation programme delivered through promoting co-location and Locality Reviews. Not all partners have fully exercised their ability to re-negotiate a more favourable rate settlement and this will be pursued on their behalf early in the process.

Cleaning (10% reduction)

Two partners have recently re-let their cleaning contracts (without break clauses) which defers when corporate benefits can be achieved at the end of the four year term by exploring a single supplier. Whilst floor area reductions will reduce cleaning costs, the greater intensity of use of buildings may lead to a more frequent cleaning regime, the effects of which will need to be monitored.

Misc. (20% reduction)

These include fixture and fitting costs, security, waste disposal misc. fees etc. Potential certainly exists to reduce the spend on misc. fees through absorbing work within the JPV team. Such fees are generally incurred by partners with small in house teams using consultants to supplement their own resource at peak periods.

5:06 Review of staff structure costs

From delivery of the OBC Due Diligence testing of a more detailed picture has been undertaken of the staff who are in scope, refinement and formalising data costs for those posts at the benchmark point of September 2014, have been tested and agreed by the Finance Workgroup. This is particularly pertinent given the variances in data that partners provided at OBC stage and the need to normalise key data across the partnership group.

The schedules below represents the existing staffing numbers tabled at OBC stage and the forecast reductions deemed possible.

OBC Schedule of reductions

FTE forecast	Current	By end of 15/16	By Apr 2025 (post rationalisation)
Management	15	5	5
Supervisor	23	7	7
Professional	47	42	35
Technical	85	80	70
Support	26	14	11
Manual	59	55	45
Total	255	203	173

Upon analysis of the current data some minor variance in the benchmark numbers has been identified as the table below. This does not impact however on the forecast reduced numbers proposed.

FBC schedule of post reductions

FTE forecast	Current	By end of 15/16	By Apr 2025 (post rationalisation)
Management	11.6	4	4
Supervisor	21	7	7
Professional	67	58	50
Technical	47	63	56
Support	37	20	16
Manual	55	51	40*
Total	238.6	203	173

*Staff reductions at this level are very dependent upon property portfolio reductions as a number of staff in this criteria are caretakers etc.

There can be a high degree of confidence in the delivery of savings in relation to senior and supervisory staff which are currently duplicated between the organisations. It is expected that a reduction of 21.6 FTEs at management and supervisor grades could be achieved which would yield annual savings of £0.9m. The top two tiers are an absolute, the balance may need some flexibility as design parameters are advanced.

Comparison of existing management roles with proposed JPV structure

Existing Role	Gross Cost £	Proposed Role	Gross Cost £	Saving £
Existing Head of Dept		Director of JPV (base salary £90k + 18% on costs plus market forces allowance)		
Worcestershire County Council			116,200	
Police Acting Head				
Police Substansive Head				
Fire Split role 60% Estates				
TOTAL	**288,500**		**116,200**	**172,300**
Existing Management		**Proposed Role**		
Worcestershire County Council - SAM		Commercial Executive	98,333	
Worcestershire County Council - AMBUS		Operations Executive		
Police - Assets			98,333	
Police - Design and Projects		Business Executive		
Police - Property		* (base salary £75k+ 18% on costs plus market forces allowance)	98,333	
Fire - Capital Projects				
Herefordshire - Strategic Assets				
Herefordshire - Property Services				
TOTAL	**502,473**		**295,000**	**207,473**
Existing Group/Team Leader		**Proposed Role**		
Worcestershire County Council - Review & Estates Management				
Rates & Valuation				
Asset Management				
Team Leader North				
Team Leader South				
Finance & Project Management				
Building Support				
Property Risk Management				
Facilities Manager		7 no Business Unit Associates		
Business Support Manager				
Police - Senior Estate Surveyor				
FM Business Partner				
FM Business Partner			64,900	
Building M'tce Business Partner		i) Strategy	64,900	
Building Services Business Partner		ii) Assets	64,900	
Design Business Partner		iii) Projects Delivery	64,900	
Projects Programme Manager		iv) Technical	64,900	
Fire - Facilities Manager		v) Facilities	64,900	
Herefordshire - Property Development Manager		vi) Compliance vii) Business	64,900	
Estates & Valuation Manager		* (base salary £55k + 18% on costs)		
Senior Project Manager				
TOTAL	**1,023,390**		**454,300**	**605,782**

NOTES

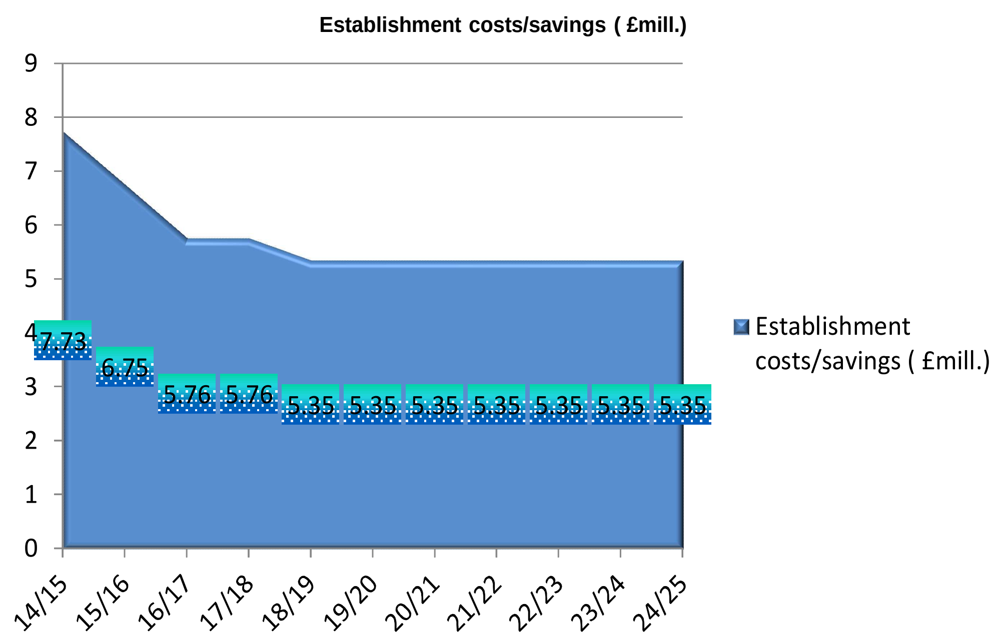
i) Salaries for new posts have yet to be formally evaluated so may change +/-

ii) Existing grade salaries are inclusive of NI/Superannuation costs

5:07 Establishment structure cost reductions

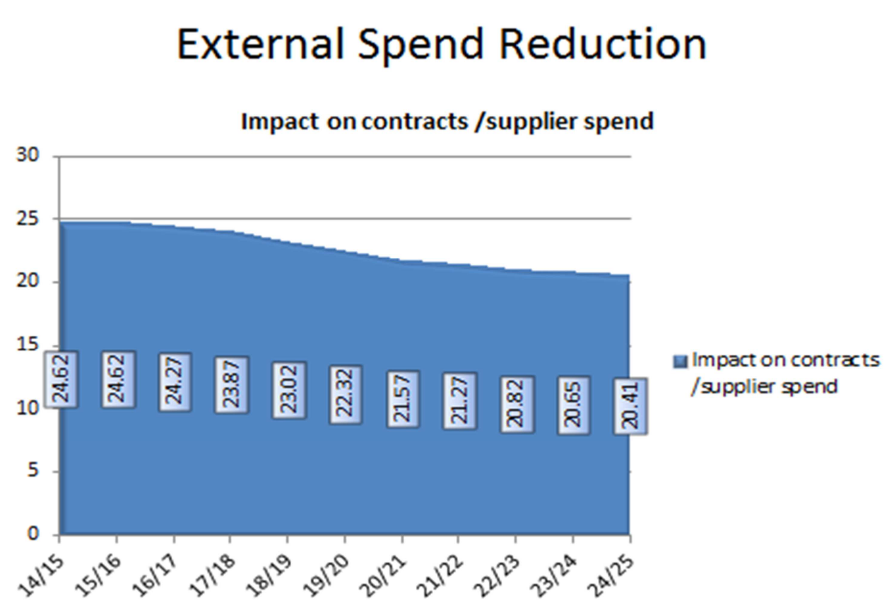
Establishment cost savings for JPV

Further reductions can be achieved as property portfolio rationalised



5:07 External spend reductions

Reduction in external spend forecast driven by refresh dates on frameworks etc at end of 3-4 year term



5:08 Identify investment requirements

The breakdown of potential investment cost liability can be found at Section 7:07, this identifies an Implementation phase cost of £1.04mill, plus an assessment of £1.7mill for potential redundancy strain.

All investment costs have been provided by consultants supporting the project but may be subject to further market testing. It has not been possible to accurately assess the redundancy strain until we have greater transparency on the posts at risk and the individuals affected to allow an assessment of grade and length of service.

5:09 Identify insurance liabilities to be accounted for

The JPV Company will be required to take out insurance to cover a range of liabilities, as with any other organisation, to indemnify the partners in terms of any damage or harm caused to all employees, third parties or property. The partners may need to indemnify the JPV, particularly with regard to a situation where there is an early withdrawal from the contract leading to liabilities, for example with regard to redundancy costs of employees. Suggested areas where cover may be required include, but may not be limited to:

- professional indemnity
- public liability
- employer's liability
- fidelity guarantee
- personal accident
- directors and officers liability
- computer cover
- all risks
- motor insurance

The requirement for insurance is included as part of the draft Heads of Terms and the exact insurances required will be determined following approval by the workgroups, with input from insurance specialists as required.

5:10 Identify delegated financial responsibility restrictions

The earlier section 4:02:02 ('Test and challenge the function of the governance arrangements') discussed concerns over the extent of financial delegations that the JPV may have responsibility for. Options have included a 'spending threshold' for each individual transaction and as suggested earlier it would be impractical for the JPV to operate with these restrictions. The current highest spending authorisation level for a head of service is £5m and it would seem logical that the Chief Operating Officer of the JPV would have as a minimum a similar authorisation level, with other authorisation limits delegated down through the Senior Managers.

This principle will need to be agreed as the Shareholder Agreements are developed in the Organisational Development and Implementation phase of the project, following approval.

5:11 Identify annual cost of running JPV

JPV Annual Running Costs			
Item	Benchmark Year - 14/15	Year 1 - 15/16	Year 2 - 16/17
Income	£ 1.40	£ 1.05	£ 1.15
Staff establishment costs	£ 7.73	£ 6.75	£ 6.16
HR Services	not known	£ 0.11	£ 0.12
Finance Services	n/k	£ 0.07	£ 0.07
ICT Services	n/k	£ 0.18	£ 0.19
Comms	n/k	£ 0.01	£ 0.02
training	n/k	£ 0.05	£ 0.06
Insurances	n/k	£ 0.02	£ 0.03
Premises	n/k	£ 0.17	£ 0.18
Contingency	n/k	£ 0.20	£ 0.20
Total Cost	£ 7.73	£ 7.56	£ 7.03
Net cost after income deductions	£ 6.30	£ 6.51	£ 5.88

Note :Income assessed as 75% of 14/15 income, with scope to remain constant and will target growth in future years by winning work from academy schools.

6:00: Benefits Analysis

6:01 Summary of benefits for partnership

6:02 Individual partner benefits (need to be more specific than we were at OBC stage)

6:03 Wider economic and community benefits

6:04 Benefits on national stage

Joint Police and Fire station, Bromsgrove, Worcestershire

Executive Summary: Benefits

The benefits outlined at OBC stage remain constant in principle although the details may have changed. We previously identified a £15 mill saving on the gross spend by year 10. Due to more detailed analysis and choosing to take a more conservative view of the appetite for cultural change partners may have we have now identified a saving of £11.35 mill. Benefits are identified for each partner. They include:-

Quick Wins

- Equal shareholding
- Commercial ethos to property management
- Efficiency savings
- Improve service integration
- More sustainable service
- Property database
- Access to helpdesk
- Access to own property team
- One Town Review
- Contribution towards change programmes

Medium Term

- Legislative compliance
- Embrace new technology
- Strategic estate management
- Drive revenue savings
- Contribute to local economy through SME's
- Greater purchasing power
- Serve the community
- Enhance quality of property portfolio
- Maintain and protect front-line services
- Drive operational efficiency

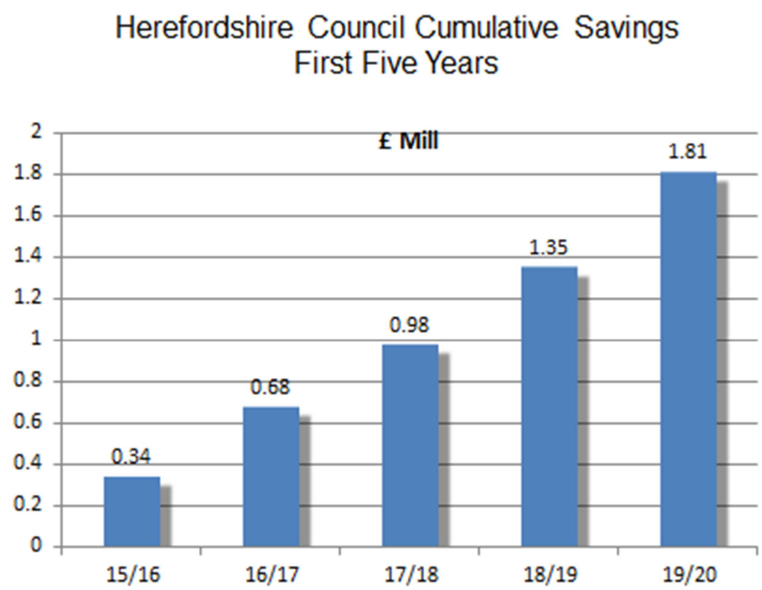
Long Term

- Drive regeneration and growth
- Drive capital receipts
- Drive cross organisational working
- Development of national model for benchmarking
- Potential regional vehicle to manage central government estate

6:02:01 Herefordshire Council

Quick Wins

Potential savings



The Finance section identifies forecast revenue cost savings for Herefordshire in the JPV model, with a reduction in spend of £1,800,000 over five years.

Equal shareholding

Herefordshire Council will have an equal shareholding in the JPV. It will also have access to a wider scope of internal professional services for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate. Its sphere of influence is not limited by the size of its portfolio.

Commercial ethos to property management

The development of a JPV will create an environment where service need, community preconceptions and financial factors can be challenged to ensure that the commercial dimension to property portfolio management is given appropriate weighting in business cases.

Accurate Comprehensive Database

A single, comprehensive data set for all partner in a geographic area will drive strategic planning and decision making with accurate information about the estate and tis performance. This is an enhancement on the current data held by the council

Payment terms and SMEs

Payment terms can be specified to ensure that small and medium sized enterprises (SMEs) will be paid as swiftly as possible, which will support regeneration of local businesses in the JPVs area of operation.

Medium Term

Locality Reviews delivering improved service for the Community

Current property rationalisation programmes has demonstrated the sensitivity that will exist against the closure of public sector facilities, particularly in rural communities. The JPV can more clearly identify partnership opportunities to co-locate with other partners whilst developing emerging estate strategies. The development of joint hubs through the Locality Review approach will be significant.

Contribute to local economy through SME's

National providers of FM and property management will generally arrive with their own established supply chain which may not even be regionally based. The JPV will endeavour, under procurement rules, to attract local contractors and suppliers. We shall also encourage main contractors to invest in local apprenticeships. This has already been evidenced through the Main Contractors Framework.

Long Term

Drive regeneration and growth

The JPV will develop closer working relationships with LEP's and Economic Growth teams to ensure regeneration is planned and actioned, with public sector asset's being used as catalysts to development (refer to Bromsgrove CAP`s Case Study). This has been demonstrated recently by the partnership with the Worcestershire LEP`s Strategic Economic Plan, identifying to Government how the JPV can add traction to regeneration proposals and a substantial bid to the Local growth Fund to support the rationalisation and de-risking of sites and land release the JPV can deliver

The JPV as a Property Management organisation is ideally placed to be the Council`s strategic partner in delivering and co-ordinating the vision for the opportunities within the Edgar Street Grid previously led by Herefordshire Futures.

Greater purchasing power / significant outsourcing

Whilst Herefordshire Council has access to national procurement frameworks these are not always suitable or related to the building supply and construction chain. Being part of a larger regional property group, everyone benefits from its increased purchasing ability in a specialised field due to scale.

A number of elements of Herefordshire Council`s property functions are delivered via private sector outsourcing. This has demonstrated an appetite for mixed provision of delivery and there will be some learning to be derived from the effective management of contracts. The implication for the JPV is that depending on the break and termination clauses written into the contracts, there will be significant savings through the rationalisation of these contracts across the whole organisation.

Improve service integration / Drive cross organisational working

The JPV will improve and enhance the authorities' ability to work more closely with stakeholders in its geographic area, providing innovative and strategic solutions on co-location possibilities.

Property can act as a catalyst for service transformation by exploiting opportunities created through co-location. Past experience has shown that service benefits, (financial and operational), can eclipse the benefits achieved through property rationalisation alone once the physical barriers of individual services occupying individual properties has been removed. The JPV is expected to deliver these opportunities quicker than joint working alone can achieve.

Increase revenue generation

Generating revenue is as beneficial as making savings, so where it is not possible to release surplus properties for disposal, efforts will be made to ensure that maximum revenue benefits are secured from finding alternative occupants for under-used space.

