

AGENDA

General Overview & Scrutiny Committee

Date: **Tuesday 17 November 2015**

Time: **11.00 am***

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

Notes: * Please note: The overall presentation on the corporate plan and the budget and medium term financial strategy will be given for all scrutiny members at the health and social care overview and scrutiny committee (HSCOSC) at 10.00 am. Any questions from the public on the agenda items will be received at HSCOSC only.

General overview and scrutiny committee will then convene at 11.00 am, or upon the rising of HSCOSC.

For any further information please contact:

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If you would like help to understand this document, or would like it in another format, please call Ben Baugh, Governance Services on 01432 261882 or e-mail bbaugh@herefordshire.gov.uk in advance of the meeting.

Agenda for the Meeting of the General Overview & Scrutiny Committee

Membership

Chairman

Councillor WLS Bowen

Councillor JM Bartlett
Councillor MJK Cooper
Councillor CA Gandy
Councillor J Hardwick
Councillor DG Harlow
Councillor EPJ Harvey
Councillor JF Johnson
Councillor AJW Powers
Councillor NE Shaw
Councillor EJ Swinglehurst
Councillor A Warmington
Councillor SD Williams

Co-optees

(education items)

Mr P Burbidge
Mrs A Fisher
Mr RJ Fuller
Mr P Sell

Roman Catholic Church

Parent Governor Representative: Primary Schools

Parent Governor Representative: Secondary Schools

Church of England

AGENDA

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General overview and scrutiny committee will then convene at 11.00 am, or upon the rising of HSCOSC.

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. NAMED SUBSTITUTES

To receive details of members nominated to attend the meeting in place of a member of the committee.

3. DECLARATIONS OF INTEREST

To receive any declarations of interest by members.

4. MINUTES

To receive the minutes of the meeting held on 27 October 2015.

5. CORPORATE PLAN 2016-20

To seek the views of the general overview and scrutiny committee on the council's corporate plan 2016-20 in order to inform cabinet's recommendation to council.

6. BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) - DRAFT PRIOR TO FUNDING ANNOUNCEMENT

To seek the views of the general overview and scrutiny committee on the draft medium term financial strategy (MTFS) 2016-20 and the budget proposals for 2016-17.

7. PROPOSED CAPITAL PROGRAMME 2016-17

To provide cabinet with comments on the proposed capital programme for 2016/17 onwards for recommendation to council on 18 December 2015.

8. DATE OF NEXT MEETING

The next scheduled meeting is Monday 7 December 2015 at 2.00 pm.

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- 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.
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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of General Overview & Scrutiny Committee held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Tuesday 27 October 2015 at 1.00 pm

Present: Councillor WLS Bowen (Chairman)

Councillors: JM Bartlett, MJK Cooper, CA Gandy, J Hardwick, DG Harlow, EPJ Harvey, JF Johnson, AJW Powers, NE Shaw, EJ Swinglehurst, A Warmington and SD Williams

In attendance: H Bramer (Cabinet Member, Contracts & Assets), TM James, AW Johnson (Leader of the Council and Cabinet Member, Corporate Strategy & Finance), RI Matthews, PM Morgan (Deputy Leader of the Council and Cabinet Member, Health & Wellbeing) and PD Price (Cabinet Member, Infrastructure)

Officers: B Baugh (Democratic services officer), H Beale (Estates management officer rural land), D Burgess (Deputy solicitor to the council property and commercial), R Gabb (Programme director, housing and growth), T Featherstone (Head of corporate asset management), G Hughes (Director for economy, communities and corporate), G Thompson (County land agent), and S Tweedale (Electoral services graduate trainee).

32. APOLOGIES FOR ABSENCE

Apologies for absence had been received from the committee's education co-optees (Mr. Burbidge, Mrs. Fisher, Mr. Fuller and Mr. Sell).

33. NAMED SUBSTITUTES

No substitutions were made.

34. DECLARATIONS OF INTEREST

No declarations of interest were made.

35. MINUTES

The minutes of the previous meeting were received.

RESOLVED: That the minutes of the meeting held on 30 September 2015 be approved as a correct record.

36. SUGGESTIONS FROM THE PUBLIC

Referring to an email reproduced within Supplement 1 to the agenda, the Chairman wished to thank Mr. McKay for his continued interest. It was noted that a briefing note had already been issued to committee members about Public Rights of Way and that a response to correspondence was requested at the last meeting (minute 26 refers). The Chairman acknowledged that officer time and resources were finite but requested that a definitive briefing note on the various matters raised by Mr. McKay be prepared and circulated by the middle of November 2015.

37. QUESTIONS FROM THE PUBLIC

The Chairman drew attention to the questions and responses provided within Supplement 1 to the agenda. Members of the public, particularly county farm tenants and the NFU, were thanked for their questions which provided useful context to inform the debate; in view of the number of questions received, supplementary questions were not taken at this meeting. The Chairman advised that further questions had been received after the identified deadline and these would be responded to as soon as possible following the meeting.

38. TASK AND FINISH GROUP REPORT: SMALLHOLDINGS ESTATE (COUNTY FARMS)

The Chairman presented the task and finish group report on the smallholdings estate (county farms) with the following statement:

“It is my duty here as Chairman of the task and finish group to present the general overview and scrutiny committee (GOSC) task and finish group review of the council’s smallholdings estate – referred to as the county farms.

This review is an example of the GOSC in its forward looking role which is, I believe, as important as its duty to look back and scrutinise what had already taken place.

I am sure you have read, very carefully, the results of our labours.

I would like to thank publically my fellow councillors on the task and finish group and our supporting officers: Richard Gabb, Helen Beale, George Thompson and Ben Baugh. They have all worked very hard and with great good humour. It has been a pleasure working with you all and I thank you for your diligent input and determined questioning.

Not everyone in Herefordshire knows about our county farms but, for a hundred years and more, they have been an important part of the county’s involvement in agriculture. However, in these straightened financial circumstances, GOSC was tasked with carrying out an in depth scrutiny of the county farms – Were they still doing their job of being a way into farming in a small way and leading to bigger farms if possible? Were they fulfilling the core needs and priorities of the council? Could their structure and management be improved? And so on. We also looked carefully at costs and returns from the county farms.

The results of our deliberations are before you. I must also point out that about half of our county farm tenants are on lifetime or retirement tenancies which must be taken into account. Another point is that any sales of county farms are going to cost quite a lot to market and sell and this should be considered in our deliberations. It also has to be said that the county landholdings have increased hugely in value, with land at about £10k an acre these days.

Remember, once an asset like county farms are sold, they are gone forever. If any sales are made one would hope that any money gained would go towards assets that would help sustain the county in its statutory and key duties.

We must also remember that farming has been the lifeblood of Herefordshire and our county farms have been an important, if quite small by acreage, part of our agricultural heritage and daily background.

We are also dealing with the lives and livelihoods of 45 families. We have duties to them as well – as we have been very mindful to point out in our recommendations.

I now look forward to listening to your debate on the matter of the county farms and hope that the recommendations put before you can be sent to Cabinet for their decision. I trust they will act wisely and only come to a decision after very careful deliberations.

I think, above all, our county farm tenants are looking for a clear decision, whatever it is, so that the uncertainty which has been plaguing their lives recently can be resolved and they can plan their future.”

The Chairman invited comments from committee members.

Referring to the Cabinet review of the smallholdings estate strategy in 2009, a committee member considered that the council had been in denial about the scale of the problems. The member said that correspondence received by members from the Chief Executive of the Tenant Farmers' Association suggested that the estate had underperformed and underachieved in recent years, with the management of the estate not subject to sufficient scrutiny. The member considered that these matters highlighted why the authority should not be involved in the management of smallholdings going forward. The committee member also commented on:

- a. the lack of progression beyond the estate;
- b. the capital growth in the value of agricultural land;
- c. the average age of tenants;
- d. smallholdings could not necessarily provide a good standard of living or opportunities for progression;
- e. the significant backlog maintenance liability meant that some tenants were living and working in substandard buildings;
- f. the rental income did not offset expenditure and, when opportunity cost of land value was taken into account, there was a net deficit position in the region of £2.63 million per annum which could be perceived as an average annual subsidy per tenant of £58,000;
- g. it was questioned whether the council would wish to acquire a county farms estate if it did not already own the land, whether it would subsidise other businesses to the same extent, or whether it would invest in a struggling private farm; and
- h. the need to balance the budget would put pressure on the services most valued by rural communities and it was not considered that the continuing financial drain of the estate could be sustained.

A committee member asked that her name be removed from the composition of the task and finish group as, apart from involvement in an early scoping meeting and site visits, she could not attend on the scheduled meeting dates and no alternative dates were offered; the Chairman said that it had been necessary to accommodate the majority of group members. The committee member commented that:

1. some of the council's land holdings were adjacent to some of the proposed new road routes and housing developments and it was apparent that funding was needed to take forward some of the administration's infrastructure plans;
2. it was understood that any capital raised from the disposal of smallholdings could not be used to pay for services directly;
3. it was considered a pity that a backlog of maintenance had developed;
4. farmers would buy land if they could afford to do so given the finite supply;
5. referring to paragraph 5.19 of the report, the estimate that 'Agriculture contributes 9 per cent to the county's economy' was disputed given the linkages to food and drink production and related haulage, engineering and other industries (it was suggested that the figure might be in the region of 40 per cent);

6. farming was a huge part of what made Herefordshire special, not just in terms of the landscape and tourism benefits but also for the manufacturing economy too; and
7. the council needed to think very carefully about how assets might remain partially or wholly in public ownership but this had not been reflected in the group's report.

A committee and task and finish group member said that the purpose of county farms was to introduce new generations of young farmers into farming and the council needed to consider whether this objective was being achieved. The member commented on a number of matters, including:

- i. it was likely that the majority of holdings would remain as agricultural land if ownership changed;
- ii. he did not consider that there was strong evidence for the assertion that county farms contributed to the local economy and community to a greater extent than private farms;
- iii. in view of the backlog of maintenance, he did not consider that the council was a good landlord and felt that tenants would benefit from a new landlord;
- iv. it was difficult to make a living out of holdings of 100 acres or less and, with many farmers needing to take employment outside the farm and work long hours;
- v. the purpose of the task and finish group had been '*To inform the executive on options/recommended actions to ensure the council is optimising its return from its smallholding estate*';
- vi. the issue of county farms had not arisen in discussions with constituents and many were more concerned about limited opportunities for young people in the county;
- vii. he felt that the committee should consider recommending the sale of the entire estate at the best possible price;
- viii. a large amount of capital value was concentrated on 45 families currently and many residents would question whether this was appropriate;
- ix. whilst being proud of the county's agricultural history, the council needed to move forward and encourage investment in infrastructure to benefit all residents.

The Chairman commented that the task and finish group recognised that maintaining the status quo was not an option.

Another committee and group member said that the group had benefitted from officer expertise and the failure to implement all the recommendations identified in the 2009 report was due to subsequent policy changes. Other comments made by the member included:

- a) the backlog of maintenance had to be viewed in terms of short, medium and long term priorities and this had not come out very well in the report;
- b) it was difficult to quantify the value of the county farms to the local economy but it was undisputed that a significant proportion of the county's economic activity was related to agriculture and tourism;
- c) county farms had the potential to contribute to wider economic, environmental and social objectives;

- d) the two options in recommendation 1 reflected the separate streams of thought within the group about how to go forward but the member supported the retention and structured partial sale of the estate, option a);
- e) there was a lot of work to be done to rationalise the remaining estate but, as other authorities had shown, this could be achieved and it would enable the council to retain a major asset for the county within its control and provide more options for the future; and
- f) whilst acknowledging that some elements could have been developed further, it was considered that a good report had been produced and there was a role for county farms. The Chairman added that the group had been constrained by the timescale available to produce the report.

A committee member commended group members for the report and made the following observations:

- 1) there was a need to understand the financial implications of retention;
- 2) referring to remarks in the Chairman's foreword, it was noted that 'the original objectives are no longer relevant' with the authority needing to focus on the delivery of statutory responsibilities and 'using the asset to the best advantage of the county must be paramount to our thinking';
- 3) the county estate, at approximately 4,800 acres and 1% of the total farmed area of the county, was not considered significant in terms of the wider agricultural economy and there were other means of entry for young people into farming;
- 4) it was noted that there had only been four new entrants into the county farms estate in the last ten years; and
- 5) the member considered that the council should withdraw from ownership and release the county farms to the private sector to enable them to be reformed into more productive and economically valuable areas.

A committee member acknowledged the number of tenants and their families that were present at the meeting and said that this demonstrated that it was more than an emotive issue, as it was also about their livelihoods and belief in the system. Comments were made about the correspondence received by members from the Chief Executive of the Tenant Farmers' Association and the lack of improvements following the 2009 review. He reminded the committee that the council did own the land and had a long term responsibility for the situation it had inherited.

In response to comments from a committee member, the County land agent clarified a number of points, including:

- i) the 2009 review envisaged various things but land was needed to achieve these and the authority was bound by the tenancies and tenants in place;
- ii) an overview was given of the limited circumstances in which Agricultural Holdings Act tenancies could be ended;
- iii) the average age of tenants had not come down much since 1991;
- iv) many tenants on Farm Business Tenancies (FBTs) had tried to move off the estate onto private and other public sector farms but, for a considerable number of reasons including demand for land from established farm businesses, onward progression was very difficult to achieve and this resulted in blockages on the estate;

- v) the size of individual holdings had been increased and the overall number had reduced from 58 to 45 in order to make them more viable but this had not significantly improved turnover;
- vi) a number of farms had become vacant in the last few years but changes could not be realised because of uncertainty about the future of the estate; and
- vii) there had been approximately the same amount of expenditure, around £150k, on the maintenance of the county estate in every year since 1998 and the move from local contractors to larger companies had reduced cost effectiveness.

