

Agenda

General scrutiny committee

Date: **Monday 20 January 2020**

Time: **10.15 am**

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

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

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Agenda for the meeting of the General scrutiny committee

Membership

Chairperson **Councillor Jonathan Lester**
Vice-Chairperson **Councillor Tracy Bowes**

Councillor Barry Durkin
Councillor Jennie Hewitt
Councillor Bernard Hunt
Councillor Paul Symonds
Councillor William Wilding

Agenda

		Pages
1.	<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence.</p>	
2.	<p>NAMED SUBSTITUTES</p> <p>To receive details of members nominated to attend the meeting in place of a member of the committee.</p>	
3.	<p>DECLARATIONS OF INTEREST</p> <p>To receive declarations of interests in respect of Schedule 1, Schedule 2 or Other Interests from members of the committee in respect of items on the agenda.</p>	
4.	<p>MINUTES</p> <p>To receive the minutes of the meeting held on 29 November 2019.</p>	9 - 18
5.	<p>QUESTIONS FROM MEMBERS OF THE PUBLIC</p> <p>To receive any written questions from members of the public.</p> <p>Details of the scheme and related guidance are available here:</p> <p>https://www.herefordshire.gov.uk/info/200148/your_council/61/get_involved</p> <p>Please submit questions to councillorservices@herefordshire.gov.uk</p> <p>The deadline for the receipt of questions is Tuesday 14 January 2020 at 5.00 pm.</p> <p>Accepted questions will be published as a supplement prior to the meeting.</p>	
6.	<p>QUESTIONS FROM MEMBERS OF THE COUNCIL</p> <p>To receive any written questions from members of the council.</p> <p>Deadline for receipt of questions is 5.00 pm on Tuesday 14 January 2020.</p> <p>Accepted questions will be published as a supplement prior to the meeting.</p> <p>Please submit questions to councillorservices@herefordshire.gov.uk</p>	
7.	<p>REVIEW OF BUDGET AND CORPORATE PLAN PROPOSALS FOR 2020/21</p> <p>To seek the views of the general scrutiny committee on the budget proposals for 2020/21 and on the draft corporate plan following the conclusion of consultation and the announcement of the provisional financial settlement.</p>	19 - 144
8.	<p>WORK PROGRAMME</p> <p>To review the committee's work programme.</p>	145 - 170

9. DATE OF NEXT MEETING

The next scheduled meetings are Monday 27 January and 23 March 2020

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- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all committees and sub-committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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Guide to General Scrutiny Committee

Scrutiny is a statutory role fulfilled by councillors who are not members of the cabinet.

The role of the scrutiny committees is to help develop policy, to carry out reviews of council and other local services, and to hold decision makers to account for their actions and decisions.

Council has decided that there will be three scrutiny committees. The Committees reflect the balance of political groups on the council.

The General Scrutiny Committee consists of 7 Councillors.

Councillor Tracy Bowes (Vice-Chairperson)	It's Our County
Councillor Barry Durkin	Conservative
Councillor Jennie Hewitt	Herefordshire Independents
Councillor Bernard Hunt	True Independents
Councillor Jonathan Lester (Chairperson)	Conservative
Councillor Paul Symonds	Liberal Democrat
Councillor William Wilding	Herefordshire Independents

The committees have the power:

- (a) to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the executive,
- (b) to make reports or recommendations to the authority or the executive with respect to the discharge of any functions which are the responsibility of the executive,
- (c) to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are not the responsibility of the executive,
- (d) to make reports or recommendations to council or the cabinet with respect to the discharge of any functions which are not the responsibility of the executive,
- (e) to make reports or recommendations to council or the cabinet on matters which affect the authority's area or the inhabitants of that area
- (f) to review or scrutinise decisions made, or other action taken, in connection with the discharge by the responsible authorities of their crime and disorder functions and to make reports or recommendations to the council with respect to the discharge of those functions. In this regard crime and disorder functions means:
 - (i) a strategy for the reduction of crime and disorder in the area (including anti-social and other behaviour adversely affecting the local environment); and
 - (ii) a strategy for combatting the misuse of drugs, alcohol and other substances in the area; and
 - (iii) a strategy for the reduction of re-offending in the area

- (g) to review and scrutinise any matter relating to the planning, provision and operation of the health service in its area and make reports and recommendations to a responsible person on any matter it has reviewed or scrutinised or to be consulted by a relevant NHS body or health service provider in accordance with the Regulations (2013/218) as amended. In this regard *health service* includes services designed to secure improvement—
- (i) in the physical and mental health of the people of England, and
 - (ii) in the prevention, diagnosis and treatment of physical and mental illness
 - (iii) And any services provided in pursuance of arrangements under section 75 in relation to the exercise of health-related functions of a local authority.
- (h) to review and scrutinise the exercise by risk management authorities of flood risk management functions or coastal erosion risk management functions which may affect the local authority's area.

The specific remit of the general scrutiny committee includes:

- Services within the economy and place directorate and corporate centre
- Corporate performance
- Budget and policy framework matters
- Statutory flood risk management scrutiny powers
- Statutory community safety and policing scrutiny powers

Who attends general scrutiny committee meetings?

Coloured nameplates are used which indicate the role of those attending the committee:

Pale pink	Members of the committee, including the chairman and vice chairman.
Pale Blue	Cabinet Members – They are not members of the committee but attend principally to answer any questions the Committee may have and inform the debate.
Orange	Officers of the council – attend to present reports and give technical advice to the committee
Green	People external to the Council invited to provide information to the committee.
White	Other councillors may also attend as observers but are only entitled to speak at the discretion of the chairman.

Minutes of the meeting of General scrutiny committee held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Friday 29 November 2019 at 10.15 am

Present: Councillor Jonathan Lester (chairperson)
Councillor Tracy Bowes (vice-chairperson)

Councillors: Polly Andrews, Barry Durkin, Jennie Hewitt, Bernard Hunt and William Wilding

In attendance: Councillors Christy Bolderson, John Hardwick, Liz Harvey (Cabinet Member) and Trish Marsh (Cabinet Member)

Officers: R Ball – Director for Economy and Place, R Allonby – Head of Economic Development, R Gabb – Programme Director Housing and Growth, A Lovegrove – Chief Finance Officer, K Morris – Strategic Capital Finance Manager, J Rushgrove – Head of Corporate Finance, D Etherton – Assistant Director People and Performance, and P Smith – Assistant Director All Ages Commissioning.

27. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Symonds. Councillor Davies – cabinet member – commissioning, procurement and assets also sent apologies.

28. NAMED SUBSTITUTES

Councillor Polly Andrews substituted for Councillor Symonds.

29. DECLARATIONS OF INTEREST

None.

30. MINUTES

RESOLVED: That the minutes of the meeting held on 22 October 2019 be approved as a correct record.

General Election 12 December 2019

The Chairman read a statement reminding all present of the requirements of the purdah period preceding the general election on 12 December 2019.

31. QUESTIONS FROM MEMBERS OF THE PUBLIC

A copy of the questions and answers is appended.

32. QUESTIONS FROM MEMBERS OF THE COUNCIL

None.

33. 2020/21 BUDGET AND CORPORATE PLAN PROPOSALS

The committee's views were sought on the budget proposals for 2020/21 and on the draft corporate plan.

The Chief Finance Officer gave a presentation, a copy of which had been appended to the report.

The Director for Economy and Place commented on the proposed funding for new initiatives as set out in the presentation slides.

In the course of discussion the following principal points were made (page references (p) are to pages in the published agenda papers):

Corporate Plan

- A view was expressed that there was insufficient detail in relation to the climate emergency and it was not receiving the prominence it merited, noting that environment appeared as the third section in the corporate plan page at page 34 of the agenda papers and the climate emergency was referenced as the last bullet point within that section.

The Cabinet member – finance and corporate services (CM) replied that consideration could be given to the way in which the information was being presented. There was no assumed priority given to the three strands of the corporate plan as set out at p34 although it was possible that assumptions could be made based on the way the information was presented. The way in which the budget was structured had to reflect the council's organisational structure.

- The stated ambition for the council to build its own sustainable council houses was questioned, it being understood that the proposal was subject to a feasibility study.
- The CM commented that the principle had been agreed. The investigation being undertaken was into how best this could be delivered. Advice had been received that the council's finances permitted the investment to be made and that this could be done prudently. The aim was to achieve the maximum impact hence the wish to have a clear understanding of need. The evidence was that the market would not address the affordable housing need.
- The corporate plan did not make reference to how the council would value & invest in staff required to develop and deliver the council's programmes.

The DEP commented that the council did value its staff and made provision for workforce development to enable staff to acquire the skills they needed and sought to ensure that the council's projects were suitably resourced.

- A number of points were raised relating to the wording of the ambitions of the corporate plan. It was suggested the wording and presentation of the ambition for Herefordshire and the corporate plan as a whole be reviewed. The CM noted these comments.
- Concern was expressed at the finding in relation to travel choices in the priority testing for the corporate plan (p46) that people living in very rural areas felt it would be unreasonable to expect a decent service. Rural isolation caused many problems. There were options that could be explored.

The CM commented that some of the wording used in the priority testing had caused some confusion. With reference to the use of council assets to create more jobs this referred to investment in the Enterprise Zone and bringing forward employment sites

in market towns alongside housing development to achieve sustainable growth. The wording in the corporate plan and the detailed budget would be made clear.

20/21 Budget

- Clarification was provided on the proposed investment in natural flood management.
- It was asserted that there should be more detailed measures to enhance and restore biodiversity. Reference was made amongst other things to the need for tree planting, and it was suggested council owned land should be identified for this purpose and a specific budget identified.

The CM commented that modern farming techniques had a bearing on this matter. Cabinet members had met the National Farmers Union and farmers to discuss the subject and how the council could work collaboratively with the farming community and what policy changes might usefully be considered. It was noted that several measures were already being taken in mitigation. The West Mercia Energy group was looking at energy saving and energy management projects. Climate change was central to every aspect of the council's work.

The DEP added that several of the new initiatives set out in the report had environmental benefits. There were a number of environmental investments already in the capital programme. The committee would consider the budget and the capital programme as a whole in January. The corporate plan recognised the climate emergency and the amount of work to be done but account was also taken of the work undertaken to date, for example the 40% reduction in the council's carbon footprint in the last 4 years, solar energy production and changes to street lighting.

- The proposed investment of up to £100m in housing was discussed. The priority testing for the corporate plan, as referenced at p 42, did not rank housing as one of the highest priorities. It was questioned how this investment would be financed. It was also asked what the impact would be on the council's relationship with the Registered Social Landlords (RSLs) in the county and suggested that this needed to be reflected in any associated business case.

The Chief Finance Officer (CFO) commented that the proposal was to invest up to £100m in the four years from 2022/23. In October Cabinet had approved an earmarked reserve of £150k to fund the investigation of different models of delivering council housing. There would be a number of funding options. Borrowing would be expected to form part of the funding, spread over a number of years. The expectation was that income streams generated would cover the revenue costs of providing the housing including any borrowing costs.

The DEP commented that the importance of working well with the RSLs and other organisations to ensure the objective of providing housing to meet community need was recognised.

The Leader commented that the proposed £100m would contribute up to 1,000 homes in the context of a shortfall of 3,500 so would not be detrimental to the housing market, which was not addressing the need for smaller properties.

The CM commented that the current housing needs assessment that underpinned the Core Strategy had identified a shortfall in the provision of affordable housing. Current policy required developments of more than 10 dwellings to include 40% affordable housing. The proposed investment was to deliver further affordable housing in addition to that provision. The development provided for within the Core Strategy would not meet the identified shortfall.

The identification of sites would form part of the proposed investigation Cabinet had approved. The sole area of focus was on renting and shared ownership to ensure

the continued availability of properties for local people. Lessons would be learned from other local authorities who were already engaged in such plans. The Core Strategy update would include the housing needs assessment and inform discussions with local communities and development of neighbourhood plans about identifying sites.

Clarification was sought on the costs of delivering the project including, for example, staffing costs. The CFO commented that discharging the responsibilities of a landlord was a key issue. However, there were a number of ways in which this could be done, including through another provider rather than through council employees.

The Leader acknowledged the importance of ensuring that the project could be satisfactorily managed. His current view was that the council would seek to sub-contract as much as possible.

- Clarification was sought on the impact of the 2020/21 savings on the Economy and Place budget, as referenced at paragraph 27 of the report.

The DEP commented that the savings were already identified within the Medium Term Financial Strategy. As set out in the report the saving of £250k allocated to the Museums and Archives Services had been removed. It was proposed that the sum would instead be delivered through contract efficiencies within the public realm contract. The contract required providers to achieve efficiencies, delivering the same outcome at a lower cost to the council. The remaining savings would be delivered through improvement in working practices across the directorate.

- There was a general request that local ward members be kept informed of initiatives within their wards.
- The scope for bringing empty flats over shops into use was raised. The Programme Director Housing and Growth commented that work was being undertaken to evaluate empty properties. It was thought that there were limited numbers of properties with existing flats above them. Rather, the focus was on commercial properties with space that could be turned into flats. The DEP referred to the Stronger Towns status awarded to Hereford City and the funding for the Leominster heritage action zone. These projects would look at how buildings in these town centres could be better used to ensure their vibrancy.
- A question was asked about the provision of public conveniences and the possibility of some investment. The CM commented that the council had withdrawn from such provision over the years and the City Council and the market towns had in many cases taken on that responsibility.

The DEP commented that Herefordshire Council still managed a number of public toilets and there were no proposals to close them. The council also ran the community toilet scheme to which businesses signed up to permit their facilities to be used and this was publicised. There were a number of ways in which provision could be made at no cost to the council, such as through the planning process where developers could be required to make such provision as part of any regeneration proposals.

- In relation to the provision of an additional £100k to protect public transport services the DEP commented that this sum was to ensure that existing services were maintained. It recognised inflationary increases in the costs of contracts. The contracts to support community bus services, upon which it was recognised that users were heavily reliant, amounted to some £6m. Investment in new vehicles was also being proposed.
- Reference was made to the additional capacity proposed at Peterchurch primary school and at Brookfield school. It was questioned whether better use could be

made of existing facilities such as, in the case of Brookfield school, those at the Royal National College for the Blind in Hereford.

The CM commented that detailed business cases would need to be provided. Consideration would also be given to the overall strategy for investment in schools. The proposed investment in Peterchurch primary school was substantial and would be carefully assessed. Brookfield school was an academy. It was a dedicated school for young people with specific needs. Consideration could be given to the use of other educational facilities already dedicated to meeting such needs.

- The proposed level of borrowing was questioned referencing the provision for the council itself to provide affordable housing (£100m) and an electric passenger transport fleet (£35m). It was requested that consideration be given to engagement with existing providers.

The CFO commented that the funding for a passenger transport fleet would be through a government grant so there would be no capital cost impact on the revenue budget.

The DEP commented that the purchase of an electric bus fleet would be dependent on government grant. When the vehicles were then provided to the operators the running costs and maintenance costs of those vehicles would be expected to be lower, resulting in a lower contract price to the council, as shown in the business case. The council worked closely with the bus operators forum recognising their role and the regulatory framework. The council had previously received capital grant to purchase low floor buses that had then been provided to operators to run.

- In relation to the business case – corporate fleet procurement – facilities management van (p151) – the DEP acknowledged consideration should be given to acquiring an electric or hybrid vehicle.
- It was asked if a budget could be provided to fund bids for other market towns for funding such as that secured for the Leominster Heritage Action Zone.

The HED commented that it was expected that other town based funding would be made available by government. The council would bid as opportunities arose. There was funding in the budget to look at provision of employment land and business space in market towns.

- A member suggested it would be helpful if it was made clear in reports that regard was being had to the market towns and there were plans for their improvement.
- It was confirmed that the £200k allocated for tourism was to support initiatives county-wide.

The DEP added that the council did serve the county as a whole. The report focused on proposals for additional money available from government grant. The council constantly sought funding opportunities.

The CM commented that there were a number of infrastructure and public realm plans in place for a number of the market towns. These would in turn open up the possibility of development that would generate developer contributions. The development of the Leominster heritage action zone plans had led to the formulation of new ideas that could inform future plans for other market towns.

The DEP highlighted provision in the existing capital programme including the Local Transport Plan allocation for schemes across the county.

- Information was requested on the car parking strategy (p55). The DEP commented that it related to capital maintenance of existing car parks. In terms of the wider strategy for car parking as set out in the Local Transport Plan and associated documents it was intended to seek to consolidate provision moving away from the

current large number of small car parks and this could include a multi-storey car park.

- School transport policy was raised suggesting that the provision of transport to the nearest school rather than the catchment school was creating problems in some areas. The DEP commented that the public transport team used software to commission services efficiently. Investment in school travel formed part of the council's transport plans including ways of encouraging a move away from car use. Measures within the Hereford Transport package focused on the potential for safer routes to schools. This was alongside work on active travel measures.
- Clarification was sought as to how it was proposed to spend the £3.6m allocated for the Hereford Transport Package. The DEP commented that this was an allocation to enable progress to be made with the package subject to the outcome of the review of the Hereford bypass.
- In relation to the proposed allocations of funding for Highway maintenance and whether these were sufficient, the DEP commented that the council had an extremely large highway network. Local communities regarded highway maintenance as a priority and more money could be spent on it if it were available. The council continued to bid for government funding when the opportunity arose and had been successful in doing so. The allocation in the budget demonstrated a commitment to fund highway maintenance. In assessing bids government often had regard to a council's own plans and looked favourably on those demonstrating their own funding commitment. Funding was also allocated for a range of sustainable transport measures including active travel across the City.
- The council had a risk based approach to prioritising highway repairs. This meant priority was given to principal roads with a high volume of traffic. Market towns represented some 7% of the county's highway network. However, around 33% of the population lived there. It was asked if some of the highway maintenance budget could be ring-fenced to the market towns.

The DEP commented that this was an option. However, he cautioned that the government had regard to the council's asset management strategy in considering the allocation of grant funding. Any decision to ring fence funding would need to demonstrate that this was consistent with the principles of good asset management across the network.

The CM acknowledged the suggestion that the risk based approach potentially disproportionately disadvantaged urban areas, noting that speed of traffic was one of the factors used in the risk assessment and there was a 30mph limit in urban areas. Consideration could usefully be given in the asset management development process to ensure there was no unintended bias in the allocation of funding. It was important to be able to demonstrate that the allocation of funding was fair and appropriate.

The Chairperson requested that a breakdown be provided in the budget report of the Band D council tax rate for the past 5 years to provide context in monetary terms not just percentage terms and further information on the current level of borrowing and debt.

RESOLVED: That

- (a) In relation to the draft corporate plan:**
- I. Specific emphasis is given to investment and commitment to high quality members of staff in delivering the corporate plan;**
 - II. the wording and presentation of the ambition for Herefordshire and the corporate plan as a whole be reviewed; and**

- III. the corporate plan should address the needs of the county as a whole including the market towns and their environs;
- (b) in relation to the 2020/21 budget
- I. any business cases reflect current association with business partners and any current government funding available;
 - II. consideration be given to a specific budget for measures to address the climate emergency;
 - III. the feasibility of allocating a ring fenced sum for highway maintenance to the market towns should be explored;
 - IV. during development of business cases consideration be given to whether greater community use could be made of educational facilities; and
 - V. the following recommendations of the Adults and Wellbeing and Children and Young People Scrutiny Committees be considered

Adults and Wellbeing Scrutiny Committee – 18 November 2019

1. The committee welcomes the proposed areas for investment which support prevention and the strengths based agenda.
2. Acknowledging that the lack of specific details in the outline business cases was due to the timing constraints and early sight of potential projects coming forward, the committee would be pleased if attention can be given to the matters it has raised and for deeper levels of detail to be provided in the next iterations of the business cases.
3. That terminology and language be used consistently, using Plain English.

Children and Young People Scrutiny Committee – 25 November 2019

RESOLVED: That the committee:

- Supports the planned investments for looked after children, edge of care and improving social care services and requests further information is submitted to the committee regarding proposals for these services; and
- Asks that a report concerning the dental health initiatives is provided to the committee setting out key performance indicators for the proposals.

34. WORK PROGRAMME

The Committee considered its work programme.

It was proposed that a task and finish group be established to consider matters relating to the council's response to the climate emergency.

The Statutory Scrutiny Officer reported that an item had been included on the forward plan relating to NMiTE and in view of the committee's interest in this matter he invited the committee to undertake a pre-decision call-in of the matter.

The Head of Economic Development explained the background to the proposed decision.

The Leader indicated his preference for pre-decision call-in noting the tight timescales involved.

The committee provisionally agreed to consider the matter on Monday 16 December.

RESOLVED: That

- (a) the draft work programme as set out at appendix 1 to the report be approved with the addition of a meeting to consider NMiTE;**
- (b) a task and finish group be established to carry out a waste management strategic review as outlined in the scoping statement (attached at appendix 2 to the report) comprising up to 6 members including Councillors Hewitt and Symonds (Chairperson) from the Committee with Group Leaders invited to fill the remaining four places providing the opportunity for there to be representation from all political groups; and**
- (c) a scoping statement be presented to the committee for consideration as soon as a practicable with a view to establishing a task and finish group to consider matters relating to the council's response to the climate emergency.**

35. DATE OF NEXT MEETING

Monday 20 November 2020

Appendix - Questions from members of the public and answers

The meeting ended at 1.10 pm

Chairperson

PUBLIC QUESTIONS TO GENERAL SCRUTINY COMMITTEE – 29 NOVEMBER 2019Question 1**Mr A Walker – Hereford**

I applaud this public recognition that any additional cuts to the archives service's budget are impossible to deliver without a severe negative impact on service levels and associated community benefits. Can the Council assure me that the proposed review process will acknowledge the Council's statutory responsibility for provision of an archives service and the obligation to meet the licensing requirements of The National Archives?

Response

Thank you for your question and your support of the archives service. The proposed review will take account of all statutory obligations placed upon the Council in the provision and/or licensing of Archive services in the County. Furthermore, staff, stakeholders and the public will be pivotal to the review.

Question 2**Dr J Adams – Kingsthorpe**

I commend the administration for their proposal to withdraw any further savings target for the museum and archives services in the 2019/20 budget and the recognition that this is an essential first step in designing and delivering a sustainable model for delivery.

Given that an HLF-funded review of the museum service which recognised the urgent need for new investment in staffing and public gallery space for the museum and art gallery has been in Herefordshire Council's hands for almost two years, can the council assure me that the promised project to consider positive options for development will commence before the end of the current financial year 2019/20?

Response

Thank you for your question and your support of the museums service. Council intends to engage with staff and stakeholders as early as possible in commencing an inclusive and informed evaluation of how we might sustain and enhance the delivery of a high quality Museum, Libraries and Archives service into the future. The budget will be finalised in February therefore a cultural services summit shall be convened in March. This will bring together a cross section of sectors as cultural services is a fundamental thread to many aspects of the council including health and wellbeing and tourism.

Supplementary Question

The Herefordshire Cultural Strategy 2019-29 recognised the vital importance of museums as part of the cultural infrastructure of the county and delivery of the Hereford City cultural quarter. Can the administration confirm that it will prioritise partnership working with the cultural partnership and other local bodies project secures a substantial increase in investment to transform the Herefordshire Art Gallery and Museum.

Response

The Leader of the council replied that one of the objectives over the long term was to improve the cultural offering in the county, recognising the contribution this made to health and wellbeing.



Meeting:	General scrutiny committee
Meeting date:	Monday 20 January 2020
Title of report:	Review of budget and corporate plan proposals for 2020/21
Report by:	Leader of the council

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To seek the views of the general scrutiny committee on the budget proposals for 2020/21 and on the draft corporate plan following the conclusion of consultation and the announcement of the provisional financial settlement.

The draft proposals show an overall increase in the proposed base revenue budget funded through a 3.9% increase in council tax and grant funding announced by central government in the provisional financial settlement.

The draft proposals were considered by the committee on 29 November, the committee is now asked to reconsider the amended proposals and following the conclusion of public consultation and the announcement of the provisional financial settlement.

The committee is invited to make recommendations to inform, constructively challenge and support the process for making Cabinet proposals to Council regarding the adoption of the budget and associated budget framework items.

Recommendation(s)

That:

- (a) having regard to the proposals and the budget consultation responses the committee determines any recommendations it wishes to make to Cabinet in relation to the:
- a. draft corporate plan at appendix 2
 - b. draft medium term financial strategy at appendix 3
 - c. draft capital strategy at appendix 4
 - d. draft treasury management strategy at appendix 5.

Alternative options

1. There are no alternatives to the recommendations; Cabinet is responsible for developing budget proposals and a draft corporate plan for council consideration and it is a function of this committee to make reports or recommendations to the executive with respect to the discharge of any functions which are the responsibility of the executive. The council's budget and policy framework rules require Cabinet to consult with scrutiny committees on budget proposals in order that the scrutiny committee members may inform and support the process for making Cabinet proposals to Council.
2. It is open to the committee to recommend alternative spending proposals or strategic priorities; however given the legal requirement to set a balanced budget should additional expenditure be proposed compensatory savings proposals must also be identified.

Key considerations

3. Every four years, Herefordshire Council develops a corporate plan which sets out the council's ambition and priorities. The proposed one page corporate plan is attached at appendix 1, the detailed corporate plan at appendix 2, and sets out three key ambitions:-
 - Environment – protect to keep Herefordshire a great place to live
 - Community – ensuring everyone lives well and safely together
 - Economy – support to build on the county's strengths and resources
4. The proposed corporate plan objectives will set the priorities to ensure the best use of resources and deliver services that make a difference to people of Herefordshire. This supports the proposed medium term financial strategy attached at appendix 3. A delivery plan will follow the adoption of the corporate plan. This is intended to be presented to Cabinet in January and will identify the key projects planned each year to achieve progress towards the council's priorities. Regular reports monitoring progress against the objectives will then continue to be presented to Cabinet; detailing the latest budget position, as well as performance against delivery of the key activity and achievement of performance measures. The committee is invited to comment on the draft corporate plan priorities.

5. Funding and service demand pressures do continue and the new corporate plan will establish the focus going forward. This report proposes a balanced budget and include a 3.9% total increase in council tax, a 3% expected annual pay increase settlement, 200 additional new homes above the assumed growth in new homes (increasing the expected amount of council tax income) and the provisional central government settlement.
6. The proposed 2020/21 revenue budget is based on an assumed total council tax increase of 3.9%, 1.9% increase in core council tax and a 2% adult social care precept. This increases the band D equivalent charge to £1,573.77 representing an increase of £1.14 per week.
7. The increase in council tax will support the delivery of the councils corporate plan ambitions. The 3.9% proposed council tax increase will generate £5.5m, £2m of which is ring-fenced to fund adult social care services which will be used to meet the costs of providing services to adults with learning disabilities and the counties aging population. The proposed core council tax increase will fund costs incurred in meeting the councils responsibilities in being the corporate parent for children in need.

2020/21 budget proposals

8. Changes since the proposals presented to general scrutiny in November are as follows:-

Directorate	19/20 November proposed base budget £k	Legal services £k	PWLB interest rate rise £k	Revised proposed base budget £k
Adults and Communities	56,282			56,282
Social care pool	2,054			2,054
Children and families	30,699			30,699
Economy and Place	29,155			29,155
Corporate Services	15,603	700		16,303
Total Directorate	133,793	700	0	134,493
Central	22,306		318	22,624
Total Net Budget	156,099	700	318	157,117

9. The proposed increase to the budget provision for legal services is to address challenges being faced by the service, in particular introducing a provision for recruitment of agency/locum staff. It will also fund additional revenue corporate project manager costs and a £25k training budget.
10. The service has needed to externalise instructions to external law firms or recruit locum solicitors to respond to new demand in specialist areas, such as Children's team, procurement and commercial and property and litigation teams. Significant agency / locum recruitment has also been necessary because of the challenge in recruiting

suitable qualified/experienced permanent legal support. Market supplements have been necessary in order to attract and retain certain specialist lawyers. As a result of the recruitment challenges, the legal team lacks resilience in dealing with the growing number of complex instructions and a strong foundation to support growth and development of current permanent staff. Historically, there has not been a budget provision for recruitment of agency staff.