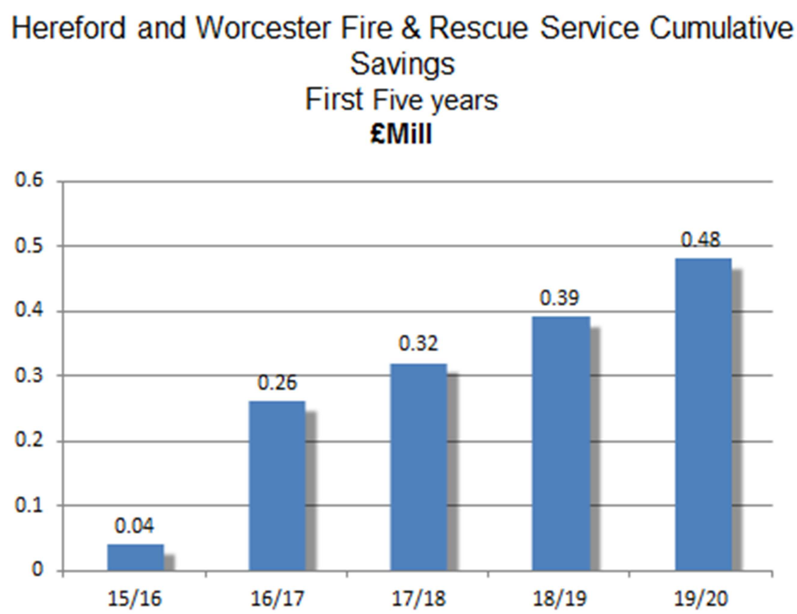
Herefordshire would benefit from the possibility of revenue generation through trading with external clients and any profit generated, as a result of the scale of opportunity that the JPV will provide.

6:02:02 Hereford & Worcester Fire and Rescue Service

Quick Wins

Potential Savings

The graph below shows the reduced forecast revenue costs for the JPV model, with a reduction in spend of £480,000 over five years.



More sustainable service

HWFRS will have access to a larger property team, co-owned by HWFRS with greater resources available and flexibility to respond to urgent issues. This will build on the existing customer service and enhance the delivery with understanding of the clients specific requirements.

Improved resilience for legislative compliance

The ability to ensure compliance with all property based legislation, including the reduction in carbon footprint agenda, through access to an energy management team. Access to a greater property management team will enable the obligations of partners under a range of legislation to be better resourced with improved mitigation against risks. Opportunities for increased expertise in specific areas such as Legionella and Asbestos compliance as well as potential savings through pooling resources will result in increased assurance at reduced cost. Improved systems of working and audit regimes to reduce risk

Access to energy management team

Where partners currently do not have in-house energy management expertise, the combination of partners will enable the use of existing knowledge and energy management specialists. This will be more cost effective than external consultants and will enable the One Town reviews to be undertaken with a view to long term sustainability.

Equal shareholding

HWFRS will have an equal shareholding in the JPV. It will also have access to a wider scope of internal professional services for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate. Its sphere of influence is not limited by the size of its portfolio

Embrace new technology

The model for support services recommends a comprehensive Information Communications Technology facility to enable the JPV to operate effectively. This will improve the access to technology for partners an facilitate the use of features such as the property database and links to helpdesk which some partners do not currently hold.

Access to helpdesk

HWFRS will have access to a dedicated 24/7 Out of Hours response service, with access to property professionals to support the running of the estate.

Accurate Comprehensive database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Potential host for JPV rental income

With JPV staff being hosted in one of the partner's buildings this will bring an opportunity to provide a rental income direct to the partner organisation.

Payment terms and SMEs

Payment terms can be specified to ensure that small and medium sized enterprises (SMEs) will be paid as swiftly as possible, which will support regeneration of local businesses in the JPVs area of operation.

Medium Term

Maintain and protect front-line services to serve the community

The scale of savings identified would protect a minimum of 10 fire officer posts (FTE) maintaining service to the community.

Greater purchasing power

Whilst the Fire Service has access to national procurement frameworks these are not always suitable or related to the building supply and construction chain. Being part of a larger regional group, everyone benefits from its increased purchasing ability due to scale

High degree of specialised assets

The profiles of the fire service's assets are dominated by specialised, operational assets, such as fire stations. The rationalisation of these assets is limited as they are vital to achieve service response times. Therefore the ability to maximise capital receipts will be limited. Despite the limitations to the use of space with these assets, there are a number of opportunities available to the fire service through co-location, for example the Bromsgrove joint Police/Fire service building.

Opportunity exists to accommodate partner's staff at these locations, providing capital receipts for these partners and rental income for the fire service.

Significant outsourcing

A number of elements of the fire service's delivery are outsourced to the private sector. This demonstrates an appetite for mixed provision of delivery and by there may be some learning to be derived from around the effective management of contracts. The implication for the JPV is that depending on the break and termination clauses written into the contracts, there will be significant savings through the rationalisation of these contracts across the whole organisation.

HWFRS gains significantly, in relation to its size, through availability of opportunities

The fire service represents 4% of the total running cost across all organisations, the smallest proportion. As an equal partner in the shareholding structure, HWFRS's influence within the JPV will be disproportionate to the scale of its input. This is beneficial for the HWFRS as it disproportionately gains from the opportunities, in terms of co-location, new developments and wider growth that the JPV can provide.

Enhanced scope for revenue generation/sharing in JPV revenue generated

The HWFRS will benefit from the possibility of revenue generation through trading with external clients and through any profit generated, as a result of the scale of opportunity that the JPV will provide. It will have access to a share of benefits from activity that it would not have had access to on its own.

Move to pro-active rather than re-active maintenance

Improved resources and increased expertise within the JPV will allow for better planning and robust proactive maintenance regimes, which will reduce reactive maintenance which is far less cost effective for partners.

Long Term

Enhance quality of property portfolio

The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

Drive regeneration and growth

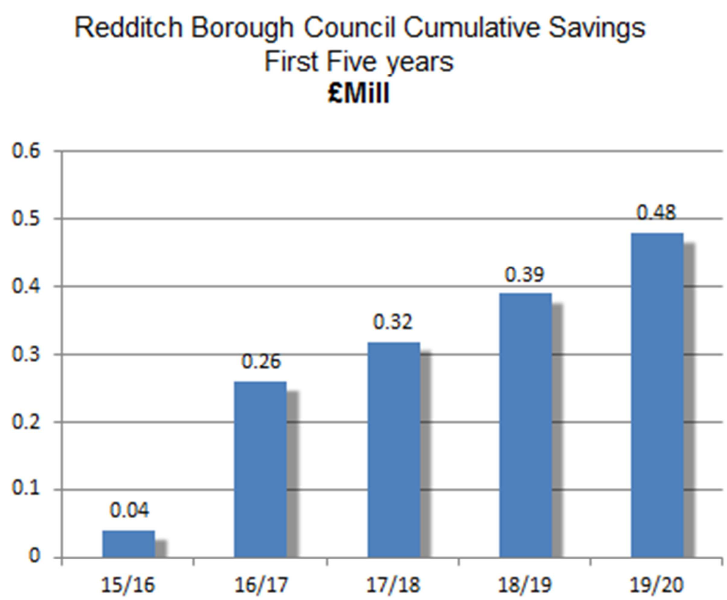
Regeneration may not seem as key criteria for the Fire Service, but the JPV working with LEP's and Economic Growth teams would ensure regeneration reducing the number of vacant properties at risk of arson attack and new build properties with improved fire protective measures.

6:02:03 Redditch Borough Council

Quick Wins

Savings

The graph below shows forecast revenue costs for the JPV model, with a reduction in spend of £480,000 over five years.



Equal shareholding
Redditch will have an equal shareholding in the JPV despite having a low number of assets and a low running cost. It will also have access to a wider scope of professional services than through the current WETT arrangements for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate.

More sustainable service

Access to a larger property team, co-owned by Redditch Borough Council with greater resources available and flexibility to respond to urgent issues
This would include access to an energy management team to control Redditch Borough's Carbon Footprint and ensure it meets its reduction targets.

Strategic Estate Management

Delivered through an innovative proposal maintaining services within public sector control, whilst maximising efficiencies and embracing a more commercial ethos to property management.

Access to own property team

Where partners do not currently have in-house property teams, the JPV will allow them access to their own team, using greater resources, with direct influence by having shareholder power and board level representation.

Access to energy management team

Where partners currently do not have in-house energy management expertise, the combination of partners will enable the use of existing knowledge and energy management specialists. This will be more cost effective than external consultants and will enable the One Town reviews to be undertaken with a view to long term sustainability.

First One Town Review

Redditch Borough Council will benefit from being the subject of one of the first Locality Reviews which builds on the positive experience at Bromsgrove and expects to deliver improved benefits.

Equal shareholding

The JPV governance arrangements propose an equal shareholding for all partner organisations which will provide an equal share of any surplus declared as 'profit' as well as equal access to resources. For smaller partners, this will mean a larger property team at reduced cost.

Embrace new technology

The model for support services recommends a comprehensive Information Communications Technology facility to enable the JPV to operate effectively. This will improve the access to technology for partners an facilitate the use of features such as the property database and links to helpdesk which some partners do not currently hold.

Improved helpdesk

The JPV will deliver a 24/7 service with Out of Hours to support the running of the estate.

Access to property team to drive regeneration and growth agenda particularly in town centre

Where partners do not currently have in-house property teams, the JPV will allow them access to their own team, using greater resources, with direct influence by having shareholder power and board level representation.

Access to data

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance

Medium Term

Maintain and protect front-line services

The scale of savings identified would assist in protecting investment in supporting roles in localities, maintaining service to the community.

Drive operational efficiency

The One Town approach to strategic estate management will also be adopted and applied to operational management of the joint portfolio, ie single FM to take responsibility for all properties in Redditch being locally based and more responsive to requirements.

Drive cross organisational working and improve service integration

The JPV will improve and enhance the authorities' ability to work more closely with stakeholders in its area, providing innovative and strategic solutions on co-location possibilities.

Drive regeneration and growth

The JPV will develop closer working relationships with LEP's and Economic Growth teams to ensure regeneration is planned and actioned, with public sector asset's being used as catalysts to development (see Bromsgrove).

Long Term

Enhanced scope for revenue generation / sharing in JPV revenue generated

Redditch already has a substantial investment portfolio, which the JPV would seek to enhance, and maximise returns on the asset, together working with LEP`s etc to attract new inward investment.
Redditch will benefit from the possibility of revenue generation through trading with external clients and through any profit generated, as a result of the scale of opportunity that the JPV will provide. It will have access to a share of benefits from activity that it would not have had access to on its own.

Drive capital receipts

Through the development of a combined strategic estate strategy and marriage values, being able to release asset's for disposal.

Enhance quality of property portfolio

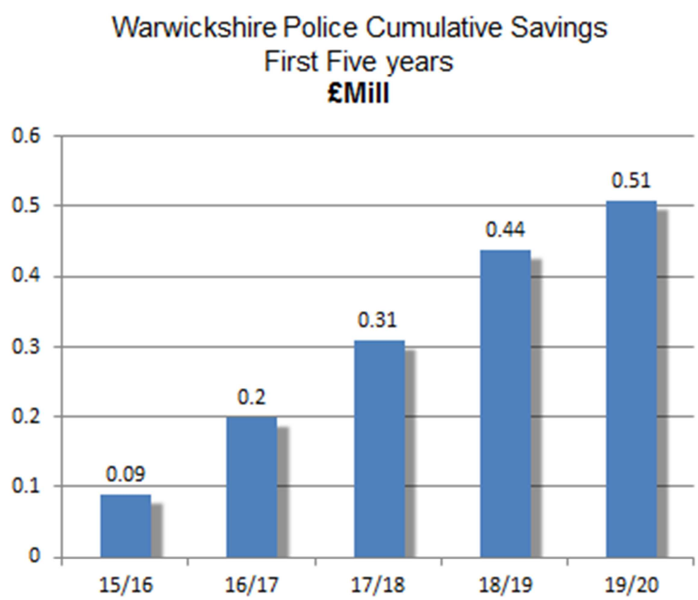
The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

6:02:04 Warwickshire Police Authority

Quick Wins

Savings

The graph below shows forecast revenue costs for the JPV model, with a reduction in spend of £510,000 over five years



Maintain and protect front-line services

The scale of savings identified could protect a minimum of 60 police officer posts (FTE) maintaining service to the community

Contribution towards Strada change programme

For both Warwickshire and West Mercia Police this project can deliver £1.95 mill savings over the next CSR period currently being reviewed by the Change Programme team to achieve the £29 mill reduction sought.

Greater opportunities to work with Warwickshire partners

The JPV will operate over four counties, currently only Warwickshire Police operate in this county. They can still benefit from eh efficiencies of establishment cost savings and contract alignment. To maximise the portfolio rationalisation we would need to work with other partner in the area. Other partners do not need become shareholders for this to occur but maximum benefit would be derived from doing so. Discussions are being undertaken with other Warwickshire partner`s currently

Support Home Secretary's request for emergency service collaboration

The Home Secretary recently announced her intention that Police should seek to work more closely with other blue light services for integration and efficiencies of delivering support functions. This proposal goes one step further than this suggestion

Equal shareholding

The JPV governance arrangements propose an equal shareholding for all partner organisations which will provide an equal share of any surplus declared as 'profit' as well as equal access to resources. For smaller partners, this will mean a larger property team at reduced cost.

Embrace new technology

The model for support services recommends a comprehensive Information Communications Technology facility to enable the JPV to operate effectively. This will improve the access to technology for partners an facilitate the use of features such as the property database and links to helpdesk which some partners do not currently hold.

Property database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Improved helpdesk

An improved dedicated 24/7 Out of Hours response service, with access to property professionals to support the running of the estate.

Property team which can lead on partnership reviews

Warwickshire Police will have access to a large estates team with specialist experience in undertaking property and locality reviews which can lead on such work with other public sector partners in the County for the benefit of the wider community

More sustainable service

With greater access to resources from the combination of staff, resilience is increased and partners therefore have access to consistent and sustainable services.

Accurate comprehensive database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Medium Term

Provide high asset values

The Police will contribute a significant estate to the joint portfolio, with high asset values which could provide significant capital receipts where planned to do so. Within a JPV it will be easier to realise capital receipts jointly as there will be a single approvals process, management structure and estate plan.

Scope to realise significant benefit from reduction in running costs

The Police service has the highest share of running costs across each of the partner organisations. The potential to realise cashable savings through the reduction in running cost through the creation of the JPV is significant for the Police. It will achieve a greater saving through combining with partner organisations, than it is likely to achieve on its own, whilst still maintaining the same degree of service.

Improve service integration

Property can act as a catalyst for service transformation by exploiting opportunities created through co-location. Previous experience through the alliance and Warwickshire's experience with the Justice Centres has shown that service benefits, (financial and operational), can eclipse the benefits achieved through property rationalisation alone once the physical barriers of individual services occupying individual properties has been removed.

Drive operational efficiency

The Police are currently adopting a new draft estate strategy which fundamentally aims to consolidate services in strategically located community and operational hubs and at the same time generate savings from exiting surplus estate, as a consequence of the rationalisation undertaken through the alliance work. The JPV provides the opportunity for the Police to accelerate this process by providing additional strategic property solutions, for example joint central vehicle workshops and call centres.

Drive cross organisational working

The One Town approach to strategic estate management will also be adopted and applied to operational management of the joint portfolio, ie single FM to take responsibility for all properties in each town being locally based and more responsive to requirements. This will avoid substantial travel abstraction time and lead to a more efficient service.

Serving the Community

The current property rationalisation programme has demonstrated the sensitivity which exists against the closure of police stations, particularly in rural communities. The JPV can more clearly identify partnership opportunities to co-locate with other partners whilst developing emerging estate strategies. The development of joint hubs through the One Town approach will be significant.

- **Greater opportunities with Warwickshire partners**

  The JPV will operate over four counties, currently only Warwickshire Police operate in this county. They can still benefit from eh efficiencies of establishment cost savings and contract alignment. To maximise the portfolio rationalisation we would need to work with other partner in the area. Other partners do not need become shareholders for this to occur but maximum benefit would be derived from doing so. Discussions are being undertaken with other Warwickshire partner s currently

Long Term

Drive capital receipts

Through the development of a combined strategic estate strategy and marriage values, being able to release asset's for disposal. This will allow reinvestment in the balance of the portfolio to enhance the quality of the remaining property.

Enhance quality of property portfolio.

The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

Drive regeneration and growth

Perhaps not seen as a key criteria for the Police Service, but the JPV working with LEP's and Economic Growth teams would ensure regeneration in towns and city's avoiding the potential for areas of high crime to be created.

Increase revenue generation

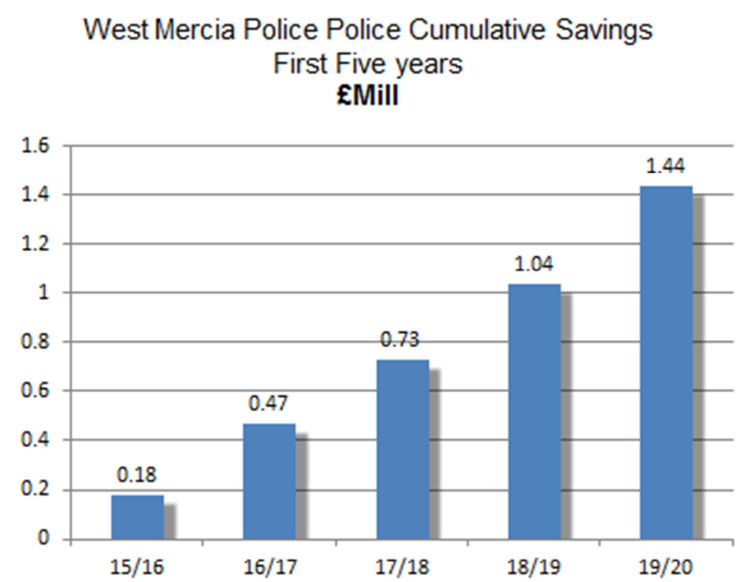
Property rationalisation is not about disposal alone. Police service properties are in key operational locations due to response times etc this can make them suitable as “hub” base for other public sector services. Thereby attracting rental income to offset revenue costs. Generating revenue is as beneficial as making savings, so where it is not possible to release surplus properties for disposal efforts will be made to ensure that maximum revenue benefits are secured from finding alternative occupants for under-used space.

6:02:05 West Mercia Police Authority

Quick Wins

Savings

The graph below shows forecast revenue costs for the JPV model, with a reduction in spend of £1,440,000 over five years.



Maintain and protect front-line services.

The scale of savings identified could protect a minimum of 60 police officer posts (FTE) maintaining service to the community

Contribution to Strada change programme

For both Warwickshire and West Mercia Police this project can deliver £1.95 mill savings over the next CSR period currently being reviewed by the Change Programme team to achieve the £29 mill reduction sought.

