

**Chief Executive's Office**

Chief Executive: N.M. Pringle

**To: All Members of Cabinet:  
R.J. Phillips (Leader)  
G.V. Hyde (Deputy Leader)  
Mrs. L.O. Barnett  
P.J. Edwards  
Mrs. J.P. French  
J.C. Mayson  
D.W. Rule MBE  
R.V. Stockton  
D.B. Wilcox  
R.M. Wilson**

Your Ref:

Our Ref: NMP/CD

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16th February, 2005

Dear Councillor,

**MEETING OF CABINET  
THURSDAY, 24TH FEBRUARY, 2005 AT 2.15 P.M.  
COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

**AGENDA (05/04)**

**1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2. DECLARATIONS OF INTEREST**

To receive any declarations of interest by members in respect of items on this agenda.

**3. CORPORATE PLAN 2005 - 2008**

To agree the Corporate Plan 2005-2008 and to commend it to Council for approval at its meeting on 11th March, 2005. *(Pages 1 - 4)*

**4. SERVICE IMPROVEMENT PROGRAMME**

To approve proposals to assist in the development of a robust high-level approach for the implementation of key service improvement projects under the auspices of an overall Service Improvement Programme (SIP) and to maximise the benefits for the Authority that such a programme has to offer Herefordshire. *(Pages 5 - 12)*

**5. CAPITAL PROGRAMME 2005/06**

To receive a report outlining the key issues for consideration regarding the capital funding strategy and the allocation of supported and unsupported borrowing for capital expenditure for 2005/06 and to make recommendations to Council. *(Pages 13 - 24)*

**6. REVENUE BUDGET 2005/06**

To formulate Cabinet's recommendations to Council on the budget for 2005/06 and the associated level of Council Tax. *(Pages 25 - 82)*

**7. 2005/06 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY**

To endorse the Prudential Indicators, including the projected Capital Programme *(Pages 83 - 104)*

**8. DRAFT CRIME, DISORDER AND DRUGS REDUCTION STRATEGY 2005-08**

To comment on and endorse the Draft Crime, Disorder and Drugs Reduction Strategy 2005-08.

**Note: The draft strategy has previously been circulated to all Members and you are requested to bring your copy to the meeting. *(Pages 105 - 106)***

**9. CONSULTATION ON THE CIVIL CONTINGENCIES ACT**

To consider a response to the Civil Contingencies Act 2004 consultation on the draft Regulations and Guidance. *(Pages 107 - 110)*

**10. REVIEW OF THE DISCRETIONARY POLICY ON DENOMINATIONAL HOME TO SCHOOL TRANSPORT**

To approve a review of the current discretionary policy providing free home to school transport on denominational grounds. *(Pages 111 - 114)*

**EXCLUSION OF THE PUBLIC AND PRESS**

**In the opinion of the Proper Officer, the next item will not be, or is likely not to be, open to the public and press at the time it is considered.**

**RECOMMENDATION:**

**That the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below.**

## **DISCRETIONARY POLICY ON DENOMINATIONAL HOME TO SCHOOL TRANSPORT**

To receive advice on the legality of the Council's current School Transport Policy in relation to travel assistance to denominational schools. (*Pages 115 - 118*)

Yours sincerely,

A handwritten signature in black ink that reads "Neil Pringle". The signature is written in a cursive style with a large, looped initial "P".

**N.M. PRINGLE**  
**CHIEF EXECUTIVE**

Copies to: Chairman of the Council  
Chairman of Strategic Monitoring Committee  
Vice-Chairman of Strategic Monitoring Committee  
Chairmen of Scrutiny Committees  
Group Leaders  
Directors  
County Secretary and Solicitor  
County Treasurer



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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.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of the Cabinet, of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
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If you have any questions about this Agenda, how the Council works or would like more information or wish to exercise your rights to access the information described above, you may do so either by telephoning Mrs Christine Dyer on 01432 260222 or by visiting in person during office hours (8.45 a.m. - 5.00 p.m. Monday - Thursday and 8.45 a.m. - 4.45 p.m. Friday) at the Council Offices, Brockington, 35 Hafod Road, Hereford.



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# **COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL**

**BROCKINGTON, 35 HAFOD ROAD, HEREFORD.**

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





## CORPORATE PLAN 2005 – 2008

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH FEBRUARY 2005

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#### Wards Affected

County-wide

#### Purpose

To agree the Corporate Plan 2005 – 2008 and to commend it to Council for approval at its meeting on 11th March, 2005.

#### Key Decision

This is not a Key Decision.

