

Economy, Communities and Corporate

Geoff Hughes - Director

TO: ALL MEMBERS OF THE COUNCIL

Our Ref: Council - 5 February 2016

Please ask for: Tim Brown

Direct line: (01432) 260249

email: councillorservices@herefordshire.gov.uk

1 February 2016

Dear Councillor,

YOU ARE HEREBY SUMMONED to attend the meeting of the Herefordshire Council to be held on **Friday 5 February 2016** at the Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX at **10.00 am** at which the business set out in the attached agenda is proposed to be transacted.

Yours sincerely

C Ward

**CLAIRE WARD
SOLICITOR TO THE COUNCIL PEOPLE AND REGULATORY**

AGENDA

Council

Date: **Friday 5 February 2016**

Time: **10.00 am**

Place: **Council Chamber, The Shire Hall, St Peter's 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 260239

Email: councillorservices@herefordshire.gov.uk

If you would like help to understand this document, or would like it in another format or language, please call Governance Services on 01432 260239 or e-mail councillorservices@herefordshire.gov.uk in advance of the meeting.

Agenda for the Meeting of the Council

Membership

Chairman

Vice-Chairman

Councillor DB Wilcox

Councillor PJ McCaull

Councillor PA Andrews
Councillor JM Bartlett
Councillor TL Bowes
Councillor CR Butler
Councillor MJK Cooper
Councillor PGH Cutter
Councillor PJ Edwards
Councillor DW Greenow
Councillor J Hardwick
Councillor EPJ Harvey
Councillor JA Hyde
Councillor AW Johnson
Councillor JLV Kenyon
Councillor MD Lloyd-Hayes
Councillor RI Matthews
Councillor MT McEvelly
Councillor PM Morgan
Councillor FM Norman
Councillor RJ Phillips
Councillor AJW Powers
Councillor P Rone
Councillor A Seldon
Councillor WC Skelton
Councillor D Summers
Councillor LC Tawn
Councillor SD Williams

Councillor BA Baker
Councillor WLS Bowen
Councillor H Bramer
Councillor ACR Chappell
Councillor PE Crockett
Councillor BA Durkin
Councillor CA Gandy
Councillor KS Guthrie
Councillor DG Harlow
Councillor EL Holton
Councillor TM James
Councillor JF Johnson
Councillor JG Lester
Councillor MN Mansell
Councillor RL Mayo
Councillor SM Michael
Councillor PD Newman OBE
Councillor CA North
Councillor GJ Powell
Councillor PD Price
Councillor AR Round
Councillor NE Shaw
Councillor J Stone
Councillor EJ Swinglehurst
Councillor A Warmington

AGENDA

		Pages
<i>(The meeting will be preceded by prayers.)</i>		
1.	APOLOGIES FOR ABSENCE To receive apologies for absence.	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
3.	MINUTES To approve and sign the Minutes of the meeting held on 18 December 2015.	9 - 32
4.	CHAIRMAN'S ANNOUNCEMENTS To receive the Chairman's announcements	33 - 34
5.	FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS To receive any written questions from Councillors.	
6.	CORPORATE PLAN 2016/2020 To approve the council's corporate plan 2016-20, following recommendation by Cabinet.	35 - 64
7.	2016-17 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) To approve the 2016-17 budget and medium term financial strategy (MTFS) 2016-20 as recommended by cabinet. Proposed amendments to the revenue budget have been submitted and published to the council's website as a supplement to the agenda papers. Guidance on how the debate on the budget will be conducted has also been published to the council's website as a supplement. These documents are available at the following page on the council's website. http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=291&MIId=5386&Ver=4	65 - 176
8.	PAY POLICY STATEMENT To approve the 2016 pay policy statement for publication; and to update Council on action following Council's resolution to consider how to introduce the living wage.	177 - 192
9.	DATES OF FUTURE MEETINGS To approve the ordinary meetings of Council for 2016/17 <i>(note; meetings on 4 March 2016 and 20 May 2016 –previously agreed)</i>	

15 July 2016
30 September 2016
16 December 2016
3 February 2017
3 March 2017
19 May 2017

All meetings will start at 10:00am except for the annual meetings in May which will start at 10:30am

The Public's Rights to Information and Attendance at Meetings

YOU HAVE A RIGHT TO: -

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

Public Transport Links

- The Shire Hall is a few minutes walking distance from both bus stations located in the town centre of Hereford.

Recording of meetings

- Anyone is welcome to record public meetings of the council using whatever, non-disruptive, methods you think are suitable. Please note that the meeting chairman has the discretion to halt any recording for a number of reasons including disruption caused by the recording, or the nature of the business being conducted. Recording should end when the meeting ends, if the meeting is adjourned, or if the public and press are excluded in accordance with lawful requirements.
- Anyone filming a meeting is asked to focus only on those actively participating.
- If, as a member of the public, you do not wish to be filmed please make a member of the governance team aware.

FIRE AND EMERGENCY EVACUATION PROCEDURE

In the event of a fire or emergency the alarm bell will ring continuously.

You should vacate the building in an orderly manner through the nearest available fire exit and make your way to the Fire Assembly Point in the Shire Hall car park.

Please do not allow any items of clothing, etc. to obstruct any of the exits.

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

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

HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Council held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Friday 18 December 2015 at 10.00 am

Present: Councillor DB Wilcox (Chairman)
Councillor PJ McCaull (Vice Chairman)

Councillors: PA Andrews, BA Baker, JM Bartlett, TL Bowes, H Bramer, CR Butler, ACR Chappell, MJK Cooper, PE Crockett, PGH Cutter, BA Durkin, PJ Edwards, CA Gandy, DW Greenow, KS Guthrie, J Hardwick, DG Harlow, EPJ Harvey, EL Holton, JA Hyde, TM James, JF Johnson, JLV Kenyon, JG Lester, MD Lloyd-Hayes, MN Mansell, MT McEvelly, SM Michael, PM Morgan, PD Newman OBE, FM Norman, CA North, RJ Phillips, GJ Powell, AJW Powers, PD Price, P Rone, AR Round, A Seldon, NE Shaw, WC Skelton, J Stone, EJ Swinglehurst, LC Tawn, A Warmington and SD Williams

36. APOLOGIES FOR ABSENCE

Apologies were received from Councillors WLS Bowen, AW Johnson, RI Mathews, RL Mayo and D Summers..

37. DECLARATIONS OF INTEREST

Agenda item 10 – Appointment of vice-chairman of the general overview and scrutiny committee.

Councillor CA Gandy and Councillor AJW Powers declared pecuniary interests and left the meeting for the duration of this item.

Agenda item 7 – Notice of motion 2 – Additional 2% precept in respect of adult social care.

Councillor ACR Chappell declared a non-pecuniary interest for the motion because he was a care worker.

38. MINUTES

Councillor LW Tawn requested a correction to minute no 20 –he had declared a non-pecuniary interest not as a director of the Old Market but as an owner of a business at the Old Market.

RESOLVED:

- a) that the minutes of the meeting held on the 25 September 2015 as amended be confirmed as a correct record and signed by the chairman; and
- b) that the minutes of the extraordinary meeting held on the 16 October be confirmed as a correct record and signed by the chairman.

39. CHAIRMAN'S ANNOUNCEMENTS

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

The chairman offered congratulations to Councillor Lester and his wife on the birth of their daughter.

The chairman reported the receipt of three petitions relating to:

- Schools transport policy
- Road safety in Tump Lane, Much Birch Herefordshire
- Ross on Wye library

The chairman reported that on the 16 December he had facilitated visits by a group of young people to present a production of Frozen at the children's ward, Herefordshire Hospital, Brookfields, Black Marston School, Barrs Court School and the Martha Trust.

40. QUESTIONS FROM MEMBERS OF THE PUBLIC

A copy of the public questions and written answers, together with supplementary questions asked at the meeting and their answers, is attached to the minutes at appendix 1.

41. PETITION FOR DEBATE - ROSS-ON-WYE LIBRARY

Council was asked to consider a petition received bearing more than 7,000 signatures and therefore requiring debate by Council.

Council debated the petition in accordance with the procedure set out on page 56 of the agenda papers.

The petition for Ross on Wye Library was presented by Clare West on behalf of the Ross Library Development Group and the following points were highlighted:

- the service is used by all ages
- the service and building is not just about books
- the building provides a public space for meetings.
- the service contributes to social cohesion
- the service provided internet access

Councillor H Bramer, cabinet member for contracts and assets, proposed the motion that: this Council be asked to formally respond to the petition, and in doing so particularly to consider sustaining a library service in Ross-on-Wye and other market towns working closely with the local community and library development groups.

The cabinet member commented that ongoing dialogue is continuing with user groups.

Councillor JA Hyde seconded the proposal.

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

- Any response by the executive should consider the county as a whole.
- Concerns were expressed that the existing service would be replaced by a less efficient and reduced model.

- Market town libraries also supported community/parish services.
- Library buildings did not have to be seen as only offering library services

The chairman thanked the Ross Library Development Group for the petition.

RESOLVED: That the executive be asked to formally respond to the petition, and in doing so particularly to consider sustaining a library service in Ross-on-Wye and other market towns working closely with the local community and library development groups.

42. NOTICES OF MOTION UNDER STANDING ORDERS

Motion 1 - road markings

Councillor NE Shaw proposed the motion. The motion was seconded by councillor A Seldon.

Councillor Shaw highlighted that the current policy of waiting until work is required was not sufficiently responsive to public concerns about conditions. The motion if passed would enhance road safety.

In discussion the following principal points were made:

- The standard of road markings done in recent years had been of poor quality.
- The current method of requests for work through locality stewards was working and there must be a sensible approach taken with repairs with regard to costs.

Councillor P Rone cabinet member transport and roads confirmed that the motion only related to repairs to existing workings and was not a fast track for new road markings. Any new request would be required to go through the usual channels i.e. locality stewards.

The motion proposed that a: ‘...request by parish council, headmaster or emergency services officer *through* the ward councillor...’

An amendment was proposed to substitute the word ‘through’ with ‘copied’ with the view being that this amendment would enhance communication. The proposer of the motion confirmed that he was content with this amendment.

RESOLVED: The executive cabinet member responsible should reconsider the blanket approach in respect of road markings and special road treatments outside schools; fire, police and ambulance stations; pedestrian crossings and any other locations historically associated with serious or fatal accidents. That in such circumstances a request by a parish council, headmaster or emergency services officer copied to ward councillor be prioritised by our highways maintenance partner and delivery of an agreed scheme on the ground be effected within 3 calendar months unless delayed for reasons justified by the cabinet member responsible e.g. adverse weather, re-surfacing being scheduled within the next 12 months, closure or consolidation of a location, other traffic scheme (TRO or otherwise) being imminent.

Motion 2 – Additional 2% precept in respect of adult social care.

Councillor J Stone proposed the motion with a minor alteration to the wording of the motion which was seconded by councillor PA Andrews.

Councillor Stone made the following principal points:

- Any increase in council tax is never welcome however if this motion is not passed savings would have to be secured elsewhere which would increase existing pressures on other services.
- Hereford has a higher percentage of residents over the age of 65 compared to the national figure – 23% and 17% respectively.

In discussion the following principal points were made:

- The opportunity should be welcomed to use the extra money to maintain and improve services.
- The wider issue of care funding would not be solved by the additional 2% levy and other actions would continue to be required including delivery of savings and increasing economic growth in the county.
- There should be clear demonstration of how the extra money should be spent.
- The additional costs of service delivery in rural areas should be recognised.

RESOLVED: This Council requires the executive to consider accepting the additional 2% precept in respect of adult social care. In making its recommendations to Council the executive is requested to consider how this money can be best used to protect services, continue to further transform our local health and social care system, reduce demand and ensure improved services for some of the most vulnerable citizens now and in the future.

Motion 3 – Supplementary planning document: Intensive livestock units.

The motion was proposed by Councillor AJW Powers and seconded by Councillor FM Norman

Councillor Powers made the following principal points:

- the local planning authority must have robust policies in place;
- there would be little or no cost in developing a suitable policy;
- a robust policy would avoid appeals and associated costs.

Cllr Norman spoke in support of the motion noting that without robust policies in place the authority could be vulnerable to legal appeals.

Councillor P Price, cabinet member infrastructure, in responding to the motion, noted that most of the issues were addressed in the core strategy, and proposed the following amendment which was seconded by councillor Swinglehurst:

- a) *Should it be found that the new policies in the adopted core strategy plus those to be included in the minerals and waste development plan document are not adequate to address matters of:*

*public and residential amenity
waste and manure management*

*impacts on surface and ground waters
landscape and visual impacts
traffic movements, volumes and highway safety*

Then the Executive be asked to develop – with officers, members and key stakeholders – a Supplementary Planning Document for intensive livestock units (and related forms of development)

- b) *This Supplementary Planning Document goes through the appropriate consultation and decision-making channels before being adopted.*

In discussing the amendment the following principal points were made:

- The county had experienced an increasing number of poultry related planning applications.
- Without a robust policy the council could leave itself vulnerable to possible legal appeals and the associated costs.
- Whilst understanding the sentiments behind the motion most issues were already addressed in the core strategy.

The amendment was carried with 27 votes for, 18 against and one abstention.

A named vote was then held on the substantive motion.

For (30): Councillors, BA Baker, JM Bartlett, H Bramer, CR Butler, MJK Cooper, PGH Cutter, BA Durkin, CA Gandy, DW Greenow, KS Guthrie, DG Harlow, EL Holton, JA Hyde, JF Johnson, JLV Kenyon, JG Lester, MT McEvelly, PM Morgan, PD Newman, CA North, RJ Phillips, GJ Powell, P Price, PD Rone, NE Shaw, WC Skelton, J Stone, EJ Swinglehurst, DB Wilcox and SD Williams.

Against (12): Councillors, PA Andrews, TL Bowes, EPJ Harvey, TM James, MD Lloyd-Hayes, MN Mansell, SM Michael, FM Norman, AJW Powers, A Seldon, LC Tawn, and A Warmingington.

Abstentions (6) Councillors ACR Chappell, PE Crockett, PJ Edwards, J Hardwick, PJ McCaull, and AR Round.

RESOLVED: That

- (a) **Should it be found that the new policies in the adopted core strategy plus those to be included in the minerals and waste development plan document are not adequate to address matters of:**

- **public and residential amenity**
- **waste and manure management**
- **impacts on surface and ground waters**
- **landscape and visual impacts**
- **traffic movements, volumes and highways safety**

then the executive be asked to develop – with officers, members and key stakeholders – a supplementary planning document for intensive livestock units (and related forms of development.

- (b) This supplementary planning document goes through the appropriate consultation and decision making channels before being adopted.**

43. PROPOSED CAPITAL PROGRAMME 2016/17

The deputy leader of the council presented the draft capital programme for 2016/17 to 2019/20 inclusive, as proposed by cabinet on 3 December 2015.

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

- Confirmation would be provided regarding the mechanism for valuation of Brockington prior to sale.
- Car parking places were being reduced during construction of the link road and consideration could be given to using Hereford Bus Station to develop additional parking facilities.
- Expenditure on smallholdings would be kept to a minimum pending disposal of the estate.
- A briefing would be provided on the impact of the sale of the smallholding estate on the debt to asset ratio.

RESOLVED: That the 2016/17 to 2019/20 capital programme as set out at in the report be approved.

44. REVISIONS TO THE COUNCIL TAX REDUCTION SCHEME

Council was invited to approve revisions to the current council tax reduction (CTR) scheme as proposed by cabinet on 3 December 2015

In the course of the discussion the following principal point was made:

- Members were aware of struggling families and the council's hardship fund could be more widely publicised on the council website and by council staff.

RESOLVED: That

(a) the following revisions to the CTR scheme be approved:

- I. reduce the maximum level of CTR subsidy from 84% to 80% for certain claimants;**
 - II. protect CTR at 84% where the claimant is in receipt of either severe disability premium or carers allowance, or households with a child under the age of five;**
 - III. a claimant who lives in a property above band C would have their CTR capped at 80% of a band C equivalent property in their parish;**
 - IV. the amount of capital, excluding property, above which claimants cannot claim CTR be reduced from 16k to 6k and;**
- (b) the revised CTR scheme is implemented for the financial years 2016/17 and 2017/18.**

45. APPOINTMENT OF VICE-CHAIRMAN OF THE GENERAL OVERVIEW AND SCRUTINY COMMITTEE

Councillor CA Gandy and Councillor AJW Powers declared pecuniary interests and left the meeting for the duration of this item.

Nominations for the appointment of vice-chairman of the general overview and scrutiny committee were received as follows, and a vote held in accordance with the council procedure rules:

Councillor Gandy – proposed by councillor Morgan, seconded by councillor R Phillips

Councillor Harvey - proposed by councillor Powers, seconded by councillor Lloyd-Hayes.

RESOLVED: That Councillor Gandy be elected vice chairman of the general overview and scrutiny committee.

46. LEADER'S REPORT

The deputy leader of the council presented a report on the activities of cabinet since the meeting of Council in September.

In discussion the following principal points were made:

- Councillor Price, cabinet member for infrastructure, confirmed that there were ongoing discussions with Planning Officers on how to fund ongoing maintenance of public open spaces across the county established as part of new developments.
- Capital raised through asset disposal could not support revenue staffing costs but would contribute to the county as a whole.

RESOLVED: That the report be noted.

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

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

The meeting ended at 1.00 pm

CHAIRMAN

Public questions to Council – 18 December 2015

Question from Mr P McKay, Leominster

Question 1

Highways records

A briefing note raised for general overview and scrutiny committee advised that access is to be improved to our highway records but at local access forum council's Balfour Beatty representative had little information other than that some statutory records would shortly be online. The Deregulation Act 2015 provisions can be expected to come into effect early next year with volunteers researching gaps and anomalies in the records, helping to bring them up to standard, so may I ask if :

1. Viewing the records over historic base maps could be made viewable at record office, this known to be available to Herefordshire Council officers but not online?
2. If viewing the Exponare public rights of way data with its written statement path termination information could be reinstated, this presumably still available, and useful information if researching gaps and anomalies?
3. If the list of anomalies and blue triangle location markers could be made viewable, again useful information if researching gaps and anomalies?
4. If definitive map modification order application's and road protocol applications could be shown on a map layer in addition to being listing in the register, this making them clearer to be seen by all?

Answer from Cllr P Rone, cabinet member transport and roads

I am pleased to report that the statutory records (definitive map, list of streets, streetworks register and local street gazetteer) are now available online at <https://www.herefordshire.gov.uk/beta/highways-maps>

Regarding your specific points:

1. I agree that making this information available online would be helpful and I have asked officers to investigate whether this is possible, subject to complying with the appropriate licencing restrictions
2. I can confirm that, subject to resolving any technical issues, officers will seek to make this available online
3. The data relating to anomalies is a working document open to misinterpretation and therefore not appropriate to publish this online. However, researchers may make an appointment with the Balfour Beatty Living Places public rights of way team to view the available data at the Thorn Offices in Hereford.
4. I agree that including this information as a map layer would aid clarity. Achieving this requires further digitisation work to be carried out.

Whilst we will continue to work to make as much information as possible available online it is important to note that there are resource implications to achieving this and, given the resource constraints and overall priorities for the service, I regret it is not possible to give any timescales for achieving this.

Supplementary Question

Now that the Street Works Register has been published, could you confirm that you have work in hand to self-register our highways that you are aware of for which you are not the street authority, which could be expected to include through routes in regular public use and cul-de-sac's leading to public places and to public paths mentioned on the written statements as road to which path connects, in conformance with your responsibility under s.4(5) of the 2007 Regulations, and if not what do you need to do this ?

Public questions to Council – 18 December 2015

Answer from Cllr P Rone, cabinet member transport and roads

There is no specific project or planned work-stream to record additional highways of which the authority is aware but for which it is not the street authority. Should members of the public identify such routes they may submit an application, either for a Definitive Map Modification Order or one under the Council's Highways Records protocol, supported by suitable and sufficient evidence. All properly made applications will be prioritised and actioned accordingly. The "responsibility" set out in 4(5) of The Street Works (Registers, Notices, Directions and Designations) (England) Regulations 2007 comes into play in this regard once the Council becomes aware of such highways. The Council has established its Highways Records Protocol specifically to ensure that there is a suitable mechanism in place to enable people to make the Council aware. In short, to meet the responsibility, the Council needs members of the public to submit appropriately researched and evidenced applications.

Question from Mrs E Morawiecka, Breinton

Question 2

Southern link road

The Southern link road waste report is blank for the management of waste from the construction of this road. As waste spoil has been a significant problem with the Rotherwas Enterprise Zone, ESG development, the flood alleviation works, Asda, etc. would the cabinet member please explain what cost allowance has been made for the waste associated with this major infrastructure project and how this has been calculated, including types of waste, volumes of each waste and location of the appropriate waste handling sites?

Answer from Cllr P Price, cabinet member infrastructure

An appropriate allowance of around £900k for waste management has been made within the scheme cost estimate based on the level of scheme design with appropriate contingency allowance. The detailed calculations will be developed as the scheme progresses.

Question from Mrs V Wegg-Prosser, Breinton

Question 3

Hereford 2020

Hereford High Town, Hereford Butter Market, Hereford parking charges, Hereford Southern link road, and Hereford Skylon Park enterprise zone all seem to have been rolled into one masterplan, 'Hereford 2020', with its own website, and video insert 'blogs'. Could the cabinet member responsible for 'Hereford 2020' please explain what, at a time of cuts to public services making Hereford a less attractive place in which to live, is the justification for the allocation of £2.5 million to streetscape improvements in High Town, and describe the remit, terms of reference, budget and funding sources for 'Hereford 2020'.

Public questions to Council – 18 December 2015

Answer from Cllr G Powell, cabinet member economy and corporate services

Question 3

Herefordshire is already a great place to live, to visit and to do business. Growing the local economy through investment in infrastructure will create new jobs and enable the building of new homes; key elements in the future prosperity of our county.

I believe that our historic cathedral city deserves a city centre of which we can be proud and the High Town refurbishment scheme is just one part of a package of initiatives, which will enable us to deliver that objective.

The High Town refurbishment scheme will support the economic growth of Hereford city centre by providing a more spacious and pleasurable environment. The scheme aims to achieve what the Old Market shopping centre and Widemarsh Street schemes have done and encourage even more visitors and shoppers to visit the city. Investment in high quality public realm schemes can make a major contribution to increasing footfall thereby supporting the economic growth of cities. The funding for the High Town refurbishment scheme will be taken from the Department for Transport annual grant and explains why the project is phased over an extended period of time.

“Hereford 2020” is a brand rather than a project in its own right. Hereford 2020 is an umbrella under which a number of projects can be collated and will change and evolve over time.

The web pages, developed in house, <http://www.hereford2020.com/> aim to bring together information about the major improvements planned in the city over the next five years. This website is a low cost way to provide a clear vision for the growth of the city and provide information about schemes such as the High Town refurbishment or city link road as they are developed. There is no dedicated budget because the information has been developed within existing resources. The website is enhanced by using photographs of the hoardings which are now in place around the new city link road site. The space on the hoarding was sold to generate income.

Question from Mrs J Morris, Hereford

Question 4

Local transport plan

With reference to the draft local transport plan policy, on page 16 it says in reference to bus services - "Subsidy is allocated to services on the basis of the relative costs of providing the service and rider-ship (cost per passenger). A service qualifies for subsidy if the cost per passenger is at, or below, a standard amount. This standard amount alters in line with budget availability. **At the time of writing (2012)** the rate is £4 per passenger."

Would the cabinet member confirm that the public are actually viewing the 2015 local transport plan and what the update, current 2015/16 standard rate, actually is per passenger?

Answer from Cllr P Price, cabinet member infrastructure

The correct version of the consultation draft local transport plan 2015 is on the council's website. I can confirm that the current rate per passenger guiding decisions on subsidy is £4 as per the draft document, reference to 2012 is a typographical error and should refer to 2015. Any comment received on the draft document will be considered in finalising the plan for adoption by Council.

Public questions to Council – 18 December 2015

Supplementary Question

As the Local Transport Plan is for the next 16 years - what is the anticipated rate at which this standard rate will change?

Answer from Cllr P Price, cabinet member infrastructure

It is difficult to predict what the standard rate of change will be. However, consultation on the matter is planned with the rates to be reviewed annually.

Question from Dr N Geeson, Hereford

Question 5

Local transport plan

The local transport plan currently under public consultation includes a strategic environmental assessment (SEA) based on a list of objectives to protect the environment. Unfortunately this SEA is not new but is based on previous SEAs, including that for the core strategy, which was criticised for not recognising up-to-date baseline environmental data. Since the proposed Western relief road corridor crosses the River Wye SAC (that is a European designation) and SSSI, why does the council mention only very few environmental assets by the riverbank that might be affected, and consistently fail to recognise the scheduled ancient monument at the National Trust site of Breinton Springs, Breinton Wood ancient woodland, (designated a Local Wildlife Site), extensive landscaped parkland, and a local geological site at Red Rocks? If so much up-to-date environmental evidence is missing, surely this SEA, which is required both by European law and the national planning policy framework, cannot be either reliable or lawful?

Answer from Cllr P Price, cabinet member infrastructure

The evidence base for the strategic environmental assessment (SEA) for the local transport plan (LTP) is shared with the evidence base developed for the sustainability appraisal for the core strategy as both strategies include the same proposals in respect of major transport infrastructure such as the Hereford relief road. The issue about the evidence base being up to date and comprehensive with regard to the Breinton area was raised at the core strategy examination in public and considered by the inspector. The inspector concluded that the core strategy was robust in terms of its sustainability, had been subject to an adequate sustainability appraisal, and that the core strategy was sound. The council considers that the SEA for the LTP is also sound.

Supplementary Question

Special areas of Conservation like the River Wye are supposed to be protected by European legislation in the form of Habitats Regulations. In para 1,3,4 of the Strategic Environmental Assessment accompanying LTP4, I quote:

‘Herefordshire Council considers it unlikely that significant negative effects on European sites will occur from the LTP4’

Surely any new river crossing could not avoid production of significant negative effects, especially where there are scheduled monuments, Local Wildlife Sites and Local Geological sites, and surely a specific Habitats Regulations Assessment is needed.

Answer from Cllr Price

Evidence will be provided in due course.

Public questions to Council – 18 December 2015

Question from Ms K Sharp, Hereford

Question 6

Enterprise zone employment

With the council making significant investment in the Rotherwas enterprise zone to support the creation of 4,000 new jobs, would the cabinet member please confirm how many additional, new jobs have been created on the zone (excluding those that have been transferred from other sites in Herefordshire)?

Answer from Cllr G Powell, cabinet member economy and corporate services

Five developments are complete on site. Companies occupying this new space are bringing 273 new jobs to Herefordshire over the first three years of occupation. Four more developments will be finished at the end of January, which will add to the jobs total.

A number of these developments are being constructed by local building contractors, boosting their businesses too.

The Marches Local Enterprise Partnership (MLEP) and the Enterprise Zone (EZ) board has always had a policy of welcoming growing local companies as well as seeking to attract businesses from further afield. Providing the right space in the right location for a local company allows them to expand and to employ more local people, and to build on and expand their established local supply chains.

In order to secure these jobs the EZ needs to prepare and provide infrastructure to sites so that the land is ready for investors to buy. They then build their new premises, occupy the buildings, and then over a period of time, create new job opportunities.

A major benefit of the zone's funding arrangements is that the business rates generated are recycled through the MLEP, with the council having a call on these funds to repay the infrastructure investment it is making. The MLEP is also supporting future growth of the zone by securing government funding for the A49 – A465 southern link road.

Question from Ms C Protherough, Clehonger

Question 7

Local transport plan

The LTP4 SEA para 4.6.30, shows that in 2009 the county's carbon footprint per capita was 16.2% higher than the rest of the UK. Since then the rest of the country has reduced its carbon footprint by 13% whilst Herefordshire has only reduced by 10%. With the council's plans for economic and housing growth across the county, including major new road infrastructure which is expected to increase car use, what are the forecast carbon emissions between now and 2031 and what amount is anticipated to come from transport within the county?

Public questions to Council – 18 December 2015

Answer from Cllr P Price, cabinet member infrastructure

We do not have a breakdown for the county level of this projection, however government projections indicate that transport related carbon emissions will reduce nationally by 16% between 1990 and 2030. This compares with an overall projected reduction of 50% for the same period which indicates that whilst government expects transport carbon emissions to reduce over time they are unlikely to reduce at the same rate as the overall average.

The council has set a target of reducing co2 emissions by 80% on the 1990 base by 2050. The most recent emissions data would indicate that we are on track to achieving that target.

Question from Mr J Perkins, Hereford

Question 8

Southern link road

With the deadline of April 2016 fast approaching for providing a full business case to the Dept for Transport for the South Wye transport package, and planning permission for the Southern link road still outstanding, would the cabinet member please confirm that Herefordshire Council will be submitting a full business case for the sustainable transport measures that will tackle congestion in South Wye, ahead of any road building?

Answer from Cllr P Price, cabinet member infrastructure

April 2016 was a target date not a deadline. A full business case for the South Wye transport package (which comprises new link road and associated active travel measures) will be submitted to the Department for Transport (DfT) before any road building.

Question from Ms P Churchward, Breinton

Question 9

Local transport plan

Given that the cabinet member has asked people to take time away from their Christmas preparations, holiday and family in order to meet the December 31st consultation deadline for the local transport plan 2016-2031, it would be helpful if he could provide specific examples of past LTP proposals that have been changed or introduced as a result of public consultation, particularly from the 2010 consultation on LTP3.

Answer from Cllr P Price, cabinet member infrastructure

I am pleased to note that some responses to the consultation have already been received; however the point made about the timing of the closing date is accepted and I can confirm that the deadline for receipt of responses has been extended to 5.00pm on Friday 29 January.

The following examples demonstrate the value of engaging in consultation:

- Respondents to the local transport plan (LTP) consultation in 2010 included the Hereford relief road as one of the top four transport priorities countywide. We have listened to this feedback and a Hereford relief road is now included in the draft LTP.

Public questions to Council – 18 December 2015

- 71% respondents to the LTP consultation in 2012 said that we should target public transport subsidy to a core network, which we have done.
 - 63% respondents to the LTP consultation in 2012 said that road maintenance was important and supported a proactive approach. This was also supported in the 2012 Herefordshire quality of life survey which identified road and pavement repairs as areas most in need of improvement and a priority. In 2014 and 2015, the council has invested an extra £20m to fix the county's roads.
 - 59% respondents to the LTP consultation in 2010 said they supported more measures to encourage sustainable transport. We successfully bid for government funding to help deliver the £11million Destination Hereford project which has included the construction of the Connect 2 Hereford Greenway cycle bridge and route.
-

Question from Ms D Toynbee, Eaton Bishop

Question 10

Destination Hereford

£11 million was allocated to the council for the Destination Project to April 2015, to develop low carbon transport and support sustainable economic growth in Hereford. Would the cabinet member detail how the final Destination Hereford package has performed against the targets of reduced congestion and increased rural access to public transport?

Answer from Cllr P Price, cabinet member infrastructure

The impact of the Destination Hereford project is currently being evaluated and will be reported to cabinet as part of the normal performance reporting process.

Question from Ms P Mitchell

Question 11

Local transport plan

The draft LTP4 policy document contains an ambitious and very welcome policy on active travel, aiming for cycling to account for 15% of all journeys in Hereford by 2032 (p 30). This is a very big difference from the share modelled in the 2014 Hereford transport strategy review which showed that by 2032 cycling would account for less than 5% of trips on Hereford's road network (table 3.8).

What modelling has the council undertaken since the Hereford transport strategy review report to analyse the impact of a 15% mode share for cycling in 2032 on a) the number of cars using the Hereford relief road, which the 2014 transport strategy review says will not be needed until 2027, and b) peak hour congestion in Hereford?

Answer from Cllr P Price, cabinet member infrastructure

The 15% target for cycling mode share by 2031 demonstrates our commitment to promoting sustainable modes of travel. As a target and not a forecast no modelling has been undertaken.

Public questions to Council – 18 December 2015

Members' questions at Council – 18 December 2015

Question from Councillor J Bartlett

Support for victims of sexual violence

Question 1

The UK government opted into the EU directive (Article 9) establishing the minimum standards on the rights, support and protection of victims of crime including rape, sexual violence and childhood sexual abuse. This was formally adopted on 4 Oct 2012 with member states having until the 16 Nov 2015 to implement the directive. Can the cabinet member confirm what steps have been taken to meet these requirements to provide effective specialist support to victims of sexual violence within Herefordshire?

Answer from Councillor G Powell cabinet member economy and corporate services

There are two specialist providers of support for victims of rape, sexual violence and childhood sexual abuse for victims in Herefordshire; West Mercia Rape & Sexual Abuse Support Centre (WMRSASC) <http://www.wmrsasc.org.uk/> and The Glade Sexual Assault Referral Centre (The Glade) <http://www.theglade.org.uk/>.