Support Home Secretary's request for emergency service collaboration

The Home Secretary recently announced her intention that Police should seek to work more closely with other blue light services for integration and efficiencies of delivering support functions. This proposal goes one step further than this suggestion

Equal shareholding

The JPV governance arrangements propose an equal shareholding for all partner organisations which will provide an equal share of any surplus declared as 'profit' as well as equal access to resources. For smaller partners, this will mean a larger property team at reduced cost.

Embrace new technology

The model for support services recommends a comprehensive Information Communications Technology facility to enable the JPV to operate effectively. This will improve the access to technology for partners an facilitate the use of features such as the property database and links to helpdesk which some partners do not currently hold.

Property database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Improved helpdesk

A dedicated 24/7 Out of Hours response service, with access to property professionals to support the running of the estate.

More sustainable service

With greater access to resources from the combination of staff, resilience is increased and partners therefore have access to consistent and sustainable services.

Accurate comprehensive database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Medium Term

Provide high asset values

The Police will contribute a significant estate to the joint portfolio, with high asset values which could provide significant capital receipts where planned to do so. Within a JPV it will be easier to realise capital receipts jointly as there will be a single approvals process, management structure and estate plan.

Scope to realise significant benefit from reduction in running costs

The Police service has the highest share of running costs across each of the partner organisations. The potential to realise cashable savings through the reduction in running cost through the creation of the JPV is significant for the Police. It will achieve a greater saving through combining with partner organisations, than it is likely to achieve on its own, whilst still maintaining the same degree of service**.**

Improve service integration

Property can act as a catalyst for service transformation by exploiting opportunities created through co-location. Previous experience through the alliance and Warwickshire's experience with the Justice Centres has shown that service benefits, (financial and operational), can eclipse the benefits achieved through property rationalisation alone once the physical barriers of individual services occupying individual properties has been removed.

Drive operational efficiency

The Police are currently adopting a new draft estate strategy which fundamentally aims to consolidate services in strategically located community and operational hubs and at the same time generate savings from exiting surplus estate, as a consequence of the rationalisation undertaken through the alliance work. The JPV provides the opportunity for the Police to accelerate this process by providing additional strategic property solutions, for example joint central vehicle workshops and call centres.

Drive cross organisational working

The One Town approach to strategic estate management will also be adopted and applied to operational management of the joint portfolio, ie single FM to take responsibility for all properties in each town being locally based and more responsive to requirements. This will avoid substantial travel abstraction time and lead to a more efficient service.

Serving the Community

The current property rationalisation programme has demonstrated the sensitivity which exists against the closure of police stations, particularly in rural communities. The JPV can more clearly identify partnership opportunities to co-locate with other partners whilst developing emerging estate strategies. The development of joint hubs through the One Town approach will be significant.

Release of capital receipts through property sharing

Better use of accommodation through property sharing will produced capital receipts for some partners and rental income for others. By reducing the amount of accommodation sourced from the private sector, public money is retained in the public sector.

Long Term

Drive capital receipts

Through the development of a combined strategic estate strategy and marriage values, being able to release asset's for disposal. This will allow reinvestment in the balance of the portfolio to enhance the quality of the remaining property.

Enhance quality of property portfolio

The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

Drive regeneration and growth

Perhaps not seen as a key criteria for the Police Service, but the JPV working with LEP's and Economic Growth teams would ensure regeneration in towns and city's avoiding the potential for areas of high crime to be created.

Increase revenue generation

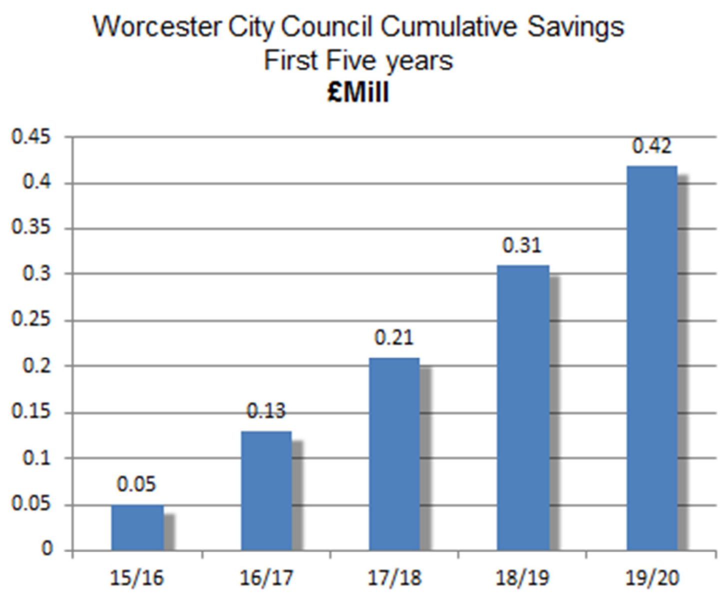
Property rationalisation is not about disposal alone. Police service properties are in key operational locations due to response times etc this can make them suitable as “hub” base for other public sector services. Thereby attracting rental income to offset revenue costs. Generating revenue is as beneficial as making savings, so where it is not possible to release surplus properties for disposal efforts will be made to ensure that maximum revenue benefits are secured from finding alternative occupants for under-used space.

6:02:06 Worcester City Council

Quick Wins

Savings

The graph below shows forecast revenue costs for the JPV model, with a reduction in spend of £ 420,000 over five years



Equal shareholding

Worcester City will have an equal shareholding in the JPV despite having a low number of assets and a low running cost. It will also have access to a wider scope of professional services than through the current WETT arrangements for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate.

Drive operational efficiency

The One Town approach to strategic estate management will also be adopted and applied to operational management of the joint portfolio, ie single FM to take responsibility for all properties in Worcester being locally based and more responsive to requirements.

More sustainable service

Access to a larger property team, co-owned by Worcester City Council with greater resources available and flexibility to respond to urgent issues
This would include access to an energy management team to control Worcester City`s Carbon Footprint and ensure it meets its reduction targets.

Strategic Estate Management

Delivered through an innovative proposal maintaining services within public sector control, whilst maximising efficiencies and embracing a more commercial ethos to property management.

Access to own property team

Where partners do not currently have in-house property teams, the JPV will allow them access to their own team, using greater resources, with direct influence by having shareholder power and board level representation.

First One Town Review

Worcester City Council will benefit from being the subject of one of the first Locality Reviews which builds on the positive experience at Bromsgrove and expects to deliver improved benefits.

Equal shareholding

Worcester City Council will have an equal shareholding in the JPV. It will also have access to a wider scope of internal professional services for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate. Its sphere of influence is not limited by the size of its portfolio

Embrace new technology

The model for support services recommends a comprehensive Information Communications Technology facility to enable the JPV to operate effectively. This will improve the access to technology for partners an facilitate the use of features such as the property database and links to helpdesk which some partners do not currently hold.

Improved helpdesk

A 24/7 service with Out of Hours to support the running of the estate

Access to property team to drive regeneration and growth agenda

Where partners do not currently have in-house property teams, the JPV will allow them access to their own team, using greater resources, with direct influence by having shareholder power and board level representation.

Access to data

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Medium Term

Maintain and protect front-line services

The scale of savings identified would assist in protecting investment in supporting roles in localities, maintaining service to the community.

Drive cross organisational working and improve service integration

The JPV will improve and enhance the authorities ability to work more closely with stakeholders in its area, providing innovative and strategic solutions on co-location possibilities.

Drive regeneration and growth

The JPV will develop closer working relationships with LEP's and Economic Growth teams to ensure regeneration is planned and actioned, with public sector asset's being used as catalysts to development.

Increase revenue generation

Generating revenue is as beneficial as making savings, so where it is not possible to release surplus properties for disposal efforts will be made to ensure that maximum revenue benefits are secured from finding alternative occupants for under-used space.

Long Term

Enhanced scope for revenue generation / sharing in JPV revenue generated

The City will benefit from the possibility of revenue generation through trading with external clients and through any profit generated, as a result of the scale of opportunity that the JPV will provide. It will have access to a share of benefits from activity that it would not have had access to on its own.

Drive capital receipts

Through the development of a combined strategic estate strategy and marriage values, being able to release asset's for disposal.

Enhance quality of property portfolio

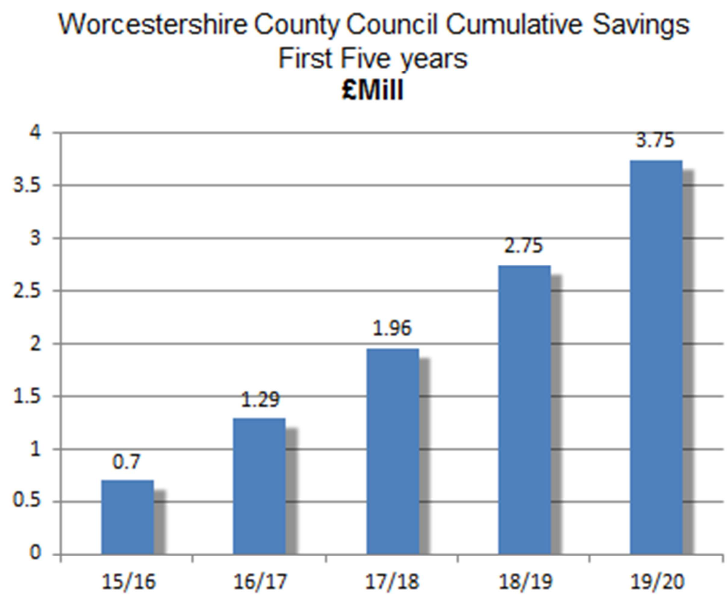
The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

6:02:07 Worcestershire County Council

Quick Wins

Savings

The graph below shows forecast revenue costs for the JPV model, with a reduction in spend of £3,750,000 over five years



Commissioning Agenda

The delivery of a JPV addresses the commissioning agenda being pursued by the County Council, whilst maintaining governance and ownership. A JPV will effectively remove the Property function from core services of County provision, and deliver the financial efficiencies it seeks.

Embrace new technology

Investment in new technology will be needed to improve access to property data across all organisations. This will allow automatic interrogation of building efficiency, and via a Helpdesk system to collate live data 24/7 and more accurately map spend and activity on each property.

Will influence be proportionate to scale?

It is proposed that WCC will have an equal share in the Company, alongside all other shareholders. However, because it provides more assets and contributes approx. half of total spend, the scale of benefits will be proportionate to this ratio. However, the County cannot achieve the scale of benefits that the JPV provides, on its own, it will also reap the benefits that flow from increased purchasing power.

Commercial ethos to property management

The development of a JPV will create an environment where service need, community preconceptions and financial factors can be challenged to ensure that the commercial dimension to property portfolio management is given appropriate weighting in business cases.

Viable alternative to 'commissioning' model

Outsourcing property services is always high risk due to the difficulty in ensuring that contracts between partners and third-party suppliers have enough protection for the partner organisation. Contract costs over run for items not included in the specification and service items become classed as 'extras'. With representation on the board of the JPV, partners will directly influence the standard of service required and can change the service in a flexible manner without additional contract charges

Equal shareholding

The JPV governance arrangements propose an equal shareholding for all partner organisations which will provide an equal share of any surplus declared as 'profit' as well as equal access to resources. For smaller partners, this will mean a larger property team at reduced cost.

Improved helpdesk

A 24/7 service with Out of Hours to support the running of the estate

Accurate database

A single, comprehensive data set will drive strategic planning and decision making with accurate information about the estate and tis performance.

Medium Term

Scope to drive capital receipts

The JPV will be better placed than individual organisations to drive out a greater level of capital receipts quicker through the development of a combined strategic estate strategy. In addition, it will be better placed to identify and exploit marriage values related to sites and to manage the release of surplus assets to the development market.

Enhance quality of property portfolio

The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.

Increase revenue generation

Generating revenue is as beneficial as making savings, so where it is not possible to release surplus properties for disposal efforts will be made to ensure that maximum revenue benefits are secured from finding alternative occupants for under-used space.

Contribute to local economy through SME's

With planned estate strategies and dedicated one-town reviews, this will lead to substantial work, goods and services being supplied from the local area so small and medium sized enterprises (SMEs) will benefit from this supporting regeneration and the local economy.

Long Term

Being Transformational and drive operational efficiency

The JPV will deliver Property Services in an innovative and improved way. By reviewing the public sector estate from the wider perspective it will ensure best use of the property portfolio, challenging clients on needs, driving efficient use of space, and encouraging service integration removing bureaucracy and time delays.

The ability to manage the estate as a single entity not only increases the benefits from economies of scale but also exposes all organisations to the best practice available for the JPV to embrace.

Largest asset portfolio (80%)

WCC has already done much to rationalise its property assets. Achieving further savings on its own will present a major challenge, but the prospect of managing public sector assets as a single portfolio creates fresh opportunities for all partners. Also, some of WCC's programme of service transformation is creating demand for accommodation that is quite different from its existing provision. Meeting this demand alone will be difficult and potential costly. However, meeting it collectively could identify a much more cost effective, flexible and innovative solution.

Maintain and protect front-line services

Savings on the scale envisaged for WCC would protect front line delivery of service posts ie Social Worker maintaining service to the community

Improve service integration / Drive cross organisational working

Property can act as a catalyst for service transformation by exploiting opportunities created through co-location. Past experience has shown that service benefits, (financial and operational), can eclipse the benefits achieved through property rationalisation alone once the physical barriers of individual services occupying individual properties has been removed. The JPV is expected to deliver these opportunities quicker than joint working alone can achieve.

Drive regeneration and growth

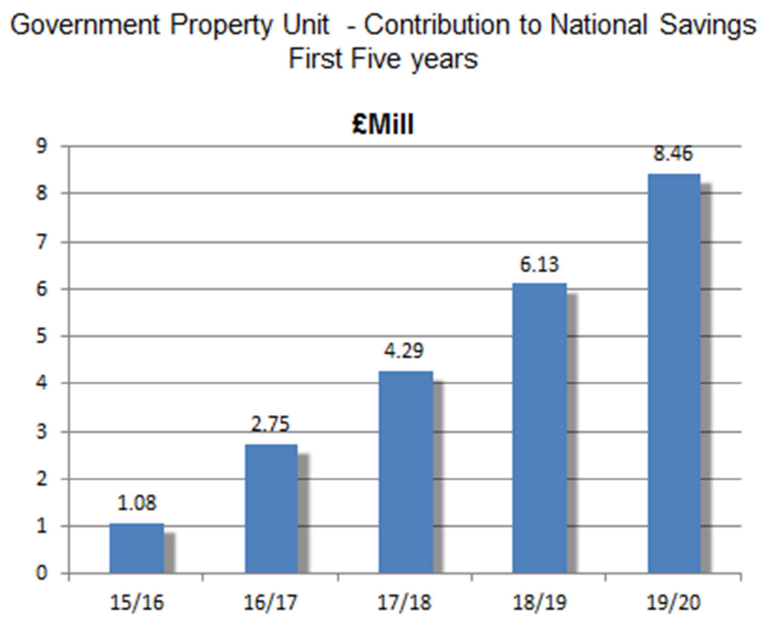
The JPV will develop closer working relationships with LEP's and Economic Growth teams to ensure regeneration is planned and actioned, with public sector asset's being used as catalysts to development (see Bromsgrove).

6:02:08 Government Property Unit

Quick Wins

Total partnership savings

The partners can achieve a gross saving of £8,460,000 over a five year period. The more substantial benefits will be achieved outside of this period with regards to release of capital receipts



Medium Term

Potential regional vehicle to manage central government estate

Central Government is currently exploring more efficient routes to manage its estate nationally. Plans are in place to cluster Government departments property functions. The JPV could offer a further alternative for the central government estate to be managed locally and gain maximum benefit from co-ordinating the whole public sector estate by the JPV.

Opportunity to capture viable pan - government benchmarking

The proposed benchmarking exercise, which the JPV is undertaking with Mace Macro, and CIPFA, can lay the foundations for a potential national model which could benchmark property performance across the public sector.

Potential to become shareholder

The JPV governance arrangements propose an equal shareholding for all partner organisations which will provide an equal share of any surplus declared as 'profit' as well as equal access to resources. For smaller partners, this will mean a larger property team at reduced cost.

6:03 Wider Economic Benefits

The impact of the creation of the JPV will benefit the local economy outside of the partner organisations. It will create and sustain employment through its supply chain. Through its Locality Reviews it will be a catalyst for regeneration and encourage inward investment from the private sector, (as demonstrated at Bromsgrove).
It opens the possibility for other public sector partners to in the JPV operational area to consider becoming shareholder partners and improving the benefits to be derived by other partners currently operation in their area.

6:04 Benefits on national stage

The JPV will establish a model for consideration by other authorities who wish to work in partnership and replicate the benefits we have identified in this business case. This project can become a beacon of best practice, a national exemplar.
The principles the JPV will have as its target operating model totally underpins the Governments Estate Strategy 2014, and give a proof of concept of what can be achieved through this pioneering venture.