#### Recommendation

**THAT the Corporate Plan be commended to Council for approval at its meeting on 11th March, 2005 on the basis that the Local Public Service Agreement (LPSA) 2G performance indicators and targets will be included as and when they are agreed with the UK Government.**

#### Reasons

The Corporate Plan sets out what the Council intends to achieve in the coming three years and how it proposes to do so. It is therefore the basis for setting priorities and the means to achieve them, including the management of key risks. It also provides the basis for the Annual Operating Plan, directorate and service plans and performance management. Under the Constitution, the Corporate Plan has to be approved by the whole Council as part of the Policy Framework.

#### Considerations

1. At its meeting on 16th December, 2004, the Council approved a draft of the Corporate Plan to be used as the basis for the preparation of the Annual Operating Plan and directorate and service plans for 2005-06.
2. The proposed final Plan for Council approval (subject to the addition of LPSA targets when they are agreed with the UK Government) is being circulated separately to Cabinet Members. Copies are available in the Members' Room, on the Council's website and on request.
3. The Corporate Plan has been further developed taking into account:
  - the resources likely to be available, having regard to recent announcements of the UK Government about future grant, which provide for a higher level of grant in 2005-06 than originally proposed but with no indication that this will be made

available in subsequent years;

- the UK Government's expectation that annual Council Tax increases will continue to be in low single figures;
  - the Cabinet's recommendations to Council on levels of Council Tax and budget allocations in 2005-06, having regard to the outcomes of the wide-ranging public consultation in the autumn of 2004;
  - the continuing need, over the period of the Plan, to make significant efficiency savings, in accordance with the Government's proposals in *Delivering efficiency in local services* - which will require some up-front investment, particularly in ICT;
  - in addition, the continuing need to reduce real terms expenditure on lower priority services, so as to ensure a balanced budget and make possible targeted additional expenditure on high priority services, notably those for older people and children;
  - the likely performance indicators under LPSA2G (although some of these, and all the targets, are still being negotiated with the UK Government, and will need to be added to the Plan in due course – hopefully by the end of March);
  - the importance of making it clear that the Plan is about more than the Council's part in implementing *The Herefordshire Plan* (although this remains crucial); in particular, that there are new challenges that have arisen since *The Herefordshire Plan* was last reviewed, such as *Every Child Matters* and *The Children's Act* – which are now reflected in a dedicated section of the *Action Plan* element;
  - Cabinet's wish, expressed in the course of its earlier consideration of the draft Plan, that it should spell out the need for effective working across organisational and service boundaries, internally and with the Council's partners, to deliver the Plan;
  - changes to the detailed wording of the Council's priorities so that they provide a clear and sound basis for action;
  - although there have been numerous changes to reflect these considerations and improve the presentation, the substance of the priorities and the other fundamentals in the Plan remain. A foreword by the Leader, financial appendices and a glossary have been added.
4. The Annual Operating Plan (AOP) for 2005-06 will be finalised in the light of the agreed Corporate Plan. The AOP will be brought to the Cabinet for approval in March. It must be consistent with the Corporate Plan and as such does not form part of any new policy framework and therefore does not need to be approved by the Council but will be reported to it at its meeting in May.

## **Financial Implications**

The Corporate Plan has to be affordable. It has been prepared in the light of prudent assumptions about available resources.

## **Alternative Options**

Alternative options have been considered as part of the process by which the Cabinet has established the priorities included in the Plan.

## **Risk Management**

The risks to the achievement of the Plan are identified as an integral part of it, as are the steps the Council will take to manage those risks.

## **Consultees**

The Plan has been finalised having regard to the outcomes of the wide-ranging public consultation on service and budget priorities in the autumn of 2004. There has also been subsequent consultation with partners on the basis of the draft Plan approved by Council in December 2004.

## **Background Papers**

None.



## SERVICE IMPROVEMENT PROGRAMME

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH FEBRUARY, 2005

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#### Wards Affected

None

#### Purpose

To approve proposals to assist in the development of a robust high-level approach for the implementation of key service improvement projects under the proposed Service Improvement Programme (SIP) and to maximise the benefits for the Authority that such a programme has to offer Herefordshire.

#### Key Decision

This is not a Key Decision

#### Recommendations

##### THAT:

- (a) **The Plough Lane office be used as a model for the elimination of duplication and new ways of integrated working between the Environment and Policy & Community Directorates, starting with the work currently being undertaken by the former Head of Service for Culture, Leisure and Education for Life on duplication. This will leave the new Children's' Services Directorate free to concentrate in the short term on how to bring relevant services together, but does not preclude their involvement in the rationalisation of services down the line;**
- (b) **The Directorate restructure currently proposed for the Policy & Community Directorate form a pilot for organisational change as part of the new Service Improvement Programme and that a specialist project manager, experienced in change management, be assigned to support the Director and two Heads of Service formally set up the restructure project and its constituent parts;**
- (c) **The work already begun to establish the investment required for the establishment of a corporate contact centre be expanded to scope the likely plan for deployment, timescales, costs, benefits and resources, including personnel, required. Included in this work would be the need to identify those services according to the corporate priorities defined in the new Corporate Plan and an assessment of appropriate technologies to support the service requirements identified;**
- (d) **A review be undertaken of the work previously carried out by the Service**