11. A review and reshaping of legal services is currently being undertaken which will be implemented during 2020. The priorities of this review are:

- Building and growing the in house legal service that is a collaborative service which understands the Council priorities and helps it to achieve its desired outcomes within an agreed and cost effective budget framework.
- Ensuring that the service has the right skills and behaviours and is future ready to provide a high quality modern legal services; we will review all current legal functions and future functions to future proof the service.
- Establish a strong leadership with the skills and mind set to inspire and sustain improvement; the team, reporting to the solicitor to the council will be led by a Head of Legal and supported by three Heads of Law growing and developing the specialisms in those teams.
- Establish a 'Grow our Own' strategy to support a strong foundation and the development and performance of the whole team; we will introduce a new structure supporting access to qualification at all levels, recruit trainee and apprentice solicitors and target local education providers as the preferred legal practice in Hereford for aspiring lawyers.
- Make better use of customer insight and business intelligence to ensure we deploy all our resources in a planned way in accordance with an agreed strategy for instructing external legal support or recruitment of agency/locum staff.

12. The proposed increase to the central budget is a reflection of the calculated impact of the central government announcement that from the 9th October 2019 a 1% increase in the public works loan board (PWLB) interest rate will be applied. The PWLB loan interest rate is linked to benchmark gilt rates and due to these being historically low the Treasury announced an immediate increase in the margin of 1%. PWLB is the usual route of obtaining loan finance for councils including Herefordshire Council. The forecast interest cost of new borrowing has therefore been increased to reflect this additional cost burden and is based on the capital strategy borrowing requirement, attached at appendix 4 and appendix 5.

13. At the last general scrutiny meeting a summary of the current debt burden was requested, this is shown below and represents the cost of funding both the existing approved capital investment budget and the proposed additional capital budget investment proposals.

	2020/21	2021/22	2022/23	2023/24
Treasury management budgets	£000	£000	£000	£000
Minimum revenue provision	7,594	9,807	10,525	11,596
Interest payable	6,179	7,569	7,781	7,645
Interest income	(200)	(200)	(200)	(200)
Totals	13,573	17,176	18,106	19,041

Further information on the subject of this report is available from
 Josie Rushgrove, Tel: 01432 261867, email: jrushgrove@herefordshire.gov.uk

14. The revenue investment proposals proposed to improve service delivery and manage demand have not changed from those presented at the November general scrutiny meeting, these are shown in the table below:-

New Initiative	Adults & Communities £m	Social care pool £m	Children and families £m	Economy and Place £m	Corporate services £m	Central £m	Total £m
Super hubs – to manage and develop community engagement through a super hub	0.2						0.2
Social care pool – for cradle to grave social care provision		2.1					2.1
Looked after children – placement costs & corporate parenting role of care leavers			1.1				1.1
Edge of care – intensive support to enable children and families to stay together			1.0				1.0
Improving social care services – additional capacity for frontline teams			1.0				1.0
Tourism - support for development of new Tourism BID and Leominster Heritage Action Zone project				0.2			0.2
Employment land & incubation space - revenue costs to support project development				0.1			0.1
Core and transport strategy review - including development of transport evidence base				0.6			0.6
Public transport service - support to protect services				0.1			0.1

Climate emergency - support for natural flood management				0.1			0.1
Legal structure – to address additional work					0.4		0.4
Council tax charging policy – policy variation						(0.1)	(0.1)
Totals	0.2	2.1	3.1	1.1	0.4	(0.1)	6.8

Financing the budget proposal

15. Following the announcement of the provisional local government settlement on 20 December and a review of the council tax base for 2020/21 the funding of the base budget proposed has been updated as shown below:-

Directorate	November proposed base budget funding £k	Revised proposed base budget funding £k
Council Tax	109,397	109,780
Retained Rates	36,726	36,726
Revenue Support Grant	-	635
Rural Sparsity Delivery Grant	5,101	5,101
Adult social care support grant	4,875	4,875
Totals	156,099	157,117

16. Assumptions include a 3.9% increase in council tax (1.9% general increase and 2% adult social care precept) and business rate reliefs being funded via a central government grant. Central government funding is included as announced in the provisional local government funding settlement is yet to be announced.

17. Council tax charges for the last five years are shown below :-

Council tax band	2015/16	2016/17	2017/18	2018/19	2019/20
A	£850.07	£883.22	£917.67	£962.63	£1,009.80
B	£991.74	£1,030.42	£1,070.61	£1,123.07	£1,178.10
C	£1,133.42	£1,177.63	£1,223.55	£1,283.51	£1,346.40
D	£1,275.10	£1,324.83	£1,376.50	£1,443.95	£1,514.70
E	£1,558.46	£1,619.24	£1,682.39	£1,764.82	£1,851.30
F	£1,841.81	£1,913.64	£1,988.28	£2,085.70	£2,187.90
G	£2,125.17	£2,208.05	£2,294.16	£2,406.58	£2,524.50
H	£2,550.20	£2,649.66	£2,753.00	£2,887.89	£3,029.40

18. The provisional local government funding settlement also included funding of £2.2m in relation to new homes bonus. The overall allocation for each authority is based on the legacy payments for 2017/18 to 2019/20, the ministerial statement announced a Spring 2020 consultation on the future of the scheme, stating that “It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most” and the consultation will “include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance”.
19. For this reason it is proposed that this funding is treated as one-off funding and is earmarked to facilitate the delivery of houses in support of delivering the core strategy.
20. Prudent estimates have been used in providing the council tax and business rates (the collection fund) funding assumptions. If additional resource is made available at the final budget setting stage it is proposed to use the additional funding to uplift the centrally held contingency budget. The 2019/20 collection fund is generating a surplus, £100k of this surplus is proposed to be used to match fund contributes to arts through the cultural partnership to support the delivery of the transformation aims and the corporate objectives stated in the corporate plan.
21. If the final settlement provides additional monies to the draft base budget shown above, unless the use of those funds is specified by government, Cabinet will seek the views of the scrutiny committees as to the best way of deploying the extra funding. In the interim the funding will be allocated to reserves.

Capital investment budget proposals

22. The proposals haven’t changed since the November scrutiny meeting, these are summarised below:-

Scheme	Current Capital Programme £000	New Capital Programme £000
Community:- Build communities to ensure everyone lives well and safely together		
Brookfield School	2,744	1,195
Peterchurch Primary School	5,500	5,353
Technology Enabled Care Services		1,500
Super Hubs		2,000
Widemarsh Gardens		80
Carehome and Extra Care Development	919	13,081
Affordable Housing	800	800
Total Community	9,963	24,009
Economy:- Support an economy which builds on the county's strengths and resources		
New IT Server Storage		380
Hereford Transport Package		3,600
Vehicle Fleet Replacement		19
Employment Land and Incubation Space in Market Towns		13,631

Further information on the subject of this report is available from
 Josie Rushgrove, Tel: 01432 261867, email: jrushgrove@herefordshire.gov.uk

Leominster Heritage Action Zone (inc £2m grant)		3,800
Additional investment in Road Infrastructure Maintenance		2,000
Strangford Welfare Facilities		25
Total Economy		23,455
Environment:- Protect our environment and keep Herefordshire a great place to live		
Passenger Transport Fleet - Contracted fleet (Electric)		30,500
Passenger Transport Fleet - Hereford City Commercial (Electric)		8,500
Better Ways of Working		850
Hereford Active Travel Measures & Super Cycle Highways		1,000
Total Environment		40,850
Total	9,963	88,314

23. The public consultation demonstrated support for the proposals above. The proposals will be funded from a number of sources:

- £39m Grants (subject to securing this funding)
- £1m Redirected funding
- £21m Capital receipts
- £19m Spend to save (return on investment)
- £8m Corporate prudential borrowing

Budget setting timetable

24. Below is a summary of the 2020/21 budget setting timetable. The committee has already reviewed the proposals at its meeting in November.

Date	Event	Purpose
20 January 2020	General scrutiny committee	To consider the overall revenue and capital budget proposals following the conclusion of public consultation and agree any recommendations to be made to Cabinet
30 January 2020	Cabinet	To agree the corporate plan, draft revenue and capital budget 2020/21, treasury management strategy, capital strategy and medium term financial strategy for recommendation to Council
14 February 2020	Council	Deadline for Members intending to propose an amended motion (as per Section 1 paragraph 4.1.105 and 4.1.106 of Constitution)
14 February 2020	Council	To agree the council's corporate plan, revenue and capital budget for 2020/21, treasury management strategy, capital strategy and medium term financial strategy

Community impact

25. The budget proposals demonstrate how the council is using its financial resources to deliver the priorities within the proposed corporate plan.
26. The council is committed to delivering continued improvement, positive change and outcomes in delivering key priorities as set out in the proposed corporate plan.
27. In accordance with the principles of the code of corporate governance, Herefordshire Council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development, and review.

Equality duty

28. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
29. Service specific equality impact assessments will be completed for the service specific budget proposals to assess the impact on the protected characteristic as set out in the Equality Act 2010. 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.

Resource implications

30. The financial implications are as set out in the report. The ongoing operational costs including, Human Resources, Information Technology and property resource requirements are included in the draft budget and will be detailed in separate governance decision reports as appropriate.

Legal implications

31. 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.
32. In acting prudently, the council has an obligation to determine whether any planned council increase is excessive (based on a set of principles defined by the Secretary of State, and approved by the House of Commons).
33. To avoid having to hold a referendum, the Council must raise less than the threshold. Alternatively, if an excessive increase in council tax is proposed, the council must hold a local referendum and obtain a 'yes' vote before implementing the increase. The council must also make substitute calculations, based on a non-excessive council tax level. This takes effect if the excessive increase is rejected in the referendum
34. 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.
35. 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.
36. The council must decide every year how much they are going to raise from council tax. The decision is based on a budget that sets out estimates of what is planned to be spent on services. Because the level of council tax is set before the year begins and cannot be increased during the year, risks and uncertainties have to be considered, that might force higher spending more on the services than 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.
37. The council's budget and policy framework rules require that the chairmen of a scrutiny committee shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making cabinet proposals to Council.
38. Section 106 of the Local Government Finance Act 1992 restricting councillors voting on certain matters where they are in arrears of council tax, does not apply to scrutiny function as the views from scrutiny on the budget are not a recommendation for approval, a resolution or any other type of decision. As a result a s106 check of councillors arrears has not been undertaken.

Risk management

39. Section 25 of the Local Government Act 2003 requires the S151 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.

40. The budget has been updated using the best available information; current spending, anticipated pressures and the provisional settlement. This draft will be updated through the budget setting timetable.
41. 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.
42. There are additional risks to delivery of budgets including the delivery of new homes, EU exit, government policy changes following the general election and unplanned pressures. We are maintaining a general fund reserve balance above the minimum requirement and an annual contingency budget to manage these risks.
43. Demand management in social care continues to be a key issue, against a backdrop of a demographic of older people that is rising faster locally than the national average and some specific areas of inequalities amongst families and young people. The budget proposed in this report include risk mitigation measures.

Consultees

44. Initial public consultation was completed and reported to the general scrutiny meeting on 29 November. At that meeting the committee requested that in relation to the draft corporate plan presented:
 - Specific emphasis is given to investment and commitment to high quality members of staff in delivering the corporate plan;
 - the wording and presentation of the ambition for Herefordshire and the corporate plan as a whole be reviewed; and
 - the corporate plan should address the needs of the county as a whole including the market towns and their environs.
45. This feedback has been reflected in the revised corporate plan attached at appendix 1 and 2.
46. The committee also requested that in relation to the 2020/21 budget proposed:
 - any business cases reflect current association with business partners and any current government funding available;
 - consideration be given to a specific budget for measures to address the climate emergency;
 - the feasibility of allocating a ring fenced sum for highway maintenance to the market towns should be explored;
 - during development of business cases consideration be given to whether greater community use could be made of educational facilities; and
 - the recommendations of the adults and wellbeing and children and young people scrutiny committees be considered.
47. Further public consultation on the 2020/21 budget and corporate plan 2020-24 has concluded. The consultation run from 6 November to 4 December. The consultation questionnaire was published on the Herefordshire Council website and residents were

invited to complete it online. A printable version was given upon request. The consultation was promoted on the council's social media sites (Twitter and Facebook) and through a local media press release. In addition to the online survey, there were pop up events held in the market towns and in Hereford City.

48. Attached at appendix 6 is a report on the key points from the analysis of standard responses received to the online consultation questionnaire, an analysis of free text comments and suggestions and trend data when compared to the previous year's consultation. 269 online survey responses were received.
49. On the proposed budget the responses included that 52% of respondents thought that a council tax increase of 4% is about right or too little.
50. 53% did not agree with the allocation of council tax as set out in the proposed bill receipt and 21% reported "no opinion", a similar response was received in the previous year. 136 comments were received, below is a table presenting the most popular common themes emerging from the comments:-

Theme	No. of comments
Increase too high /above inflation / not enough money to live on / not value for money / stop wasting money	38
Too much on admin / IT costs / contractors / waste / councillors and directors pay / interest on borrowing	26
Not enough on climate change, public spaces / environment / recycling and waste collection	20
Not enough on public / community / sustainable / rural transport	17
Not enough roads / road safety and infrastructure / cycle paths / public rights of way	16
Not enough on libraries / culture / tourism	10

51. Additionally, responses included:-
- In relation to the council tax reduction scheme 63% wanted to keep the council tax discount at 84% or increase it and 52% supported a introducing a minimum award of £5 a week ; and
 - 75% supported continuing with the current levels of business rate discounts or increasing them.
52. In respect of Herefordshire Council Priorities responses include:-
- Community hubs - 63% of respondents indicated that Herefordshire would benefit to this investment with the most favoured options being 'health and social care services'(79%), 'wellbeing help, advice and activities' (73%) and 'children's centres' (71%).
 - Community assets - 54% of respondents thought that the council should retain publicly owned land and buildings and manage them on behalf of everyone in the county.

- Affordable housing - 79% of respondents agreed that the council should invest money in developing additional affordable housing stock and retaining it in public ownership.
- Council owned care homes - 81% of respondents supported for investing in council owned care homes or care villages to support vulnerable children, young people and adults with accommodation and care needs.
- Tourism - 65% of respondents thought that it was important for the council to invest to support tourism.
- Core Strategy review - 71% of respondents thought that the council should undertake a fundamental review of the Core Strategy, even though it is a substantial piece of work, investment and will take over three years to complete.
- Maintenance of highways and public spaces - 76% of respondents agreed with the additional funding in public realm.
- Public transport - 16% of respondents indicated that they were regular users of public transport. From a list of options, 'lack of availability of public transport in my local area' (56%) and 'timetables do not match my needs' (54%) were selected as the most common reasons for not using public transport regularly.
- Planning and investment to address the climate emergency - 64% respondents thought that the council should invest resources to lead a local response to the climate emergency.
- Digital and better use of technology - 72% of respondents supported further investment in technology to enable new and improved ways of delivering services.
- Additional investment - some priority areas for investment were more favoured than others. If we take the overall weighted average for each priority, five areas were noticeably more favoured than the others, with not much difference in support between these five. They were, in order of priority, maintenance of highways and public spaces, planning and investment to address the climate emergency, care homes and accommodation for vulnerable people (children, young people and adults), affordable housing (publicly owned) and public housing

Appendices

Appendix 1 - draft corporate plan – one page

Appendix 2 - draft corporate plan

Appendix 3 - draft medium term financial strategy

Appendix 4 - draft capital strategy

Appendix 5 - draft treasury management strategy

Appendix 6 - budget and corporate plan consultation

Appendix 7 - Presentation

Background papers

None identified

Glossary

Adult social care precept	Council tax charge for adult care services
Affordable housing	Social rented, affordable rented and intermediate housing
Code of corporate governance	Guidance on the delivery of good governance
Community hubs	Local locations for communities to engage
Council tax reduction scheme	Council tax discount for low earners
Edge of care	Support intended to divert need for conventional care
Extra care development independent living	Design features and support services to enable
Funding settlement	Central government funding allocations to local councils
S151 officer	Statutory chief financial officer of the council
Social care pooled budget pressures	Available to address both children's and adults budget pressures



“Respecting our past, shaping our future - we will improve the **sustainability, connectivity** and **wellbeing** of our county by strengthening our **communities**, creating a thriving local **economy** and protecting and enhancing our **environment**”.



Environment

Protect and enhance our environment and keep Herefordshire a great place to live

-  Minimise waste and increase reuse, repair and recycling
-  Improve and extend active travel options throughout the county
-  Build understanding and support for sustainable living
-  Invest in low carbon projects
-  Identify climate change action in all aspects of council operation
-  Seek strong stewardship of the county's natural resources
-  Protect and enhance the county's biodiversity, value nature and uphold environmental standards



Community

Strengthen communities to ensure everyone lives well and safely together

-  Ensure all children are healthy, safe and inspired to achieve
-  Ensure that children in care, and moving on from care, are well supported and make good life choices
-  Build publicly owned sustainable and affordable houses and bring empty properties back into use
-  Protect and improve the lives of vulnerable people
-  Use technology to support home care and extend independent living
-  Support communities to help each other through a network of community hubs



Economy

Support an economy which builds on the county's strengths and resources

-  Develop environmentally sound infrastructure that attracts investment
-  Use council land to create economic opportunities and bring higher paid jobs to the county
-  Invest in education and the skills needed by employers
-  Enhance digital connectivity for communities and business
-  Protect and promote our heritage, culture and natural beauty to enhance quality of life and support tourism
-  Spend public money in the local economy wherever possible

Our principles

Partnership | We collaborate to maximise our strengths and resources

Resilience | We use resources wisely so Herefordshire is fit for future generations

Integrity | We make decisions based on evidence and work with respect, openness and accountability

Democracy | We strengthen local democracy, decision making and service delivery and involve more young people

Engagement | We listen to and learn from our communities and help people connect through culture, creativity and care

Corporate plan 2020-2024

IMAGE TO FOLLOW

IMAGE TO FOLLOW

IMAGE TO FOLLOW

DRAFT

ENVIRONMENT

COMMUNITY

ECONOMY

IMAGE TO FOLLOW

IMAGE TO FOLLOW

IMAGE TO FOLLOW

“Respecting our past, shaping our future - we will improve the **sustainability, connectivity** and **wellbeing** of our county by strengthening our **communities**, creating a thriving local **economy** and protecting and enhancing our **environment**”.

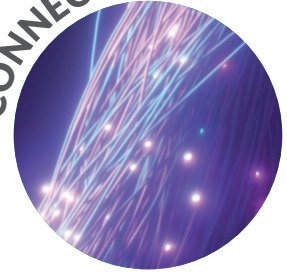
SUSTAINABILITY



WELL BEING



CONNECTIVITY



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Introduction from The Leader of Herefordshire Council Cllr David Hitchiner



Our corporate plan shapes the future of Herefordshire and aims to encourage and strengthen our vibrant communities, create a thriving local economy and protect and enhance our environment to ensure Herefordshire remains a great place to live, visit, work, learn and do business. The plan guides the work of the council and our relationship with individuals, families, communities and partners over the next four years. Underpinning this plan are the themes of **connectivity, wellbeing and sustainability**, which sit at the core of our policy-making, planning, and design for the future.

We know that in the future transport systems must, and will, change, so we need to rethink our investment now in transport infrastructure to tackle the 21st century challenges of climate emergency and to support the wellbeing of our population. This will be central to the review of the Hereford bypass and southern link road schemes and the urgent update of our Core Strategy and planning policies.

Being better connected is not just about the physical infrastructure. We all need a bit of help from time to time. During such tough times, we believe it is really important that the council supports people and finds ways to help them to connect to the rich tapestry of services provided by the voluntary sector and to their own community. The council will

always need to safeguard the most vulnerable in our communities, but we want to enable everyone to feel more strongly a part of their local community too.

We want all children and young people in this county to have a great start in life and be healthy, safe and inspired to be the best they can be. Our young people should be proud to grow up here in Herefordshire and we also want them to feel able to build their lives here. This requires us to deliver good learning facilities, great job opportunities and homes that young people can afford to buy or rent. We recognise that for some children and young people life can be particularly tough, and we are determined to address the inequalities which put these children and young people at a disadvantage.

We place arts and culture at the centre of our plans for Herefordshire. We do this to recognise the value heritage and creativity bring through generating income from our fantastic exhibitions and events and by nurturing people's overall wellbeing. There is growing evidence of the social value that cultural services provide in our communities particularly in combatting social isolation.

We are committed to working more closely in partnership with town and parish councils, community partners, private

enterprise and our fellow public sector organisations. We recognise that we will only be able to deliver on our ambition by working together effectively.

The council must have financial resilience to enable us to continue to serve the people of Herefordshire, to invest prudently in the county and to continue to deliver the services that our residents need. This will continue to remain at the forefront of our thinking.

Our ambition is for Herefordshire to be an exemplar of 21st century rural living where market towns and rural communities are properly valued and recognised for the contributions they make to the success of the county. We will achieve this by recognising and building upon the strengths of our people, our places and our past while embracing the future by taking proven concepts and systems developed in modern cities and adapting them for rural Herefordshire so that we create a county which is better connected in every way.

Herefordshire is a great place to live with a beautiful and unique natural environment - we will work to protect and enhance this wonderful asset for future generations while ensuring that we balance this sensitively with playing an active part in the modern world.

Herefordshire

Situated in the south-west of the West Midlands region bordering Wales, Herefordshire has beautiful unspoilt countryside with remote valleys and rivers and a distinctive heritage. The River Wye winds through the county, flowing east from the Welsh border through Hereford city before turning south to flow through the Wye Valley 'Area of Outstanding Natural Beauty'. The Malvern Hills border the east of county, while the south-west is dominated by the western reaches of the Black Mountains.

The Wye Valley is a designated Area of Outstanding Natural Beauty and recognised as one of the nation's most treasured landscapes. Inside the Wye Valley AONB, the market town of Ross on Wye is steeped in culture and history, and is regarded as being the birthplace of British Tourism. When the Reverend William Gilpin visited 250 years ago, he documented his trip with the UK's first 'tourist guide' of the cruises up and down the picturesque River Wye. This brought more and more visitors who dined at specific locations, took walks to particular viewpoints and visited romantic ruins, making the 'Wye Tour' the first 'package' holiday.

In addition to Hereford city, the county is served by five beautiful and distinctive market towns: Bromyard, Kington, Ledbury, Leominster and Ross on Wye. Understandably, the county is a

popular destination for visitors and for those who commute to employment out of the county.

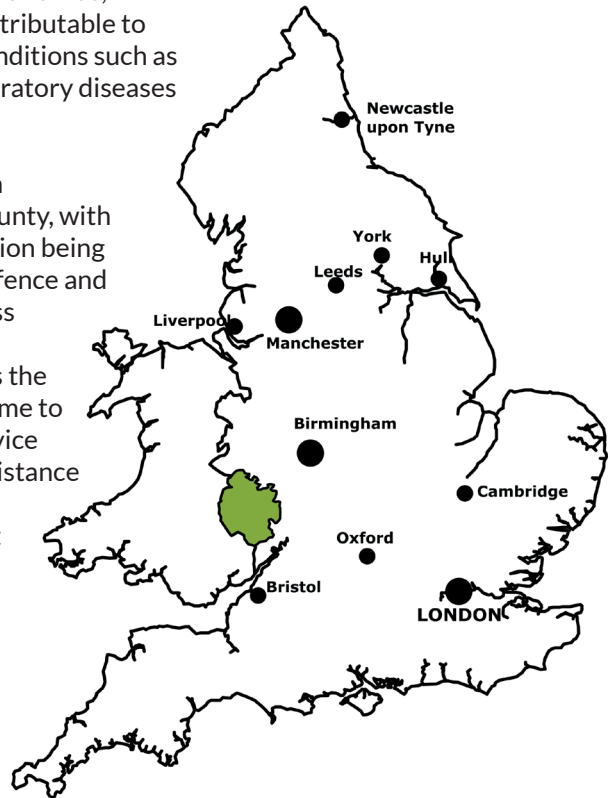
Herefordshire has the fourth lowest population density in England, with a land area of 2,180km² but a population of only 192,100 (2018). Most of the county (95%) is rural and 53% of the population live in rural areas.

While life expectancy for both males and females is higher and mortality rates are lower here than the national average, there are pockets of deprivation in the county. There are notable differences in life expectancy and mortality in these areas, much of which is attributable to lifestyle related conditions such as circulatory or respiratory diseases or cancers.

Herefordshire is an entrepreneurial county, with 20% of the population being self-employed. Defence and technology business sectors are well-represented across the county, which is home to the Special Air Service (SAS) and a short distance from Gloucester-based Government Communication Headquarters (GCHQ).

Unemployment in the county is low, but average earnings in the county are significantly below both the regional and national averages. Average house prices are high compared with elsewhere in the region. In 2016, Herefordshire's affordable housing ratio was 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.

Herefordshire is generally a low crime rate area and partners work together to ensure that it continues to be a safe place to live, work and visit.



Our challenge

ENVIRONMENT



12% of households in fuel poverty (in 2015) **11%** (England)



95% of the county is classified as rural

COMMUNITY



24% Population over 65 (mid 2018) 18% (nationally)



1 in 4 reception age children (4-5yrs)

and more than **1 in 3** year 6 children (aged 10-11yrs) are overweight or obese (2016/17)



Herefordshire is **the worst area within the West Midlands** region for housing affordability

ECONOMY



£461 Average weekly wage in Herefordshire (national average of £575)

Herefordshire's Gross Value Added per head of population was £20,300 (national average of £27,950)



36.4% of people qualified to NVQ level 4 and above (national average of 39.3%)

Herefordshire performs in the **bottom quartile for 16 and 17 year olds** in either education, employment and training

Using our resources wisely

Using our resources wisely is one of our core principles so we are always on the look-out for new ways to provide efficiencies in service delivery. We work continuously to maximise our purchasing power, deliver value for money, and direct all that we do to the benefit of Herefordshire residents and local business.

We employ nearly 1,300 staff and support many more jobs in the local economy through our contracts with local businesses.

The council has an annual budget in 2020 of £380m which we use to deliver services to over 187,000 residents. These services include the maintenance of over 2,000 miles of roads, collection of waste and recycled materials from over 85,000 residential properties, safeguarding around 1,000 children and providing care and support to 2,500 vulnerable adults.

Herefordshire is a rural county with a higher than average number of people aged over 65 living in the county. Herefordshire Council has faced significant financial challenges over recent years as annual central government funding has been reduced from £60.1m in 2011/12 to £0.6m in 2019/20. During this same period both service delivery costs and demand for those same services have increased, particularly for adult social care and children in care of the council.

The council has risen to this financial challenge, by:-

- Delivering substantial savings of £90m in annual operating costs
- Keeping services going by delivering them differently
- Changing how we make best use of publicly owned assets
- Consistently delivering balanced budgets

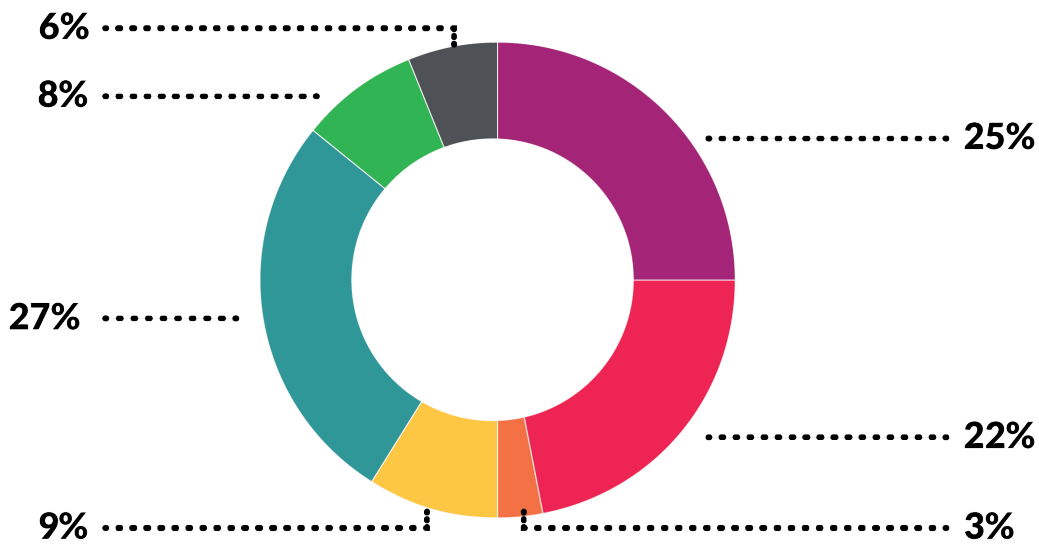
The council aims to reinvest the £46m generated from the sale in 2017 of the publicly owned farms in building up to 1,000 extra affordable homes for local people. We shall also build new community facilities and bring forward new employment sites throughout the county. In making these investments we will continue to balance environmental, economic and community returns and will carry forward measures which further manage demand for our services.

The council will continue to look for opportunities to share our accommodation and service delivery with partners. We will further rationalise our property holdings to deliver efficiencies as well as new income streams to support our services.