7:00: Organisational Development and Implementation

`Become a national leader`

"Pioneers of public sector property management"

`Make a positive impact"

`Catalyst for regeneration`

`High quality customer service`

`Champions of collaboration`

`Leaders of innovation`

`Shaping future spaces`

`Deliver unmatched excellence`

`Trusted and respected partner`

`Experts in our field`

`Transforming environments`

`Providers of expert advice`

`Deliverers of dynamic and informed solutions

Quotes from members of the partners estate teams

Birchen Coppice School, Kidderminster, Worcestershire (incl Police Post)

Executive Summary: Organisational Development and Implementation

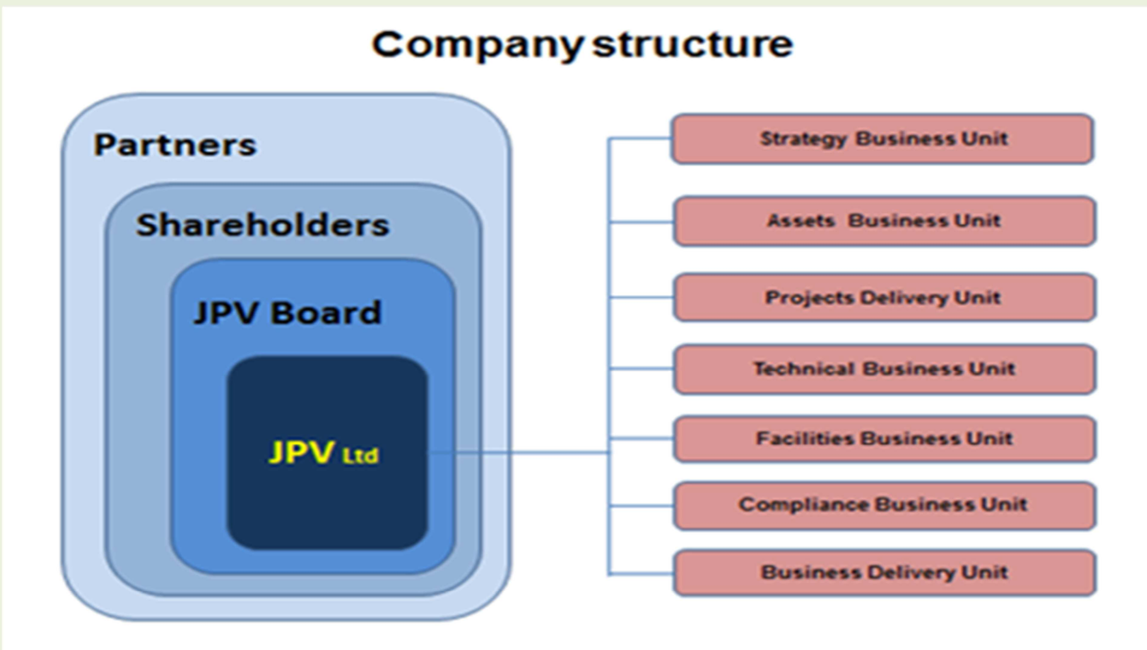
In preparedness for the formation of the JPV the following activities are required:

Legal
- Continue legal advice to support the Implementation Phase
- Establish the JPV as a limited company, including company registration

Procurement
- Develop a comprehensive contracts register
- Develop a set of Procurement Strategy for the JPV to operate for all partners

Communication
- Continue the development of a brand vision and identity for the JPV, including identifying a name for the company
- Identify communication support for post formation of the JPV

Operating Model
- Use the Target Operating Model in support of the development of Roles and Responsibilities under the JPV



- Develop a single database for all partner asset information.
- Develop a Helpdesk model linked to the single database and in support of Service Excellence.
- Put in place a management structure of Chief Operating Officer (COO) (Director), Commercial Executive, Operations Executive and Business Executive as the Management Team for the JPV operating across the organisation rather than in a vertical specialist silo.
- Put in place an operational structure based upon seven identified Business Units.
- Agree a set of Service Levels for the JPV identified against the Business Units
- Support the commencement of a five year Locality Review programme following the formation of the JPV.
- Implement the identified activities to put in place support functions (HR, ICT and Finance) for the JPV.
- Secure a main office location for the JPV in Worcestershire with a satellite office in Herefordshire.

Transfer of Staff

- Appoint a Chief Operating Officer (Director) to the JPV in early 2015.
- Implement the staff transfer timeline with TUPE taking place for identified staff on 1 April 2015 and a six-month timeframe to move selected staff into the JPV Terms and Conditions.

Finance

- Establish a Finance System to manage payments between and on behalf of partners as well as the JPV and link to JPV HR, Payroll and Property Management systems.
- Payment of a service charge to the JPV will be quarterly and cover JPV running costs, 'pass through' costs and 'Professional Fees'.
- Worcester City Council will undertake an Audit of the JPV during the implementation phase and the first year of operation of the company.

Implementation Costs

- The costs for the implementation phase of the JPV have been identified as £2.7m (inclusive of an estimated redundancy strain of £1.75m).

7:01: Legal Position

7:01:01 Identify Legal support required post formation

7:01:02 Identify who can provide this support

7:01:03 Company formation and registration

7:01:01 Identify Legal support required post formation

The legal workgroup specified the requirement for independent legal advice at a relatively early stage and by early August had appointed lawyers to provide this advice and support. Following a selection process involving all the partners, Freeths were awarded the contract. The legal workgroup have considered if there is a conflict with legal advice being provided to the JPV as a limited company and the same advisor providing advice to the partners: the group determined that there was not conflict with this in principle. It is expected that some legal advice will be developed after approval, but before formation this will include but not be limited to:

- Drafting and development of the Shareholder Agreements in greater detail
- Support the legal group or individual partners with clarity over the arrangements for JPV formation
- Draft of the Articles of Association

Following company formation, the proposal is that the legal workgroup will need to continue to meet independently to ensure that legal issues are discussed and a cohesive agreement on JPV issues is maintained between partners. Without this, there is a significant risk that partners may revert into a 'silo' management approach and be focussing too much on their partner's individual needs, rather than a common approach for the JPV. In this context, the requirement for independent legal advice could be limited and it may be that the group procure external legal advice as and when required, or hold a legal adviser on a retainer. Issues which may require consideration following formation may include and not be limited to:

- Drafting detailed service level agreements
- Advice around staff transfer issues and claims under TUPE
- Novation of contracts and procurement advice

7:01:02 Identify who can provide this support

As detailed above, provision has been made for the current legal advisor (Freeths), to provide legal support to the JPV following FBC approval, and leading up to formation of the JPV as a limited company. The procurement process which appointed Freeths included legal support up to the production of the FBC, and for support following approval in terms of company formation. Should partners want alternative legal advice post approval, there is no obligation to retain the existing supplier although a new procurement exercise would need to be undertaken if a change in supplier was needed.

7:01:03 Company formation and registration

Under the current proposal, Freeths will undertake the necessary work to establish the JPV as a limited company, including company registration. It is proposed that the JPV is established as soon as possible after approval of the FBC: however, consideration will be required in the brand-identity process (discussed below under JPV Operating Model), to ensure that the company name, brand identity and website presence are in place to facilitate company registration. Once the JPV has been established as a legal entity, this will enable the progression of a number of key work-streams to commence, for example including the appointment of the Chief Operating Officer (JPV Director).

7:01:04 Management of Transition from Shareholders to JPV

It is recommended that a shadow board is established prior to the formation of the company board to ensure a clear transition. In the development of the FBC, the project was directed from a Shadow Shareholder Group (SSG) and so it may be that the shadow board is formed from the SSG members, which will go on to establish the JPV board of directors.

The shadow board will facilitate the formation of the Shareholder group with new representatives of the partner organisations. At company formation, the JPV board of directors will be established, with representation set out as suggested earlier in the Governance model.

7:02: Procurement

7:02:01 Contracts register

To support the JPV's procurement strategy, it is essential to maintain a comprehensive contract register: the strategy behind this is detailed below, but it will be impossible without a contract register to manage the multiple contracts which the JPV will be coordinating on behalf of partners. It is the aim of the JPV to transfer all contracts over to the JPV as the administering body – this may be done following formation of the JPV as a legal entity or on a gradual basis as contracts expire and are re-tendered. With changes in procurement legislation, there is an increasing emphasis on transparency and the need for tendering to be done via electronic means (e-procurement). The contracts register will form the backbone of any e-procurement system the JPV will operate and will bring with it the advantages of assurance for partners over compliance with legislation, transparency, savings through coordinated procurement and improved reporting and data management. There are costs associated with a contracts database and e-procurement software, but these are minimal in comparison with other set up costs.

7:02:02 Policy and strategy

The JPV's procurement activity will need to comply with public procurement legislation, underpinned by European Union procurement law. It is proposed that a specific set of procurement Standing Orders are written as a combination of all partners existing policies, so ultimately the JPV will operate within the constraints of one set of policies.

The Strategy of the JPV is to create procurement efficiencies through the tendering of existing services under one contract where desirable and possible. The route to procurement for any service will be developed from existing partners data and local knowledge. This will produce economies of scale and enable smarter, more cost efficient savings to be negotiated through bulk purchase. Contract information has been gathered as part of the FBC delivery phase and all partners are now using a standard format of data collection, which can be used to populate a joint contract database. This database will be administered through the i-Prop contract management software and will assist with the coordination of contract data, for example in notifying expiry dates to better coordinate tender activity etc. As stated above, e-procurement will be introduced providing the transparency needed by partners.

7:02:03 Frameworks

Framework agreements will be used where appropriate to procure a range of goods and services the JPV may require. Frameworks provide flexibility over the goods and services which are provided for under the framework, which can bring advantages for example, relating to the quantity, type, timescale of goods and services, and in addition using frameworks can reduce potential challenges relating to compliance with procurement law. Frameworks often allow for the choice of a number of suppliers to submit proposals within the scope of the framework (a so called 'mini-competition'), which can provide the advantages of a framework with reassurance about gaining best value from suppliers.

7:02:04 Identify Procurement Strategy

The Outline Business Case (OBC) identified that over 63% of spend between partner organisations was with private sector suppliers. Therefore, it is essential that the JPV has a robust and transparent procurement process which will provide assurance to partners that all purchasing undertaken by the JPV complies with procurement legislation and best practice, provides the necessary data which partners need to satisfy audit and other scrutiny processes, and ultimately provides value for the partners and for the taxpayer in general.

7:02:05 Identify strategic procurement lead

Procurement has been highlighted as a strategic area for the JPV and will be the responsibility of one of the senior managers at a strategic level.

7:03: Communications & Brand Identity Development

7:03:01 Communications and Identity Strategy

- Branding and Company name

7:03:02 Identify communications support required post formation

- Identify who can provide this support
- Identify investment required

7:03:01 Communications and Identity Strategy

To support the development of the JPV, a JPV Communications Group has been created. The group consists of communications representatives from each of the participating partners (one point of contact has been agreed for both police bodies and Police Crime Commissioners) and an external consultant Camargue. The group meets once a month to discuss communications objectives and risks.

The group has developed a Communications Strategy to support the work of the JPV Implementation Team and ensure a consistent approach to communications with staff, stakeholders and the media. It outlines messages, audiences and approach; though it will evolve as the JPV evolves to ensure messages accurately reflect the progression of the project. The strategy is currently designed to support the JPV partners through to company launch, at which point the company will need to lead and own its own communications delivery – though this will need further exploration.

Copy of the approved Communications Strategy can be found at Appendix 21.

Branding and Name

While linked to the Communications Strategy, a separate work stream is underway to develop a brand vision and identity for the future JPV. This is being led through the Communications Group with support from Camargue and Verso – external consultants – and a branding working group has been established to help shape the vision and values. The working group contains representatives from each partner organisation and from a range of existing working groups – including finance, IT and communications.

The purpose of the working group is to first agree the brand vision and value in October 2014 before meeting again in November to begin work on identifying names for the JPV. With a name agreed, Verso can then look in detail at logo designs and options, with the intention to provide initial concepts in December 2014. The intention is to ensure concepts are finalised with input from the JPV's future management team in early 2015. The company name and brand will then be announced at launch later in 2015.

7:03:02 Identify communications support required post formation

Ultimately, post-formation communications activity will be driven by the company's future objectives and decided upon by the management team, but it is likely a new communications strategy will need to be created to sit alongside a business plan. This strategy should focus on three areas initially:

- Internal communications - engagement with staff and shareholders to keep them updated on company policy, changes, new starters, IT, HR and management decisions;
- External communications – engagement with media, social media, local people, customers, and Government to keep them updated on the business; and

- Design – the provision of a website (plus ongoing development) marketing material, stationary and other items.

To support the above a Q&A document has been produced by the Communications Workgroup and can be found at Appendix 22.

Who can provide the support

There are four key options:

- **In-house support** – driven by a marketing and/or communications manager responsible for developing and delivering a communications strategy. They would need to oversee stakeholder, customer, staff and media relations. They would likely to need to outsource design to an external provider unless an in-house provision was made for design.
- **External provider** – whereby an external communications and design agency was appointed to help manage external communications with the media, customers and stakeholders. They would be responsible to developing and delivering a marketing communications strategy and seeking approval for content and designed materials. Any internal communications would still need to be delivered by an internal employee – potentially the management team/assistants.
- **Internal communications lead supported by an agency** – whereby the future company has a communications lead for internal issues and strategic delivery, and an agency (or agencies) that are responsible for design and external communications. This ensures an internal lead, but also helps provide a balance of resource and expertise outside the business.
- **Secondment from a partner** – one final option may be for one (or more) of the partners to provide internal support on secondment in the short-term to help develop and lead on communications. This is likely to be short term option, however.

What are the costs?

Further work would be required to estimate communications support, but initial areas for budgeting will include:

- Staff costs for a communications manager/lead
- Costs for external agency support – for communications and material development
- Strategy development
- Development of a website and marketing materials

7:04: JPV Operating Model

7:04:01 Target Operating Model

The JPV will bring together four existing property departments serving the seven partners. These departments have within them a detailed knowledge about the estate which they currently serve and contain highly skilled and trained teams delivering a Property Service. Bringing these four departments together into a single vehicle will provide a more resilient service than they can retain alone and provide the opportunity to expand knowledge and strengthen skills across the wider staff group whilst allowing for a reduction in the overall staffing numbers.

The resultant team will be better equipped to deliver a specialist service and able to help staff develop their skills. The pooled estate will increase the purchasing power of the team and allow a holistic view across the estate, facilitating greater transformation. A joined-up agreement to service levels which allows services to be transformed and efficiencies to be realised. This in turn will be the catalyst to create a high-performing organisation which can demonstrate commercial and financial sustainability.

These principles have become the foundation of the emerging JPV Target Operating Model.

Operating Model principles	
What will the JPV deliver	Excellent **customer service** to us, our staff and our customers which is responsive, reliable and resilient
	Safe, compliant buildings which don't put individuals at risk
	Buildings which **support our service delivery**, meet our needs and help us deliver corporate priorities
	Access to **expert advice**, sector insight and emerging ideas and how they apply to my estate and my services
	Support in the management and implementation of **change,** leading the way in smarter working practices
	Helping the **communities to prosper**, whether through more integrated, customer focused services, or using property as an enabler for economic growth
How will we deliver them	A commitment to **Service Excellence** which provides you with the information you need, when you need it and keeps you well informed during problems or changes
	Skilled and knowledgeable staff who are familiar with the properties within the estate and how these support your business needs
	A **flexible workforce** and cross-functional teams facilitating joined-up planning and better outcome
	Financial sustainability and **Value for Money** underpinning the approach to service delivery and contract management
	Building relationships with local suppliers of services so that they work as an extension of the JPV and offer a seamless service to you
	Understanding our **localities** and how land and buildings can be used to stimulate growth and regeneration
Underpinned by a commercially robust and financially sustainable organisation	

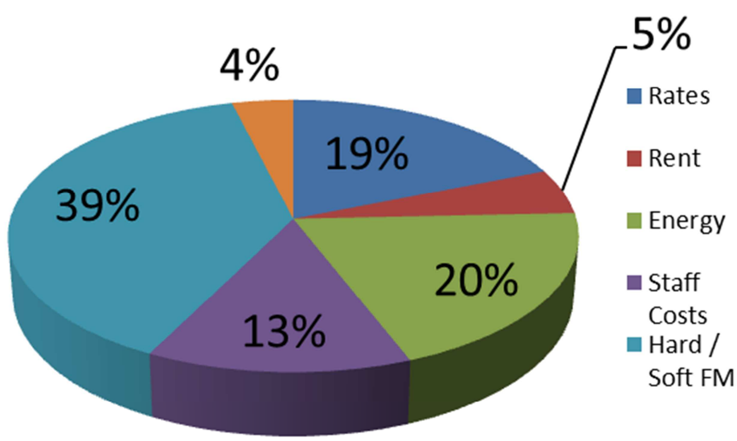
The Target Operating Model will be further developed alongside the Organisational Structure Advisors and HR advisors so that it informs the development of staff Roles and Responsibilities in the JPV.

Background

The JPV will bring together four existing property departments:

- Herefordshire Council;
- Hereford & Worcester Fire and Rescue Service;
- West Mercia Police and Warwickshire Police (alliance);
- Worcestershire County Council who also deliver a Shared Service to Worcester City and Redditch Borough;

All four existing Property Departments operate a mix of in-house strategic and operational function with some services and some technical maintenance being delivered or supplemented through contracts, frameworks and the use of consultants.



At the time of developing the OBC the services currently delivered by each team were identified. However, changing operational and organisational priorities means that during the period since OBC there have been some changes, including:

- The commissioning out of the Design Unit within Worcestershire County Council to Jacobs with a five-year commitment for all Worcestershire County Council's Design Service requirements going to Jacobs.
- Worcestershire County Council Courier services have moved from Property Services to Business Environment and Community Directorate and are now out of scope.
- Worcestershire County Council Reception is being considered to be moved from in-house to the Security but no decision has yet been made.
- Worcestershire County Council Mailroom service is a reduced in-house service with more being delivered by contractors.
- West Mercia Police and Warwickshire Police are undergoing a departmental restructures and the function Facilities Management has now split from the Asset Management function. This change has not put any services out of scope that were previously considered.

- Hereford & Worcester Fire and Rescue Service review brought Reception function into scope.

The range of services identified at OBC still remains the operational scope of the JPV but some of the initial assessments of how those services will be delivered have been adjusted. The list of service currently provided and how they map against the JPV model can be seen in Appendix 7, Service Matrix.

There will be services delivered by the JPV to some partners which are not currently proposed for all partners because of where they sit within those organisations currently. That does not preclude further discussion and inclusion and this point or later into the JPV's maturity. These are identified as:

- Redditch Borough Council directly employs a small team of technicians to do minor works on the corporate portfolio. This team are tasked by the WCC Helpdesk.
- Some of Worcester City Council's Cleaner and Greener personnel carry out some tasks on property and are tasked via the WCC Helpdesk.
- Worcester City Council employs facilities staff to their corporate buildings. These staff are technically line-managed by WCC.
- Worcestershire County Council's Courier Service sits within the Business, Environment and Community Directorate
- Hereford & Worcester Fire Service Courier Service which sits within its Operational Logistics

There are also some services currently delivered by an existing property department which are outside the scope of the JPV. These are:

- Worcestershire County Council Property Services is currently responsible for managing the Bromsgrove Schools PFI contract. It has been recommended that the management of PFI contracts is retained by the client body.