WMRSASC operates in Herefordshire and Worcestershire to offer specialist support to the victims of rape and sexual violence. Herefordshire services are free and available to survivors who have experienced any form of rape and/or sexual violence at any time in their lives. WMRSASC provides a telephone helpline for female and male survivors and their supporters, face to face counselling for survivors over the age of 11, an independent sexual violence advisory service for survivors over the age of 11, email support, signposting service and internal and external training. This service is funded by a police & crime commissioner grant and other grant awarding bodies.

The Glade, based in Bransford, Worcestershire is jointly funded by the Herefordshire Clinical Commissioning Group (CCG) and NHS England. It is a dedicated centre which provides a comprehensive service to men, women and children who have been raped or sexually assaulted in the previous 28 days.

Services can be accessed via the police or by self-referral. The Glade offers support from trained professionals and support options may include a forensic medical examination to gather and store evidence, if appropriate, referrals for ongoing and long term support, advice about pregnancy and sexually transmitted infections and referrals to the local genito-urinary medicine clinic for full sexually transmitted infection screening.

The Glade provides a counselling service to its clients. Where appropriate, and with the victims consent, The Glade may make referrals to sexual health services, independent sexual violence advisors), GPs and local organisations

Members' questions at Council – 18 December 2015

that offer counselling. If consent is given, The Glade may also share information anonymously with the police about the assault, on the victim's behalf.

Counselling support is available for children under 11 years via the children & adolescent mental health services commissioned by Herefordshire CCG.

For further information please refer to Herefordshire facts & figures.

<https://factsandfigures.herefordshire.gov.uk/about-a-topic/community-safety/sexual-offences.aspx#Vic>

Supplementary Question

Can the Cabinet Member confirm if the Worcester funding has stopped.

Answer

There is a comprehensive service in place and there are no plans for the service to be reduced

Question from Councillor A Powers

Support for cultural services

Question 2

In his House of Commons statement on the comprehensive spending review the Chancellor of the Exchequer said:

“One of the best investments we can make as a nation is in our extraordinary arts, museums, heritage, media and sport. £1 billion per annum adds £25 billion to our economy: not a bad return. Deep cuts are a false economy.”

Given this council's support for the county's City of Culture 2021 bid, given that the MP for Hereford and South Herefordshire is chair of the culture, media and sport select committee, and to avoid embarrassment to him and the county, will the cabinet member now recognise his chancellor's wisdom by honouring those words at local level and reversing the proposed cuts in funding to our libraries, museums and cultural services?

Answer from Councillor H Bramer cabinet member contracts and assets

The reduction in government grant and the need to support those most in need in the county means we must continue to review spending and subsidy across all services.

Although ongoing revenue subsidy is being reduced, the authority is one of the few councils that have invested in the cultural sector in recent years including a purpose built archive centre to complement one of the best museum resource centres in the country. We continue to work with bodies such as the Courtyard to support their plans for development.

Members' questions at Council – 18 December 2015

In response to the budget consultation we are working closely with the county's network of library user groups to explore a cost effective model for sustaining and improving the library service. In similar vein we are working with the Hereford library users group and associated groups on the opportunities for Hereford library setting aside £900k in the capital programme proposals before Council today to contribute to a community led solution for the library in Hereford. In respect of the wider museum service, work is continuing to explore income generation opportunities with a further report due for cabinet consideration in 2016.

As part of the bid for City of Culture Herefordshire should be proud of its achievements in the cultural sector. Rather than just reflect on the investments of the authority, we should celebrate the achievements of voluntary and community groups, businesses and small enterprises, and the significant contribution they have and will continue to make to the cultural life and economy of the county.

Question from Councillor A Powers

Housing growth

Question 3

We welcome the excellent news of the chancellor's support for Hereford's university project. NMiTE's business plan proposes that purpose-built accommodation will be built in the city for all its students – and up to 5000 are envisaged over the next 15 years - throughout their three years of study.

Can the cabinet member please explain how that accommodation, whether purpose-built or in the private rental sector, will be able to be provided, given the planned annual uplift in student numbers and the local plan core strategy's requirement for Hereford to provide over 3000 additional new homes, on non-strategic sites in the city, during the same period?

Answer from Councillor P Price cabinet member infrastructure

The figure of 3,000 is subject to confirmation. The council will be modelling the likely impacts and constraints of the current trajectory taking into account the specific and unique characteristics of purpose-built student accommodation. We will utilise the Hereford area plan process to identify suitable locations for student accommodation within the city alongside other accommodation needed to meet the city's housing target. This process has begun and will take account of opportunities that may be less suitable for general needs housing, and associated parking/highways requirements.

Members' questions at Council – 18 December 2015

Supplementary Question

Could the Cabinet Member explain the figure of 3000?

Answer

The figure of 3000 relates to the University and student numbers.

Question from Councillor J Kenyon

Parking strategy for Hereford

Question 4

Can the cabinet member please clarify the parking strategy for Hereford, and the timing of delivery for its various planned elements, as outlined in the draft local transport plan 2016-31? What alternative sites are proposed in the short term to the loss of parking at Merton Meadow (including for coaches) and the former Rockfield DIY site at Station Approach?

Answer from Councillor P Price cabinet member infrastructure

The proposed car parking policy is set out on pages 26 to 28 of the draft local transport plan, currently undergoing consultation and available at:

https://www.herefordshire.gov.uk/media/3849015/ltp4_policy_consultation_draft.pdf

This draft policy highlights that the provision of car parking will proceed alongside the redevelopment proposals within the city. The draft policy highlights that the council will seek to ensure there is sufficient overall supply of car parking spaces to meet the demands of the city and where necessary will provide replacement car parking in suitable locations. There is sufficient capacity in the city parking stock to accommodate the loss of spaces during the construction of the link road and improved signage will be introduced to ensure people know where those other car parks are. This includes sufficient coach parking at Hereford leisure pool.

As the regeneration proposals for the city, including the urban village, progress, the demand and supply of parking will be monitored and if necessary, the provision of additional parking spaces will be delivered as part of an integrated redevelopment of the area. The timescales for this provision will depend upon how quickly the regeneration proposals come forward and the locations for new car parking will be determined at that time.

Supplementary Question

Can the Cabinet Member give assurances that there are adequate parking facilities in place?

Members' questions at Council – 18 December 2015

Answer

Confirmation will be sought from Officers that sufficient parking facilities are in place. Improved parking directions/signage to aid users is also planned.

Written answer

Occupancy surveys of council car parks were carried out in 2015 to help the council decide whether additional capacity would be required in respect of works impacting Merton Meadow and the car park at station approach (former Rockfield site). The capacity surveys indicate a spare capacity of around 840 spaces prior to works impacting Merton Meadow and station approach car park and this will be sufficient to maintain a reasonable supply through the construction works and subsequent redevelopment of the site for housing. The assessment takes into account an effective operational capacity of 95% which allows for 5% under-utilisation acknowledging that car parks do not generally operate efficiently once they are more than 95% occupied. The study is available at:

<https://www.herefordshire.gov.uk/media/8060202/herefordshire-cc-final-report-august-2015.pdf> .

Parking demand will continued to be monitored.

Prior to the proposed short term loss of car park spaces public information will be provided on the alternative car park provision in the city so that current users of Merton Meadow are able to utilise alternative car parks.

A review of the car park signage in Hereford is currently being undertaken with a view to identifying opportunities to improve the current car-park related signage. This will also assist in providing better information for car users wishing to park in the central area and making them aware of alternative parking locations.

Question from Councillor M Lloyd-Hayes

Smallholdings

Question 5

The report by Herefordshire Council's consultants Fisher German was provided, in redacted form, to the general overview and scrutiny committee's task and finish group to inform their work and recommendations on the future of the council's smallholdings estate. Yet the report was deemed not to have been an informative to the cabinet decision on 3 December to sell the entire estate.

The council refused the NFU's Environmental Information Regulations (EIR) request to see the report.

Can the cabinet member please explain:

Members' questions at Council – 18 December 2015

- a) why the Fisher German report, even in its redacted form, was not made available to other elected members
- b) why it was not an informative to the cabinet decision, and
- c) why the EIR request by the NFU was refused.

Answer from Councillor H Bramer cabinet member contracts and assets

The redacted report (which was received in its draft form some 18 months ago and not taken further given the then alteration to the review's timetable and focus and is therefore an incomplete and outdated draft) was not relevant to the decision in hand.

A background paper is defined by law as being one considered by the proper officer to be a previously unpublished paper which a) contains facts or matters on which the report is based and b) was relied on to a material extent in the drafting of the report. Neither of these criteria applied in this case.

The draft report was exempted from publication under Regulation 12(5) (e) of the Environmental Information Regulations 2004 because disclosure is, or would be likely to, prejudice the commercial interests of the smallholding tenants and Herefordshire Council; this was explained to the NFU when responding to their request.

Supplementary Question

Regarding smallholdings, why was 50k allocated to the Fisher German report and the report then not subsequently used?

Answer

The Fisher German report was not used as it was not viewed as pertinent to the Cabinets' decision. The costs are not known at this time but will be made available to the member.

Question from Councillor E Harvey

Local transport plan consultation

Question 6

On 23rd November a public consultation was opened on the county's 15 year transport plan. It runs until 31st December. Unfortunately it won't be until this week (more than half way through the five week consultation period) that hard copies of the plan are made available to the public in the council's information centres. A third of the consultation period takes place during the Christmas holidays. At least a week of which will see all the information centres closed – so that means that hard copies will be unavailable to the public for two thirds of the duration of the consultation period.

Members' questions at Council – 18 December 2015

The council's website states: "Consultations are an essential part of policy development. They provide the necessary feedback on proposals for legislative change in local government. As well as having your say, public feedback makes local government's policies more informed and effective."

Given the length of time Herefordshire residents have waited to see and comment upon the transport plan for the county, and the store the council sets by such commentary:

- a) will the cabinet member agree to extend the consultation period for this document by at least the four weeks for which hard copies of the documentation have not been available to the public? and
- b) will he consult with the council's parish liaison officer to determine whether a further extension of the timescale is necessary to enable all parish councils - both urban and rural, to have the opportunity to meet and to consider their responses to the proposals?

Answer from Councillor P Price cabinet member infrastructure

I would refer Councillor Harvey to the answer provided to public question number 9.

All parish councils have been advised of this extension which provides them with sufficient opportunity to consider making a response.

Supplementary Question

Can the Cabinet Member give assurances that in future short consultations are not carried out during the holiday period in the future.

Answer

The consultation on the transport policy is being extended to Friday 29 January 2016. It is not practical to take account of all holiday periods throughout the year.

Chairman's Announcements - 5 February 2016

Herefordshire Community Champions (HCC)

On 21st January 2016, the HCC competition was launched in collaboration with the Hereford Times and sponsored by Cargills.

This competition, which closes on 14th March 2016, seeks to identify and thank Herefordshire people who have excelled in their contribution to the local community.

Nominations are sought for five categories:

- Volunteer of the Year
- Apprentice of the Year
- Greatest Achievement of the Year
- Local community award
- Youth Champion

All Councillors are urged to promote and support the scheme including nominating suitable candidates. Finalists will be invited to attend the Awards Ceremony on 29th April 2016 where the County's Lord Lieutenant, Lady Darnley will present the awards.

Full information, including details of prizes of up to £500 each, can be found using the internet link www.herefordshire.gov.uk/champions16

Civic Service

Following consultation with others, I have decided not to have a separate civic service this year. The Lord Lieutenant, Lady Darnley, has kindly invited me to co-host the cathedral service on 11th June 2016 which is being held to celebrate the Queen's 90th Birthday. With this in mind and with many of the same invitees being involved, I am working with the Lord Lieutenant in promoting this major celebration in June and would ask all councillors and community leaders to support us on that occasion.



MEETING:	Council
MEETING DATE:	5 February 2016
TITLE OF REPORT:	Corporate plan 2016-2020
REPORT BY:	Deputy leader of the council

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To approve the council's corporate plan 2016-20, following recommendation by Cabinet.

Recommendation(s)

THAT:

- (a) **the draft corporate plan 2016-2020, as set out at appendix A to this report, be approved.**

Alternative options

1. To amend the proposals. It is open to Council to recommend alternatives to the plan proposed. However, any alternatives should be informed by the evidence base available and the prevailing financial and policy context.

Reasons for recommendations

2. The corporate plan forms part of the council's budget & policy framework; approval is reserved to Council.

Key considerations

3. The corporate plan does not seek to set out everything that the council will do; however, alongside the medium term financial strategy, it does provide the overarching policy framework within which decisions will be taken and resources

Further information on the subject of this report is available from Richard Ball, assistant director commissioning on (01432) 260965

allocated.

4. The new corporate plan builds on the existing plans and priorities. The proposals within the plan are informed by our current performance, our evidence base, [Understanding Herefordshire](#), and the views of residents and the community which were captured as part of the priorities and budget consultation which ran throughout the summer.
5. Notable achievements over the period of the council's existing corporate plan 2013-2016 are contained within the proposed corporate plan at appendix A.
6. Cabinet considered the draft plan on 21 January and recommended the plan for adoption.

Community impact

7. The corporate plan provides the council's vision for the people of Herefordshire, drawing on the evidence base of [Understanding Herefordshire](#).
8. Amongst the key considerations identified in [Understanding Herefordshire](#) were:
 - the need to provide opportunities and support to children from disadvantaged and socially isolated communities;
 - reducing health inequalities for people living in poorer areas of the county;
 - the need for the population to partake in healthier lifestyles, with the NHS Health Checks scheme making a valuable contribution;
 - a need to support and develop educational institutions to deliver lifelong learning, which may help retain and attract young people within and to the county and help to deliver and maintain the higher skill levels needed; and
 - the provision of subsidised housing.

Equality duty

9. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services.
10. Increasing equality of opportunity and access, and reducing inequalities, underpin the corporate plan. Individual elements of activity within the delivery plan will undergo equality impact assessments as an integral part of their planning and implementation.

Financial implications

11. There are no direct financial implications arising from this report. The corporate plan, once approved, provides the overarching strategic framework within which decisions regarding the allocation of resources will be taken.

Legal implications

12. The corporate plan forms part of the council's policy framework. Authority to adopt this plan recommended by cabinet therefore lies with full council. In reaching a decision the council may adopt the plan, make amendments or refer the plan back to cabinet for further consideration. In considering the adoption of this plan the council

must consider the outcome of the consultation.

Risk management

13. There are risks associated with the production of any strategic plan at a time of significant change. However, without a clear indication of the strategic priorities, there is a greater risk that resources may not be directed to areas of greatest needs. Risk assessment of activities planned to implement the corporate plan will be assessed as an integral element of the delivery planning process.
14. Many of the risks in the corporate risk register will be further mitigated as the corporate plan evolves and the delivery plans are developed to address the key issues, which will demonstrate how the aims of the corporate plan will be achieved.

Consultees

15. The views of residents and the community have been captured as part of the recent [priorities and budget consultation](#) which ran throughout the summer.
16. A draft of the corporate plan was considered by the general overview & scrutiny committee and the health & social care overview and scrutiny committee on 17 November 2015. The plan was noted without comment by both committees.

Appendices

Appendix A Draft corporate plan 2016-2020

Background papers

None.

Herefordshire Council


Corporate Plan 2016-2020



Foreword

Welcome to Herefordshire Council's Corporate Plan for the period 2016 – 2020. The plan records our progress to date, reaffirms our priorities and sets out our ambitions for the next four years.

The priorities




Enable residents to live safe, healthy and independent lives



Keep children and young people safe and give them a great start in life



Support the growth of our economy



Secure better services, quality of life and value for money

Herefordshire Council continues to deliver against bold and ambitious plans and, by working with our local and national partners, we will continue to improve the quality of life for the county's residents.

By the end of the decade we will:

- Be even more focused on delivering good core services across the children's wellbeing, adults and wellbeing, and economy, communities and corporate directorates.
- Have encouraged and supported even more local services to be run by communities themselves, thereby enhancing community resilience and reduced demand on statutory services.
- Have improved skills and educational attainment within our communities to address the problem of low wages in the county.
- Have enabled the development of new economic activity and external investment to introduce better and better-paid jobs.
- Have delivered new infrastructure to support economic growth and the provision of more good quality affordable homes across the county.
- Have delivered high speed broadband to all who need it.
- Have worked closely with central government as it transforms the ways in which local authorities are funded.
- Have developed and be well on the way to implementing a county wide Economic Masterplan prepared in partnership with business and communities.
- Have further embraced digital technology to save costs, to improve mobile-working and to offer residents 24/7 access to always on services.

In common with local authorities across the country, Herefordshire Council is facing significant financial challenges as central government strives to balance its budget. We are at the 6 year point of a 10 year 'austerity period' during which the council will face increasing demands on the services it provides whilst simultaneously making savings totalling £87 million. This means that the council needs to significantly change how it operates and the services it runs to focus on greatest need.

Despite this, over the last five years the council's performance has improved across a wide range of services.

Building the foundations for a successful economy has been, and will continue to be, a key priority. We have enabled major improvements including the delivery of flood relief schemes; a new livestock market; a privately funded retail and leisure development on the site of the old livestock market; access to superfast broadband; an Enterprise Zone in Rotherwas, Hereford; improved leisure facilities across the county and improvements to the highway network. We have also put in place a Core Strategy that will provide a blueprint for developing the county over the period to 2031.

The council recognises that it is in the unique position of acting as a hub for the public sector, the private sector and the 3rd sector and accepts the responsibility to work with our partners and to provide leadership through the essential process of change in these most challenging of times.

Alongside delivering essential services, we will continue to build the infrastructure, encourage inward investment and create a business friendly environment to enable the economic growth that will ensure Herefordshire prospers in the future.

These are challenging times, but the council will meet the challenges whilst continuing to build bold and ambitious plans for the future.

Herefordshire an introduction

Herefordshire Council provides a wide range of services that combine to make a difference to residents' lives on a daily basis, including education, social care, highways and transport, planning, culture, waste management, environmental health and trading standards.

The council is funded by a combination of grants from central government, local council tax, local business rates and charges for some council provided services. The economic downturn has led to significant reductions in the funding we receive from central government. At the same time, there has been increased demand for some of our most important services, in particular those that protect vulnerable children and adults. We have been proactive in meeting that challenge, recognising that we need to radically change the way we work, in order that we can continue to deliver high quality services to the residents of the county.

This plan outlines our strategy for the next four years. It sets out how we will reshape services and become more efficient.

The plan focuses on the following four strategic priorities:

- Enable residents to live safe, healthy and independent lives
- Keep children and young people safe and give them a great start in life
- Support the growth of our economy
- Secure better services, quality of life and value for money

Setting the scene

Herefordshire's population is about 186,100, having grown by six per cent (10,000 people) since 2001 (compared to nine per cent in England and Wales overall). About one-third of the population lives in Hereford city, a third in the market towns and a third in rural areas.

Herefordshire is a popular destination for visitors, those with holiday homes and second homes and, in some areas, for out-of-county commuters.

The county's population has a considerably older age profile than that for England and Wales, with 23 per cent of the population aged 65 years or above, compared with 17 per cent nationally. This includes 5,700 people aged 85 years or above. There are 25 per cent more people aged 65 years or over than there were in 2001, compared with a 19 per cent increase nationally. There is a similar proportion of under-16s as nationally (17 compared to 19 per cent).

Herefordshire has a lower proportion of younger working age adults (aged 16 to early forties) compared with England and Wales as a whole, but has a higher proportion of older working age adults (mid-forties to 64).

As a whole, Herefordshire has relatively low levels of multiple deprivation. In general people are healthy, live longer compared with nationally, and have positive experiences of the things that affect their lives and well-being. However, some areas of south Hereford, Leominster and Ross-on-Wye are amongst the 25 per cent most deprived in England. Although the government's 2010 Index of Multiple Deprivation ranks Herefordshire 145th out of 326 local authorities, there are areas of significant poverty and deprivation within the county.

Average wages in the county are significantly below both the regional and national averages. Average house prices are high compared with elsewhere in the region. The affordable housing ratio is the worst in the West Midlands, with houses at the lower end of the market, costing around 8.6 times the annual wage of the lowest earners.

Unemployment in the county is low. Both agriculture and tourism are a more important source of jobs in the county than elsewhere in the West Midlands. Self-employment is more common in Herefordshire than in the rest of the UK.

Herefordshire has improved its performance at GCSE level over the past two years. However, vulnerable groups continue to perform significantly below their peers at all ages. Herefordshire has some very high performing sixth forms with some outstanding results but there is net migration of young adults out of the county in search of wider opportunities for employment and higher education. There are relatively few people in the workforce with higher education-level qualifications. There is limited higher education provision, and knowledge-based industries are under represented in the county.

Key achievements

This section highlights some of our notable achievements over the lifetime of our previous corporate plan (2013-2016).

Economy - create and maintain a successful economy:

What we said we would do

Support economic growth & connectivity (includes broadband, local infrastructure, transport and economic development)

Make Herefordshire more attractive to younger age groups for a more balanced age profile

Have good quality housing to meet everyone's needs

Support the improvement in quality of our natural and built environment

Embrace new ways of responding to changing pressures (includes sustainable & more local water, fuel and food supplies)

Have vibrant town centres with shops, restaurants and leisure facilities that keep people spending locally

What we did

Worked with the private sector to support the development of the Old Market retail centre, bringing £90 million of private investment into the county and creating over 1,000 jobs, whilst building a new livestock market which is now one of the leading markets in the country;

Made fibre broadband available to over 65 per cent of premises in the county, and over 300 businesses supported to improve digital skills;

Developed the enterprise zone – 45 per cent of available land let or under offer;

Built the Connect 2 cycleway and foot bridge;

Secured £43 million through the Local Enterprise Partnership (LEP), made up of £16m for the City Centre Transport Package and £27m for the South Wye Transport Package

Implemented a multi-million pound programme to improve the quality of Herefordshire's roads;

Adopted the Herefordshire Local Plan Core Strategy, which will provide the basis for planning and development in the county to 2031;

Secured £10.42 million through the European Social Fund (ESF) to contribute to sustainable economic growth and social inclusion by extending employment opportunities and developing a skills and adaptable workforce in Herefordshire.

Secured £2 million through the European Regional Development Fund (ERDF) to finance the construction of the Business Solution Centre in Rotherwas.

Facilitated development of 331 houses, of which 116 were 'affordable'; and

Invested £9 million in modernising and improving Halo Leisure run leisure facilities across the county.

People - enable residents to be independent and lead fulfilling lives:

What we said we would do

Improve outcomes for children and young people

There is access to excellent education and learning opportunities at all levels (includes early years/schools/ FE/HE/ adult learning)

People are physically and mentally healthy and stay healthy for longer

There is increased equality of opportunity and access, to reduce inequality in health & wellbeing outcomes

What we did

Exceeded the UK average for GCSE and A-level results in 2014 and 2015;

Provided nursery placements for nearly all 3 to 4 year olds, and increased the number of places for 2 year olds, giving children a great start in life;

Supported families to achieve better education results and better paid employment opportunities;

Successfully participated in national developments that improved the lives of children and families in Herefordshire: the New Belongings Project, significantly enhancing and improving planning, opportunities and outcomes for care leavers; SEN Direct, a new brokerage and information service for children and families with disabilities; Families First (Troubled Families);

Increased the proportion of 16 year olds leaving statutory education that go in to further education, employment or training;

Improved public health outcomes for children;

Provided support to 2500 of the most vulnerable people in our communities, including 750 people living in residential or nursing care homes;

Refreshed our direct payments policy, updated our direct payment fact sheets and produced easy to read literature to make it easier for people to have choice and control with a direct payment;

Worked closely with colleagues in the NHS, and introduced an integrated urgent care team that works to assess and put in place care and support at home to help people avoid going into long-term care or hospital. This team also helps to get people back home quickly following hospital admission;

Redesigned the organisation to focus on prevention. This brings together a number of services that enable people to stay at home, such as Telecare and housing adaptations, and leads our efforts to act as a catalyst to the development of strong and resilient communities that are able to support people through the difficult times in life;

Used a grant from Sports UK to enable a project to work with those people who are currently not engaged in physical activity;

What we said we would do

What we did

People are able to take more responsibility for themselves (includes making healthy choices & focus on prevention)

People are active in their communities and look out for the more vulnerable so they can live independently

Public services are prioritised to support those in need of services to maintain their independence or stay safe

People stay safe

Implemented a new information service that enables people to remain independent through signposting to relevant support and offering the ability to self-assess their needs;

Delivered our homelessness and prevention service which helps families and individuals seeking new housing to secure stable living arrangements, which provides the foundation for good health and wellbeing. We helped 1883 families and individuals avoid becoming homeless; offered advice to a further 1995; and made 642 homelessness decisions;

Improved our safeguarding services by implementing a person-centred approach through Making Safeguarding Personal, and reviewed and launched a new Herefordshire Safeguarding Adults Board which provides oversight of safeguarding issues across partner organisations. We responded to 821 instances where safeguarding concerns were raised;

Improved our approach to personalisation and involved more service users and providers in developing our services by improving the Making it Real Board and appointing an engagement lead to lead this work; and

Continued to work on our public health initiatives such that we are amongst the best performing local authorities in the West Midlands for the delivery of NHS Health Checks.

Efficient and effective services

What we said we would do

Build on our strengths to develop our culture, capability, capacity and effectiveness to deliver excellence, fairness and value for all our communities

Create an engaged, agile, flexible and responsive workforce that is resilient into the future

Develop a strong, integrated performance management culture and process that is effective in managing risk, maximising opportunity and promoting continuous improvement (includes linking performance outcomes to cost, risk management, corporate governance systems, lean systems thinking)

Ensure HR resources are aligned to priorities

Manage our finances effectively to secure value for money and deliver a balanced budget

Develop a robust commissioning framework and capability (includes evidence-based planning & commissioning, clear decommissioning strategies, development of markets to drive down costs, improve quality and generate inward investment)

What we did

Balanced the budget - cutting waste, rationalising buildings, and being innovative;

Council Tax has risen by no more than 2 per cent per annum over the duration of the current corporate plan;

Key frontline services have been protected;

The responsibility for public health has been integrated into the council;

Customer Service call response rates have improved through different ways of working and an increasing shift to the use of on-line services;

Reviewed the council's website to enable residents and businesses to access services, make applications and make a payment;

Increased the number of libraries run by the community;

Piloted a Well Being function in Kington Library as a model of combining services important to local people;

Implemented a programme of health and wellbeing initiatives for council staff, which has led to reduced levels of absence;

Improved waste disposal and waste collection services through investing £40 million in a new energy-from-waste plant, which is expected to be operational from 2017, saving taxpayers £45 million over the lifetime of the plant.

Saved £500,000 annually by introducing a fortnightly refuse collection, and increased the recycling rate.

Efficient and effective services:

What we said we would do

Making best use of the resources available to us in order to meet the council's priorities (includes money, buildings, IT, information)

Ensuring we make the best use of funding opportunities both at national and regional level

Being transparent about our resources

Involving, engaging and influencing others at as local a level as possible (includes enhancing local democracy, partnership working, locality working, customer engagement, lobbying)

Ensuring that all council and partner delivery services are responsive to customer needs, engage customers effectively, and enable access to services at as local a level as possible and information through the most appropriate channel

Maximising self-help where possible, focussing on prevention and demand management, and diverting unnecessary demand on services.

Continually looking for improvement and remaining open to challenge

Being focused on delivery and impact ensuring that benefits are realised and resources are linked to outcomes

What we did

Reprocured the public realm contract;

Rationalised and modernised the residual estate;

Built the Herefordshire Archive and Records Centre, a cost efficient and purpose built records facility which now houses the county's archive records, archaeology unit, historic environment record, and the biological records centre;

Devolved a range of services to parish and community groups;

Utilised information technology and council premises to support better ways of working for our workforce;

Vacated 53 operational properties with consequential savings of £0.9m per annum and capital receipts of £4m;

Reduction in management costs; and

Introduced a new way of issuing Blue Badges, providing a better experience for customers whilst reducing the opportunity of fraud.

The priorities

- Enable residents to live safe, healthy and independent lives
- Keep children and young people safe and give them a great start in life
- Support the growth of our economy
- Secure better services, quality of life and value for money

The council, as with any other organisation, works towards an agreed set of priorities. We have consulted widely with residents and stakeholders as we have developed this plan to ensure that we are providing appropriate services to the residents who need them. We remain committed to efficiently maximising the use of resources in order to secure better services, quality of life and value for money whilst complying with our legal duties and corporate priorities.

The corporate plan does not seek to cover everything the council does but instead focuses upon those issues and services that we have identified, with the help of residents and service users, to be the most important. From this we have developed our four priorities. We will include the detail of the actions the council will take to deliver against those priorities in our annual delivery plan, and within directorate and service plans.

The delivery plan will identify key measures to enable us to track our progress in delivering the corporate plan priorities. The council will report quarterly and annually, as appropriate, on the progress being made.



Enable residents to live safe, healthy and independent lives

Our approach is to be proactive in helping and encouraging people to live healthier lifestyles and developing resources that offer more choice and control in remaining independent, therefore reducing or delaying the need for formal social care.



In the next four years we will:

Improve the provision of good information and signposting to enable people to support themselves and each other, getting the right help at the right time as needs change.

Build supportive relationships and resilient communities, acting as a catalyst for communities to become stronger.

Build services that help people get back on track after setback or illness and support disabled people to be independent, including through ensuring the provision of good quality housing.

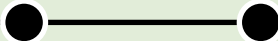
Ensure that care and support is personalised, of good quality, that it addresses mental, physical, and other forms of wellbeing and is better joined-up around individual needs and those of their carers.

Work with the community to devolve services and assets where quality can be improved through local delivery.

Combine the use of facilities to create a network of Health and Wellbeing hubs, shaped by and serving local communities.

Measures:

- Improve the overall satisfaction of people who use services with their care and support.
- Improve the quality of life for people with care and support needs.
- Reduce the number of younger adults needing permanent placements in residential and nursing care homes (aged 18-64).
- Reduce the number of older people needing permanent placements in residential and nursing care homes (aged 65+).
- Reduce the number of delayed transfers of care from hospital which are attributable to adult social care.
- Increase the proportion of older people who are still at home 91 days after discharge from hospital into reablement/rehabilitation services.
- Improve the proportion of safeguarding enquiries which are concluded within 28 days of the decision to investigate.
- Improve the proportion of completed safeguarding enquiries where the clients' safeguarding outcomes are met.
- Increase the proportion of people using social care services who receive a direct payment.
- Improve the proportion of known carers in receipt of support.
- Improve the proportion of cases where a service is delivered within 28 days of referral.
- Increase the proportion of clients in receipt of long term care that are reviewed or reassessed against Care Act eligibility.
- Increase the number of affordable housing units delivered.
- Reduce the number of households in temporary accommodation.
- Increase the take up of the NHS Health Check programme.
- Reduce anti-social behaviour.



Ensure safe and secure neighbourhood environments, with attractive, safe surroundings, and good quality local amenities which enable people to enjoy life where they live.

Help create a strong sense of community where people feel they belong and have the confidence to get involved

Keep children and young people safe and give them a great start in life

We want children and young people to grow up healthy, happy and safe with supportive families and carers.



In the next four years we will:

Provide early help to 600 families to help them to improve education, health and employment outcome.

Reconfigure £3.5 million to deliver early years services including children centre services, health visiting and school nursing to improve the health, well-being, developmental and educational outcomes of children aged 0-5 years.

Make improvements so that the estimated 8,620 children and young people that require support with their mental health or emotional resilience are identified and supported to access help in a timely manner.

Measures:

- Increase the proportion of pupils attending a school and or setting that is good or outstanding.
- Increase the proportion of pupils attaining 5 GCSEs A-C including English and Maths.
- Reduce the number of families being referred to a higher level of need services.
- Improve education and health outcomes at age 5.
- Improve the proportion of contacts progressed within 24 hours.
- Reduce the attainment gap at age 16 between free school meal pupils and their peers.



Continue to develop a range of provision that can effectively identify and respond to safeguarding risks and needs; from the initial signs of the call for early help to a range of evidence-based interventions for a variety of complex situations.

Develop better evidence based approaches to support young people in adolescence to ensure a more successful transition to adulthood.

Promote and enable access to universal opportunities and services for children with disabilities and their families and ensure a range of provision to meet identified need.

Support the growth of our economy

We believe it is important to have a strong local economy. We want Herefordshire to be a place where businesses want to settle and can flourish. We also want our city and town centres to be vibrant and successful and our neighbourhoods to be attractive and sustainable.

The county is already home to a wide range of businesses and we will continue to support and encourage the growth of our high value business sector and our small enterprises.

At the same time, we want to encourage a broad mix of businesses that will offer employment to local people. We also want to make sure residents, particularly young people, have the right skills needed for local employers. In doing this we want to achieve a sustainable infrastructure that protects and promotes nature, communities and the county's economy. The council will look to provide the infrastructure needed to promote and sustain growth and prosperity, including the Hereford City Link Road, Hereford Southern Link Road and the development of a Hereford Relief Road Scheme, enabling jobs to be created and houses to be built.



In the next four years we will:

Develop and start implementation of a countywide Economic Masterplan.