A committee member considered that the analysis of the problem undertaken by the task and finish group was largely good and correct but he was less sure about the diagnosis about what should be done next and about the conclusions that had been drawn. Comparisons were made to the estate held by Staffordshire County Council which had been retained, improved and was performing better than Herefordshire's estate. It was also commented that Devon County Council had improved its credit rating due in part to enhancements made to its estate. It was felt that the group had been 'set up to fail' but the experiences of other authorities confirmed that it was a matter of choice whether assets were maintained and improved.

The committee member drew attention to paragraph 4 of the covering report, 'The medium term strategy approved by council in February 2015 assumes £60m of asset sales to reduce debt charges...'. The member sought clarification about the intended use of any capital receipts realised from any disposals. In response, the Leader said that it would not be appropriate to speculate at this stage about what the council might do about future income, as it would depend on the circumstances at that time. The Director for economy, communities and corporate added that the statement in the covering report reflected the position at the current time but, through the budget setting process, it would be for members to determine the future year's budget.

A committee member did not consider that the report had demonstrated how net income could be improved for the county to an extent that justified the retention of the estate. Comments were also made about: the difficulties for tenants on short term FBTs to make a return on any investment; the capital costs of diversification; limited profitability hindered opportunities for progression; the authority had to be mindful of the wellbeing of tenants and it would be wrong to promote the county farm model if it did not provide viable opportunities for progression; and it was essential that proper arrangements were put in place to support tenants appropriately through any transition of ownership.

A councillor in attendance made a number of comments, including: existing tenancy agreements meant that full market value could not be delivered in the short term; the objective of progression could be achieved through option a) and dynamic management of the estate; other authorities had retained and successfully improved their holdings; agricultural land prices were stabilising and disposal at this time might not achieve the best outcomes for the county; there would be no way of obtaining the asset again if it was sold; it was considered that a decision of this scale should be made by full Council rather than by the executive; it was asserted that the authority was subsidising other areas of activity, including the cattle market; a letter written by the councillor to the Hereford Times about the benefits of retaining the estate was read out; and, given the potential demands on food supplies in the future, it was considered that the authority should continue to support the agricultural industry in the county.

Another councillor in attendance expressed views on various matters, including: the estate had been established a century ago for specific purposes and the authority had a moral duty to retain and improve it; the financial circumstances of the council were considered to be the result of administration failings; tenants and the families worked

very hard and selling the estate would be an insult to them; and other farmers were appalled about the potential disposal and the authority would be strongly criticised for it.

A committee member said that Herefordshire was renowned for its agriculture and there was a need to take a long term view about food production and sustainability. It was noted that tenants acknowledged that there was scope for some holdings to release capital to support the authority's financial position but it was considered essential that the authority tried to retain the majority of the estate in public ownership.

The Leader did not consider that any change of ownership would result in the cessation of food production. He commented on the significant capital required to start a farming business compared to a century ago and the difficulty to make a living from holdings of less than 100 acres. The need to use the asset to the best advantage of the county was reiterated and it was not considered that the general public would support the retention of the estate to support a small proportion of the population. Responsibilities towards tenants were recognised but, even if it was in a better financial position, the council had to ensure that assets were used for the benefit of the majority of residents.

In response to a query from a committee member, the Chairman proposed an amendment to recommendation 5.

A committee and group member made further observations, including; many buildings visited by the group were in a poor state of repair and a change of ownership would benefit the farms; some of the responses to the group's questionnaire supported this view; there were other ways into farming and the county farms might be preventing movement; and, whatever option was pursued ultimately, the authority needed to be mindful of the impacts on tenants and their families.

In response to a question from the Chairman, the Deputy solicitor to the council property and commercial said that she was not aware at this time of any ties on the council's ownership of the land but this would need to be checked for each holding.

A committee and group member made the following further comments: it was acknowledged that farming was changing and there was the potential for county farms to provide the foundation for agricultural businesses, rather than solely generating a living from that holding alone; the recommendations of the 2009 review had not been obstructed by the officers delivering the service; the estate had problems but other authorities had successfully restructured their holdings; and the county needed growth, jobs and infrastructure but in a realistic and balanced way which could be afforded and preserved the uniqueness of the county.

A councillor in attendance considered that option a) provided flexibility to the executive to realise capital from land with potential development value, whilst retaining a sizeable proportion of the estate for the benefit of farming in the county.

A committee and group member said that value for money was foremost in his thoughts throughout the review and he did not consider that this was being provided through the county farms currently.

Another committee and group member did not consider that the structured sale of the entire smallholdings estate could be effective at this moment in time, particularly in view of current market conditions. It was moved and seconded that option a) be supported and option b) be deleted from recommendation 1.

The motion received an equal number of votes and the Chairman used his casting vote in favour of the motion.

RESOLVED: That

- (a) **That the report and recommendations of the task and finish group: smallholdings estate (county farms) be agreed for submission to the executive subject to:**
- i. **the removal of Councillor Harvey's name from the group's composition (page 3 of the report);**
 - ii. **the deletion of option b) from recommendation 1 (page 13); and**
 - iii. **the removal of the words 'on the remaining estate should be let' from recommendation 5 (page 14).**
- (b) **The executive's response to the review be reported to the first available meeting of the committee after the executive has approved its response.**

39. WORK PROGRAMME

An updated work programme was submitted for consideration. The Chairman drew attention to the following:

- i. To enable the committee to consider housing related items and to receive an item on the Local transport plan, it was proposed that an additional meeting be held on Monday 7 December 2015.
- ii. The Chairman was due to discuss the Community infrastructure levy (CIL) with officers to identify the best way forward in terms of further scrutiny input.
- iii. An all member seminar, to be led by the scrutiny chairs, was being arranged towards the end of November on the Devolution offer.
- iv. A seminar was being arranged for members of the committee in December to include presentations on the Accommodation strategy and on Digital strategy.

A committee member asked that, as chair of the previous phases of the CIL task and finish group, she be involved in the Chairman's discussions with officers as referred to in paragraph ii) above.

RESOLVED: That

- (a) **The draft work programme be noted; and**
- (b) **An additional committee meeting be arranged for Monday 7 December 2015 at 2.00pm.**

40. DATE OF NEXT MEETING

The Chairman advised the committee that the next scheduled meeting would be held on Tuesday 17 November 2015 and outlined the arrangements.

The meeting ended at 2.42 pm

CHAIRMAN



MEETING:	General overview and scrutiny committee
MEETING DATE:	17 November 2015
TITLE OF REPORT:	Corporate plan 2016-20
REPORT BY:	Assistant director, commissioning

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To seek the views of the general overview and scrutiny committee on the council's corporate plan 2016-20 in order to inform cabinet's recommendation to council.

Recommendation(s)

THAT:

- (a) The committee provides comments on the draft corporate plan 2016-20.**

Alternative options

- Under its constitution the council is required to have an up to date corporate plan. The committee may choose to recommend alternative priorities or proposals, but in doing so any alternatives should be informed by the evidence base available and the prevailing financial and policy context.

Reasons for recommendations

- The corporate plan forms part of the council's budget and policy framework. The council's budget and policy framework rules require that cabinet have regard to the views of overview and scrutiny in developing their recommendations to Council on budget and policy framework items.

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

Key Considerations

3. The corporate plan does not seek to set out everything that the council is seeking to achieve; however, alongside the medium term financial strategy, it does provide the overarching policy framework within which decisions will be taken and resources allocated.
4. Once the content of the plan has been approved, further work will be undertaken to ensure the plan is presented in a more user-friendly way, and reflecting the council's identity and branding. The plan will inform the development of delivery plans demonstrating how the aims of the corporate plan are to be achieved.

Community Impact

5. The draft plan provides the council's vision for the people of Herefordshire, drawing on the evidence base of [Understanding Herefordshire](#).
6. 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;
 - the provision of subsidised housing.

Equality and human rights

7. 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

8. There are no direct financial implications arising from this report.

Legal implications

9. There are no legal implications arising from this report.

Risk management

10. 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.
11. 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

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

issues, which will demonstrate how the aims of the corporate plan will be achieved.

Consultees

12. The views of residents and the community have been captured as part of the recent [priorities and budget consultation](#) which ran throughout the summer. Whilst the consultation confirmed the proposed corporate plan priorities, almost three quarters of respondents thought that the council should identify other priority areas. These additional areas largely complement the proposed priorities, and will be used to inform the development of delivery plans.

Appendices

Appendix A - Draft corporate plan 2016-20

Background Papers

None

HEREFORDSHIRE 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.

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 wellbeing and economy, communities and corporate directorates.
- Have encouraged and supported even more local services to be run by communities themselves.
- 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 £91 million.

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 and the number of people in work
- 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 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.

- Although Herefordshire performs better than the national average at GCSE, and those who are entered for Level 3 qualifications do well, there are relatively few people in the workforce with higher-level skills. Whilst there are a number of further education establishments throughout the county, there is limited higher education provision, and knowledge-based industries are under-represented in the county. There is net out-migration of young adults from the county in search of wider opportunities for employment and higher education.

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Key achievements

This section highlights some of our notable achievements over the lifetime of our previous corporate plan (2013-16).

Economy - create and maintain a successful economy:

- 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 relocating the new livestock market which is now one of the leading markets in the country;
- Made fibre broadband available to over 50 per cent of premises in the county, and over 300 businesses supported to improve digital skills;
- Developed the enterprise zone – 45 per cent let or under offer;
- Built the Connect 2 cycleway and foot bridge;
- Secured **£XX million** through the Local Enterprise Partnership (LEP);
- Implemented a multi-million pound programme to improve the quality of Herefordshire's roads;
- Adoption of the Herefordshire Local Plan Core Strategy, which will provide the basis for planning and development in the county;
- Energy from waste plant;
- Facilitated development of **XX** houses, of which **XX** were 'affordable';
- 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 together in one building;
- Invested £9 million in modernising and improving Halo Leisure run leisure facilities across the county; and
- The unemployment rate (JSA claimants) has fallen from 2.5 per cent to 0.6 percent.

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

Children

- 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: 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; and
- Improved public health outcomes for children.

Adults

- 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 have introduced an integrated urgent care team that work together 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 create a new management post to focus on prevention. This post brings together a number of services that enables 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;
- Implemented a new information service that will support people to remain independent through signposting to relevant support and offering the ability to self-assess their needs;
- Worked with XX families and individuals seeking new housing in order to help them secure stable living arrangements, which provides the foundation for good health and wellbeing;
- 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 XX 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 and are amongst the best performing local authorities in the West Midlands for the delivery of NHS Health Checks.

Efficient and effective services:

- Balanced the budget - cutting waste, rationalising buildings, and being innovative delivered £49 million of savings;
- Council Tax has risen by no more than 2 per cent per annum over the last XX years;
- 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, 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;
- Reprocurved the public realm contract;
- Rationalised and modernised the residual estate;
- Devolved a range of services to parish and community groups; and
- Utilised information technology and council premises to support better ways of working for our workforce.

The Priorities

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 advice 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 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 there is an improvement in local delivery.
- Combine the use of facilities to create a network of Health and Wellbeing Centres linked to communities.
- Ensure safe and secure neighbourhood environments, with attractive, safe surroundings, good quality local amenities, and the ability of people to enjoy life where they live.

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, as highlighted in the Herefordshire children and young people's plan (CYPP), together with our partner organisations we have identified the following six priorities:

- **Early Help:** By March 2018 we will have provided early help to 600 families to help them to improve education, health and employment outcome.
- **0-5 Early Years:** There are 9,800 children aged 0-5 years in Herefordshire. We will 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.

- **Mental Health and Emotional Well-Being:** There are an estimated 8,620 children and young people that require support with their mental health or emotional resilience. The CYPP will make improvements so that children, young people and their families are identified and supported to access help in a timely manner.
- **Children and Young People in Need of Safeguarding:** We will continue to develop a continuum of provision that can effectively identify and respond to safeguarding risks and needs ranging from the initial signs of the call for early help to a range of evidence-based interventions for a variety of complex situations.
- **Addressing Challenges for Adolescents:** We will develop better evidence based approaches to support young people in adolescence to ensure a more successful transition to adulthood.
- **Children and Young People with Disabilities:** There are approximately 5,000 children and young people who have a special educational need and/or disability in Herefordshire. The Partnership will 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 and the number of people in work

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 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, from global companies to small enterprises. We believe we should continue to support and encourage the growth of our high value business sector and our small enterprises that are equally as important to our economy.

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.

In the next four years we will:

- 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 to introduce and develop a new university for Hereford, identifying buildings for teaching and student accommodation.
- 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.
- 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.

Governance

TO BE WRITTEN

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 demonstrates, at a high level, how the council intends to address the financial challenges it faces in delivering the priorities.

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.

TO BE WRITTEN ALONGSIDE THE MEDIUM TERM FINANCIAL STRATEGY



MEETING:	General overview and scrutiny committee
MEETING DATE:	17 November 2015
TITLE OF REPORT:	Budget and medium term financial strategy (MTFS) – draft prior to funding announcement
REPORT BY:	Director of resources

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To seek the views of the general overview and scrutiny committee on the draft medium term financial strategy (MTFS) 2016-20 and the budget proposals for 2016-17.

Recommendation(s)

THAT:

- (a) the committee provides comments on the draft 2016-17 budget proposals and MTFS (appendix 1 to this report).**

Alternative Options

1. It is open to the committee 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.

Reasons for Recommendations

2. The council's budget and policy framework rules require that cabinet have regard to the views of overview and scrutiny in developing their recommendations to Council on budget and policy framework items.