The Portfolio

The JPV will be managing a combined estate of over 2000 assets, including investment portfolios and the supply of services to schools across Herefordshire and Worcestershire.

	HFDS	HWFRS	RBC	W&WMP	WC	WCC	TOTAL
Operational	682	30	34	126	122	277	**1271**
Non Operational	376	0	77	50	52	46	**601**
Schools	74	0	0	0	0	207	**281**
Academy	27	0	0	0	0	79	**106**
Investment	60	2	33	0	72	89	**256**
Asset Held for Sale	0	0	3	0	0	14	**17**
Surplus	0	0	3	2	0	5	**10**
	1219	**32**	**150**	**178**	**246**	**717**	**2542**

Commercial sustainability

The services provided by the JPV will be fulfilled through a mix of in-house skills and expertise; service contracts where there is a mature market, and can be better delivered by the private sector; maintenance contracts for routine work and specialist areas;

frameworks where they can be used to support the appointment of contractors and consultants for projects; and consultants for specialist advice.
Those services which are core functions and will be delivered directly by the JPV are identified in Appendix 7, Service Matrix. Other services will be subject to market testing to determine the best way to provide those functions. The JPV will need to be in a position to deliver a high quality service throughout the Transition Phase and therefore careful consideration will be given to the timing of market testing. This will be based upon the current mix of provision, the timing of any contract breaks, customers' quality expectations and the maturity of the market to provide that service. Ultimately all services can be market tested.

The Operating Model will ensure a seamless service is provided to the customer whoever is delivering individual elements of that service. The JPV will work with contractors, explaining the JPV customer care standards and identify how they can support the JPV in fulfilling them. Care will be taken in evaluating new contracts to ensure there is cultural alignment between the JPV and contractor. The result will be a partnership approach between JPV and its contractors with its customers.

It is also recognised that the JPV will be managing a reducing estate and needs to consider the outcome of the Estate Transformation Plan in its future operational structure. A regular appraisal of service demand, service performance, customer feedback and market maturity will need to operate throughout the JPV.

A skilled, flexible and agile workforce
The JPV workforce will adopt an agile approach within the Operating Model, more often seen in the Private Sector. This includes:

- **Broader job roles** enabling the JPV to manage its resources where they are most needed and better manage the peaks and troughs that narrow functions may experience.
- A **responsive** service with fewer decision making and accountability layers where staff take ownership of issues regardless of their role and work with the full support of the rest of the JPV workforce in ensuring those issues get resolved.
- **Matrix management** enabling fast assembly and mobility of teams. Particularly in localities, conducting reviews and projects to allow resources to be used where they are needed and increase cooperation and communication between Business Units.
- A **mobile workforce**, across the geographic area served and not bound by specific locations or work places (with limited exceptions).
- Ensuring the JPV maintains excellent **technical and sector-specific knowledge** and expertise within the in-house team but complemented by specialist advisors where it is not efficient to develop or retain up-to-date knowledge internally.
- **Developing internal staff** through the exposure matrix management will bring to an individual's skills and perspectives and by providing opportunity for people to lead on activities where they are best placed to do so.
- **Supplement with agency** to fill the peaks in demand but keep this to specific project/ time periods rather than a long-running arrangement. Build up good relationship with suppliers of staff so that when they are used they are more familiar with the JPV activities.

- Close working relationships with **contractors** so that the customer does not distinguish a difference in the level of service provided.

JPV in the Locality

The JPV Operating Model will take a holistic approach to localities, be that in Cities, Market Towns or its more rural communities. Even in areas where only a single partner is represented the JPV will work with other public sector partners in ensuring where possible the same opportunities and alignments are sought out. This holistic approach will be felt in both its strategic and operational activity.

Bringing together the management of the combined Estate means in some localities there will be a significant number of buildings that the JPV will support. This offers the opportunity for the JPV, in those areas, to provide a much more locally-focused service whilst also providing cost savings. Including:

- Resilience across facilities teams, for instance in building inspections and support services.
- Tasking of maintenance and technical teams can be locality-focused, more responsive and reduce unnecessary travel.
- Familiarity with local buildings and services leading to a swift and appropriate response.
- Support for Locality Reviews through developing local knowledge and connections.
- Access to local offices and workplaces to reduce travel and increase visibility to customers.

7:04:02 Customer Service Excellence

Delivering excellent Customer Service has consistently been identified by the JPV Workgroups as a high priority for the JPV and is seen as critical to its success. Through the Work Group mapping the following aspects have been identified as significant in the JPV's ability to deliver excellence service and offer service improvement and efficiencies:

- A comprehensive and accurate **data set** linking asset data, with planned and current asset-related activity (risk management information, projects, planned maintenance activity, emergency responses etc), Helpdesk and financial systems.
- A **helpdesk service** which is based on knowledgeable staff able to support customers whilst addressing property-related issues.
- **Customer access** to the information they need in support of building management quickly and easily.
- **Technology**-driven solutions where they offer service improvement and efficiencies.
- A commitment to **Service Excellence** in the Operating Model, through responsive, knowledgeable staff.

Database

It is imperative for quality decision-making and planning that the JPV will maintain a complete set of accurate, reliable and relevant data, accessible to authorised users. Effective data management will:

- Ensure that planning and decisions are data-driven
- Drive strategic planning and decision-making by enabling data to be queried and analysed in different ways, including geographically by using mapping capability
- Ensure that data is integral to the way staff operate and manage, thus avoiding duplication of effort or systems
- Ensure that data is updated as quickly as possible following change, by placing management of data as close to the action as possible
- Deliver quick & easy access for all users (e.g. the helpdesk operators) to all the information they need to make efficient and effective decisions
- Support new ways of working by holding data electronically so that it can be accessed remotely and by exploiting the benefits of technological developments
- Avoid the hidden costs of bad data (e.g. lost opportunities, failure to address customer issues, re-checking and cleansing data)
- Be built on a strong foundation for managing data quality with tools and practices that can span and be leveraged across the enterprise.
- Place data analysis at the heart of the organisation, so that issues can be spotted, analysed and responded to quickly to maintain integrity
- Ensure that data is updated as quickly as possible following change, by placing management of data as close to the action as possible and making data quality a responsibility of everyone in the organisation
- Increase accountability and maximise performance
- Support the delivery of national initiatives and objectives, including increased accountability, public service productivity, localism and economic growth

The Business Case for a single electronic data systems for all partners is set out in Appendix 8, Database Business Case. The Business Case recommends that:

- i-Prop is the single data source for all asset data from Go-Live as an interim arrangement.
- A detailed database specification is developed during the first year of operation with the option to take it to the market in year two.

Helpdesk

Providing a single point of contact for customers and a commitment to keeping customers going, the helpdesk service will:

- Resolve customers property-related issues at first point of contact
- Provide high-quality customer care through a knowledgeable and trained staff team
- Achieve operational effectiveness and continuity for customers in a crisis
- Maximise reporting and provide good customer support
- Embrace industry standard software to instruct and monitor repairs ensuring most effective and efficient use of resources and real time progress reporting
- Adopt live, real-time updating by technical staff (in-house or contractors) through remote/mobile access to database and/or helpdesk system
- Offer a 24/7/365 service
- Place customer feedback at the heart of issue resolution (call handling, technical support, outcome reporting etc)
- Ensure user friendly access to the helpdesk

The Helpdesk team will be supported in delivering this high-quality service by the in-house technical team and a comprehensive asset data system. There is an aspiration that all JPV staff will spend time on the Helpdesk by rotation in both support of the Helpdesk and to instil the commitment to customer care.

Service Excellence

Process mapping will be used to overlay operational service delivery with the customer journey. This will identify the critical handover points that are key to delivering excellent customer service. This process mapping needs to be developed alongside the Target Operating Model to ensure that service excellence is embedded in the JPV.

7:04:03 JPV Management Structure

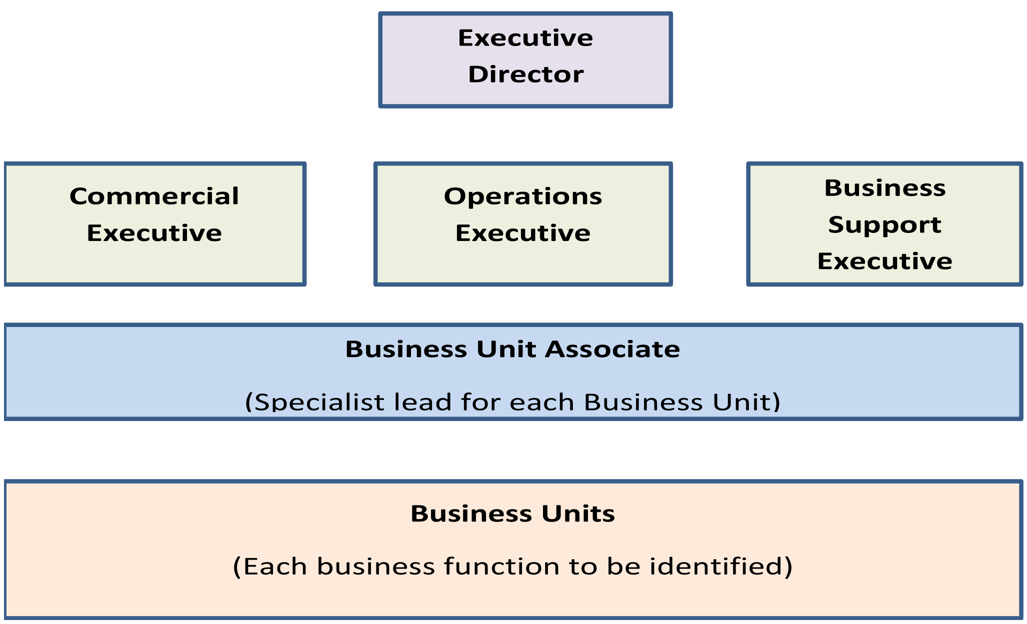
The current proposals for the structure of the JPV are described below, with a Management Team of 4 and a proposal for 7 Business Units. The design principles and costing for the proposal are built around this model.

The OBC made the following assumptions and recommendations for the new management team structure (further details can be found at item 6.06 of the OBC)

> *"The JPV will require a Management Team which oversees the business and will meet formally as a Board. The Board structure will reflect the commercial nature of the JPV. The proposed composition of the Board at set-up of the company consists of:*

- *Director of JPV (DJPV)*
- *Operations Manager (with lead responsibility for Finance and broader responsibilities around management of support functions and host services). At a later stage this could broaden out into a remit that encompasses commercial and business development*
- *3 Business Unit Managers (Asset's, Projects and FM)"*

This has now been tested further during the detail design and the following proposals have been developed in association with Innovation Central and market leaders in property management, DTZ. The proposal has been tabled to the Review and Steering Group and supported in principle. The Executives will manage horizontally across the organisation rather than vertically specialist silos.



As can be seen this has further rationalised the structure, further detail is expanded upon below and in the appendices.

7:04:04 JPV Business Units

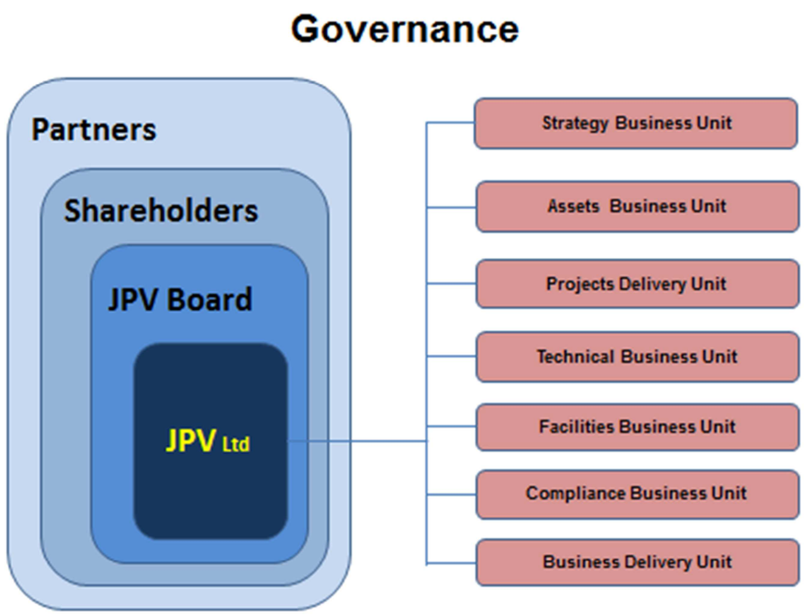
The function and position of the JPV Management Team have been described in detail in 7:04:03. These Executive roles will manage horizontally across the organisation. Sitting underneath that will be a series of Business Units.

Distinct Business Units will be there to ensure that the functional responsibilities of the JPV are properly co-ordinated and carried out to quality standards. Business Unit Leads will have professional line management responsibilities for people carrying out those functions.

The Operational Model is based upon a flexible, matrix-management approach which will pull resources from across the Business Units in the management of localities and projects.

A proposed structure for the JPV has been identified based upon the services it will be providing. This structure would be subject to further scrutiny during the Implementation Phase. The proposed JPV structure has identified seven distinct Business Units and their associated responsibilities, which can be seen in Appendix 7, Service Matrix. These Business Units are:

i. **Strategy Business Unit** to manage the Estate Strategy for the combined estate and implement Locality Reviews across the five counties.
ii. **Assets Business Unit** to do the day-to-day management of the estate and provide specialist advice on estate matters.
iii. **Projects Delivery Unit** to implement the Capital and other change programmes and ensure robust project feasibility and Business Case development.
iv. **Technical Business Unit** to oversee the planned and reactive maintenance of the estate and energy management.
v. **Facilities Business Unit** to provide the optimum working environment to our clients and the management of service contracts.
vi. **Compliance Business Unit** to ensure the JPV is technically and legally compliant and providing optimum performance to the shareholders.
vii. **Business Support Unit** to support the operations of the JPV and manage the range of contracts and frameworks the JPV holds.



The purpose and vision of each of the Business Units is set out below.

i. Strategy Business Unit

To oversee the strategic property asset management of the estate, and to align business and property asset strategies, ensuring the optimisation of property assets in a way which best supports organisational goals and objectives.

Creating an effective, efficient and sustainable public sector estate, which provides value for money for the taxpayer, reduces our environmental impact, transforms the way our public sector clients work, with operationally effective but flexible accommodation and contributes to growth and regeneration.

The services delivered include:

1. Asset Management Planning
2. Property Review
3. One Town Review program
4. Investment Strategies
5. Corporate Landlord
6. Strategic Consultancy

ii. Assets Business Unit

Applying in-depth market knowledge, experience, research and analysis to the management of our investment and corporate estates. Through a team of skilled property professionals seeking to optimise performance from the estates through excellence in property management.

The services delivered include:

1. Acquisitions and Disposals
2. Compulsory Purchase
3. Valuations (Property, Asset and Insurance)
4. Community Right to Bid and Community Asset Transfer
5. Planning and Regeneration
6. Right to Buy
7. Void Property Management
8. Landlord and Tenant Management
9. Management of Commercial/ Investment Portfolios
10. Management of smallholdings
11. Ratings
12. Support for schools

iii. Project Delivery Unit

Bringing professional and Project Management skills to translate your organisational concepts into fit for purpose solutions.

Provide professional skills and local knowledge to the techniques and rigor of project management methods, to ensure that we deliver your projects objectives, which improve your service delivery and, environment for our communities.

We will achieve this by:

- Drive culture change in the public sector
- Innovate through lateral thinking to create solutions
- Be prepared to challenge to deliver meaningful change
- Place the client in an informed position for decision making
- Our team of skilled project delivery professionals will bring local knowledge to your project and understand your business
- Improve service delivery through the environment we create for you
- We shall provide leadership, structure and co-ordination for the development of change
- Deliver added value through our projects for your communities contributing to regeneration and growth
- We will develop together to deliver the future
- Identifying and mitigating risk ensuring compliance with legislation

The services delivered include:

1. Programme Management
2. Design quality
3. Project development (including Business Case assessment)
4. Project delivery
5. Financial management
6. Post-project support
7. Contract management and performance

iv. Technical Business Unit

Our Technical Business Unit is a vital strategic discipline contributing to the delivery of your operational and strategic objectives.

We will achieve this by:

- Understanding your business needs and priorities
- Ensuring statutory compliance of all property assets
- Use of technology to improve our process`s and engagement with you
- Not only work for you, but with you, maintaining regular communication
- Delivering a positive customer experience for you and your customers
- Providing confidence and assurance in the service you receive
- Providing a focused and prioritised resource
- Being environmental champions to encourage and educate all our client groups
- Developing mutually beneficial procurement relationships with your local economy
- Ensuring business continuity and safety of your workforce in the workplace
- Ensuring buildings function efficiently and component and plant breakdowns rarely occur.

The services delivered include:

1. Proactive Property Maintenance
2. Reactive Property Maintenance
3. Technical Maintenance Delivery
4. Premises Surveying
5. Sustainability and Energy Management
   Technical, Legislative and Sector Expert Advice

v. Facilities Business Unit

Our Facilities Management service will ensure you have a safe and efficient working environment, ensuring:

- We deliver a positive customer experience for you and your customers
- We respond to customers' needs and help manage the day-to-day environment
- We support and enhance your organisations identity and image
- New working styles and processes are facilitated and challenged
- Change programmes are supported and facilitated efficiently

The services delivered include:

1. Frontline Customer Contact
2. Churn management and space planning
3. Conferencing, meeting and event management
4. Reception
5. Security
6. Logistics
7. Building inspection
8. Management of service contracts

vi. Compliance Business Unit
Working across the JPV the Compliance Business Unit will ensure the JPV delivers a high quality service to its customers through every aspect of its operation. The Helpdesk Team will act as the first point of contact for most queries to the JPV and ensure that the customer is kept informed and updated as issues are dealt with.