Support economic growth and connectivity (including broadband, local infrastructure, transport and economic development).

Finalise and implement plans that strengthen and diversify the economy of Herefordshire.

Make the best use of existing land and identify new opportunities to enable existing businesses to stay and expand, and for new businesses to locate to the area

Make Herefordshire more attractive to younger age groups for a more balanced age profile, improving local access to skills training so that everyone can benefit from economic prosperity.

Continue to work with further and higher education and we will support the development of a new university for Hereford, identifying buildings for teaching and student accommodation.

Measures

- Overall satisfaction with the condition of highways.
- Reduce the number of people killed and seriously injured in road traffic collisions.
- Less traffic congestion; increased levels of cycling; and improved bus punctuality.
- Reduction in residual waste per household.
- Reduction in the Council's energy consumption and carbon footprint
- Greater number of premises with the potential to access superfast broadband services.
- Higher median workplace based earnings with a reduced gap between Herefordshire and the West Midlands; and a higher overall employment rate.
- Increased number of businesses supported to meet their potential.
- Fewer 16-19 year olds not in education, employment or training.
- Improve processing rates for planning applications.
- Increase the net new business rates received.
- Increase the number of jobs created through targeted interventions (such as the Enterprise Zone).



Have good quality housing to meet everyone's needs.

Support the improvement in quality of our natural and built environment, bringing about quality development to enable sustainable growth, addressing the need for better business space, affordable homes and student accommodation across the county.

Improve the county's energy efficiency and reduce the carbon footprint.

Ensure that the infrastructure is in place to prevent and improve community resilience to flooding.

Continue to work with the LEP and government with a focus on: employment creation and business support; skills; health transformation; transport; broadband; property and finance; and governance.

Have vibrant town centres with shops, restaurants and leisure facilities that keep people spending locally.

Secure better services, quality of life and value for money

We will continue to directly deliver services where we are the best organisation to do so, as well as arranging for others to deliver services on our behalf. We will make our online services simpler, ensuring they cover the things people contact us about most.

The outcomes we want to achieve are to get the maximum benefit from public money; achieve cost savings through the use of shared services, outsourcing opportunities and a reduction in the use of consultants; delivery of value for money services; with a modern diverse workforce.

In the next four years we will:

Secure the highest possible levels of efficiency savings and value for money to maximise investment in front-line services and minimise council tax increases.

Ensure our essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long-term, cost-effective delivery of services.

Review management of our assets in order to generate on-going revenue savings, focusing on reducing the cost of ownership of the operational property estate by rationalising the estate and by improving the quality of the buildings that are retained.

Apply appropriate regulatory controls.

Design services and policies that support positive engagement and interaction with residents, including the use of information technology, to improve customer experience and ability to access a range of services on-line.

Further improve commissioning and procurement to deliver greater revenue efficiencies and savings.

Measures:

- Increase in self-serve web transactions.
- Improved collection rates for Council Tax and Business Rates.
- Reduce sickness absence and cost of workforce.
- Improve the processing of housing benefit claims.
- Increase the number of new council tax registrations.
- Reduce the gross internal area of buildings in operational use and their average running cost
- Reduce the maintenance backlog of our estate.
- Spend within the council's overall budget.
- Achieve £28 million savings during the period 2016-20.



Recruit, retain and motivate high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance.

Be open, transparent and accountable about our performance.

Work in partnership to make better use of resources, including sharing premise costs through co-location of services and local solutions for community used facilities such as libraries.

Financial Strategy

The Medium Term Financial Strategy (MTFS) is a key part of the council’s integrated corporate, service and financial planning cycle, which ensures that this plan has been developed in the context of available resources.

The MTFS presents the financial position showing how the council intends to maintain financial stability, deliver efficiencies, and support investment in priority services, whilst demonstrating value for money and maintaining service quality.

All local authorities are reducing services as the Government continues to significantly reduce the funding it provides to local government across England. We are at the six year point of a 10 year ‘austerity period’ in which the council needs to make savings totalling £87 million. The council is on schedule to have matched up to those challenges, delivering savings of £59m by the end of 2015/16.

The demand for services continue to grow with the council providing care for more people, particularly in essential areas such as children’s safeguarding and adult social care.

The anticipated reduction in funding compounded by additional service pressures have resulted in a funding gap of £28 million for the period 2016/17 to 2019/20 with savings of £10.9 million needed in 2016/17.



Value for Money

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. National benchmarking data is currently available to 2014/15. This shows that overall Herefordshire Council is ranked third against its thirteen statistical comparator neighbours; this is the same position as was reported in 2013/14 and an improvement of three places compared to the sixth position reported in 2012/13.

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. For 2014/15 they rated all areas as green.

The national financial context

2015 Comprehensive Spending Review

The 2015 Comprehensive Spending Review set out the overall spending for the public sector and how the Government will remove the budget deficit by 2019/20 which includes significant reductions in public spending.

These are challenging times, but the council is continuing to meet those challenges whilst building bold and ambitious plans for the future.

The local financial context

Council finances are influenced significantly by the national economy and government policy on the share of public spending for local government and how that is then distributed to individual councils.

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

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 per cent greater central government assistance than a rural area. Government has confirmed additional rural grant funding will be distributed to bridge this funding gap.

The 2015/16 budget figures show that:

- a) The Government Funding Allocation per dwelling is £675, 24 per cent below the national average of £885; and
- b) Dedicated Schools (DSG) Grant per pupil is £4,447, 4 per cent below the average for education authorities of £4,612.

Funding

Local authorities will be almost entirely funded locally through council tax and business rates from 2019/20; from 2016/17 funding from central government will reduce annually. A four year indicative settlement has been shared and this has been used to determine the funding levels and savings required. The council tax referendum threshold has been held at 2 per cent per annum. In addition Herefordshire can levy an additional precept of 2 per cent to fund social care costs. To fund increasing demographic pressures Herefordshire is therefore able to increase council tax by up to 4 per cent per annum over the period. The actual annual increase will be determined each year.

Local Government Settlement 2016/17

The local government settlement was announced on 17 December 2015. The settlement showed steeper front loaded revenue support grant reductions in support of the government's aim to reduce the budget deficit to zero by 2019/20 whilst protecting health budgets. Individual grants are yet to be confirmed for both revenue and capital spend. The final settlement will be shared in February 2016.

Council Tax

The MTFs includes a council tax increase of 1.9 per cent per annum alongside a 2 per cent precept to replace additional lost central government funding in 2016/17. The council has had to deal with very significant reductions in government funding coupled with increases in demand. Over the past four years Herefordshire has delivered budget reductions of over £50 million with another £10.9 million in 2015/16 on a net budget of £144 million.

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.

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.

Capital Programme

The council's capital programme will invest £177 million between 2016/17 and 2019/20 in driving economic growth in the county to support the delivery of more jobs and homes. The programme will focus on key infrastructure such as broadband, roads and schools all of which will deliver the conditions required to enable the provision of new

housing and for businesses to thrive, to help them create new and better paid jobs for the county's residents.

Funding of the programme will be through grants, capital receipts, borrowing and revenue saving. All schemes funded by borrowing are included in the Treasury Management Strategy and Prudential Borrowing Indicators within the MTFs.



MEETING:	Council
MEETING DATE:	5 February 2016
TITLE OF REPORT:	2016-17 budget and medium term financial strategy (MTFS)
REPORT BY:	Deputy leader of the council

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To approve the 2016-17 budget and medium term financial strategy (MTFS) 2016-20 as recommended by cabinet.

Recommendation(s)

THAT: the following be approved:

- i. a 1.9% increase in council tax in 2016-17;
- ii. an additional 2.0% increase in council tax in 2016-17. This will result in a total council tax increase of 3.9% increasing a total band D charge from £1,275.10 to £1,324.83 for Herefordshire Council in 2016/17;
- iii. the draft 2016-17 revenue budget (at appendix 1 to this report);
- iv. the draft medium term financial strategy (MTFS) which incorporates the capital programme approved by Council on 18 December (at appendix 2 to this report);
- v. the draft treasury management strategy (TMS) (at appendix 3 to this report);
- vi. the council tax reduction scheme funding passed to parish councils is withdrawn in 2016/17 and for five parishes: Bromyard and Winslow Town; Kentchurch; Kington Town; Ledbury Town; and Leominster Town councils, where the impact of withdrawal would result in an

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

- increase in the annual council tax charge of 0.4% or more in any one year the withdrawal be phased over a period of up to three years; and**
- vii. **in the event of final central government funding allocations being above or below the provisional settlement level that any variation be managed by an adjustment to general reserves.**

Alternative options

- 1 It is open to Council to recommend alternative spending proposals or strategies; however given the legal requirement to set a balanced budget should additional expenditure be proposed compensatory savings proposals must also be identified.
- 2 It is open to Council to take account of different assumptions regarding adoption of the 2% adult care levy in future years of the medium term financial strategy. This is not recommended because of the known adult care pressures and funding reductions over the strategy period. The assumptions will be reviewed annually to ensure local taxation is at the minimum level necessary to meet local need.

Reasons for recommendations

- 3 The council has a legal obligation to set a balanced budget and Council is responsible for approving a budget following recommendations from cabinet in line with the budget and policy framework rules within the constitution. Cabinet met on 3 December 2015 to consider the future approach to distribution of the council tax reduction scheme grant funding, and on 21 January 2016 to consider the 2016/17 budget and the medium term financial strategy; the recommendations of cabinet form the basis of this report.

Key considerations

Background

- 4 Central government has reiterated its commitment to achieve a budget surplus by 2020, as a result of this Herefordshire Council is having to address challenging financial conditions, entering year seven of a ten year 'austerity period'. The council is on schedule to meet these challenges, delivering savings of £59m by the end of 2015/16.
- 5 Whilst focused on delivering services to residents it has been necessary to reduce the size of the council, demonstrate efficiency and ensure good use of resources by:
 - Reducing the workforce.
 - Rationalising buildings we owned in order to centralise in fewer business centres.
 - Making stronger connections across public sector organisations – making resources go further.
 - Reducing wasted expenditure on paper, and shifting as a first choice to digital, in our offices.
 - Supporting the shift of staff to mobile working, rather than from fixed locations.

Autumn statement

- 6 The Chancellors autumn statement on 25 November included the following specific

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

announcements that impact Herefordshire:

- Support (as yet unquantified) to secure launch funding to create a new university in Hereford, focused on engineering, in 2016.
- Ability to levy a 2% council tax precept to fund growing adult social care needs.
- Provision of £250m nationally over the next five years to tackle potholes, details awaited.
- The introduction of a national funding formula for schools, high needs and early years; detailed consultation will be launched in 2016 and the new formulae will be implemented from 2017/18.
- Better care fund to increase nationally by £1,500m by 2019-20, starting in 2017/18. This will include increased disabled facilities grant funding and will be funded by reform to the existing new homes bonus scheme. Consultation on the method of redistributing new homes bonus grant funding has begun.
- The introduction of a new apprenticeship levy at 0.5% of employer wage bill from 2017/18, £200k for Herefordshire plus a further £200k for schools.
- Reductions to the education support grant by 75%, 10% in 2016/17. Herefordshire receives £1.5m. The local authority role in running schools is expected to be reduced and a number of statutory duties will be removed. However, Herefordshire has already reduced or removed a number of activities covered by the current non-ring fenced grant. Consultation on the policy and funding proposals will start in 2016.
- The public health grant will remain ring-fenced until 2017/18 but there will be a real terms cut of 3.9% per annum.
- Higher costs for rural areas to be recognised by quadrupling the current sparsity grant by 2020.

Provisional funding settlement

- 7 The provisional local government settlement 2016/17 – 2019/20 was announced on 17 December 2015 and included additional reductions in revenue support grant (RSG). It was subsequently updated by the department for communities and local government (DCLG) on 23 December 2015 and for Herefordshire:
- Reduces RSG by £9m in 2016/17 and by £25.9m in 2015/16 to just £0.6m in 2019/20.
 - A standalone sparsity grant of £1.3m in 2016/17 rising to £4.1m in 2019/20.
 - Care act funding (£1.2m in 2015/16) is no longer a grant but included in the reducing RSG.
- 8 RSG reductions have been higher than expected in Herefordshire, due to government re-distribution of overall grant to metropolitan and London authorities. Herefordshire received RSG of £58m in 2010/11, this will reduce to £17m in 2016/17.
- 9 The rural delivery services grant has been removed from the revenue support grant (£1m in 2015/16) and allocated as specific grant funding (£1.3m in 2016/17) in

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

recognition of the additional costs incurred when providing services in sparse areas such as Herefordshire.

- 10 The settlement confirmed the council tax referendum threshold at 4%, including the adult social care precept.
- 11 For Herefordshire this means that the main changes to the funding of the net budget requirement for 2016/17 has moved from the 2015/16 position as follows:

Funding changes 2015/16 – 2016/17	£m
Revenue Support Grant (RSG) reduction	(9.0)
New sparsity grant	1.3
Net loss in government grant	(7.7)
1.9% council tax increase	1.6
2% adult care precept	1.7
Net loss in funding	(4.4)

- 12 The final settlement will be confirmed in February. Although there is not expected to be any significant variation, because this confirmation may not be received before the Council meeting, it is recommended that if final funding allocations are different to those in this report then the changes are managed by a proportionate adjustment to general reserves in 2016/17.

Adult care precept

- 13 Council debated whether it should levy the additional 2% precept at its meeting on 18 December 2015. It resolved that council should strongly consider the 2% precept in respect of adult social care and requires the Executive to consider how this money can be best used to protect services, continue to further transform our local health and social care system, reduce demand and ensure improved services for some of the most vulnerable citizens now and in the future.
- 14 The council has a number of cost pressures in adult social care, including care act changes from April 2015, and cost pressures in the adult social care market including legislative changes. Therefore it is proposed that the 2% increase will be applied for in 2016/17 and be specifically ring-fenced to support existing and anticipated cost pressures within services for vulnerable adults and older people, including increasing demand. Increases in the adults and wellbeing budget are shown below:

Adults and wellbeing pressures and inflation	2016/17 £000
Demographic growth	888
Preventative measures (including Care Act)	800
Other Care Act legislative pressures	190
Legislative changes	610

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Children transitioning to adults	100
Inflation	724
Total	3,312

- 15 The 2% will increase a band D council tax charge by a further £25 per annum and provide £1.7m of additional funding in 2016/17 as a contribution to the £3.3m of additional costs set out above and will become part of the base budget for future years.
- 16 The revenue support grant is now deemed to include Care Act funding that was previously provided through a separate grant. The loss of this grant funding, £1.2m in 2015/16, has resulted in net budget pressures of £0.2m to fund ongoing care review and assessment requirements, this pressure is included in the table above.

Base budget 2016-17

- 17 The base budget for 2016-17 is set out below and detailed in appendix 1. This reflects increases in inflation and pensions, pressures, savings and other adjustments.

Proposed budget			
Directorate	Base budget	Net changes	Proposed budget
	2015/16		2016/17
	£000	£000	£000
Adults and wellbeing	53,244	(755)	52,489
Children's wellbeing	22,137	585	22,722
Economies, communities and corporate	50,847	(1,388)	49,459
Total Directorates	126,228	(1,558)	124,670
Capital financing - debt repayments	10,183	140	10,323
Capital financing - interest	6,233	540	6,773
Change management	1,908	(1,180)	728
Government grants	(2,562)	461	(2,101)
Central and one-off budgets	2,446	690	3,136
Transfer to general balances	928	(928)	-
Total net spend (budget requirement)	145,364	(1,835)	143,529
Financed by			
Council tax	83,963	4,632	88,595
Locally retained business rates	23,289	69	23,358
Business rates top up	6,814	56	6,870
Revenue support grant	26,461	(8,991)	17,470
New homes bonus	3,591	967	4,558
Sparsity grant	-	1,259	1,259
Collection fund	(439)	439	-
Reserves	1,685	(266)	1,419
	145,364	(1,835)	143,529

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Financing

18 The base budget financing includes new homes bonus and sparsity grant funding in 2016/17. The new homes bonus grant funding of £3.6m in 2015/16 and in previous years was treated as a government grant, reducing net expenditure. It has now been included as financing, as has the sparsity grant. This revision follows central government guidance setting out their view of core local authority spending power which includes both grants as financing income.

19 Council tax income increases by £4.6m, this reflects the following:

	£m
• Council tax increase	1.6
• Adult care precept	1.7
• Increase in number of properties	0.8
• Improved collection rate	0.3
• Changes to council tax reduction scheme	<u>0.2</u>
Total	4.6

20 The provisional funding settlement has been used to update the expected financing of the net budget requirement over the MTFs period and excludes specific grant allocations like the better care fund (£4.6m) and dedicated schools grant (£96m). Financing from reserves is used as one-off funding to pump prime spend to save initiatives.

2015/16 budget monitoring

21 The budget for 2016/17 has been updated in recognition of spending to November 2015. It is anticipated that the council will spend within its overall 2015/16 budget however there are continuing pressures in children's safeguarding, currently a projected overspend of £2.2m, mitigated by underspend in ECC, corporate budgets and contingency. This is set out in appendix 4.

2016/17 pressures

22 Pressures have been reviewed as part of the budget process and revisions made, these are summarised in the table below:

Identified pressure	2016-17 £m
Legislative changes	0.7
Adults demographic pressures	0.9
Adults preventative measures (including care act)	0.8
Children's safeguarding	1.0
Contract and pay inflation and other pressures	2.2
Pension and national insurance	2.3
Total of all pressures	7.9

23 The government will introduce a national living wage from April 2016 of £7.20 per hour at age 25 and above, rising annually so that by 2020 it is 60% of median UK earnings per hour which, based on data available, is likely to be around £9.30 per hour, an indicative impact is included in the pressures above. Anticipated increases in the

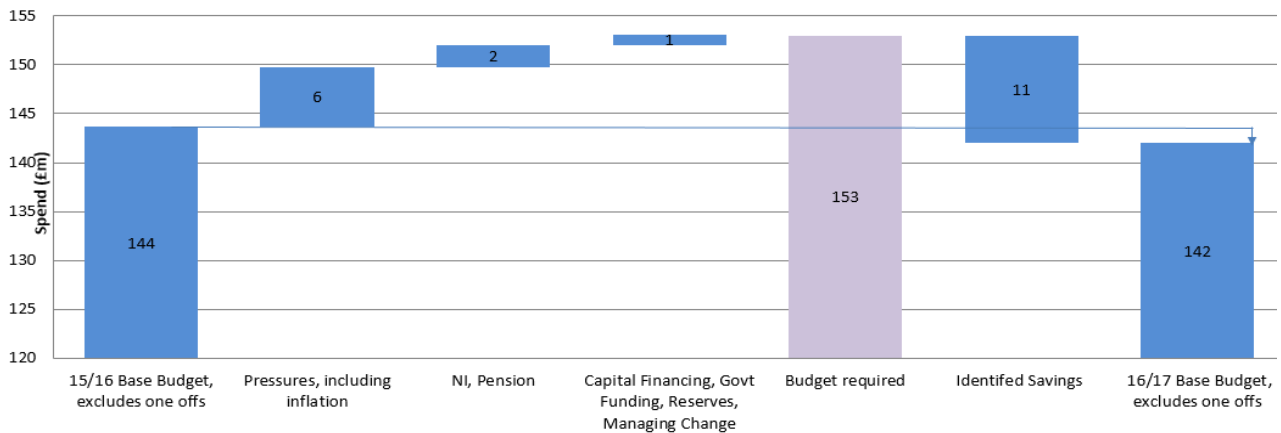
Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

council paybill are directly payable to the council's own employees and included in inflationary cost pressures. The extent to which the council will be liable for increases in pay relating to staff working in services which the council has contracted for, will depend on the terms of the contracts with the providers. An assessment has taken place of such contracts and assumptions have been reflected within legislative changes cost pressures.

- 24 Adult demographic pressures were anticipated in the previous medium term financial strategy (MTFS) and continue to be a pressure being faced from the increasingly older population in Herefordshire and are based on the office for national statistics data.
- 25 The MTFS approved in February 2015 assumed savings of £1m in children's safeguarding in 2016/17. However this budget is overspending by £2.2m in 2015-16, as such the budget has been re-based and savings reviewed with the safeguarding team up to 2019/20.
- 26 The overall movement in budget requirement between 2015/16 and 2016/17 is summarised below:

Summary

	2016/17
	£m
Net loss of funding	4.4
Total pressures	7.9
Capital financing	0.7
Additional income, reductions in managing change	<u>(2.1)</u>
Total, savings required	10.9



2016/17 savings

- 27 Savings have been reviewed as part of the budget process and revisions made, these are attached as appendix 4 and are summarised in the table below:

Directorate	2016-17 £m
Adults and wellbeing	4.1
Children's wellbeing	1.6
Economy, communities and corporate (ECC)	5.2
Total	10.9

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

28 For adults and wellbeing the savings plans cover the following areas:

- Re-commissioning care contracts and supported living agreements, implementation of policy and pricing changes for nursing placements, carers respite and transport services.
- Introduction of outcomes based assessments and reviews, focussing on high cost care packages and reductions in domiciliary care hours.
- Increased income from applying the new guidance in the care act, including joint assessments and minimum income guarantees.
- Reduction in staffing will be delivered through a review of the commissioning and contracts team and minor changes to the staffing structures within operational locality teams.

29 For children's wellbeing the savings plans cover the following areas:

- Managing contract inflation and secure contract efficiencies.
- Re-unifying children with their families or an alternative family based permanent home including adoption where appropriate. 2016/17 increase reflects spending in 2015/16 as well as reductions in spending.
- Developing appropriate housing arrangements and options for 17 year olds to promote independent living which removes the need for young people to be in the care of the local authority.
- Review of allowances paid to families providing homes for other people's children on a permanent basis, including special guardianship, adoption and child arrangements.
- Accessing government grant to focus early help on the most vulnerable families to reduce the need for higher cost services.
- Continuing the social worker recruitment and retention strategy (grow our own, cap agency rates, specific recruitment, overseas recruitment and alternative contracts) to increase the number of permanent social workers and reduce agency staff.
- Reduce numbers of managers, overheads and a reduction in contribution to the Youth Offending Service (YOS) contract.

30 For ECC the savings plans cover the following areas:

- Efficiency savings
- Increased fees in crematoriums and car parks
- Withdrawal of subsidies to cultural services partners
- Full year effect of waste and sustainability savings
- Council tax reduction scheme changes
- The council tax reduction scheme funding passed to parish councils is withdrawn in 2016/17. Cabinet on 3 December recommended this to Council for approval and for five parishes: Bromyard and Winslow Town; Kentchurch; Kington Town; Ledbury Town; and Leominster Town parish councils, where the impact of withdrawal would result in an increase in the annual council tax

charge of 0.4% or more in any one year the withdrawal be phased over a period of up to three years.

- 31 The implementation of individual savings proposals will be subject to specific consultation as necessary, prior to their implementation.

2016/17 – 2019/20 medium term financial strategy (MTFS)

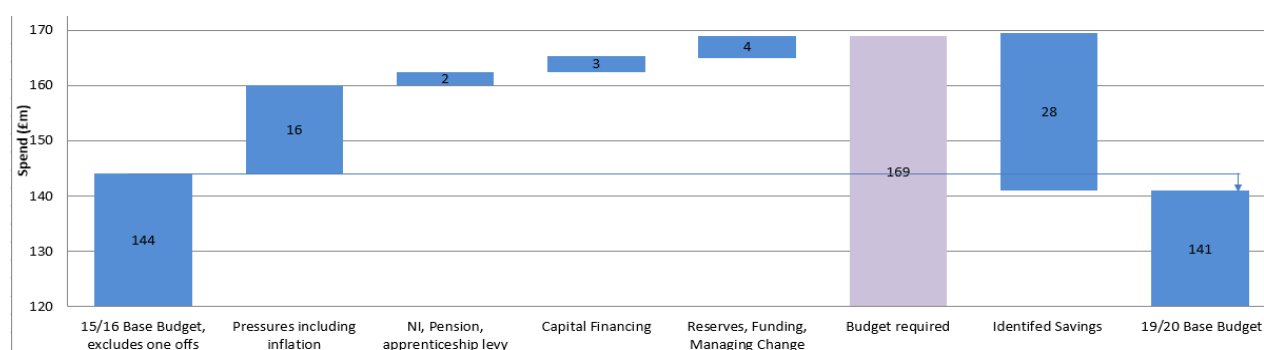
- 32 The MTFS, attached at appendix 2, has been updated to reflect current spending, a review of savings plans, contingencies, demographic pressures and the indicative settlement. This will be reviewed annually as part of the budget setting process. Initial proposals were discussed by both overview and scrutiny committees on 17 November, no alternative options were proposed by either committee.

- 33 Overall changes are summarised in the table below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Net funding loss	4.4	6.5	3.8	3.8	18.5
Pressures	7.9	3.0	3.6	3.7	18.2
Other changes	(1.4)	(2.5)	(1.9)	(2.5)	(8.3)
Total, saving requirement	10.9	7.0	5.5	5.0	28.4

Savings plan 2016/17 to 2019/20

- 34 The council delivered £59m of savings in the financial years 2010-11 to 2015-16.
- 35 An additional £28m of savings in the financial period 2016-17 to 2019-20 have been identified as demonstrated in the chart below. This gives total savings for the financial period 2010-11 to 2019-20 of £87m.



- 36 Savings have been reviewed as part of the budget process and revisions made, these are attached as appendix 4 and are summarised in the table below:

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Directorate	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total 16/20 £m
Adults and wellbeing	4.1	2.3	1.8	1.7	9.9
Children's wellbeing	1.6	1.3	1.4	1.0	5.3
Economy, communities and corporate (ECC)	5.2	3.4	2.3	2.3	13.2
Total	10.9	7.0	5.5	5.0	28.4

Pressures

37 Pressures have been reviewed and are set out below:

Pressure	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total 16/20 £m
Legislative changes	0.7	0.6	0.5	0.5	2.3
Adults demographic pressures	0.9	0.9	0.9	0.9	3.6
Adults preventative measures (including care act)	0.8	(0.6)			0.2
Children's safeguarding	1.0				1.0
Contract and pay inflation and other pressures	2.2	1.9	2.2	2.3	8.6
Pension and national insurance	2.3				2.3
Apprenticeship levy		0.2			0.2
Total pressures	7.9	3.0	3.6	3.7	18.2

38 The government has stated that it will give cash protection to schools based on pupil numbers in the plan period. This means that the pressures effecting the council, pay-awards, national insurance, legislative changes and pension increases will have to be within schools cash-limited budgets. This is estimated to result in savings of 15% in schools over the period, the majority of which will have to come from staffing reductions. These savings will also have an impact in children's wellbeing and council and Hoople services, not only having to provide support to schools in financial difficulties but the knock on impact where schools may reduce what services they purchase from the council. The children's wellbeing directorate, council and Hoople services will also have to reduce spending proportionately for schools that become academies.

Reserves and balances

39 Included in the 2016/17 net budget requirement is one off funding from reserves for the following:

One-off reserve funding 2016/17	£m
Respite care for children	0.6
Children's wellbeing getting to good investment	0.4
Hereford relief road	0.2
Education support grant - academies reduction	0.1
Other one-off funding	0.1

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Total reserve funding

1.4

- 40 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	7.1
31.3.16 (estimate)	6.9
31.3.17 (estimate)	5.5
31.3.18 (estimate)	5.5
31.3.19 (estimate)	5.5
31.3.20 (estimate)	5.5

- 41 In addition the council has a number of revenue reserves which are earmarked for specific purposes, for example specific grant funding. The council cannot use schools balances. Including these reserves total reserves going forward are estimated to be as follows:

Balance as at:	General fund £m	Specific reserves		Total £m
		Schools	Other	
31.03.14	5.1	6.3	17.6	29.0
31.03.15	7.1	6.2	20.5	33.8
31.03.16 estimate	6.9	5.5	19.5	31.9

- 42 The level of general reserves has been held at a higher than minimum level in recognition of the possibility of increased difficulty in achieving the savings plans going forward and to provide a more prudent level of contingency for risk.

Pension deficit

- 43 The pension deficit on Herefordshire's fund valued as at 31 March 2015 totalled £211m, representing the shortfall between the estimated value of obligations and the assets held in the pension fund. This proportionate level of deficit, 42%, 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.
- 44 The council ensures that funding is set aside by the time the benefits come to be paid with revised contribution rates bringing the fund into balance over a period of 21 years. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. In 2016/17 the council will pay £5m to repay the deficit as agreed with the pensions fund's actuaries. This amount will be reviewed after the next full valuation (due 31 March 2016) which is based on assumptions about mortality rates, salary levels, inflation and asset growth. It is currently estimated that the deficit will decrease to between £150m - £200m over the planning period. The schemes deficit history is summarised below and shows the deficit fluctuates and is currently anticipated to return to the position seen previously.

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Present value of liabilities	(361.0)	(367.6)	(422.8)	(419.6)	(500.0)
Value of Scheme assets	229.2	208.3	235.4	260.2	288.6
Surplus/(Deficit)	(131.8)	(159.3)	(187.4)	(159.4)	(211.4)

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Community impact

- 45 The MTFFS and budget demonstrate how the council is using its financial resources to deliver its priorities which are to be reconsidered with the approval of the draft corporate plan.

Equality duty

- 46 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying “due regard” in our decision making in the design of policies and in the delivery of services.
- 47 A number of service specific equality impact assessments are being completed for the service specific budget proposals to assess the impact on the protected characteristic as set out in the Equality Act 2010. Individual equality impact assessments will be prepared prior to consultation and delivery of each specific saving initiative.
- 48 The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account when these assessments have been completed then we will consider mitigating against any adverse impact identified. A cumulative equality impact assessment is shown in appendix 6.

Financial implications

- 49 As set out in the report.

Legal implications

- 50 Council is required to by statute to set a balanced budget that covers not only the expenditure but also the funding to meet the proposed budget. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. Councillors in making this decision must give careful and considered regard to:
- the report from the chief finance officer (the director of resources), as set out in the risk management section of this report, concerning the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals
 - The results of the consultation as set out in appendix 7 to this report, including any alternative options proposed by consultees
 - The aims of the equality duty and the cumulative impact of the budget proposal as set out in appendix 6 to this report.
- 51 Noting that some of the proposed budget reductions will require further development, assessment and consultation.
- 52 The council tax increase is proposed in accordance with statutory requirements inclusive of an additional 2% to be spent entirely on adult social care. The total increase is 3.9%. This amount is not excessive, as it is below 4%, which is the trigger for a

referendum in the 16/17 principles.

Risk management

- 53 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.
- 54 The budget has been updated using the best available information, current spending, anticipated pressures and the draft financial settlement.
- 55 The most substantial risks have been identified, referred to within this report, outlined below and considered as part of the budget process. Reasonable mitigation has been made where possible. Risks will continue to be monitored through the year and reported to cabinet as part of the budget monitoring process.
- 56 There are additional risks to delivery of future budgets including government policy changes and unplanned pressures. A general fund reserve balance above the minimum requirement, a risk mitigation reserve of £4.5m and an annual contingency budget of £0.7m, 0.5% of net budget, has been set aside to manage these risks.
- 57 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.
- 58 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.
- 59 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.
- 60 The inability to dispose of surplus assets when anticipated would incur additional running costs and impact on borrowing costs.
- 61 Herefordshire CCG are projecting a £5m overspend in 2015/16 and are going to have to make savings in 2016/17 which may have an impact on council services and budgets depending on how the CCG intend to bridge the funding gap.
- 62 There is a risk of on-going litigation claims which may result in one off costs falling due.

Care Act

- 63 The previously identified risks associated with the implementation of the Care Act (phase 2) have been significantly reduced as a result of the summer decision to delay the introduction of the care cap and other changes until 2020 but not eliminated completely. There remain financial risks for all local authorities arising from the

requirement introduced in the Care Act for local authorities to pay a fair price for care.

Better care fund (BCF)

- 64 The council and CCG pooled more than the minimum requirement for the BCF for 2015-16. The additional pooled funds relate to residential and nursing placements including residential based continuing health care (CHC) placements in the county. The CCG has notified the council of pressures arising from a sharp increase in CHC placements in year. Actions are underway to mitigate and reduce this pressure and re-base the pooled budget in 2016-17.

Independent living fund (ILF)

- 65 Central government closed the ILF and transferred funding for current service users (less 5% attrition factor) in July 2015. Councils have been advised that ongoing funding will be considered as part of the CSR. The annual cost of services transferred is circa £1.3m. The council is reviewing client needs to ensure the correct level of financial support is offered and assessing financial contributions made by clients which is likely to reduce the total cost of the service provision but there remains a material financial pressure if funding is not identified for councils to maintain this support.