Key Considerations

3. Herefordshire Council is addressing the most challenging financial conditions in living memory, 2015/16 being year six year of a ten year 'austerity period' in which the Council will make savings totalling £91m. The council is on schedule to have matched up to those challenges, delivering savings of £59m by the end of 2015/16.
4. Whilst focused on services to residents it has been important to reduce the size of the council, demonstrate efficiency and good use of resources by:
 - Reducing the workforce by 20%.
 - Rationalizing buildings we owned in order to centralize in fewer business centres.
 - Making stronger connections across public sector organization – making resources go further.
 - Reducing wasted expenditure on paper, and shifting as first choice to digital, in our offices.
 - Supporting the shift of staff to working mobile, rather than fixed locations.
5. The MTFs, attached at appendix 1, has been updated to reflect current spending, a review of savings plans, contingencies, demographic pressures and assumes a 1.9% increase in council tax. Central government funding for 2016-17 is expected to be announced in the week beginning 14 December following the publication of the comprehensive spending review on 25 November. This report is based on the anticipated funding settlements from information published as part of the July 2015 budget, subsequent announcements and discussions with the society of county treasurers.
6. 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. 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 LEP.
7. As part of the changes further responsibilities and services will be devolved to local government. More detail on the types of powers which will be given to councils is expected to be announced in the spending review in November.
8. The chancellor also re-iterated the commitment to reduce the public sector spending deficit to zero in the same period so the same level of reductions in council spending

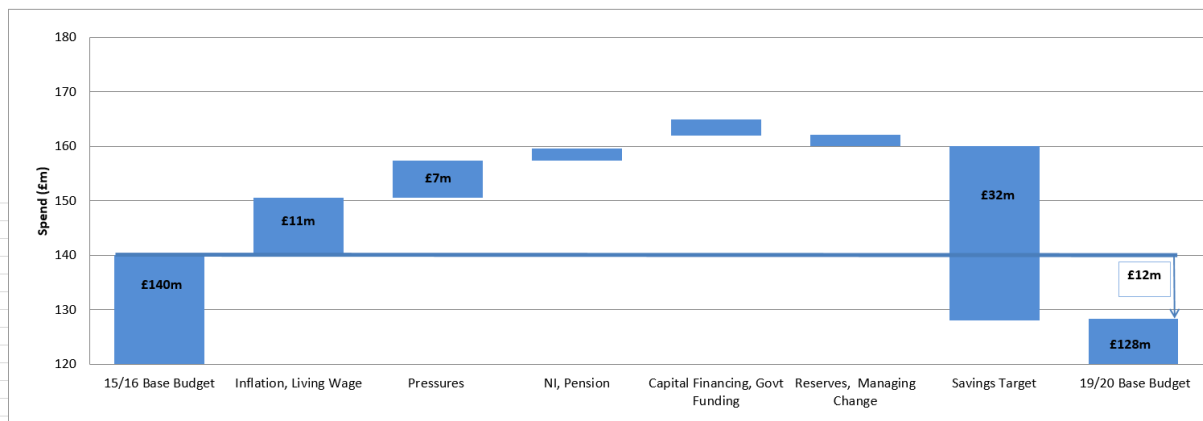
Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

can be assumed. As a relatively low recipient of business rates this initiative could be disadvantageous to Herefordshire.

9. It won't be known until late December the central government funding for 2016-17 however prudent financial management means we must plan on the best known information and can review approved spending plans once the detail is known, if there are any significant changes.
10. Council will be asked to approve the 2016-17 budget on 5 February 2016. It will also approve the medium term financial strategy and the corporate plan to 2019-20.

Savings plan 2016-17 to 2019-20

11. The council delivered £49m of savings in the financial years 2010-11 to 2014-15, with an additional £10m required in the current financial year, 2015-16.
12. Looking forward an additional £32m of savings in the financial period 2016-17 to 2019-20 is needed. This gives total savings for the financial period 2010-11 to 2019-20 of £91m.



13. Savings have been reviewed as part of the budget process and revisions made, these are attached as appendix 2 and are summarised in the table below. The review has highlighted an overall gap of £4m shortfall against the target, all in 2019/20, outside of the CSR period. Some savings have now been removed from the plan and some savings having been replaced with new ones work continues on targeting the remaining gap in 2019/20 and providing contingency for slippage against plans.

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total 16-20 £000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

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

Base budget 2016-17

15. A draft of directorate base budgets for 2016-17 is set out below, this is detailed in appendix 3. This reflects increases in inflation and pensions, pressures, savings and other adjustments.

Draft revenue budget summary 2016-17 pending comprehensive spending review

Directorate	Base budget 2015/16 £000	Net changes £000	Draft budget 2016/17 £000
Adults and wellbeing	53,243	(1,466)	51,777
Children's wellbeing	22,137	244	22,381
Economies, communities and corporate (ECC)	50,635	(1,135)	49,500
Total Directorates	126,015	(2,356)	123,659
Capital financing - debt repayments			10,323
Capital financing - interest			6,773
Change management			728
Government grants			(6,741)
Other central budgets			2,019
Total net spend (budget requirement)			136,760
Financed by			
Council tax			87,611
Locally retained business rates			22,338
Business rates top up			6,950
Revenue support grant			19,242
Reserves			619
			136,760

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Financing

16. The 2016-17 net budget requirement assumes a 1.9% increase in council tax and a 2% inflationary increase in business rates business rates.
17. The formula grant funding assumption is based on an annual government funding reduction of 12% throughout the MTFS term as indicated in the summer budget. A 12% reduction was realised in 2015-16 and funds reduced by 14% in 2014-15.
18. Financing from reserves is used as one-off funding to pump prime spend to save initiatives.
19. Future year funding assumptions are based on a 12% per annum reduction in general central government funding. This excludes specific grant allocations. The impact is shown in the table below. This is line with indicative assessments of announcements made and reflects reductions continuing throughout the period at the same pace as seen in previous years.

Government funding	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m	£m
Revenue support grant	42.9	35.8	26.5	19.2	12.8	7.0	1.9
Business rates top up	6.6	6.7	6.8	7.0	7.1	7.2	7.4
New homes bonus	2.1	2.8	3.6	4.2	4.3	4.1	4.0
Business rates	22.0	22.4	23.3	23.5	24.0	24.5	25.0
Totals	73.4	67.7	60.2	53.9	48.2	42.8	38.2
Reduction %	10%	14%	12%	12%	12%	12%	12%
RSG grant reduction	7.0	9.4	7.2	6.5	5.8	5.1	4.6

Grants included in the net budget

20. Included in the proposed budget are the continuation of grants received in 2015/16 that are yet to be confirmed for 2016/17. These are:

Grant	2015/16 £000
Housing benefit admin subsidy	819
Council tax support – new burdens	32
Social care funding – new burdens	1,224
Public health grant	7,970
Business rates S31 grant	2,354
DoH social care funding	119

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Lead flood grant	46
Extended rights to travel	106
Commons registration	4
Better care fund	11,694
TOTAL	24,368

21. The table below shows the contributions made by the council and the CCG to the Better Care Fund (BCF). The local authority expenditure is included within the AWB budget. The funding from the CCG includes the protection of social care (£4.5m) plus the Care Act funding (£0.5m).
22. The Care Market Management (scheme 2) relates to the additional pooled fund agreed by the council and the CCG. It relates to all in county residential and nursing placements for the local authority and in county residential continuing health care (CHC) placements and free nursing care (FNC) from the CCG.

Key Deliverables	LA Contrib £000	CCG Contrib £000	Pooled Budget 2015/16 £000
Expenditure			
Minimum protection of Social Care (Scheme 1a)		4,520	4,520
Implementation of Care Act		458	458
Disabled Facilities Grant (capital)	866		866
Community Capacity/Social Care Capital	490		490
Community Health Redesign (Scheme 1b)		6,716	6,716
Care Market Management (Scheme 2)	18,363	8,365	26,728
Fund Management	27		27
Total BCF Expenditure	19,746	20,059	39,805

23. Under the section 75 agreement between the council and the CCG the pooled budget arrangements the financial contributions have to be jointly agreed. Work will commence shortly to review and agree the revised base budget for pool 2 for 2016/17. This work will include a review of the risk share arrangements which were put in place for the first year of the BCF only as both partners recognised that in year operational activity may result in the need for changes.

New pressures included in draft budget

24. Additional pressures have been identified that were not anticipated in the MTFS approved in February 2015, the living wage and pressures in adults demographic, these are set out below:

	2016-17	2017-18	2018-19	2019-20	Total
	£000's	£000's	£000's	£000's	£000's
National living wage	686	618	491	539	2,334
Adults demographic pressures	888	874	926	945	3,633
Other pressures	396	(24)			372
TOTAL	1,970	1,468	1,417	1,484	6,339

25. The national living wage pressure follows the government announcement in June of plans to 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. The pressures above are based on the anticipated effect on our supply chain as a result of this cost increase.

26. Adult demographic pressures are being faced from the increasingly older population in Herefordshire and are based on the office for national statistics data.

27. The approved medium term financial strategy (MTFS) assumed savings of £1m in children's safeguarding in 2016-17. However this budget is overspending by £1.7m in 2015-16, as such the budget has been re-based and savings reviewed with the safeguarding team up to 2019-20. Savings have been profiled over the period, giving a budget increase of £0.5m in 2016-17 with budget savings assumed 2017-18 to 2019-20.

28. The government have stated that they 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 and pension increases and the living wage implementation will have to be within schools cash-limited budgets. This is estimated to result in savings of 16% 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, not only having to provide support to schools in financial difficulties but the knock on impact where schools will have to reduce what services they purchase from the council. The directorate will also have to reduce spending proportionately for schools that become academies.

Reserves and balances

29. 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).

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Year ending	£m
31.3.14	5.1
31.3.15	7.1
31.3.16	6.9

30. 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

31. The level of general reserves retained have increased in 2014-15 in recognition of the possibility of increased difficulty in achieving the savings plans going forward and to fund one-off investment costs in 2015-16 in addition to providing a more prudent level of contingency for additional risks.

Pension deficit

32. The pension deficit on Herefordshire's fund 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.

33. 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.

Community Impact

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

Equality and Human Rights

35. 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 polices and in the delivery of services.

36. 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.

37. 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.

Financial Implications

38. As set out in the report.

Legal Implications

39. When setting the budget it is important that councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.

40. The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure. The act also covers the legal issues around council tax setting.

41. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.

42. Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by: making prudent allowance in the estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

43. Section 25 of the Local Government Act 2003 requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals (the statement is contained within the risk management section of this report). This is done so that members will have

authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the chief finance officer's statutory report. If they do not they must provide clear reasons for not following the professional advice put forward by the chief finance officer.

44. Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with its obligations under the Equalities Act 2010 - the public sector equality duty (PSED). This duty imposes a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the PSED when taking any decisions on service changes. However, the courts also recognise that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government.
45. Where a decision is likely to result in detrimental impact on any group sharing a protected characteristic it must be justified objectively. This means that attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance this detrimental impact against the strength of legitimate public need to pursue the service remodelling to deliver savings. The more serious the residual detrimental impact, the greater the financial savings must be to justify the decision. The harm can only be justified if it is proportionate to the financial benefit and if there have been reasonable efforts to mitigate the harm.
46. The committee should give careful and reasoned consideration to the results of the consultation as set out in appendix 4 to this report.

Risk Management

47. 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.
48. The budget has been updated using the best available information, current spending, anticipated pressures and an assessment of the grant settlement. This draft will be updated following the comprehensive spending review.
49. The most substantial risks have been assessed as part of the budget process and reasonable mitigation has been made. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process.
50. 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 have been set aside to manage these risks.

51. 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.
52. Difficulty in achieving reductions in children's safeguarding. The proposals include a saving of £1m on current spending however Herefordshire is high spending compared to statistical neighbours and the savings are felt to be deliverable.
53. 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.
54. The risk of on-going litigation claims which may result in one off costs falling due.

Care Act

55. 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)

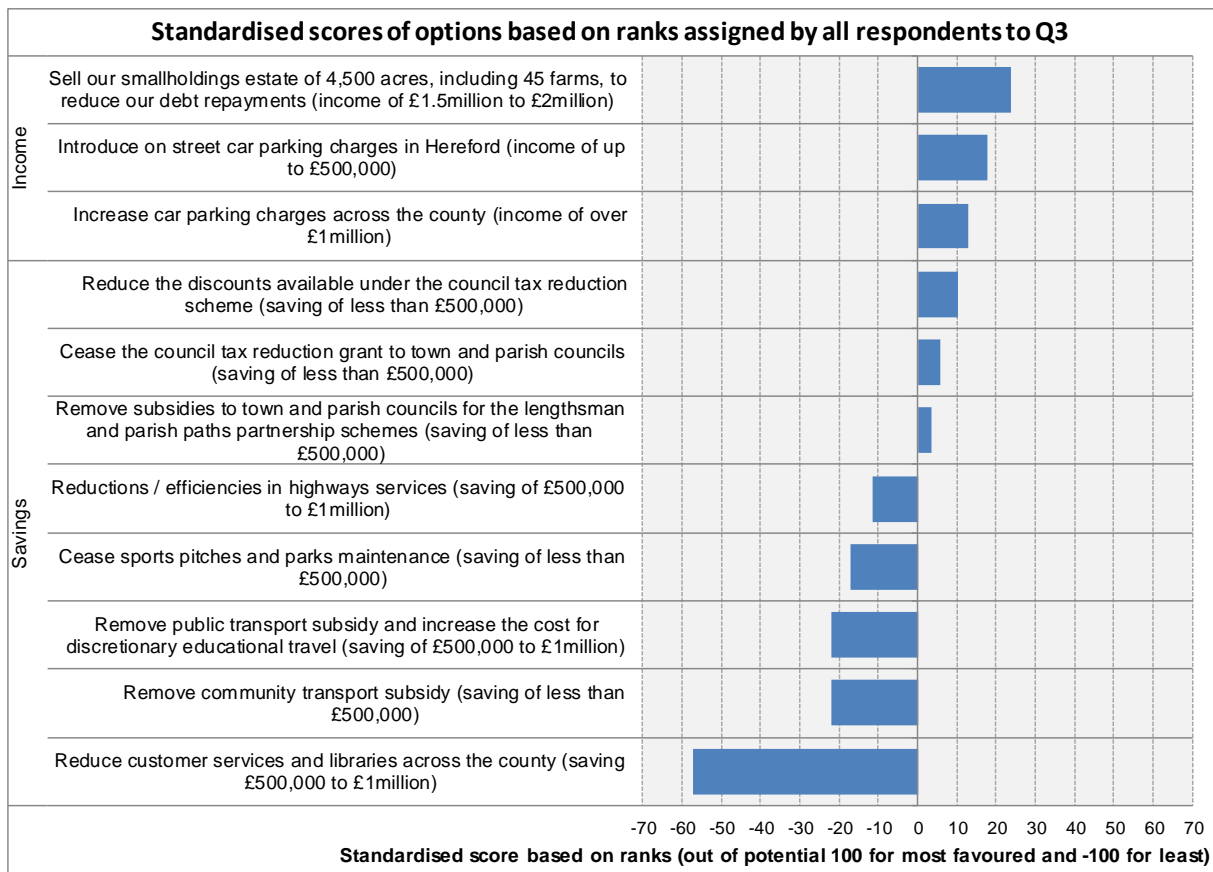
56. The local authority and CCG pooled more than the minimum requirement for the BCF for 2015-16. The additional pooled funds relate to residential and nursing placements including residential based continuing health care (CHC) placements in the county. The CCG has notified the council of pressures arising 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)

57. Central government closed the ILF and transferred funding on a non-recurrent basis for current service users (less 5% attrition factor) in July 2015. Local authorities 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 local authority 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 as part of the CSR.