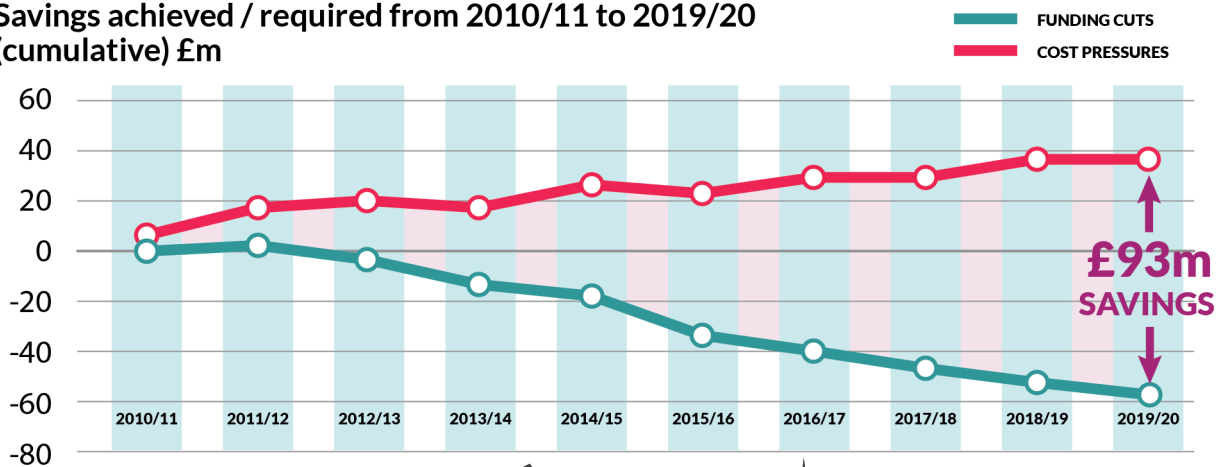
The council recognises, celebrates and values the central role our employees play in delivering this plan and our many statutory duties. We shall continue to invest in activities that ensure we recruit people with the skills and attributes to meet the changing demands of the council's services. We will also continue the investment we are making in developing our people, rewarding them appropriately and providing support to ensure their continued wellbeing.

Where the money comes from

- Grants
- Education Grant
- Health Grant
- Income from traded services
- Council Tax Income
- Business Rates
- Capital Grants



Savings achieved / required from 2010/11 to 2019/20 (cumulative) £m



Where the money goes

DID YOU KNOW?

The council spends £1m a day on delivering services to residents



Charges per month (average Band D property)
2020/21 monthly Council Tax receipt

	£s
** Daily life **	
* Waste, Cleansing	12.34
* Environmental Health	1.53
* Roads and bridges	5.73
* Care of public spaces	1.24
* Schools and education	99.16
* Public, School and community transport	5.97
* Libraries, records and customer services	1.22
** Looking after Adults **	
* Older People in residential/nursing care	14.39
* Older people supported at home	9.89
* Disabled adults	28.92
* Lifestyles services (substance abuse, sexual health)	2.84
* Health improvement (Public Health nursing, health checks, smoking cessation)	5.67
* Housing	0.53
** Looking after children **	
* Child protection	4.29
* Children in care	14.97
* Children with special needs	3.31
** Local government running costs **	
* Election, governance and legal services	3.50
* Directors & Staff costs	0.56
* Organisational administration	1.39
* IT, Council Tax and Benefits admin, invoices and payments	5.27
* Insurance and property maintenance	4.84
** Financing **	
* Capital finance - Debt repayment	6.97
* Capital finance - Interest payments	9.55
** Economic growth **	
* Economic development and regeneration	1.74
* Broadband - rural rollout	0.15
* Planning	0.35
***** VOUCHER *****	246.32
** Income that supplements council tax **	**
* Investment Property income	-2.94
* Car parking	-5.42
* Capital finance - Interest received	-2.01
* Public Health grant	-7.70
* National Education funding	-96.98
TOTAL TO PAY (per month)	131.27

MORE INFORMATION AT WWW.HEREFORDSHIRE.GOV.UK/	
COUNCIL TAX 01/01/20 09:00 1234 2342	

What we heard

The 2020-24 Corporate Plan has been developed following consultation and engagement events with the public and key stakeholders across the county.

We heard from over 2,000 people, including seldom heard from groups that included younger people through the sixth form college, a young farmers event, people with long-term illness and their carers and ethnic minority groups.

People told us that we should be prioritising investment in the following areas:

- More affordable housing
- Maintenance of our existing highways network and public spaces
- Specialist care home facilities and accommodation for vulnerable people of all ages
- Improved public transport across the county
- Action to tackle the climate emergency (this was the top priority for young people)

Our Plan

The following section sets out what we aim to achieve over the next four years. Our key areas of focus will be the Environment, our Communities and the local Economy recognising that we don't live and work in silos. These will be developed against three key themes of **Sustainability**, **Connectivity** and **Wellbeing** which will guide our planning, design and policy making over the coming years.

How we will measure success

In each of the following sections we have indicated the high level outcomes that we expect to achieve. The detailed targets for each ambition will be published each year in the annual delivery plan. This ensures we can monitor and evidence that we are delivering the outcomes we have committed to on an annual basis.

DID YOU KNOW?

the council spends over 70% of its budget on support for vulnerable people



Our ambition for Herefordshire

Environment

Community

Economy

Protect and enhance our environment and keep Herefordshire a great place to live

Strengthen communities to ensure everyone lives well and safely together

Support an economy which builds on the county's strengths and resources

WE WILL



WE WILL



WE WILL



Minimise waste and increase reuse, repair and recycling

Improve and extend active travel options throughout the county

Build understanding and support for sustainable living

Invest in low carbon projects

Identify climate change action in all aspects of council operation

Seek strong stewardship of the county's natural resources

Protect and enhance the county's biodiversity, value nature and uphold environmental standards

Ensure all children are healthy, safe and inspired to achieve

Ensure that children in care, and moving on from care, are well supported and make good life choices

Build publicly owned sustainable and affordable houses and bring empty properties back into use

Protect and improve the lives of vulnerable people

Use technology to support home care and extend independent living

Support communities to help each other through a network of community hubs

Develop environmentally sound infrastructure that attracts investment

Use council land to create economic opportunities and bring higher paid jobs to the county

Invest in education and the skills needed by employers

Enhance digital connectivity for communities and business

Protect and promote our heritage, culture and natural beauty to enhance quality of life and support tourism

Spend public money in the local economy wherever possible

Our principles

- Partnership** We collaborate to maximise our strengths and resources
- Resilience** We use resources wisely so Herefordshire is fit for future generations
- Integrity** We make decisions based on evidence and work with respect, openness and accountability
- Democracy** We strengthen local democracy, decision making and service delivery and involve more young people
- Engagement** We listen to and learn from our communities and help people connect through culture, creativity and care

Ambition:

ENVIRONMENT

Protect our environment and keep Herefordshire a great place to live

Herefordshire has a rich, beautiful and varied natural environment which cleans our air, channels our water, supports wildlife in all its many forms, lifts our spirits and keep us well.

The council recognises that healthy, connected and vibrant ecosystems strongly support the local economy, improve health and wellbeing and make the county an attractive place to live and to visit. It is vital that we protect and enhance this environment while stewarding it for future generations.

One of the effects of climate change will be that our weather becomes more unpredictable, with longer periods of both dry and wet weather, where each of these may also be more severe and intense. Significant areas of Herefordshire are low-lying and liable to flooding: climate change further increases the risk and severity of that flooding (including flash flooding) throughout the county.

In March 2019, Herefordshire Council unanimously declared a Climate Emergency and formally adopted commitments to lead a local response, aspiring for the county to become carbon neutral by 2030.

The council will consider the impact of climate change and the opportunity for carbon reduction in every aspect of our operation.

In addition we will continue to invest in low carbon projects such as renewable energy systems, using energy efficiency measures and electric vehicles to further reduce our carbon footprint and our daily running costs. We will support this commitment by ensuring that tree planting and habitat enhancement is prioritised.

Herefordshire has excellent biodiversity and natural assets and its natural environment supports a wide range of habitats. The richness of biodiversity within Herefordshire is reflected in the number of nature conservation sites within the county, including

the Rivers Wye and Lugg which benefit from European protection as 'Special Areas of Conservation' because of their unique and invaluable biodiversity. We are committed to creating greater public awareness of the part each of us can play in supporting nature and biodiversity in the county.

The county's geology and soils shape a highly fertile landscape for quality food and drink production, particularly on low-lying land. This landscape is a key economic asset creating not only an attractive place to live and work

WHAT YOU SAID

*"Tackling the climate emergency
"should be ambitious but
achievable with ambition".*

but also making Herefordshire an important tourist destination; something which is a key economic strength of the county.

We want Herefordshire to be a destination of choice for walking and cycling tourism and to increase significantly the use of these active means of travel by local residents.

We will enable more healthy low carbon travel options, including walking, public transport and cycling, to reduce congestion, improve local air quality and enhance health and wellbeing.

We all consume material resources to generate economic growth and to meet our basic human needs. But our overall use of these resources has become unsustainable. We use too much and are too quick to throw things away. The council will use its community initiatives, partnerships and our waste contracts to make it easier for businesses and residents to share, repair, re-use and recycle.

Success measures

- Increase flood resilience and reduce levels of phosphate pollution in the county's river
- Reduce the council's carbon emissions
- Work in partnership with others to reduce county carbon emissions
- Improve the air quality within Herefordshire
- Improve residents' access to green space in Herefordshire
- Improve energy efficiency of homes and build standards for new housing

KEY STATS TO FOLLOW

Ambition:

COMMUNITY

Building communities to ensure that everyone lives well and safely together

Our ambition is to make wellbeing inevitable here in Herefordshire by putting physical and mental health at the heart of everything we do. “Talk Community” is the key council initiative by which we aim to progress this objective.

Talk Community is an approach which focusses on the people within our communities, the place and space in which they live and the economy in which people work. The initiative sets out to help people use their and their community’s strengths to help one another to live well, stay safe and maximise their independence. Talk Community looks at how people can best be supported and can support each other to achieve this, and how communities and businesses can develop to meet the local needs of each community.

The programme has a number of strands including development of a network of Talk Community hubs throughout the county. The aim of these hubs is to concentrate investment and support to connect people more effectively to their community and to local

support systems through effective information and signposting.

In larger hubs, this will include offering a range of services that enable people to gain new skills, get help and advice, access a culture and arts offer and receive health and care services.

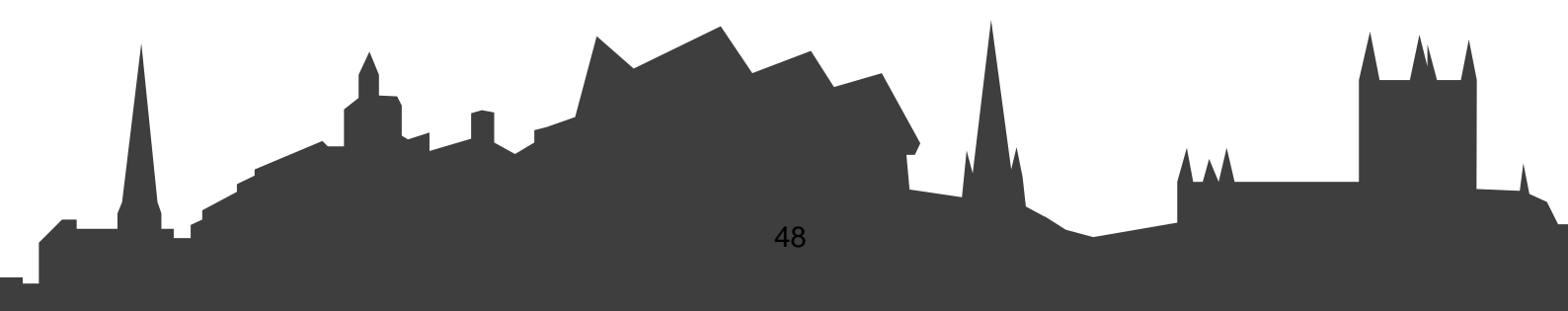
We recognise that communities across Herefordshire differ tremendously. Consequently, the location of these hubs, and what exactly they comprise will be down to each community to decide.

We will develop further preventative family-centred approaches with partners. This will include building up our early help approach by making best use of community spaces which might include Talk Community hubs and children’s Centres

When people need support, we know that this support comes in a variety of ways and has the greatest impact when it comes from genuine connections and friendships. We shall continue to develop approaches that build

on people’s strengths and the many resources they have in their local communities, such as our exceptionally strong voluntary sector and family carers. We aim to recognise and support the role that these important people play in enriching the lives of many vulnerable people in our community. By taking this community centred approach we intend that formal care services will be targeted to those most in need so that the growing demand on adult and children’s social care services can continue to be met.

Demand for adult and children’s social care services is increasing both in terms of the number of people and also in the cost of delivering care. Social care will also consider other things besides care services, such as community support and the use of new technology which can contribute to meeting any desired outcomes. Some of Herefordshire’s most vulnerable residents have very complex needs which can be very challenging and costly to meet. We intend to invest in new models of care, housing and accommodation



to maximise the levels of personal independence these vulnerable people are able to attain while remaining in their communities. This might include new care homes, care villages, technology or specialist accommodation for vulnerable children and young people.

There are key public health challenges for the county that we want to address including poor oral health, obesity and cold homes. We will work with partners to address these issues through an oral health action plan, physical activity strategy and measures to tackle fuel poverty.

We will also intend to use our planning and licensing functions, our contracting power and partnerships to influence and create healthy physical and cultural environments that support wellbeing.

We are committed to supporting our partners across the NHS to deliver their own long term ambitions and we will work with them as the lead partner

on prevention and wellbeing initiatives.

This council recognises that arts and culture plays a huge part in our plans. We want culture and creativity to be part of our residents' everyday lives, whether by engaging with our many fantastic exhibitions and events; supporting the health and wellbeing agenda by recognising the significant social value that can come from cultural services such as libraries and arts; or by increasing inclusivity by providing all our residents with more opportunities to benefit from our varied cultural activities. We are committed to working with the Herefordshire Cultural Partnership to ensure that Herefordshire continues to build on our many strengths and successes.

Technology is another key component for promoting and supporting wellbeing, particularly for those with high levels of need. Technology can be very liberating and empowering where it can improve independence

WHAT YOU SAID

People with disabilities:
"We want to be counted in the community and we want to be listened to"

KEY STATS TO FOLLOW

IMAGE TO FOLLOW

without relying on formal and often intrusive levels of care. This includes such things as prompts to take medication, voice activated response services when crisis occurs (such as a fall), health and wellbeing apps etc. Over the coming years, we will continue to develop our technology strategies and make further investments in this important, exciting and fast moving area of service transformation.

Our schools enable our young people to achieve and excel, intellectually, physically and socially, and prepare them to do well once they move on to college, training or work. We continue to invest in education by re-developing, and building new schools to ensure that we have the right facilities in the right location, to meet emerging and future demand. We will continue to work with schools and communities to improve and maximise children's attainment; our targeting of extra support for disadvantaged children is fundamental to achieving this.

Herefordshire needs more genuinely affordable homes delivered through carefully planned policies for growth. We will use our Herefordshire Area Plan, communities' own Neighbourhood Development Plans, and an updated Core Strategy to make sure we deliver sustainable development which meets the needs of local people while respecting our heritage and our natural environment.

We will work with housing associations and developers to enable them to build more homes for sale and for long-term rent. To drive the delivery of affordable housing, the council will look to develop its own housing stock to provide over 1,000 additional genuinely affordable homes for local people in Herefordshire.

Increasing the number of private properties to rent is also important, so we will work with landlords and local people to speed up the rate at which empty properties are brought back into active use and to support community land trusts and community-owned housing projects to succeed.

WHAT YOU SAID

Text to follow

Success measures

- Improve Herefordshire's house affordability ratio, making accommodation more affordable to local people
- Increase the proportion of adults requiring formal care services who are supported in their own homes
- Improve the life chances of disadvantaged children in Herefordshire, meaning that they have a better chance of doing well at school, getting good jobs and secure housing (measured by the social mobility index).
- Reduce the number of children living with poverty, tooth decay or obesity
- Reduce the number of children requiring formal social care interventions (measured by the number of children in need)
- Increase the number of children that are assessed as 'ready for school'; for both children with and without free school meal status
- Improve community resilience in Herefordshire
- Reduce the number of people admitted to hospital for unplanned events
- Improve the mental wellbeing of Herefordshire residents
- Reduce the number of people in Herefordshire identified as homeless
- Reduce the number of households living in fuel poverty

KEY STATS TO FOLLOW

Ambition:

ECONOMY

Support an economy which builds on the county's strengths and resources

A thriving and prosperous economy is vital if we are to provide sustainable, well paid and rewarding job opportunities to local people. A vibrant local economy improves quality of life for everyone and also generates the income through council tax and business rates that we need as a Council to support local services.

Herefordshire faces a number of significant economic challenges. Although overall unemployment levels are very low, our average wage levels are also very low. The county has a greater proportion of retired people than the national average. Our retired residents make very significant contributions to the voluntary and third sector locally, but also contribute to house prices being high and to the lack of availability of social housing for younger families. Limited higher education opportunities in the county mean that most of the county's younger people leave the county to study beyond A-level. It is important that we increase the number of better paid job opportunities that are available so as to attract our university educated young people

to return and to encourage others to move here to live.

For those who do choose to live here, the county offers a very good quality of life. The majority of our schools are assessed as 'Good' or 'Outstanding' and Herefordshire's natural assets, cultural offer and strong sense of community make the county a highly attractive place to live, learn, visit, and to invest.

More than 90% of our businesses are SMEs (small to medium sized enterprises) or micro businesses, and business start-ups in Herefordshire are more successful than the national average. The high profile Hereford Enterprise Zone, known as Skylon Park, is a council-led initiative within the Marches Local Enterprise Partnership (LEP) which is attracting new high-tech businesses to the county and delivering a growing number of well-paid jobs, whilst also regenerating a large brownfield site to the south of the city.

Alongside supporting our bedrock businesses and attracting exciting new ones we are determined to work with all sectors of the business community to implement a community wealth building initiative. This involves four key principles:

- Spend More Local – Work with large local employers (anchor organisations) to build strong local supply chains and increase the amount of money which stays in the local economy.



- Skill-up – encourage continuous investment in our local workforce and a culture of lifelong learning in our community.
- Sweat our Assets – Work with our anchor organisations to be more creative in how we use and share our collective assets, increase our local investment, encourage the development of new businesses and explore new methods of financial support.
- Speak Up and Out – Give the wider community a meaningful say in shaping economic plans and local investments. We will do this through transparent decision making; well publicised public consultation and by engaging positively with key stakeholders on the future plans for Herefordshire.

We want to emphasise the critical role the market towns and villages play in Herefordshire’s economy and we will ensure high quality employment land, business space and business support is made

available throughout the county.

We will continue to support the significant growth of education opportunities within the county to provide new opportunities for younger people to live and learn locally. The Council will promote a culture of lifelong learning throughout the county and enable access to tools and resources to support upskilling, reskilling and employability by providing routes to training opportunities, apprenticeships and hands-on experience.

Building on existing local strengths and seizing global opportunities we will support growth in new technology-enabled and digital business sectors, such as cyber security. We will also encourage the use of green technologies to support the growth of a clean, low-carbon economy whilst maximising the new economic opportunities this will bring to forward thinking companies and communities throughout the county.

We will continue to take advantage of digital investments, made through the Fastershire project, to support local companies to make the most of the superfast and ultrafast digital fibre connectivity. The wide availability of high performance fibre broadband will ensure Herefordshire is able to attract entrepreneurs seeking digital connectivity and will encourage growth in the county’s already strong ‘creative sector’ whose workers are attracted by the lifestyle and work-life balance on offer here.

WHAT YOU SAID

Public transport:

“Public transport can be amazing e.g.. in London, therefore there should be scope to make it better here in Herefordshire.”

The council will make a positive commitment to invest in the support and development of tourism and our valuable visitor economy. We are convinced that there continues to be significant role for the council to play in enabling growth in the number of visitors to the county, especially for those encouraged to stay for more than a day.

As a council, we continue to be successful in attracting grants to support the economic and community development of the county. We will work with partners to maximise the Stronger Towns Fund grant (up to £25m) awarded to Hereford and to support investment programmes across all our market towns. An example of which is the significant town centre enhancement programme for Leominster following the town council's successful application for Heritage Action Zone funding (up to £2m) which is being matched with county funds.

We will work to enable parish councils to act quickly to undertake routine maintenance work to improve and maintain the condition of the local road and footpath networks. We will prioritise the maintenance of our existing transport networks and through our approach to locality working we will ensure that this local delivery complements our countywide programme of works.

Success measures

- Increase the average workplace earnings in Herefordshire
- Grow jobs and keep unemployment rates low
- Improve educational attainment and widen further and higher education opportunities
- Increase the number of short distance trips being done by sustainable modes of travel – walking, cycling, public transport
- Increase road safety in the county and improve the overall condition of the road network
- Increase local wealth creation (measured by the Gross Values Added per head of population)
- Extend superfast and ultra-fast broadband network

KEY STATS TO FOLLOW

How did we do against the previous Corporate Plan (2016-2020)?

Priority area	Key highlights
Enable residents to live safe, healthy and independent lives	Creation of online Wellbeing Information and Signposting for Herefordshire (WISH) website providing a single point of information for residents and professionals on community groups and events. Activity continues to increase
	Implementation of a new way of working to support people with adult social care needs. This focusses on client's strengths, rather than the things they can't do and looks to connect people with needs to their communities
	Client satisfaction indicators regarding care and support services is one of the highest nationally
	Delivered balanced budget for adult social care whilst many councils have struggled to managed demand in this area
	Creation of new "Homefirst" service to prevent hospital admission or support hospital discharge. This new service has been rated "good" by the Care Quality Commission
	Enabled people to access services on-line through major increase in the superfast and ultrafast broadband network, provide digital training and more council services provided digitally
	Keep children and young people safe and give them a great start in life
Care leaver's covenant which means that children leaving care of the council will not be required to pay council tax until they reach 25	
Schools in Herefordshire's continue to perform well, with the majority of metrics showing performance in the top quartile nationally	
Enhanced children social worker offer to help recruit and retain our workforce in this critical area	
School improvements at a number of sites throughout the county	
Investment in children centres operated by the council	
Support the growth of our economy	90% of premises in the county able to access a superfast and ultrafast broadband service with investment secured for this to increase and bespoke programme to connect business with advice and training.
	An extra £20 million of works targeted to fix roads in the greatest need of repair and with the greatest value to our local communities Major investment over two years (2014/15 and 2015/16)
	City link road has been delivered opening up a large amount of land for development
	More than 14,000 streetlights now near 100% on LED, saving money and reducing light pollution
	New Cyber Centre now under construction (due to complete summer 2020)
	Acquisition of key sites to support the development of higher educational facilities in Herefordshire
	Development of Yazor Brook Flood alleviation scheme to reduce flood risk and enable growth
	Expansion of Hereford Enterprise Zone (Skylon Park)
Secure better services, quality of life and value for money	Delivered financial savings in excess of £30 million over four year period
	Continual development of the information and services available online; new Council website launched in 2017 and awarded full star rating for its first two years
	Making the most of council libraries as shared sites with children centres and community facilities

Key Facts

ENVIRONMENT

- Target of Carbon Neutrality by 2030
- 43% carbon reduction between 2008/09 and 2018/19 for the council's own operations
- 9% of the county designated for nature conservation
- Over 6,000 listed buildings
- 64 conservation areas across our city, towns and villages

COMMUNITY

- Herefordshire has the longest healthy life expectation across the West Midlands for both Men and Women
- 500,000 visits to a library per annum
- Herefordshire has one of the lowest rates of violent crime in the West Midlands and over 20% less than the national average
- Herefordshire is currently ranked as a “cold spot” nationally for social mobility

ECONOMY

- Low unemployment levels 2.4%
- In 2018, Herefordshire's total enterprise count mounted up to a total of 10,130. The majority (90%) of these were 'micro' enterprises employing 9 or fewer employees
- 24% of the population are aged 65 or over

Useful information

Herefordshire Council website

www.herefordshire.gov.uk/

Facts and figures on Herefordshire

www.understanding.herefordshire.gov.uk/

Wellbeing information and signposting website

www.wisherefordshire.org/

**Herefordshire Council
Plough Lane, Hereford, HR4 0LE**

**www.herefordshire.gov.uk
01432 260000**

Medium Term Financial Strategy

2020 – 2024



Herefordshire Council's Medium Term Financial Strategy

1. Introduction

The Medium Term Financial Strategy (MTFS) outlines the financial strategy for the period up to 2023/24. There are a significant number of funding unknowns due to a new national government yet to announce the future funding regime that is expected to include the outcome of a local government fairer funding review and a move to the retention of local business rate income. It is also not currently possible to assess the impact of the United Kingdom's withdrawal from the European Union.

This strategy is based on the expected financial position and how this funding is proposed to be best utilised to support the three key themes in the council's corporate plan:-

- Environment** - Protect our environment so that Herefordshire remains a great place to live
- Community** - Building communities to ensure that everyone lives well and safely together
- Economy** - Support an economy which builds on the county's strengths and resources

The council has an annual budget of £380m which we use to deliver services to over 187,000 residents. These services include maintenance of over 2,000 miles of roads, collection of over 85,000 residential bins, safeguarding around 1,000 children (including 354 who are in our care) and providing care and support to 2,500 vulnerable adults.

We employ 1,279 staff and support many more local jobs through our contracts with local businesses.

Using our resources wisely is one of our core principles so we are always seeking new ways to provide efficiencies in service delivery and to maximise our purchasing power to ensure we deliver value for money that benefits Herefordshire businesses and residents.

The corporate plan priorities include the following key themes

- ✓ Enabling the county to operate differently/different future offer – fundamental review of Core Strategy
- ✓ Alternative travel options
- ✓ Sustainable house building
- ✓ Investing money from small holdings sale must provide long term return on investment
- ✓ Public transport schemes to connect city and market towns and complement regional and national networks
- ✓ Development of walking and cycle networks to enable alternative travel options
- ✓ Development of network of physical places (community hubs) for people to connect face to face
- ✓ Digital connectivity to enable the use of assistive living technology and online trading

2. Key principles

Herefordshire is a rural county with an older demographic and has faced significant financial challenges over recent years as central government funding has been reduced from £60.1m in 2011/12 to £0.6m in 2019/20 while costs and demand increase particularly for adult social care and looked after children.

The council has risen to this financial challenge, by:-

- ❖ **Delivering substantial savings of £90m**
- ❖ **Delivering services differently**
- ❖ **Increasing its financial reserves**
- ❖ **Consistently delivering balanced budgets**

This medium term financial strategy is underpinned by the following key principles:

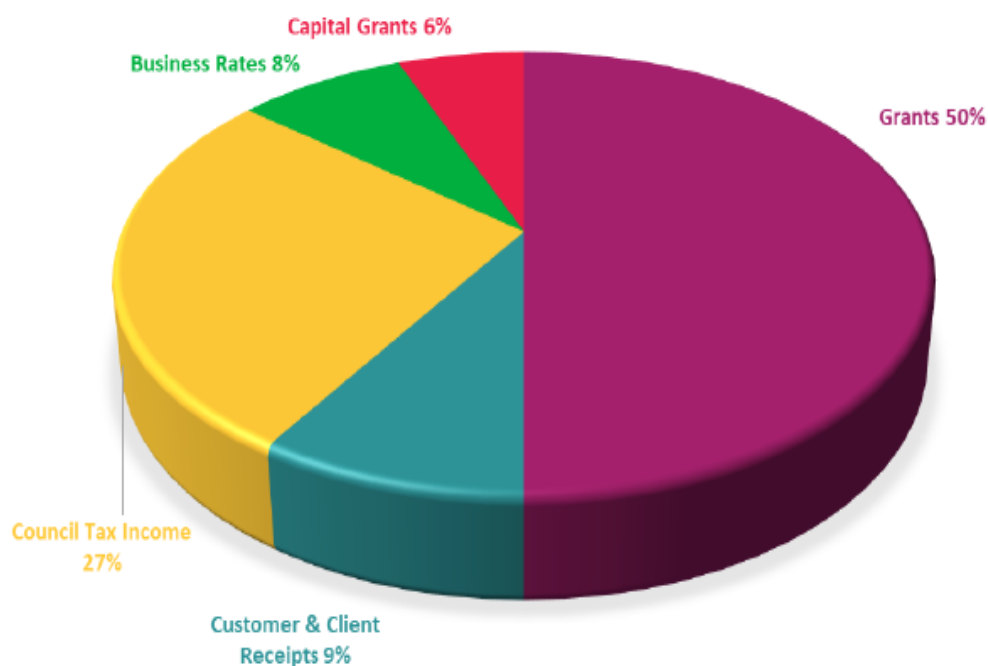
- Prudent assessment of future resources and unfunded cost pressures.
- Appropriate levels of income generated across all areas of the council, and prompt collection of all sums owed to the council.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held to mitigate potential financial liabilities and commitments.
- Prudent and planned use of reserves to fund expenditure
- Maximisation of capital receipts from disposals.
- Maximisation of external grant funding that meets our priorities.
- Prudent and proportional use of the council's borrowing powers to undertake capital investment that is not funded by capital receipts or contributions from third parties.
- Promotion of invest to save opportunities via detailed assessments of business cases.
- Effective forecasting and management of the council's cash flow requirements.
- Effective management of treasury management risks, including smoothing out the debt maturity profile, borrowing only when necessary and taking advantage of opportunities arising because of disconnects in the market between long term and short term rates.
- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the medium term financial strategy.
- Production of detailed implementation plans for all savings proposals.
- Sign-off of all revenue budgets by the relevant senior managers including any savings plans before the commencement of the financial year.
- Regular monitoring of budgets and robust management actions to address any unplanned variances that arise.