Children's wellbeing

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

Consultation

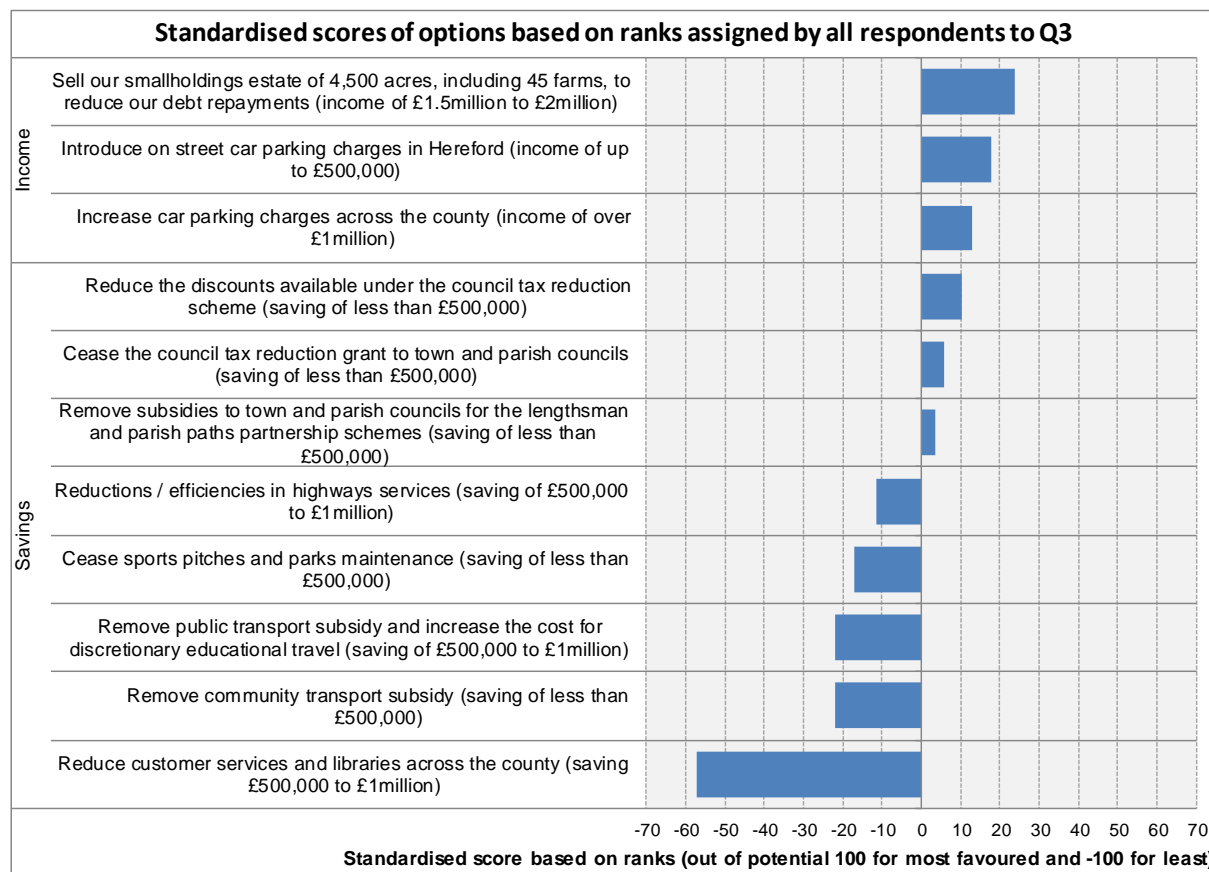
- 68 Consultation on the budget proposals commenced on 23 July and ended on 9 October. The consultation sought views on priorities, savings and income proposals and included how we could do things differently. The outcome of the consultation, attached in appendix 7 will inform and guide decisions within a balanced budget.
- 69 The ranking below is based on responses received and analysed. There were a total of 1,979 standard responses to the consultation, of which 784 submitted online and 1,195 completed paper copies. 61% of responses supported a council tax increase above 2% to protect services and defer savings.
- 70 The draft responses show some clear messages, as shown in the diagram below. There was a general preference for savings that would generate income:
- 37 per cent of respondents ranked 'selling our smallholdings estate' as their first or second preference
 - 'Increase car parking charges across the county' received the next highest number of first choices (22 per cent) and was the second choice of a further 10 per cent; but 'introduce on street car parking charges in Hereford' received more first and second choices combined (35 per cent)

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

- Altogether, these three options were ranked as most preferred by 70 per cent of respondents and no other option received more first choices than any of them individually.

71 There was less preference for the other savings options, with ‘reduce customer services and libraries across the county’ being by far the least preferred option, ranked as least preferred by over half (52 per cent) of respondents.

72 Initial proposals have been reviewed and re-phased following the consultation feedback, particularly areas seen as a higher priority by the public, libraries, community and public transport. The updated proposals are detailed in appendix 4.



Appendices

Appendix 1 – Proposed 2016/17 budget

Appendix 2 – 2016/17 – 2019/20 medium term financial strategy (MTFS)

Appendix 3 – 2016/17 treasury management strategy (TMS)

Appendix 4 – 2016/17 – 2019/20 savings plans by directorate

Appendix 5 – 2015/16 budget monitoring

Appendix 6 - Cumulative equality impact assessment

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Background papers

- None identified.

APPENDIX 1

Proposed budget summary 2016-17

Directorate	Base budget 2015/16 £000	Net changes £000	Proposed budget 2016/17 £000
Adults and wellbeing	53,244	(755)	52,489
Children's wellbeing	22,137	585	22,722
Economies, communities and corporate	50,847	(1,388)	49,459
Total Directorates	126,228	(1,558)	124,670
Capital financing - debt repayments	10,183	140	10,323
Capital financing - interest	6,233	540	6,773
Change management	1,908	(1,180)	728
Government grants	(2,562)	461	(2,101)
Central and one-off budgets	2,446	690	3,136
Transfer to general balances	928	(928)	-
Total net spend (budget requirement)	145,364	(1,835)	143,529
Financed by			
Council tax	83,963	4,632	88,595
Locally retained business rates	23,289	69	23,358
Business rates top up	6,814	56	6,870
Revenue support grant	26,461	(8,991)	17,470
New homes bonus	3,591	967	4,558
Sparsity grant	-	1,259	1,259
Collection fund	(439)	439	-
Reserves	1,685	(266)	1,419
	145,364	(1,835)	143,529

PROPOSED REVENUE BUDGET 2016/17

Service	Base Budget 2015/16	Pensions, pay and Inflation	Pressures	Savings	Other Adjusts	2016/17 Proposed Budget
	£000	£000	£000	£000	£000	£000
Adults Wellbeing						
Commissioned Care	43,896	14	1,788	(3,080)	476	43,094
Adults Operations	13,161	466	0	(820)	336	13,143
Director and Management	(3,814)	244	800	(218)	(761)	(3,749)
Total Adults Wellbeing	53,244	724	2,588	(4,118)	51	52,489
Children's Wellbeing						
Children's Safeguarding & Early Help	17,139	557	1,076	(1,120)	144	17,796
Statutory Education Services	5,582	158	0	(50)	0	5,690
Directorate Management and Grant Income	(584)	309	0	(489)	0	(764)
Total Children's Wellbeing	22,137	1,024	1,076	(1,659)	144	22,722
Economy, Communities & Corporate						
Highways, Planning, Waste, and Parking	27,907	1,221	30	(2,178)	134	27,114
Customer, Cultural and Legal Services	7,026	408	0	(883)	334	6,885
Economic Development and Housing Growth	1,999	69	0	0	119	2,187
Directorate Management	2,103	233	0	(953)	(729)	654
Corporate Resources (Finance, IT, Property and HR)	11,812	74	76	(690)	1,347	12,619
Total Economy, Community & Corporate	50,847	2,005	106	(4,704)	1,205	49,459
Central Corporate Costs	19,136	354	0	(447)	(184)	18,859
Total Herefordshire Council	145,364	4,107	3,770	(10,928)	1,216	143,529

Revenue Budget 2016/17
Adults Wellbeing

Service	Current Budget 2015/16	Pensions and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
Commissioned Care						
Learning Disabilities	15,181	0	386	(980)	1,272	15,859
Mental Health	3,227	14	321	(322)	381	3,621
Physical Disabilities	19,755	0	1,007	(1,595)	(210)	18,958
Memory & Cognition	5,051	0	49	(144)	(916)	4,040
Sensory Support	682	0	25	(39)	(51)	616
Total Commissioned Care	43,896	14	1,788	(3,080)	476	43,094
Adults Operations						
Adult Social Care Staffing	8,176	421	0	(720)	(141)	7,735
Contracts	4,306	0	0	(100)	477	4,683
Housing Services	680	45	0	0	0	725
Total Adults Operations	13,161	466	0	(820)	336	13,143
Director and Management						
Director and Management	(733)	204	800	(88)	(383)	(199)
Protection of Social Care Grant	(4,520)	0	0	0	0	(4,520)
Transformation	1,320	32	0	(130)	(378)	844
Total Public Health	119	8	0	0	0	127
Total Director and Management	(3,814)	244	800	(218)	(761)	(3,749)
Total Adults Wellbeing	53,244	724	2,588	(4,118)	51	52,489

Revenue Budget 2016/17
Childrens Wellbeing

Service	Base Budget 2015/16	Pensions and Inflation	Pressures	Savings	Other Adjusts	Total Budget
	£000	£000	£000	£000	£000	£000
Safeguarding and Early Help						
Safeguarding Board and Independent Review	684	38	0	0	100	822
Early Help and Family Support	1,915	126	0	(270)	0	1,771
Front Line Social Workers	2,881	140	76	(300)	0	2,797
Looked After Children - Fostering and Adoption	6,969	155	0	(500)	0	6,624
Looked After Children External Placements	2,877	0	1,000	0	0	3,877
Social Care Training and Development	782	35	0	0	0	817
Safeguarding and Early Help Management	1,031	63	0	(50)	44	1,088
Total Safeguarding and Early Help	17,139	557	1,076	(1,120)	144	17,796
Statutory Education Services						
Special Educational Needs	2,380	55	0	0	0	2,435
Contracts and Commissioning	1,602	47	0	(50)	0	1,599
Educational Development	1,438	47	0	0	0	1,485
Statutory Education Improvement Services	162	9	0	0	0	171
Total Statutory Education Services	5,582	158	0	(50)	0	5,690
Directorate						
Directorate Grant Income	(1,447)	0	0	0	0	(1,447)
Directors Office	271	292	0	(459)	0	104
Performance and transformation	335	11	0	0	0	346
Youth Offending Service	257	5	0	(30)	0	232
Total Directorate	(584)	309	0	(489)	0	(764)
Total Children's and Wellbeing	22,137	1,024	1,076	(1,659)	144	22,722

Revenue Budget 2016/17
ECC

Service	Base Budget 2015/16 £000	Pensions and Inflation £000	Pressures £000	Savings £000	Other Adjusts £000	Total Budget £000
Highways, Planning, Waste and Parking						
Commercial Services	493	20	0	0	(89)	424
Directorate Services	359	25	0	0	123	507
Environment and Waste	14,828	492	0	(475)	(105)	14,740
Environmental Health and Development Management	554	23	0	(75)	205	707
Highways and Community Services	6,074	113	0	(460)	108	5,835
Parks and Countryside	1,731	10	0	(60)	118	1,799
Technical and Parking Services	(4,487)	195	30	(958)	(203)	(5,423)
Trading Standards and Licensing	462	140	0	0	32	634
Transport and Access Services	7,893	203	0	(150)	(55)	7,891
Total Highways, Planning, Waste and Parking	27,907	1,221	30	(2,178)	134	27,114
Customer, Cultural and Legal Services						
Collections and Archives	500	31	0	0	76	607
Communications and Web	526	14	0	0	(203)	337
Cultural Services	795	6	0	(863)	228	166
Customer and Library Services	1,660	107	0	0	139	1,906
Economic Projects	252	15	0	0	9	276
Equality, Information and Records	458	23	0	(10)	14	485
Governance	1,530	149	0	(10)	32	1,701
Legal Services	1,305	63	0	0	39	1,407
Total Customer, Cultural and Legal Services	7,026	408	0	(883)	334	6,885
Economic Development and Housing Growth						
Community Regeneration	384	11	0	0	(115)	280
Economic Development	653	21	0	0	213	887
Neighbourhood Planning	152	7	0	0	4	163
Regeneration	278	16	0	0	10	304
Strategic Planning	531	14	0	0	8	553
Sustainable Communities	1	0	0	0	(1)	0
Total Economic Development and Housing Growth	1,999	69	0	0	119	2,187
Directorate Management						
Directors	423	23	0	0	15	461
Management	1,680	210	0	(953)	(744)	193
Total Directorate Management	2,103	233	0	(953)	(729)	654
Corporate Resources						
Finance	2,026	(104)	0	(160)	0	1,762
Insurance	1,064	0	35	0	100	1,199
Local Tax, Revenues and Benefits	302	0	0	(100)	207	409
Internal Audit Services	225	0	0	0	0	225
HR, Payroll, Recruitment and Organisational Development	831	11	0	(50)	80	872
Corporate Asset Management	(692)	108	41	0	7	(536)
Facilities Management	935	6	0	(90)	152	1,003
Property Maintenance	2,300	12	0	0	421	2,733
Corporate Management	1,151	0	0	0	151	1,302
ICT	3,670	41	0	(290)	229	3,650
Total Corporate Resources	11,812	74	76	(690)	1,347	12,619
Total Economy, Communities & Corporate	50,847	2,005	106	(4,704)	1,205	49,459

Medium Term Financial Strategy

2016/17 – 2019/20



“Herefordshire - a place where people, organisations and businesses work together within an outstanding natural environment, bringing about sustainable prosperity and wellbeing for all.”

Contents

1. Introduction	1
2. Herefordshire's Characteristics	2
3. National Financial Context	7
4. Herefordshire Council's Financial Context	8
5. Medium-Term Financial Resource Model (FRM)	16

1. Introduction

1.1 This Medium Term Financial Strategy (MTFS) covers the financial years 2016/17 – 2019/20 and demonstrates how the council will maintain financial stability, deliver efficiencies, support investment in priority services, whilst demonstrating value for money and maintaining service quality.

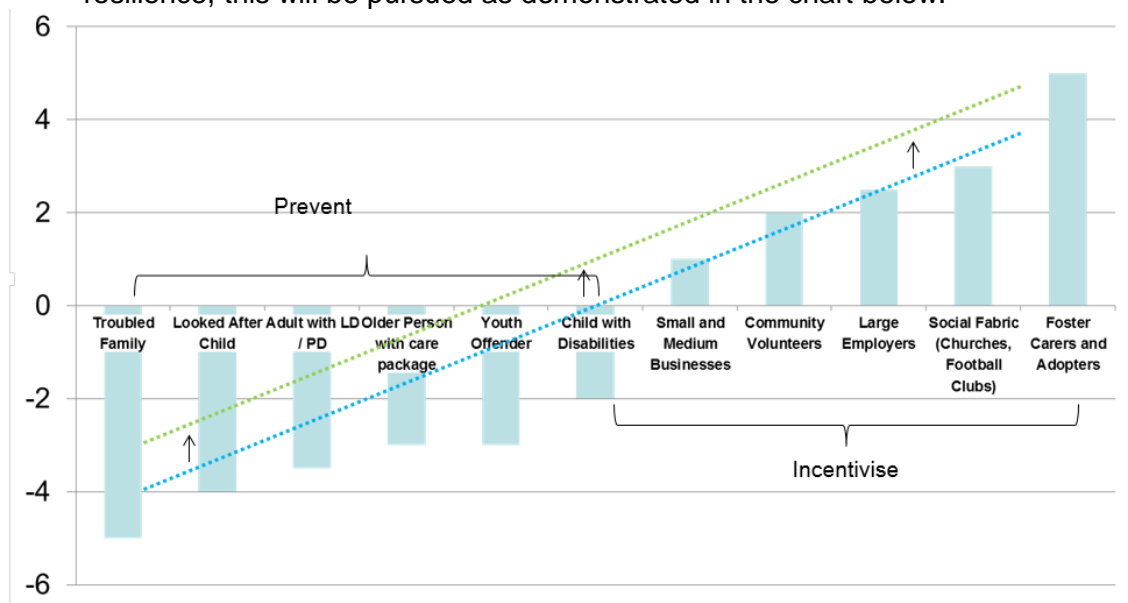
1.2 The MTFS is a key part of the council's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities set out 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
- invest in projects to improve roads, create jobs and build more homes.

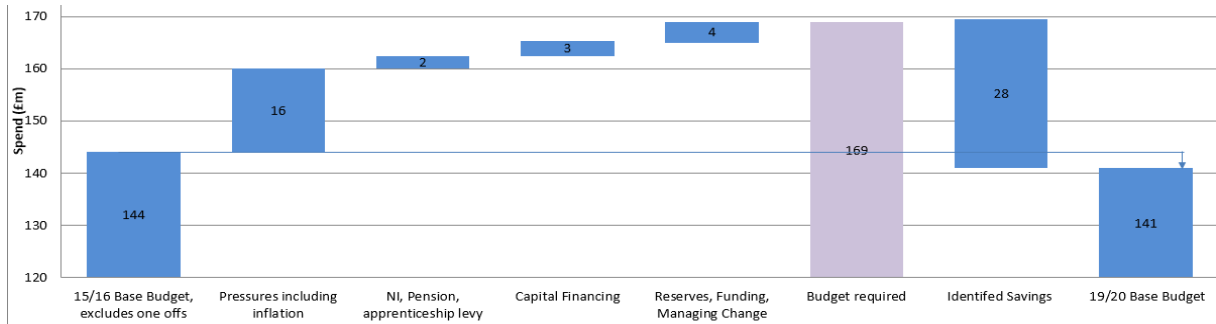
1.3 All local authorities are reducing services as the government continues to significantly reduce the funding it provides to local government across England. We are seeing a significant change in the way councils are funded, back in 2010 80% of council spend was funded by grant, by 2020 all council spend will be funded locally. We are at the six year point of a ten year 'austerity period' in which the council has identified savings totaling £87m. The council is on schedule to have matched up to the challenge, delivering savings of £59m by the end of 2015/16.

1.4 The indicative financial settlement was announced on 17 December 2015, which sets out the indicative spending power for local authorities up to 2019/20. This MTFS reflects the indicative settlement. Herefordshire's Revenue Support Grant (RSG) totaled £26.5m in 2015/16, providing 18% of the council's net budget requirement. This will reduce annually until 2019/20 when the council will be almost entirely funded locally through council tax and business rates. This change will include additional responsibilities to remain fiscally neutral.

1.5 The demand for services continue to grow with the council providing care for more people, particularly in essential areas such as children's safeguarding and adult social care. Cost pressures have been reflected in this MTFS and residual risks will be constantly monitored. Demand management will be key to financial resilience, this will be pursued as demonstrated in the chart below.



1.6 The longer term budget has been set with regard to known funding reductions, additional cost pressures and identified savings of £28m for the period 2016/17 to 2019/20.



1.7 This strategy will be updated each year to reflect cabinet and council's decisions following the review of the level of efficiencies achieved, demographic pressures, potential new burdens from government and the resultant impact on services.

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 national funding 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. The impact of a rural county include:

- domiciliary care in rural parts of the county, approximately £1 per hour above those in urban areas, £450k per year
- transportation – subsidies, maintenance, downtime
- higher fuel costs
- difficulties in providing and accessing services
- difficulties in achieving broadband coverage
- lower earnings.

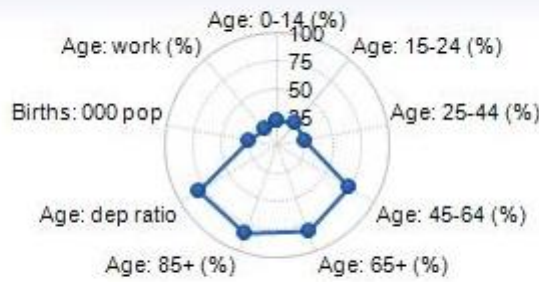
2.1.2 When comparing costs between urban and rural authorities using the latest data available, 2014/15, costs per head for highway structural maintenance are higher in rural authorities.

	Structural Maintenance
	£ / head
Rural	
Herefordshire	25.22
Cornwall	21.59
Shropshire	24.38
Wiltshire	20.40
Urban	
Bristol	10.04
Reading	11.89
Middlesbrough	14.76

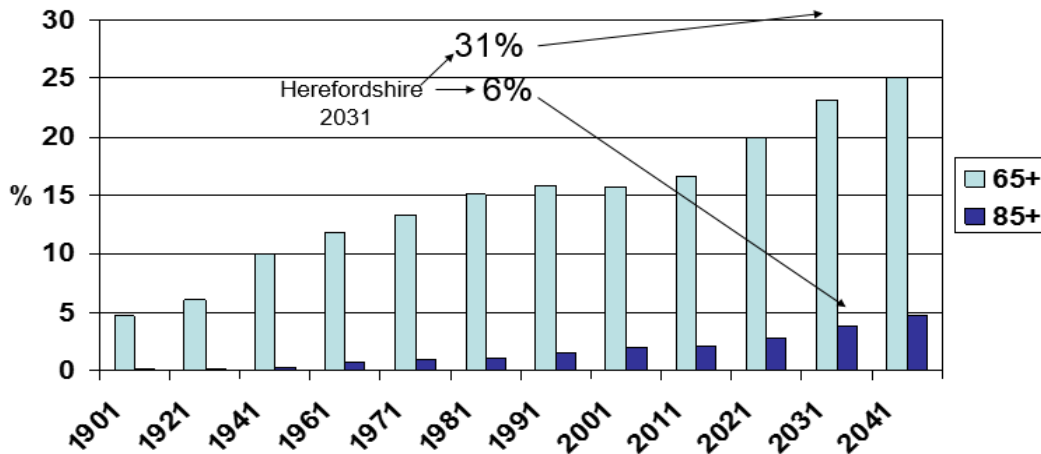
- 2.1.3 Social isolation is a growing concern, not least because of the disproportionately increasing number of older people living in Herefordshire, but also due to poverty and deprivation. The cost of living in rural areas, for example transport and domestic fuel costs, can be higher than in urban 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.
- 2.1.4 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.
- 2.1.5 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.
- 2.1.6 The indicative settlement has partially recognised these additional pressures by increasing support for the most sparsely populated rural areas by more than quadrupling the Rural Services Delivery Grant from £15.5m in 2015/16, to £65m in 2019/20, £1.3m in 2016/17 rising to £4.1m in 2019/20 for Herefordshire.

2.2 Adult Social Care

- 2.2.1 Demographic characteristics have a fundamental influence on the social and economic development of an area, as well as demand for local services. The age distribution of residents has implications for long-term economic activity rates, future service provision and the associated demand led budgets of the council.
- 2.2.2 Demand management in social care continues to be a key issue for Herefordshire, 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.
- 2.2.3 In Herefordshire the proportion of the resident population in 2014 aged between 0-14 was 15.8% and aged 15-24 was 10.6%, both low by national standards of 17.8% and 17.6%.
- 2.2.4 Those aged over 65 were 22.6% and 3.1% were over 85, which is very high by national standards. This demographic adds additional pressure to the demand and cost of providing services in a rural county. The chart below demonstrates the age demographic of the population of Herefordshire in comparison to the national average, which would be half-way from the centre at 50 for all areas.



2.2.5 Adult social care faces significant future pressures due to increased life expectancy and future demand due to an aging population. Currently 23% of Herefordshire residents are over 65, compared to 19% nationally. This is expected to increase to 31% by 2031, compared to 23% nationally.



Source: ONS Population Trends and Population Projections (selected volumes).

2.2.6 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.

2.2.7 The indicative settlement recognised the demographic pressures being faced by granting authorities with adult social care responsibility with the ability to raise council tax by a 2% levy to fund adult social care. Due to the loss of central government funding and the expected increases in cost pressures, this MTFS has been prepared based on the council levying this precept which will require approving on an annual basis.

2.2.8 The Better Care Fund (BCF) pooled budget first created in 2015/16 aimed to improve the integration of health and care services. Funding was 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 (CCG) have published plans on how this funding will be spent, and continue to actively work on the implications for the county. The Comprehensive Spending Review

announced in November 2015 reinforced and accelerated the timetable for integration by including the requirement for all councils and CCG's to have developed plans for the integration of health and social care by 2017, and for these to be implemented by 2020.

- 2.2.9 The indicative settlement recognised the pressures being faced and confirmed the increase in BCF funding of £1,500m by 2019/20, from which Herefordshire may receive up to £5.1m if current funding ratios are maintained. £800m of this increase is to be funded from changes to the current new homes bonus grant funding which is currently worth £3.5m, giving a potential net increase in funding of only £1.6m for Herefordshire, of which £1.1m may be tied in to an increased disabled facilities grant (capital funding not revenue).

2.3 Children

- 2.3.1 The numbers of looked after children increased during 2015/16, and stands at 298 as at 31 October 15, an increase of 9% compared with 31 March 13.
- 2.3.2 The numbers of referrals and children in need remain at very high levels. This combined with the council's commitment to lower 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, and a robust Recruitment Strategy for recruiting and retaining experienced social workers. In addition, the new West Midlands agency social worker protocol came into effect on 1 January 2015, which is addressing the significant cost increase in this area over the past two years.
- 2.3.3 The number of children with complex needs cases continues to rise and indications show an increase in average cost per placement.

2.4 Schools

- 2.4.1 Based on provisional October 2015 pupil numbers, primary school numbers (including nursery classes) are predicted to increase in 2015/16 to 13,361, 2.2%. Secondary school numbers are predicted to be 9,434. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 869 from a high of 14,230 in 1998, a reduction equivalent to 6.1%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,434, a reduction of 1,077, 10.2%, and are expected to continue to fall until 2017. School funding is based upon pupil numbers in October each year, and the schools block of Dedicated Schools Grant in 2016/17 will be funded on 21,617 pupils (excluding sixth form pupils) at £4,447 per pupil.
- 2.4.2 Herefordshire schools are funded according to formula factors set nationally by the Department for Education (DfE) with limited local discretion as all schools move towards the expected national school funding formula. In February 2016, the DfE is to consult on a national formula for all schools for implementation from April 2017. Schools Forum will be considering the national proposals in detail and responding. Further proposals from the DfE in February 2016 will set out the future of the Education Services Grant which is expected to be cut by 75% for 2017/18, equivalent to a reduction of £1m in the grant received by the council. It is expected there will be an equivalent reduction for academy schools in Herefordshire. The additional fairer funding increase of £2.7m in 2015/16 has been consolidated into Herefordshire's school funding for 2016/17. Whilst school funding is protected in cash terms by government, schools in Herefordshire will face increasing cost pressures arising from increased

pension contributions, national insurance rises and unfunded pay awards which will add at least 15% to school costs over the next five years. Financial viability, particularly for smaller schools, will become increasingly more significant.

2.5 Value for Money

- 2.5.1 Alongside this MTFs, the council's strategic and corporate plans sets out its vision for Herefordshire to support a strong, diverse and enterprising business base, operating in an exceptional and connected environment where the transfer of technology and skills foster innovation, investment and economic growth. The council's ambitious plans will accelerate growth and provide opportunities for all who live and work in Herefordshire through strong stewardship and strong partnerships with the private sector.
- 2.5.2 Over the last five years the council's performance has improved across a wide range of services. Building the foundations for a successful economy has been, and will continue to be a key priority. The council has enabled major improvements including the delivery of; flood relief schemes, a new livestock market, a privately funded retail and leisure development on the site of the old livestock market, access to superfast broadband, an Enterprise Zone in Rotherwas, improved leisure facilities across the county and improvements to the highway network. A Core Strategy has been implemented that will provide a blueprint for developing the county over the period to 2031, including the delivery of a relief road.
- 2.5.3 The council recognises that it is in the unique position of acting as a hub for the public sector, the private sector and the third sector. It also accepts the responsibility to work with our partners and to provide leadership through the essential process of change in these challenging financial times, ensuring value for money will be key.
- 2.5.4 Using cost benchmarking data, the council is 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. National benchmarking data is currently available to 2014/15. This shows that overall Herefordshire Council is ranked third against its thirteen statistical comparator neighbours, this is the same position as was reported in 2013/14 and an improvement of three places compared to the sixth position reported in 2012/13. The relative performance by service is summarised below.

	Net Spend (£'m)	2012/13 Ranking	2013/14 Ranking	2014/15 Ranking	Direction of Travel
Adult Social Care	51.9	13	11	7	↑
Children's Services	42.7	7	10	10	→
Education		4	3	3	→
Environment and Regulatory	17.6	10	11	5	↑
Cultural and Related Services	6.9	5	2	7	↓
Planning Services	4.4	10	11	7	↑
Highways and Transportation Services	9.4	9	7	3	↑

Housing Services	3.4	6	6	4	
Total / Overall	136.3	6	3	3	

- 2.5.5 The comparative reduction in adult social care spending while all authorities are implementing efficiencies, is the most positive improvement from the most expensive of our statistical neighbours in 2012/13 to seventh in 2014/15, with more improvements anticipated in 2015/16.
- 2.5.6 The savings set out in the MTFS to 2019/20 reflect areas of comparatively high spending and are intended to bring spend down comparatively with statistical neighbours over the period. Particularly in children's' safeguarding where costs are still comparatively high.
- 2.5.7 Cultural and related services shows an increase in spend per head of population, this is due to a reclassification of open space and verge grass cutting. A compensating improvement is shown in highways and transportation services for the same reason. Without this highways and transportation services would still show a ranking of fifth.
- 2.5.8 Planning services have improved due to increased planning fee income alongside changes in grant funded community development and social inclusion activities in Herefordshire.
- 2.5.9 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. For 2014/15 they rated all areas as green and concluded that the council has:
- proper arrangements for challenging how it secures economy, efficiency and effectiveness - the council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity
 - a robust Corporate Strategy, Medium Term Financial Strategy and savings plan are in place
 - delivered its overall savings target
 - arrangements for governance processes including risk management and the production of the Annual Governance Statement are satisfactory
 - financial management is sound with effective reporting of variances from plans.

3. National Financial Context

3.1 2015 Comprehensive Spending Review

- 3.1.1 The comprehensive spending review confirmed the government's commitment to achieve a budget surplus by 2020 through reductions in local government spending by over half by 2020.
- 3.1.2 Half of all local business rate income, £24m for Herefordshire, is currently paid to central government. National consultation on the implementation of 100%

business rate retention by local government by the end of the parliament will commence in 2016. Current proposals include passing additional responsibilities with the additional funding, including funds currently administered by the Department for Works and Pension, and £7m of public health funding. There may be elements of protection but the proposals represent a risk to the council.

- 3.1.3 Pressures on social care costs, currently at £76m annually for Herefordshire were recognised through an additional 2% flexibility on council tax referendum thresholds to be used entirely for adult social care, £1.7m pa for Herefordshire.
- 3.1.4 The government will introduce the first ever national funding formula for schools, high needs and early years, a detailed consultation will be launched in 2016 and the new formulae will be implemented from 2017-18.
- 3.1.5 The Autumn Statement provided £250m nationally over the next five years to tackle potholes and support will be provided to secure launch funding to create a new university in Hereford focused on engineering in 2016.
- 3.1.6 These are challenging times, but the council is continuing to meet those challenges whilst building bold and ambitious plans for the future, including:
- eliminate costs
 - share costs
 - contract management
 - increase existing income streams
 - new income
 - identify services that must be provided
 - aim to reduce costs of delivery
 - grow business rates and new homes.

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

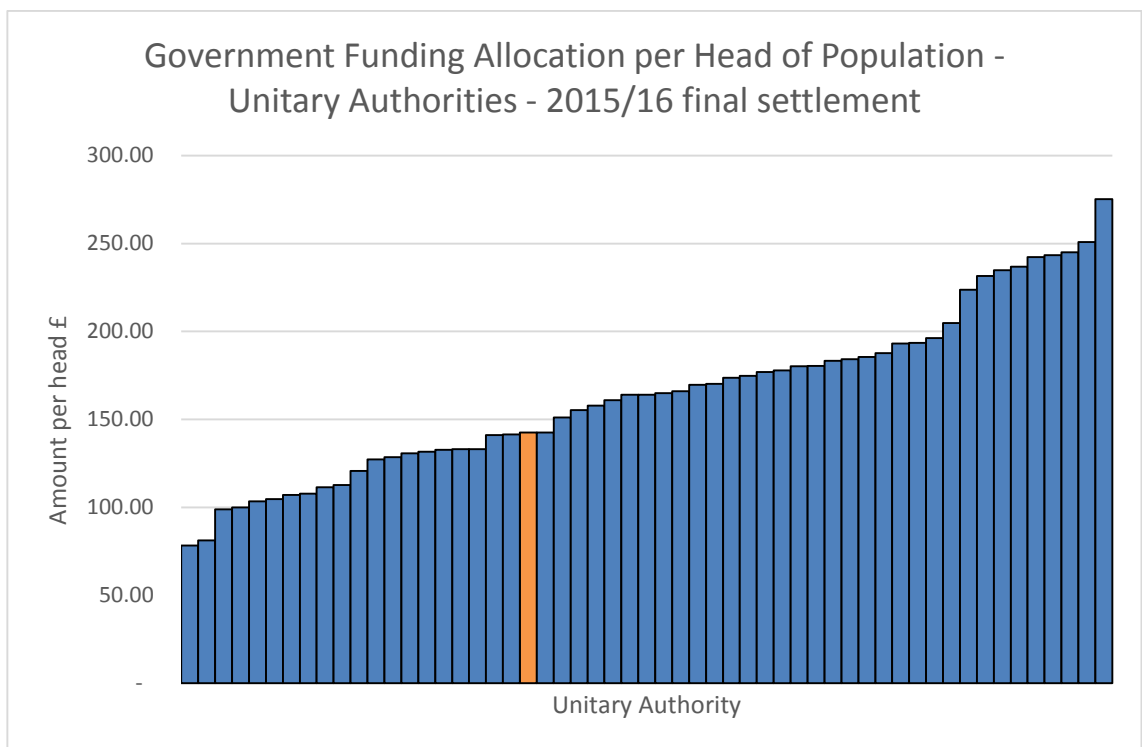
- 4.2.1 Herefordshire is not a well-resourced council. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in sparsely populated areas but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed 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 (referred to as 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 efficiency support for SPARSE areas,

grant added into the financial settlement, £976k in 2015/16, however this is not enough to bridge the gap in funding requirement.