Consultation

58. Consultation on the budget proposals commenced on 23 July and completed 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 4 will be used to guide decisions within a balanced budget.
59. 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.
60. 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)
 - 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.
61. 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.
62. 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 2.



Appendices

Appendix 1 – draft MTFs pending CSR

Appendix 2 - breakdown of savings plans by directorate

Appendix 3 – detailed of draft 2016/17 budget

Appendix 4 - summary of budget consultation

Background Papers

- None identified.

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

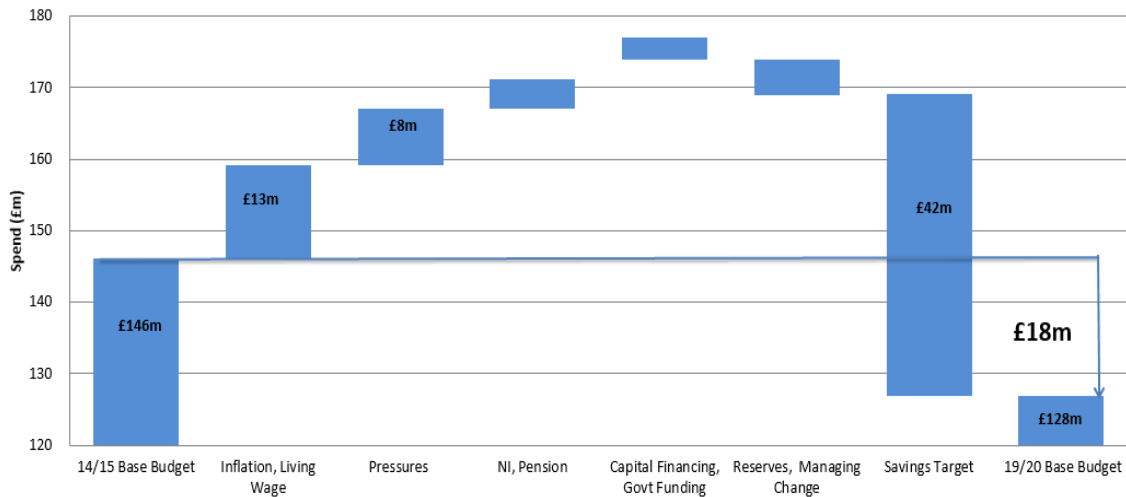
Herefordshire Council Medium Term Financial Strategy 2016/17 – 2019/20



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

1. Introduction

- 1.1. The 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 at the six year point of a 10 year 'austerity period' in which the Council needs to make savings totaling £91m. The council is on schedule to have matched up to those challenges, delivering savings of £59m by the end of 2015/16.
- 1.4. The Comprehensive Spending Review is expected to be announced on 25th November 2015. This will set out the funding assessment for local authorities. The draft MTFs has been prepared on the expected impact modelling further reductions in funding. Herefordshire's Revenue Support Grant (RSG) totaled £26.5m in 2015/16, providing 18% of the councils £142m 2015/16 net budget requirement. This is projected to reduce to £2.5m in 2019/20. Recent announcements have stated that this funding will be reduced to £nil in 2019/20 however the Council will retain all business rate income which would result in an increase in overall funding alongside additional responsibilities.
- 1.5. In addition, 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.
- 1.6. The anticipated reduction in funding compounded by additional service pressures have resulted in a funding gap of £42m for the period 2015/16 to 2019/20 with savings of £10.5m needed in 2016/17, £32m 2016/17 to 2019/20.



2. Herefordshire's Characteristics

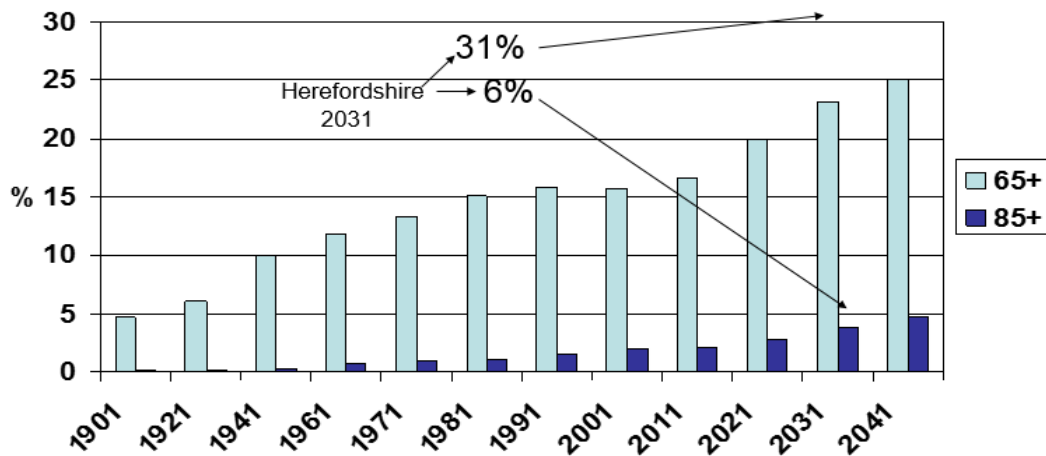
2.1 Rural Pressures

- 2.1.1 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately funded through the current national formula. Herefordshire is the most sparsely populated county in England– with residents dispersed across its 842 square miles. Areas of poverty and deprivation exist in Herefordshire and there are crucial economic, geographic and demographic factors, relating to distance, population sparsity, ageing, social inclusion and market structure.
- 2.1.2 Social isolation is a growing concern, not least because of the disproportionately increasing number of older people living in Herefordshire – but also due to poverty and deprivation. The cost of living in rural areas, for example transport and domestic fuel costs, can be higher than in urban areas. There is also recognition that it is often the most vulnerable members of the community, such as frail elderly people and deprived families, who suffer most from the loss of local services and the high cost of living.
- 2.1.3 54% of Herefordshire's population live in rural areas; 42% in the most rural locations. Providing services to a dispersed population across a large geographic area is a challenge and additional resources are required for professionals that need to visit clients across the county. Some health services - such as a dentist and GP - are difficult to access for some of Herefordshire's residents, along with other services such as public transport or having a local post office.
- 2.1.4 The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures. The impact of the austerity measures has therefore been much greater in rural areas.

2.2 Adult Social Care

- 2.2.1 Adult Social Care faces significant future pressures due to increased life expectancy and future demand due to an aging population. 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.

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

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

2.2.3 The creation of the pooled Better Care Fund budget in 2015/16 aims 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 have published plans on how this funding will be spent and continue to actively work on the implications for the county.

2.3 Children

2.3.1 Based on provisional October 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 Dedicated Schools Grant in 2016/17 will be funded on 13,018 primary pupils and 8,642 secondary pupils (excluding sixth form pupils) at £4,447.12 per pupil.

2.3.2 The new schools funding formula distributes the same amount of funding to Herefordshire Schools but on a different basis as Herefordshire continues to move towards the expected national school funding formula, creating winners and losers. The Minimum Funding Guarantee (MFG) limits the budget losses to 1.5% per pupil and those schools gaining budget will be capped by a similar percentage in order to fund

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the cost of the MFG protection. The additional fairer funding increase of £2.7m in 2015/16 will be consolidated into Herefordshire's funding in 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.

- 2.3.3 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 31.10.13. The Care Placement Strategy includes action to reduce the costs of meeting the needs of children in our care.
- 2.3.4 The number of children on Child Protection Plans is 244 as at 31 October 2015, 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 work protocol came into effect on 1 January 2015, which is addressing the significant cost increase in this area over the past two years.
- 2.3.5 The number of children with Complex Needs cases continues to rise and indications show an increase in average cost per placement.

2.4 Value for Money

- 2.4.1 Using cost benchmarking data we are able to focus on areas where spend varies from other authorities with similar characteristics and challenges such as providing adult social care services to a sparsely dispersed aging population. National benchmarking data is currently available to 2013/14. This shows that overall Herefordshire Council is ranked 3rd against its thirteen statistical comparator neighbours, an improvement of three places compared to the 6th position reported in 2012/13. The relative performance by service is summarised below.

	Net spend (£m)	2012/13 Ranking	2013/14 Ranking	
Adult Social Care	54.7	13	11	↑
Children's services	38.8	7	10	↓
Education		4	3	↑
Waste & Regulatory Services	20.4	10	11	↓
Cultural & related services	6.7	5	2	↑
Highways & Transportation services	17.9	9	7	↑
Housing services	7.6	6	6	▬
Total / Overall	162.8	6	3	↑

- 2.4.2 Indicative benchmarking for 2014/15 shows that the ranking for Adult Social Care is likely to improve by at least 2 places whereas the ranking for Children's services will drop to 12th. The overall position of 3rd is positively skewed for Herefordshire due to our lower than average DSG settlement and therefore relatively low average cost of Education provision within the County.
- 2.4.3 The savings set out in the MTFS to 2019/20 are intended to bring relative spend down comparatively with statistical neighbours. Particularly in Children's Safeguarding and Adult Social Care.
- 2.4.4 Waste disposal costs are comparatively high due being in a PFI arrangement until 2023. This attracts waste infrastructure grant funding which, when included, reduces the spend to a comparable level.
- 2.4.4 Herefordshire's external auditors, Grant Thornton annually review the financial resilience, value for money and statement of accounts of the council. They do this by looking at key indicators of financial performance, its approach to strategic financial planning, its approach to financial governance and its approach to financial control. Their overall conclusion gave the council a clean bill of health, assessing all areas as green in 2014/15.

3 National Financial Context

3.1 2015 Comprehensive Spending Review

- 3.1.1 The 2015 Comprehensive Spending Review will set out the overall spending for the public sector and will set out the Government's proposals for tackling Britain's deficit, including significant reductions in public spending.
- 3.1.2 These are challenging times, but the Council is continuing to meet those challenges whilst building bold and ambitious plans for the future.

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

4 Herefordshire Council's Financial Context

4.1 Introduction

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

- Revenue spending
- Capital investment
- Treasury management

4.2 Comparative Funding Position

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

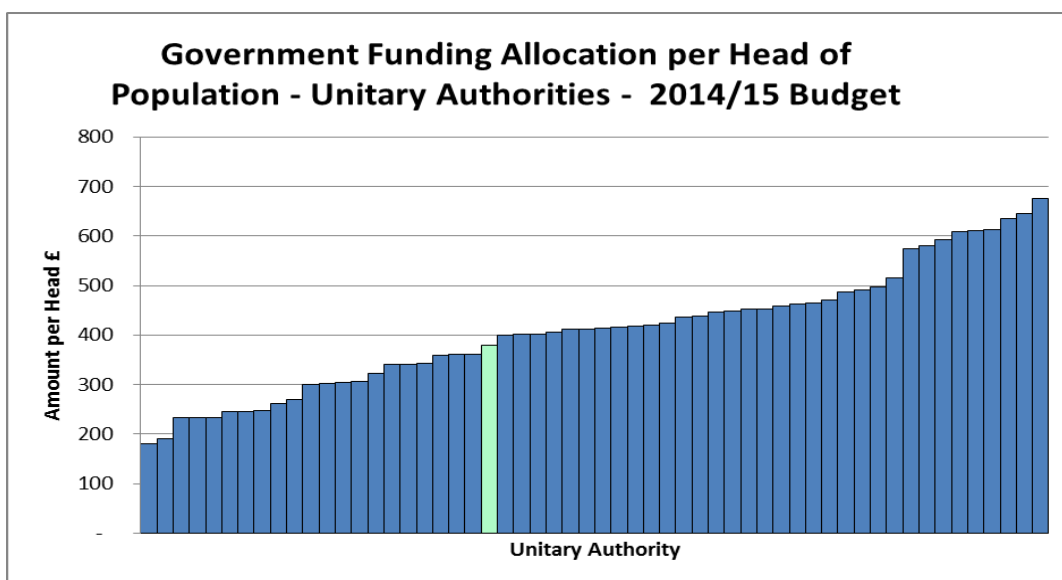
4.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives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

4.2.3 The Government has accepted that rural areas have been comparatively underfunded. This was reflected in an 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.