We will ensure that the Estate is safe to work in and complies with all legislative requirements and that policies and procedures relating to risk management are current and applied in all instances.

A commitment to the development of high-quality asset data and systems will ensure that data underpins the estate strategy and day-to-day operation of the combined estate from supporting the Helpdesk to invoicing.

The services delivered include:

1. Risk Management and Compliance
2. Performance and Quality
3. Asset Data Management
4. Helpdesk and Customer Service

vii. Business Support Unit
The Business Support Unit will provide support services to the JPV. Technology will be fundamental to the Operating Model of the JPV, ensuring that teams are supported in being flexible and mobile when carrying out their business. The JPV will adopt and apply a forward-thinking approach to agile working so that is can provide tried and tested advice to clients in changing approaches to the use of property in supporting service delivery.

Contract Management will be a core JPV activity responsible for developing, implementing and managing contract, consultants and frameworks arrangements to support the management of the Estate. The JPV will undertake procurement exercises in line with the Procurement Code and applying social and economic tests commensurate with the Social Values Act. Led by Business Support this will draw on the expertise of teams across the JPV, including undertake contract reviews and contract monitoring. Where necessary, contract compliance action will be undertaken in order to ensure standards of service.

The services delivered include:

1. Business Support (incl. Finance/ IT/ HR)
2. Procurement
3. Contract Management
4. Framework Management
5. Consultant Management
6. Professional Development

7:04:05 Draft Service Level Agreements

Each service that the JPV is to provide requires detailed definition and performance criteria. These will form the basis of a Service Level Agreement (SLA) between the JPV and Shareholders and set out the level of service that can be expected by all partner. This may initially be delivered differently to each partner whilst existing arrangements and contracts are played out. However they will all be managed to the defined SLA.

The SLA will identify the following headings:

- Title of Service
- Description of Service
- Level of Service
- Services not included
- Service Metrics
- Service delivery breakdown

The SLA will be linked to the payment mechanism identified in 7:08:04 and needs to clearly identify:

1. Core JPV activity
2. Maintenance and service contracts where 'pass through' costs apply
3. Chargeable work that would require extra fee

Work Groups have been engaged in pulling together these SLAs. An example of a draft SLA for Assets is identified in Appendix 10, Draft Service Level Agreement. These SLA's will be completed during the Implementation Phase and signed off by each Shareholder prior to the commencement of payment to the JPV.

7:04:06 Draft Estates Strategy

Whilst most partners have an Estates Strategy, or at least an Asset Management Plan (AMP) that may include some partnership working, the principal context for this will have been the specific needs and opportunities related to that individual organisation. The concept of a single public estate together with the rapidly changing service and financial climate will inevitably create new opportunities for greater efficiency and may also change some individual priorities. Therefore, it will be imperative for the JPV to develop its own comprehensive Estates Strategy that can adequately reflect this. A meaningful and ambitious Estates Strategy can only be prepared when there is certainty on the shareholder partners who will become owners of the JPV. Developing this will be a critical first phase of work that the new company will have to undertake.

To assist in this exercise DTZ were commissioned to undertake a study to identify each partner's current position with regard to their estate, and then to map out a framework for the processes to be actioned to identify the workload impact of such a requirement. This is referred to as the Estate Transformation Plan (ETP), copy of which can be found at Appendix 1. This is not a completed document. Rather, it is a snapshot of the existing position of individual organisations, some suggested good practice in marshalling asset related data, the identification of broad and ambitious strategic objectives for future asset management and the outline of a process by which locality based reviews can deliver the changes. It will be subject to further refinement by the relevant workgroups to ensure that there is a clear process that can be adopted once the JPV is created.

The document also tries to highlight the common ground which exists in each of the partners strategies and furthermore reflects on how this will underpin the recent Government Estates Strategy (see Appendix 19).

To fully inform this piece of work there are interdependencies on the delivery of the comprehensive estates database and completion of the cross partner property benchmarking exercise. All of which will not only evidence the strategy but also assist in prioritising the Locality Review (One Town Review) programme (see Appendix 11).

Public sector assets exist primarily to facilitate the delivery of public services. The pace of change in delivering public services has never been greater, hence it is important to recognise that in the current environment no strategy can be expected to have a long term life and remain relevant to the organisations it seeks to support. It will therefore be constantly dynamic, responding to changing operational requirements and refinements to deliver the most optimal estate for the shareholder partners.

The JPV Estates Strategy, when written, will be adopted by the JPV Board, but it will also require the approval of each Shareholder Partner, where it has any impact on their individual estate and property sovereignty.

7:04:07 Capital Programme

A future capital programme for the JPV has been identified for the first three years. The programme is based upon existing capital projects in place, business cases awaiting approval or anticipated funding streams such as Schools Basic Need allocation. The potential total spend over the three years is in excess of £121m (see Appendix 25).

The number of projects taken forward and the amount spent will vary from those figures shown but is indicative of the future capital workload of the JPV. This projected workload does not take account of additional projects brought through the One-Town (Locality) Review programme which should start to see capital schemes added to this programme after year 1.

7:04:08 One Town Review Programme

The One Town Review process is a fundamental tool for the JPV to deliver against its rationalisation and service transformation agenda. Through which it can deliver the efficiencies forecast in this document.

This process evolved through the Capital Asset`s Pathfinder programme and has been tried and tested to prove the benefits are deliverable. Moving into the new organisation we believe the process should be re-branded to "Locality Review" as it will be necessary in some geographic areas to review more than one town simultaneously, due to partners interoperability were towns are co-located in close proximity.

The Vision for a Locality Review would be:

Locality Review

Delivering a review of service integration, estate rationalisation, identifying community benefits and facilitating regeneration and inward investment

Delivery of such reviews is time consuming if it is to be undertaken fully and comprehensively, it will be resourced by a dedicated Locality Review Programme Manager, who will identify and liaise with all stakeholders, and fully understand each potential stakeholder's operational business model. It will not be exclusive to JPV partners, but the process will be clearly led and managed by the JPV. They will seek to ensure the buy in from the broadest public sector group.

A typical programme cycle is described below:

Q1	Q2	Q3	Q4	Q5 onwards
Team Assembly	Scoping Options	Appraisal	Budget Assembly	Implementation

The process adopted will:

- Map the assets in a locality
- Identify the stakeholders
- Assess which assets are fit for purpose
- Understand all partners operational business model
- Identify local needs
- Identify growth plans and private sector investment opportunities

This will allow the team to address and align all of the above into a cohesive single deliverable programme of change for the community and partners benefit.

A five year programme has been developed which will result in projects which will stretch through to 2025 for delivery. The list is not exhaustive and requires further engagement with broader partners; it also needs to be prioritised, through consultation. A potential programme of work can be found in Appendix 11.

Potential Benefits of One Town Reviews (Locality Reviews)

The first One Town Review undertaken at Bromsgrove involved 9 public sector partners who worked extensively together to develop a development plan built around each partner's operational model to deliver an improved and dramatically reduced public sector portfolio in the town, but one which was more accessible to the public and delivered service transformation.

The pilot demonstrated that we could achieve £11.9 mill in capital receipts, resulting in a revenue reduction on the portfolio of 600k per annum. The regeneration resulting from this catalyst attracted £110 mill of inward investment from the private sector which has created approx. 1000 new employment opportunities in the area.

This has given the JPV concept evidence and reassurance to predict benefits from the programme of One Town Reviews. The key lessons learnt which are transferrable are Governance, Relationships, Funding and Proof of Concept, all of which are detailed in the Case Study attached in Appendix 12.

We identify in Appendix 11 18 Locality Reviews at this stage if these were to achieve a similar level of opportunities this would create the following benefits;

Capital Receipts – £214 mill

Inward Investment – £2 bill

Revenue savings - £10 mill

New employment opportunities - 18,000 jobs

We have not accounted for this level of savings and benefits in the JPV proposal but this should be our aspirational goal and if only 25% of this were achieved it is a sizeable benefit, alongside the improved service to the public in these areas and transformational working practices which would transpire.

7:04:10 Economic Regeneration though partnership

Mapping of the public sector assets in any town describes a picture of land and property ownership which none of us can imagine within our own organisations. It immediately raises the question of why do we need so much, and, secondly what benefits can we bring to the wider community through a strategic release of land for inward investment.

Alongside this we have Local Enterprise Partnerships tasked with developing growth in towns with regards to employment and commercial enterprise to meet the demands of population growth. In many case this results in requests for the development boundaries to be extended to accommodate such growth.

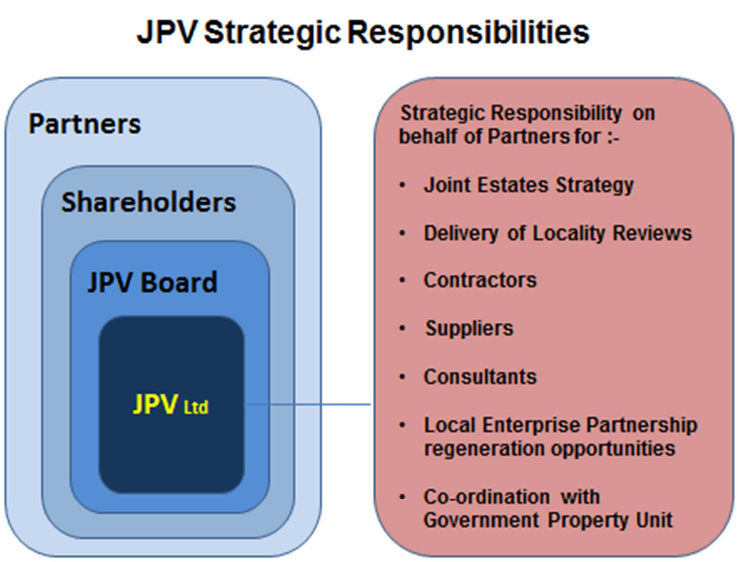
In reality we need to consider better use of the land and property within the defined boundaries first. But to do so needs a co-ordinated approach to asset management, particularly of the wider public sector estate.

The JPV Implementation Team recently had opportunity to work with the Worcestershire LEP on it Strategic Economic Plan submission. This certainly identified how beneficial it was for two organisation to create joined up thinking for a true strategic plan.

The CAP`s projects in Bromsgrove clearly demonstrated that Public sector investment and land release could generate a fivefold inward investment from the private sector, resulting in delivering increased employment opportunities and demand in the local supply chain.

The economic growth agenda is easier to factor into asset management considerations where the public estate is seen as a single entity, and our experience at Redditch gives clear evidence that our One Town Review process is a potentially very significant contributor.

The JPV is the only way that the broader "one public estate" benefits can be identified and realised.



7:04:11 Support Functions (HR, ICT and Finance) and Physical Resources

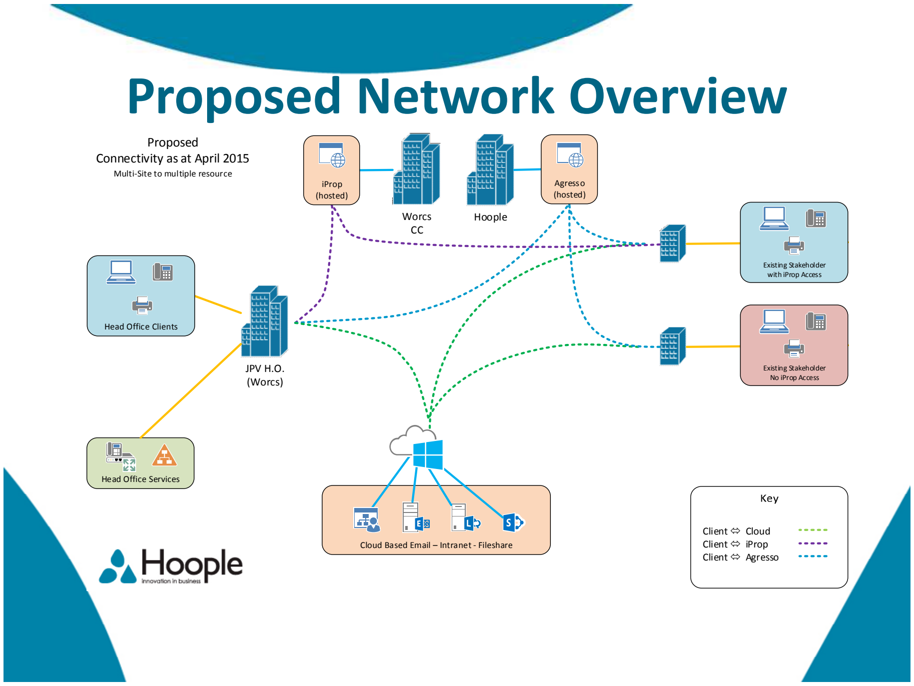
At the Outline Business Case (OBC) stage it was expected that partner organisations would provide support functions to the JPV where required, specifically in terms of Human Resources advice and management (for example, recruitment, and management through the TUPE process detailed below), Finance advice and professional services (accounting etc.), and Information Communications and Technology (ICT) support relating to hardware provision, software licences and technical support. As the work-groups progressed it was very clear that due to capacity and current outsourcing strategies it was not going to be practical for partners to provide hosted services as originally envisaged.

One of the partners, Herefordshire Council currently uses a wholly-owned company to provide a range of services in the council. The Shadow Shareholder Group (SSG) gave approval to explore the potential for the company, Hoople Ltd, to support the JPV in the formation of the FBC as part of the work-groups examining these areas. Hoople provided much needed capacity to draft out the specification of services required and develop timelines in the areas of Human Resources, Information Communications Technology and Finance, to inform the FBC. Some of the outputs for these areas are explained below, and are especially relevant in illustrating the key milestones which need to be achieved to ensure that the project can be delivered on time: as costs were required to inform the FBC, Hoople used their expertise to provide a fully budgeted model of support services, by using the concept that Hoople host the services to map out a realistic view of cost. In reality, support services will need to be procured in an appropriate manner and so although the model is based upon Hoople's actual figures, it could be any third-party supplier.

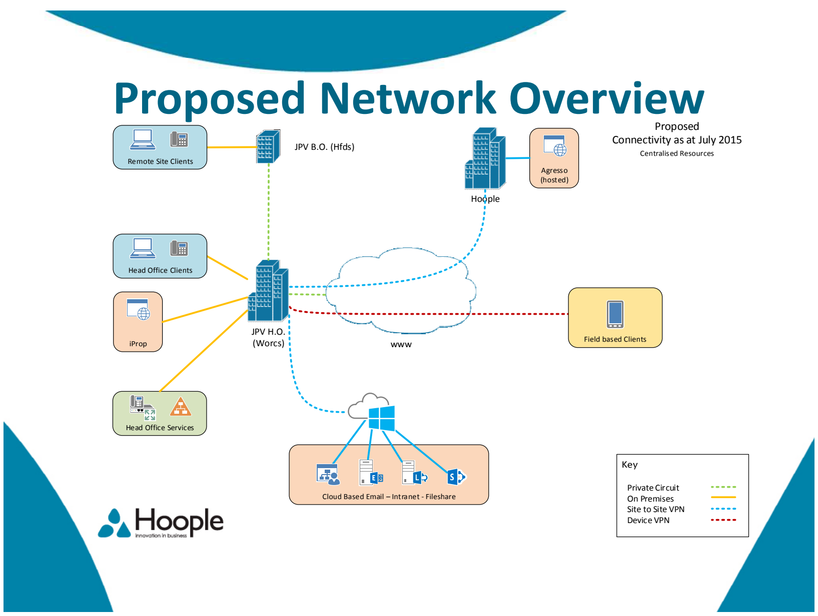
The finance timeline below shows the criticality of a number of resources (not least the physical location) which will be required to ensure that the JPV can be delivered within the timescales proposed. The ICT requirements are key in this respect to support the Finance system which the JPV will operate, the property management database (which is essential to standardise benchmarking, measure performance and ultimately provide assurance to partners that property is being managed efficiently and providing value for money), and the payroll system.

To facilitate this, a two stage process has been proposed by Hoople, with a Finance system transferred to a third party server, the database being hosted by Worcestershire County Council in the initial stages, and linked to the new Finance system (the database has been developed by WCC and carries a substantial amount of data for the partners assets: partners not using it will transfer data in the early stages of JPV transition), until the database can be transferred to the main JPV server established at an appropriate JPV headquarters, as a main hub. Other physical assets (desktop PCs, laptops and telephony etc.) and then support (remote working assets) will link into this hub as normal.

An illustration of the initial structure of the ICT network to support the JPV, at a target date of April 2015 is given below:

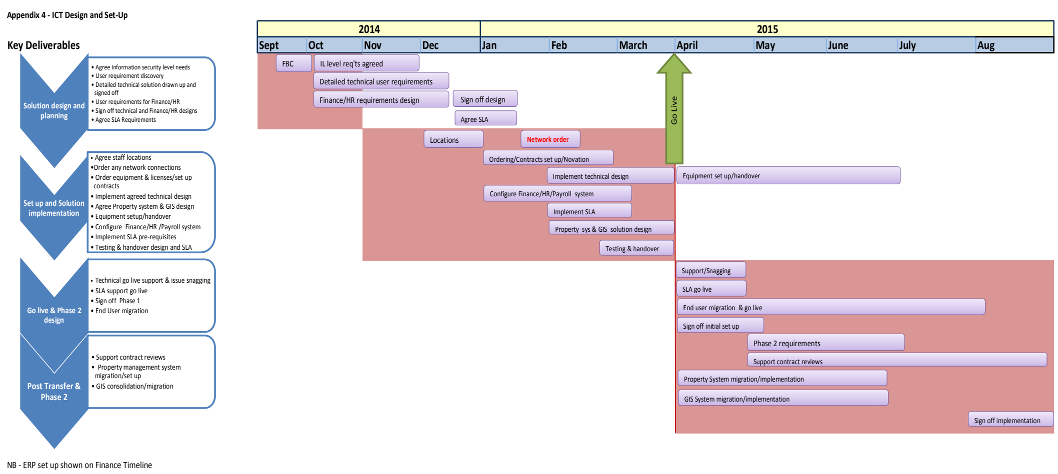


After transferral of the property management database (i-Prop) from Worcestershire County Council to the main JPV server, with a target date of September 2015, the system will change to the ICT network structure illustrated below:



The diagrams above highlight the requirement for a number of physical resources to support the model being proposed. In terms of ICT, these have been budgeted on a 'worst case' scenario where all assets will need to be purchased by the JPV. However, discussions with partners indicate that assets may be able to be transferred from partners into the JPV, thus providing significant cost savings.