3. Funding of services

The MTFS proposes a balanced 2020/21 budget achieved by increasing council tax charges by 3.9%, inclusive of a 2% adult social care precept and committing to delivering savings of £2.4m. Projections for future years assume an annual increase in council tax of 2%.

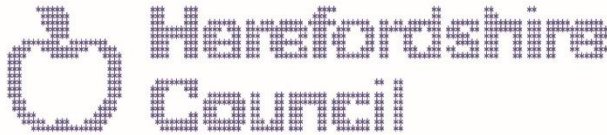
	2020/21	2021/22	2022/23	2023/24
Net budget funding source	£000	£000	£000	£000
Council Tax	109,780	113,071	116,567	120,126
Retained Business Rates	36,726	37,360	38,015	38,669
Revenue Support Grant	635	-	-	-
Rural Sparsity Delivery Grant	5,101	5,101	5,101	5,101
Adult Social Care Support Grant	4,875	4,973	5,072	5,173
Totals	157,117	160,505	164,755	169,069

The net budget funding assumptions above exclude grant funding received in addition to that which funds the gross budget. This grant funding includes the improved better care fund (£6.6m), public health (£9.2m) and dedicated schools grant funding (£80.0m).



4. Service costs

The Council continues to provide value for money service delivery and aspires to bring sustainable prosperity and well-being for all by supporting independent, safe and healthy lives. The budget is proposed following a comprehensive review of commitments, demand expectations and pay costs and funding new initiatives.



Charges per month (average Band D property)
2020/21 monthly Council Tax receipt

** Daily life **	£s
* Waste, Cleansing	12,34
* Environmental Health	1,53
* Roads and bridges	5,73
* Care of public spaces	1,24
* Schools and education	99,16
* Public, School and community transport	5,97
* Libraries, records and customer services	1,22
 ** Looking after Adults **	
* Older People in residential/nursing care	14,39
* Older people supported at home	9,89
* Disabled adults	28,92
* Lifestyles services (substance abuse, sexual health)	2,84
* Health improvement (Public Health nursing, health checks, smoking cessation)	5,67
* Housing	0,53
 ** Looking after children **	
* Child protection	4,29
* Children in care	14,97
* Children with special needs	3,31
 ** Local government running costs **	
* Election, governance and legal services	3,50
* Directors & Staff costs	0,56
* Organisational administration	1,39
* IT, Council Tax and Benefits admin, invoices and payments	5,27
* Insurance and property maintenance	4,84
 ** Financing **	
* Capital finance - Debt repayment	6,97
* Capital finance - Interest payments	9,55
 ** Economic growth **	
* Economic development and regeneration	1,74
* Broadband - rural rollout	0,15
* Planning	0,35
	246,32
 ***** VOUCHER *****	
** Income that supplements council tax **	
* Investment Property income	-2,94
* Car parking	-5,42
* Capital finance - Interest received	-2,01
* Public Health grant	-7,70
* National Education funding	-96,98
TOTAL TO PAY (per month)	131,27

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Connectivity

This MTFS includes ambitious aspirations to supporting transport infrastructure to tackle the climate emergency and support the wellbeing of our population. It also supports connections between people and superfast broadband...

- £5.5m in Hereford city centre improvements
- £39.0m in an electric passenger transport fleet
- £2.0m in infrastructure assets
- £35.7m in superfast broadband
- £1.5m in technology enabled communities
- £2.0m in super hubs

Well being

This MTFS promotes an environment designed to support a more active lifestyle through safe walking and cycling routes and encouraging all children and young people to have a great start in life....

- £1.0m in active travel measures and super cycle highway
- £10.9m in Peterchurch school
- £6.1m in Marlbrook school
- £3.9m in Brookfield school
- £3.2m in affordable housing grants

Sustainable

Climate change is a global challenge and Herefordshire Council will show leadership in tackling this important issue through strategic investments such as sustainable housing, new models of energy, green spaces and alternative transport options. We also want to promote ways that everyone can do their bit and introduce practical measures to reduce our carbon footprint and be carbon neutral by 2030.

5. New initiatives

Below is a table of proposed areas for investment over the MTFS term to support the corporate plan objectives.

		Revenue costs			
		2020-21	2021-22	2022-23	2023-24
Title	Narrative	£000s	£000s	£000s	£000s
Super-hubs	Super-hubs to support communities. Capital investment plus resource to manage and develop community engagement.	200			
Tourism	Tourism - Destination Business Improvement District (BID development)	200			
	Fund for staffing to deliver the Leominster Heritage Action Zone project		40	40	
Community Engagement	Creating a greater understanding within services of what will make a positive difference to people's lives. Resource for staff and engagement promotion	50	50	50	50
Total Community		450	90	90	50
Employment Land & Incubation Space	The acquisition of employment land would facilitate the expansion or relocation of local businesses, potentially leading to a higher business rates income and the generation of more and better paid jobs.	100	100	100	
Core and transport strategy review	Revised plan, assessed needs of the county. Staff resource and evidence based research.	600	500	500	550
Public transport service	Revenue budget to protect existing bus services and frequencies	100	100		
Council Tax charging policy	Variation to the local council tax discount scheme. The policy decision change could increase the council tax income.	(56)	(100)	(100)	(100)
Digital – Transformation	More services delivered digitally including linked to back office systems. More people using the internet to access services. Digital Transformation Unit – to really drive digital transformation it needs a dedicated team to work with services to change how they operate to adjust to digital opportunities including future visioning.		400	280	280

Digital Infrastructure –	Fibre network across Herefordshire for businesses to be able to trade globally. Households to be connected to support learning, communication, access to services and aid health and well-being. Greater adoption and exploitation of the existing and planned fibre network.	25	25	25	25
Knowledge management system	Investing in systems which house and present data improving the access to performance data. Further work to integrate data, internally between service areas within the council and alongside partners (such as health), and application of artificial intelligence, will allow the opportunity for a better understanding of our residents and allow us maximise preventative opportunities for individuals, families and communities, and inform better decision making.		500	150	150
Total Economy		769	1,525	955	905
Climate change	Continue work within the 7 (current) catchment areas beyond March 2021 and extend the offer of solutions and grant funding all across Herefordshire, thus enabling us to further develop an integrated approach to flood management with other initiatives/organisations, e.g. Farm Herefordshire, Wye Catchment Partnership and Herefordshire Nutrient Management Plan.	70	70		
Total Environment		70	70	-	-
Totals		1,289	1,685	1,045	955

6. Capital investment

The council's capital expenditure on its physical assets is separate from revenue expenditure on day to day services and totals approximately £50m each year. This expenditure is funded from a combination of specific grants, third party contributions, capital receipts from sale of assets, contributions from the Local Enterprise Partnership and borrowing.

The council recognises the need to grow and has plans for new homes throughout the

county, new employment opportunities, infrastructure and supporting the establishment of a new university. Part of the plan is to develop the full build out of the Hereford Enterprise Zone to maximise the potential of that area to create new jobs, this is expected to cost in the region of £2.6m and is anticipated to be funded by future grant awards.

The council aims to receive a maximum return from investment in property and land holdings; recently the council sold its small holding estate generating a capital receipt of over £46m and reducing overhead costs significantly. There are a number of schemes within the capital programme to be funded by capital receipts; the balance will be retained to deliver enhanced investment on the use of these reserves, once business cases have been submitted for approval at Council.

In October 2019 Cabinet approved the establishment of a new earmarked reserve of £150k to fund the investigation of different models of delivering council housing. Herefordshire residents continue to face difficult housing challenges with a large proportion of the population unable to afford to own or rent a suitable property to call home. The lack of housing choice, especially in respect of affordable housing, is not currently being addressed through the developer-led market where the focus continues to be on developing the most profitable housing products on the most profitable sites, not necessarily in the places of highest housing need. Many local authorities are now actively intervening in the housing market by becoming developers of new homes themselves, creating Local Housing Companies with the aim of acquiring sites and developing and managing both affordable housing and open market homes. The creation of the reserve will provide resources to undertake a detailed analysis of the options available, including the establishment of a wholly owned housing company, to enable the delivery and management of new homes to better meet the needs of residents. Following this a business case will be developed for consideration and further investment. This could lead to investing up to £100m in housing in the four years from 2022/23, it is anticipated that the income streams generated would cover the revenue costs of providing the housing including any borrowing costs.

Development Partners

The Development and Regeneration Programme (DRP) has been established to provide development solutions that are reflective of the policies of Herefordshire Council and will be designed and developed in an inclusive way with the community. In all instances consideration is given to providing developments that are considerate to the health and wellbeing of the residents and build to the latest environmental standards as set out in the building regulations (The National Standards).

Development partners Keepmoat and Engie are committed to encompassing the use of using local suppliers and contractors and to maximise the opportunities to employ local Herefordshire people. The KPIs for each partner have been set up to reflect this and all parties will take every action possible to ensure this is achieved.

The development partners are keen to achieve developments that reflect the highest standards and that have real impact on viability, or the anticipated land receipt. The decision as to what standards are applied to a development lies with the council and will impact on development returns/outcomes will be judged on a case by case basis.

Keepmoat Homes Ltd

Supporting the delivery of new homes that will help the council to achieve its strategic housing growth targets. Current projects include Bromyard Depot, Merton Meadow, Hildersley and Holme Lacy.

ENGIE Regeneration Ltd

Support the delivery of regeneration construction projects, such as business units, student accommodation, commercial development and retirement housing.

Development agreements will bring to life plans contained within the adopted Core Strategy (the document that sets out Herefordshire's planning priorities until 2031). The plan outlines the development opportunities enabled by the Hereford City Centre Transport Package and Hereford Transport Package, as well other sites across the county such as the Ross Enterprise Park and Hillside.

14 Risks

There are a number of external risks that could affect the delivery of the MTFS, appendix 4 sets out more detail on the key risk areas which are:

- The government settlement for 2020/21 is a one year settlement meaning that the MTFS is based on assumptions for future years that cannot be confirmed.
- The Better Care Fund and Improved Better Care Fund are not confirmed after 2020/21 and are currently being reviewed by the Department of Health and Ministry of Housing, Communities and Local Government.
- Public Health grant ring fencing and other grant funding commitments from government are not clear for future years.
- The looked after children population is higher than our statistical neighbours and continues to require significant resources to support. The requirement for complex needs funding and supported accommodation up to the age of 25 are growing pressures.
- The high needs budgets are funded by the dedicated schools grant, but any overspend becomes a council liability, this is currently being maintained within budget however the national trend is for a growing pressure.
- Moving to local retention of Business Rates could cause a significant funding problem due to the amount of small businesses throughout the county that receive discounts and reliefs.

15 Treasury Management Strategy (TMS)

The TMS has been reviewed and updated to include the forecast borrowing requirement to support the proposed capital investment budget for over the MTFS period to include the forecast borrowing requirement to support its proposed capital investment budget. The TMS presents the council's prudential indicators demonstrating the assurances of affordability and sustainable impact of the strategy.

The TMS also presents the council's minimum revenue provision policy which determines

the borrowing cost of capital investment to be funded by the annual revenue budget requirement.

The TMS sets out how daily cash-flow activities will be managed to balance cash requirements whilst achieving the council's strategic outcomes. The TMS includes investment and borrowing strategies with consideration to security, liquidity and interest rate risks with the aim to maximise return on investments and minimise interest rate costs.

The TMS intends to continue to utilise short term borrowing if required due to the lower cost of carry, however interest rate forecasts will continue to be monitored and, if considered financially favourable, longer term fixed rate debt will be secured. Progress against the strategy is reported to Cabinet in line with the performance monitoring reporting timetable.

	2020/21	2021/22	2022/23	2023/24
Treasury management budgets	£000	£000	£000	£000
Minimum revenue provision	7,594	9,807	10,525	11,596
Interest payable	6,179	7,569	7,781	7,645
Interest income	(200)	(200)	(200)	(200)
Totals	13,573	17,176	18,106	19,041

The table above excludes the impact of the waste disposal loan arrangement within the waste disposal PFI agreement that generates additional interest income which is allocated to an earmarked reserve to fund waste disposal costs.

16 Reserves

Definition of Earmarked reserves and provisions

17.1 **Provisions** are required for any liabilities where the timing of payments or the amount of the liability is uncertain. Provisions are required to be recognised when:

- The council has a present obligation (legal or constrictive) as a result of a past event.
- It is probable that a transfer of economic benefit will be required to settle the obligations and;
- A reliable estimate can be made of the obligation.

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves.

17.2 **Earmarked reserves** are amounts set aside for specific policy purposes or for general contingencies and cash flow management. For each reserve established, the purpose, usage and basis of transactions needs to be clearly defined.

Use of Reserves

17.3 Reserves enable the council to do three things:

- Create a working balance to help cushion the impact of uneven cash flows

and avoid unnecessary temporary borrowing. This forms part of the general reserves.

- Create a contingency to cushion against the impact of unexpected events or emergencies. This also forms part of general reserves.
- Creates a means of building up funds, often referred to as ear marked reserves, to meet known or predicted liabilities.

17.4 There are other reserves that can only be used for specific statutory purposes. These include the usable capital receipts and pensions reserve. These are not considered as part of this policy.

Establishing a new reserve

17.5 When establishing reserves the council needs to comply with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.

17.6 New reserves may be created at any time, but must be approved by the Cabinet when a reserve is established. The Cabinet needs to approve the following:

- Purpose - the reason for creating the reserve should be clearly stated.
- Usage - there should be a clear statement of how and when the reserve can be used.
- Basis of transactions - delegated authority for approval of expenditure from the reserve.

Reporting reserves

17.7 The Chief Finance Officer has a fiduciary duty to local tax payers and must be satisfied that decisions taken on balances and reserves represent proper stewardship of public funds.

17.8 The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed, the last report to Cabinet was in October 2019.

17.9 The annual budget report to Council will include:

- A statement of movements in reserves for the year ahead and the following two years;
- A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
- A statement on the annual review of reserves.

17.10 The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the councils earmarked reserves for relevance of propose and adequacy.

17.11 Any amendments to earmarked reserves will be reported to the Cabinet for approval.

17.12 Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another earmarked reserve with a similar purpose or surrendered to General Reserves.

17 Conclusion

This medium term financial strategy proposes delivering a balanced budget with a clear focus on aligning resources to deliver the revised corporate plan objectives.

18 Appendices

Appendix 1 - Net Revenue budget

Appendix 2 – Proposed Capital Investment Budget

Appendix 3 - Reserves Policy

Appendix 4 - Risk Assessment

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Appendix 1

Net Revenue budget and Directorate Spending Limits 2020/21

Directorate	19/20 revised base £k	Pressures £k	New Initiatives £k	Savings £k	Base Budget £k
Adults and Communities	53,965	2,717	200	(600)	56,282
Social care pool			2,054		2,054
Children and families	27,185	714	3,100	(300)	30,699
Economy and Place	27,594	1,364	1,070	(873)	29,155
Corporate Services	15,086	869	425	(77)	16,303
Total Directorate	123,830	5,664	6,849	(1,850)	134,493
Central	22,771	409	(56)	(500)	22,624
Total Net Budget	146,601	6,073	6,793	(2,350)	157,117
Funded by					
Council Tax					109,780
Retained Rates					36,726
Revenue Support Grant					635
Rural Sparsity Delivery Grant					5,101
Adult Social Care Support Grant					4,875
Totals					157,117

Appendix 2

Proposed capital investment budget

Scheme Name	Spend in	2019/20	2020/21	2021/22	2022/23	2023/24 onwards	Total
	Prior Years	Total Budget	Total Budget	Total Budget	Total Budget	Total Budget	
	£000	£000	£000	£000	£000	£000	£000
Economy & Place							
Hereford City Centre Transport Package	33,166	631	1,500	5,353	0		40,651
South Wye Transport Package	6,984	4,718	14,795	6,422	2,081		35,000
Hereford City Centre Improvements (HCCI)		1,500	2,000	2,000	0		5,500
Hereford ATMs and Super Cycle Highway			1,000	0	0		1,000
Passenger Transport Fleet (Electric)			7,800	7,800	7,800	15,600	39,000
Hereford Transport Package	2,908	3,702	2,350	625	625		10,210
Major Infrastructure Delivery Board	43,058	10,552	29,445	22,200	10,506	15,600	131,361
Local Transport Plan (LTP)		11,745	12,272	0	0		24,017
E & P's S106		1,441	0	0	0		1,441
Investment in Infrastructure Assets			2,000	0	0		2,000
Highway asset management		3,843	3,750	4,250	0		11,843
Public Realm Delivery Board	0	16,728	18,022	4,250	0	0	39,000
Hereford Enterprise Zone	10,769	3,400	1,831	0	0		16,000
Herefordshire Enterprise Zone Shell Store	83	5,935	1,298	0	0		7,316
Ross Enterprise Park (Model Farm)	11	2,377	4,174	508	0		7,070
Marches business improvement grants	877	1,623	0	0	0		2,500
Marches Renewable Energy Grant		88	764	336	0		1,188
Marches Business Improvement Programme		99	1,125	1,336	440		3,000
Affordable Housing Grant	35	1,599	1,000	300	300		3,234
Community Housing Fund	9	141	0	0	0		1
Revolving Loans	145	55	0	0	0		200
Employment Land & Incubation Space in Market Towns			843	4,209	3,066	5,513	13,631
Leominster Heritage Action Zone			238	1,425	2,138		3,800
Development Partnership activities	6,042	9,558	25,000	0	0		40,600
Economic Development Delivery Board	17,971	24,776	35,147	6,778	5,504	5,513	95,689
Property Estate Enhancement Works	1,241	1,499	0	0	0		2,740
Corporate Accommodation	2,540	331	0	0	0		2,871
Leisure Centres	9,684	368	0	0	0		10,052
Solar Photovoltaic Panels	606	55	1,473	0	0		2,134
SEPUBU Grant		734	0	0	0		734
LED street lighting	5,478	177	0	0	0		5,655

Estates Capital Programme 2019/22		1,350	2,095	1,390	0		4,835
Three Elms Trading Estate	95	380	0	0	0		475
Customer Services and Library	112	21	0	0	0		133
Energy Efficiency		54	46	0	0		100
Warm Homes Fund		397	397	165	0		960
Gypsy & Traveller Pitch development	29	910	899	39	0		1,877
Leominster cemetery extension	148	45	0	0	0		193
Tarsmill Court, Rotherwas	341	59	0	0	0		400
Car Parking Strategy	77	169	0	0	0		246
Car Park Re-Surfacing	0	116	0	0	0		116
Office and Car Park Lighting Replacement	79	164	58	0	0		300
Upgrade of Herefordshire CCTV		48	136	0	0		184
Schools Transport Route Planning		30	30	30	0		90
Courtyard Development		0	611	0	0		611
Corporate Fleet Procurement		738	0	0	0		738
Fleet Replacement			19	0	0		19
Strangford Welfare Facilities			25	0	0		25
Hereford Library	132	213	0	0	0		345
Corporate Property Delivery Board	20,560	7,860	5,789	1,624	0	0	35,833
Total E & P Capital Projects	81,589	60,315	89,528	36,189	16,450	21,113	305,183
Corporate							
Fastershire Broadband	16,979	10,152	8,607	0	0		35,738
PC Replacement	261	218	641	397	0		1,516
Widemarsh Gardens			80	0	0		80
EDRMS Storage			380	0	0		380
Better Ways of Working			850	0	0		850
Children centre changes	167	263	0	0	0		430
Total Corporate Capital Projects	17,407	10,633	10,557	397	0	0	38,994
Children and Families							
Colwall Primary School	6,665	85	0	0	0		6,750
Schools Capital Maintenance Grant		2,152	1,200	1,200	0		4,552
Peterchurch Primary School	7	493	5,000	5,353	0		10,853
Expansion for Marlbrook school	527	3,614	2,000	0	0		6,141
Brookfield School Improvements	6	2,577	167	1,195	0		3,945
C & F's S106		915	0	0	0		915
Healthy Pupils		99	0	0	0		99
Individual Pupil Needs	152	119	0	0	0		271
Short Breaks Capital		118	0	0	0		118
Blackmarston SEN	30	54	0	0	0		84
Replacement Leominster Primary	6	36	0	0	0		42
Basic Needs Funding		0	8,891	0	0		8,891
2 Year Old Capital Funding	75	31	0	0	0		106
Preliminary works to inform key investment need throughout the county	5	1,010	0	0	0		1,015
Temporary school accommodation replacement	85	515	300	0	0		900

Total C & F Capital Projects	7,558	11,819	17,558	7,748	0	0	44,683
Adults and Communities							
Disabled facilities grant		1,999	1,853	1,853	0		5,705
Hillside		2,550	0	0	0		2,550
Carehome & Extra Care Development	164	919	0	0	13,081		14,164
Technology Enabled Communities	0	0	300	1,200	0		1,500
Super Hubs			2,000	0	0		2,000
Private sector housing improvements	57	199	0	0	0		256
Total A & C Capital Projects	222	5,667	4,153	3,053	13,081	0	26,175
Total	106,776	88,433	121,796	47,387	29,531	21,113	415,035

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Appendix 3

Reserves

1. Review of Reserves

1.1. The overall reserves of the council will be subject to detailed review at the end of each financial year as part of the preparation for the production of the council's statement of accounts, and as part of the council's annual budget setting process to ensure reserves are

- Relevant,
- Appropriate, and
- Prudent.

1.2. The Chief Finance Officer will ensure that the council has in place well established, robust and regular budget monitoring processes. These take account of the current level of reserves and the latest budget requirements calling on reserves to meet current commitments and to make contributions to reserves to meet future commitments.

1.3. The Chief Finance Officer must consider strategic, operational and financial risks in assessing the adequacy of the council's reserves position.

2. Use of Reserves

2.1. Approval to use or make contributions to reserves is provided by the Chief Finance Officer as part of the regular budgetary process, in discussion with the Chief Executive and Leader of the Cabinet

2.2. Movements in reserves will be reported to Council as part of the financial outturn at the end of the financial year.

3. Conclusion

3.1. The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement.

3.2. At the end of March 2019 the balance was £8.5m (5% of net budget). This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances is deemed appropriate. The level of reserves and expected movement in reserves are set out in the MTFS as part of the annual budget setting process.

Appendix 4

Key Risk Assessment

	Key Financial Risks	Likelihood	Impact	Mitigating Actions
1	Unexpected events or emergencies By its nature, the financial risk is uncertain	Low	High	<ul style="list-style-type: none"> • Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes • Level of reserve is currently £8.5m (5% of budget)
2	Increasing demand for Adult Social Care Demand for services continue to increase as the population gets older	High	Medium	<ul style="list-style-type: none"> • Demand led pressures provided for within our spending plans • Activity indicators have been developed and will be reported quarterly alongside budget monitoring
3	Potential overspend and council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.	Medium	Medium	<ul style="list-style-type: none"> • High risk budget areas have been identified and financial support is targeted towards these areas • Regular progress reports on delivery of savings to Management Board and Cabinet • Budget monitoring arrangements for forecasting year end position in place and forecast balanced • Plan to review level of cover available from General reserves in place
4	Potential overspend on Special Education Needs The duty to secure provision identified in Education, Health and Care plans means an overspend may occur	Medium	Medium	<ul style="list-style-type: none"> • This is a national issue with lobbying to increase central government funding • A review of the application of the matrix is underway
5	Failure to fund sufficient school places and sufficient support There is an increasing requirement to provide sufficient school places There is a rising number of children requiring specific support	Medium	High	<ul style="list-style-type: none"> • Provision has been made in the capital investment budget to increase school places • Directorate plans in place to manage and mitigate demand • Ongoing reviews of children already under care of council
6	Volatility in Government funding streams and Business Rates Retention	High	Medium	<ul style="list-style-type: none"> • Prudent assumptions made in budget • Ongoing review of developing business rate changes • Business case to support future investment decisions
7	Brexit Impact of EU exit may lead to increased volatility in economic stability and reduced access to funds	Medium	Medium	<ul style="list-style-type: none"> • Reduced reliance on grant funding in all directorates • Increased local economic and social investment to increase core income

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Capital Strategy

2019 – 2030

HEREFORDSHIRE CAPITAL STRATEGY 2019-2030

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HEREFORDSHIRE CAPITAL STRATEGY 2019-2030

1. EXECUTIVE SUMMARY

- 1.1 An effective Capital Strategy is vital to ensure that the capital and revenue expenditure on the asset portfolio is directed efficiently and effectively to support service delivery in line with Herefordshire's priorities. This strategy considers the capital investment needs across Herefordshire including acquisition, replacement and rental of land, buildings, and vehicles etc.
- 1.2 Herefordshire Council has seen a number of schemes like the City Link Road and development of the Herefordshire Enterprise Zone enable long term plans for future development. This Capital Strategy will link to the Corporate Plan 2020-24 and its three themes, to capital planning and utilisation of resources.
- 1.3 The Capital Strategy will be reviewed annually, identifying and matching resources to deliver service priorities over a four year period. Where possible a longer term view will be incorporated to ensure we have the vision on all future development opportunities. Also to enable long term planning on capital financing through the Treasury Management Strategy to ensure the best utilisation of resources and returns on investment.
- 1.4 Herefordshire Council set up a Development Regeneration Programme in 2018 with two key partners Keepmoat and Engie that will be looking at a number of key developments over the next eight years to ensure they meet the needs of the population and meet the council's priorities. Another key partner moving forward is NMiTE (New Model in Technology and Engineering), the new Herefordshire University and the council is keen to support their development in the coming years.
- 1.5 The challenges given to retaining property assets will be based on value for money and delivery of the councils strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of in accordance with the corporate property strategy, and proceeds will be reinvested or retained within the capital receipts reserve until a decision on how to utilise the reserve is made.
- 1.6 The Corporate Property Strategy sets out a framework for determining the capital property assets needed to enable future service delivery priorities to be realised. Whereas a series of key projects have already been delivered, the capital investment budget will further inform priorities and options for investment/re-investment in assets over the medium term.
- 1.7 The Capital Strategy encourages all areas of the council to put forward requests for capital funding to ensure assets are adequately invested and development opportunities are considered. However, there are limited resources and these schemes may need to be profiled over a number of years where they are to be funded corporately. Invest to save schemes are encouraged to help the future pressures we are facing on revenue budgets with the reduction in government funding over a number of years.
- 1.8 The priority will be to ensure that any new capital scheme will seek external funding sources such as grants in the first instance. Although borrowing will be allowed within the current agreed limits of £6.7m per annum plus any previously approved Public Works Loan Board (PWLb) provision that has not been used. The £6.7m per annum limit is corporately funded borrowing, borrowing funded from revenue savings will be made available over and above this limit. This is the current limit included within the MTFS if further corporately funded borrowing is required, there could be a change to the MTFS and Treasury Management Strategy to allow this but the revenue budget would need to be adjusted to repay the borrowing costs. The council will always seek external capital funding grants or donations where possible to lower the cost of borrowing but it is essential that resources are used effectively.

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- 1.9 The process of allocating finite resources runs alongside delivery of the Medium Term Financial Strategy, through which capital funding, borrowing costs and innovative ways of utilising capital will be captured. The recommendation of capital projects lies with the Executive using a range of criteria to evaluate schemes, with referral to Council for approval. However, the Council may add new schemes to the capital programme and new schemes can be added once approved at any full council meeting.
- 1.10 The Capital Strategy aims to encourage innovation and remind officers of their ability to draw down funding to fund creative projects that demonstrate delivery of “spend to save / mitigate”. The governance arrangements in place must ensure robust monitoring to ensure projects deliver in terms of quality, cost and benefits. Following central government austerity measures the council is keen to promote capital investment to secure future local funding streams, council tax and business rates.