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Further information on the subject of this report is available from  
Julie Holmes, Policy and Community Head of Service on 01432 260403

**Improvement Project by an independent Prince 2 practitioner Project Manager from ICT Services to establish if these methods remain appropriate, given the revised corporate priorities;**

- (e) Whatever the outcome of that Review to Identify the lessons learned;**
- (f) The project already underway to gather requirements, identify potential process improvements, build a business case and conduct a competitive software selection exercise under EU guidelines for a corporate document management solution be concluded and a solution deployed across the Council.**
- (g) The current back office integration project due to start in February 2005 be incorporated into the programme with ICT Services acting as the pilot, and the benefits assessed both with respect to in service benefits within ICT, but also the extended use of this platform in other areas of the Authority such as e-procurement, Corporate HR and Performance Management.**
- (h) A robust financial model be constructed to establish a baseline for all aspects of the programme, to include but not limited to:**
  - The savings to be made by the elimination of duplication**
  - The Revenues & Benefits pilot phase 2**
  - The restructure of the Policy & Community Directorate**
  - The ICT Services back office project**
  - The likely investment required of a corporate contact centre (both financial and technical)**
  - Investment/benefits realisation for a corporate DMS**
- (i) The impact of CPA 2005 be assessed and key priorities reflected in the Service Improvement Programme plan.**
- (j) The current discussions regarding regional shared services be considered with a view to likely impact on this programme.**
- (k) The current accommodation review be considered with a view to likely impact on the programme.**

## **Reasons**

Additional investment will be required and it is essential that all resource requirements along with these change activities are co-ordinated preferably into a single change programme.

## **Considerations**

- 1. Service improvement within the Public Sector is about informing citizens of their rights and helping them to exercise these rights. It is not about treating all customers differently; it is about treating all citizens to the same high standard of service.**
- 2. The Service Improvement Programme within Herefordshire Council has been identified as a key element in the strategy to reduce the existing cost base of the Authority by a total of at least £5million. The target for SIP has been established as £1million. This paper however extends the discussion on what constitutes the SIP**

and how other Council projects may well be considered a part of the overall programme. Whatever approach is finally adopted, a major challenge for Herefordshire will be how to capture additional service efficiencies without double counting the benefits achieved.

3. Cabinet, in acknowledging the need to drive a series of key organisational and service improvements starting in January 2005, has endorsed the Service Improvement Programme, the Cabinet Member (Human Resources and Corporate Support Services) was confirmed as the lead Member and the Director of Policy and Community will act as lead Director. Key elements of the programme for consideration will be:
  - Organisational realignment
  - Process redesign
  - Improved use of corporate resources – financial, people and technology.
4. Herefordshire has already:
  - Engaged external consultants to work with a team of senior officers to identify the top ten services which could form the focus for initial process redesign and implementation, particularly with respect to a corporate contact centre
  - Completed an initial pilot within the Revenues & Benefits Service, and although the new service has demonstrated an improvement in processing times, it has yet to render any savings.
  - Made crucial decisions on organisational realignments required to address legislative and service delivery such as the appointment of a Director of Children's' Services and the proposed restructure of the Policy & Community Directorate.
  - Committed to an element of organisational integration at the Plough Lane site.
  - Committed capital funding for the complete overhaul of the Council's corporate voice and data networks, including provisions for the improvement of contingency provisions such as the improvements to the corporate data centre; the implementation of the new email archiving solution and access to a second data centre planned for Plough Lane.
  - Selected a number of corporate ICT platforms such as Cedar for financials; Northgate and McFarlane for the CRM solution in Info Shops; and SAP for ICT Services back office and corporate e-procurement. (The latter also being under initial consideration for the provision of corporate HR and Performance Management solutions).
  - Engaged external consultants to initiate a corporate approach to Document Management with a view to conducting a full EU procurement for the selection and implementation of an Authority wide DMS.
5. There is a need for both a process of service prioritisation and at some later stage, for a dedicated team of project staff with service expertise.

