

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

## **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
<b>Total Directorate</b>	<b>133,793</b>	<b>700</b>	<b>0</b>	<b>134,493</b>
Central	22,306		318	22,624
<b>Total Net Budget</b>	<b>156,099</b>	<b>700</b>	<b>318</b>	<b>157,117</b>

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.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Treasury management budgets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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)
<b>Totals</b>	<b>13,573</b>	<b>17,176</b>	<b>18,106</b>	<b>19,041</b>

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:-

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

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

### 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
<b>Totals</b>	<b>156,099</b>	<b>157,117</b>

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:-

<b>Scheme</b>	<b>Current Capital Programme £000</b>	<b>New Capital Programme £000</b>
<b>Community:- Build communities to ensure everyone lives well and safely together</b>		
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
<b>Total Community</b>	<b>9,963</b>	<b>24,009</b>
<b>Economy:- Support an economy which builds on the county's strengths and resources</b>		
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
<b>Total Economy</b>		<b>23,455</b>
<b>Environment:- Protect our environment and keep Herefordshire a great place to live</b>		
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
<b>Total Environment</b>		<b>40,850</b>
<b>Total</b>	<b>9,963</b>	<b>88,314</b>

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.

<b>Date</b>	<b>Event</b>	<b>Purpose</b>
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