2. INTRODUCTION AND BACKGROUND

- 2.1 This Capital Strategy sets out Herefordshire's approach to capital investment and disposal over both the short and long term, to deliver the core service priorities. The availability of resources to facilitate these priorities is also considered, reconciling the provision of statutory functions, service aspiration and policy context with limited resource availability.
- 2.2 The strategy incorporates the vision of the council, the overarching policy framework and explains the processes inherent in setting budgets and monitoring the programme. In the ever changing public sector climate, this document will be reviewed annually, but in essence is written to capture the longer term vision of service priorities.
- 2.3 Through this strategy, the Council makes a clear distinction between capital investments, where the strategic aims will be considered alongside affordability; and treasury management investments which are made for the purpose of cash flow management.
- 2.4 Capital investments, as opposed to pure cash flow management decisions, will be made in line with the Capital Strategy priorities set out in this document. These decisions are clearly within the economic powers of the Council and there are strong governance arrangements in place that underpin the decision making.
- 2.5 The Capital Strategy links into the main council strategic documents: Corporate Property Strategy, Local Transport Plan, Digital Strategy and Local Development Framework, details are provided in appendix B. It demonstrates how the council prioritises, sets targets and measures the performance of its limited capital resources to ensure that it maximises the value of investment to support the achievement of its key cross-cutting activities and initiatives.

- **What it intends to do**

- Assist in ensuring spending decisions meet key priorities
- Influence and encourage working with partners
- Encourage improvement and innovation
- Ensure revenue consequences and whole life costs are fully considered including return on investment
- Explains the fluctuating nature of capital funding
- Confirms surplus assets will be recycled or disposed of
- Implementation of three year planning and horizon scanning for longer term priorities.

- **What it sets out**

- Capital priorities and plans
- Links to key strategic documents
- How schemes are identified that meet priorities
- How schemes competing for limited resources are selected
- A summary of the capital programme
- Monitoring processes in place

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2.6 The strategic objectives for our corporate assets are to:

- From 2021/22, Herefordshire Council will largely be funded from local taxation – Council Tax and Business Rates. Through capital investment, the Council will seek to stimulate the Herefordshire economy in order to advance business, commerce, jobs and economic prosperity across the county – and provide for a sustainable financial future.
- Optimise the contribution property makes to the council’s strategic and service objectives. To this end, assets should only be held that meet the objectives of the council, with clear evidence to demonstrate that they contribute to the key objectives.
- Prioritise investment in our operational assets to meet service delivery needs and to enhance the customer experience. Assets that no longer deliver service priorities will be reviewed and either recycled to facilitate wider community agendas, or disposed of.
- Seek innovative, value for money solutions, through use of procurement and return on investment to deliver capital projects that satisfy service need.
- Ensure maximum return from our investment property and land holdings
- Use our assets to fund new developments, re-development and urban regeneration
- Ensure that existing and new property assets are managed in an efficient, sustainable and cost effective way in terms of their use of environmental impact and other resources, their property management and other running costs

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3. CURRENT CAPITAL PROGRAMME & LONG TERM PLAN

3.1 The following table details the capital investment by directorate over the next four years, full programme details can be seen in appendix a. The consequences of investment are reflected in both the Medium Term Financial Strategy and Treasury Management Strategy.

Approved Capital Programme

	Prior Years £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 onwards £000s	Total Capital Programme Budgets £000s
Total Adults & Communities	222	5,667	4,153	3,053	13,081	0	26,175
Total Children's & Families	7,558	11,819	17,558	7,748	0	0	44,683
Total Corporate	17,407	10,633	10,557	397	0	0	38,994
Total Economy & Place	81,589	60,315	89,528	36,189	16,450	21,113	305,183
Total Capital Programme	106,776	88,433	121,796	47,387	29,531	21,113	415,035

Financed by

Capital Receipts	38,797
Grants & Funding Contributions	144,931
Prudential Borrowing	124,531
Funded in prior years	106,776
Total Funding	415,035

3.2 Long Term Capital Programme

Development Partnership

The council has put in place a development partnership with Keepmoat Homes Ltd and Engie Regeneration Ltd. The partnership will put in place a development and regeneration programme which will deliver housing and regeneration schemes. There is a current capital budget provision to enable the partners to work together to start delivering the programme of work. If the housing developments can be delivered and further developments included then the future programme may be funded from future capital receipts. However each project will be subject to the new project approval process that will ensure that all projects will be well defined before being approved onto the programme. There may be the possibility of funding some through the use of external investment from a third party. Although there is always the availability to fund an individual project through borrowing where the project can repay the full costs through a net revenue annual income when the project has been delivered. A decision paper will be sent to cabinet in this instance after a thorough due diligence has been carried out for the decision to be made. Therefore at this time it is difficult to include these projects into future long term budgets but there is a plan of work that will be considered and of course at any time new projects can be added by either partner or the council. Delivery of housing will be aligned to the Local Plan.

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One Herefordshire

One Herefordshire consists of a number of health organisations and the council represented at a group meeting, they regularly meet to discuss opportunities of where the organisations can work together for the benefit of the County when delivering services.

Herefordshire Council are committed to working with partner organisations such as Health and Higher Education establishments such as Hereford College of Arts and the creation of NMiTE. Where possible the council will support economic development opportunities to enable the services to grow and deliver the best service.

Infrastructure- future plans.

Herefordshire Council are potentially investing in a number of road schemes and over the next few years these schemes are currently under review and will be included into the capital programme if fully developed and approved. The Hereford Transport Package, is identified as a priority within the council's Economic Vision, Local Plan Core Strategy (LPCS) and Local Transport Plan (LTP) and also within the Marches Strategic Economic Plan and Midlands Connect regional transport strategy. The delivery of the bypass will support the growth of the economy and the package of active travel improvements will help residents to live safe, healthy and independent lives.

Housing Plans

Latest assessment indicates a shortfall of around 4,000 social and affordable homes; the council intends to respond to this challenge by progressing plans to invest in developing additional affordable housing stock and retaining it in public ownership. These ambitions are for both the rental and shared ownership models. This could lead to investing up to £100m in housing in the four years from 2022/23, it is anticipated that the income streams generated would cover the revenue costs of providing the housing, including any borrowing costs. A housing strategy is being developed and this will support the council in achieving its long term ambitions for housing; improving the supply of housing to support current and future residents.

Enterprise Zone

A capital allocation of £16m was approved by Council to fund the development of the enterprise zone; to date just under £11.5m has been spent with the remainder of this work being completed in 20/21. It has been estimated to complete the full build out of the enterprise zone a further £2.6m would be required and it is anticipated this could be funded by future grant awards. This would enable to growth of businesses in the zone and increase the number of jobs for Herefordshire.

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4. CAPITAL FUNDING STREAMS

4.1 This section explains the source of resources available to fund the capital programme. Currently the majority of funding is allocated from central government, in part to fund specific schemes that deliver their national priorities.

4.2 The following funding sources are available;

Borrowing

- Prudential borrowing (PB) has been allowed since 2004 when government relaxed the rules to allow councils to finance their own capital, providing they could demonstrate affordability to repay the debt and interest. In a time of reduced resources PB may also be used to fund initiatives to deliver future revenue savings that can then fund the annual debt and interest cost. The Council has a number of invest to save schemes currently and there is no limit to the amount of additions to the capital programme in any year where all borrowing costs can be funded from revenue savings, as long as they can show they provide value for money, score highly enough in the review and are approved by Council.

Grants

- Government currently provide many direct grants to fund initiatives that the Council should deliver as part as their statutory duty. The major capital grants are:
 - **Transport Grants** – used to support the Hereford Integrated Transport Strategy capital programme, covering rural transport schemes, and road safety initiatives and highways maintenance. The Department for Transport has a process to allow local authorities to bid for revenue and capital funds to fund sustainable transport schemes.
 - **Basic Needs Funding** - the Government each year provide a grant based on future needs for the Council to provide enough school places.
 - **Schools Capital Maintenance Grant** – is an amount allocated each year to help maintain schools in a good state of repair.
 - **Devolved Formula Capital** – is an amount allocated each year to primary and secondary schools to be spent on priorities in respect of buildings, ICT and other capital needs. It may be combined with capital funding from other sources or saved to fund a larger project.
 - **Disabled Facilities Grant** - contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes. The central government grant funding towards this has been protected from cuts by the coalition government in the Corporate Spending Review (CSR), in fact this grant has increased annually.
 - **Broadband** – the Council continues to roll out 'FasterShire' to its most rural areas, utilising available grant funding.
- External funding bodies distribute funding for projects that satisfy their key criteria and objectives and the Council secure these via a bidding process.

Regional Growth Fund (RGF)

- Local Enterprise partnerships (LEPs) will coordinate bids for RGF, they were introduced by the coalition government to replace regional development agencies. Their aim is to provide strategic leadership and long term vision for private sector led economic renewal working in partnership to deliver public service delivery, through the LEP area. The LEP are currently providing a number of grants for SWTP, Cyber Centre through Wolverhampton University and NMiTE. Further projects will be taken to the LEP to seek funding for delivery.

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Developer Contributions S106

- Developer contributions continue to support the capital investment need associated with developments throughout the Country.
- In future once a S106 has been completed, planning permission has been granted and the development the subject of the agreement has commenced, with the right governance in place the Council will be able to internally borrow to fund the project to commence prior to the developer contributions being received. The project to be funded must be within the terms of the S106 agreement. The borrowing will be funded short term within the cash balances and repaid once the developer contributions have been received. Do note however there may be a risks to the Council namely; if the development does not reach the trigger point for payment, the Council would then have to find alternative funding. The trigger points for the contributions to be paid are tailored to each development on a case by case basis and are not standard. The developer can advance at any stage of the development that a scheme is not viable. This would be independently reviewed by the District Valuer (at a cost to the developer) but it may conclude that the financial contributions are not viable. The scheme may proceed as a wholly 100% affordable scheme whereby financial contributions towards infrastructure are not required.

Capital Receipts

- The Council maintains a register of surplus property assets. These are reviewed by the Corporate Property Board, taking account of the prevailing market conditions.
- The public sector landscape of service delivery is now subject to major change. Annual reviews of the Council operational property portfolio will identify potential opportunities for remodelling and co-location, through alternative methods of service delivery. Some assets will be deemed surplus to requirement, not delivering Council priorities or key objectives, and thus progress through the Disposal Policy adopted in the Corporate Property Strategy.
- The Council must prioritise disposal for capital receipts against competing demands for affordable housing land to build social housing and Community Asset Transfers.
- The disposal of surplus assets is critical to deliver the Councils Capital Strategy. Specifically the delivery of the property maintenance and office accommodation review requires receipts to fund PB costs. Capital receipts are deemed a central receipt and so held corporately to use to deliver wider strategic priorities. Until receipts retained in the capital receipt reserve are allocated they reduce the overall borrowing costs of the Council.
- At the end of 2018/19 financial year there was a balance of £41.4m in the capital receipts reserve. There are a number of schemes within the capital programme to be funded by capital receipts, the balance will be retained to deliver enhanced investment on the use of these reserves, once business cases have been submitted for approval at Council.

Revenue

- Both revenue budget and reserves can be used to fund the capital programme, either via a one off contribution to fund a project in its entirety or an annual sum to repay PB debt costs. Ongoing use of revenue should be assessed in relation to the impact on council tax via the use of assessing its prudential indicators. Funding is available throughout the year to fund both revenue and capital innovative projects that will deliver future year on year savings.
- 4.3 The table in 3.1 shows the expected resources available to fund the capital programme over the next four years.
- 4.4 The programme is heavily reliant on grants and contributions to fund capital expenditure and these are usually issued with tight timeframes and restrictions attached. The grants may also demand regular monitoring returns to demonstrate the funding has been used in accordance with the plan.

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5. Risk Management

- 5.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to execute its strategies successfully and/or limit its ability to exploit opportunities.
- 5.2 Risk management is the process of identifying risks, evaluating their potential consequence and determining the most effective methods of mitigating them. It is both a means of minimising the cost and disruption to the organisation and of ensuring staff understand and appreciate the element of risk in all their activities.
- 5.3 Through effective risk management the Council aims to minimise its exposure to unwanted risk – those risks that are not actively sought and which carry no commensurate reward to the Council. This may involve transferring risk to a third party.
- 5.4 It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, a measure of risk must be taken – and therefore risk should be considered both in terms of threat to the Council as well as positive opportunities.
- 5.5 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored – and especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.
- 5.6 An assessment of risk should be built into every capital project and major risks recorded in the Risk Register. This may include political, economic, legal and regulatory, technological, environmental, reputation as well as financial risk. By managing risk effectively, the Council is better able to make careful, well thought through decisions in full knowledge of the adverse risks that apply and mitigating measures.

6. Knowledge and Skills

- 6.1 All capital investment approvals are subject to robust consideration and challenge by members and officers from across the Council with extensive experience from varying professional backgrounds.
- 6.2 All officers attend courses on an ongoing basis to keep abreast of new developments and skills to ensure their Continuous Professional Development. Members are also offered training annually to ensure they have up to date skills and are able to make capital and treasury decisions.
- 6.3 The Council's property portfolio is managed by its Property Services Team. The team has extensive knowledge of the Herefordshire property market and experience dealing with a mix of property types and professional work including professional services, landlord and tenant, statutory valuations, acquisitions and disposals, commercial and residential property management.
- 6.4 The Council's asset valuations for its financial statements are assessed on an agreed five year programme covering the whole property portfolio. The Council also has internal resources to advise on construction, repair and maintenance, and statutory compliance matters across its property portfolio.
- 6.5 Where required, and with due diligence, the Council may also appoint external agents to advise on particular specialist matters or to access specialist expertise that may not be available 'in house.'

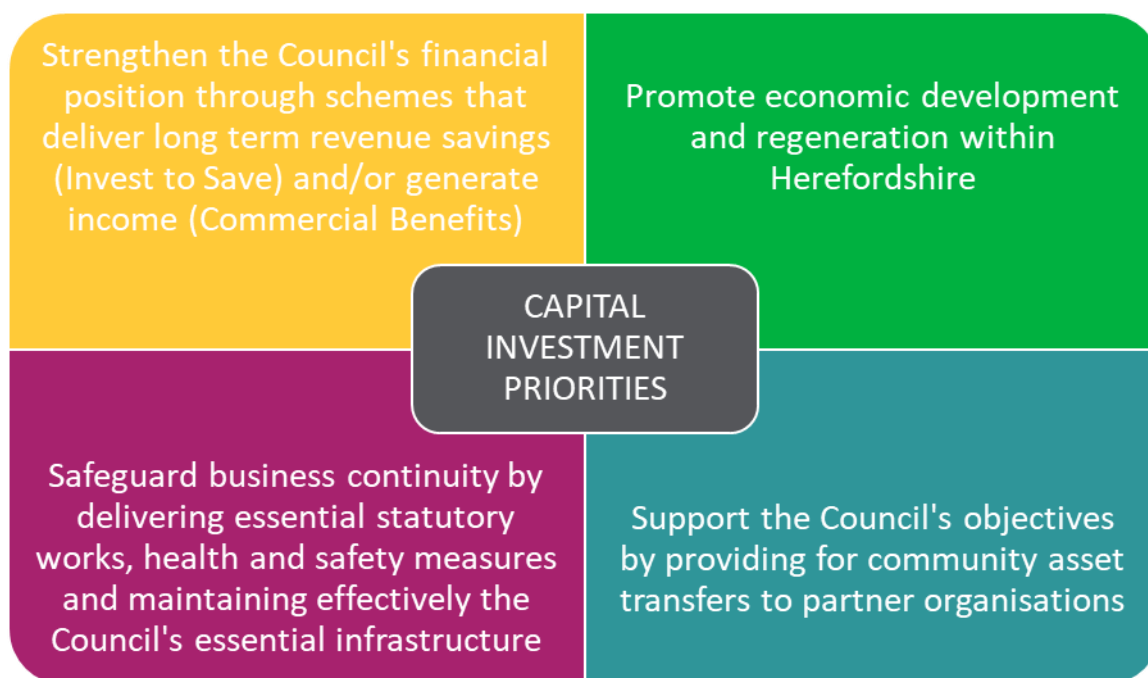
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7. CAPITAL SCHEME SELECTION

- 7.1 The capital programme is delivering a number of projects to enable the council to deliver the objectives within the corporate plan 2020-24. Therefore projects that are added to the capital programme are for this purpose and not added as an investment purely to generate income. There are currently no expectations in the MTFs for capital investment to generate a revenue surplus to balance the budget. Although in the long term there are advantages in easing the removal of Revenue Support Grant (RSG) in generating a net revenue position it is not the priority when reviewing projects to add to the capital programme.
- 7.2 All capital schemes go through a stage process that is detailed in the capital guidance policy, summary details can be seen in appendix C.
- 7.3 Schemes are continually reviewed against evolving priorities and may be subject to change, redesign or cancellation, to ensure they continue to deliver the requirements of the council and provide value for money.
- 7.4 Capital funding will be initially allocated to council priorities, and approved by council. The capital guidance policy details the process for the capital funding requests to ensure provision in the capital programme at any time as long as they are approved at a Council meeting or otherwise as delegated by full Council. This is necessary so that services are able to request capital funding at the appropriate time, when sufficient information is available to make an informed decision and opportunities are not lost due to waiting.

Rationale for Investment

- 7.5 Capital investment is integral to revenue budget forecasting. Capital investment must be directed to obtain maximum benefit from available resources looking at efficiencies, effectiveness, and economically. Revenue implications must be considered for all capital schemes, this could represent the cost of borrowing, future running costs and projected benefits. Schemes included for capital investment must demonstrate at least one of the following prioritisation criteria;



- 7.6 Funding above the corporate limit of £6.7m is available to support capital investment that gives a clear pay back through revenue budget savings.

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- 7.7 Efficiency and Value for Money is demonstrated within the decision reports for each project and reviewed at the conclusion of a project. Value for Money on the build of a project is secured and demonstrated through utilisation of the Procurement Policies and Framework for managing capital projects.
- 7.8 The council has discretion to make loans for a number of reasons, including economic development. These loans will be treated as capital expenditure. In making loans the council is exposing itself to the risk that the borrower defaults in repayments. The council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the council is proportionate and prudent. The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans will be subject to close, regular monitoring.
- 7.9 The Corporate Property Strategy Board will see the regular review of assets to ensure they are still required to deliver council priorities, alternatively assets may be recycled or deemed surplus to requirement. Sale of assets will deliver revenue savings and generate corporate capital receipts for investment in future capital schemes. Future building requirements will need to assess the concept of sale and leaseback and multi-use, shared approach for occupation.

8. CAPITAL MONITORING

- 8.1 Capital investment requirements are significant, however, capital finances are limited at £6.7m, due to the repayment of interest in the revenue budget for corporately funded projects and central government current funding levels are expected to reduce. Herefordshire Council must have a prudent approach to capital allocation and monitoring to ensure scarce resources are used to maximum effect.
- 8.2 Due to the significant changes that occur during capital programme implementation and forecasting it is considered prudent to maintain:
- a reserve list of deferred capital schemes that can be accelerated or delayed as required
 - a contingency sum that should be included in all projects, due to the impact an increase in inflationary capital costs can have over the length of the project.
- 8.3 As part of a project's business case, an option appraisal is carried out and a whole-life costing review is undertaken before a capital scheme is included in the capital programme, this is then developed to detailed costings so an informed decision to spend can be made.
- 8.4 Once a capital scheme is included in the capital programme it is monitored following appropriate project management methodology, using experienced officers in each service area, through a number of project boards.
- 8.5 In addition to significant individual projects, the capital programme also includes the council's annual Highways and Transportation capital programme of investment. This is guided by the Local Transport Plan to invest in the improvement and maintenance of the local transport infrastructure. Targets relating to highway maintenance standards, road safety and sustainable transport ensure that expenditure is in line with corporate plan objectives and outcomes expected by central government. This programme is managed through the Major Infrastructure Delivery Board and through the commissioning arrangements with Balfour Beatty.
- 8.6 Directorate capital programme monitoring working groups meet monthly to review capital budgets and schemes, feeding issues into the Executive and reports to Cabinet. Quarterly the capital finance position is reported and any issues with project delays and delivery will be raised.

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Appendix A

Approved capital programme

	Prior Years £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 onwards £000s	Total Capital Prog. Budgets £000s
Adults and Communities							
Disabled facilities grant		1,999	1,853	1,853	0	0	5,705
Hillside		2,550	0	0	0	0	2,550
Carehome & Extra Care Development	164	919	0	0	13,081	0	14,164
Technology Enabled Communities	0	0	300	1,200	0	0	1,500
Super Hubs			2,000	0	0	0	2,000
Private sector housing improvements	57	199	0	0	0	0	256
Total Adults & Communities	222	5,667	4,153	3,053	13,081	0	26,175
Children's & Families							
Colwall Primary School	6,665	85	0	0	0	0	6,750
Schools Capital Maintenance Grant		2,152	1,200	1,200	0	0	4,552
Peterchurch Primary School	7	493	5,000	5,353	0	0	10,853
Expansion for Marlbrook school	527	3,614	2,000	0	0	0	6,141
Brookfield School Improvements	6	2,577	167	1,195	0	0	3,945
C & F's S106		915	0	0	0	0	915
Healthy Pupils		99	0	0	0	0	99
Individual Pupil Needs	152	119	0	0	0	0	271
Short Breaks Capital		118	0	0	0	0	118
Blackmarston SEN	30	54	0	0	0	0	84
Replacement Leominster Primary	6	36	0	0	0	0	42
Basic Needs Funding		0	8,891	0	0	0	8,891
2 Year Old Capital Funding	75	31	0	0	0	0	106
Preliminary works to inform key investment need throughout the county	5	1,010	0	0	0	0	1,015
Temporary school accommodation replacement	85	515	300	0	0	0	900

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Total Children's and Families	7,558	11,819	17,558	7,748	0	0	44,683
Corporate							
Fastershire Broadband	16,979	10,152	8,607	0	0	0	35,738
PC Replacement	261	218	641	397	0	0	1,516
Widemarsh Gardens			80	0	0	0	80
EDRMS Storage			380	0	0	0	380
Better Ways of Working			850	0	0	0	850
Children centre changes	167	263	0	0	0	0	430
Total Corporate	17,407	10,633	10,557	397	0	0	38,994
Economy and Place							
Hereford City Centre Transport Package	33,166	631	1,500	5,353	0	0	40,651
South Wye Transport Package	6,984	4,718	14,795	6,422	2,081	0	35,000
Hereford City Centre Improvements (HCCI)		1,500	2,000	2,000	0	0	5,500
Hereford ATMs and Super Cycle Highway			1,000	0	0	0	1,000
Passenger Transport Fleet (Electric)			7,800	7,800	7,800	15,600	39,000
Hereford Transport Package	2,908	3,702	2,350	625	625	0	10,210
Local Transport Plan (LTP)		11,745	12,272	0	0	0	24,017
E & P's S106		1,441	0	0	0	0	1,441
Investment in Infrastructure Assets			2,000	0	0	0	2,000
Highway asset management		3,843	3,750	4,250	0	0	11,843
Hereford Enterprise Zone	10,769	3,400	1,831	0	0	0	16,000
Herefordshire Enterprise Zone Shell Store	83	5,935	1,298	0	0	0	7,316
Ross Enterprise Park (Model Farm)	11	2,377	4,174	508	0	0	7,070
Marches business improvement grants	877	1,623	0	0	0	0	2,500
Marches Renewable Energy Grant		88	764	336	0	0	1,188
Marches Business Investment Programme		99	1,125	1,336	440	0	3,000
Affordable Housing Grant	35	1,599	1,000	300	300	0	3,234
Community Housing Fund	9	141	0	0	0	0	150
Revolving Loans	145	55	0	0	0	0	200
Employment Land &							

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Incubation Space in Market Towns			843	4,209	3,066	5,513	13,631
Leominster Heritage Action Zone			238	1,425	2,138	0	3,800
Development Partnership activities	6,042	9,558	25,000	0	0	0	40,600
Property Estate Enhancement Works	1,241	1,499	0	0	0	0	2,740
Corporate Accommodation	2,540	331	0	0	0	0	2,871
Leisure Centres	9,684	368	0	0	0	0	10,052
Solar Photovoltaic Panels	606	55	1,473	0	0	0	2,134
SEPUBU Grant		734	0	0	0	0	734
LED street lighting	5,478	177	0	0	0	0	5,655
Estates Capital Programme 2019/22		1,350	2,095	1,390	0	0	4,835
Three Elms Trading Estate	95	380	0	0	0	0	475
Customer Services and Library	112	21	0	0	0	0	133
Energy Efficiency		54	46	0	0	0	100
Warm Homes Fund		397	397	165	0	0	960
Gypsy & Traveller Pitch development	29	910	899	39	0	0	1,877
Leominster cemetery extension	148	45	0	0	0	0	193
Tarsmill Court, Rotherwas	341	59	0	0	0	0	400
Car Parking Strategy	77	169	0	0	0	0	246
Car Park Re-Surfacing	0	116	0	0	0	0	116
Office and Car Park Lighting Replacement	79	164	58	0	0	0	300
Upgrade of Herefordshire CCTV		48	136	0	0	0	184
Schools Transport Route Planning		30	30	30	0	0	90
Courtyard Development		0	611	0	0	0	611
Corporate Fleet Procurement		738	0	0	0	0	738
Fleet Replacement			19	0	0	0	19
Strangford Welfare Facilities			25	0	0	0	25
Hereford Library	132	213	0	0	0	0	345
Total Economy and Place	81,589	60,315	89,528	36,189	16,450	21,113	305,183
Total	106,776	88,433	121,796	47,387	29,531	21,113	415,035

Strategies that Support the Capital Strategy

- **The Corporate Property Strategy**

Contains the Corporate Property Programme for the council.
It mainly focuses on proposals to:

- Rationalise the current corporate administrative estate
- Introduce better ways of working to drive efficiency, for example home working
- Support the organisation to meet its carbon reduction targets.

The overarching strategy contains a suite of strategies and policies covering:

- Asset Disposal Policy sets out the legal and policy framework about the approach to the disposal of assets. Buildings, where flexible, will be developed into multi use facilities and the overall stock level reduced. The challenges given to retaining assets will be based on value for money and delivery of Council's 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.
- Community Asset Transfer Policy complements the Asset Disposal Strategy in that it provides a policy framework to evaluate the benefits of the disposal of assets to the Third Sector at below market value for unlocking the value contained in underutilised surplus public assets. .

- **Local Transport Plan**

This plan covers the policies and delivery plans relating to transport and explains how these contribute to the wider local agenda. It considers the transport needs both of people and of freight and includes the strategic countywide programme of transport infrastructure improvements and maintenance. The aim is to ensure the maintenance, operation, management and best use of the county's transport assets.

Annual funding available for local transport has over recent years been in the region of £10 million to support capital maintenance of the highway asset and support road safety and transport network improvements. In future the level of funding for transport capital investment will be constrained, but remain a significant component of the overall capital programme, reflecting the importance of maintaining this important asset and its crucial contribution to the economic vitality of the county.

- **Schools Capital Investment Strategy**

This strategy has been developed in consultation with Schools, Children and Families Service. Its principles support the vision, objectives and targets of the Herefordshire Council. In so doing, it supports and contributes to the council's Capital Strategy. It specifically seeks to ensure that assets that do not support the objectives of the Herefordshire Council are disposed of through sale to realise a capital receipt or through community asset transfer, that investment is clearly linked to specific objectives and targets; and that assets such as schools, children's centres, youth centres and children's multi-agency offices are corporate resources, available to accommodate delivery of wider services to the community from across Herefordshire. The strategy seeks to join up future capital funding streams wherever possible to ensure that best value is achieved from the funding available and to maximise the benefits realised from the investment.

HEREFORDSHIRE CAPITAL STRATEGY 2019-2030

- **Digital Strategy**

The Digital Strategy aims to ensure that Herefordshire Council has a stable, fit-for-purpose and sustainable information, communications and technology platform and service organisation capable of supporting the drive to deliver efficient and effective services to the citizens, directorates, businesses, organisations, members and public sector partners within Herefordshire. It will assist Herefordshire Council to make more flexible use of technology to achieve efficiencies, access services and share workspace and resources with partner agencies.

- **Medium Term Financial Strategy**

This document is approved annually, based on the budget setting requirements of the council and reflects on the strategic and operational intentions over a three-year time frame. It covers the capital programme and funding streams including the affordability of prudential borrowing and use of capital to facilitate revenue budget savings in future years.