## **Alternative Options**

**There are no alternative options**

## **Risk Management**

1. Agreeing baselines (and who with) will be a critical element of the SIP in order to establish the cost of the process pre change, and to consider the cost difference to the revenue required post-change. It is proposed to use the ICT Services accountant along with support from the County Treasurer's Department to begin work on this for the Policy and Community restructure immediately – this could be expanded at an appropriate point to take in the broader SIP considerations.
2. Given the array of council projects, it is also important to have clear agreement on the potential impact on the Authority of any existing initiatives such as, for example, back office systems which may raise integration issues, process improvements which may raise configuration issues, single assessment, or customer first.
3. The programme will require the negotiation of “boundaries” and establishment of roles for individuals and parameters which ‘ring-fence’ the scope of each component of the work stream to ensure the avoidance of any instances of ‘double-counting’ and verify that the potential benefits are independent and do not overlap
4. It will be important to agree the service area being improved and how the improvement can be shown to have been achieved. In any structured project management methodology such as Prince 2, part of the process of agreeing that the programmes objectives have been achieved is the end-of-stage sign-off, and it is helpful to establish the stages that make up the business case in advance.
5. It will also be necessary to convert benefits to tangible measures that are understood by the stakeholders (£s for example) against the base-line established. It is helpful to propose a schedule in the plan of dependent costs and include phasing of likely delivery of benefits and ensure there is no confusion or double-counting from other streams within the overall service improvement programme (or in fact by other projects).