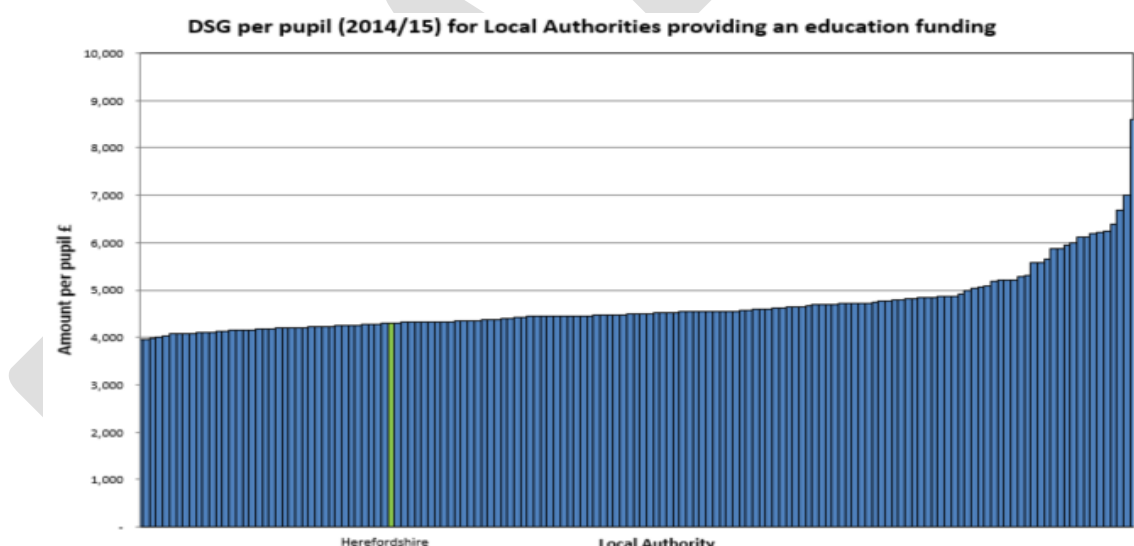
4.2.4 The 2015/16 budget figures show that:

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

4.2.5 The graph below shows Formula Grant per head of population for all unitary authorities 2014/15. It shows that Herefordshire receives less on average than the others, the 35th out of 55 unitary authorities, despite its sparsity and demographic profile.

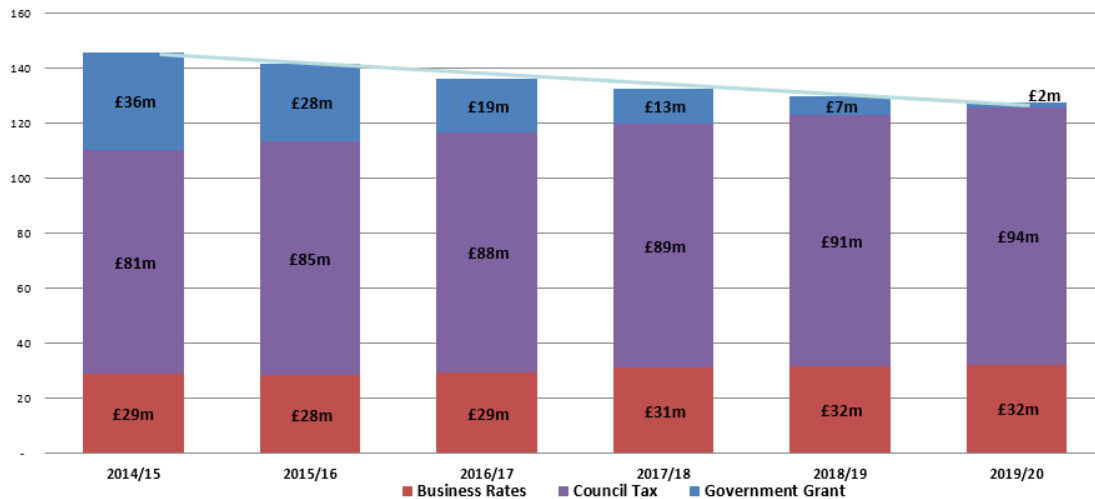


4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



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.



4.4 Local Government Settlement 2016/17

4.4.1 The local government settlement is expected to be announced in the week beginning 14th December 2015. This draft MTFs for Herefordshire has been prepared in line with budget assumptions of continued funding reductions in support of the government's aim to reduce the budget deficit to zero by 2019/20 whilst protecting health budgets.

4.5 New Homes Bonus

4.5.1 The New Homes Bonus 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. The continuation of this funding is uncertain, current MTFs assumptions presume a continuation based on the delivery of 2,000 new homes in the period 2016/17 to 2019/20.

4.5.2 Herefordshire has been awarded the following since 2011/12 with the first six years funding of £591k per annum ceasing in 2017/18;

	Annual allocation	Cumulative receivable
	£000	£000
2011/12	591	591
2012/13	824	1,415
2013/14	655	2,070
2014/15	738	2,808
2015/16	783	3,591

4.6 Specific Grants

4.6.1 The table below will be updated to include the 2016/17 specific grants for Herefordshire when announced in December, in the meantime 2015/16 amounts are shown.

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

Grant	2015/16 £000
Housing benefit admin subsidy	819
Council Tax support – new burdens	32
Social care funding – new burdens	1,224
Public health grant	7,970
S31 grant	2,354
DoH social care funding	119
Lead flood	46
Extended rights to travel	106
Commons registration	4
Better care fund	11,694
TOTAL	24,368

4.7 Dedicated Schools Grant

- 4.7.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and funds the Schools Budget. DSG is split into three distinct blocks as follows:
- Schools Block - funding delegated to schools as determined by national funding formula
 - High Needs Block – all funding for special educational needs including post-16
 - Early Years Block – funding for private, voluntary, independent nursery providers and central early year’s services.
- 4.7.2 DSG is the main source of income for schools. Each block within DSG, although not ring-fenced, is funded separately. The schools block will be based upon a per pupil formula using the actual pupil numbers from the October school census data. The Early Years block will be calculated on a rolling basis through the year based on three termly pupil census dates.
- 4.7.3 A national review of the distribution formula for DSG based around the introduction of a national schools funding formula resulted in additional fairer funding for many low funded authorities, including an extra £2.7m for Herefordshire from April 2015. As a high delegator of funding to schools early indications from the Institute of Fiscal Studies suggested that Herefordshire schools will lose funding in the move to a national funding formula however this has not been as significant as initially thought.
- 4.7.4 Apart from the additional fairer funding allocation of £129.43 per pupil within the Schools Block, there was no inflationary uplift in DSG funding rates for the early years and high needs blocks in 2015/16.
- 4.7.5 The total schools block funding for 2016/17 is estimated to total £96m based on forecast pupil numbers. Early Years and High Needs budgets will be finalised in early 2016 following the DSG allocation for 2016/17.

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- 4.7.6 Academies are publicly funded independent local schools. Academies are independent of the council and responsible directly to and funded directly by government. They are freed from national restrictions such as the teachers' pay and conditions documents and the national curriculum. Many Herefordshire schools have embraced the change and approximately 40% of pupils will be educated in Academies from April 2015.
- 4.7.7 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.
- 4.7.8 Academies receive additional top-up funding from a share of the Education Services Grant to reflect their extra responsibilities which are no longer provided by the local authority. Academies can choose to buy these services from the local authority.

4.8 Council Tax

- 4.8.1 The MTFS includes a council tax increase of 1.9% per annum. 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 £50m with another £10m in 2015/16 on a net budget of £142m.
- 4.8.2 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.
- 4.8.3 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.
- 4.8.4 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.
- 4.8.5 The council chose to freeze council tax and took the Government's council tax freeze grant in 2011/12 and 2012/13. However, when the Government offered a further council tax freeze grant for 2013/14, 2014/15 and 2015/16 the council did not accept this and approved a 1.9% increase.

4.9 Reserves

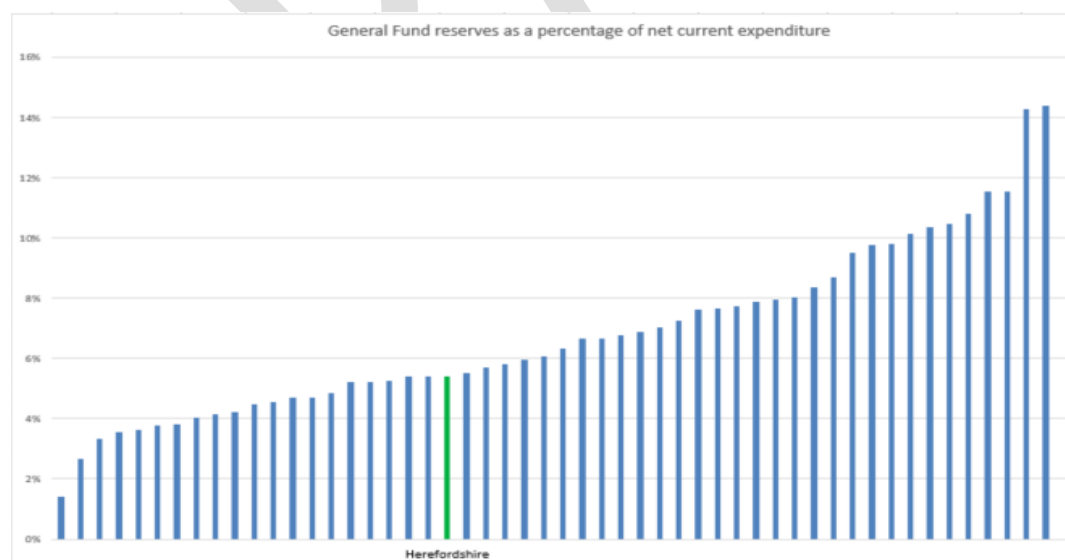
4.10.1 Herefordshire has two main sources of reserve funding to support the day to day spending that is recorded in the revenue account, the General Fund balance and Specific Reserves. As the titles suggest, the latter are held for a specific purpose whilst the former could be considered a general contingency.

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

4.10.3 £5.5m of the specific reserves belong to schools and cannot be used to help pay for non-schools services and other reserves include unspent government grants carried forward to be spent in future years.

4.10.4 During 2014-15 local authorities increased their reserves by £1bn in total, a significantly lower increase than in 2013-14 when authorities increased their reserves by £2bn. 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.



4.11 Capital Receipts Reserve

4.11.1 There is one capital receipts reserve that represents cash available to support spending on the creation or enhancement of assets, the usable capital receipts reserve. The

following table shows the level of usable capital receipts reserve for the last 3 financial years and the estimated position at 31 March 2015.

Balance as at:	Opening Balance £m	Receipts £m	Spend £m	Closing Balance £m
31 March 2013	2.8	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 (est)	4.4	4.1	(2.7)	5.8

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

4.11.3 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.

4.12 Funding Arrangements for Capital Investment

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

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

- **Local Highways Maintenance Funding** - £10.564m
- **Integrated Transport Block** - £1.069m
- **Basic Need** - £0.666m

4.12.3 **Council Borrowing** - This medium-term strategy reflects the borrowing funding requirement implied by the Treasury Management Strategy to support the capital programme.

4.12.4 **Capital Receipts Reserve** – as shown in paragraph 4.11.1 the capital receipts reserve totalled £4.4m as at 1 April 2015. This is likely to rise to around £5.8m by the end of this financial year. This will be used to fund the capital programme avoiding the need to borrow.

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

- **Maximising Capital Receipts** – by disposing of assets
- **Maximising Developers' Contributions** – through planning gains and the adoption of a Community Infrastructure Levy
- **Challenge Funding** – an application will be submitted to the Department for Transport for highway maintenance
- **LEP Major Scheme Grant Funding** – applications will be made for infrastructure schemes

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

- **External Funding Bodies** – to distribute funding for projects that satisfy their key criteria and objectives; bids are submitted where appropriate.
- **New Homes bonus and Retained Business Rate Income Growth** – these revenue funding streams will be linked, where appropriate, to support the cost of financing capital expenditure.

4.12.6 The challenges given to retaining assets will be based on value for money and the delivery of strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of and proceeds will be reinvested. The disposal of land will be allowed after consideration of sacrificing a capital receipt for transfer of the land for use as social housing or as a community asset transfer.

4.13 Capital Programme 2016/17

4.13.1 The 2016/17 capital programme represents funding allocations received to date, commitments from previous years and will be updated for new capital schemes following Council approval. 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 within this MTF5.

4.13.2 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
Existing Schemes						
Road infrastructure	14,613	5,387	-	-	-	20,000
Hereford city link road	10,658	9,513	3,324	3,505	-	27,000
Fastershire broadband	8,395	6,200	5,605	-	-	20,200
Energy from waste plant	6,009	16,000	17,991	-	-	40,000
Leisure centres	4,013	3,187	1,800	-	-	9,000
Electronic document and management system	400	400	-	-	-	800
Highways Maintenance	-	11,523	10,564	10,244	27,816	60,147
Hereford enterprise zone	-	2,500	7,100	6,400	-	16,000
South wye transport package	-	1,000	1,000	12,300	12,700	27,000
Integrated transport plan	-	1,069	1,069	1,069	3,207	6,414
LED street lighting	766	4,889	-	-	-	5,655
Three elms trading estate	-	2,100	400	350	-	2,850
Solar photovoltaic panels	35	1,599	500	-	-	2,134
Marches and Worcestershire redundant building grant	-	1,500	-	-	-	1,500
Better care fund	-	1,356	-	-	-	1,356
Schools capital maintenance grant	-	1,215	-	-	-	1,215

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

Relocation of Broadlands school	-	1,137	120	-	-	1,257
Schools basic need	-	634	666	-	-	1,300
Brookfield improvements	-	200	300	-	-	500
Colwall primary school	-	-	4,800	1,700	-	6,500
Peterchurch primary school	-	-	1,000	-	-	1,000
Purchase of gritters	-	-	375	125	-	500
TOTAL	44,889	71,409	56,614	35,693	43,723	252,328

4.14 Treasury Management Strategy

4.14.1 The council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2015/16 complies with the detailed regulations that have to be followed and sets out the council's strategy for making borrowing and investment decisions during the year in the light of its view of future interest rates. It identifies the types of investment the council will use. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities. The strategy also includes the Minimum Revenue Provision (MRP) policy. This will be updated following approval of additions to the capital programme by Council in December.

Investments

4.14.2 During 2015/16 interest rates have remained low. In the year to date the average daily rate achieved on the council's investments has ranged from 0.5% to 1.0% and averaged 0.7%. 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.