The key 'deliverables' and a timeline for the transition of ICT assets and data is given below. This proposed timescale highlights the importance of determining the physical location for the JPV: this is mainly due to the timescales determined by BT in enabling the telephony installation, which will also require a significant budget.



The ICT Timeline above is presented in a larger format at Appendix 13 of this document.

7:04:12 JPV Physical base Location and Accommodation Requirements

A majority of core partners currently have their main office location within Worcestershire and geographically this allows easy access to all counties covered by the JPV. It is therefore proposed that the main office location for the core team will be based in that area, (maximum travel time to extremities of operating would be 90 min). However three partners exist in Herefordshire and a satellite office will also be maintained in that County for frontline operational roles (FM, building surveyors, reception and caretaking functions, the latter being building specific in their location). It is felt inappropriate to consider basing the JPV in a major partner HQ premises as this may be inadvertently interpreted as "ownership", of the organisation.

With currently only one partner operating out of Shropshire and Warwickshire, staff operating in these areas will either be building specific located or will work peripatetically, (as current for Police). Should new partners become part of the JPV then consideration will be given to new satellite offices in these counties.

An office base should reflect and demonstrate the working practices which the JPV will be proposing to its customers as standard practice. Therefore neither office location will provide 100% workstations or cellular office space. Flexible working practice which will reflect the nature of the business will be adopted (a majority of staff needing to be site located or in consultation with client groups). Hot desk workstations and desk hoteling will be modelled with break out areas and quiet zones available. This will allow floor space and car parking to be maximised. The majority of staff will operate with laptops or tablets to maximise flexible working, utilising local Wi-Fi availability in partner premises, or, from home working.

Market testing has demonstrated that office rentals are currently achieving £120/m2. Working therefore on an area of 5.5m2 per workstation, and adding 30% for ancillary spaces such as meeting rooms etc. 8m2 per workstation is a good guide. This conveniently works out at £2,000/ workstation/ annum, fully serviced. It is likely that an annual rental for office accommodation in Worcestershire would be in the region of £140,000 per annum and for the satellite office in Herefordshire approx. £30,000 per annum.

It is likely that any office location will need some investment for minor alterations, IT infrastructure cabling and furniture, therefore a one off capital an allowance is made in the Implementation costs of £200,000. Partners will be able to offset some of this cost by the space released in their existing accommodation vacated by their property teams.

Whilst we are unable at this time to firm up on any specific location, pending a decision on when, or if the JPV will progress, two potential locations have been identified with a willingness from both landlords to discuss the option further at the appropriate stage.

In Worcestershire an option exists to explore co-location at HWFRS accommodation at Kings Court, Worcester, where sufficient spare capacity exists and would address an immediate challenge around under occupancy. Whilst in Hereford, Hoople Ltd have identified capacity in their property at Plough Lane, Hereford to accommodate a small satellite office. Further negotiations are necessary and finalisation of negotiations could delay occupancy given the substantial lead times for IT networks etc.

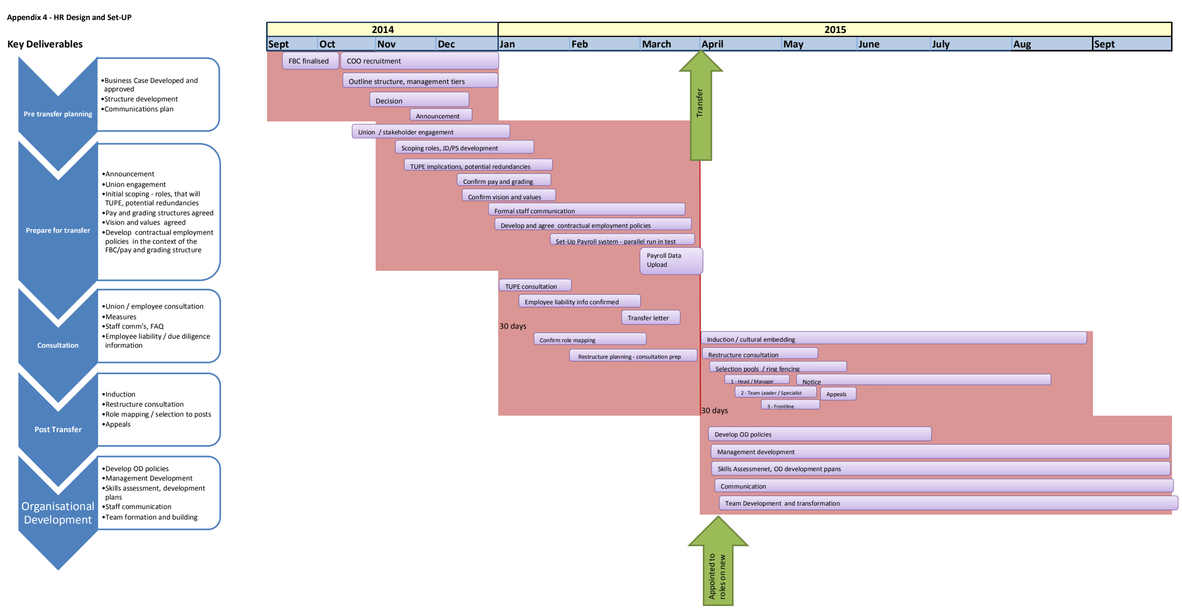
7:05: Transfer of Staff

7:05:01 Staff transfer timeline

In delivering the FBC, the Project Implementation Team worked with a number of work-groups, which advised on the staff transfer process required to inform the FBC, and developed the milestones required to create the JPV as an organisation.

Work with our Organisational Structure advisors established the process to underpin the development of the roles and structure which the JPV will require to deliver its operating model. To ensure that the timescales for delivery of the savings can be met, it was essential that work progressed on the appointments process for the JPV Chief Operating Officer (Director) and initial consultation over the staff transfer process with the representative bodies.

The requirements for this consultation have been determined in detail with the Human Resources workgroup and capacity to deliver these services has been provided by Hoople. A draft timeline for the change management process is presented below:



For greater detail on the programmed HR timeline above please refer to Appendix 14.

7:05:02 Management Recruitment

The JPV Chief Operating Officer (Director) role will be recruited into the JPV once the organisation has been established as a limited company, currently estimated to be around early January 2015. This role is deemed to be substantially different to any existing roles that exist and so a separate recruitment process has been mapped out and authorised to proceed by the Shadow Shareholder Group (SSG).

This FBC has only detailed the roles required for the top three tiers of management and reporting to the JPV Chief Operating Officer (Director), will be three senior managers covering areas initially entitled Commercial, Operational and Support. It is felt that the appointment of these three roles as early as possible is key in supporting the Chief Operating Officer (Director) in leading the formation of the JPV. Legal advice (highlighted in the first section of this FBC), suggested a risk in recruiting to these roles exclusively externally as is proposed for the Chief Operating Officer (Director). Therefore it is now proposed that the roles are 'ring-fenced' to the current senior managers who will be considered in parallel to an external recruitment process being undertaken. The draft role profile for the JPV Chief Operating Officer (Director) is given at Appendix 6.

The substance of the other roles is explained in more detail in section 7:04: 'JPV Operating Model' above.

7:05:03 Management of change (for staff roles)

Following the comparison work of management of change policies that has been completed, the change procedures are broadly comparable in terms of general principles and overarching process; statutory consultation, Representative Body (Trade Unions) engagement, selection, appeal, redeployment. These are standard stages in line with legislative framework.

However, there are some notable differences which will need to be managed through the process to set up the JPV. Differences are around arrangements for selection, redundancy payments, pay protection and relocation payments. Whilst policy provisions will need to be honoured in line with TUPE, full consultation on selection methods to appoint to the new JPV structure will need to be agreed with recognised trade unions, with particular consideration to at risk process and appointment through redeployment – there are key differences across each organisation. In addition, the Shadow Shareholder Group need to be aware of potential costs arising from redundancies but also the on-going costs as a result of relocation and on-going obligations arising from pay protection, which range between 6 months and 3 years. However, this is difficult to assess as this depends on the selection decisions as staff transfer into the JPV under TUPE.

Underpinning the management of change timeline is a substantial piece of work which will streamline the current establishment list from a wide range of diverse roles down to 6 general categories. Due to the technical nature of the JPV, some of these categories may be determined at the same pay and grading level as other categories, so for example a Team Leader may have an equivalent grade as a Technical Specialist. The use of categories facilitates the TUPE process as detailed in the timeline, as staff will be transferred on a phased basis dependent upon which staff 'pool' they belong to aligned with an equivalent category .

7:05:04 Draft of proposed Terms and conditions

The review of the existing proposed terms and conditions has been mentioned in section 4:05: 'Human Resources' of this FBC. With the development of the role profiles required for the JPV and the process of categorisation of staff groups as part of the TUPE staff transfer arrangements, it is proposed that the new terms and conditions for the JPV will be developed in line with the recruitment of senior managerial staff, and agreed new terms and conditions will be used as we progress through the tiered selection process following transfer to the new JPV organisation. Employees will be appointed to the new JPV terms following selection. Therefore, the differing terms and conditions will only need to be maintained whilst the tiered selection appointment process is completed. In terms of timeframes this has been assessed as requiring 6 months to complete, ensuring that any period of disparity between employees is minimised.

7:05:05 Proposed grading system

Some initial discussions have been undertaken within the HR work stream with regard to pay and grading, and consideration has been given to the development of an appropriate pay and grading job evaluation scheme. West Midlands Employers (an independent Human Resources advisory, representative and coordinating employers' organisation) offered advice in this area at a facilitated session with the Human Resources work-group. This session indicated an option which appears appropriate to the proposed JPV structure, and the suggested option is currently used by some of the existing partner organisations. As with the terms and conditions, the adoption of this job evaluation scheme will require additional development in line with structure development, and will also need investment from the partner organisations as there will be a cost implication to use the scheme. It is proposed that the third party organisation providing Human Resources support to the JPV will facilitate this process either led or assisted by the partner organisations in the development of the terms and conditions.

7:05:06 Redundancy strain

It was hoped that the total figure for redundancy costs would be calculated as part of the production of the FBC. Given the advice with regards to the transfer of staff discussed earlier and the proposals to transfer staff in a phased process as suggested above, it is impossible to calculate the overall redundancy costs as this is dependent on who is made redundant and this will obviously not be determined until the process has commenced. Therefore, the calculations for savings have been based upon the assumptions provided in the OBC to give an indication in this FBC. Methods for the apportioning of redundancy costs between partners have been discussed by the legal group.

7:05:07 Pensions

Of the seven partner organisations, all, with the exception of Warwickshire Police belong to the Worcestershire County Council LGPS who are the Administering Body for the scheme.

The Pensions Actuary for the scheme is Mercers and advice has been sought from them of the implication of staff transfer to the JPV and new employees of the JPV.

Firstly they have recommended that the JPV applies to have Admitted Body Status in its own right and thereafter becomes part of the Worcestershire LGPS. Transfer of the small numbers of Warwickshire employees in the Property Department does not present a problem.

It is further recommended that all employees are contracted in (including new employees) to the fund. Taking regard for new legislation under the Fair Deal proposals, which protect existing employees rights to stay in a current LGPS, post transferring out of a Local Authority employ. We would also pursue a fully funded transfer to the new body, where the JPV would only absorb new liabilities after its formation, and not inherit any pension strain costs from the existing scheme. Such transfer would avoid placing the new JPV Company in a major operating deficit from day one.

We are currently exploring the Actuarial calculations and implications but these are not available at this time, and in reality, will need to be recalculated at the point of staff transfer.

Whilst the process is complicated it can be completed within the necessary timeframe for formation of the company. Further details can be found on a presentation given by Mercers at Appendix 28.

7:06: Finance

7:06:01 Identify Finance support required post formation

7:06:02 Finance Data Transfer Timeline

7:06:03 Finance System

7:06:04 Payments

7:06:05 Payroll

7:06:06 Accounts

7:06:07 Audit

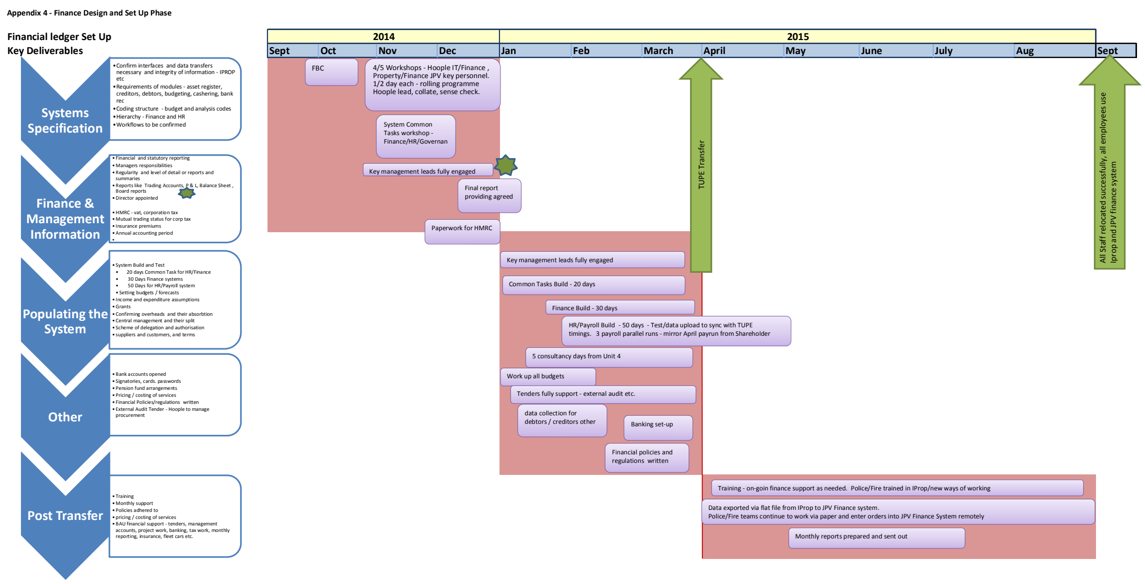
7:06:01 Identify Finance support required post formation

Accurate financial reporting is critical to ensure that partners have assurance that the JPV is running correctly and providing the essential data partners will require to measure performance and efficiency. As the JPV will be operating as a company in it's own right, the financial support required up to and post formation will vary from strategic financial advice to setting up systems and procedures. As was suggested in paragraph 7:04:11 'Support Functions (HR, ICT and Finance) and Physical Resources (above), it is envisaged that the payroll will be hosted by a 3rd party provider and the current assessment of how the service could be provided is based upon the hosted model created by Hoople. In summary, the support required will include and not be limited to:

- Initial fact finding, set up and change management, including a series of workshops with partners to define requirements, check integrity of data, explore the required interfaces, establish coding structures and define the common tasks necessary for a Human Resource / Finance system.
- Setting up of a financial system – specification to be agreed by the end of December 2014 and will require time required to configure system appropriately and establishment of essential criteria.
- Creditors – set up suppliers and their payment terms.
- Debtors – set up all customers and their payment terms – agree SLA terms.
- Set up of bank and other regular reconciliation.
- Establish process for reporting for Board, Auditors, Year End etc. – to include balance sheet, individual trading accounts, profit and loss accounts other management information
- Establish new JPV coding structure and hierarchy.
- Set up managers' responsibilities and scheme of delegation (critical to manage cash flow, budgets etc.).
- Policies and procedures as well as financial regulations (work to be carried out in collaboration with Legal workgroup).
- Manage tender for procurement of external audit.
- Provide support to Governance work stream meetings and support of governance meetings e.g. Audit Committee etc.
- Discussions with WCC / HC brokers to confirm if a first year agreement can be sought, otherwise support for a tender could be offered.

7:06:02 Finance Data Transfer Timeline

The detail of the finance data transfer is given above in the description of the setting up of the ICT support systems (see under 'JPV Operating Model' above). The timeline for the transfer of the Finance data is given below:



For greater detail on the Finance timeline please refer to Appendix 15**.**

7:06:03 Finance System

The JPV will require a finance system which will as a minimum:

1. Link to and manage payments between / on behalf of partners.
2. Manage the finances of the JPV itself.
3. Link to any Human Resource Management System used by the JPV.
4. Link to the Property Management Database (i-Prop) used by the JPV.
5. Provide or accommodate the Payroll system used by the JPV.

It is proposed that the finance system is provided by a 3rd party supplier.

7:06:04 Payments

To support the JPV, an annual service charge will be paid by the partner to the JPV. This service charge will consist of three elements:

1. A charge for the running costs of the JPV, covering such items as staff costs (wages), accommodation for the JPV, energy usage by the JPV, support services (HR, Finance ICT etc.), transport and other fees. This has been considered as a 'Retainer' for the

JPV services. This may include an element of discretionary spend to allow for reactive maintenance.

2. Charges relating to costs which 'pass through' the JPV (which could be paid by the JPV and recharged at cost, or passed back to partners for direct payment) These have been considered as 'Disbursements'.

3. Charges relating to extra fees, for example where a partner requests special additional work, considered as 'Professional Fees'.

The detail of these arrangements will be included in the Service Level Agreements between partners as well as the shareholders agreements: the payment details are included earlier in section 4:03:01 'Budget Management Process', and the draft Heads of Terms at Appendix 3, Draft ToR Shareholder Agreement. These are summarised as follows: Each partner will contribute and agree a quarterly budget sum in advance which will be intended as to deal with an appropriate proportion of staffing / administration costs of the Company. Sums with respect to disbursements (i.e. direct costs which would 'pass through' the JPV who in this respect would be acting as an agent for the partner, together with professional charges incurred on behalf of any partner) shall be reimbursed by each Authority quarterly in arrears.