## **Consultees**

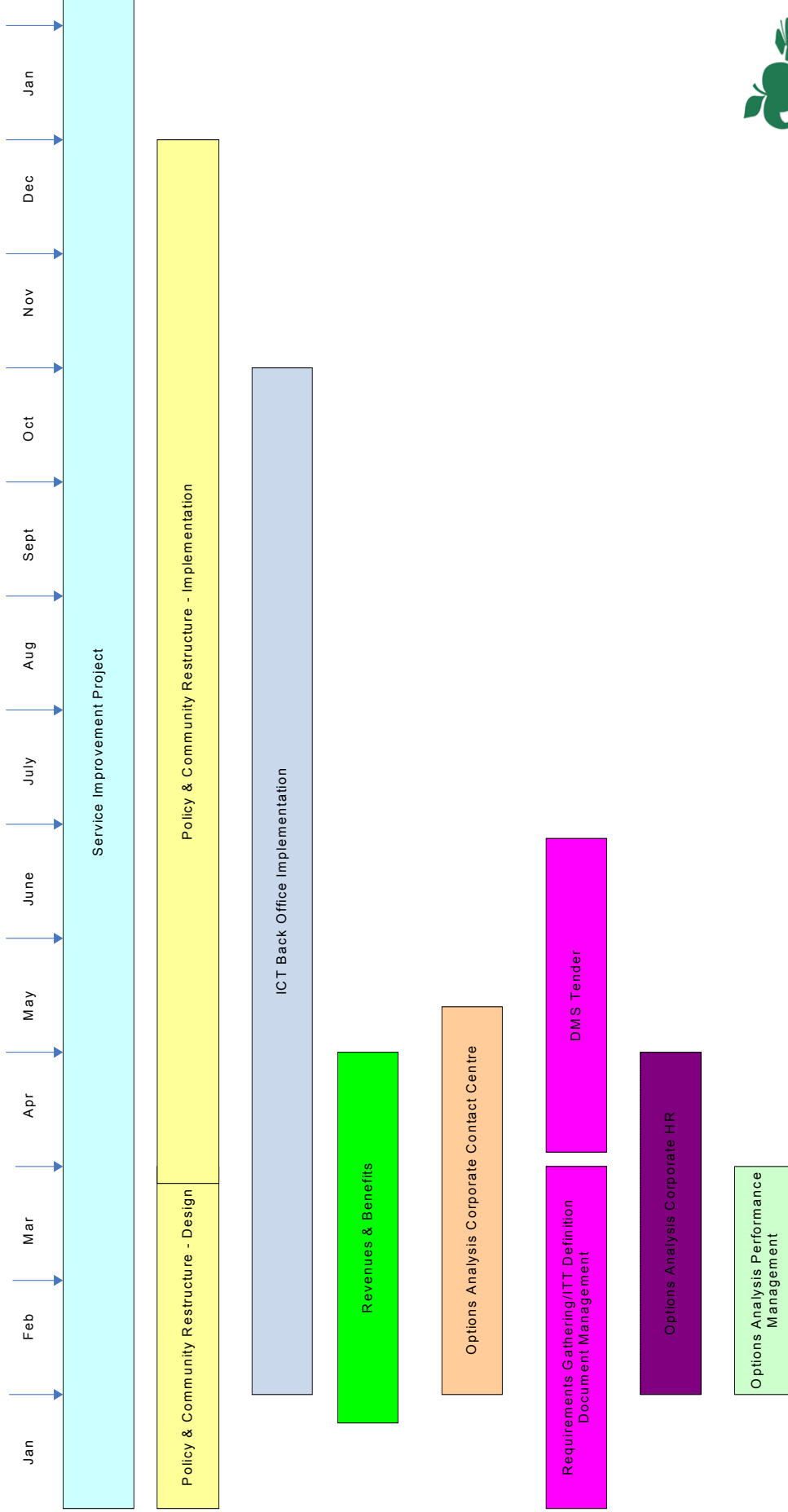
None

## **Background Papers**

None



# Service Improvement Programme Structure

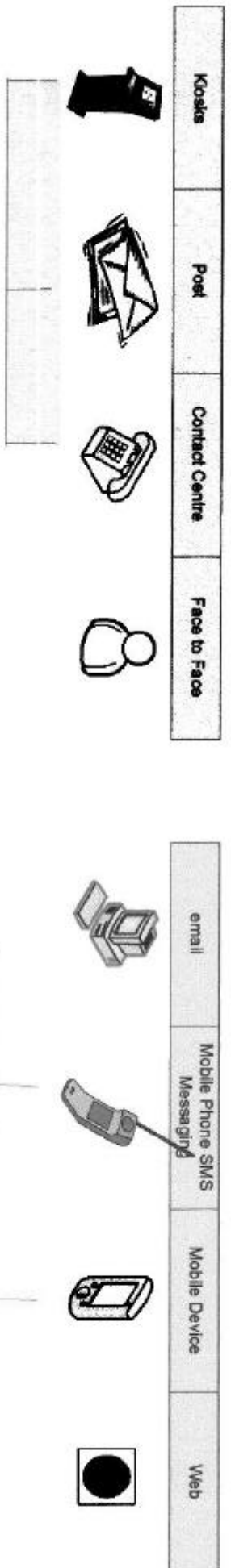


Further information on the subject of this report is available from  
Julie Holmes, Policy and Community Head of Service on 01432 260403

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Julie Holmes, Policy and Community Head of Service on 01432 260403

# A Vision for Service Improvement



## Customer Relationship Management (CRM)



## Electronic Forms and Workflow

### Corporate Back Office Systems

Finance	Payroll	email	Procurement	Geographic Information (GIS)	Personnel	Stock	...
Planning	Trading Standards	Housing	Supporting People	Single Assessment	Schools Admissions	Revenues & Benefits	LLPG



## CAPITAL PROGRAMME 2005/06

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH FEBRUARY, 2005

#### Wards Affected

County-wide.

#### Purpose

To receive a report outlining the key issues for consideration regarding the capital funding strategy and the allocation of supported and unsupported borrowing for capital expenditure for 2005/06, and to make recommendations to Council.

#### Key Decision

This is not a Key Decision.

#### Recommendations

**THAT it be recommended to Council that:**

- (a) **The basis of distributing supported borrowing for Education, Transport and Housing as outlined in paragraph 4 be endorsed.**
- (b) **The future years funding commitments resulting from 2004/05 allocations of Prudential Borrowing, as stated in Appendix 2, be reaffirmed.**
- (c) **Prudential Borrowing of £1,176,000 for 2005/06, £1,300,000 for 2006/07 and £1,800,000 for 2007/08 be approved to meet projects with a legal requirement as set out on Appendix 3.**
- (d) **A selection of bids listed on Appendix 4 be approved for Prudential Borrowing.**
- (e) **The further bids set out on Appendix 5 be approved for Prudential Borrowing funding.**

#### Reasons

Cabinet is responsible for recommending to Council the basis for allocating supported and unsupported borrowing in line with the Council's Capital Strategy.

#### Considerations

##### ALIGNMENT OF THE CAPITAL STRATEGY TO THE CORPORATE PLAN

1. The Council's Capital Strategy needs to be integrated with the Medium Term Financial Plan and consequently the Corporate Plan. It cannot be seen in isolation and decisions made in regard to the capital programme over the medium term need to be aligned with the

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Further information on the subject of this report is available from  
Steve Cameron, Principal Financial Policy Manager on (01432) 261865

priority objectives set out in the Corporate Plan.

2. Capital investment however, by its nature is very different to revenue expenditure and certain factors need to be borne in mind when making decisions on the programme both in relation to supported and Prudential Borrowing. These include, in particular, factors relating to the Asset Management Plan (AMP) and the ongoing maintenance of the Council's infrastructure and buildings. In this respect the highways maintenance allocations in the Local Transport Plan are in particular very welcome.

## **SUPPORTED BORROWING**

3. The significant source of capital funding is Supported Capital Expenditure (Revenue) (SCE(R)) that is provided directly by the government through the Revenue Support Grant. This is directed towards Education, Transport and Strategic Housing although not formally ringfenced. Strategic Housings capital programme is also supported by the use of Right to Buy and LSVT capital receipts in the order of £3,000,000 per annum over the next three years.