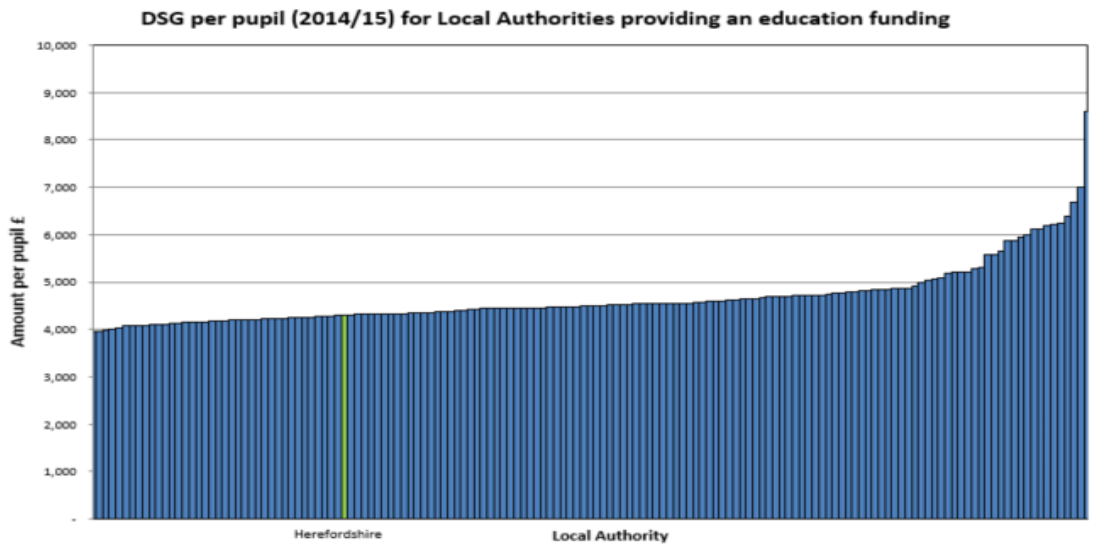
4.2.4 The 2015/16 budget figures show that:

- a) the government funding allocation per dwelling is £675, 24% below the national average of £885; and
- b) Dedicated Schools Grant (DSG) per pupil is £4,447, 4% below the average for education authorities of £4,612.

4.2.5 The graph below shows Formula Grant per head of population for all unitary authorities 2015/16. It shows that Herefordshire receives less on average than the others, being twenty one out of fifty five unitary authorities, despite its sparsity and demographic profile.

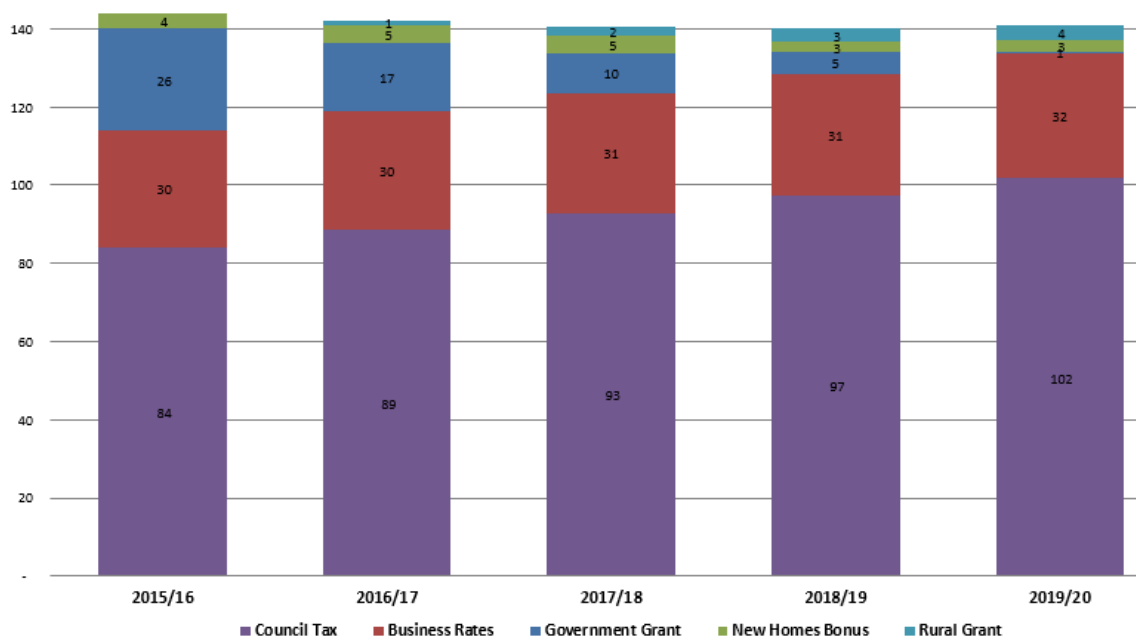


4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy high needs). Herefordshire is placed 113 out of 151 authorities.



4.3 Funding

4.3.1 The chart below shows the projected breakdown of the council's funding, showing less and less funding being provided by Central Government and increased self-financing from council tax and business rates under the MTFS term.



4.4 New Homes Bonus

4.4.1 The New Homes Bonus (NHB) grant funding commenced in April 2011. This grant match funds the additional council tax raised for new homes and empty properties brought back into use for the following six years. Herefordshire will receive £4.6m in 2016/17, however a consultation on the continuation of this funding based on the following proposals has begun:

- withholding the NHB from areas where an authority does not have a local plan in place
- abating the NHB in circumstances where planning permission for a new development has only been granted on appeal
- adjusting the NHB to reflect estimates of deadweight

- a reduction in the number of years for which the NHB is paid from the current six years to four years.

4.4.2 Herefordshire may lose £1.8m of this funding in 2018/19 as a result of these changes.

4.5 Specific Grants

4.5.1 The table below details some of the larger 2016/17 specific grants for Herefordshire, a number are still to be confirmed.

Grant	2016/17 £000
Housing Benefit Admin Subsidy	581
Public Health Grant	tbc
S31 Grant	1,893
Independent Living Fund	tbc
Education Support Grant	1,412
Dedicated Schools Grant (excludes academies)	74,282
Total	78,168

4.6 Council Tax

4.6.1 Increases in council tax are subject to annual approval by council, 2016/17 is expected to increase by the referendum threshold and precept requirements. The council has had to deal with very significant reductions in government funding coupled with increases in demand. Over the past five years, Herefordshire has delivered budget reductions of over £59m on a net budget of £144m.

4.6.2 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.

4.6.3 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.

4.6.4 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.

4.7 Business Rates

4.7.1 On 5 October 2015 it was announced that local authorities would be able to retain 100% of business rates by the end of the parliament, 2019/20.

Herefordshire currently retains £23m. Local authorities will also be able to reduce business rates or, for those areas with a devolution deal and an elected mayor, increase business rates with agreement from business members on their local enterprise partnership (LEP).

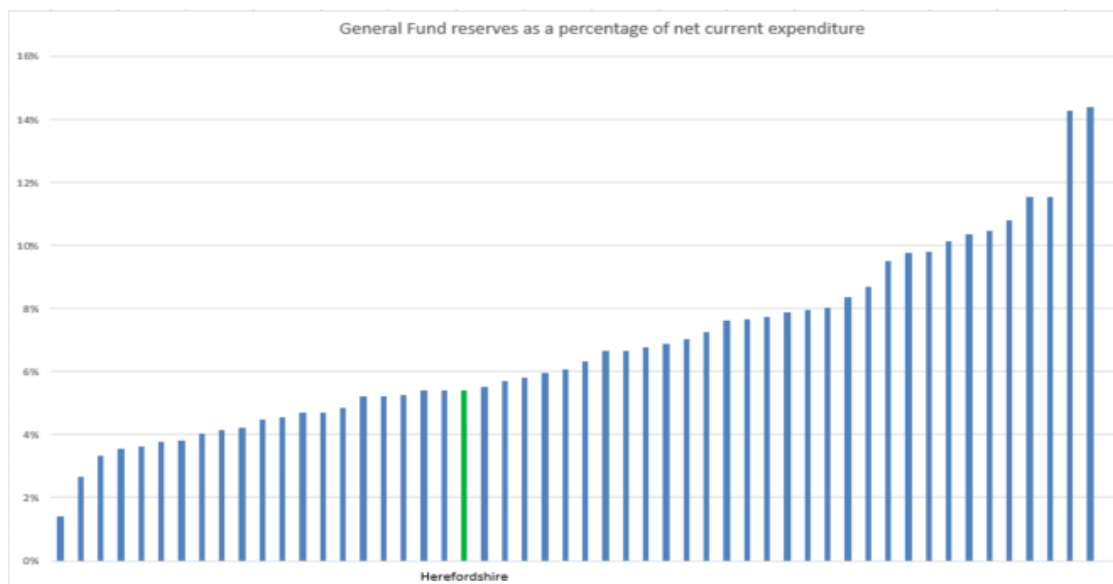
- 4.7.2 Consultation is to be held on which grants would be abolished following the introduction of 100% business rates retention from 2019/20, estimated at a further £25m for Herefordshire. The changes are to be fiscally neutral across the country. Further responsibilities and services will be devolved to local government, including £7m public health funding and possibly £20m of attendance allowance paid to older people with care needs. Formal consultation on the proposals is expected to commence in the summer. Therefore there may be additional pressures to Herefordshire council caused by this initiative rather than additional funding.
- 4.7.3 Business rates are currently undergoing a revaluation, the revalued list is expected to be published 30 September 2016 with revised bills commencing 1 April 2017. This revaluation updates rateable values from the last valuation in 2010, at this stage the impact of this update is unknown but represents a risk of lost income due to potential decreased rental rates.
- 4.7.4 There are a number of risks relating to the retention of business rate income. The revaluation risk of successful appeals and the loss of rates income as schools convert to academies, currently our share of schools business rates is £0.4m pa. A reserve will be maintained to mitigate these risks to the revenue budget of £1.7m.

4.8 Reserves

- 4.8.1 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.
- 4.8.2 The following table shows the year-end balance on the general fund for the last three financial years and the estimated position at 31 March 2016.

Balance as at:	General Fund £m	Specific Reserves		Total £m
		Schools	Other	
31.03.13	4.7	5.5	8.4	18.6
31.03.14	5.1	6.3	17.6	29.0
31.03.15	7.1	6.2	20.5	33.8
31.03.16 estimate	6.9	5.5	19.5	31.9

- 4.8.3 £5.5m of the specific reserves belong to schools and cannot be used to help pay for non-schools services. Other reserves include unspent government grants carried forward to be spent in future years.
- 4.8.4 Herefordshire maintains a general fund reserve balance above its minimum requirement, but does not hold an excessive amount in reserves. The chart below shows how Herefordshire reserves are slightly less proportionally to those held by other unitary authorities.



4.9 Capital Receipts Reserve

4.9.1 The capital receipts reserve is available to support spending on the creation or enhancement of assets. The following table shows the level of usable capital receipts reserve for the last three financial years and the estimated position at 31 March 2016.

Balance as at:	Opening Balance £m	Receipts £m	Spend £m	Closing Balance £m
31 March 2013	2.7	2.9	(2.9)	2.7
31 March 2014	2.7	5.3	(2.0)	6.0
31 March 2015	6.0	2.0	(3.6)	4.4
31 March 2016 estimate	4.4	4.1	(2.9)	5.6

4.9.2 The council has a policy that ensures capital cash resources are used effectively in support of corporate priorities. As a result, all capital receipts are a corporate resource and not 'owned' or earmarked for directorates unless allocated for a specific purpose.

4.9.3 The council transferred its housing stock to Herefordshire Housing in November 2002, since then it has received a share of right to buy receipts under its preserved rights agreement on transfer. £10m of capital receipts have been received since transfer from the sale of 370 homes. This sharing agreement continues until 2032.

4.10 Funding Arrangements for Capital Investment

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

4.10.2 Government support for capital investment is through the allocation of grants, known grant funding allocations for 2016/17 are listed below, a number are yet to be announced:

- Local Highways Maintenance Funding - £10.6m
- Integrated Transport Block - £1.1m
- Basic Need - £0.7m

4.10.3 Council Borrowing - this MTFS reflects the borrowing funding requirement implied by the Treasury Management Strategy to support the Capital Programme.

4.10.4 The capital receipts reserve totalled £4.4m as at 1 April 2015. This is likely to rise to around £5.6m by the end of this financial year. This will be used to fund the Capital Programme avoiding the need to borrow, any excess receipts will be used to repay borrowing.

4.10.5 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.

4.10.6 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.

4.11 Capital Programme 2016/17

4.11.1 The Capital Programme 2016/17 approved by council in December 2015 represents funding allocations received to date, commitments from previous years and new capital schemes approved by council. The council's Capital Programme is funded by grants, borrowing and capital receipts. All schemes funded by borrowing are included in the Treasury Management Strategy and Prudential Borrowing Indicators. The following table summarises the re-profiled 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	-	11,523	10,564	10,244	27,816	60,147
Energy from Waste Plant	6,009	14,000	19,991	-	-	40,000
Fastershire Broadband	8,395	6,200	6,605	4,155	2,845	28,200
Hereford City Link Road	10,658	7,513	5,324	3,505	-	27,000
South Wye Transport Package	-	1,000	1,000	12,300	12,700	27,000

Road Infrastructure	14,613	4,387	1,000	-	-	20,000
Hereford Enterprise Zone	-	2,500	7,100	6,400	-	16,000
Hereford City Centre Transport Package	-		6,800	3,300	3,500	13,600
Leisure Centres	4,013	5,539	-	-	-	9,552
Other Smaller Schemes	-	6,564	41	1,013	50	7,668
Colwall Primary School	-	-	4,800	1,700	-	6,500
Integrated Transport Plan	-	1,069	1,069	1,069	3,207	6,414
LED Street Lighting	766	4,889	-	-	-	5,655
Peterchurch Primary School	-	-	1,000	4,500	-	5,500
Three Elms Trading Estate	-	2,100	400	350	-	2,850
Solar Photovoltaic Panels	35	599	1500	-	-	2,134
Property Estate Enhancement Works	-	-	500	500	1,000	2,000
Corporate Accommodation	-	-	1,100	600	-	1,700
Marches and Worcestershire Redundant Building Grant	-	1,500	-	-	-	1,500
Better Care Fund	-	1,356	-	-	-	1,356
Schools Basic Need	-	634	666	-	-	1,300
Revolving Loans	-	1,277	-	-	-	1,277
Relocation of Broadlands School	-	1,137	120	-	-	1,257
S106 Agreements	-	1,237	-	-	-	1,237
Schools Capital Maintenance Grant	-	1,215	-	-	-	1,215
Data Centre Consolidation	-	-	1,170	-	-	1,170
Hereford Library Accommodation Works	-	-	1,000	-	-	1,000
Brookfield Improvements	-	200	300	-	400	900
Electronic Document and Management System	400	400	-	-	-	800
Highway Depot Improvements	-	-	800	-	-	800
PC Replacement	-	-	380	230	130	740
Westfield School Improvements	-	-	-	710	-	710
Purchase of Gritters	-	250	125	125	-	500
IT Network Upgrade	-	-	500	-	-	500
Software to Enable Remote Access to Desktops and Automate Upgrades	-	-	500	-	-	500
Office and Car Park Lighting Replacement	-	-	300	-	-	300
Purchase of Green Waste Bins	-	-	150	-	-	150
Edgar Street Works	-	-	100	-	-	100
Smallholding Health and Safety Improvements	-	-	100	-	-	100
1A St Owen St Adjacent to Shire Hall	-	-	70	-	-	70
Total	44,889	77,089	75,075	50,701	51,648	299,402

4.12 Treasury Management Strategy

4.12.1 The council is required to approve an annual Treasury Management Strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2016/17 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

4.12.2 During 2016/17 interest rates have remained low. In the year to date the average daily rate achieved on the council's investments has averaged at 0.6%. The first increase in the bank base rate is not expected until later in 2016. The budget for 2016/17 has been set on a prudent basis assuming low investment balances and low interest rates.

4.12.3 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 and invest funds mainly in money market funds.

Borrowing

4.12.4 Total gross outstanding debt was £165m as at 31 March 2015 of which £19m were short term loans and £146m fixed rate long term loans, which are being repaid at approximately £10m per annum.

4.12.5 The strategy for borrowing based on the Capital Programme includes an estimated additional requirement of £40m for 2015/16, likely to be secured by short term borrowing to realise savings in the cost of carry. This is the net figure after taking account of estimated capital spend, the refinancing of existing loans, MRP and available reserves.

4.12.6 The borrowing requirement is calculated by reference to the capital financing requirement which is set according to capital spend and other long term liabilities including PFIs.

4.12.7 The forecast is for interest rates to stay low for the foreseeable future, climbing at a steady pace over the term of the MTFS.

5. Medium-Term Financial Resource Model (FRM)

5.1 Background

5.1.1 The FRM shown takes into account the corporate financial objectives and approach set out in this MTFS. The FRM is designed to provide an assessment of the overall resource available 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 2016/17 to 2019/20, however it will be refreshed annually.

5.2 Assumptions

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

- a) council tax - a 3.9% increase for 2016/17 and in future years. This will be reviewed each year against further efficiency savings, any changes in government funding, pressures and is subject to annual approval.
- b) government funding – per the indicative settlement
- c) inflation - 2% uplift per annum on income and contract inflation indices on non-pay expenditure.

- d) pay – increased at 1% per annum
- e) employers’ national insurance – increases in employers’ contributions following the ending of contracting out in 2016/17
- f) introduction of the apprenticeship levy - £200k in 2017/18
- g) interest rates – investment income and borrowing costs in line with the Treasury Management Strategy

5.3 Pensions

5.3.1 The pension fund’s actuaries will undertake a triennial review of the pension fund assets and liabilities, and the estimated revised the contribution rates required to bring the fund into balance over a period of twenty one years are reflected.

5.3.2 The current pension deficit on the fund for Herefordshire is £211.4m, split between assets and liabilities as shown below:

Pension Fund	31.03.15 £m
Present Value of Obligations	500.0
Fair Value of Assets	(288.6)
Deficit	211.4
Deficit %	42%

5.3.3 The council are repaying this deficit over twenty one years, £7m in 2016/17 (£2m of this relates to schools which is financed from school funds). This proportion of deficit, 42%, 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. The fund is due to be revalued at the end of 2015/16 with the deficit expected to fall.

5.4 Funding Assumptions Included in the FRM

5.4.1 The following funding assumptions based on the indicative settlement are included in the FRM. New Homes Bonus (£3,591k in 2015/16) is now included in council funding rather than netted off expenditure to be more comparable with government representations of council funding.

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Revenue Support Grant (RSG)	26,461	17,470	10,090	5,370	620
Locally Retained Rates	23,289	23,358	23,708	24,064	24,425
Business Rates Top Up	6,814	6,870	7,010	7,210	7,440
Council Tax	83,963	88,595	92,861	97,271	101,691
New Homes Bonus	3,591	4,558	4,700	2,900	2,800
Rural Grant	0	1,259	2,204	3,149	4,093
Net Budget	144,118	142,110	140,573	139,964	141,069
Collection Fund	(439)	0	0	0	0
General Reserves	1,685	1,419	(65)	0	0
Net Budget Including One Offs	145,364	143,529	140,508	139,964	141,069

5.4.2 2019/20 currently does not show 100% rates retention and is based on the core funding figures published by central government. The retention of business rates is estimated at an additional £25m of funding for Herefordshire however the changes are to be fiscally neutral across the country. Further responsibilities and services will be devolved to local government, including £7m public health funding and possibly £20m of attendance allowance paid to older people with care needs. This and risks of revaluation and successful appeals could result in additional pressures rather than additional resource. Consultation on the changes will commence in 2016.

5.4.3 In addition the council receives specific grants as detailed in section 4.5. These grants are expected to be confirmed in January and will be used to fund specific functions within directorates.

5.4.4 Reductions in revenue support grant over the MTFS term are summarised below.

Government Funding	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
RSG	42.9	35.8	26.5	17.5	10.1	5.4	0.6
RSG Reduction	7.1	9.3	9.0	7.4	4.7	4.8	
Cumulative	7.1	16.4	25.4	32.8	37.5	42.3	

5.5 Directorate Pressures

5.5.1 The total of directorate pressures which are included in the FRM are as below.

Pressure	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total 16/20 £m
Legislative changes	0.7	0.6	0.5	0.5	2.3
Adults demographic pressures	0.9	0.9	0.9	0.9	3.6
Adults preventative measures (including care act)	0.8	(0.6)			0.2
Children's safeguarding	1.0				1.0
Contract and pay inflation and other pressures	2.2	1.9	2.2	2.3	8.6
Total	5.6	2.8	3.6	3.7	15.7
Pension and NI	2.3				2.3
Apprenticeship levy		0.2			0.2
Total of all pressures	7.9	3.0	3.6	3.7	18.2

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

5.6 Savings Targets

5.6.1 The council delivered £59m of savings in the financial years 2010/11 - 2015/16. Looking forward an additional £28m of savings in the financial period 2016/17 - 2019/20 is required. This gives total savings for the financial period 2010/11-2019/20 of £87m.

5.6.2 Savings have been reviewed as part of the budget process and revisions made, these are summarised in the table below, some savings have now been removed from the plan and some savings having been replaced with new ones. Savings proposals summary 2016/17 to 2019/20 is set out below.

Directorate	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	Total 16-20 £m
Adults and Wellbeing	4.1	2.3	1.8	1.7	9.9
Children's Wellbeing	1.6	1.3	1.4	1.0	5.3
Economy, Communities and Corporate (ECC)	5.2	3.4	2.3	2.3	13.2
Total	10.9	7.0	5.5	5.0	28.4

5.6.3 Savings in 2016/17 are planned from the following areas:

a) Adults Wellbeing:

- re-commissioning care contracts and supported living agreements, implementation of policy and pricing changes for nursing placements, carers respite and transport services
- introduction of outcomes based assessments and reviews, focusing on high cost care packages and reductions in domiciliary care hours
- increased income from applying the new guidance in the Care Act, including joint assessments and minimum income guarantees. In addition, a small flat rate charge will be applied to service users who are in receipt of telecare
- reduction in staffing will be delivered through a review of the commissioning and contracts team and minor changes to the staffing structures within operational locality teams

b) Children's Wellbeing:

- managing contract inflation and secure contract efficiencies.
- re-unifying children with their families or an alternative family based permanent home including adoption where appropriate. 2016/17 increase reflects spending in 2015/16 as well as reductions in spending
- developing appropriate housing arrangements and options for 17 year olds to promote independent living which removes the need for young people to be in the care of the local authority
- review of allowances paid to families providing homes for other people's children on a permanent basis, including special guardianship, adoption and child arrangements
- accessing government grant to focus early help on the most vulnerable families to reduce the need for higher cost services
- continuing the social worker recruitment and retention strategy (grow our own, cap agency rates, specific recruitment, overseas recruitment and alternative contracts) to increase the number of permanent social workers and reduce agency staff
- reduce numbers of managers, overheads and a reduction in contribution to the Youth Offending Service (YOS) contract.

c) ECC:

- efficiency savings
- increased fees in crematoriums and car parks
- withdrawal of subsidies to cultural services partners
- full year effect of waste and sustainability savings
- council tax reduction scheme changes
- removal of the Council Tax Reduction (CTR) subsidy to parishes as approved by cabinet on 3 December

5.7 Budget Proposal 2016/17

5.7.1 The proposed budget for 2016/17 is as follows:

Directorate	Base budget 2015/16 £000	Net changes £000	Proposed budget 2016/17 £000
Adults and wellbeing	53,244	(755)	52,489
Children's wellbeing	22,137	585	22,722
Economies, communities and corporate	50,847	(1,388)	49,459
Total Directorates	126,228	(1,558)	124,670
Capital financing - debt repayments	10,183	140	10,323
Capital financing - interest	6,233	540	6,773
Change management	1,908	(1,180)	728
Government grants	(2,562)	461	(2,101)
Central and one-off budgets	2,446	690	3,136
Transfer to general balances	928	(928)	-
Total net spend (budget requirement)	145,364	(1,835)	143,529

5.8 Budget Risks

- 5.8.1 The most substantial risks have been assessed in the budget process and, where possible, 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 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 behavior change in communities is critical for medium term change.
- 5.8.3 Key areas of focus include, sustaining the current focus on a new relationship with citizens and communities, changing the models of care to more family based provision, 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.

Herefordshire Council

Treasury Management Strategy 2016/17

Contents

1. Introduction
2. Summary of Strategy for 2016/17
3. Economic Background and Interest Rate Forecast
4. Capital Financing Requirement
5. Borrowing
6. Investment Strategy
7. Annual Minimum Revenue Provision Statement 2016/17

Appendices

- a Existing Borrowing and Investments
- b Borrowing Levels in Future Years
- c Prudential Indicators
- d Outlook for Interest Rates
- e Treasury Management Policy Statement

Treasury Management Strategy Statement 2016/17

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 (TMS) before the start of each financial year. The TMS also includes the Annual Investment Strategy as required under Investment Guidance provided by Communities and Local Government (CLG).
- 1.2 The council borrows and invests 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 TMS is to approve:
- Treasury Management Strategy for 2016-17
(Borrowing – Section 5 and Investments – Section 6)
 - Minimum Revenue Payment (MRP) Statement – Section 7
 - Prudential Indicators - Appendix c

2. Summary of Strategy for 2016/17

Borrowing

- 2.1 In 2016/17 council borrowing is estimated to increase by £26.7 million from £209.4 million to £236.1 million. This increase can be analysed as follows.

	£m
Estimated council borrowing as at 31st March 2016	209.4
Investment in ongoing approved capital schemes (Including Energy from Waste Plant £18m; Faster Broadband £5.6m; and Colwall School £4.8m)	33.3
Investment in new capital schemes proposed (Including data centre consolidation £1.2m, corporate accommodation £1.1m and Hereford library accommodation £1m)	9.6
Less: Provision for Repayment of Principal (MRP)	(11.0)
Grants and contributions	(7.2)
Reduction in usable reserves balances	2.0
Estimated council borrowing as at 31st March 2017	236.1

Treasury Management Strategy Statement 2016/17

- 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 additional amounts payable that may fall due in later years.
- 2.3 The borrowing budget for 2016/17 includes provision to pay short-term interest rates of up to 1.5% (including brokers commission), we currently secure short term at 0.6%. The budget also includes the interest cost on existing fixed term borrowing.
- 2.4 Compared to a 20 year EIP loan (currently at 2.96%) short-term finance (at 1.5%) will save the council at least £1.4m in revenue interest costs in 2016/17 (being the estimated average amount of short-term debt outstanding during 2016/17 of £93.5m at 1.5%).
- 2.5 If no longer term PWLB loans are taken out, by 31st March 2017 variable rate short-term loans may total £93.5m (40%) compared to fixed rate longer-term borrowing of £142.6m. This strategy approves a total variable loan stock holding of up to 50% of total loans to minimise the risk of interest rate increases.
- 2.6 The council's exposure to variable rate debt has been discussed with the council's treasury adviser, Capita Asset Services, who agree with the council's borrowing policy and the consideration of our interest rate forecasting.

Investments

- 2.7 As a result of current 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;
 - Keep low but liquid cash balances and invest these mainly in Money Market Funds;
 - Maintain counterparty limits with the banks at prudent levels;
 - Consider other creditworthy investments to increase diversification.

3. Economic Background and Interest Rate Forecast

Economic background

- 3.1 **UK.** UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) although there was a slight increase in quarter 2 to +0.5% before weakening again to +0.4% (+2.1% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for

Treasury Management Strategy Statement 2016/17

growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.1%.

- 3.2 Since the August Inflation report was issued, most worldwide economic statistics have been weak and financial markets have been particularly volatile. The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK.
- 3.3 There is considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate.
- 3.4 **USA.** GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.0% in Q3. Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong (and December was outstanding); this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.
- 3.5 **EZ.** In the Eurozone, the ECB unleashed a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. At the ECB's December meeting, this programme was extended to March 2017 but was not increased in terms of the amount of monthly purchases. The ECB also cut its deposit facility rate by 10bps from -0.2% to -0.3%. This programme of monetary easing has had a limited positive effect in helping a recovery in consumer and business confidence and a start to some improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.3% y/y) but has then eased back to +0.4% (+1.6% y/y) in quarter 2 and to +0.3% (+1.6%) in quarter 3. Financial markets were disappointed by the ECB's lack of more decisive action in December and it is likely that it will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.
- 3.6 **Greece.** During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to

Treasury Management Strategy Statement 2016/17

implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Interest rate forecast

- 3.7 Investment returns are likely to remain relatively low during 2016/17 and beyond.
- 3.8 Borrowing interest rates have been volatile but consistently low during 2015 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. Gilt yields have continued to remain at historically phenomenally low levels during 2015. The policy of avoiding new borrowing by running down spare cash balances, has proved good cash management over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities may need to enter new borrowing to finance new capital expenditure and/or to refinance maturing debt.
- 3.9 There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.
- 3.10 A more detailed interest rate forecast provided by the Capita Asset Services is attached at **Appendix d**.

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 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, for example through lease 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 its 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 c. 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.

Treasury Management Strategy Statement 2016/17

	31.03.16 Estimate £000	31.03.17 Estimate £000	31.03.18 Estimate £000	31.03.19 Estimate £000
Capital Financing Requirement	285,109	316,677	310,744	296,782
Less: Other Long Term Liabilities: PFI schemes Finance leases Salix loan	26,605	25,576	24,139	22,798
MRP and contributions in year	10,334	11,888	14,198	14,117
CFR excluding other long-term liabilities and MRP provision and grants	248,170	279,213	272,408	259,867
Less: Existing Profile of Longer Term Borrowing – PWLB and bank loans	149,950	142,572	138,178	133,767
Cumulative Maximum External Borrowing Requirement	98,221	136,641	134,230	126,100
Estimated Usable Reserves	38,800	36,900	35,000	33,100
Anticipated Capital receipts	-	6,250	10,500	25,500
Cumulative Net Borrowing Requirement	59,421	93,491	88,730	67,500
Total Council Borrowing	209,370	236,063	226,908	201,267

- 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 £9.9m and £12.8m for the foreseeable future. Therefore if, after the large capital schemes scheduled for the next few years are completed, the new capital spend financed by borrowing can be reduced to below the annual MRP the council's total borrowing will fall, as shown in Appendix b.
- 4.8 When comparing the council's Capital Financing Requirement with other English unitary authorities both in terms of absolute levels and affordability, Herefordshire Council's CFR is no higher than average.

5 Borrowing Strategy

5.1 At 30 November 2015 the council held £181.5m of loans, comprising long-term fixed rate loans totalling £139.0m plus short-term variable rate loans of £42.5m. The balance sheet forecast in table 1 shows that the council's borrowing may need to increase to £209.4m by 31 March 2016 and to £236.1m by 31 March 2017, 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 council'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 council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than 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 so as 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 council's treasury advisors will assist the council with 'cost of carry' and breakeven analysis. Its output will determine whether the council borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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.

Treasury Management Strategy Statement 2016/17

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 £6m 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. Due to the prevailing low interest rate regime, opportunities for debt rescheduling are likely to be very limited. However, this option will be kept under review and will be considered 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 example salary and creditor payments. The council hold balances of around £20m to cover all contingencies. A cash flow 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 council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and 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. For 2016/17 the

Treasury Management Strategy Statement 2016/17

council will continue to rely on Money Market Funds which are highly diversified and carry reduced credit risk.