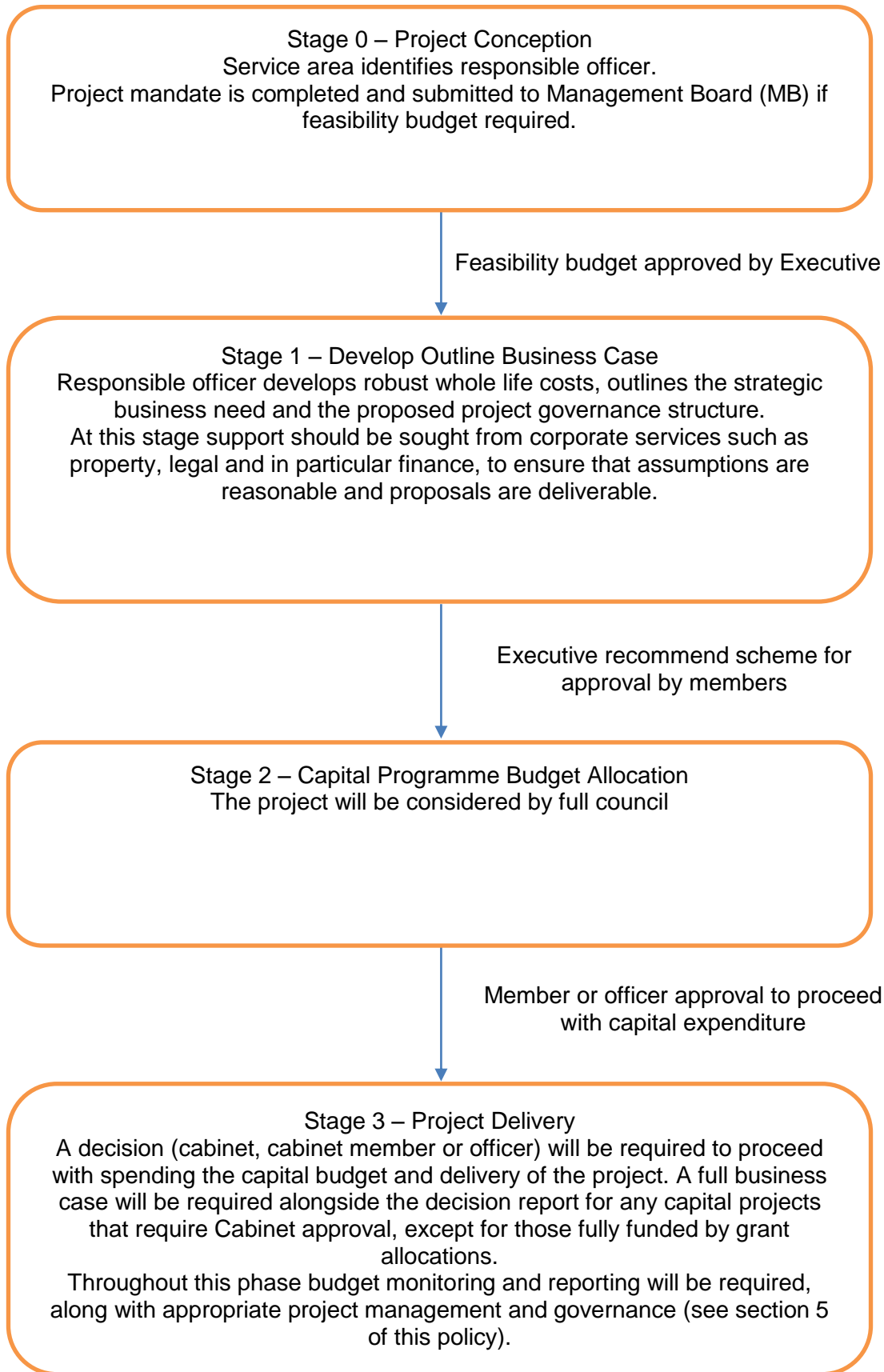
- **Treasury Management Strategy**

This strategy sets out the council's overall approach to treasury management operations including the capital programme and links to the borrowing limits, minimum revenue provision in relation to debt repayment and prudential indicators.

Capital vs Treasury Management Investments

- Treasury Management investment activity covers those investments arising from the Council's cash flows and debt management activity. The power to invest is set out in the Local Government Act, Section 12.
- For treasury management investments, the security and liquidity of funds are placed ahead of investment return/yield. Treasury related activity, including the management of associated risk, are managed separately in accordance with the Council's Annual Treasury Management Strategy and are not covered by this Capital Strategy.
- The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside normal treasury management activity. These may include service and commercial investments and are subject to the guiding principles outlined in this capital strategy:
 - service investments; investments held clearly and explicitly in the course of the provision, and for the purposes of operational services including regeneration
 - commercial investments; investments taken mainly for financial reasons e.g. purchase of investment property
- Latest guidance issued by the Secretary of State makes clear that borrowing to finance the acquisition of non-financial investments (e.g. commercial property investment) made *purely* for profit shall be considered 'borrowing in advance of need'.
- The Council's policy on borrowing in advance of need forms part of the Annual Treasury Management Strategy. However, and to be clear, the Council will not borrow for capital investment made solely for yield generating opportunities. Under the Prudential Code if, exceptionally, the Council chooses not to have regard that provision, then an explanation should be brought forward explaining the rationale for its decision.

The following diagram therefore illustrates the various stages of the approval process:





Herefordshire Council

Treasury Management Strategy
2020/21 – 2023/24

Treasury Management Strategy 2020-24

Herefordshire Council

Treasury Management Strategy 2020/21-2023/24

Contents

1. Introduction
2. Summary of Strategy for 2020/21
3. Economic Background and Interest Rate Forecast
4. Capital Financing Requirement
5. Borrowing Strategy
6. Annual Investment Strategy
7. Annual Minimum Revenue Provision Statement 2020/21

Annex

- a. Existing Borrowing and Investments
- b. Borrowing Maturity Profile
- c. Prudential and Treasury Indicators for the next four years
- d. Outlook for Interest Rates
- e. Treasury Management Policy Statement

Treasury Management Strategy 2020-24

1. Introduction

- 1.1 Treasury management is the management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The council borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to an effective treasury management strategy.
- 1.2 This strategy has been prepared in accordance with the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code and should be considered alongside the council's capital strategy (reported separately).
- 1.3 The purpose of this Treasury Management Strategy (TMS) is to approve:
- Treasury Management Strategy for 2020/21-2023/24
 - Borrowing Strategy – Section 5
 - Annual Investment Strategy – Section 6
 - Minimum Revenue Payment (MRP) Policy Statement – Section 7
 - Prudential Treasury Indicators – Annex C
- 1.4 In addition to the TMS, the council maintains treasury management practices that outline how the council's strategic policy objectives for treasury management will be achieved and are supported by schedules that describe the specific procedures to be used by staff involved in treasury management activities. The operational practices are maintained by the corporate finance team and approved by the chief finance officer.

2. Summary of Strategy for 2020/21

- 2.1 The financial market continues to offer low levels of interest rate cost of borrowing and even lower interest rate returns on investments therefore the council continues to aim to minimise the cash balances it maintains. If the UK were to enter a recession there is a small chance that the Bank of England could set its bank base rate at or below zero, which could lead to negative interest rates on low risk, short term investments. This situation has been present in other countries. This risk can be partially mitigated by aiming to invest longer term and diversifying the investment base. Due regard to IFRS9 will be made before diversifying investments into investments like pooled investment funds. Currently a five year statutory accounting override exists (expiring 2023/24) however going forward fair value movements in these investment types will be chargeable to the revenue budget.

Treasury Management Strategy 2020-24

Borrowing

- 2.2 Borrowing is driven by the requirements of the approved capital investment budget. The forecast capital investment budget for 2020/21 indicates £54.8m of capital spend requiring financing from prudential borrowing. As long term borrowing rates are expected to be higher than investment rates, actual borrowings will be deferred by utilising cash balances and short term borrowing if required. Long term interest rate forecasts will be constantly monitored to ensure debt is secured at the best opportunity. If less capital spend is incurred than forecast then the need to borrow will be reduced.
- 2.2 From the 9th October 2019 central government announced a 1% increase in the public works loan board (PWLB) interest rate. The PWLB loan interest rate is linked to benchmark gilt rates and due to these being historically low the Treasury announced an immediate increase in the margin of 1%. PWLB is the usual route of obtaining loan finance for councils including Herefordshire Council. The forecast interest cost of new borrowing has therefore been increased to reflect this additional cost burden.
- 2.3 Using current forecasts during 2020/21 the councils underlying need to borrow is expected to increase by £55.9m, as shown in the table below.

	£m excluding PFIs
Estimated council borrowing as at 31st March 2020	163.6
Capital spend financed by prudential borrowing	54.8
Net change in internal borrowing	8.7
Less minimum revenue provision	(7.6)
Estimated council borrowing as at 31st March 2021	219.5
<i>Increase in estimated council borrowing</i>	55.9

- 2.3 Short-term borrowing rates are currently, at 2%, lower than longer term borrowing rates (Annex D) and using the long-term analysis, comparing short-term finance with a long-term loan, utilising short term borrowing is shown to be the most cost effective approach. Savings in the early years are currently outweighing additional amounts payable that may fall due in later years. Therefore the council is proposing to continue with its current policy of using short term borrowing to finance the 2020/21 borrowing requirement.

Treasury Management Strategy 2020-24

- 2.4 The borrowing budget for 2020/21 includes provision to pay short-term interest costs and the interest cost on existing fixed long term borrowing, a total budget of £6.2m.
- 2.5 The council's strategy is to cap the total short term loan stock holding at a threshold of a maximum of 50% of total loans. By restricting short term loans to a total of 50% of loans required the risk on interest rate exposure is minimised. Fixed rate loans can be secured quickly if this is decided the correct action to follow in consideration of all known factors at that time (including the councils cashflow and interest rate forecasts). Currently the council holds no short term loans, all loans are currently secured at a fixed interest rate and over a long term.
- 2.6 The council's exposure to variable rate debt has been discussed with the council's treasury adviser, Link Asset Services, who agree with the council's borrowing policy and the local consideration of interest rate forecasts.

Investments

- 2.7 When the council holds surplus funds (income received in advance of expenditure) the Code and Guidance requires councils to invest these funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The council tends to invest in banks, building societies, other local authorities and money market funds. The council continually assesses the various investment risks in conjunction with the support of its treasury advisors, Link Asset Services.

As a result of current banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty, the council will:

- Maintain lower investment balances during the year;
 - Keep low but liquid cash balances and invest these mainly in Money Market Funds (CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value), or VNAV (Variable Net Asset Value));
 - Maintain counterparty limits with the banks and building societies at prudent levels;
 - Consider other creditworthy investments to increase diversification.
- 2.8 Where non treasury investments are considered, a separate report will be presented for approval with any changes that may be required to Prudential Indicators incorporated with an updated TMS if necessary.

Treasury Management Strategy 2020-24

3. Economic Background and Interest Rate Forecast

Economic background

- 3.1 **UK** the whole political situation in the UK over **Brexit** is highly fluid and could change radically by the day. Therefore any interest rate forecasts are subject to material change as the situation evolves. At present, if the UK does soon achieve an agreed deal on Brexit, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could falter and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by way of tax cuts and / or expenditure on infrastructure projects, to boost the economy. However, infrastructure projects generally take a long time to plan and to start up, and so to feed through into impacting the economy; tax cuts would be much quicker in impacting the level of consumption in the economy.
- 3.2 The Consumer Price Index (CPI) measure of inflation was 2.1% in July 2019 is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.
- 3.3 Unemployment has continued near to a 44-year low of 4% on the Independent Labour Organisation measure. Wage inflation picked up to a high point of 3.9% (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%.
- 3.4 **Euro Zone.** Growth has been slowing from +1.9% during 2018 to +0.4% q/q (+1.2% y/y) in quarter 1 and then to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 5.2% y/y in June with car production especially being hit. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes, tariffs on EU produced cars. The ECB meeting in July expressed concern as to the weak outlook for growth and how low inflation was despite all the monetary stimulus the bank still has in place. The ECB is therefore expected to take action to cut its main rate of -0.4% further, but only marginally, and to look at the potential for more quantitative easing and/or other instruments of monetary policy to provide further stimulus to economic growth. On the political front, Spain and Italy are in the throes of trying to form coalition governments while the very recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

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- 3.8 **USA** President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. Financial markets are, however, expecting another cut in September. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China

Interest rate forecast

- 3.12 Investment returns are likely to remain low during 2020/21 but to be on a gently rising trend over the next few years based on an assumption of an agreement being reached on Brexit between the UK and the EU.
- 3.13 Borrowing interest rates were on a downward trend during the first half of 2019/20 until the announcement of an additional 1% margin from 9th October 2019. The policy of avoiding new borrowing by minimising investment cash balances has proved efficient and will continue to be carefully reviewed to minimise the risk of incurring higher borrowing costs in the future.
- 3.14 There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will incur a revenue cost of the difference between higher borrowing costs and lower investment returns. For example borrowing could be secured at a 3% interest cost and an investment could generate a 1% return, representing a cost of carry of 2%.
- 3.15 A more detailed interest rate forecast provided by the Link Asset Services is attached at Annex D.

4. Capital Financing Requirement

- 4.1 Capital expenditure can be financed in a number of ways including the application of usable capital receipts, a direct charge to revenue, capital grant or by securing an up-front contribution towards the cost of a project.
- 4.2 Capital expenditure not financed by one of the above methods will increase the capital financing requirement (CFR) of the council, representing the councils underlying borrowing requirement.

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- 4.3 The CFR reflects the council's underlying need to finance capital expenditure by borrowing or by other long-term liability arrangements, for example public finance initiatives and finance leases.
- 4.4 The use of the term "borrowing" in this context does not necessarily imply external debt since, in accordance with best practice; the council has an integrated treasury management strategy. Borrowing is not associated with specific capital expenditure. The council, at any point in time, will have a number of cash flows both positive and negative and will be managing its position in terms of its borrowings and investments in accordance with its treasury management strategy.
- 4.5 The forecast movement in the CFR over future years is one of the Prudential Indicators which can be found in Annex C. The movement in actual external debt and usable reserve balances (which have a direct bearing on the requirement to borrow) combine to identify the council's borrowing requirement and potential investment strategy in the current and future years. The table below summarises the current forecast:-

	31.03.20 Estimate £000	31.03.21 Estimate £000	31.03.22 Estimate £000	31.03.23 Estimate £000
Forecast Capital Finance Requirement (CFR)	331,053	380,369	390,149	388,443
Less: PFI and other long term commitments	(51,772)	(50,014)	(48,326)	(46,706)
CFR excluding other long-term liabilities (PFIs)	279,281	330,355	341,823	341,737
Less: Existing fixed long term borrowing (a)	(130,282)	(163,598)	(217,427)	(227,501)
Maximum new borrowing requirement	148,999	166,757	124,396	114,236
Less: Internal borrowing from reserves	(115,683)	(110,818)	(114,300)	(109,500)
Net new borrowing requirement (b)	33,316	55,939	10,096	4,736
Total Council Borrowing (a plus b)	163,598	219,537	227,523	232,237

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- 4.6 The above table shows the council's borrowing requirement due to capital expenditure and the refinancing of principal repaid on existing long-term debt. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the council's total debt should be lower than its highest forecast CFR over the next three years. The council expects to comply with this recommendation.
- 4.7 From 1 April 2020 councils will be required to comply with IFRS16 that requires lease arrangements to be disclosed as finance leases, this will have the effect of increasing the capital financing requirement. The table above exclude this impact as work continues on establishing the effect of this accounting change. Indications are that the impact will be immaterial.

5. Borrowing Strategy

- 5.1 At 30 September 2019 the council held £134.8m of long-term fixed rate loans as shown in Annex A. Current capital expenditure forecasts suggest that this will increase before the end of the financial year, if spend slips then the need to borrow will be deferred.

Objective

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

Strategy

- 5.3 Given the significant cuts to public expenditure and in particular to local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is more cost effective in the short-term to use internal resources and borrow using short-term loans.
- 5.4 This enables the council to reduce net borrowing costs and reduce its overall credit risk by tailoring the timing of borrowing to minimise cash balances held. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecasted to rise. The councils treasury advisors will assist the council with 'cost of carry' and breakeven analysis. Its output will determine whether the council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 5.5 Short-term loans leave the council exposed to the risk of short-term interest rate rises; therefore the risk is mitigated by restricting the exposure to this risk at 50% of the debt total.

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Sources

5.6 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB)
- UK local authorities
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues.

5.7 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback arrangements

LOBO loans

5.8 The council has two LOBO loans (Lender's Option, Borrower's Option) of £6m each on which the council pays interest at 4.5%. Every six months, when the interest charges become due, the lenders have the option to increase the interest rate being charged at which point the council can accept the revised terms or reject them and repay the loan. LOBO loans present a potential refinancing risk to the council since the decision to amend the terms is entirely at the lender's discretion.

Debt rescheduling

5.9 The PWLB allows the repayment of loans before maturity by either paying a premium or receiving a discount according to a set formula based on current interest rates. Due to the prevailing low interest rate regime, opportunities for debt rescheduling are likely to be very limited. However, this option will be kept under review and will be considered where this is expected to lead to an overall saving or reduction in risk.

6. Annual Investment Strategy

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

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Objective

- 6.2 Both the CIPFA Code and the MHCLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and receiving unsuitably low investment income.

Strategy

- 6.3 Given the increasing risk and continued low returns from short-term unsecured bank deposits, the council will aim to keep its invested funds as low as possible and limit the amounts invested with banks and building societies. For 2020/21 the council will continue to rely on Money Market Funds which are highly diversified and carry reduced credit risk.

Risk Assessment and Credit Ratings

- 6.4 The council applies the credit worthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from three main credit rating agencies (Fitch, Moody's and Standard and Poor's). This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system to which Link Asset Services allocate a series of colour coded bands with suggested maximum durations for investments (as shown in table 2 below).
- 6.5 Typically the minimum credit ratings criteria the council use will be short-term rating (Fitch or equivalents) of F1 and a long term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but still may be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.6 The council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (Fitch or equivalents). The council tends to invest in UK investments; if investments are to be made overseas then approval ahead of the investment being made is required from the Chief Finance Officer. Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) will be classed as UK banks due to their substantial franchises and the arms-length nature of the parent-subsidary relationship.

Approved Counterparties

- 6.7 The council will invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. A group of banks under the same ownership will be treated as a single organisation for investment limit purposes.

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

Specified Investments

6.8 The MHCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

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

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Non-specified Investments

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

Table 3: Non-Specified Investment Limits	Cash limit
Total long-term investments	£5.0m
Total investments with unrecognised credit ratings	£5.0m
Total non-specified investments	£10.0m

7. Annual Minimum Revenue Provision Statement 2020/21

- 7.1 Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the notional repayment of debt is known as Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018. The broad aim of the Guidance is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. In line with the Guidance, the policy for the 2020/21 calculation of MRP is as follows:

	Indicative 2020/21 MRP charge £000
Supported borrowing	1,342
Prudential borrowing	6,729
Overprovision adjustment	(477)
Sub Total	7,594
Finance leases and private finance initiatives	2,058
TOTAL	9,652

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MRP on supported borrowing is written down on an annuity basis with an annuity rate of 2%.

MRP on unsupported borrowing incurred before 1 April 2008 will be written down on a straight line basis over the asset life.

MRP on unsupported borrowing from 1 April 2008 onwards is written down on an annuity basis with an annuity rate of 3%.

MRP on assets acquired through finance leases and Private Finance Initiative (PFI) will be equal to the cash payments that reduce the outstanding liability each year.

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Treasury Management Strategy 2020-24

Annex A

EXISTING BORROWING AND INVESTMENTS

The overall treasury management portfolio as at 31 March 2019 and for the position as at 30 September 2019 are shown below for both borrowing and investments.

TREASURY PORTFOLIO

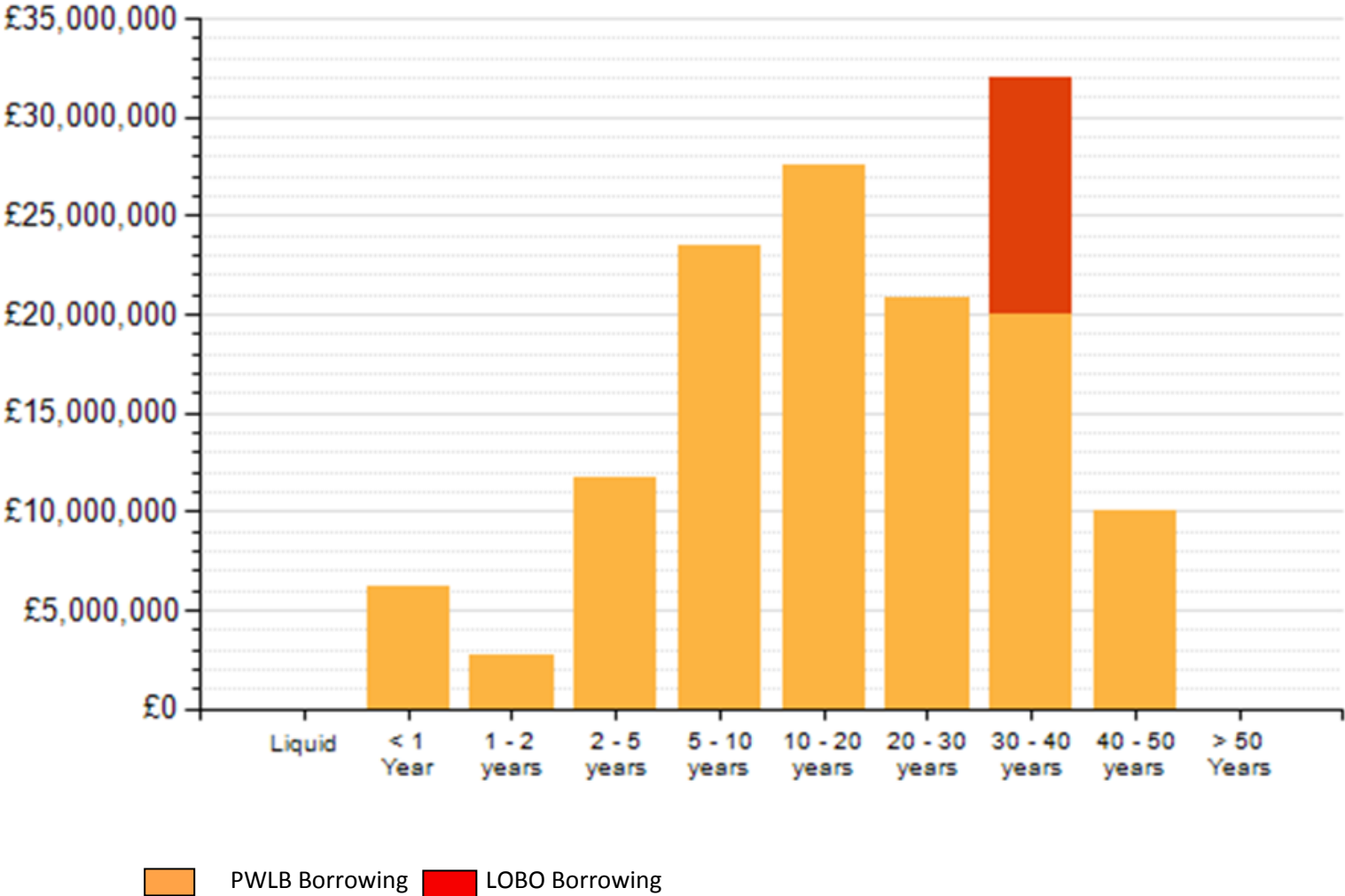
	actual	actual	current	current
Treasury Investments	31.3.19	31.3.19	30.09.19	30.09.19
	£000	%	£000	%
banks	5,000	18%	10,000	26%
building societies - unrated		0%	0	0%
building societies - rated		0%	5,000	13%
local authorities	5,000	18%	0	0%
DMADF (H.M. Treasury)		0%	0	0%
money market funds	18,140	64%	23,070	61%
certificates of deposit	0	0%	0	0%
Total managed in house	28,140	100%	38,070	100%
bond funds	0	0%	0	0%
property funds	0	0%	0	0%
Total managed externally	0	0%	0	0%
Total treasury investments	28,140	100%	38,070	100%
Treasury external borrowing				
local authorities	0	0%	0	0%
PWLB	125,517	91%	122,763	91%
LOBOs	12,000	9%	12,000	9%
Total external borrowing	137,517	100%	134,763	100%
Net treasury investments / (borrowing)	109,377	0	96,693	0

Treasury Management Strategy 2020-24

Annex B

BORROWING MATURITY PROFILE AS AT 30.11.19

Loans Maturities by Type



Treasury Management Strategy 2020-24

Annex C

PRUDENTIAL AND TREASURY INDICATORS FOR THE NEXT FOUR YEARS

1. Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored.

2. Estimates of Capital Expenditure

- 2.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax levels.

Capital Programme	2020/21 Forecast £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 onwards £000	Total £000
Total expenditure	121,796	47,387	29,531	21,113	219,827
Funding					
Grants, contributions and capital receipts	66,949	26,545	18,540	15,620	127,654
Prudential borrowing	54,847	20,842	10,991	5,493	92,173
Total	121,796	47,387	29,531	21,113	219,827

The table above reflects both the approved and proposed capital investment budget. Should any further borrowing be required then Council approval will be required and additional revenue resources will need to be identified to fund the additional debt repayment costs. In addition the prudential indicators would need to be revisited in accordance with the requirements of the Prudential Code to provide the assurances of affordability of the additional debt.

Treasury Management Strategy 2020-24

3. Capital Financing Requirement

- 3.1 The Capital Financing Requirement (CFR) measures the council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement (CFR)	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
CFR excluding PFI	330,355	341,823	341,737	339,654
PFI and finance leases*	50,014	48,326	46,706	45,150
Total forecast CFR	380,369	390,149	388,443	384,804

* this value is expected to increase following the adoption of IFRS16 from 1 April 2020 when existing lease arrangements are expected to be required to be included as finance leases in the value above

4. Gross Debt and the Capital Financing Requirement

- 4.1 In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 4.2 The Section 151 Officer reports that the council currently has no difficulty meeting this requirement nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

5. Operational Boundary for External Debt

- 5.1 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £'000
Operational Boundary for Borrowing	340,000	340,000	340,000	340,000
Operational Boundary for other Long-Term Liabilities	60,000	60,000	60,000	60,000

Treasury Management Strategy 2020-24

Operational Boundary for External Debt	400,000	400,000	400,000	400,000
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6. Authorised Limit for External Debt

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

Authorised Limit	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000
Authorised Limit for Borrowing	350,000	350,000	350,000	350,000
Authorised Limit for other Long-Term Liabilities	70,000	70,000	70,000	70,000
Authorised Limit for External Debt	420,000	420,000	420,000	420,000

7. Ratio of Financing Costs to Net Revenue Stream

- 7.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code and includes both interest payable and provision for repayment of loan principal.

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

Ratio of Financing Costs to Net Revenue Stream	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Net Revenue Stream	156,099	160,505	164,755	169,069
Financing Costs (excluding PFI)	13,573	17,176	18,106	19,041
Percentage	8.6%	10.7%	10.9%	11.2%

- 7.3 The above table shows budgeted financing costs within the council's medium term financial strategy and reflects the revised MRP policy approved by Council in October 2017.

Treasury Management Strategy 2020-24

8 Maturity Structure of Borrowing (fixed and variable)

- 10.1 The council will also limit and monitor large concentrations of fixed rate debt needing to be replaced. Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.
- 10.2 The maturity of borrowing (as shown in Annex B) is determined by reference to the date on which the loans could be repaid. The council's two LOBO loans could become repayable within 12 months although, if the lenders do not increase the interest rates being charged, which is the current assumption, then the loans could remain outstanding until 2054.

Maturity structure of fixed rate borrowing	Estimated level at 31/03/20	Lower Limit for 2020/21	Upper Limit for 2020/21
Under 12 months	3%	0%	10%
12 months and within 24 months	2%	0%	10%
24 months and within 5 years	12%	0%	25%
5 years and within 10 years	14%	0%	35%
10 years and above	69%	0%	80%
Total	100%		

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

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

Upper Limit for total principal sums invested over 364 days	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Authorised counterparties	5	5	5	5

Treasury Management Strategy 2020-24

Annex D

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

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Base Rate (%)	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
PWLB Rates (%):													
5 years	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10 years	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25 years	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50 years	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00
The above PWLB rates are noted by Link Asset Services as being their “central” or most likely forecast, however, they also note that there are upside and downside risks to their forecast.													