**Appendix 1** details the 2005/06 SCE(R) allocations totalling £13,679,211. (2004/05 SCE(R) totalled £17,169,734).

4. The capital investment plans for Education, Transport and Strategic Housing are based on analysis of need and have been developed through rigorous appraisal processes in order to attract supported borrowing approvals from Government. It is therefore recommended to ringfence the SCE(R) awarded for these areas and the capital funding strategy will require the use of unsupported borrowing to resource projects for other areas.
5. In addition to the allocations provided for the three areas above, a small allocation is made for Social Care. It is proposed in line with previous policy, that this sum is added to support schemes considered for Prudential Borrowing as detailed in the following paragraphs.

## **PRUDENTIAL BORROWING ALLOCATIONS 2005/06**

6. For 2004/05 Council approved a limit for Prudential Borrowing of £5,000,000 with indicative approval given for a similar level of extra borrowing for three years thereafter. It is proposed that as a minimum this level of borrowing is maintained in the next three years as it creates the right balance between much needed investment in Council assets without overburdening either the Council Tax payer or placing the Council in an increasingly unsustainable long term debt position. The level of borrowing will of course be reconsidered on an annual basis to reflect any change in circumstances.
7. The Medium Term Financial Plan currently provides for a level of borrowing at this level and members will therefore need to decide whether they want to borrow more which will have a direct impact on Council Tax. Alternatively members have the option of using some of the SCE(R) provisionally earmarked for Education, Transport and Strategic Housing although as highlighted in paragraph 4 above this is not currently recommended.
8. Prudential Borrowing allocations were made in 2004/05 totalling £4,741,000 for 2004/05 with future commitments of £2,455,000 for 2005/06, £813,000 for 2006/07 and £1,050,000 for 2007/08 and are detailed on **Appendix 2**. The future years allocations agreed in 2004/05 become the first call on the 2005/06 allocations.

9. The Capital Scheme Selection and Prioritisation (SSP) process has been used again to collate new capital bids for 2005/06 and future years. The bids are reviewed against a comprehensive range of detailed criteria to enable comparison between bids and against corporate objectives. The criteria includes the provision of a fully costed business case including a review of legal implications and external funding opportunities together with a 'Good Environmental Management' (GEM) environmental impact assessment.
10. Over 20 bids were submitted and these are set out on **Appendix 3, 4 and 5**. The total value of bids exceeds the level of funding provisionally agreed. The SSP process includes a review of all bids by the Capital Strategy and Asset Management Working Group as referred to above.
11. Considerations of affordability are paramount in constructing capital programmes and it is often the case that major single schemes dominate debate as their inclusion can render discussion on competing proposals largely irrelevant. There are a number of major schemes submitted this year namely:
  - the ongoing modernisation of the Crematorium,
  - the development of St Katherine's in Ledbury into an Info Shop and library,
  - the refurbishment of Kington Library
  - the Rotherwas Access Road,
  - a Contact Centre in Hereford,
  - the ongoing improvement in corporate ICT networks and
12. After ensuring the commitments following the 2004/05 allocations are provided for, it is appropriate to consider those bids with a legal requirement. These bids are set out on **Appendix 3** and total £1,176,000 for 2005/06 with future commitments of £1,300,000 for 2006/07 and £1,800,000 for 2007/08. The Crematorium project has been included within this section. Cabinet are requested to approve these bids in full.
13. After taking account of commitments from previous years and those schemes recommended for approval due to legal implications a balance of £1,494,000 remains available for allocation within the borrowing limits approved by Council.
14. Strong business cases have been formulated for the ICT network, libraries and info shops in Ledbury and Kington and the Chief Executives Management Team supports these. Additionally the recent consultation exercises carried out show strong public support for continued investment in library provision. A major bid has also been submitted for the Contact Centre in Hereford although consideration of possible sites is still ongoing at this time. These bids and others for possible consideration are included on **Appendix 4**.
15. It is recognised that the Rotherwas Access Road has strong political support but there are quite clearly major affordability concerns and there is still potential for the scheme to be government funded. It is evident from the Local Transport Plan progress report from Government Office West Midlands that the door has not been completely closed on the scheme. There are a number of possible funding options for the scheme, which are being investigated, but the bid is not being included for consideration in this report.

16. Of these projects reflected in **Appendix 4** for consideration by Cabinet, Chief Executives Management Team support the approval of the following programmes particularly the Contact Centre. Cabinet may also wish to consider the relocation of Ledbury Library (£53,000) as a priority as this would help to ensure the Council meets the minimum requirements of Disabled Access legislation.