Risk Assessment and Credit Ratings

- 6.4 The council applies the credit worthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit rating from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Capita Asset Services allocate a series of colour coded bands with suggested maximum durations for investments (as shown in table 2 below).
- 6.5 Typically the minimum credit ratings criteria the council use will be short term rating (Fitch or equivalent) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but still may be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.6 The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (Fitch or equivalent). Currently these countries are:
- Australia (AAA)
 - Canada (AAA)
 - Denmark (AAA)
 - Germany (AAA)
 - Singapore (AAA)
 - Sweden (AAA)
 - Switzerland (AAA)
 - Finland (AA+)
 - Netherlands (AA+)
 - U.K. (AA+)
 - U.S.A. (AA+)
 - Abu Dhabi UAE (AA)
 - France (AA)
 - Qatar (AA)
 - Belgium (AA-)
 - Saudi Arabia (AA-)

Approved Counterparties

- 6.7 The council 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

Treasury Management Strategy Statement 2016/17

		Colour coding or long term rating	£ limit	Time limit
Banks and Building Societies	Term deposits, CDs or corporate bonds	Yellow	5m	5 years
		Purple	5m	2 years
		Orange	5m	1 year
		Blue	5m	1 year
		Red	5m	6 months
		Green	5m	100 days
		No colour	nil	Not to be used
Council's Banker (NatWest)			5m	Liquid
DMADF	DMADF account	AAA	Unlimited	6 months
UK Government	UK Gilts	UK sovereign rating	Unlimited	1 year
UK Government	Treasury Bills	UK sovereign rating	Unlimited	1 year
Multilateral development banks	Bonds	AAA	5m	6 months
Local Authorities	Term deposits		5m	1 year
Money Market Funds	MMFs	AAA	5m	Liquid
Enhanced Money Market Funds with a credit score of 1.25	MMFs	Dark pink / AAA	5m	Liquid
Enhanced Money Market Funds with a credit score of 1.5	MMFs	Light pink / AAA	5m	Liquid
Other investments:				
Pooled funds		£5m per fund		
Mercia Waste Management (providing finance for Energy from Waste Plant)		£40m over the course of the contract		

Types of Investments

6.8 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 councils banker) when investments will be restricted to overnight deposits.

Treasury Management Strategy Statement 2016/17

- **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 the 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 council's investment objectives will be monitored regularly.

Specified Investments

6.9 The CLG Guidance defines specified investments as those:

- denominated in pound sterling,

Treasury Management Strategy Statement 2016/17

- 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”.

6.10 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

6.11 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, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits	
	Cash limit
Total long-term investments	£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 2016/17

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.

7.3 In line with the CLG Guidance, the policy for the 2016/17 calculation of MRP (unchanged from previous years) is as follows:

Treasury Management Strategy Statement 2016/17

- For supported capital expenditure before 31 March 2004 MRP will be determined as 4% of the Capital Financing Requirement in respect of that expenditure.
- For unsupported capital expenditure incurred after 31 March 2011, 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 2016/17 will not be subject to a MRP charge until 2017/18 at the earliest.
 - For assets acquired by finance leases or Private Finance Initiatives, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
 - For loans and grants towards capital expenditure by third parties, prudential borrowing will be repaid over the life of the asset in relation to which the third party expenditure is incurred.

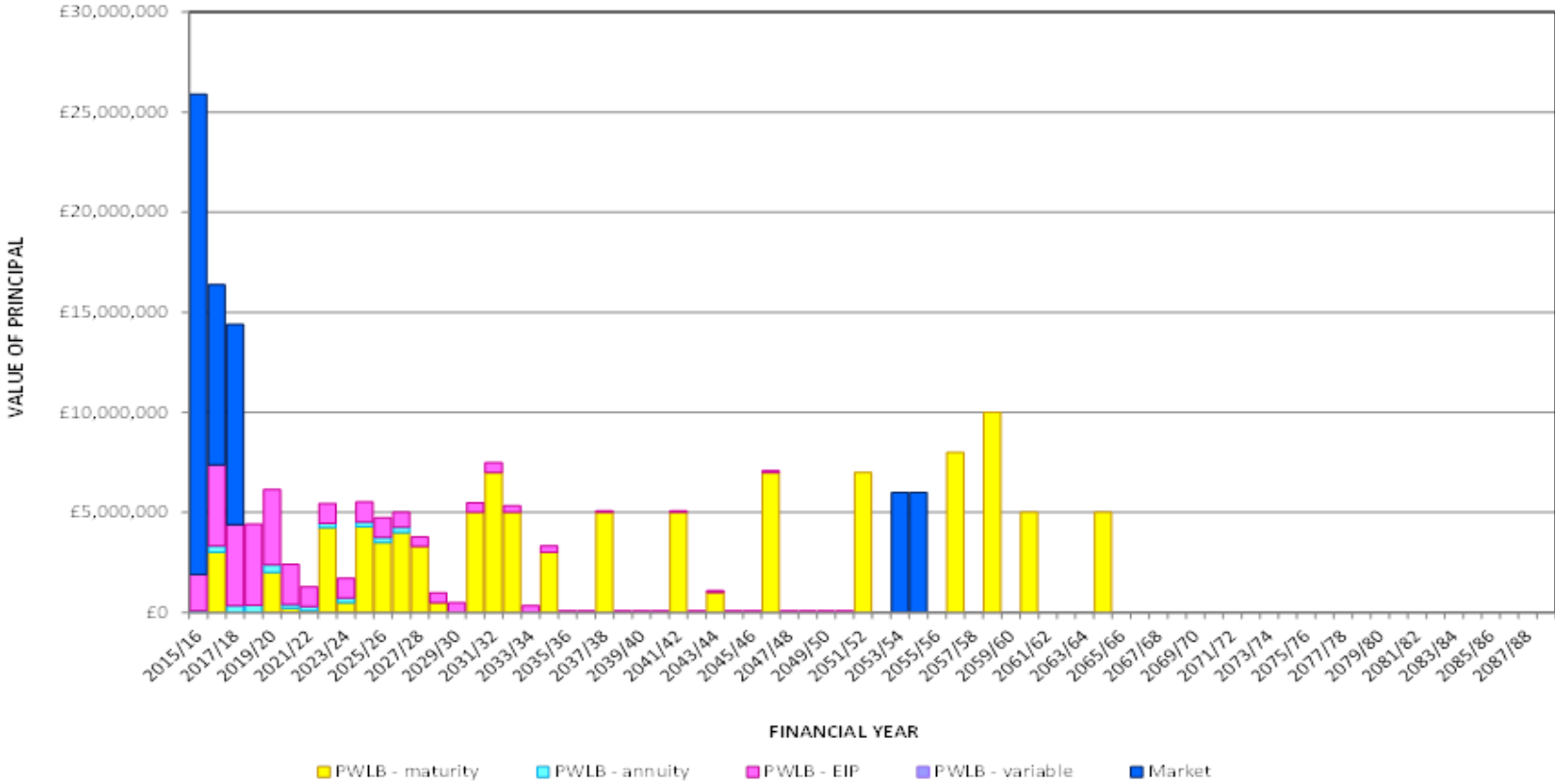
7.4 Based on the Authority's latest estimate of its Capital Financing Requirement on 31 March 2017, the budget for MRP has been set as follows:

	31.03.2017 Estimated CFR £000	2016/17 Estimated MRP £000
Pre 31/03/11 Supported borrowing & Adj A	106,981	4,458
Prudential borrowing	184,120	5,073
Finance leases and Private Finance Initiative	25,181	1,282
Other loans (Salix)	395	155
Total	316,677	10,968

EXISTING BORROWING & INVESTMENTS AS AT 30 NOVEMBER 2015

External Borrowing:	Actual Portfolio £m	Average Rate %
<u>Long-term loans (all fixed rate)</u>		
Public Works Loan Board	127.0	4.16%
LOBO Loans	12.0	4.50%
<u>Short-term loans</u>		
Local Authorities	42.5	0.55%
Total External Borrowing	181.5	3.23%

Investments:	Actual Portfolio £m	Average Rate %
NatWest Liquidity Account (Instant Access)	0.2	0.25%
Money Market Funds (Instant Access)	3.3	0.50%
Close Brothers Bank (One Month Notice Account)	2.5	1.00%
Total Investments	6.0	0.69%



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 Programme	2015/16 Approved £000	2015/16 Revised £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Expenditure	66,573	77,089	75,075	50,701	30,462
Funding					
Capital receipts	7,128	5,763	7,900	6,400	0
Capital Grants	14,258	29,167	24,343	35,873	29,386
Prudential Borrowing	45,187	40,809	42,532	8,428	1,076
Other	0	1,350	300	0	0
Total	66,573	77,089	75,075	50,701	30,462

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. The table below includes PFI contracts:

Treasury Management Strategy Statement 2016/17

Capital Financing Requirement	2015/16 Approved £000	2015/16 Revised £000	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Total CFR	258,909	285,109	316,677	310,744	296,782

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 should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 4.2 The Section 151 Officer (the Director of Resources) 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 finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the council's debt.

Operational Boundary	2015/16 Approved £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Operational Boundary for Borrowing	240	265	295	290	275
Operational Boundary for other Long-Term Liabilities	30	30	30	30	25
Operational Boundary for External Debt	270	295	325	320	300

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.

Treasury Management Strategy Statement 2016/17

Authorised Limit	2015/16 Approved £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Authorised Limit for Borrowing	250	275	305	300	285
Authorised Limit for other Long-Term Liabilities	40	40	40	40	40
Authorised Limit for External Debt	290	315	345	340	325

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	2015/16 Approved £'000	2015/16 Revised £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Net Revenue Stream	146,135	145,364	143,529	140,508	139,964
Financing Costs	16,416	15,900	17,096	16,271	17,608
Percentage	11.23%	10.94%	11.91%	11.58%	12.58%

Note: the net revenue stream comprises council tax receipts, inclusive of 2% adults precept, plus government funding excluding specific grants.

7.3 The above table shows budgeted financing costs within the council's medium term financial strategy.

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 treasury management to the estimated tax base.

Treasury Management Strategy Statement 2016/17

	2016/17 Estimate £000	2017/18 Estimate £000	2018/19 Estimate £000
Addition / (reduction) in total treasury budget	1,196	(825)	1,337
Estimated tax base (number)	66,873	67,462	68,013
Estimated impact per Band D council tax charge, per annum	£17.88	(£12.23)	£19.66

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 e.

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 an unexpected hike in interest rates but the benefits of affordability and flexibility (enabling the council to reduce its short-term borrowing either to reduce cash investments at times of heightened credit risk or when the borrowing can be replaced by the proceeds from fixed asset sales) outweigh the increased interest rate risk.

	2015/16 Approved	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	50%	50%	50%	50%	50%

Treasury Management Strategy Statement 2016/17

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 date on which the loans could be repaid. The council's two LOBO loans could become repayable within 12 months although, if the lenders do not increase the interest rates being charged, which is the current assumption, then the loans could remain outstanding until 2054.

Maturity structure of fixed rate borrowing	Estimated level at 31/03/16	Lower Limit for 2016/17	Upper Limit for 2016/17
Under 12 months	13.65%	0%	20%
12 months and within 24 months	3.10%	0%	20%
24 months and within 5 years	9.13%	0%	20%
5 years and within 10 years	13.17%	0%	20%
10 years and within 20 years	26.29%	0%	40%
20 years and within 30 years	8.35%	0%	40%
30 years and within 40 years	6.58%	0%	40%
40 years and within 50 years	19.73%	0%	40%
Total	100.00%		

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

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

Upper Limit for total principal sums invested over 364 days	2015/16 Approved £m	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
	5	5	5	5	5

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

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
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	2.00	2.10	2.20	2.30	2.40	2.50	2.60	2.70	2.80	2.90	3.00	3.10	3.20
10 years	2.60	2.70	2.80	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.60	3.70
25 years	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10	4.10
50 years	3.20	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.90	3.90	4.00	4.00	4.00
The above PWLB rates are noted by Capita Asset Services as being their “central” or most likely forecast, however, they also note that there are upside and downside risks to their forecast.													

Forecast:

- The council’s treasury advisors forecast the bank base rate to stay on hold until quarter four of 2016 at which point small stepped increases are anticipated. It is anticipated the bank base rate standing at 1.75% at March 2019. Capital Economics has a similar interest rate forecast profile to the aforementioned.
- The forecast reflects the difference in the strength and pace of recovery between the US and UK, where the US made a start on increasing their interest rates in December 2015.

Treasury Management Strategy Statement 2016/17

Council budget:

- As can be seen from the table above, the council's treasury advisors central forecast is for the Bank Base Rate to increase during 2016/17 from 0.5% to 0.75%. However, they advise that there is a downside risk that they could remain at 0.5% throughout the year. The council's short-term borrowing budget has been based on a rate of up to 1.5% which should incorporate sufficient headroom to accommodate any unexpected changes in the Base Rate.
- The investment budget is based on the council's treasury advisor's central forecast using average interest rates of 0.6%, assuming that investment balances will be lower in 2016/17 with the majority of funds held in instant access accounts.
- Should the Bank Base Rate increase sooner or more rapidly than forecast the increased yield on investments will partly offset any increase in short-term variable rates.

TREASURY MANAGEMENT POLICY STATEMENT

1. Statement of Purpose

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

2. Key Principles

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

3. Adopted Clauses

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

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

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

Treasury Management Strategy Statement 2016/17

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

4. Definition of Treasury Management

4.1 Herefordshire council defines its treasury management activities as: -

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

5. Policy Objectives

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

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

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	Total 16-20 £m
Adults and wellbeing	4.1	2.3	1.8	1.7	9.9
Children's wellbeing	1.6	1.3	1.4	1.0	5.3
Economy, communities and corporate	5.2	3.4	2.3	2.3	13.2
Total	10.9	7.0	5.5	5.0	28.4

Savings Proposals
Adults and Wellbeing Directorate

Savings Proposal	Impact	Savings Plans				
		2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Re-commissioning care contracts and supported living agreements, implementation of policy and pricing changes for nursing placements, carers respite and transport services.	Removal or reduction in transport funding to individuals and the carers respite provision, whilst still meeting all eligible needs	1,650	1,045	800	750	4,245
Introduction of outcomes based assessments and reviews, focussing on high cost care packages and reductions in domiciliary care hours.	Will lead to more equitable service provision that still meets all eligible needs but is provided at a reduced average cost. Care packages will be removed from non-eligible carers	1,850	500	400	350	3,100
Increased income from applying the new guidance in the Care Act, including joint assessments and minimum income guarantees. In addition, a small flat rate charge will be applied to service users who are in receipt of telecare.	The impact of these changes will be affordable as all services will only be charged following individual financial assessment in line with Care Act requirements. Telecare users, subject to financial affordability and following consultation will be charged between £2.70 and £3.50 per week.	380	150	100	100	730
Reduction in staffing will be delivered through a review of the commissioning and contracts team and minor changes to the staffing structures within operational locality teams.	There will be no direct impact on service users.	150	600	450	500	1,700
Organisational redesign savings	Efficiency savings	88				88
Total		4,118	2,295	1,750	1,700	9,863

Savings Proposals

Children's Wellbeing Directorate

		Savings Plans				
Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Manage contract inflation and secure contract efficiencies.	No impact - efficiency savings from service providers	200	250	250	250	950
Re-unifying children with their families or an alternative family based permanent home including adoption where appropriate. 2016/17 increase reflects spending in 2015/16 as well as reductions in spending.	Will provide better long term outcomes for children who are in care which are more cost effective.		316	572	200	1,088
Developing appropriate housing arrangements and options for 17 year olds to promote independent living which removes the need for young people to be in the care of the local authority.	Providing young people better access to housing tenancies and other options to support them to become independent adults.	300	250	250	250	1,050
Review of allowances paid to families providing homes for other peoples children on a permanent basis, including special guardianship, adoption and child arrangements.	The revised policy will provide a fairer and more transparent approach. This will result in some families receiving less and others receiving more, however service users will still have their eligible needs met.	200				200
Accessing government grant to focus early help on the most vulnerable families to reduce the need for higher cost services.	Improved school attendance, educational achievement, reduced anti-social behaviour and youth offending and increased employment.	270	100	150	150	670
Continuing the social worker recruitment and retention strategy (grow our own, cap agency rates, specific recruitment, overseas recruitment and alternative contracts) to increase the number of permanent social workers and reduce agency staff.	Ensuring families benefit from a consistent and established service through a stable and capable social worker workforce.	300	250	100	100	750
Reduce numbers of managers, overheads and a reduction in contribution to the Youth Offending Service (YOS) contract.	No impact - efficiency saving.	230	100	100	100	530
Organisational redesign savings	Efficiency savings	159				159
		1,659	1,266	1,422	1,050	5,397

Savings Proposals
Economy, Communities & Corporate

		Savings Plans				
Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Efficiency savings Initiatives include: Management savings, Staff restructures, capitalisation of staff costs, reduction of grants to third party organisations, saving on printing cost, Elections service design review, increased income from the translation service, reduction in storage costs at the Modern Records Unit and Planning fee income.	No impact - efficiency savings	818	295	100	180	1,393
Back Office Services and Corporate Accommodation efficiencies	No impact - efficiency saving	550	500	450	250	1,750
Increase Crematorium Fees	Benchmarking and aligning fees against neighbouring authorities	150				150
Car Parking charges increase	Increase in fees to support the Council's sustainable transport policies and manage available spaces to support local economy. Potential adverse impact on trade if charges deter visitors. Structure of charges will aim to address local circumstances and encourage visitors and shoppers to visit Hereford and the market towns. Income will be targeted to support transport services in accordance with the Council's Local Transport Plan. Increase income by 20% in 2016/17 5% Increase 2017/18 5% increase 2018/19	750	225	235		1,210
On-Street Car parking Project 136	Introduction of on street charges in central Hereford and potential extension of residents parking in surrounding areas which will provide ongoing revenue to support transport services. Proposals will improve traffic circulation, increase turnover and availability of short term parking for shoppers, ensure provision for loading and unloading and improve parking for residents living close to the city centre.	58	172			230
Reduced cost of Public and School / College Transport and moving public transport information to online only	Reduction in public transport services, increased income from parental contributions and Post 16 SEN transport users. Further savings from contract efficiencies. A transport funding review is underway which will explore a range of opportunities to reduce costs across all local passenger transport services and alternative sources of funding to support such service, including Public Health funding. Savings are likely to be achievable through the integration of passenger transport contracts, service efficiencies, moving more users onto commercial and supported bus services and review of eligibility for services. If this approach does not achieve the full savings target, it may be necessary to further reduce public transport subsidy.	150	250	180	150	730
Phased removal of subsidy for Community Transport organisations	The phased reduction in the support to Community Transport providers commenced in 2015/16 and the exploration of alternative funding sources to support such services, including from Public Health funding. To continue this to full reduction by 2019/20 will have provided a five year transition period for providers to seek opportunities to increase their independent financial viability. Support has been made available for providers to take on more contracted work and also to assist them to increase their capacity. Grants have been available for new fleet and could be made available in future subject to funding being available.			60	75	135
Change the Highway Maintenance Plan to allow higher quality planned repairs to be undertaken for significant safety related pothole defects rather than the current temporary fixes required to meet reactive timescales. This will reduce the overall cost and reduce the need for repeat treatments.	There are approximately 50 potholes a month that are currently filled temporarily in this way and this change will allow them to form part of a programme of works on the basis of a risk assessment based on location, road type and traffic flow, as occurs with other defects. The new method will be more cost effective.	150	150			300

Savings Proposals
Economy, Communities & Corporate

Savings Proposal	Impact	Savings Plans				
		2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Phased removal of subsidies to parish councils for the Lengthsman and Parish Paths .	The condition of minor roads in Parish areas will be dependent upon whether Parish Councils choose to replace the subsidy from their own resources.		100	100	100	300
Community asset transfer of parks and open spaces	Sports pitch and parks maintenance cost saving through a programme to transfer responsibility for assets to community groups, town and parish councils and others. Impact of this proposal could see communities taking greater care and ownership of their local environment.	60	100	90		250
Increased income and efficiency within Public Realm Services	Increase income from increased enforcement in relation to works carried out by Utility companies on the highway (NRSWA) - reduction in Highway defects. Investment in fleet and plant to reduce ongoing revenue cost and maintenance. No adverse impact upon service. Environmental service redesign Review of service to streamline and reduce cost of cleansing and monitoring of waste/litter related issues. Improved environment through better coordination.	250	230	25	25	530
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. Plus additional Waste Management savings. Proposals include increased income from commercial waste collections, as well as waste treatment savings.	No further impact - non-recyclable waste is now collected every fortnight rather than weekly, the saving is the full-year effect of the changes	755	30	30	30	845
Income from Solar Panels and Street Lighting Energy Efficiency Savings Capital investment in solar panels to reduce energy costs and attract Government renewable energy subsidies Expiry of repayments for energy efficiency loan supporting Street Lighting investment	No impact - energy efficiency saving	60	145			205
Asset Review Capital receipts from sale of assets will be used to offset debt costs or increased revenue opportunities.	This may effect some tenants of council owned property		250	400	1,000	1,650
Facilities Management Service	Shire Hall and Town Hall to become appointment based centres e.g. custodians not permanently onsite. Increased income from charging for Council Civic Buildings.	90	30			120
Withdrawal of Subsidies to Cultural Services partners Phased withdrawal of subsidies to: HALO; Courtyard; Visit Herefordshire; Brightstripe	Cultural partners to innovate and create sustainable self-financing delivery models	863				863
Withdrawal of Museum and Heritage Services subsidy	Phased withdrawal of subsidies to Museum and Heritage Services, and create sustainable self-financing delivery models		100	150	250	500
Savings in Customer and Library Services	That a new way of operating libraries and customer services is explored. This involves retaining the services important to residents and acknowledges the health, well being and economic value of libraries. Any future approach will reflect the value placed upon customer services and libraries by ensuring greater community involvement in the service. This will encompass looking at different options for funding the service including fundraising, joint funding by partners and income generation as well as looking at cost savings.		380	380		760
Sub Total		4,704	2,957	2,200	2,060	11,921

Savings Proposals
Economy, Communities & Corporate

		Savings Plans				
Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Revisions to the Council Tax Reduction Scheme - as approved by Council on 18 December 2015 in 2016/17 reduce the level of subsidy provided will reduce from 84% to 80% but certain claimants discount will be protected at 84%. The revised scheme will remain in place in 2017/18 and will deliver additional savings following the withdrawal of expected tax credit changes.	The lowest earners in Herefordshire, approximately 4,500 individuals, currently pay 16% of their total Council tax bill. By reducing the level of discount available, the Council is able to limit the impact upon services which benefit the wider community. There is a risk that some claimants may not be able to pay the increased charge and place their household into financial hardship. This is to be mitigated a revised hardship scheme. Pensioners will continue to receive additional discounts and the vulnerable will continue to have access to welfare support to mitigate these changes.	200	150			350
Removal of the Council Tax Reduction subsidy to parishes - as approved by Cabinet on 3 December the grant funding to parishes is to be withdrawn on a phased basis	This saving has no impact on parish percept requirements. Removal of the grant will be phased, limiting the effect on the tax payers bill to 0.4% in any one year. The average overall increase will be 0.3%.	247	42			289
Organisational redesign savings	Efficiency savings		300	100	200	600
Sub Total		447	492	100	200	1,239
Total		5,151	3,449	2,300	2,260	13,160

2015/16 Budget Monitoring – November 2015

- 1 The projected outturn based on spend to the end of November 2015 is an overspend of £367k, a reduction based on the amount reported to Cabinet due to further savings of £0.6m being realised in ECC. The council has an unallocated contingency budget of £0.7m which if not used in the next three months will mean that overall spending will come within budget by year-end. However, the position identifies further pressures within Children’s Safeguarding, increasing the over-spend in Childrens Wellbeing to £1.9m. Alternative savings will need to be identified over the next few months to ensure their 2016/17 budget can be achieved.

Projected Revenue Outturn 2015/16

Directorate Net Budget	Net Budget	November Outturn	November Variance
	£000	£000	£000
			Over / (Under)spend
Adults and Wellbeing	53,816	53,895	79
Children’s Wellbeing	23,187	25,072	1,885
Economy, Communities & Corporate	53,429	52,432	(997)
Directorate total	130,432	131,399	967
Other budgets and reserves	11,561	10,961	(600)
TOTAL	141,993	142,360	367

Adults Wellbeing

- 2 The latest forecast predicts a £79k overspend of the budget at year end. The forecast overspend within adult social care client groups is £987k at year end. This is due to higher than budgeted demand particularly for personal budgets. The budget has been re-based for 2016/17 to take account of this pressure.

Children’s Wellbeing

- 3 The forecast outturn is an overspend of £1.9m, £2.2m in children’s safeguarding. This reflects an additional residential placement costing £4,400 per week, and some extensions to external foster placements. This represents the costs continuing until

Further information on the subject of this report is available from Peter Robinson, director of resources on Tel (01432) 383519

the end of the financial year, although court proceedings in January 2016 may reduce the cost pressure.

Economy, Communities and Corporate

- 7 The November forecast outturn is an underspend of £997k, a favourable change of £613k compared to the October forecast. This relates to staff savings in procurement of £160k, increased parking income of £100k, and energy costs reductions of £50k. There are directorate salary savings of £80k

Other Budgets and Reserves

- 8 The forecast outturn is to underspend by £600k compared to the budget. The underspend is in two areas, managing change is expected to underspend by £100k based on current redundancy estimates and a one off contribution to the general fund reserve of £500k is not required due to the £600k underspend in 2014/15 being transferred to reserves last year.

Cumulative Equality Impact Assessment of Budget 2016/17

Carol Trachonitis, January 2016

1. Background

Herefordshire Council has a saving target of £10.9m in the financial year 2016/17. In order to achieve this, budget proposals have been 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 four years a total £28m of savings are required.

This document summarises the Equality Impact Assessment for the budget proposals for the financial year 2016/17. 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 persons 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 2010¹).

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 2016/17 and, where new proposals have been put forward, new impact assessments have been completed. Also, where we have implemented changes we have reviewed the impact of those changes, summarised in appendix 4.

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)

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:

- Enable residents to live safe, healthy and independent lives
- Keep children and young people safe and give them a great start in life
- Support the growth of our economy and the number of people in work
- Secure better services, quality of life and value for money

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 still need 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:

- Final comprehensive spending review
- Specific grant funding allocations
- Increased integration with health
- Devolution of services to local authorities
- Retention of business rates
- The on-going costs of refugees and asylum seekers
- 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. This may not impact on specific protected characteristics, but will impact on those who have a low income.

Priorities and Budget Consultation 2016-2020

Version 1.1
Strategic intelligence team

December 2015



Contents

Executive summary	3
Introduction	4
Methodology	4
Results	5
The council's priorities	5
The council's budget	9
Town and parish councils, community groups and voluntary organisations	13
How can we generate income?	15
About the respondents	19
Appendix A-Q1: Detailed analysis of responses to question 1	20
Appendix A-Q3: Detailed analysis of responses to question 3	21
Appendix B: Analysis of free text comments	23
Appendix C: The questionnaire	26

Version history:

Version	Date	Organiser	Description
V1.0	30.10.2015	Strategic intelligence team	Final report
V1.1	02.12.2015	Strategic intelligence team	Final report with qualitative analysis

If you need help to understand this document, or would like it in another format or language, please call the Research Team on 01432 261944 or e-mail researchteam@herefordshire.gov.uk.

Executive summary

- The consultation on Herefordshire Council's priorities and budget for 2016 to 2020 ran from late July to early October 2015. A questionnaire was available online and hard copies were distributed at promotion events in the city and market towns.
- There were 1,979 responses to the questionnaire; 60 per cent of which were completed on paper.
- Of the three council priorities that respondents were asked to rank (question 1), the general pattern of responses suggested that 'enable residents to live safe, healthy and independent lives' was most important, followed by 'keep children and young people safe and give them a great start in life' then 'support the growth of our economy and the number of people in work'.
- However, almost three quarters of respondents thought that the council should identify other priority areas (Q2). Most popular among these were keeping the libraries and customer services open; public transport and infrastructure were other highly preferred areas of priority.
- With regard to income and savings proposals (Q3), there was a general preference for those that would generate income and less preference for the savings options. In particular 'sell our smallholdings estate of 4,500 acres, including 45 farms, to reduce our debt repayments' was the most preferred option of almost a third of respondents. By far the least preferred proposal was the savings that would be generated by 'reducing customer services and libraries across the county' (least preferred option of more than half of respondents).
- Almost two thirds (63 per cent) of respondents thought that the council should continue to fund town and parish councils (Q4).
- Over half (58 per cent) of respondents thought that town and parish councils, community groups or voluntary organisations could do more to help deliver services if Herefordshire Council reduces or stops delivering a particular service (Q5). Suggestions for which services included grass cutting and the general maintenance of public spaces such as parks, streets, roads and footpaths; community transport services; and libraries and museums.
- The majority (61 per cent) of respondents would support an increase in council tax above two per cent to support services and defer savings for a year (Q6). Of these, half supported a three per cent increase and the other half supported a five per cent increase in council tax.
- An even larger majority (71 per cent) of respondents thought that the council should increase service charges to protect other services across the county (Q7).
- Just over half (52 per cent) of respondents would support an increase in council tax above two per cent and also thought the council should increase service charges.

Introduction

The consultation on Herefordshire Council's priorities and budget for 2016-2020 began on Friday 24 July 2015 and ended on Friday 9 October 2015. This report presents the key points from the analysis of responses received by 14 October. The consultation was publicised on the council's website with the following background documents:

- [Income and savings proposals](#)
- [Council's budget report 6 February 2015](#)

Methodology

The consultation questionnaire was published on the Herefordshire Council website and people were invited to complete it online. A printable version of the questionnaire was made available for the people who would like to download, print and complete. Paper questionnaires were also distributed at the events organised in all market towns to promote the consultation. The consultation was also promoted on social media via the council's Twitter and Facebook.

This report presents the results of the combined online and paper responses to the questionnaire. The sample base is the number of respondents to the question and is the base from which percentages are calculated. The sample base used is specified for each question. Percentages are presented rounded to the nearest whole number in the tables; however the charts are based on unrounded percentages.

Note that if respondents could select more than one answer to a particular question, the percentages may add up to more than 100 per cent.

Where comments have been provided these are listed in full but have been anonymised and corrected for spelling where appropriate.

There were a total of 1,979 responses to the questionnaire, of which 784 were submitted online and 1,195 were completed paper copies.

The consultation also received 30 other responses in the form of 16 letters and 14 emails. Because they didn't answer the standard questions it is not possible to include them in the analysis presented here.

Results

The council's priorities

Q1. How would you choose to rate these priorities in terms of most important and least important? (1 = most important and 3 = least important)

The three priorities that this question asked respondents to rank in order of importance were:

- Enable residents to live safe, healthy and independent lives
- Keep children and young people safe and give them a great start in life
- Support the growth of our economy and the number of people in work

In the final version of the online survey it was only possible for respondents to assign each rank to one option only, but in an earlier version and for people who responded on paper it was possible to assign ranks more than once. 615 respondents – 32 per cent of the total number who responded to this question – assigned at least one rank to more than one option. These responses have an impact on the overall result, because there was a tendency amongst them to say that all three priorities were equally (most) important. Details of how these responses varied from the rest, are given in Appendix A-Q1, but for simplicity and to ensure that all responses are taken into account the analysis below includes all responses to the question.