Forecast:

- The council's treasury advisors forecast the bank base rate to stay on hold until December 2020 followed by further increase in March 2022.

Council budget:

- The proposed treasury management budget is as follows:-

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Minimum revenue provision (excludes PFI)	7,594	9,807	10,525	11,596
Interest payable	6,179	7,569	7,781	7,645
Interest income	(200)	(200)	(200)	(200)
Totals	13,573	17,176	18,106	19,041

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- As can be seen from the table above, the council's treasury advisors central forecast is for the Bank Base Rate to remain at 0.75% for the first half of 2020/21 possibly increasing to 1.00% for the remainder of the financial year. The council's short-term borrowing budget has been based on a rate of up to 2% which should incorporate sufficient headroom to accommodate any unexpected changes in the Base Rate.
- The investment budget is based on the majority of funds being held in instant access accounts generating low returns, currently budgeted at 1%.
- Should the Bank Base Rate increase sooner or more rapidly than forecast the increased yield on investments will partly offset any increase in short-term variable borrowing rates.
- Performance against budget will be reported to Cabinet in the financial performance reports.

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Treasury Management Strategy 2020-24

Annex E

TREASURY MANAGEMENT POLICY STATEMENT

1. Statement of Purpose

- 1.1 Herefordshire Council adopts the recommendations made in CIPFA's *Treasury Management in the Public Services: Code of Practice*, which was revised in 2017. In particular, the council adopts the following key principles and clauses.

2. Key Principles

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

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

3. Adopted Clauses

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

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

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

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

Treasury Management Strategy 2020-24

year, a mid-year review and an annual report after its close.

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

4. Definition of Treasury Management

4.1 Herefordshire Council defines its treasury management activities as: -

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

5. Policy Objectives

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

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

6. Non-treasury investments

6.1 Herefordshire Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios.

6.2 Herefordshire Council will ensure that all investments in the capital programme will set out, where relevant, the risk appetite and policy and arrangement for non-treasury investments. The risk appetite for these activities may differ from that of treasury management.

6.3 Herefordshire Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure within its annual statement of accounts.

Budget 2020/21 and Corporate Plan 2020-24 consultation: key findings

CONTEXT

The public consultation and engagement about Herefordshire Council's budget for 2020/21 and Corporate Plan for 2020-24 took place in three stages:

1. Informal, qualitative engagement undertaken by Impact Consultancy between September and November informed the priorities to be formally consulted on. Over 1,500 people engaged with this exercise, at a range of events targeted at specific groups of people.
2. The formal, online consultation ran throughout November 2019 (6 November to 4 December). A total of 269 responses were received to the questionnaire, all but three from individuals responding in a personal capacity. About two-thirds were aged 45-64, an over-representation compared to the population (40%).
3. Alongside the online consultation, Impact Consultancy ran six 'pop-up' events in Hereford and each of the market towns. The focus of these events was on the quality of the conversation, rather than the number of consultees. Using three tokens, the 137 people who got involved were asked to 'vote' for their priorities out of the ten areas for additional investment. Probably due to the nature of these events taking place during the working day, the vast majority were older people.

An event with local businesses is planned for early January 2020.

RESULTS: THE BUDGET

The first section of the online consultation questionnaire asked respondents about their views on the proposed budget and 4% increase to Council Tax, along with questions about discount schemes. The face-to-face engagement did not address these topics.

The main results were that:

- There was an **almost equal split in terms of support for the proposed Council Tax increase**, with just over half thinking a 4% increase was about right (36.9%) or too little (14.6%), compared to just under half (48.5%) thinking it was too much. A similar pattern of responses received to the last year's consultation.
- **A small majority (53%) disagreed with the allocation of Council Tax** as set out in the budget till receipt, whilst only a quarter (26%) agreed and the rest (21%) said they had no opinion. Although the spending allocations that were set out were different to last year, this was a very similar pattern of responses.

Analysing the comments to this question to understand **why people disagreed** with the allocation of spend, the most common themes seemed to be about the proposed increase in Council Tax. More than one in four of the 136 comments mentioned that the

proposed rise was too high compared to inflation / that it wasn't value for money, whilst one in five negatively referred to the organisational costs of running the council.

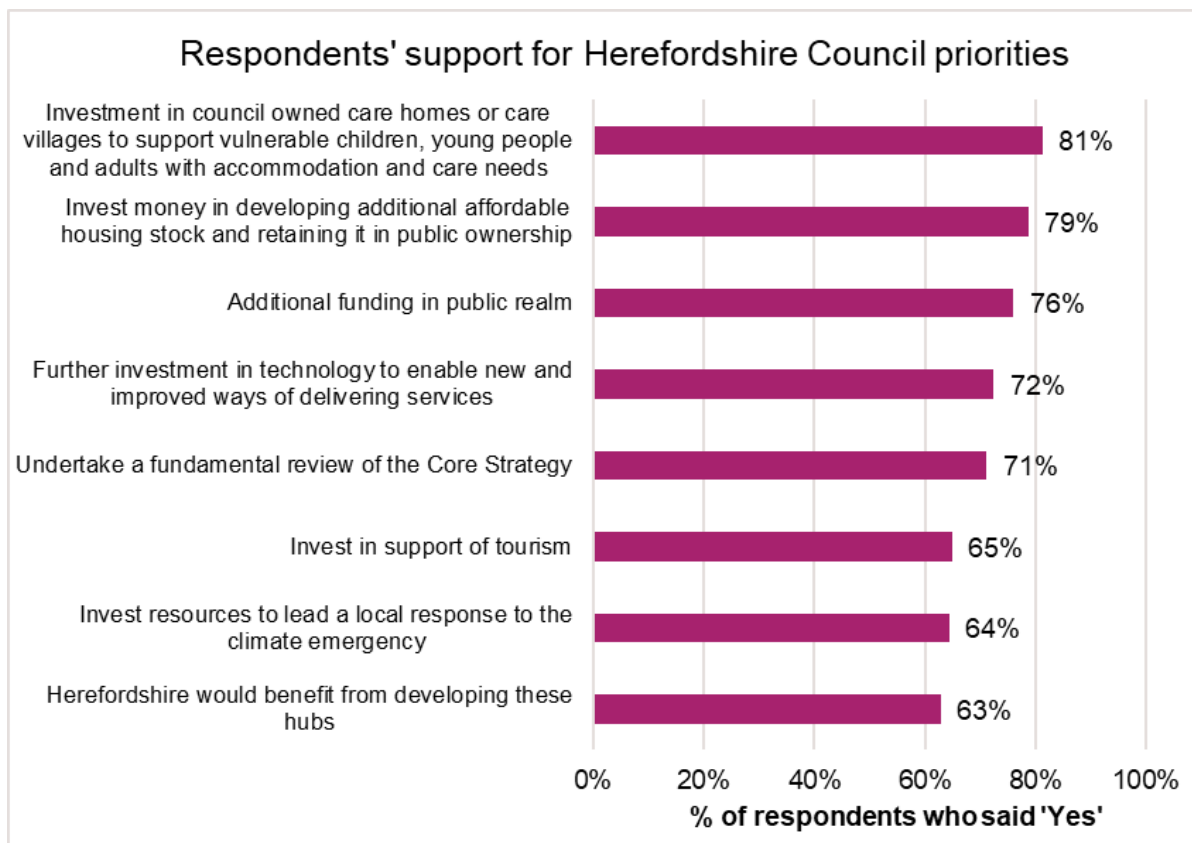
Comments that expressed an opinion about the allocation of spend were mostly saying that not enough was allocated to particular services, rather than too much. Services mentioned most frequently were **related to the environment and place**; not enough on:

- climate change / public spaces / environment / recycling and waste collection (20 comments)
- public / community / sustainable / rural transport (17 comments)
- roads / road safety and infrastructure / cycle paths / public rights of way (16 comments)

RESULTS: THE PRIORITIES

The next section of the online consultation focused on the areas identified as priorities for additional investment, with respondents first asked for their views about each of the areas (including whether they supported the proposal), before being asked to rank these areas in order of priority.

There was **majority support for all of the areas identified for additional investment**, with as many as four out of five agreeing with additional investment in council-owned care homes or villages (81%) and publicly-owned affordable housing (79%). Even the areas with lower rates of support were supported by almost two out of three respondents: developing community 'super-hubs'; leading a response to the climate emergency; and investing in tourism.



When respondents were asked to **rank the areas in order of importance**, five stood out as being more important than the others (chart below shows the score for each as a weighted average of the ranks):

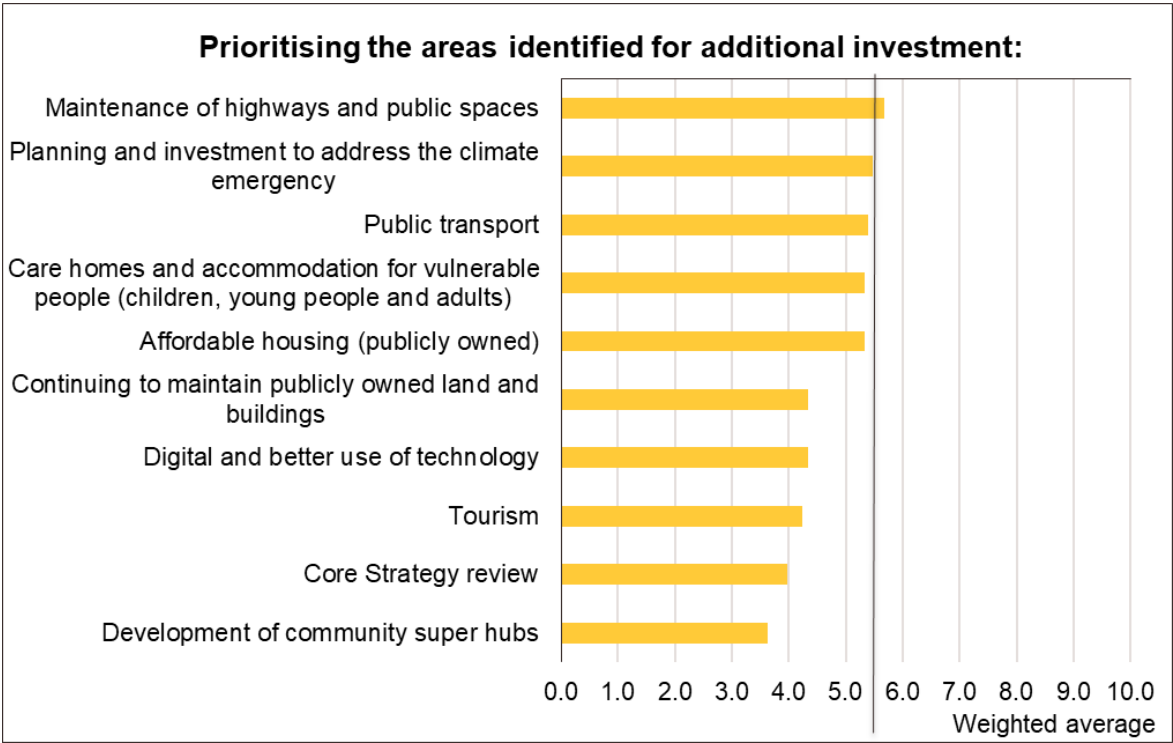
- ✓ Maintenance of highways and public spaces
- ✓ Planning and investment to address the climate emergency
- ✓ Public transport
- ✓ Care homes and accommodation for vulnerable people
- ✓ Affordable housing (publicly owned)

The same five areas were the most favoured in the face-to-face engagement as well.

Uniquely amongst the topics, views on **planning and investment to address the climate emergency** were polarised. 26% ranked it as most important (ten percentage points more than any other option), and it was in the top three for 40%. On the other hand 21% ranked it as *least* important (ten percentage points more than any other option), and it was also in the bottom three for 37% of respondents.

Comments against spending on this area covered themes such as

- it's not a priority / don't care
- should be central government's responsibility
- costly / won't make any difference / not achievable



THE PRIORITIES: REASONS

The table below summarises the broad themes in the comments about each of the areas identified for additional investment. The right-hand column identifies feedback from the face-to-face engagement that ran alongside the online consultation.

There weren't any areas where the views expressed during the face-to-face engagement were dramatically different to the responses to the online questionnaire.

Priority area	% agreeing with investment	Comments from online consultation		Themes from face to face engagement
		In support of	Not in support of	
Developing super-hubs	63%	<p>No qualitative questions were asked on this topic.</p> <p>Most common response was that if super hubs were to be developed, they should be located in the market towns (69%), followed by larger villages (47%) and the city (43%)</p> <p>Overall support for all of the services that could be offered, particularly health and social care (79%); wellbeing help, advice and activities (73%) and children's centres (71%). Other suggestions included legal, financial and housing advice and other information resource.</p>		Range of public services, nothing very different to the online consultation.
Developing additional affordable housing stock and retaining it in public ownership	79%	<ul style="list-style-type: none"> - build more houses for rent - stop developments with no social or additional affordable houses - additional affordable housing should be good quality, energy efficient and sustainable. 	<ul style="list-style-type: none"> - developers should be made to build more affordable housing that is actually affordable - state should not encourage dependency - tenants should be made to give up larger properties when under occupied - infrastructure cannot support additional housing 	Affordable housing was felt to be important, particularly starter homes or making renting more affordable, and also bringing empty properties back into use.
Investment in council owned care homes or care villages to support vulnerable children, young people and adults with accommodation and care needs	81%	<ul style="list-style-type: none"> - if they're built, care homes or care villages must provide value for money - should free up housing for younger people 	<ul style="list-style-type: none"> - very expensive to build and run these so it will not provide value for money - it's central government's or individual families' responsibility to look after vulnerable children, young people and adults 	<ul style="list-style-type: none"> - Priority for old and young people - Quality is key - Not necessarily council-owned, but council should have oversight / control - Also important to enable vulnerable people to stay in their own homes

Priority area	% agreeing with investment	Comments from online consultation		Themes from face to face engagement
		In support of	Not in support of	
Investment in support of tourism	65% (very / fairly important)	Respondents insist that investment needed to support tourism.	<ul style="list-style-type: none"> - private sector should be responsible and will do better - more tourism will create more traffic and will increase pollution (more carbon emissions) - sort out roads first 	<p>People suggested investing in tourist information centres as they've been closed.</p> <ul style="list-style-type: none"> - Not appealing for tourists - Concerns about shops, especially in Hereford city - Not done enough to promote the county and its offerings.
Undertaking a fundamental review of the Core Strategy	71%	<ul style="list-style-type: none"> - current plan needs improvement - new or different priorities required 	<ul style="list-style-type: none"> - nothing wrong with the current plan or smaller scale review better - very expensive so not value for money - take too much time and too disruptive - some believe it will be ignored anyway 	<p>Overall very low choice; people did not fully understand the implications.</p> <ul style="list-style-type: none"> - If it happens it has to be comprehensive and done well - some people felt it was essential if radical changes is to happen in the county, especially climate change and transport
Additional funding in public realm	76%	<p>If this is implemented:</p> <ul style="list-style-type: none"> - ensure that these services are provided properly and value for money - make sure areas are not neglected - avoid contractors/ if use contractors ensure accountability 	<ul style="list-style-type: none"> - this is not a priority - waste of money and not confident that it will improve anything - do not approve of using contractors or the current contractor, they are not value 	<p>Some people commented on about there being better contract management including managing overspends, better scrutiny and consequences for not meeting goals.</p>
			81% supported closer community involvement in setting the BBLP annual plan, involving parish councils or neighbourhood development partnerships.	

Priority area	% agreeing with investment	Comments from online consultation		Themes from face to face engagement
		In support of	Not in support of	
Invest resources to lead a local response to the climate emergency	64%	expressed support and provided suggestions for how to achieve carbon reductions.	<ul style="list-style-type: none"> - it is not a priority / don't care - should be central government's responsibility - costly /won't make any difference / not achievable 	<ul style="list-style-type: none"> - People want Herefordshire Council to show leadership on this agenda and reflect the climate emergency in their policies and action e.g. building energy efficient housing, having a green public transport plan. - Where they don't have direct influence they need to lobby and educate. - Suggestions for local partnerships / organisations in relation to accessing specialist knowledge/to help plan and advise on this agenda.
Further investment in technology to enable new and improved ways of delivering services	72%	<p>Although respondents supported, they are cautious about digital exclusion and suggested to:</p> <ul style="list-style-type: none"> - keep other formats for elderly who struggle with new technology - develop infrastructure before investing in technology enabled services 	<ul style="list-style-type: none"> - not a priority and it will not provide value for money. - unemployment can go up (threat to jobs) hence negative impact on economy. 	<p>Reflects the views made online but very low support:</p> <ul style="list-style-type: none"> - preferred face to face service delivery especially for elderly. - access to adequate broadband needed to be improved consistently across the county.
Public transport	No question asked about support for this, the questions asked why they don't use	<p>Only 16% of respondents were regular users; the most common reasons for not using public transport were:</p> <ul style="list-style-type: none"> - lack of availability of public transport in my local area - timetables do not match my needs 		<p>Similar themes to online</p> <ul style="list-style-type: none"> - Strong views that public transport is not an option in rural areas - Question of choice: those who can use other methods choose to do so, but it's important because some people rely on it - Poor connectivity and timetabling that doesn't meet needs
Publicly owned land and buildings	No question was asked about support for this	Majority of respondents (54%) felt that the council should retain and manage assets on behalf of everyone, but no qualitative questions were asked about this topic.		There weren't any common themes: equal (small) numbers of people saying they should be retained as transferred into community hands

Budget 20/21 and corporate priorities (2020 -2024)

General Scrutiny committee

20th January 2020

Development of corporate priorities

130



Our ambition for Herefordshire

“Respecting our past, shaping our future - we will help encourage and strengthen our communities, create a thriving local economy and protect and enhance our environment”.



Environment
Protect our environment and keep Herefordshire a great place to live

- Reduce waste and increase reuse, repair and recycling
- Improve and extend active travel options throughout the county
- Contribute to tackling the climate emergency by investing in low carbon projects to further reduce our carbon footprint and reduce running costs
- Ensure the best use of the county's natural resources
- Protect the county's biodiversity, value nature and uphold environmental standards



Community
Build communities to ensure everyone lives well and safely together

- Ensure all children are healthy, safe and inspired to achieve
- Ensure that children in care, and moving on from care, are well supported and make good life choices
- Build our own sustainable and affordable houses and bring empty properties back into use
- Protect and improve the lives of vulnerable people
- Use technology to assist with daily living and keep people at home
- Support communities to help each other through a network of community hubs



Economy
Support an economy which builds on the county's strengths and resources

- Develop environmentally sound infrastructure that attracts investment
- Use council land to create economic opportunities and bring higher paid jobs to the county
- Invest in education and the skills needed by employers
- Enhance digital connectivity for communities and business
- Protect and promote our heritage, culture and natural beauty to increase tourism
- Invest public money locally wherever possible

Our principles

Partnership | We collaborate to maximise our strengths and resources
 Resilience | We use resources wisely so Herefordshire is preserved for future generations
 Integrity | We make decisions based on evidence and work with respect, openness and accountability
 Democracy | We strengthen local democracy, decision making and service delivery and involve more young people
 Communication | We listen to and learn from our communities and help people connect through culture, creativity and care

 hfdscouncil
 www.herefordshire.gov.uk

Series of workshops held to develop the overarching plan and identify the key areas of Economy, Community, Environment

“1 page plan” developed to set out the ambition of the council and the principles of ways of working

The 1 page plan then tested through a series of public engagement events held throughout the county

Feedback is continuing to inform the full corporate plan, proposed budget 20/21 and Medium Term Financial Strategy (MTFS)

Our ambition – in the next 4 years we will:

Environment - Protect our Environment and keep Herefordshire a great place to live

- Reduce waste and increase reuse, repair and recycling
- Improve and extend active travel options throughout the county
- ¹³¹Contribute to tackling the climate emergency by investing in low carbon projects to further reduce our carbon footprint and reduce running costs
- Ensure the best use of the county's natural resources
- Protect the county's biodiversity, value nature and uphold environmental standards

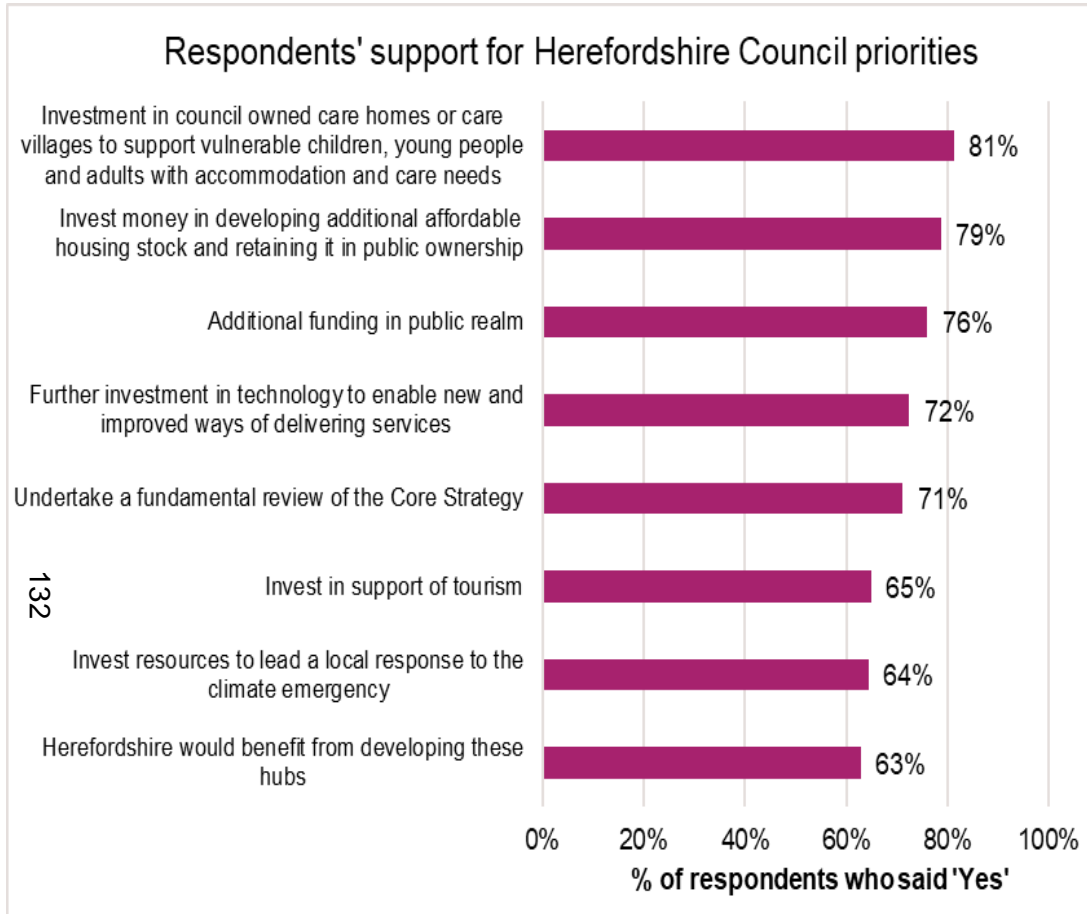
Community - Build communities to ensure everyone lives well and safely together

- Ensure all children are healthy, safe and inspired to achieve
- Ensure that children in care, and moving on from care, are well supported and make good life choices
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- Protect and improve the lives of vulnerable people
- Use technology to assist with daily living and keep people at home
- Support communities to help each other through a network of community hubs

Economy - Support an economy which builds on the county's strengths and resources

- Develop environmentally sound infrastructure that attracts inward investment
- Use council land to create economic opportunities and bring higher paid jobs to the county
- Invest in education and the skills needed by employers
- Enhance digital connectivity for communities and business
- Protect and promote our heritage, culture and natural beauty to increase tourism
- Invest public money locally wherever possible

Feedback from consultation on proposals - priorities



There was majority support for all of the areas identified for additional investment, with as many as four out of five agreeing with additional investment in council-owned care homes or villages (81%) and publicly-owned affordable housing (79%).

Feedback from consultation on proposals - priorities

When respondents were asked to rank the areas in order of importance, five stood out as being more important than the others:

- Maintenance of highways and public spaces
- Planning and investment to address the climate emergency
- Public transport
- Care homes and accommodation for vulnerable people
- Affordable housing (publicly owned)

The same five areas were the most favoured in the face-to-face engagement as well.

Feedback from consultation on proposals - budget

- 4% council tax increase; 51.5% was about right or too little
- A small majority (53%) disagreed with the allocation of Council Tax as set out in the budget till receipt
- Comments that expressed an opinion about the allocation of spend were mostly saying that not enough was allocated to particular services, rather than too much. Services mentioned most frequently were related to the environment and place.

Net Revenue Budget 2020/21 – following provisional settlement

	£k
Council Tax assumed 3.9%	109,780
Business rates	36,726
Revenue Support Grant	635
Rural services delivery grant	5,101
Adult social care grant	4,875
Total net budget	157,117

135

The provisional settlement announced on 20 December 2019 included £2.2m new home bonus grant income.

One off funding for housing delivery.

The Base Net Budget requirement

Directorate	Base at November scrutiny £k	Legal services £k	PWLB interest £k	Base Budget £k
Adults and Communities	56,282			56,282
Social care pool	2,054			2,054
Children and families	30,699			30,699
Economy and Place	28,955			28,955
Corporate Services	15,803	700		16,303
Total Directorate	133,793	700		134,493
Central	22,306		318	22,624
Total Net Budget	156,099	700	318	157,117

Legal services budget pressure - £0.7m

- To address challenges being faced by the service, in particular introducing a provision for recruitment of agency/locum staff.
- Also to support corporate project management costs and training.
- To respond to new demand in specialist areas, such as Children's team, procurement and commercial and property and litigation teams.
- A review and reshaping of Legal Services is currently being undertaken which will be implemented during 2020.

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Additional PWLB loan interest budget - £0.3m

- Calculated impact of the central government announcement that from the 9th October 2019 a 1% increase in the public works loan board (PWLB) interest rate will be applied.
- The PWLB loan interest rate is linked to benchmark gilt rates and due to these being historically low the Treasury announced an immediate increase in the margin of 1%.
- PWLB is the usual route of obtaining loan finance for councils including Herefordshire Council.
- The additional cost will fund both the existing and proposed capital investment budget

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The Base Net Budget requirement

Directorate	19/20 revised base £k	Pressures £k	New Initiatives £k	Savings £k	Base Budget £k
Adults and Communities	53,965	2,717	200	(600)	56,282
Social care pool			2,054		2,054
Children and families	27,185	714	3,100	(300)	30,699
Economy and Place	27,594	1,364	870	(873)	29,155
Corporate Services	15,086	869	625	(77)	16,303
Total Directorate	123,830	5,664	6,849	(1,850)	134,493
Central	22,771	409	(56)	(500)	22,624
Total Net Budget	146,601	6,073	6,793	(2,350)	157,117

} 80%

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Proposed areas for capital investment

A number of new capital investment proposals have been proposed to seek Council approval in February to include in the current capital programme.

The new capital programme will be funded from a number of sources:

- £39m Grants (if secured)
- £1m Redirected funding
- £21m Capital Receipts
- £19m Spend to Save (ROI)
- £8m Corporate Borrowing

The total current and future capital programme for the council out to 2024 is expected to be £415m

- £71m Communities
- £305m Economy & Environment
- £39m Corporate

Scheme	Current Capital Programme £000	New Capital Programme £000
Community:- Build communities to ensure everyone lives well and safely together		
Brookfield School	2,744	1,195
Peterchurch Primary School	5,500	5,353
Technology Enabled Care Services		1,500
Super Hubs		2,000
Widemarsh Gardens		80
Carehome and Extra Care Development	919	13,081
Affordable Housing	800	800
Total Community	9,963	24,009
Economy:- Support an economy which builds on the county's strengths and resources		
New IT Server Storage		380
Hereford Transport Package		3,600
Vehicle Fleet Replacement		19
Employment Land and Incubation Space in Market Towns		13,631
Leominster Heritage Action Zone (inc £2m grant)		3,800
Additional investment in Road Infrastructure Maintenance		2,000
Strangford Welfare Facilities		25
Total Economy		23,455
Environment:- Protect our environment and keep Herefordshire a great place to live		
Passenger Transport Fleet - Contracted fleet (Electric)		30,500
Passenger Transport Fleet - Hereford City Commercial (Electric)		8,500
Better Ways of Working		850
Hereford Active Travel Measures & Super Cycle Highways		1,000
Total Environment		40,850
Total	9,963	88,314

Additional investment in housing

- £150k reserve to fund the investigation of different models of delivering council housing;
- Lack of housing choice, especially in respect of affordable housing;
- Use of new homes bonus allocation to support the delivery of houses;
- Many local authorities are now actively intervening in the housing market by becoming developers of new homes themselves, creating Local Housing Companies;
- This could lead to investing up to £100m in housing in the four years from 2022/23, it is anticipated that the income streams generated would cover the revenue costs of providing the housing including any borrowing costs.