4.14.3 The council's primary objective in relation to the investment of public funds remains the security of capital. As a result of new banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty, the council will maintain lower investment balances during the year (a policy only possible with short-term loans which can be matched to the council's cash-flow profile) and invest these mainly in Money Market Funds.

Borrowing

4.14.4 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.

4.14.5 The strategy for borrowing, based on the capital programme, includes an estimated additional requirement of £15m for 2015/16 (increasing from a total of £145m at 31.03.15 to £160m at 31.03.16) however this need has not been secured to date. This is the net figure after taking account of estimated capital spend, the refinancing of existing loans, MRP and available reserves.

4.14.6 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. Projections will be updated following the approval of new capital investment by Council in December.

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4.14.7 The forecast is for interest rates to stay low for the foreseeable future.

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 document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It will be published following the CSR and will cover the period from 2016/17 to 2019/20, although 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 1.9% increase per annum
- b) Government funding – the FRM reflects a 12% reduction per annum
- c) New Homes Bonus – is assumed to continue based on 500 new homes per annum
- d) Inflation - 2% uplift per annum on income and contract inflation indices on non-pay expenditure.
- e) Pay – increased at 1% per annum
- f) Employers' National Insurance – increases in employers' contributions following the ending of contracting out in 2016/17
- 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 their 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 21 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 21 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

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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 are included in the FRM.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Council tax	87,611	88,833	91,264	93,578
Retained business rates	22,338	24,009	24,489	24,979
Business rates top-up	6,950	7,089	7,231	7,375
Revenue support grant	19,242	12,773	6,993	1,852
Reserves	619	(66)	-	-
Funding for net budget requirement	136,760	132,638	129,977	127,784

5.4.2 The settlement also set out the specific grants for Herefordshire, as detailed in Section 4.7. These grants are used to fund specific functions within Directorates.

5.5 Directorate pressures

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

	2016-17 £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Total £000's
Living wage	686	618	491	539	2,334
Adults demographic pressures	888	874	926	945	3,633
Other pressures	396	(24)			372
TOTAL	1,970	1,468	1,417	1,484	6,339

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 £49m of savings in the financial years 2010/11 - 2014/15, with an additional £10m required in the current financial year, 2015/16. Looking forward an additional £32m of savings in the financial period 2016/17 - 2019/20 is needed. This gives total savings for the financial period 2010/11- 2019/20 of £91m.

5.6.2 Savings have been reviewed as part of the budget process and revisions made, these are summarised in the table below. The review has highlighted an overall gap of £4m shortfall against the target in 2019/20. Some savings have now been removed from the plan and some savings having been replaced with new ones. Work continues on targeting the remaining gap.

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Total 16-20 £'000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

- 5.6.3 For Children's Wellbeing the savings plans cover the following areas;
- Care Placement Strategy – reduction in residential placement costs
 - Recruitment and retention of permanent staff
 - Adoptions initiatives
 - Service re-design in safeguarding
- 5.6.4 For Adults Wellbeing the savings plans cover the following areas;
- Remove funding people who are not eligible for adult social care
 - Maximising income through charging for services
 - Shifting to providing enablement focused and time limited support
 - Re-commissioning and reductions in care packages
 - Contract Changes, improved value for money
 - Reductions in accommodation based support
 - Service redesign
 - Maximisation of Continuing Health Care
 - Population wellbeing interventions
- 5.6.5 For ECC the savings plans cover the following areas;
- Waste & Sustainability
 - Public transport
 - Back-office
 - Asset Review
 - Withdrawal of subsidies to Cultural Services partners
 - Co-location of customer and library services
 - Car Parking
 - Council tax reduction scheme
 - Removal of discretionary rate relief to some voluntary organisations

5.7 Budget proposal 2016/17

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

Directorate	Base budget 2015/16 £000	Net changes £000	Draft budget 2016/17 £000
Adults and wellbeing	53,243	(1,466)	51,777
Children's wellbeing	22,137	244	22,381
Economies, communities and corporate (ECC)	50,635	(1,135)	49,500
Total Directorates	126,015	(2,356)	123,659
Capital financing - debt repayments			10,323
Capital financing - interest			6,773
Change management			728
Government grants			(6,741)
Other central budgets			2,019
Total net spend (budget requirement)			136,760

5.8 Budget risks

- 5.8.1 This MTFS will be updated when the comprehensive spending review is published in November. The most substantial risks have been assessed in the budget process and reasonable mitigation has been made. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process. The proposed budget includes contingency and reserves that, if required, can be used to manage realised risks in addition to the normal budget virement risk management process.
- 5.8.2 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.
- 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

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Total 16-20 £'000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

Adults Wellbeing Directorate

Savings Proposal	Impact	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 earnings 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 will be charged £2.85 per week, £148 pa	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
Total		4,030	2,295	1,750	1,700	9,775

Children's Wellbeing Directorate

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.	(500)	316	572	200	588
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

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
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
		1,000	1,266	1,422	1,050	4,738

Economy, Communities & Corporate

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	565	295	100	180	1,140
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

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
On-Street Car parking Project	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

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Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
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
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 form 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

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Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
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

Further information on the subject of this report is available from
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Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Council Tax reduction Scheme - in 2016/17 reducing the level of subsidy from 84% to 80% but also increase restrictions and protect certain claimants at 84% for certain claimants or reduce the level of CTR from 84% to 80% with no other scheme changes. Further changes would need to be made to the scheme in 2017/18 to deliver additional savings.	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 level of and place their household into financial hardship. This is to be mitigated through revisions to the 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	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
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	1,400		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

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Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
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
		4,898	3,149	3,200	1,060	12,307

Corporate

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Organisational redesign savings	Efficiency savings	550	300	100	200	1,150

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DRAFT REVENUE BUDGET 2016/17
APPENDIX 3

Service	Base Budget 2015/16	Pensions, pay and Inflation	Pressures	Savings	Other Adjusts	2016/17 Draft Budget
	£000	£000	£000	£000	£000	£000
Adults Wellbeing						
Adults Commissioned Care	43,896	14	1,788	(3,080)	477	43,095
Adult Social Care Staffing	8,176	421	0	(720)	(141)	7,735
Adult Social Care Contracts	4,306	0	0	(100)	477	4,683
Housing Services	680	45	0	0	0	725
Public Health	119	8	0	0	1	128
Directorate Management and Grant Income	(3,933)	235	0	(130)	(761)	(4,589)
Total Adults Wellbeing	53,243	723	1,788	(4,030)	53	51,777
Children's Wellbeing						
Children's Safeguarding & Early Help	17,139	557	76	(620)	144	17,296
Statutory Education Services	5,582	158	0	(50)	0	5,690
Directorate Management and Grant Income	(584)	309	0	(330)	0	(605)
Total Children's Wellbeing	22,137	1,024	76	(1,000)	144	22,381
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	(700)	(729)	907
Corporate Resources (Finance, IT, Property and HR)	11,600	74	76	(690)	1,347	12,407
Total Economy, Community and Culture	50,635	2,005	106	(4,451)	1,205	49,500
Consolidated Revenue Account	15,758	354	0	(997)	(2,012)	13,103
Total Herefordshire Council	141,773	4,106	1,970	(10,478)	(610)	136,760

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

Priorities and Budget Consultation 2016-2020

Version 1.0
Strategic intelligence team

October 2015



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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.

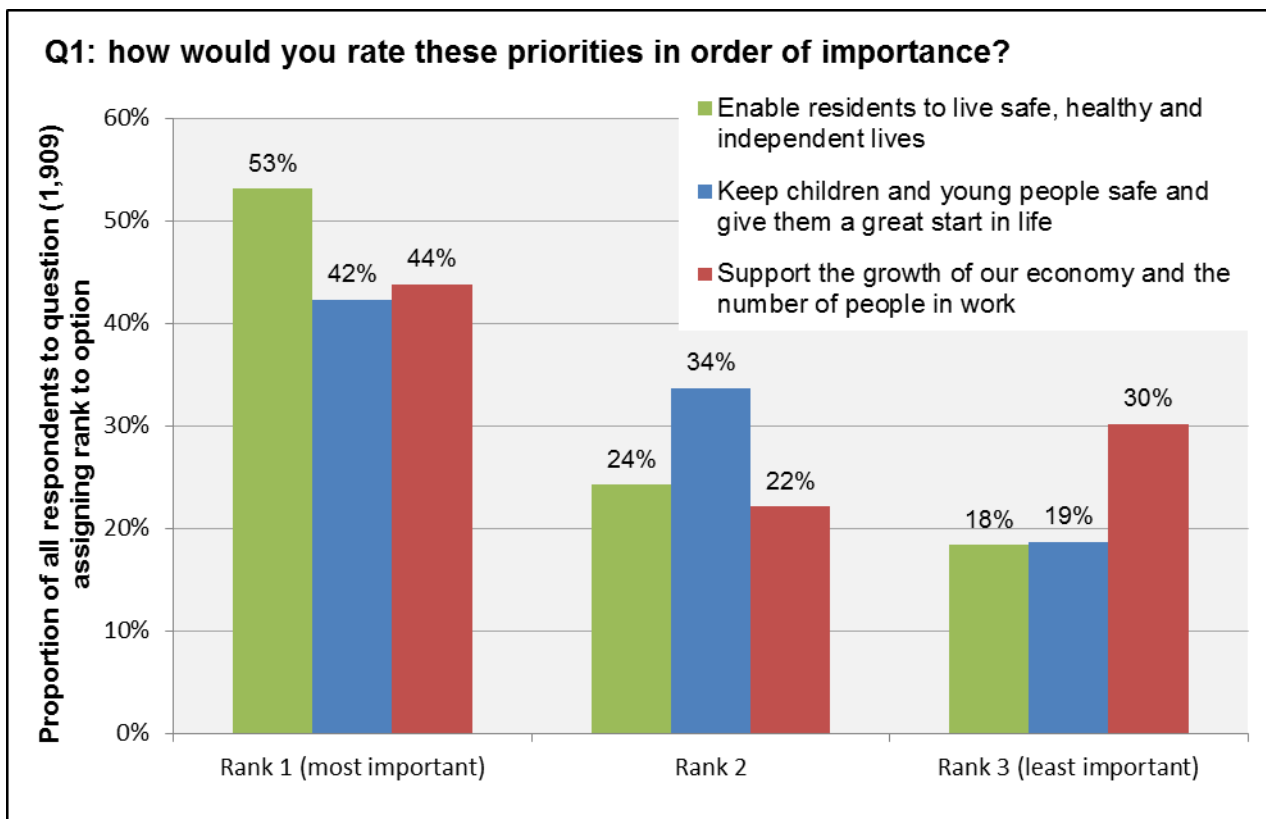
Because of the number of people who said that all priorities were equally important, when combining all 1,909 responses to the question the most common response for each option was 'most important' (see chart 1). However, it is possible to identify a general pattern of order of importance:

- **'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.

Table 2: responses to whether council should identify other priorities

	Number of respondents	Per cent of respondents
Yes	1,166	72%
No	452	28%
Total respondents	1,618	100%
Not answered	361	

Chart 2: responses to whether council should identify other priorities

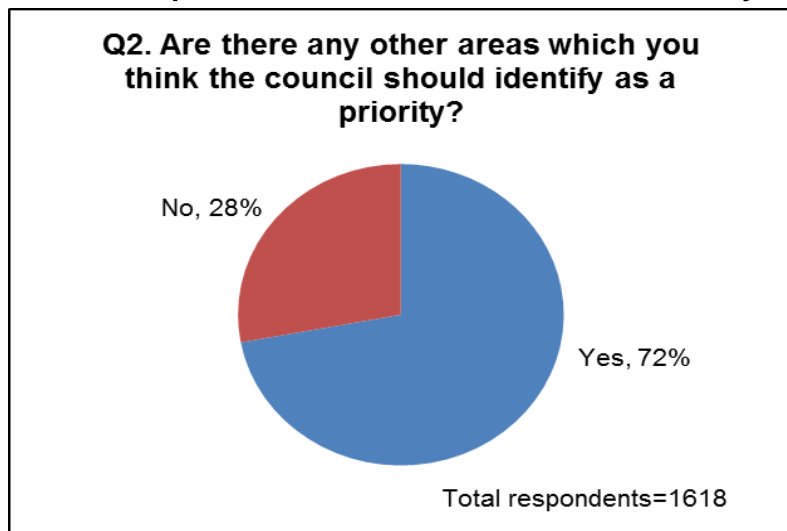


Figure 1: word cloud showing responses to Q2
 (size of word relates to the number of times it was mentioned)



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

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):