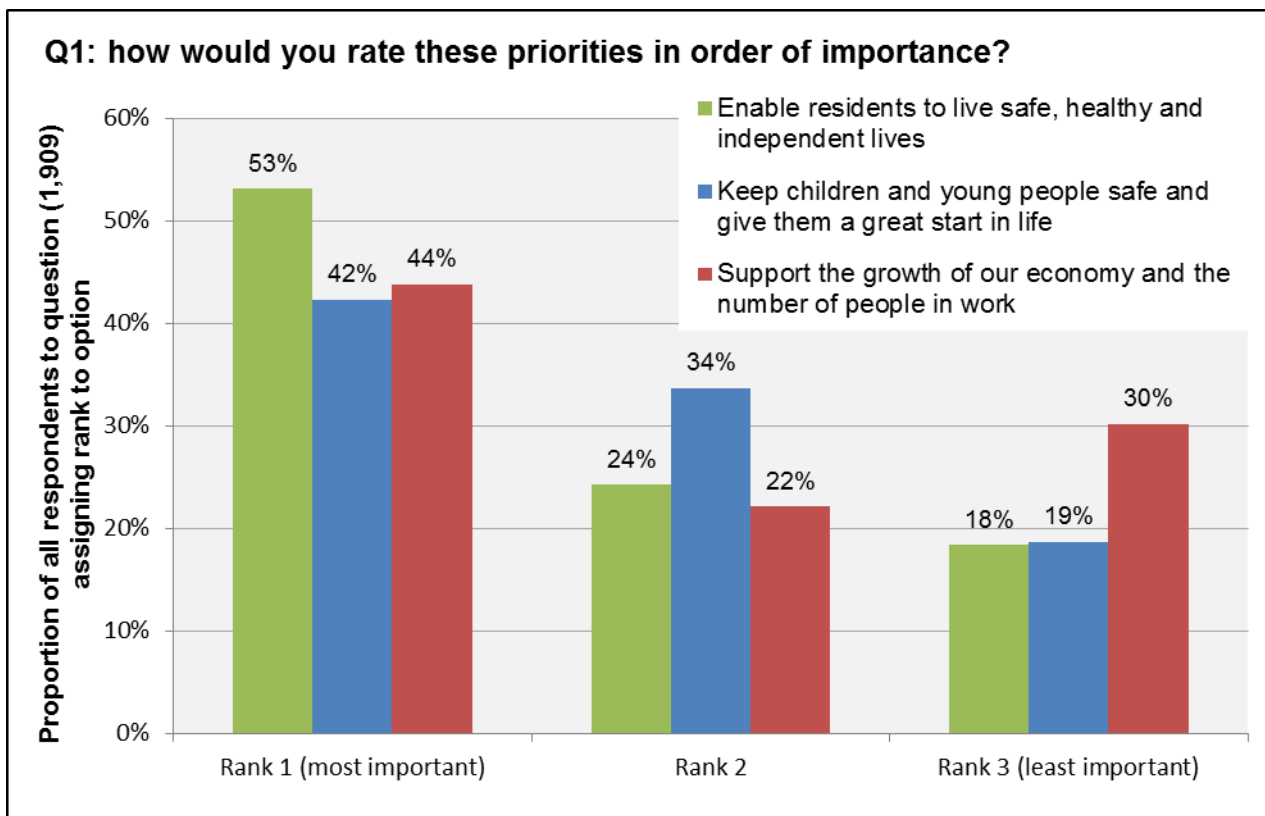
Because of the number of people who said that all priorities were equally important, when combining all 1,909 responses to the question the most common response for each option was 'most important' (see chart 1). However, it is possible to identify a general pattern of order of importance:

- **'Enable residents to live safe, healthy and independent lives' was most important** to more people than either of the other priorities (53 per cent of respondents compared to 44 per cent for the economic priority and 42 for children and young people)
- **'Keep children and young people safe and give them a great start in life' was second most important** to a higher proportion of people than any other (34 per cent), and was given first or second by a similar proportion to enabling residents to live safe, healthy and independent lives (76 per cent compared to 77 per cent)
- **'Support the growth of our economy and the number of people in work' was least important** to more respondents than either of the other priorities (30 per cent compared to 19 per cent for children and young people and 18 per cent for safe, healthy and independent lives)

Table 1: responses to question 1

Priority	Rank	All responses combined (1,909)		
		1	2	3
Enable residents to live safe, healthy and independent lives		53%	24%	18%
Keep children and young people safe and give them a great start in life		42%	34%	19%
Support the growth of our economy and the number of people in work		44%	22%	30%

Chart 1: proportion of respondents to question 1 who assigned each rank to each priority



Q2. Are there any other areas which you think the council should identify as a priority?

If yes, please specify the priorities you believe we should focus on.

Just under three quarters of respondents (72 per cent) thought that there were other areas that the council should identify as a priority, and 1,300 people made a suggestion as to what the other priorities should be. Please note that some respondents who answered 'No' to this question and people who did not answer Q2 also made suggestions.

The word cloud in figure 1 identifies the words that featured in the 1,300 suggestions. From a more detailed analysis of the comments made to this question, the most frequently quoted priorities were:

1. Libraries, customer services and public toilets

“ *Public library services, which under the 1964 Public Libraries Act are a statutory requirement, and provide education, entertainment & improve health, particularly for the young & disadvantaged.* ”

2. Public transport including transport subsidies/grants, sustainable transport

“ *Retaining public transport - if we don't want more problems associated with isolation in the rural communities in which we live then access to services is key.* ”

3. Infrastructure including roads and broadband

“ *Maintain the infrastructure of the county such as existing roads, bus travel and public rights of way. They have been neglected by the council yet all provide the services that support the above 3 objectives.* ”

The next most common other priorities suggested were:

- support elderly to live an independent & healthy lives including adult social care
- children's wellbeing including education, provision of local school places, school transport
- cutting down council's internal costs e.g. high paid staff; interim consultants; short term funded projects
- focus on climate change / green energy / protect the environment

Please see Appendix B-Q2 for further analysis of the comments made to question 2.

The council's budget

Q3. How would you choose to prioritise the following areas (see table 3 for full list) in terms of which you would implement first compared to last in order to reduce spending?

This question asked respondents to rank eleven options in order of preference (1 = first and 11 = last). Three of the options related to ways in which the council could generate income and the other eight related to areas of potential savings.

In the final version of the online survey it was only possible to assign each rank to one option only, but in an earlier version and for people who responded on paper it was possible to assign ranks more than once. 664 respondents – 34 per cent of the total number who responded to this question – assigned at least one rank to more than one option. These responses had the potential to skew the overall result, so they were looked at separately to the 'correct' responses. Respondents who used ranks more than once tended to favour either rank 11, i.e. to say that two or more options were their least preferred, or rank 1, i.e. to have joint favourite options: rank 11 was the most popular rank for all options except 'introduce on street car parking charges in Hereford' and 'sell our smallholdings estate' amongst these 664 respondents. For the latter, rank 1 was the most popular.

Details of how these 664 responses varied from the rest are given in Appendix A-Q3, but they did not significantly affect the overall findings. So for simplicity and to ensure that all responses are taken into account the analysis below includes all responses to the question.

To give an overall indication of relative preference between the options, the ranks assigned to each option by each respondent were given a weight (from -5 for least preferred to +5 for most preferred) which were then converted into an overall score out of 100 for each option – see chart 3 on the next page.

There were some clear messages from these scores and the distribution of the ranks (see table 3):

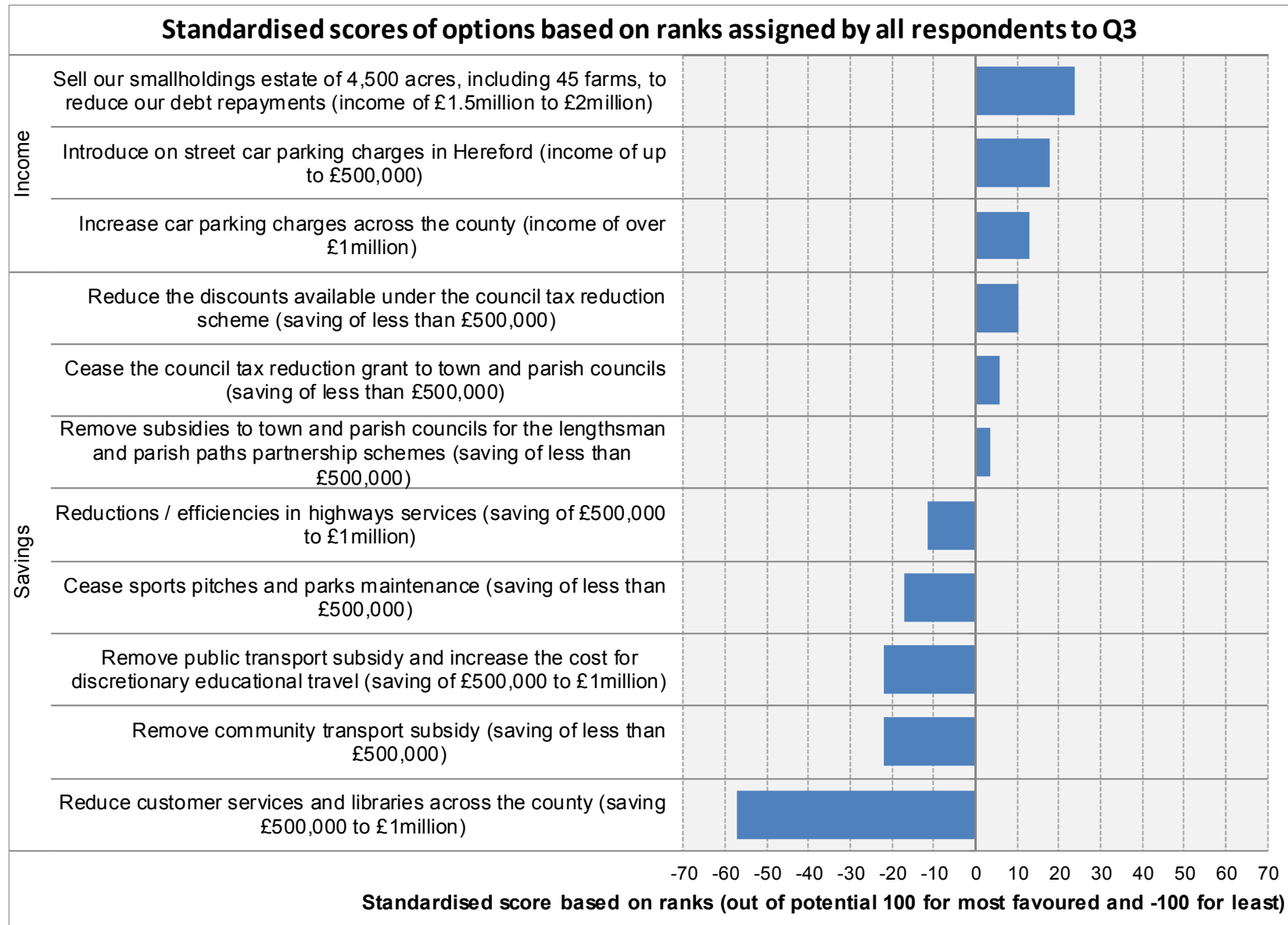
- There was a general preference for those that would generate income:
 - 37 per cent of respondents ranked 'selling our smallholdings estate' as their first or second preference
 - 'Increase car parking charges across the county' received the next highest number of first choices (22 per cent) and was the second choice of a further 10 per cent; but 'introduce on street car parking charges in Hereford' received more first and second choices combined (35 per cent)

- Altogether, these three options were ranked as most preferred by 70 per cent of respondents - and no other option received more first choices than any of them individually.
- There was less preference for the savings options, although a few were preferred over others:
 - 30 per cent of respondents ranked 'reduce the discounts available under the council tax reduction scheme' as either first, second or third preference
 - 'Cease the council tax reduction grant to town and parish councils' was first, second or third preference for 26 per cent; as was 'remove subsidies to town and parish councils for the lengthsman and parish paths partnership scheme' for 23 per cent.
- At the other end of the scale,
 - 'Reductions / efficiencies in highways services' and 'cease sports pitches and parks maintenance' were both the least preferred option of 13 per cent of respondents. In total, just under a third of respondents indicated that each of these options were amongst their three least preferred (ranks 9, 10 or 11).
 - 'Remove public transport subsidy and increase the cost for discretionary educational travel' was the least preferred option for 21 per cent of respondents and was amongst the bottom three options for almost 40 per cent. 'Remove community transport subsidy' was the least preferred for 16 per cent and was amongst the bottom three choices for 36 per cent.
- 'Reduce customer services and libraries across the county' was by far the least preferred option, being ranked as least preferred by over half (52 per cent) of respondents – and second least by a further 10 per cent.

Table 3: percentages of all respondents to question 3 that assigned each rank to each option
(most common ranks for each option highlighted and notably large proportions in bold)

Proposal		Rank (1=first and 11=last)										
		1	2	3	4	5	6	7	8	9	10	11
Income	Sell our smallholdings estate of 4,500 acres, including 45 farms, to reduce our debt repayments (income of £1.5million to £2million)	31%	7%	10%	5%	6%	6%	4%	4%	5%	4%	13%
	Introduce on street car parking charges in Hereford (income of up to £500,000)	17%	18%	9%	6%	6%	5%	6%	5%	6%	5%	11%
	Increase car parking charges across the county (income of over £1million)	22%	10%	7%	6%	7%	7%	4%	6%	5%	7%	13%
Savings	Reduce the discounts available under the council tax reduction scheme (saving of less than £500,000)	11%	8%	12%	9%	11%	9%	7%	6%	6%	4%	9%
	Cease the council tax reduction grant to town and parish councils (saving of less than £500,000)	8%	8%	10%	10%	11%	11%	7%	7%	6%	6%	9%
	Remove subsidies to town and parish councils for the lengthsman and parish paths partnership schemes (saving of less than £500,000)	9%	7%	8%	10%	11%	11%	8%	8%	7%	5%	9%
	Reductions / efficiencies in highways services (saving of £500,000 to £1million)	5%	5%	7%	9%	9%	11%	8%	9%	10%	7%	13%
	Cease sports pitches and parks maintenance (saving of less than £500,000)	4%	3%	5%	8%	10%	10%	10%	10%	9%	10%	13%
	Remove public transport subsidy and increase the cost for discretionary educational travel (saving of £500,000 to £1million)	5%	5%	6%	8%	8%	8%	6%	9%	9%	10%	21%
	Remove community transport subsidy (saving of less than £500,000)	4%	3%	5%	7%	10%	9%	8%	10%	10%	10%	16%
	Reduce customer services and libraries across the county (saving £500,000 to £1million)	4%	2%	2%	3%	4%	5%	4%	4%	7%	10%	52%

Chart 3: scores of options based on ranks assigned by all respondents to Q3



Town and parish councils, community groups and voluntary organisations

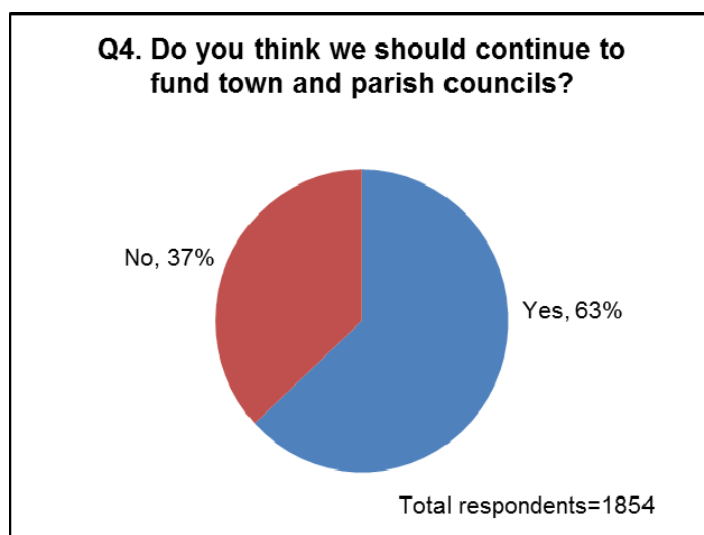
Q4. Do you think we should continue to fund town and parish councils?

Nearly two thirds of respondents (63 per cent) thought that the town and parish councils should continue to be funded by Herefordshire Council.

Table 4: responses to whether council should continue to fund town and parish councils

	Number of respondents	Per cent of respondents
Yes	1,171	63%
No	683	37%
Total respondents	1,854	100%
Not answered	125	

Chart 4: should the council continue to fund town and parish councils?



Q5. If Herefordshire Council reduces or stops delivering a particular service, do you think that town and parish councils, community groups or voluntary organisations can do more to help deliver services in your local community? If yes, please specify what services (this could include cutting the grass, maintaining parks or running a community bus service)

Nearly three fifths of respondents (58 per cent) thought that town and parish councils, community groups or voluntary organisations could do more to help deliver services in their local community if Herefordshire Council reduces or stops delivering a particular service.

The initial analysis indicated that the most common suggestions were:

- grass cutting
- maintaining parks and open spaces / communal areas / sport pitches,
- running a community bus service / car sharing
- helping in the community libraries and museums
- litter collection/street cleaning
- maintaining minor roads and footpaths

Some respondents expressed concerns about delegating the services to parish or town councils, community groups or voluntary organisations:

“ Possibly, but they would need support, which may negate any savings. Many services are already supported by an ageing group of voluntary workers and there is a limit to what local organisations and voluntary groups can do with very little funding. ”

“ There is a safety issue to consider but I believe all rural roads need to be adopted by the parish. I also feel that we could do a better job of filling in potholes! This would save one person marking the pothole and a second gang filling. The marked potholes often do not get filled and 'the marker' has to repeat the process. Otherwise summed up above - grass cutting, maintaining parks, sports grounds, community bus, litter picking, cleaning road signs. ”

Please see Appendix B-Q5 for further analysis of the comments made to question 5.

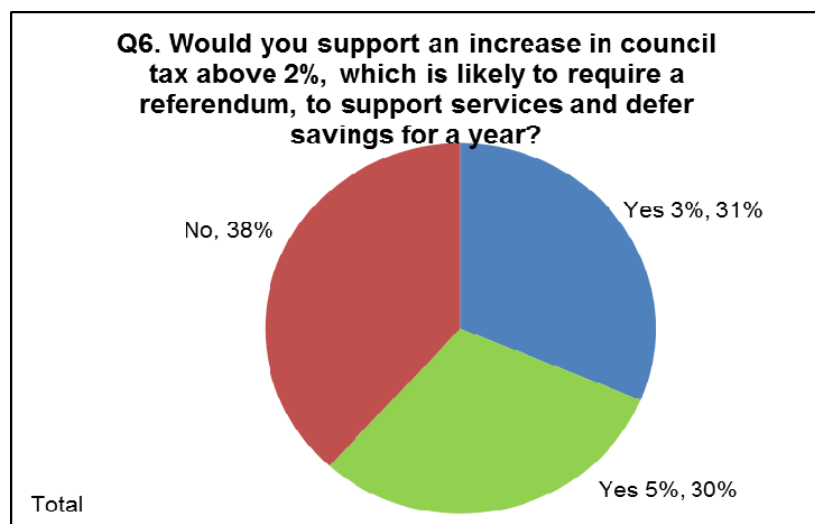
Q6. Would you support an increase in council tax above 2 per cent, which is likely to require a referendum, to support services and defer savings for a year?

Just over three fifths of respondents (62 per cent) would support an increase in council tax above 2 per cent (31 per cent by 3 per cent and 30 per cent by 5 per cent).

Table 6: responses to whether council tax should be increased by more than 2 per cent

	Number of respondents	Per cent of respondents
Yes, by 5%	574	30%
Yes, by 3%	591	31%
No	723	38%
Total respondents	1888	100%
Not answered	91	

Chart 6: would you support an increase in council tax?



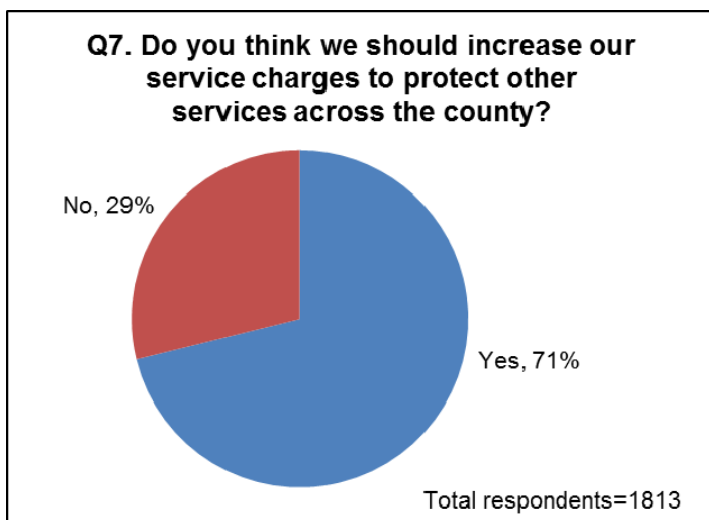
Q7. Do you think we should increase our service charges to protect other services across the county?

Just over seven in ten respondents (71 per cent) thought that Herefordshire Council should increase service charges to protect other services across the county.

Table 7: responses to whether service charges should be increased to protect other services

	Number of respondents	Per cent of respondents
Yes	1,290	71%
No	523	29%
Total respondents	1,813	100%
Not answered	166	

Chart 7: increase service charges to protect other services?



Council tax and service charges (Q6 and Q7)

Of the 1,787 respondents who answered both questions (Q6 and Q7), nearly a fifth (19 per cent) would not support an increase in either council tax or service charges.

Just over half of these respondents (52 per cent) would support both an increase in council tax (either by 3 per cent or 5 per cent) and increases in service charges.

Ten per cent of respondents would support an increase in council tax either by 3 per cent or 5 per cent but did not think the council should increase service charges. Twice as many (19 per cent) would not support an increase in council tax but did think the council should increase service charges.

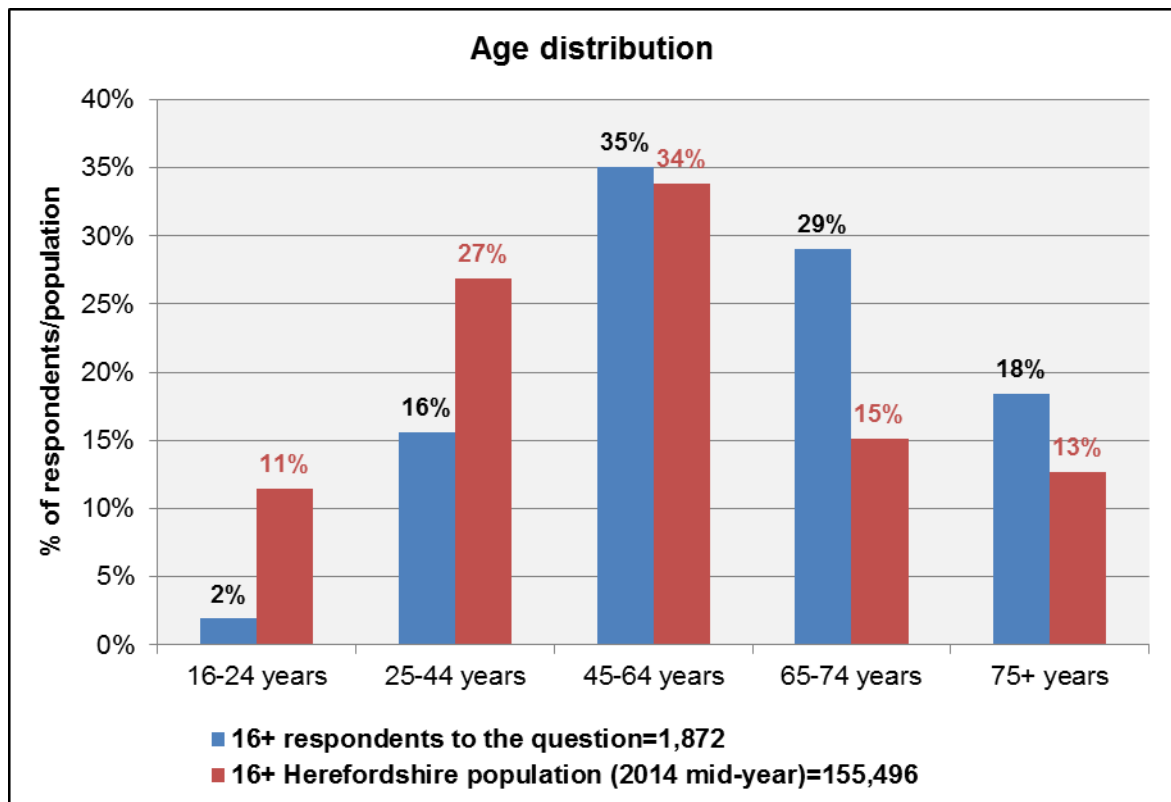
Table 8: comparison of responses to questions 6 and 7

		Q6. Would you support an increase in council tax above 2%, which is likely to require a referendum, to support services and defer savings for a year?		
Total respondents	1,787	No	Yes, by 3%	Yes, by 5%
Q7. Do you think we should increase our service charges to protect other services across the county?	No	334 (19%)	108 (6%)	74 (4%)
	Yes	345 (19%)	460 (26%)	466 (26%)

About the respondents

- One per cent of respondents represented an organisation or a group while 99 per cent were individuals.
- 54 per cent of respondents to the survey were males and 46 per cent were females.
- 47 per cent were aged 65 years or over, 35 per cent were aged 45-64 years and 18 per cent were 24 years or younger. It is clear from chart 8 that people aged 45 years and over are over represented in the consultation.

Chart 8: age distribution of survey respondents and Herefordshire population



- Nearly a fifth of respondents' day-to-day activities were limited a little or limited a lot because of a health problem or disability which has lasted, or is expected to last, at least 12 months.
- The large majority (97 per cent) of respondents identified themselves as English, Scottish, Welsh or British; three per cent identified themselves as Irish or another national identity.
- All of the 93 per cent of respondents who answered the question about their ethnicity identified themselves as 'White' (97 per cent) or 'other White' (three per cent). This is quite different to the adult population of the county according to the 2011 Census: five per cent were 'other white' and two per cent were 'non-white'.
- One in ten respondents felt that they had been treated differently (positively or negatively) because of who they are.

Appendix A-Q1: Detailed analysis of responses to question 1

This section compares the responses of those who assigned ranks to more than one priority in question 1 to those who didn't. It is necessary to do this because different versions of the questionnaire allowed for different interpretations of the question. As mentioned on page 5, amongst the 615 **respondents who assigned tied ranks**, there was a tendency to say that all three options were equally (most) important: 80 per cent of respondents assigned rank 1 to the first option (enable residents to live safe, healthy and independent lives); 73 did to the second (keep children and young people safe and give them a great start in life) and a further 73 to the third option (support the growth of our economy and the number of people in work). Only five to seven per cent of these respondents assigned rank 3 (least important) to any of the options.

There was a clearer order of priorities from the 1,295 **respondents who assigned only one option to each rank**:

- 40 per cent felt that 'enable residents to live safe, healthy and independent lives' was most important
- 41 per cent felt that 'keep children and young people safe and give them a great start in life' was second most important
- 42 per cent felt that 'support the growth of our economy and the number of people in work' was least important

Table 9: responses to question 1 as a proportion of the 615 respondents who assigned at least one rank to more than one option and as a proportion of the 1,295 respondents who assigned one rank for each option

Priority	Rank	Respondents who assigned tied ranks (615)			Respondents who assigned one option to one rank (1,295)		
		1	2	3	1	2	3
Enable residents to live safe, healthy and independent lives		80%	14%	5%	40%	29%	25%
Keep children and young people safe and give them a great start in life		73%	18%	7%	28%	41%	24%
Support the growth of our economy and the number of people in work		73%	21%	5%	30%	22%	42%

Appendix A-Q3: Detailed analysis of responses to question 3

This section compares the responses of those who assigned ranks to more than one proposal in question 3 to those who didn't. It is necessary to do this because different versions of the questionnaire allowed for different interpretations of the question. As described on page 10, a third of respondents to question 3 assigned at least one rank to more than one option. These respondents tended to favour either rank 11, i.e. to say that two or more options were their least preferred, or rank 1, i.e. to have joint favourite options. As the highlighted cells in table 9 show, rank 11 was the most popular for all options except 'introduce on street car parking charges in Hereford' and 'sell our smallholdings estate' amongst these 664 respondents. For the latter, rank 1 was the most popular by a small minority.

Table 10: responses to question 3 as a proportion of the 664 respondents who assigned at least one rank to more than one option
(most common ranks for each option highlighted and notable proportion in bold)

Per cent of respondents assigning each rank to each proposal		Rank (1=first and 11=last)										
		1	2	3	4	5	6	7	8	9	10	11
Income	Sell our smallholdings estate of 4,500 acres, including 45 farms, to reduce our debt repayments	28%	5%	7%	6%	6%	5%	2%	3%	6%	3%	27%
	Increase car parking charges across the county	24%	4%	4%	5%	10%	7%	3%	6%	4%	3%	26%
	Introduce on street car parking charges in Hereford	25%	6%	7%	4%	9%	8%	3%	4%	3%	3%	24%
Savings	Reduce the discounts available under the council tax reduction scheme	18%	4%	9%	5%	9%	10%	4%	3%	5%	5%	21%
	Cease the council tax reduction grant to town and parish councils	14%	4%	6%	8%	10%	11%	5%	5%	5%	5%	20%
	Remove subsidies to town and parish councils for the lengthsman and parish paths partnership schemes	16%	4%	7%	6%	9%	10%	6%	7%	6%	5%	22%
	Reductions / efficiencies in highways services	9%	4%	5%	7%	12%	11%	6%	6%	6%	5%	23%
	Cease sports pitches and parks maintenance	9%	4%	5%	7%	9%	9%	5%	6%	7%	8%	29%
	Remove public transport subsidy and increase the cost for discretionary educational travel	9%	3%	5%	5%	9%	8%	3%	6%	7%	6%	36%
	Remove community transport subsidy	8%	3%	3%	6%	9%	8%	4%	6%	6%	7%	36%
	Reduce customer services and libraries across the county	6%	2%	1%	2%	5%	3%	1%	2%	5%	5%	66%

There were 1,204 respondents who assigned one rank for each option. According to them, there was a clear order of preference for ‘selling our smallholdings estates’, ‘introduce on street car parking charges in Hereford’ and ‘increase car parking charges across the county’ as rank 1, 2 and 3 respectively. ‘Reduce customer services and libraries across the county’ was the least preferred choice (rank 11) for a large majority.

Table 11: responses to question 3 as a proportion of the 1204 respondents who assigned one rank for each option
(most common ranks for each option highlighted and notable proportion in bold)

Per cent of respondents assigning tied ranks to each proposal		Rank (1=first and 11=last)										
		1	2	3	4	5	6	7	8	9	10	11
Income	Sell our smallholdings estate of 4,500 acres, including 45 farms, to reduce our debt repayments (income of £1.5million to £2million)	32%	8%	12%	5%	5%	6%	5%	5%	4%	4%	6%
	Introduce on street car parking charges in Hereford (income of up to £500,000)	12%	24%	9%	7%	5%	4%	7%	6%	8%	7%	3%
	Increase car parking charges across the county (income of over £1million)	21%	13%	8%	6%	6%	7%	5%	5%	5%	10%	6%
Savings	Reduce the discounts available under the council tax reduction scheme (saving of less than £500,000)	7%	10%	13%	12%	12%	8%	9%	7%	7%	4%	2%
	Cease the council tax reduction grant to town and parish councils (saving of less than £500,000)	5%	10%	12%	12%	11%	11%	8%	8%	7%	6%	2%
	Remove subsidies to town and parish councils for the lengthsman and parish paths partnership schemes (saving of less than £500,000)	5%	8%	9%	12%	13%	12%	10%	9%	8%	4%	1%
	Reductions / efficiencies in highways services (saving of £500,000 to £1million)	3%	5%	8%	10%	7%	10%	9%	10%	12%	8%	8%
	Cease sports pitches and parks maintenance (saving of less than £500,000)	1%	3%	5%	9%	11%	11%	13%	12%	10%	11%	4%
	Remove community transport subsidy (saving of less than £500,000)	1%	3%	6%	7%	12%	10%	11%	12%	12%	12%	5%
	Remove public transport subsidy and increase the cost for discretionary educational travel (saving of £500,000 to £1million)	2%	5%	7%	9%	7%	8%	7%	11%	10%	12%	12%
	Reduce customer services and libraries across the county (saving £500,000 to £1million)	4%	2%	2%	3%	4%	5%	6%	5%	8%	13%	44%

Appendix B: Analysis of free text comments

The following analysis presents the key priorities/themes/suggestions emerged from the comments made to questions 2, 5 and 8.

Note: because there were more than one priority/theme/suggestion mentioned in some comments, the percentages are added up to more than 100 per cent.

Q2. Are there any other areas which you think the council should identify as a priority? If yes, please specify the priorities you believe we should focus on.

Key priorities	Proportion of frequency of the priority
Keep local libraries, museums, customer services, and public toilets open	23%
Public transport including transport grants, sustainable transport, reduce congestion	13%
Infrastructure (roads, communication. broadband etc.) and access to services	12%
Support elderly/vulnerable people to live independent and healthy lives, adult social care	7%
Children's wellbeing including education, provision of local school places, school transport, school library service	6%
Cut down Council internal costs e.g. high paid staff/interim consultants/short term funded projects and review contracts and projects	6%
Promote tourism and cultural services	4%
Focus on climate change, green energy and protect environment	4%
Health and wellbeing including mental health, integrate health & social care	4%
Cut grass & clean streets, roads, footpaths, countryside	3%
Housing development/Affordable housing	3%
Community safety/more policing, community cohesion, reduce anti-social behaviour	2%
Promote rural economy including the market towns	2%
Economic growth and more employment opportunities	2%
Opportunities for youth	2%
Cannot separate these priorities	2%
Good place to work/live happily, and a cleaner place to live	2%
Support voluntary organisations, third sector organisations, Citizen Advice Bureau (CAB) and decentralise services	2%
Review council tax, generate revenue and consider cost efficiencies	1%
Road safety	1%
Review car parking charges including disable parking	1%
Integrate council services	1%

Key priorities	Proportion of frequency of the priority
Other priorities such as: development of city centre and high town, maintenance of city centre, provide back office function, retain services in-house/do not sub contract, commission out adults wellbeing and children's wellbeing services, parks and gardens to local companies, affordable recreational/leisure facilities, cut street lighting, provide sports facilities, tackle corruption, learning opportunities, collect the millions of pounds not paid by residents	2%
Other comments*	5%

*All other comments regarding individual topical areas which cannot aggregate in a meaningful way are included in 'other comments'.