The detail of these arrangements will be included in the Service Level Agreements between partners as well as the shareholders agreements: the payment details are included in (Appendix 3) and are repeated below. Each partner will contribute and agree a quarterly budget sum in advance which will be intended as to deal with an appropriate proportion of staffing / administration costs of the Company. Sums with respect to disbursements (i.e. direct costs which would 'pass through' the JPV who in this respect would be acting as an agent for the partner, together with professional charges incurred on behalf of any partner) shall be reimbursed by each Authority quarterly in arrears.

The procedure for this will be set out more precisely within a Service Agreement to be entered into between each Authority and the Company. The Company will be subject to a ‘duty of care’ towards each organisation to act in its best interests and to account to it.

To ensure positive cash flow, payment of the service charge payable by each Authority shall be made no later than an agreed period before the start of each quarter in a Contract Year. If there are additional charges to be levied, for example on a professional consultancy basis for additional services provided and/or additional charges in respect of third party disbursements incurred on behalf of an Authority (for example, contracts for cleaning services, facilities management etc), then these should be clearly stated and payment terms incorporating any penalties for late payment agreed. Pricing will be adjustable in respect of inflation, etc. on terms to be agreed.

A process and timeline will be agreed where the JPV will report on its progress prior to the end of each contract year and achievement against stated objectives to allow discussions to take place with regard to the revision of the service charge in future years. Any savings against the Service Charge levied against an Authority resulting from identical economies shall be reimbursable to that Authority; and any third party income generated by the Company will be shared equally and payments made to each Authority.

7:06:05 Payroll

As detailed in the Finance data transfer a key element in the process is to ensure that a payroll system is in place following the formation of the JPV. It is prudent to allow a number of payroll 'runs' to be completed in parallel with existing systems. It is envisaged that the payroll will be hosted by a 3rd party provider and the current assessment of how the service could be provided is based upon the hosted model created by Hoople.

Due to the timescales and the suggestion that a minimum of 3 parallel payroll runs are undertaken, it is advised that the mirroring of existing partners' payroll processes commences in April 2015. This may require temporary combination and hosting of existing partners' payroll processes by one or more partners after the end of the financial year.

7:06:06 Accounts

In line with the payment processes detailed above, full accounts will be provided for partners to be supplied by the support services provider: again, the current assessment of how the service could be provided is based upon the hosted model created by Hoople and will provide accounts information in the format required by partners.

7:06:07 Identify audit proposal

A challenge from the Review and Steering Group was to establish a suitable regime for the JPV to give partners confidence and transparency to not only the management of the company during its early years of inception, but also to undertake Due Diligence and validation testing of the proposals. This latter stage will run in parallel to the partners considering the proposals and an addendum report will be produced for circulation across all partners.

Through discussions with the Finance Workgroup a proposal was made to the Shadow Shareholder Group on 6 August 2014 for Worcester City Council Audit Team to undertake this function at design stage, and during the first year of operation of the company. Thereafter the position will be reviewed with the JPV Board and Shareholders.
External auditors will be considered in due course and appointed through a selection process approved by the Board.

7:07: Implementation Costs

Implementation Phase Costs
All measured in £,000's

	Q3 14/15	Q4 14/15	TOTAL	Q1 15/16	Q2 15/16	TOTAL
Implementation Team	40	40	80	40	30	70
New Management Appointments	-	30	30	-	-	
Shadow Management (existing team)	-	-		55	30	85
HR Consultants	25	40	65	25	10	35
IT Consultants	10	70	80	40	-	40
Financial Consultants	10	30	40	10	-	10
Legal Consultants	10	15	25			
Management Consultants	10	10	20			
Training	-	10	10	15	15	30
Recruitment Costs	15	15	30	10		10
Branding and PR	5	10	15	5	5	10
Web site	included in IT costs					
IT Systems/Hardware	-	80	80	170	20	190
Pension set up	-	4	4	-	-	
Company Formation Costs						
Redundancy Costs	-	-		1200	500	1700
Contingency	30	50	80			
TOTAL	155	404	559	1570	610	2180
Current Available Funding						
Additional Partner Funding						

The breakdown of potential investment cost liability above identifies an Implementation phase cost of £1.04mill, plus an assessment of £1.7mill for potential redundancy strain.
All costs for consultants have been provided by consultants supporting the project but may be subject to further market testing. It has not been possible to accurately assess the redundancy strain until we have greater transparency on the posts at risk and the individuals affected to allow an assessment of grade and length of service.

8:00: Conclusion

The further development and analysis of the Outline Business Case (OBC) proposal has not produced any concerns or issues which would change the recommendation to deliver a Joint Property Vehicle. There continues to be significant benefits to the 7 core partners from taking a single approach to property portfolio management.

The proposal now identifies a gross cost benefit to the public sector partners of £76 million over the 10 year period. Whilst this is a reduction on that forecast at OBC stage, this is due to a more conservative position being taken on the property rationalisation programme benefits as this will be dependent upon the partner's appetite for change. We do however continue to believe that the greater benefits can be achieved. In addition we have needed to defer when benefits can be achieved through aligning contracts due to new term contract being committed to in the intervening period.

When pursuing partnership ventures and co-location opportunities the benefit of a single property unit will enhance the delivery time and reduce bureaucracy. The efficiencies which can be achieved through avoiding duplication of management are greater than that identified at OBC stage. Realising the full opportunity entails pooling responsibility and budgets for the core asset management and related operating activities (namely strategic asset planning, estate management, capital project services, hard and soft Facilities Management).

The Commercial Case has been tested and validated robustly, particularly with regards to the Company model, Governance and Legal issues. The detail design has been advanced as far as is practicable ahead of partner's approval to proceed. This has reduced risk and clarified partner's responsibilities.

Extensive work has also been undertaken to define the staff transfer process and risks and issues surrounding this position with early union engagement commenced to minimise risk.

Proposed structures have been developed for the company to move to a more commercial ethos and drive a culture change. The detail design will be finalised once the new management team is appointed within the approved budget constraints.

The transfer to a single Finance system has been proposed and a timeline for development and implementation has demonstrated that this is achievable. This has been integrated into the IT development plan and budget costs

We are confident that we have greater accuracy on the financial benchmark data than was achieved at OBC stage, with validation of the figures from the Finance workgroup. Whilst the savings on establishment are factual and have been accepted by the group, it is acknowledged that the balances of savings are based on assumptions based on experience by the partners and professional advice by our consultants.

The project has identified many challenges to be overcome, many of which are resolved by this document, but some, namely cultural issues remain and will require strong leadership not only within the JPV but also at Shareholder level to ensure this new venture is the success it deserves to be.

Whilst there are some risks identified with a new venture as partners enter into this pioneering new territory, the proposals made minimise these risks through a robust governance structure, service agreements and performance management.

The JPV model is innovative, pioneering and sustainable in the current climate delivering efficiency savings from Year 1 and growing over a 10 year period all of which contributes to the savings targets each partner needs to deliver during the forthcoming CSR period.

The proposals when viewed on the national stage by Cabinet Office through the Government Property Unit certainly justifies that this model could be replicated nationally by other partner groups and reduce public sector expenditure further.

9:00: Recommendation

The Shareholder Partners are requested after considering this Full Business Case for the proposal to form a Joint Property Vehicle (JPV) to approve the following:

1. Approve the content of the Full Business Case (identifying any issue which can be dealt with by way of an addendum, suitable amended prior to any legal papers being signed).

2. Seek formal approval from their Authority / PCC to the proposal.

3. Proceed to appoint the Chief Operating Officer (Director) for the JPV.

4. Authorise the instruction of lawyers to proceed with formation of the new company.

5. Ensure that all staff identified as being in scope are advised of the intention to proceed subject to formal consultation process being adhered to.

6. Authorise the commencement of TUPE transfer consultations with staff identified as being in scope affected by the proposal.

7. Authorise the procurement of support services as identified in the FBC Report.

8. Authorise that negotiations commence on negotiation for a lease for premises to accommodate the JPV Company.

New Worcester Fire station under construction

10:00: Appendices

(Separate document)

1. Estates Strategy
2. Who's Who in Workgroups
3. Draft ToR Shareholder Agreement
4. Budgeted post list – current establishment
5. Finance Benchmark Data
6. Finance Revenue Savings
7. Service Matrix
8. Database Business Case
9. Structures
10. Draft Service Level Agreement
11. One Town Review Programme
12. One Town Review Case Study – Bromsgrove
13. IT Infrastructure Timeline
14. HR Timeline
15. Finance Timeline
16. Draft Role Profile for Director of JPV
17. Contracts Register
18. Risk Register
19. Government Estates Strategy
20. Glossary of Terms
21. Communications Strategy
22. FAQs
23. Leadership Triangle
24. TUPE
25. Capital Programme
26. Key Facts
27. RICS Best Practice for Public Sector Estate Management
28. Pensions

11:00: Acknowledgements

Firstly appreciation should be noted to LGA, DCLG, Cabinet Office (GPU) and Home Office who through a variety of funding bid processes have supported the development of this project, particularly through the One Public Estate Pilot programme. There has been acknowledgement of its potential to define a future operating model for public sector estate management. We acknowledge that without this support the project may never have been undertaken.

The Shadow Shareholder Group comprising Chief Executive and Directors from all seven partners, for their vision, direction and challenge to the process and eventual outcome which has ensured corporate involvement in this proposal. We would also give thanks to Bruce Mann for being willing to commit his time to Chairing this Group and providing independent direction.

To all members of the Review and Steering Group who were initially responsible for developing the project in its early conceptual stages. They have provided a senior resource expertise for advice, challenge and solutions to issues which potentially could have de-railed the project.

The solutions in the outputs of this proposal have been the result of a series of Workgroup meetings with different disciplines who have researched, designed, contributed to, tested and validated the proposals their input has been invaluable. We have had 12 workgroups running with a total of 62 staff involved from all partners. We would like to acknowledge not only their input but the value of their time whilst have a demanding day job in parallel.

We are indebted to Government Property Unit and the Local Government Association, not only for their funding support, but the expertise they have brought in advice gained from other public sector models, and Government aspirations for the public sector estate which has reinforced our vision.

Finally all of our work has been underpinned and supported by a team of specialist consultants, whose enthusiasm and commitment to the project has allowed progress which could not have been achieved without them. The following have supported the project;

- Freeth's (Legal)
- Hoople (HR/IT/Finance)
- CIPFA (Finance benchmarking / structure)
- DTZ (Property consultants)
- Mace Macro (Benchmarking)
- Camargue (Comms /PR)
- Verso (Branding/Name)
- Innovation Central (Management consultants)
- Veena Allson Employment Law Cons. Ltd
- Mercers (Pensions Actuaries)
- West Midlands Employers (advise on HR / grading systems)
- GMB & Unison

MEETING:	**Cabinet**
MEETING DATE:	**22 January 2015**
TITLE OF REPORT:	**Rotherwas Rail Development Plan**
REPORT BY:	**Head of Transportation and Access**

Classification

Open

Key Decision

This is not a key decision

Wards Affected

Hollington

Purpose

To consider potential actions in response to a motion passed by Council at its meeting in September.

Recommendation(s)

THAT CABINET:

(a) considers whether to adopt the development plan outlined at paragraph 8 of this report, noting the roles and responsibilities of appropriate rail authorities and other interested bodies; and

(b) Subject to adoption of the development plan as above, instructs the Head of Transportation and Access to progress the development plan to Initial Feasibility before bringing back a further report to Cabinet.

Alternative options

1 Not to agree the development plan. Cabinet may reject the request from Council to prepare a development plan for proposals for a rail link in Rotherwas.

Further information on the subject of this report is available from
Steve Burgess, Head of Transportation and Access on Tel (01432) 260968

Reasons for recommendations

2 To respond to the motion ‘Rotherwas Rail Link’ agreed by Council at its meeting of 26 September 2014.

Key considerations

3 The motion passed by Council requested the executive to take urgent and positive action, by working with the appropriate rail authorities and other interested bodies, to produce a development plan to achieve the following:

- To reinstate the rail link into Rotherwas.
- To construct a new passenger station at Rotherwas together with a park and ride scheme.
- To include a rail freight facility for existing and potential businesses in the Rotherwas Industrial Estate and Enterprise areas.

4 The motion requested that the development plan and an associated funding proposal should be placed before the council at the earliest opportunity so that it can be progressed through the Local Enterprise Partnership and government funding routes with the minimum of delay.

5 Any development plan seeking to deliver the outcomes set out in the motion should follow guidance provided by Network Rail (Investment in Stations). This provides an overview for promoters and developers of how proposals for new rail stations should be developed and the coordinating role played by Network Rail in helping to consider such proposals. Whilst the guidance is primarily aimed at consideration of stations on existing rail lines the same principles apply to reinstatement of line and introduction of a new station.

6 The guidance sets out the following initial high level considerations for a new station which should be confirmed prior to progressing detailed feasibility work:

- Is it likely to be feasible from an environmental engineering and design perspective;
- Is it operationally feasible;
- Is the investment likely to have a positive business case; a key part of the business case should be the inclusion of robust demand forecasts;
- In addition to the capital investment, would the proposal require any ongoing subsidy.

Roles and Responsibilities

7 Proposals for changing the rail network require approval by Network Rail which is the rail authority and has responsibility for infrastructure. Any impacts on services will

need to be understood and agreed with train operating companies which run rail services. Both Network Rail and train operating companies are funded by the Department for Transport and it would also need to be engaged on such proposals. Locally, the council would need to clarify any planning issues and environmental impacts alongside land ownership and impacts on other developments in the vicinity of the proposals.

Proposed Development Plan

8 The development plan set out below seeks to establish if the proposal is likely to achieve a positive business case and hence attract external funding or justify allocation of the council's own funds.

Initial Feasibility

a. ***What is the proposal?***: Clarify the details of the proposal. If no further details are available assumptions will need to be made based on the Rotherwas Rail High Level Business Case Study (Jacobs, October 2012), about siting of the station and length of re-instated line to enable the following stages to proceed. Scheme Promoters.

b. ***Can it be built?:*** High level assessment of whether or not the proposal is feasible from engineering, environmental and design perspective including outline capital costings. Network Rail to lead with local assessment of the land use implications and development of the Enterprise Zone.

c. ***Could it work within the existing rail network?:*** High level view of operational feasibility – Network Rail to lead.

d. ***What is the likely demand for it and would there be an ongoing service cost?:*** Establish likely level of demand and service implications. Scheme promoters have indicated that the scheme will include an extension to the Birmingham to Hereford rail service operated by London Midland. London Midland to lead.

e. ***Is it likely to deliver value for money and hence attract major scheme funding?:*** High level assessment based on b/c/d as to whether or not the proposal is likely to have a positive business case. Network Rail to lead.

9 This information would enable the council and/or Network Rail to determine whether or not the proposal has sufficient merit to warrant any further detailed assessment. Currently, no resources have been identified for carrying out this initial stage of assessment and it is assumed that input from identified bodies will provided at no cost to the council.

10 Future stages which would comprise detailed design and feasibility work and major scheme business case development in order to prepare funding bids are likely to incur significant costs in consultancy fees.

Community impact

11 The proposed rail link and new rail station is not prioritised in the corporate plan or in the Local Transport Plan. The findings of the Rotherwas Rail High Level Business Case Study (Jacobs, October 2012) are included within the adopted Local Transport Plan noting that that proposal (which included a new local rail service operating between Leominster and Rotherwas) did not represent good value for money, requiring an ongoing subsidy to operate and capital investment of over £10M.

Equality and human rights

12 None as a result of this report.

Financial implications

13 The costs associated with this proposal include both the capital costs of constructing the line and the station (this might also include land acquisition, remedial costs if existing land ownerships are adversely affected and accommodation works costs to relocate services and accesses) and the potential revenue costs required to subsidise a rail service. Collectively, these costs would need to be understood and considered within a business case which would establish whether or not the proposal represented value for money. The business case would seek to balance out these costs against economic, transport, safety and other benefits which could be attributed to the proposal. To understand the extent and scale of these benefits, the business case would need to be informed by robust demand forecasts.

14 This proposal is not currently identified as a priority by the Council or Network Rail and as such, it has no funding. The Council's strategic transport priorities are set out in the adopted Local Transport Plan (adopted by Council 26 September 2014) and longer term priorities are included within the Core Strategy adopted by Council July 2013 and subject to Examination in Public early in 2015.

15 The funding options for this proposal would depend on which organisation sought to take it forward. Network Rail sets out its investment programme in Control Periods which cover 5 year blocks. The next Control Period (period 6) which this proposal might fit in would be 2019-2024.

16 If Herefordshire Council adopted this proposal as a priority it would have to allocate funds through local sources (prudential borrowing, local transport plan, developer contributions) or through a bid for external funds. At the current time this would be via the Local Enterprise Partnership which can access Government funding through the local growth deal programme.

17 Whichever funding source were to be sought, the proposal would only progress if it could be demonstrated to have a sound business case. For transport scheme funds (such as through the local growth deal) the business case process follows that set out by the Department for Transport.

18 No resources have been identified for carrying out the Initial Feasibility. This assumes that Network Rail and London Midland will undertake elements of the feasibility at no

cost to the Council. Should the development plan progress beyond this stage it is likely that significant resources will need to be identified to undertake detailed feasibility and development of a major transport scheme business case. This is likely to be in the order of over £500K and would need a key decision to proceed.

Legal implications

19 None as a result of this report.

Risk management

20 The development plan relies on support and advice from other organisations such as Network Rail and train operating companies and input from the scheme promoters which brought forward the proposals as set out at paragraph 3. There is a risk that this support and input will not be forthcoming and that elements of the plan will not be clarified. This risk is being managed through regular communication and by an initial stakeholder meeting at which the approach set out in this report was discussed and agreed by relevant stakeholders.

Consultees

21 A meeting of stakeholders was held 7 October attended by the scheme promoters, Network Rail, London Midland (train operating company) and Cabinet Members to discuss how the scheme proposals might be taken forward. That meeting and the actions agreed have informed the development plan set out in this report. The local ward member for Hollington Ward has also been consulted.

Appendices

- None

Background papers

- None identified

Further information on the subject of this report is available from
Steve Burgess, Head of Transportation and Access on Tel (01432) 260968