	<b>2005/06</b>
	<b>£'000</b>
Contact Centre (part cost)	750
Library Refurbishment (Kington)	535
- Reflected in the IEG Statement & Modernisation Programme and Herefordshire Councils Customer Service Strategy	
Improvement to Toilet facilities	215
- Reflected in Property Best Value Review	
	1,500

17. Should Cabinet be minded to approve any further projects then Council will need to increase the Prudential Borrowing limit accordingly. It is also important for Cabinet to take a medium term perspective on deciding the capital programme as many year 1 approvals will have expenditure commitments in years 2 and 3. This of course will limit flexibility in future years for new schemes.
18. Set out on **Appendix 5** are bids that require Prudential Borrowing in addition to the sums already stated but for which the capital financing costs are already included in the Medium Term Financial Plan. Revenue budgets are available to meet the capital financing costs of four bids, 11 (four Minibuses for Social Care), 12 (Holistic Resources at St Owens), 18 (Queenswood Car Park) and 20 (two Mobile Libraries). These bids should therefore be considered appropriate to be funded from Prudential Borrowing with no impact on Council Tax. Extra Prudential Borrowing totalling £423,000 is required for these.
19. The table below sets out the Prudential Borrowing requirements of meeting those bids recommended by the Capital Strategy Group. Meeting the shortfall will not impact upon the sums currently provided in the FRM.

<b>PRUDENTIAL BORROWING REQUIREMENTS</b>				
	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Allocations agreed in 2004/05 to be funded ( <b>Appx 2</b> )	2,455	813	1,050	
2005/06 Priority Bids with a legal basis ( <b>Appx 3</b> )	1,176	1,300	1,800	
<b>Prudential Borrowing Required for above items</b>	<b>3,631</b>	<b>2,113</b>	<b>2,850</b>	
Funding Available:				
Indicated level of Prudential Borrowing Available	(5,000)	(5,000)	(5,000)	
SCE(R) available for allocation	(125)	(125)	(125)	
<b>Total Funding Available</b>	<b>(5,125)</b>	<b>(5,125)</b>	<b>(5,125)</b>	
Net Funding Available (Unallocated Resource)	(1,494)	(3,012)	(2,275)	
Additional Bids for consideration ( <b>Appx 4</b> )	1,899	6,318	3,203	302
<b>Excess of Requirement over Funding Available</b>	<b>405</b>	<b>3,306</b>	<b>928</b>	<b>302</b>
Bids funded via Revenue Allocation ( <b>Appx 5</b> )	423			
<b>Potential Maximum Prudential Borrowing</b>	<b>5,953</b>	<b>8,431</b>	<b>6,053</b>	<b>302</b>



## **CAPITAL RECEIPTS RESERVE**

20. Additional resources can be accumulated by each capital programme area resulting from the disposal of surplus assets. Financial Regulations require that the service area may keep up to 50% of a capital receipt with 50% being retained as a corporate resource. The Housing capital programme retains 100% of its receipt from ongoing Right To Buy disposals and receipts from the disposal of office accommodation are ringfenced towards the funding of the office rationalisation project. A schedule detailing Capital Receipts Reserves balances is set out on **Appendix 6**. Cabinet may wish to consider amending the 50% regulation in order to enhance resources available for corporate use.

## **Risk Management**

This report concerns the risk management of carrying long-term debt and the impact this has on the financial position of the Council.

A risk is that if SCE is diverted from Education, Transport and Housing then this might prejudice future funding from Government.

Proposals put forward for consideration have undertaken a rigorous review process, ensuring consistency with the Council's strategic objectives, together with legal and other relevant considerations.

## **Consultees**

None.

## **Background Papers**

Reports to Capital Strategy and Asset Management Working Group.