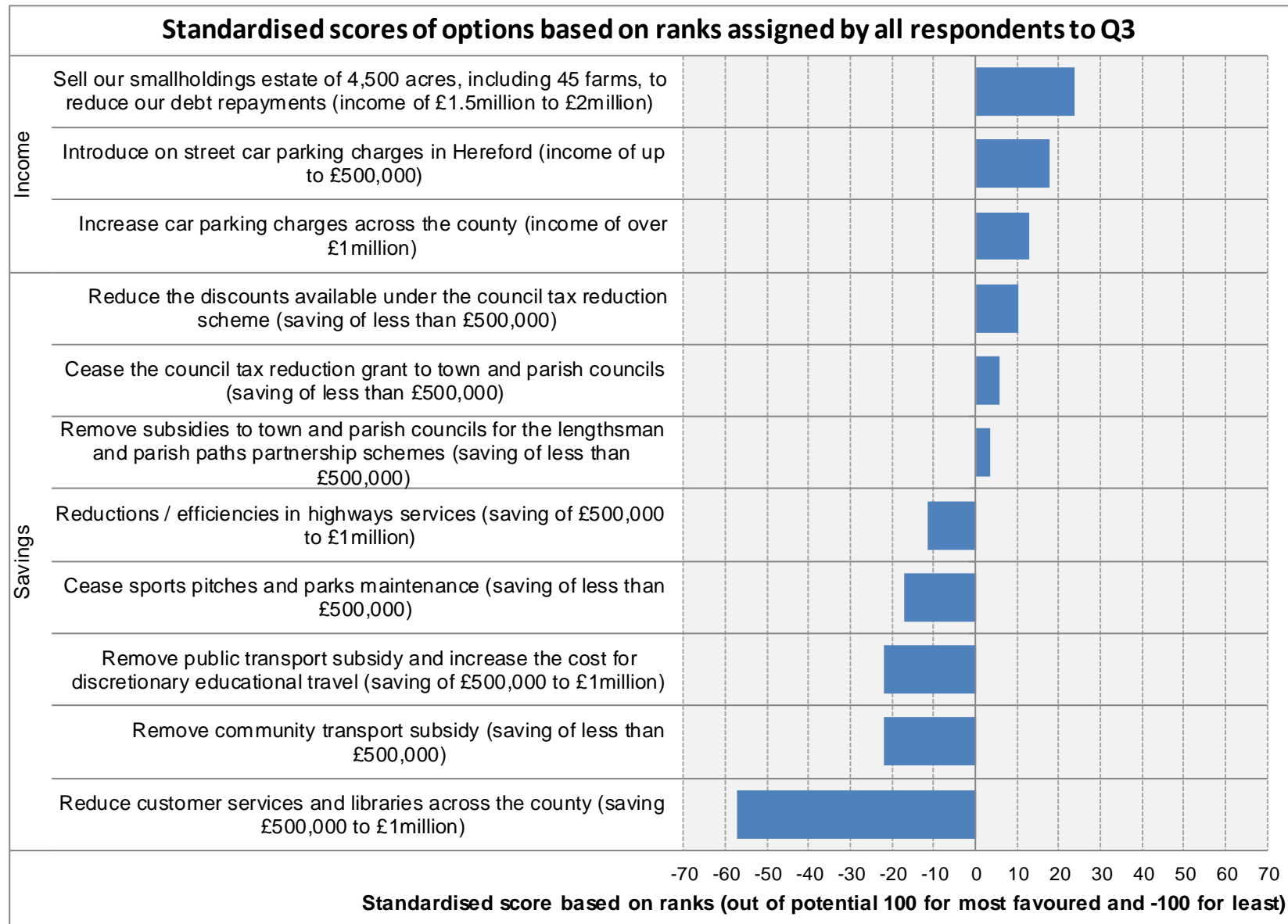
- There was a general preference for those that would generate income:
 - 37 per cent of respondents ranked 'selling our smallholdings estate' as their first or second preference
 - 'Increase car parking charges across the county' received the next highest number of first choices (22 per cent) and was 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

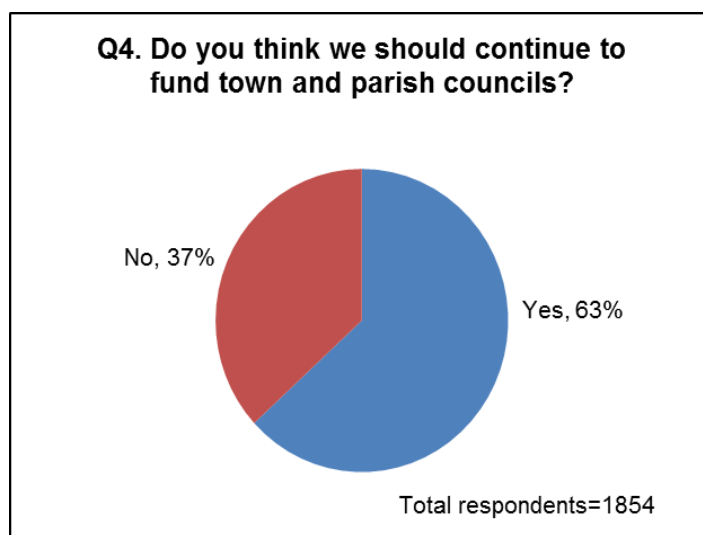
Q4. Do you think we should continue to fund town and parish councils?

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?



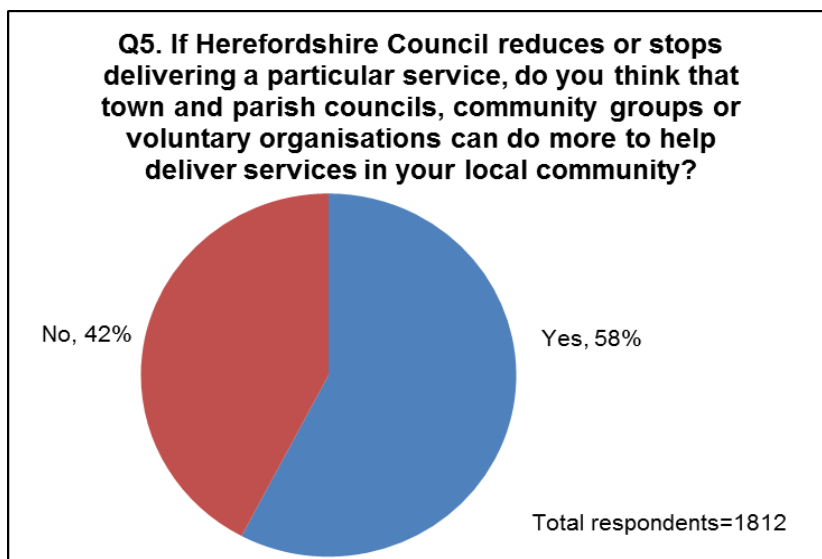
Q5. If Herefordshire Council reduces or stops delivering a particular service, do you think that town and parish councils, community groups or voluntary organisations can do more to help deliver services in your local community? If yes, please specify what services (this could include cutting the grass,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

Table 5: responses to whether town and parish councils, community groups or voluntary organisations could do more to help deliver services

	Number of respondents	Per cent of respondents
Yes	1,045	58%
No	767	42%
Total respondents	1,812	100%
Not answered	167	

Chart 5: do you think town and parish councils, community groups or voluntary organisations can do more to help deliver services?



There were around 1,000 comments made in relation to which services these groups could help with. The most common words are highlighted in the word cloud in figure 2.

Figure 2: word cloud of comments about which services town and parish councils, community groups or voluntary organisations could help to deliver (size of word relates to the number of times it was mentioned)



This question will be fully analysed in a later version of this report, but 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. ”

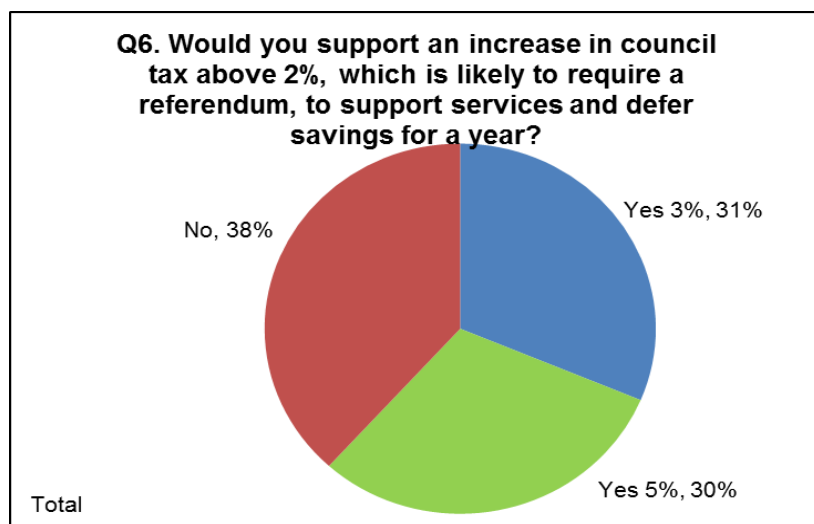
Q6. Would you support an increase in council tax above 2 per cent, which is likely to require a referendum, to support services and defer savings for a year?

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?



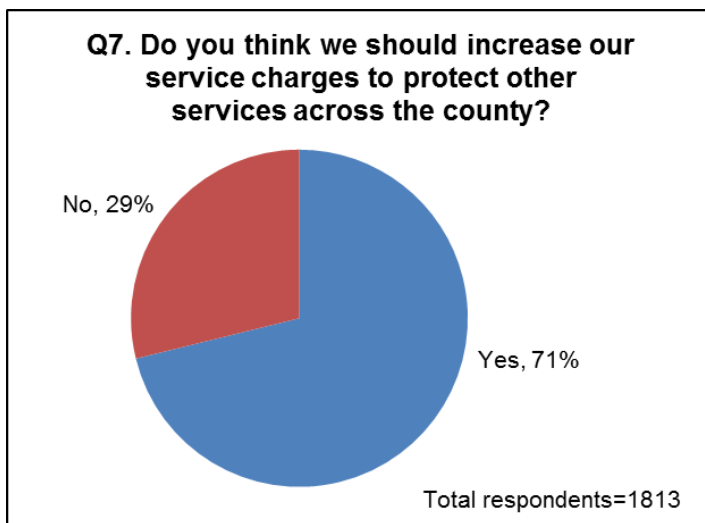
Q7. Do you think we should increase our service charges to protect other services across the county?

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.

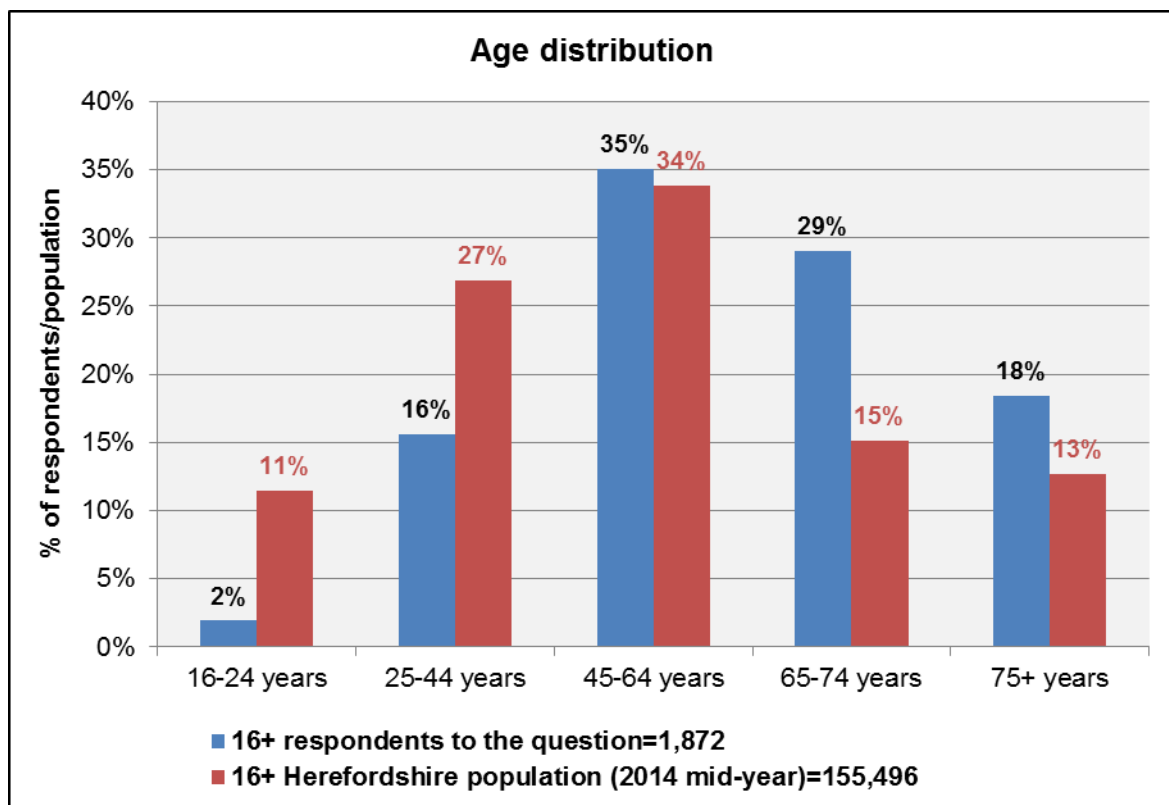
Table 8: comparison of responses to questions 6 and 7

		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: 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:	General overview and scrutiny committee
MEETING DATE:	17 November 2015
TITLE OF REPORT:	Proposed capital programme 2016/17
REPORT BY:	Director of resources

Classification

Open

Key Decision

This is a not an executive decision.

Wards Affected

Countywide

Purpose

To provide Cabinet with comments on the proposed capital programme for 2016/17 onwards for recommendation to Council on 18 December 2015.

Recommendation(s)

THAT:

- (a) **General overview and scrutiny committee provide comments on the capital programme outlined in this report, for consideration by Cabinet.**

Alternative Options

1. The capital schemes detailed below will either enable the delivery of savings targeted in the medium term financial strategy, are self-funded, grant funded or address critical service needs. There are no alternative options that would not radically effect the provision of services.
2. Alternatively additional capital spend could be approved. Additional requests have been received by the capital strategy group but have not been recommended for approval due to affordability, uncertainties, lack of clarity on need and the opportunity

Further information on the subject of this report is available from
Josie Rushgrove, head of corporate finance on tel (01432) 261867

for alternative solutions.

Reasons for Recommendations

3. The council's budget and policy framework rules require that cabinet have regard to the views of overview and scrutiny in developing their recommendations to Council on budget and policy framework items.