Q5. If Herefordshire Council reduces or stops delivering a particular service, do you think that town and parish councils, community groups or voluntary organisations can do more to help deliver services in your local community? If yes, please specify what services (this could include cutting the grass, maintaining parks or running a community bus service)

Key suggestions/ themes	Proportion of frequency of the suggestion
Cutting grass and hedge trimming	32%
Maintain communal areas(parks, play grounds, sport pitches, ...)	29%
Community bus service/car sharing	24%
Other suggestions e.g. parish councils should be consulted for the services, people on benefit or probation should do the work, reduce councillors and their expenses, make a website to advertise/look out for services etc.	13%
Provide libraries, museums and leisure facilities	12%
Litter enforcement	12%
Concerns about health and safety, equipment, training, expenses and liaison/coordinating function	8%
Maintaining roads, footpaths and repair pot holes	4%
Parish councils/ voluntary groups are already delivering these services	4%
Neighbour visiting services, respite and day service, good neighbour service and assisting vulnerable people e.g. with shopping etc.	2%
Lengthsman scheme	2%
Parish council should not take these activities, its county council's responsibility	2%
Volunteers are a limited resource	2%
Delivering a customer contact centre, tourist information/advice hub, signposting services, children centres and Citizens Advice Bureau	1%
More funds should be available or increase the parish council precept in order to deliver these services	1%
Providing winter services and act on emergencies	1%
Other comments*	7%

*All other comments regarding individual topical areas which cannot aggregate in a meaningful way are included in 'other comments'.

Q8. Do you have any other comments you would like to make on our priorities, budget or income and savings proposals?

Key themes	Proportion of frequency of the theme
Reduce high executive salaries, reduce number of managers and councillors to release more money, cut councillor allowances/expenses, grow a more efficient qualified workforce, e.g. stop employing interims and agency staff, make redundancies, share top positions with other councils, reducing agency and unnecessary staff and reduce the wage bill.	24%
Do not close local libraries	17%
Review car parking and car parking charges	7%
Collect outstanding council tax/re- evaluate council tax bands.	5%
Review contracts and service charges, generate income, reduce council reserves	5%
Increase council tax/business rates and implement both income and savings proposals	5%
Utilise current assets efficiently, generate income and reduce waste	5%
Provide public transport especially in rural areas	4%
Provide funding for Citizen Advice Bureau (CAB) and other voluntary organisations	2%
Demand/press more funding for central government	2%
Do not cut public transport/transport subsidies and transport funds	2%
Share service with other councils/reduce spending/increase efficiencies	2%
Promote public health/quality of life for everyone	2%
Turn off unnecessary street lighting	2%
Proposed cuts/savings are not efficient enough and things will be worse off	2%
Do not increase burial or cremations costs	2%
Maintain roads, footpaths and improve cycle tracks	2%
Support for small businesses, small market traders and small farms	2%
Increase library fines and implement a small charge for internet use in libraries	1%
Use more volunteers, self-service or outsource services	1%
Do not cut school transport	1%
Cut bureaucracy & admin costs	1%
Means test pensioners for free bus passes (rather than automatic eligibility at retirement age)	1%
No need for new roads or southern link	1%
Do not cut down Parish precept	1%
Referendum is a waste of money	1%
Other comments*	17%

*All other comments regarding individual topical areas which cannot aggregate in a meaningful way are included in 'other comments'.

Appendix C: The questionnaire

Priorities and budget consultation 2016-2020

Consultation questions

The council's priorities

The council, as with any other organisation, works towards an agreed set of priorities which have been identified through in depth research, including public consultation, to ensure we are providing the services required to the residents who need them.

Despite the financial challenges we face, we remain committed to efficiently maximising the use of scarce resources in order to secure better services, quality of life and value for money whilst complying with our legal duties and corporate priorities.

The council needs to refresh its priorities for 2016 - 2020, to form the basis for our corporate plan, and after listening to what you've told us and analysing the available research in the 2014 [Understanding Herefordshire report \(https://factsandfigures.herefordshire.gov.uk/Understanding-Herefordshire\)](https://factsandfigures.herefordshire.gov.uk/Understanding-Herefordshire), we propose to focus our resources so we enable residents to live safe, healthy and independent lives; keep children and young people safe and give them a great start in life and support the growth of our economy and the number of people in work.

1. How would you choose to rate these priorities in terms of most important and least important? (1 = most important and 3 = least important)

	1	2	3
Enable residents to live safe, healthy and independent lives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Keep children and young people safe and give them a great start in life	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Support the growth of our economy and the number of people in work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Are there any other areas which you think the council should identify as a priority?

Yes No

If yes, please specify the priorities you believe we should focus on:

The council's budget

In order to meet our priorities, we allocate our annual budget accordingly and consult on it every year.

The council's budget for 2015/16 is just under £142million and we have had to take challenging decisions to make savings of £10million to remain within budget. For 2016/17 our budget will be £138million and a combination of reduced funding from central government (£7million) and increased demand on priority services (£4million), means that after taking into account any increased income from council tax and business rates, we will need to find further savings of £11million. From now until 2020, the council will need to have saved a total of £42million.

Increasing efficiency

The majority of our planned savings will be made from improving the efficiency of the organisation, including reducing management and staffing numbers and the reliance on agency staff; reducing our spend on external contracts; implementing better IT systems and reducing the number of buildings we occupy. We will also be investing in preventative strategies and working with public health to improve people's health and wellbeing, which in turn will reduce the demand for services and save money.

The efficiencies alone will not deliver all of the savings required, so we will need to consider increasing income or reducing service levels.

Where can we increase income or make savings?

We have identified a range of areas where we may be able to increase income or make savings. These proposals are needed in order to balance our budget and allow more funding to be available to spend on priority areas, especially those which are experiencing a significant increase in demand from residents such as adult social care.

3. How would you choose to prioritise the following areas* in terms of which you would implement first compared to last in order to reduce spending? (1 = first and 11 = last)

* Please note that there is additional information available for each area; simply read our [income and savings proposals \(www.herefordshire.gov.uk/budgetconsultation2016\)](http://www.herefordshire.gov.uk/budgetconsultation2016) for further details.

Income and savings

	1	2	3	4	5	6	7	8	9	10	11
Increase car parking charges across the county (income of over £1million)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Introduce on street car parking charges in Hereford (income of up to £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sell our smallholdings estate of 4,500 acres, including 45 farms, to reduce our debt repayments (income of £1.5million to £2million)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Remove public transport subsidy and increase the cost for discretionary educational travel (saving of £500,000 to £1million)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Remove community transport subsidy (saving of less than £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reductions / efficiencies in highways services (saving of £500,000 to £1million)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cease sports pitches and parks maintenance (saving of less than £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Remove subsidies to town and parish councils for the lengthsman and parish paths partnership schemes (saving of less than £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce the discounts available under the council tax reduction scheme (saving of less than £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cease the council tax reduction grant to town and parish councils (saving of less than £500,000)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reduce customer services and libraries across the county (saving of £500,000 to £1million)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Town and parish councils, community groups and voluntary organisations

Herefordshire Council is looking to town and parish councils, community groups and voluntary organisations to, where possible, help deliver services in their local communities.

We currently provide funding to the 133 town and parish councils across Herefordshire through the council tax reduction grant. If we removed this funding, we'd save £289,000 a year.

4. Do you think we should continue to fund town and parish councils?

Yes

No

5. If Herefordshire Council reduces or stops delivering a particular service, do you think that town and parish councils, community groups or voluntary organisations can do more to help deliver services in your local community?

Yes

No

If yes, please specify what services (this could include cutting the grass, maintaining parks or running a community bus service):

How can we generate income?

The council could generate income from a number of areas to help balance the budget and protect services. It is therefore incredibly important that you give us your views on this section, so we can best decide how to proceed in future years.

Council tax

We could generate additional funding, which could be used to protect services, if we raised council tax above the current level. In 2016/17, it is proposed to raise council tax by 1.9%, however if we wanted to raise it above the 2% level, it is likely that we would be required to hold a countywide referendum (which would cost approximately £300,000), where we ask residents to say if they're for or against the proposal.

What this would mean for you

If the proposed 1.9% council tax increase is agreed by full Council in February 2016, this would mean an average increase to each household of 50p a week, which would generate additional income of approximately £1.5million.

Alternatively, we could raise council tax by 3% or 5%, which would mean...

	Additional weekly increase	Additional income generated
3%	25p	£1million*
5%	70p	£2.5 million

*This would provide sufficient funding to allow us to defer the savings proposals identified in question three for a year.

6. **Would you support an increase in council tax above 2%, which is likely to require a referendum, to support services and defer savings for a year?**

Yes 3%

Yes 5%

No

Increase charges

There are a number of council services which are chargeable and provide an income, such as car parking, planning, licensing and burial services, which could be increased to protect other services. For example, if we increased charges it could help to protect transport or library services.

7. **Do you think we should increase our service charges to protect other services across the county?**

Yes

No

8. **Do you have any other comments you would like to make on our priorities, budget or income and savings proposals? Please state below:**

Are you responding on behalf of an organisation or group, or as an individual?

Organisation or group

Individual

If you are responding on behalf of an organisation or group please tell us the name of the organisation/group:

If you are responding as an individual please answer the following questions about yourself. This will help us to better understand how views may differ between different people across the county.

About you

This information helps us to ensure that our services are accessible to all. It will only be used for the purpose of statistical monitoring, treated as confidential and not used to identify you.

What is your gender?

Male

Female

What is your age band:

0-15 years

25-44 years

65-74 years

16-24 years

45-64 years

75+ years

Are your day-to-day activities limited because of a health problem or disability which has lasted, or is expected to last, at least 12 months?

Yes - limited a little

Yes - limited a lot

No

If yes, please specify any particular requirements when using this service:

How would you describe your national identity? (Tick as many as apply)

English

Welsh

Other (please specify)

Scottish

Northern Irish

British

Irish

Other (please specify):

How would you describe your ethnic group? (Please tick one box only)

White British/English/Welsh/Scottish/Northern Irish

Other White (please specify)

Any other ethnic group (please specify)

Other White (please specify)

Any other ethnic group (please specify)

Do you feel that you were treated differently (positively or negatively) because of who you are? (e.g. your age, gender, disability or ethnicity)

Yes

No

If yes, please specify:

Thank you for completing the questionnaire

Please send your completed questionnaire to:
Herefordshire Council Research Team, Freepost SWC4816, PO Box 4,
Hereford, HR4 0BR



MEETING:	Council
MEETING DATE:	5 February 2016
TITLE OF REPORT:	Pay policy statement
REPORT BY:	Employment panel

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To approve the 2016 pay policy statement for publication; to update Council on action following Council's resolution to consider how to introduce the living wage.

Recommendation(s)

THAT:

- (a) the pay policy statement summarising existing council policies (at appendix A) be approved;
- (b) authority be delegated to the monitoring officer, following consultation with the chief executive, to make in year technical updates to the statement to reflect changes to post holder details or approved changes to local or national pay policy; and
- (c) no further action be taken in response to Council's resolution to consider how to introduce the Living Wage Foundation living wage, following the introduction of the statutory national living wage effective April 2016.

Alternative options

- 1 There are no alternative options to recommendation a); the approval by Council of a pay policy statement for the authority is a statutory requirement and the statement does not of itself make any policy changes, but provides a summary of those policies already in place.
- 2 The panel considered the implications of implementing the Living Wage Foundation

(LWF) living wage. This is not recommended given the introduction of the statutory national living wage (NLW) and the additional financial implications for council maintained schools and council contractors.

Reasons for recommendations

- 3 To provide transparency with regard to the council's approach to setting the pay of its employees in compliance with the provisions of the Localism Act 2011 and the Local Government Transparency Code 2015.
- 4 The government announcement about the introduction of the NLW was made after Council had asked for proposals about how to implement the LWF living wage. The latter is voluntary and determined each year and would have considerable financial implications for the council.

Key considerations

Pay policy statement

- 5 The Localism Act places a requirement on local authorities to produce an annual pay policy statement for each financial year and for this statement to be approved by council before the start of the financial year to which it relates.
- 6 The statement must set out the council's policies relating to:
 - a) The remuneration of its chief officers
 - b) The remuneration of its lowest paid employees; and
 - c) The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.
- 7 The statement must include the council's definition of 'lowest paid employees' and the reasons for adopting that definition.
- 8 The statement must include policies relating to:
 - a) The level and elements of remuneration for each chief officer
 - b) Remuneration of chief officers on recruitment
 - c) Increases and additions to remuneration for each chief officer
 - d) The use of performance related pay for chief officers
 - e) The use of bonuses for chief officers
 - f) The approach to the payment of chief officers on their ceasing to hold office under, or to be employed by the authority; and
 - g) The publication of and access to information relating to remuneration of chief officers
- 9 The local government transparency code came into effect in February 2015. Local authorities must, under this code, publish the pay multiple on their website, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce. The measure must:
 - a. Cover all elements of remuneration that can be valued (e.g. all taxable earnings for the given year, including base salary, variable pay, bonuses,

allowances and the cash value of any benefits-in-kind)

- b. Use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and
 - c. Exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.
- 10 The pay multiples presented in the pay policy statement comply with the transparency code requirements.
- 11 The statement draws together factual material and provides a summary of the current pay policies of the council.
- 12 All posts, whether chief officer or not, have their level of remuneration established through assessment by a nationally recognised and independent job evaluation scheme. Council must approve any new salary packages, or severance payments, exceeding £100,000.
- 13 The pay policy statement for 2015 was produced when the council was recruiting to a number of key senior posts. The 2016 statement shows those appointments are now in place, hence a more stable position with fewer contracted services.
- 14 In approving its statement, Council must have regard to any guidance issued by the secretary of state. This has been taken into consideration in the development of the statement.
- 15 The pay policy statement follows a previous format and has been updated to reflect current data relating to roles, salaries and financial information. There have been no subsequent pay policy changes. The policy is subject to annual review by Council but can become out of date when data such as job titles, or national pay rates change. To prevent the need for referral back to Council to approve technical updates it is proposed that authority be delegated to the monitoring officer to effect such technical updates.

Living wage

- 16 On 12 Dec 2014 Council passed a motion '*that the chief executive, as head of paid service, be requested to report to the employment panel and council on how to achieve the following outcome: introduce the living wage into the council's pay policy in place of the inadequate minimum wage.*' This work was planned to be carried out mid-year however the July budget introduced the national living wage. As such the policy was reviewed in this context.
- 17 The living wage referred to by Council at that time was the Living Wage Foundation (LWF) living wage which is a voluntary rate set each year in November by the Living Wage Foundation. Further information about how it is calculated is available at www.livingwage.org.uk.
- 18 The statutory NLW being introduced from April 2016 will be at a rate of £7.20 per hour at age 25 and above, rising annually so that by 2020 it is 60% of median UK earnings per hour which, based on data available, is likely to be around £9.30 per hour. A comparison of the relevant rates, including national minimum wage for completeness, is provided in the following table:

		Per hour
National minimum wage (NMW) as at 1 Oct 15	Age 21 and over	£6.70
	Aged 18-20	£5.30
	Under 18	£3.87
	Apprentice aged 16-18 and 19 and over in 1 st year of scheme. All others: NMW for their age	£3.30
Living Wage Foundation LW as at 2 Nov 15		£8.25 (previously £7.85)
National Living Wage (NLW) as at 1 April 2016	Age 25 and over	£7.20 (rising to £9.00+ in 2020)

- 19 The council's policy is to have transparent pay structures that identify the rate for the job through job evaluation based on objective criteria, including the responsibilities and accountabilities of the role, so that it is free from bias. It does not take account of the job holder's age so the council will ensure that all employees are paid a minimum of the NLW regardless of age. This excludes apprentices who have their own scheme.
- 20 The council uses the nationally negotiated pay spines as the basis for its local pay rate; national pay negotiations are in progress and will be implemented in line with the appropriate terms and conditions of employment. These current negotiations are not expected to result in changes which will impact the 2016 pay policy statement or the implementation of the national living wage in 2016/17.
- 21 Taking account of the information above, the employment panel recommended that no further action be taken to pursue the Living Wage Foundation living wage at this time.

Community impact

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

Equality duty

- 23 The statement makes clear that the council's employment policies, and the processes by which pay levels for a post are set, have full regard to relevant equality legislation.
- 24 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services.

Financial implications

- 25 There are no financial implications relating to the pay policy statement arising from the report; the statement simply summarises current policies and pay levels.
- 26 The financial impact of implementing the national living wage across the council is set out in the budget and MTFS report.

Legal implications

- 27 Sections 38 – 43 of the Localism Act 2011 require that the council prepare a pay policy statement for each financial year. It must be prepared and approved before 31 March and once approved published. This policy statement meets the requirements of the Localism Act and also meets the requirements of the guidance issued by the Secretary of State for Communities and Local Government to which the council is required to have regard under Section 40 of that Act
- 28 From 1 April 2016 there will be a requirement in law to pay the NLW to those over the age of 25. There will be no legal requirement to pay this rate to those employees not over the age of 25.
- 36 Any increases in pay as a result of the NLW will be directly payable to the council's own employees. The extent to which the council will be liable for increases in pay relating to staff working in services which the council has contracted for, will depend on the terms of the contracts with the providers.

Risk management

- 37 Failure to approve and publish a statement would result on non-compliance with a statutory requirement. Arrangements are in place to ensure publication of the statement following approval by council.
- 38 To avoid equal pay claims any decision should be applied across both the council and maintained schools as support staff in schools have the same terms and conditions as core employees.

Consultees

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

Appendices

Appendix A – draft pay policy statement

Background Papers

None identified.

Pay Policy Statement 2016

Introduction and purpose

1. The purpose of this statement is to set out the council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying:
 - the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior staff (chief officers), as defined by the relevant legislation;
 - who is responsible for ensuring the provisions set out in this statement are applied consistently throughout the council, and for recommending any changes to council.
2. The statement is subject to an annual review; technical amendments reflecting changes in post holder details or to reflect approved changes in national or local pay policy will be made in year.

Legislative framework

3. Section 38(1) of the Localism Act 2011 requires local authorities to produce an annual pay policy statement.
4. The Department for Communities and Local Government publishes [guidance about openness and accountability in local pay](#).
5. Under section 112 of the Local Government Act 1972, the council has the 'power to appoint officers on such reasonable terms and conditions as the authority thinks fit', subject to the provisions of section 41 of the Localism Act (namely for decisions in relation to terms and conditions of chief officers to comply with the pay policy statement).
6. In determining the pay and remuneration of all of its employees, Herefordshire Council will comply with all relevant employment legislation. With regard to the equal pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Organisational context

7. All local authorities are reducing services as the government has indicated that it will continue to significantly reduce the funding it provides to local government across England. Direct government funding is being cut by over 40% in the worst cases.

8. In addition Herefordshire Council serves ever more people, particularly in essential areas such as children's safeguarding and adult social care. Nonetheless we must reduce expenditure in total by approximately £32m in the period 2016/17 – 2019/20; this is in addition to the £59m of savings delivered since 2010, £91m in total.
9. We have managed to reduce our costs substantially by working in better ways and being more efficient, including a reduction in the number of senior posts, and a reduction in the salary levels of chief officer posts. We will keep doing this but there is little opportunity left to reduce costs without reducing our services further.
10. We have less, so, even after efficiencies, we must do less.
11. Our priority areas are, within the resource available to us, to enable residents to live safe, healthy and independent lives, keep children and young people safe and give them a great start in life, support the growth of our economy, and secure better services, quality of life and value for money.
12. To continue to deliver our priorities our medium term financial strategy as well as delivering efficiencies involves changing the way services are provided and by managing demand.

Pay structure / national frameworks

13. Herefordshire Council is committed to fair pay and grading determined by a robust and objective job evaluation process. The *national job evaluation scheme* is used for all posts up to HC7 and the *Hay job evaluation scheme* for all posts above this level.
14. Based on the application of the job evaluation process, the council uses the nationally negotiated pay spine (attached at Appendix 1) as the basis for its local pay rates in relation to job grades. This determines the salaries of the large majority of the non-school based workforce, together with the use of other nationally defined rates where relevant. National pay increased by 2.2% in January 2015, covering the period 2014/15 and 2015/16.
15. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and or as determined by council policy. In determining its grading structure and setting remuneration levels for all posts, the council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times those services are required.
16. As defined in the HR reward policy, new appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate.
17. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. In accordance with the council's policy on market forces, where this is necessary the council will ensure the requirement for such a market forces supplement is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector, and supported by a sound business case. Any market forces supplement will be

payable for a pre-determined fixed period of up to two years and will be subject to ongoing review. As appropriate a retention bonus may be applied to specific hard to fill posts, e.g. qualified children's social workers.

18. The council does not make use of performance related pay for any of its employees.
19. Relocation for new employees and mileage are classed as expenses, i.e. are not tax deductible and relate to additional costs incurred.

Senior management remuneration

20. For the purpose of this statement 'senior management' means 'chief officers' as defined within section 43 of the Localism Act. The posts falling within this definition are listed below, with details of their remuneration (excluding standard pension contribution) as at 4 January 2016.
21. In the table below, 'remuneration', in relation to a chief officer means:
 - (a) the chief officers salary. This includes net annual salaries, taking account of two days unpaid leave deduction and any additional payments such as market forces supplements, allowances, benefits-in-kind, as defined in the local government transparency code 2015. On costs are not included, which are typically an additional 24%;
 - (b) in the case of a chief officer engaged under a contract for services, payments made by the authority to the chief officer for those services.
22. The contract for services budget amount should not be confused with or interpreted as a salary that an interim chief officer would receive through a contract for service arrangement as the budget covers the cost of the service provided, including national insurance, pension contributions and the cost of the agency managing the contract and does not directly relate to the value of the remuneration paid to the individuals carrying out the work.

Post Title	Total Pay £	Contract for services budget £	Notes
CEO Herefordshire Council (<i>head of paid service</i>)	143,888		
Solicitor to the council people and regulatory (<i>monitoring officer</i>)	55,485		1
Statutory chief officers			
Director of children's wellbeing (0.9 fte)	107,172		
Director for adults and wellbeing	119,079		
Director of resources (<i>section 151 officer</i>)	97,248		
Director of public health (0.4 fte)		57,200	2

	Post Title	Total Pay £	Contract for services budget £	Notes
Non statutory chief officers				
	Director for economy communities and corporate	119,079		
Deputy chief officers				
	Public health consultant	90,581		
	Public health consultant (0.5 fte)		66,000	
	Public health consultant (0.8 fte)		87,841	
	Assistant director safeguarding and family support	85,132		3
	Assistant director adults and wellbeing commissioning	84,132		4
	Assistant director commissioning and education	80,132		
	Assistant director commissioning	80,132		
	Assistant director communities	75,976		
	Assistant director operations and support	75,976		
	Programme director – housing and growth	73,978		
	Head of human resources and organisation development	55,734		
	Head of corporate finance (<i>deputy S151 officer</i>)	52,824		
	Head of transformation	51,426		
	Head of strategic asset management	50,064		
	Head of management accounting (0.92 fte)	48,541		
	Strategic business intelligence manager	38,996		
	Finance business partner (0.6 fte)	33,892		
	Enterprise Zone Managing Director (0.8 fte)		76,138	

1. Honorarium for additional duties of 5% of salary
2. The council has an interim shared services arrangement to deliver the statutory responsibilities of the director of public health with Shropshire Council.
3. Market Forces Supplement of £5,000
4. Golden-hello payment of £4,000

Additions to salary of chief officers

23. The chief executive is the returning officer for Herefordshire. No additional payment is made for fulfilling this duty.
24. The council does not apply any bonuses, pension enhancements (subject to para. 28 below) or performance related pay at this time to its chief officers. No other pay benefits are paid to chief officers at the time of producing this statement.

Recruitment of chief officers

25. Herefordshire Council's rules with regard to employment of staff are set out within the employment rules contained within section 4.9 of the constitution, available at the following link:

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

26. Where the council requires short term focus on a particular transformation or turnaround priority, it will consider and utilise engagement of specialist consultancy companies under 'contracts of service' rather than employing individuals. Currently this only applies to enterprise zone programme delivery and some elements of public health. These services will continue to be sourced through a relevant procurement process in accordance with the council's contracts procedure rules, ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.
27. Any officer previously employed by Herefordshire Council in receipt of a severance or redundancy payment when their employment ceases may not be re-employed by the authority (including under a contract of service or as an agency worker) until a period of at least six months has elapsed, unless through exceptional circumstances (in which case the payment would be claimed back on a pro-rata basis).
28. Any officer appointed to the council who has been made redundant within the previous two years from an organisation covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (as amended) (which applies to local authorities and related bodies) will have their previous continuous service taken into account for the purpose of calculating annual leave, sick pay, maternity / paternity entitlements. For the purpose of redundancy, the calculation of service would be the date of return to Herefordshire Council.

Payments on termination

29. The council's policy on termination of employment of employees prior to reaching normal retirement age, in accordance with regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended), is to base redundancy payments on the statutory calculation multiplied by 1.5.
30. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made in accordance with the relevant process as set out in the council's employment rules.
31. The council operates a mutual early resignation scheme under which an individual employee, in agreement with the council, chooses to leave employment in return for a severance payment or, if in the Local Government Pension Scheme and aged over 55, a pension that is not actuarially reduced. It is not a redundancy or a voluntary redundancy.

Pensions

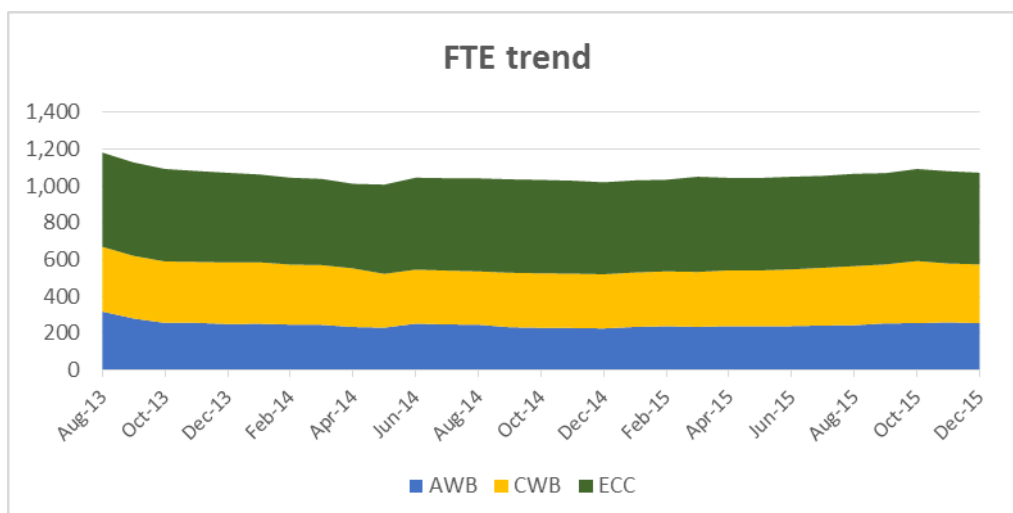
32. Subject to qualifying conditions, employees have a right to join the nationally determined local government pension scheme. The employee contribution rates, which are defined by statute, are as of 1 April 2015:

Whole time pay rate	Contribution rate
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001.00 to £100,200	10.5%
£101,201 to £151,800	11.4%
Over £151,800	12.5%

33. Scheme members have the right to opt to pay half rate contributions in return for half the benefits.
34. The employer contribution rates are set by actuaries advising the pension fund; these are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate, effective from 1 April 2015 is 28.9. This includes an element of past service deficit funding.

Broader workforce perspective

35. This section of the pay policy statement applies to the non-schools workforce only.
36. The overall spend of Herefordshire Council is approximately £343 million. Approximately £35.5 million is spent on employing the non-schools workforce in relation to basic salaries (including national insurance and superannuation) of directly employed staff to which this policy relates. As at 4 January 2016 (the most recent data available at time of drafting) there were 1063 full-time equivalent (FTE) posts across the organisation.



37. As at 4 January 2016, the median basic salary was £22,937 (excluding national insurance and superannuation). The mean average salary (workforce cost exclusive of national insurance and superannuation divided by headcount) is £26,391 which has increased from £25,717 in November 2014. The median chief officer annual salary is £76,138 (excluding national insurance and superannuation) this has increased from £70,682 last year. This is due to the recruitment at director and assistant director levels to replace contracted services, resulting in an increase in roles meeting the definition of chief officer and deputy chief officer from 15 to 25.
38. For the purpose of this pay policy statement, and in accordance with the provisions of section 38 of the Localism Act, Herefordshire Council defines “lowest paid employees” as those paid on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the council’s grading structure. As at 4 January 2016, this is scp10 £14,338 per annum – there are six people paid at this level. The council employs apprentices who are not included within the definition of ‘lowest paid employees’.
39. The current pay levels within the council define the multiple between the lowest paid (full time equivalent) employee and the chief executive as 1:10 and; between the lowest paid employee and average chief officer as 1:5 The multiple between the median full time equivalent earnings and the chief executive is 1:6 and; between the median full time equivalent earnings and median chief officer is 1:3. The multiple between the actual median salary and the chief executive is 1:7.
40. The authority implemented two days unpaid leave through collective bargaining in May 2013 that applies to all roles within the organisation (excluding schools, TUPE transferred NHS staff and those employed on a term time only contract). The two days are confirmed by the organisation and coincide with the Christmas bank holidays. Local decisions in relation to leave are taken within critical services that continue through this period.
41. The council values the contribution that interim workers make to achieving organisational objectives. They enable a flexible employment model that makes it possible for the council to attract expertise that is not otherwise internally or locally available. Where the nature of the work is time limited utilising interims may be the more cost effective approach by mitigating long-term substantive costs and potential redundancy circumstances. It is normal for organisations going through significant transformation to have a flexible workforce model to achieve the challenging priorities and respond to the associated budget pressures.
42. That said, the agency worker market also needs to operate within a cost and quality model which is affordable. The council has signed up to the west midlands children’s agency social worker protocol which seeks to be transparent about cost and ensure consistent quality.

Accountability and decision making

43. In accordance with the council’s constitution, the employment panel (in respect of the chief executive, monitoring officer, Section 151 officer and directors) or the chief executive (in respect of all other employees) is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the council.

44. For those pay accountability matters identified within the Localism Act as being reserved to council, the employment panel will be the body accountable for formulating recommendations to council including the undertaking of an annual review of this statement before recommending its approval to council as one of the suite of documents council approves as part of its medium term financial strategy. The pay policy statement therefore forms part of the budget and policy framework of the council.
45. In addition to approval of this statement, the right of approval of new salary packages over £100,000 is reserved to council. In such circumstances the employment panel will be the body accountable for developing recommendations to council.

Member pay

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

Publication

47. After approval by council, this statement will be published on the council's website. In addition, senior employees (directors and staff who report to directors who are employed on head of service pay grades) are included in the council's annual statement of accounts (available at: <https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-finances/>) that includes a note setting out the total amount of:
- Salary, fees or allowances paid to or receivable by the person in the current and previous year.
 - Any bonuses so paid or receivable by the person in the current and previous year.
 - Any sums payable by way of expenses allowance that are chargeable to UK income tax.
 - Any compensation for loss of employment and any other payments connected with termination.
 - Any benefits received that do not fall within the above.

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

Grade	National SCP (scp50 & above are local)	Annual Pay Rate £	Hourly Pay Rate £
HC1	5	13,500	7.00
	6	13,614	7.06
	7	13,715	7.11
HC2	7	13,715	7.11
	8	13,871	7.19
	9	14,075	7.30
	10	14,338	7.43
HC3	10	14,338	7.43
	11	15,207	7.88
	12	15,523	8.05
	13	15,941	8.26
HC4	13	15,941	8.26
	14	16,231	8.41
	15	16,572	8.59
	16	16,969	8.80
HC5	17	17,372	9.00
	18	17,714	9.18
	19	18,376	9.52
	20	19,048	9.87
	21	19,742	10.23
HC6	21	19,742	10.23
	22	20,253	10.50
	23	20,849	10.81
	24	21,530	11.16
	25	22,212	11.51
	26	22,937	11.89
HC7	26	22,937	11.89
	27	23,698	12.28
	28	24,472	12.68
	29	25,440	13.19
	30	26,293	13.63
	31	27,123	14.06
HC8	31	27,123	14.06
	32	27,924	14.47
	33	28,746	14.90
	34	29,558	15.32
	35	30,178	15.64
	36	30,978	16.06
HC9	36	30,978	16.06
	37	31,846	16.51
	38	32,778	16.99
	39	33,857	17.55
	40	34,746	18.01
HC10	41	35,662	18.48
	42	36,571	18.96
	43	37,483	19.43
	44	38,405	19.91
	45	39,267	20.35

HC11	46	40,217	20.85
	47	41,140	21.32
	48	42,053	21.80
	49	42,957	22.27
	50	44,124	22.87
HC12	51	45,320	23.49
	52	46,552	24.13
	53	47,820	24.79
	54	49,117	25.46
	55	50,451	26.15
HC13	56	51,824	26.86
	57	53,232	27.59
	58	54,679	28.34
	59	56,165	29.11
HoS2		70,682	36.64
		72,591	37.63
		74,550	38.64
HoS1		76,563	39.69
		78,631	40.76
		80,751	41.86
Director 2		98,000	
Director 1		120,000	