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2020/21 Assumptions

- 3.9% increase in Council Tax (1.9% general, 2% Adults Social Care) Band D = £1,573.77 increase of £1.14 per week;
- Improved better care fund (ibcf) £6.6m (£5.4m Adults and £1.2m new schemes);
- Public Health grant of £9.2m, ring fence to continue;
- 142 • Rural service delivery grant £5.1m;
- Provisional settlement shared, consultation open until 17 January, final settlement will follow

Where we spend the money



Charges per month (average Band D property)
2020/21 monthly Council Tax receipt

** Daily life **	£s
* Waste, Cleansing	12.34
* Environmental Health	1.53
* Roads and bridges	5.73
* Care of public spaces	1.24
* Schools and education	99.16
* Public, School and community transport	5.97
* Libraries, records and customer services	1.22
** Looking after Adults **	
* Older People in residential/nursing care	14.39
* Older people supported at home	9.89
* Disabled adults	28.92
* Lifestyles services (substance abuse, sexual health)	2.84
* Health improvement (Public Health nursing, health checks, smoking cessation)	5.67
* Housing	0.53
** Looking after children **	
* Child protection	4.29
* Children in care	14.97
* Children with special needs	3.31
** Local government running costs **	
* Election, governance and legal services	3.50
* Directors & Staff costs	0.56
* Organisational administration	1.39
* IT, Council Tax and Benefits admin, invoices and payments	5.27
* Insurance and property maintenance	4.84
** Financing **	
* Capital finance - Debt repayment	6.97
* Capital finance - Interest payments	9.55
** Economic growth **	
* Economic development and regeneration	1.74
* Broadband - rural rollout	0.15
* Planning	0.35
	246.32
***** VOUCHER *****	
** Income that supplements council tax	**
* Investment Property income	-2.94
* Car parking	-5.42
* Capital finance - Interest received	-2.01
* Public Health grant	-7.70
* National Education funding	-96.98
TOTAL TO PAY (per month)	131.27

MORE INFORMATION AT WWW.HEREFORDSHIRE.GOV.UK/	
COUNCIL TAX 01/01/20 09:00 1234 2342	

Current spending - Till Receipt Detail

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	20-21 £s		20-21 £s
** Daily life **		** Local government running costs **	
* Bin collections and Environment	13.87	* Election, governance and legal services	3.50
* Roads, bridges and care of public spaces	6.97	* Directors & Staff costs	0.56
* Schools and education	99.16	* Organisational administration	1.39
* Buses and community transport	5.97	* IT, Transactions and billing (Hoople)	5.25
* Libraries, records and customer services	1.22	* Insurance and property maintenance	4.84
** Looking after Adults **		* Capital finance - Debt repayment	6.97
* Older People in residential / nursing care	14.39	* Capital finance - Interest payments	9.57
* Older people supported at home	9.89	** Economic growth **	
* Disabled adults	28.92	* Economic development and regeneration	1.74
* Lifestyles services (substance abuse, sexual health)	2.84	* Broadband - rural rollout	0.15
* Health improvement (Public Health nursing, health checks, smoking cessation)	5.67	* Planning	0.35
* Housing	0.53		246.32
** Looking after children **		Income that supplements council tax	
* Child protection	4.29	* Investment Property income	(2.94)
* Children in care	14.97	* Car parking	(5.42)
* Children with special needs	3.31	* Capital finance - Interest received	(2.01)
		* Public Health grant	(7.70)
		* National Education funding	(96.98)
			131.27



Meeting:	General scrutiny committee
Meeting date:	Monday 20 January 2020
Title of report:	Work programme
Report by:	Governance services

Classification

Open

Key decision

This is not an executive decision.

Wards affected

All wards

Purpose and summary

To review the committee's work programme.

Recommendation(s)

THAT:

- (a) the draft work programme as set out at appendix 1 to the report be approved, subject to any amendments the committee wishes to make;
- (b) the committee establishes a task and finish group on the climate emergency to undertake the work outlined in the draft scoping statement (Appendix 2 to the report) and confirming the membership and chairperson; and
- (c) the committee determines any other matter in relation to the appointment of task and finish groups their chairmanship and any special responsibility allowance or the undertaking of a spotlight review.

Alternative options

- 1 It is for the committee to determine its work programme to reflect the priorities facing Herefordshire. The committee needs to be selective and ensure that the work programme is focused, realistic and deliverable within existing resources.

Further information on the subject of this report is available from
Governance Services on Tel (01432) 260239

Key considerations

Draft work programme

- 2 The work programme needs to focus on the key issues of local concern and be manageable. It must also be ready to accommodate urgent items or matters that have been called-in.
- 3 Should committee members become aware of any issue they think should be considered by the Committee they are invited to discuss the matter with the Chairman and the statutory scrutiny officer.
- 4 The draft work programme is attached at appendix 1.
- 5 The Committee on 23 July 2019 authorised the statutory scrutiny officer, following consultation with the chairperson and vice-chairperson, to add items to the work programme where it is necessary to ensure their timely consideration where there is no scheduled meeting to approve their inclusion.

Constitutional Matters

Task and Finish Groups

- 6 A scrutiny committee may appoint a task and finish group for any scrutiny activity within the committee's agreed work programme. A committee may determine to undertake a task and finish activity itself as a spotlight review where such an activity may be undertaken in a single session; the procedure rules relating to task and finish groups will apply in these circumstances.
- 7 The relevant scrutiny committee will approve the scope of the activity to be undertaken, the membership, chairperson, timeframe, desired outcomes and what will not be included in the work. A task and finish group will be composed of a least 2 members of the committee, other councillors (nominees to be sought from group leaders with un-affiliated members also invited to express their interest in sitting on the group). This may include, as appropriate, co-opted people with specialist knowledge or expertise to support the task. In appointing a chairman of a task and finish group the committee will also determine, having regard to the advice of the council's monitoring officer and statutory scrutiny officer, whether the scope of the activity is such as to attract a special responsibility allowance.
- 8 The Committee is asked to determine any matters relating to the appointment of a task and finish group and the chairperson and any special responsibility allowance or undertaking a spotlight review including co-option (see below).

Request to establish a task and finish group - climate emergency

- 9 On 8 March 2019 the council declared a climate emergency and called on the executive to undertake a range of actions. Cabinet approved the executive response on 26 September 2019. Elements of this response envisaged a role for the General Scrutiny Committee, inviting it to consider building the matter into the work programme and/or establishing a task and finish group to: review the draft carbon management plan; review partners' plans and strategies to recommend how best to develop a joint countywide strategy; develop and propose a checklist of criteria for the

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development of new and review of existing council strategies to assess their suitability to deliver on carbon reduction.

- 10 On 29 November the Committee agreed that a scoping statement for this work be presented to the Committee and that a task and finish group be established to carry the work forward. A draft is attached for consideration at appendix 2.
- 11 Two members of the Committee indicated that they wished to serve on the Group: Councillors Hewitt and Wilding. In line with the approach adopted for the formation of the waste management strategic review, allowing the opportunity for each political group to be represented if they wished, group leaders have been invited to nominate members to serve on the group should the committee approve the scoping statement. The following additional nominations have so far been received: Councillors Fagan, and Swinglehurst.
- 12 The Committee is invited to consider the scoping statement, membership, and chairperson of the Group.
- 13 During member questions at Council in October 2019, Councillor Wilding asked the Leader to consider establishing a climate emergency committee, to support cabinet members and put forward plans and actions. The establishment of such a committee is a matter for Council and will be considered in due course. The proposed establishment of the task and finish group is a means of ensuring that there is wider member engagement in responding to the climate emergency in the shorter term.

Task and Finish Group – Waste Management Review

- 14 On 29 November 2019 the Committee established the above Group. Membership has been confirmed as Councillors Bartlett, Hewitt, Swinglehurst, Symonds (Chairperson) and Wilding (with confirmation of one further nomination expected.)

Co-option

- 15 A scrutiny committee may co-opt a maximum of two non-voting people as and when required, for example for a particular meeting or to join a task and finish group. Any such co-optees will be agreed by the committee having reference to the agreed workplan and/or task and finish group membership.
- 16 The Committee is asked to consider whether it wishes to exercise this power in respect of any matters in the work programme.

Tracking of recommendations made by the committee

- 16 A schedule of recommendations and action in response is attached at appendix 3.

Forward plan

- 17 The constitution states that scrutiny committees should consider the forward plan as the chief source of information regarding forthcoming key decisions. Forthcoming decisions can be viewed under the forthcoming decisions link on the council's website:

<http://councillors.herefordshire.gov.uk/mgdelegateddecisions.aspx?XXR=0&DAYS=28&RP=0&K=0&DM=0&HD=0&DS=1&META=mgdelegateddecisions&V=0>

Suggestions for scrutiny from members of the public

- 18 Suggestions for scrutiny are invited from members of the public through the council's website, accessible through the link below. Any suggestions received are referenced in Appendix 1.

https://www.herefordshire.gov.uk/info/200148/your_council/61/get_involved/4

Community impact

- 19 The topics selected for scrutiny should have regard to what matters to residents.

Equality duty

- 20 The topics selected need to have regard for equality and human rights issues.

Resource implications

- 21 The costs of the work of the committee will have to be met within existing resources. It should be noted the costs of running scrutiny will be subject to an assessment to support appropriate processes.

Legal implications

- 22 The council is required to deliver an overview and scrutiny function.

Risk management

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Risk/opportunity	Mitigation
There is a reputational risk to the council if the overview and scrutiny function does not operate effectively.	The arrangements for the development of the work programme should help mitigate this risk.

Consultees

- 24 The work programme is reviewed at every committee meeting. The Chairman and statutory scrutiny officer also review the work programme.

Appendices

Appendix 1 – draft work programme

Appendix 2 – draft scoping statement – climate emergency review

Appendix 3 - Schedule of recommendations made and response

Background papers

- None identified.

Further information on the subject of this report is available from
Governance Services on Tel (01432) 260239

Draft GSC Work programme 2019/20

Meeting/items	Purpose	Invitees	Type of Scrutiny	Notes
20 January 2019				
• Budget		Match with 29 Nov		
27 January 2019				
				Retained provisionally in diaries
TBC				
• NMITE	Provisional pre-decision scrutiny	Leader Cabinet Member Finance and Corporate Services Other Cabinet members as appropriate Chief Finance Officer Director Economy and Place		
23 March 2019				
• NMITE	To review progress with the Scheme	Leader Cabinet Member Finance and Corporate Services Other Cabinet members as appropriate Chief Finance Officer Director Economy and Place		

<p>Noted that flexibility needs to retained within the work programme to consider Pre-Decision Call in items/post Decision call-in.</p>				
<p>TBC</p>				
<ul style="list-style-type: none"> • Climate Emergency • 	<p>To consider building into the work programme and/or establishing a task and finish group to:</p> <ul style="list-style-type: none"> • review the draft carbon management plan; • review partners' plans and strategies to recommend how best to develop a joint countywide strategy • develop and propose a checklist of criteria for the development of new and review of existing council strategies to assess their suitability to deliver on carbon reduction. 	<p>Cabinet Member – Infrastructure Cabinet member Environment, economy and skills Director Economy and Place</p>	<p>Task and Finish</p>	<p>Executive response (September 19) to Climate Emergency Motion to Council (March 19)</p> <p>The executive will invite general scrutiny committee to consider building into their work programme and/or establishing a task and finish group to:</p> <ul style="list-style-type: none"> • review the draft carbon management plan; • review partners' plans and strategies to recommend how best to develop a joint countywide strategy • develop and propose a checklist of criteria for the development

				of new and review of existing council strategies to assess their suitability to deliver on carbon reduction.
TBC				
<ul style="list-style-type: none"> Sustainable Transport 	To explore planned and implemented sustainable transport measures.	<p>Cabinet member Infrastructure</p> <p>Director Economy and Place</p>	Task and Finish	Scoping statement to be prepared
TBC				
Public Realm Service Provision (Council contract arrangements with Balfour Beatty Living Places – and stakeholder communication	<p>To explore how Councils communicate effectively with the public, explaining service levels, costs and delivery that can be expected under the contract, performance measures in place, and evidence that the contract is delivering to the required standard within the agreed framework.</p> <p>Consider results of customer satisfaction performance data</p> <p>Ways of improving feedback to the public – so that they know when they can expect work that has been requested and can track delivery.</p>	<p>Cabinet Member Infrastructure</p> <p>Cabinet Member – commissioning, procurement and assets</p> <p>Director Economy and Place</p>	Policy Development and Review	
Unscheduled				

Police and Crime Commissioner	Need to specify what is to be considered	Police and Crime Commissioner Cabinet Member – housing regulatory services and community safety Director		Suggested Performance indicator - killed and seriously injured on roads is one possible topic.
<ul style="list-style-type: none"> Waste Disposal 	To consider review of waste disposal contract	Cabinet member – commissioning, procurement and assets	Policy Development and Review	Waste Disposal Contract review in preparation for end of current contract in 2023 Timescale dependent upon commissioning programme
Budget and Policy Framework items to be scheduled			Policy Development and Review	
<ul style="list-style-type: none"> Minerals and Waste Plan 				
<ul style="list-style-type: none"> Hereford Area Plan 				
<ul style="list-style-type: none"> Rural Areas Development Plan Document 				
<ul style="list-style-type: none"> Core Strategy 				
<ul style="list-style-type: none"> Community Safety remit 				
<ul style="list-style-type: none"> Corporate peer challenge 		Cabinet Member - Finance and Corporate Services - Chief Executive Assistant Director Transformation	Performance Review	GSC considered on 6 March 2019. Recommended: a review of progress in response to the corporate peer review is

		Performance and Business Improvement		included for consideration in work programming for the Committee in June 2019. The planned return by the LGA team is end of Oct. Consider after that if anything merits consideration.
• LEP Annual Report				

Briefing notes	
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DRAFT

General Scrutiny Committee – 20 January 2020

Title of review	Climate Emergency Review
<p>Scope</p> <p>To develop a cross party task and finish group to ensure that the skills, knowledge and ideas of elected members inform the future actions to deliver the Council’s new carbon reduction commitments.</p> <p>The review will focus on the following issues:</p> <ol style="list-style-type: none"> 1. Develop and propose a checklist of criteria to inform: <ol style="list-style-type: none"> a. A review of existing council strategies and plans, b. The development of new strategies and plans, c. Future decisions. 2. This checklist will help assess and increase the contribution of policies, strategies and decisions by: <ol style="list-style-type: none"> a. Reducing greenhouse gas emissions, directly and indirectly, and increasing resilience to climate change, b. Enhancing the ability of our environment to sequester carbon, slow down water flows, promote wellbeing and support biodiversity. 3. Review the networks of major partners, their emissions and their engagement, plans and strategies to recommend how best to develop a joint countywide strategy to meet net zero carbon by 2030. 	
<p>Reason for review</p>	<p>The review will support policy development by providing the task and finish group’s findings and recommendations to the cabinet member for Environment, Economy and Skills (Cllr Trish Marsh) and the Energy & Active Travel team.</p>
<p>Links to the corporate plan</p>	<p>The review will contribute to the design and delivery of the Council’s new climate change commitments, as set out in the ‘Executive Response to the Climate Emergency’ and links to the current and future objectives contained within the 2016-2020 and emerging new corporate plan, as detailed below:</p> <p>Executive response to the Climate Emergency:</p> <ul style="list-style-type: none"> • The executive commits to an accelerated reduction of the council’s own carbon emissions and the aspiration to become carbon neutral by 2030/31. • The council will work with strategic partners, residents and local organisations to develop a revised countywide CO2 reduction strategy aspiring for carbon neutrality by 2030. <p>Corporate plan 2016-2020:</p> <ul style="list-style-type: none"> • Reduction in the Council’s energy consumption and carbon footprint. <p>Emerging corporate plan:</p>

	<ul style="list-style-type: none"> • Contribute to tackling the climate emergency by investing in low carbon projects to further reduce our carbon footprint and reduce running costs.
<p>Summary of the review and terms of reference</p>	<p>Summary:</p> <p>On 8 March 2019, Herefordshire Council declared a climate emergency following unanimous support for a climate emergency resolution at full council. On 12 July 2019, Herefordshire Council passed a subsequent zero carbon citizen’s assembly resolution.</p> <p>On 26 September, Cabinet approved the executive’s response to these resolutions, setting out a number of actions and policy commitments including:</p> <ul style="list-style-type: none"> • An accelerated reduction of the council’s own carbon emissions and the aspiration to become carbon neutral by 2030/31. • The executive approves the policy approach of using 100% renewable energy sources where there is a business case that demonstrates that the investment provides the best carbon reduction return on investment. • The council will work with strategic partners, residents and local organisations to develop a revised countywide CO2 reduction strategy, aspiring for carbon neutrality by 2030. • A further report will be brought forward by April 2020, exploring different engagement options including a citizen’s assembly, citizen’s jury, citizen’s panel, youth panel and a public summit and will explore the benefits and resource requirements of each. • That general scrutiny committee is invited to consider building into their work programme and/or establishing a task and finish group to: <ul style="list-style-type: none"> ○ Review the draft carbon management plan; ○ Review partners’ plans and strategies to recommend how best to develop a joint countywide strategy; ○ Develop and propose a checklist of criteria for the development of new and review of existing council strategies to assess their suitability to deliver on carbon reduction. <p>Progress to date following the Climate Emergency Declaration</p> <ul style="list-style-type: none"> • The Council has achieved a 43% reduction in its organisational carbon footprint, achieving the previous carbon reduction target two years earlier than projected. • An updated Carbon Management Plan is currently in development. • A new Herefordshire Carbon Reduction Working Group has been established with strategic partners to commence the development of a new countywide carbon reduction strategy. • An options appraisal for community engagement models is currently underway. • Planning Services are developing a ‘Climate Change Measures Compliance Checklist’ to support the implementation of existing climate change planning policies SS7 and SD1 within the Core Strategy.

- A number of new carbon reduction initiatives have been developed and implemented including:
 - A new grant scheme to support residents to install first time central heating systems;
 - The highly successful Beryl Bike scheme;
 - A new renewable energy grant scheme;
 - A new grant scheme to support residents to install first time central heating systems;
 - A programme of energy efficiency and solar PV installations across the council's estate.
- As a result of these and other initiatives the current forecasts for the Council's carbon emissions in 2019/20 and 2020/21 are for a 50% and 60% reduction, respectively.

Key Issues

- All council services and activities contribute towards the Council's and countywide carbon emissions.
- All services will be impacted by the effects of climate change.
- As such all future policies, strategies and decisions need to give due regard to the impacts of these and how they align to the delivery of the Council's climate change commitments.
- It is essential that the development of a countywide carbon reduction strategy is undertaken in partnership with local partners, organisations and residents, building on the strong progress and partnership working to date.

The delivery of the Council's climate change commitments will be done undertaken across all services and will offer significant opportunities to reduce cost, improve efficiency and to enhance health and wellbeing.

Terms of Reference:

The review will:

1. Explore and understand the carbon emissions associated with the delivery of the Council's services and activities.
2. Understand the issues, opportunities and future challenges that climate change presents to the county.
3. Identify which council policies and strategies have the most significant impact on reducing the county emissions and increasing resilience.
4. Propose a checklist of criteria to inform future policy, strategy and decision making to ensure due consideration of the Council's carbon reduction commitments.
5. Provide findings and recommendations on the plans, strategies and engagement plans of major partners to support the development of the countywide carbon reduction strategy.

Membership:

- TBC
- Cross Party Members including:
 - Cllr William Wilding (Hereford Independents)
 - Cllr Jenny Hewitt (Hereford Independents)
 - Cllr Elissa Swinglehurst (Conservatives)

	<ul style="list-style-type: none"> ○ Cllr Toni Fagan (Green) ○ IOC nomination awaited
What will NOT be included	<ul style="list-style-type: none"> ● A review of all existing council strategies and plans
Potential outcomes	<ul style="list-style-type: none"> ● Informed future decision making ● Understanding of future challenges ● Informed development of the countywide carbon reduction strategy ● Greater member awareness ● Cross party involvement
Key Questions	<ol style="list-style-type: none"> 1. How can the Council reduce carbon emissions? 2. How can the Council improve climate resilience? 3. How can we engage partners and residents to reduce their carbon emissions? 4. How best can it contribute to wider council objectives on the environment, economy and people?
Cabinet Member(s)	Cabinet member for Environment, Economy and Skills
Key stakeholders / Consultees	<p>Internal – Director for Economy and Place</p> <p>External – Public (if consultation is wanted at this stage)</p>
Potential witnesses	<ul style="list-style-type: none"> ● Energy & Active Travel Team (Staff) ● Herefordshire Local Nature Partnership ● BEIS (if possible) for view on future
Research Required	<ul style="list-style-type: none"> ● Understanding the Council’s carbon emissions ● Understanding the countywide emissions ● Understand the impact of future climate change on Council services ● Review major partners’ engagement, plans and strategies to recommend how best to develop a joint countywide strategy to meet net zero carbon by 2030 ● Local Authority Benchmarking – to compare performance and learn from experience elsewhere
Potential Visits	<ul style="list-style-type: none"> ● High performing authorities ● Key strategic partners
Publicity Requirements	TBC

Outline Timetable:	
<i>Activity</i>	<i>Timescale</i>
Confirm approach, Terms of Reference, programme of consultation/research/provisional witnesses/meeting dates	January 2020
Review existing carbon emissions and opportunities to minimise future emissions	February 2020
Review future climatic risks, impact and opportunities to the council’s service delivery	March 2020
Review major partners’ engagement, plans and strategies	April 2020
Consider Options	May 2020
Develop checklist and proposals for the development and consideration of future policies, strategies and decisions	May 2020
Initial Report	June 2020

Further work and Actions as Required	July 2020 onward
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Members –	
Chair	
Support Members	
Co-optees	
Support Officers	<ul style="list-style-type: none"> • Energy & Active Travel Manager, Ben Boswell • Principal Energy & Active Travel Officer, Geoff Perrott • Member Support Staff x 1

Schedule of General Scrutiny Committee recommendations made and action in response (May 2019 on)

Meeting	item	Recommendations	Action	Status
23 July	Gambling Policy 2019-22 Review	<p>RESOLVED TO RECOMMEND TO THE EXECUTIVE THAT:</p> <p>a) Officers review the wording in Para 1.1 of the policy to ensure it places clear emphasis on promoting compliance with the principles set out in the Act, and make clear that it is not about promoting gambling;</p> <p>b) Officers include a glossary of terms to cover all technical and legal terms set out in the report before it goes on to cabinet and full Council;</p> <p>c) a sentence be added to the policy document to highlight where people can be directed to apply for a license;</p> <p>d) a new category (i) be added to the itemised list in para 15.6 to include training in child protection and child safeguarding;</p>	<p>Done</p> <p>Done</p> <p>Done</p> <p>(We don't recommend it's mandatory because it's not proportionate to the evidence locally but we can make licensee's aware of the risks to</p>	Completed

		<p>e) officers look at all of the suggested various changes to wording of the policy suggested in bullet point 7 above and update the policy to ensure there is clarity in the phraseology used.</p> <p>f) the various references to children and young persons should – for consistency – be changed to children and young people throughout the policy document.</p> <p>g) officers revise the wording to highlight that the gambling policy is ‘reviewed’ every three years and to add clarity to the reference of policy review from ‘time to time’ – with the additional context that this will happen when/if there are changes to legislation during the three year period;</p> <p>h) officers remove the reference to ‘the governance team’ in para 4.5 of the policy;</p>	<p>CYP and the training opportunities that are available.)</p> <p>The phraseology used within the Policy reflects the terms used within the Act and the use of different terminology within the policy may cause confusion).</p> <p>(the term children and young persons is the term used within the Act and again may cause confusion if different terms are used within the policy) .</p> <p>Done</p> <p>Done</p>	
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		<p>i) officers state clearly what the deadline timeframes are in para 5.2.</p> <p>j) grounds for a review of a premises license as set out at section 18 of the policy should also include any breaches to the principles that the licensing authority, upholds in overseeing and this policy and any related enforcement action; and</p> <p>k) details on rights of appeal should be included in the policy document.</p>	<p>Done</p> <p>Done</p> <p>Done</p>	
9 September 2019	Call-in of cabinet member decision on hereford transport package and south wye transport package	<p>RESOLVED: That the decision be referred back to the cabinet member to reconsider, and in doing so:</p> <p>The cabinet member seeks clarification from the funders, of both the South Wye Transport Package and the Hereford Transport Package, of the funding implications of a review and ensures that both projects are not interdependent of each other;</p> <p>Ongoing planned activity, programmed in to take place during</p>	<p>THAT, having regard to the recommendations made by General Scrutiny Committee on 9 September 2019:</p> <p>(a) a review of the South Wye Transport Package be undertaken to determine next steps, and work on the Southern Link Road and active travel measures (the scope of which will be determined in a further report and be subject to the agreement of funders to draw down funding or provision being made within the capital programme) is continued whilst the review is undertaken;</p>	Complete

		<p>the pause, continues while the review is underway;</p> <p>The cabinet member hosts a time limited series of ‘open days’ with parish councils, businesses and members of the public to ensure their views are taken into account on all of the evidence under consideration as part of the review; and</p> <ul style="list-style-type: none"> That all council, and council contractors, contact databases, as far as is practicable, are kept up to date ahead of contacting members of the public 	<p>(b) a review of the bypass project to determine next steps be undertaken, and work on the Hereford Transport</p> <p>package active travel measures and the other bypass work as listed below is continued whilst the review is undertaken;</p> <p>Phase 2a consultation report completion £12,000</p> <p>Geophysical survey report completion £3,000</p> <p>Ground Investigation Report (GIR) completion £6,000</p> <p>Walking and Cycling (WCHAR) assessment completion £5,000</p> <p>Traffic Modelling £22,000</p> <p>Large Local Major Bid completion £18,000</p> <p>(c) discussions continue with funding organisations to clarify the</p>	
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			<p>funding implications of a review and to seek to minimise the risk of loss of any secured funding;</p> <p>(d) consultation with parish councils, businesses and members of the public be included within the scope of the review;</p> <p>(e) the acting director for economy and place be authorised to take all operational decisions necessary to scope the review work for both road schemes within a budget of £50k (Southern Link Road) and £70k (Hereford By-pass) to inform a further decision in this calendar year on the scope of the review to be undertaken; and</p> <p>(f) the acting director for economy and place be authorised to take all operational decisions necessary to undertake the bypass work listed in recommendation (b) above within a budget envelope of £66,000 and to approve variance between the activities within a tolerance of £5,000.</p>	
22 October 2019		<p>RESOLVED:</p> <p>(a) to recommend to the executive that:</p>	tbc	

		<ul style="list-style-type: none"> i. the LEP be encouraged to declare a climate emergency as a priority; ii. the LEP be encouraged to raise its profile through engagement with Parish and Town Councils and business forums; iii. the LEP be requested to focus on promoting available schemes to the market towns; and <p>(b) provision be made in the Committee’s work programme for an annual report from the LEP.</p>		
29 November 2019	2020/21 Budget and Corporate Plan Proposals	<p>RESOLVED: That</p> <ul style="list-style-type: none"> (a) In relation to the draft corporate plan: <ul style="list-style-type: none"> I. Specific emphasis is given to investment and commitment to high quality members of staff in delivering the corporate plan; II. the wording and presentation of the ambition for Herefordshire and the corporate plan as a whole be reviewed; and III. the corporate plan should address the needs of the county as a whole including the market towns and their environs; (b) in relation to the 2020/21 budget 	tbc	

		<p>I. any business cases reflect current association with business partners and any current government funding available;</p> <p>II. consideration be given to a specific budget for measures to address the climate emergency;</p> <p>III. the feasibility of allocating a ring fenced sum for highway maintenance to the market towns should be explored;</p> <p>IV. during development of business cases consideration be given to whether greater community use could be made of educational facilities; and</p> <p>V. the following recommendations of the Adults and Wellbeing and Children and Young People Scrutiny Committees be considered</p> <p>Adults and Wellbeing Scrutiny Committee – 18 November 2019</p> <p>1. The committee welcomes the proposed areas for investment which support prevention and the strengths based agenda.</p>		
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		provided to the committee setting out key performance indicators for the proposals.		
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