Key Considerations

4. The capital programme plays a key role in delivering the councils broader ambitions to drive economic growth in the County and the delivery of more jobs and homes. It builds on the foundations provided by the recently adopted core strategy and is aligned with both the Marches strategic economic plan and the Councils corporate plan.
5. Capital proposals are invited and ranked by the capital strategy group. Expressions of interest were submitted in August and if the request aligned with corporate priorities business cases were completed and reviewed in October.
6. The current capital programme approved by Council in December 2014 with updated spend profiles is provided in appendix 1.
7. The capital programme was updated in the year to include the Marches and Worcestershire redundant building grant programme of £1.5m. Herefordshire is the accountable body of this LEP grant funded fund providing capital grant support of between £3k and £50k to small job-creating businesses to refurbish underused and redundant buildings, bringing them back into commercial use.
8. Since the last update the Leominster junior and infant school amalgamation completed on time and within budget.
9. As shown in appendix 1, if the proposals in this report are approved the capital programme will total £174m in future years. This will be funded by grants, capital receipts, borrowing and revenue savings.

Proposed additions to the capital programme

10. The proposed programme focuses capital spend on key infrastructure issues 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 in the County, to help them create new and better paid jobs for the County's residents
11. Proposed additions to the capital programme to be spent 2016/17 – 2019/20 are summarised below and detailed in appendix 2. This follows the review of submissions by the capital strategy group. Rejected submissions were received for additional investment in the property estate, flood remedial works and fleet renewals. These were rejected due to affordability, uncertainties, lack of clarity on need and the opportunity for alternative solutions.
12. The bulk of the proposed £37.6m programme is funded by capital grants, service charges, capital receipts or revenue savings. This leaves a balance of £13.4m to be financed by corporate prudential borrowing. The revenue implications are detailed in the financial implications section of this report and will be reflected as pressures in future years' budget proposals. Spending will support the corporate plan priorities by

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improving infrastructure, support the local economy, housing development and the creation of job opportunities.

Scheme	Total Cost £000	Total Funding £000	Net Cost £000
Infrastructure			
Hereford city centre transport package	13,600	(13,600)	-
Fastershire broadband	8,000	(7,000)	1,000
Schools			
Brookfield school improvements	1,370	-	1,370
Westfield school improvements	710	(500)	210
Peterchurch primary school improvements	4,500	(1,000)	3,500
Service delivery improvements			
Purchase of green waste bins to meet recycling targets	150	(150)	-
Property estate			
Emergency property estate enhancement works	2,000	-	2,000
Corporate accommodation	1,700	(300)	1,400
1A St Owen street, adjacent to Shire Hall	70	-	70
Edgar street works	100	-	100
Smallholding health and safety improvements	100	-	100
Hereford library accommodation works	1,000	-	1,000
Highway depot improvements	800	(800)	-
Office and car park lighting replacement	300	(300)	-
ICT			
Data centre consolidation	1,170	-	1,170
IT network upgrade	500	-	500
PC replacement	740	-	740
Software to enable remote access to desktops and automate upgrades	500	(500)	-
1% contingency	290	-	290
Total	37,600	(24,150)	13,450
Estimated annual revenue borrowing cost upon completion			807

13. Of the £13.4m corporate funding needed, £5m relates to the schools capital investment strategy. This is currently in development and the proposals are within the overall strategic approach. It is anticipated that a significant number of schemes will come forward over the next five years to deliver sustainable, high quality education facilities in Herefordshire. Funding for such schemes will be explored with partners such as the education funding agency, schools, the diocese of Hereford, archdiocese of Cardiff, local communities as well as opportunities for releasing sites and reinvesting in education.
14. A further investment of £8m is recommended to expand the Fastershire broadband coverage throughout the County as outlined in the Fastershire broadband strategy

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2014-2018. The Council is committed to reach rural premises in the county with broadband of 30Mbps by 2016. Additional investment is required to provide further broadband coverage to properties predominately in the more rural areas which are more expensive to reach. Of the £8m total cost external funding of £7m has been secured with the balance of £1m proposed to be funded by council resources. In addition the council has secured additional grant funding of £2m from broadband UK, a government agency which would enable the programme to continue beyond 2018/19. However this funding will require match funding. Prudential borrowing of £2m would cost approximately £120k pa over 25 years to repay. The council is seeking additional external funding as an alternative, minimising any contribution from its own resources.

Overall borrowing implications

15. The additional borrowing requirement of £13.4m will be included in the treasury management strategy to February Council which will be updated following approval of this report. Actual borrowing will be secured as cash funding is required at the optimal interest rate available at that time.
16. Total gross outstanding debt was £165m as at 31 March 2015. This is being repaid at approximately £10m per annum.
17. Assuming the proposals are approved and including the capital programme approved to date, there would be a net increase in the debt requirement from £165m as at 31 March 2015 to approximately £195m as at 31 March 2020. This additional borrowing includes spend on the waste plant and Halo leisure centres the cost of which will be financed from payments received.
18. Herefordshire has a long term debt to asset ratio of approximately 25% which means a quarter of Herefordshire's assets are financed by long term debt, which is in line with the average position when compared to all unitary authorities. Herefordshire is in the lower (better) half of the comparative authority debt positions when comparing the cost of borrowing to net revenue budget.

Community Impact

19. The capital programme proposed supports the overall corporate plan and service delivery strategies in place. The overall aim of capital expenditure is to benefit the community through improved facilities and by promoting economic growth.

Equality and Human Rights

20. A full community impact assessment will be carried out prior to any scheme commencing.

Financial Implications

21. The majority of proposals are funded as detailed in appendix 2. A separate Cabinet report on the business case for new individual projects will be approved before spend begins.
22. It is estimated that the phasing and cost of the £13.4m new prudential borrowing requirement will be as follows:

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	Capital cost £m	Cost of borrowing per annum £m
2016/17	5.6	0.3
2017/18	6.3	0.4
2018/19	1.0	0.1
2019/20	0.5	0.0
	<u>13.4</u>	<u>0.8</u>

23. The additional borrowing costs will continue for approximately 25 future years and comprise both interest and debt repayment. These will be included in the revenue budget proposals for future years.

Legal Implications

24. The council is under a legal duty to sensibly manage their own capital finance. The council is able to borrow subject to limits set by the council and any nationally imposed limits and it must do so in accordance with the prudential code on borrowing.
25. The Local Government Act 2003 allows the council to borrow for any purpose relevant to its functions under any enactment and for the purposes of the prudent management of its financial affairs. Before approval of any individual scheme it will be necessary to ensure that the need for the scheme arises out of a legal obligation on the council for its provision.
26. Further any scheme will need to be procured in accordance with the procurement regulations and the council's own contract procedure rules and appropriate contractual documentation put in place to protect the council's interests.

Risk Management

27. Monthly budget control meetings are chaired by the director of resources and give assurance on the robustness of budget control and monitoring, to highlight key risks and to identify any mitigation to reduce the impact of pressures on the council's overall position.

Consultees

28. General overview and scrutiny committee is being asked its views before the proposals are presented to Cabinet and recommended for approval by Council in December.

Appendices

Appendix 1 – Total capital programme

Appendix 2 - Proposed schemes

Background Papers

None identified.

Further information on the subject of this report is available from
Josie Rushgrove, head of corporate finance on tel (01432) 261867

Total Capital Programme

Scheme	Spend in prior years £000	15/16 £000	16/17 £000	17/18 £000	Future years £000	Total £000
Existing Schemes						
Road infrastructure	14,613	5,387	-	-	-	20,000
Hereford city link road	10,658	9,513	3,324	3,505	-	27,000
Fastershire broadband	8,395	6,200	5,605	-	-	20,200
Energy from waste plant	6,009	16,000	17,991	-	-	40,000
Leisure centres	4,013	3,187	1,800	-	-	9,000
Electronic document and management system	400	400	-	-	-	800
Highways Maintenance	-	11,523	10,564	10,244	27,816	60,147
Hereford enterprise zone	-	2,500	7,100	6,400	-	16,000
South wye transport package	-	1,000	1,000	12,300	12,700	27,000
Integrated transport plan	-	1,069	1,069	1,069	3,207	6,414
LED street lighting	766	4,889	-	-	-	5,655
Three elms trading estate	-	2,100	400	350	-	2,850
Solar photovoltaic panels	35	1,599	500	-	-	2,134
Marches and Worcestershire redundant building grant	-	1,500	-	-	-	1,500
Better care fund	-	1,356	-	-	-	1,356
Schools capital maintenance grant	-	1,215	-	-	-	1,215
Relocation of Broadlands school	-	1,137	120	-	-	1,257
Schools basic need	-	634	666	-	-	1,300
Brookfield improvements	-	200	300	-	-	500
Colwall primary school	-	-	4,800	1,700	-	6,500
Peterchurch primary school	-	-	1,000	-	-	1,000
Purchase of gritters	-	-	375	125	-	500
Proposed Additions						
Hereford city centre transport package	-	-	6,800	3,300	3,500	13,600
Fastershire broadband	-	-	1,000	4,155	2,845	8,000
Brookfield school improvements	-	-	-	970	400	1,370
Westfield school improvements	-	-	-	710	-	710
Peterchurch primary school improvements	-	-	-	4,500	-	4,500
Purchase of green waste bins	-	-	150	-	-	150
Emergency property estate enhancement works	-	-	500	500	1,000	2,000

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Scheme	Spend in prior years £000	15/16 £000	16/17 £000	17/18 £000	Future years £000	Total £000
Corporate accommodation	-	-	1,100	600	-	1,700
1A St Owen St adjacent to Shire Hall	-	-	70	-	-	70
Edgar Street works	-	-	100	-	-	100
Smallholding health and safety improvements	-	-	100	-	-	100
Hereford library accommodation works	-	-	1,000	-	-	1,000
Highway depot improvements	-	-	800	-	-	800
Office and car park lighting replacement	-	-	300	-	-	300
Data centre consolidation	-	-	1,170	-	-	1,170
IT network upgrade	-	-	500	-	-	500
PC replacement	-	-	380	230	130	740
Software to enable remote access to desktops and automate upgrades	-	-	500	-	-	500
1% contingency	-	-	140	100	50	290
TOTAL	44,889	71,409	71,224	50,758	51,648	289,928

Further information on the subject of this report is available from Josie Rushgrove, head of corporate finance on tel (01432) 261867

Proposed additions to the Capital Programme					Total	Total		
Scheme Summary	16/17	17/18	18/19	19/20	Cost	Funding	Net Cost	Description
	£000	£000	£000	£000	£000	£000	£000	
Create and maintain a successful economy through investment in infrastructure								
Hereford city centre transport package - investment in transport links and public realm regeneration of the city	6,800	3,300	3,500		13,600	(13,600)	-	LEP grant funded investment increasing the net social value of housing and external impact of housing development resulting in a net regeneration benefit of £82m
Fastershire broadband - to enable the continued delivery of high speed broadband into the most rural areas	1,000	4,155	2,845		8,000	(7,000)	1,000	Corporate funding is required to leverage grant funding towards the BDUK Superfast Extension Programme (SEP) for the continued delivery of high speed broadband to tackle what is termed 'the final 10%' in line with the Fastershire Broadband Strategy 2014-18
Improve outcomes for children and young people through investment in schools								
Brookfield school improvements - replace temporary building		970	400		1,370	-	1,370	Business case under review in tandem with the schools capital investment strategy
Westfield school improvements - build specialist provision		710			710	(500)	210	Business case under review in tandem with the schools capital investment strategy
Peterchurch primary school improvements - refurbishment scheme		4,500			4,500	(1,000)	3,500	Business case under review in tandem with the schools capital investment strategy
Delivering excellence and value to our communities through service delivery improvements								
Purchase of brown waste bins to collect green waste and meet recycling targets	150				150	(150)	-	To introduce a new chargeable garden waste collection service to increase the recycling rate, reduce waste going to landfill and reduce disposal costs

Proposed additions to the Capital Programme

Scheme Summary	16/17	17/18	18/19	19/20	Total Cost	Total Funding	Net Cost	Description
	£000	£000	£000	£000	£000	£000	£000	
Making the best use of the resources available by investing in the property estate								
Emergency property estate enhancement works as required following approval from the Capital Strategy Group	500	500	500	500	2,000	-	2,000	To enable prompt response to high value reactive property improvement works required to reduce costs, avoid extended disruption and maintain Council services
Corporate accommodation to purchase, adapt and refurbish new premises and enable the sale of existing premises	1,100	600			1,700	(300)	1,400	To continue the corporate accommodation investment programme maximising the use of resources, enhancing better ways of working and providing suitable accommodation whilst reducing the overall accommodation estate
1A St Owen St adjacent to Shire Hall emergency works to scaffold, rebuild the chimney and re-roof the building	70				70	-	70	To mitigate risk of collapse
Edgar Street works demolish vacant structure	100				100	-	100	To remedy health and safety issues with the vacant structure
Smallholding health and safety improvements	100				100	-	100	To alleviate damp and mould issues supporting the maximisation of capital receipt values
Hereford library accommodation works	1,000				1,000	-	1,000	To provide funding for the accommodation of a Hereford library and museum subject to separate business case
Highway depots	800				800	(800)	-	Improvements to enable improved working practices and the generation of savings
Office and car park lighting replacement	300				300	(300)	-	Salix interest free loan funded energy efficiency schemes

Proposed additions to the Capital Programme

Scheme Summary	16/17	17/18	18/19	19/20	Total Cost	Total Funding	Net Cost	Description
	£000	£000	£000	£000	£000	£000	£000	
Creating an agile, responsive and flexible workforce through investment in ICT								
<i>Data centre consolidation</i>	1,170				1,170	-	1,170	Replace existing dual data centre strategy with a single data centre at Plough Lane and a disaster recovery capability at the HARC building
<i>IT network upgrade</i>	500				500	-	500	Replace ICT hardware obsolete switches
<i>PC replacement</i>	380	230	130		740	-	740	Replace obsolete ICT devices over 3 years
<i>Software to enable remote access to desktops and automate upgrades</i>	500				500	(500)	-	Investment to optimise device and processes reducing operational costs
<i>1% contingency</i>	140	100	50		290	-	290	1% for unforeseens, as per capital strategy
TOTAL SPEND	14,610	15,065	7,425	500	37,600	(24,150)	13,450	
TOTAL CORPORATE FUNDING	5,560	6,310	1,080	500			13,450	
Indicative borrowing revenue cost per annum	334	379	65	30			807	