## FORECAST SUPPORTED CAPITAL EXPENDITURE (REVENUE)

	SCE(R)	Final Settlement	Estimate		
	2004/05 £	2005/06 £	2006/07 £	2007/08 £	2008/09 £
<b>Education</b>					
Modernisation - all schools need	1,946,743	1,064,162	984,382	1,014,968	SCE(C)
Modernisation - primary need		774,137	1,020,625	1,020,625	SCE(C)
New pupil places – formulaic	217,834	435,725	464,806	471,881	SCE(R)
Prior basic need commitments	1,440,970	339,863			SCE(R)
Schools Access Initiative	254,862	256,623	255,583	255,583	SCE(R)
Targeted Capital – Sutton			304,350		SCE(R)
Targeted Capital – Weobley			221,350		SCE(R)
Capital investment in primary schools	819,542	-			
<b>Total Education SCE</b>	<b>4,679,951</b>	<b>2,870,510</b>	<b>3,251,096</b>	<b>2,763,057</b>	
Less: Funded by Capital Grants (SCE(C))	(1,468,456)	(1,838,299)	(2,005,007)	(2,035,593)	SCE(C)
Whitecross College addl SCE(R)	100,000				
	<b>3,311,495</b>	<b>1,032,211</b>	<b>1,246,089</b>	<b>727,464</b>	<b>727,464</b>
<b>Environment</b>					
Integrated Transport Allocation (Single Pot)	4,830,000	2,900,000			
Maintenance Block Allocation (Single Pot)	6,242,000	7,559,000			
Rotherwas Access Road bid	Nil	Nil	Nil	Nil	Nil
Contaminated Air	26,000				
Coast Protection	469,700				
	<b>11,567,700</b>	<b>10,459,000</b>	<b>10,459,000</b>	<b>10,459,000</b>	<b>10,459,000</b>
<b>Housing</b>					
Housing (Single Pot)	1,909,500	1,935,500	1,935,500	1,935,500	1,935,500
Private Sector Renewal Kick Start Funds (Ringfenced)	162,500	127,500	-	-	-
	<b>2,072,000</b>	<b>2,063,000</b>	<b>1,935,500</b>	<b>1,935,500</b>	<b>1,935,500</b>
<b>Social Care</b>					
Adults (Single Pot)	97,000	95,000	95,000	95,000	95,000
Children (Single Pot)	30,000	30,000	30,000	30,000	30,000
MHSCE(R)	91,539	-			
	<b>218,539</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>
<b>Total</b>	<b>17,169,734</b>	<b>13,679,211</b>	<b>13,765,589</b>	<b>13,246,964</b>	<b>13,246,964</b>

## 2004/05 PRUDENTIAL BORROWING ALLOCATIONS

Ref	Total	Budget		Commitments	
		2004/05	2005/06	2006/07	2007/08
Approved Scheme	£'000	£'000	£'000	£'000	£'000
<b>Social Development</b>					
	2,258	1,800	395	63	-
16 North Herefordshire Swimming Pool	140	140	-	-	-
16 Friar St Museum Resource & Learning Centre	100	100	-	-	-
19 Aylestone Park	117	117	-	-	-
Ross Creative Learning Centre	10	10	-	-	-
Ross Library					
<b>Economic Development</b>					
	120	60	60	-	-
Hereford City of Living Crafts	150	50	50	50	-
Hereford City Shop Front Scheme	500	100	400	-	-
Hereford City Eign Gate	145	145	-	-	-
Hereford City High Town & High St	300	100	100	100	-
Hereford City Victoria Foot Bridge					
<b>P &amp; F General</b>					
14 Ledbury Info	4	4	-	-	-
<b>Property</b>					
2 Disabled Access	200	200	-	-	-
1 Energy Conservation	100	100	-	-	-
<b>Environment General</b>					
9 Crematorium Hereford	100	100	-	-	-
8 Leominster Landfill Infrastructure	45	45	-	-	-
5 Public Toilets Improvements	150	150	-	-	-
Hereford Cemetery	100	100	-	-	-
<b>ICT Services</b>					
Network Enhancement	3,170	770	950	500	950
Continuity / Disaster Recovery	950	250	500	100	100
<b>Social Care</b>					
Community Equipment	200	200	-	-	-
<b>Housing</b>					
Disabled Facilities Grants	200	200	-	-	-
<b>TOTAL</b>	<b>9,059</b>	<b>4,741</b>	<b>2,455</b>	<b>813</b>	<b>1,050</b>

## 2005/06 SCHEME SELECTION & PRIORITISATION BIDS RECOMMENDATIONS FOR APPROVAL

	Total	05/06	06/07	07/08	08/09	Reason for Bid
	£'000	£'000	£'000	£'000	£'000	
Allocations agreed in 2004/05 to be funded	4,318	2,455	813	1,050		
<b>2005/06 Priority Bids due to Legal Requirement</b>						
2 Disabled Access	200	200				A legal priority under the DDA Act - <b>Key Driver DDA Legislation</b>
3 Leominster Broad Street Car Park - petrol inceptors	100	100				A legal priority as the Council is already threatened with enforcement - <b>Key Driver Environmental Legislation</b>
4 Powell Croft Sewage Plant Improvements – Upton Bishop nr Ross	50	50				Legal requirement due to discharges into watercourse breaching levels of consent already received notices from the Environmental Agency and if left to continue will result in prosecution - <b>Key Driver Environmental Legislation</b>
8 Restore Leominster Landfill Site	710	210	500			This work should have been undertaken progressively when the site was operational and is therefore 8 years overdue. Proposals have to be agreed by the Environment Agency. It is thought that the approach taken, involving some modern experimental restoration in co-operation with the Agency will be the least expensive and give the longest time to complete the work.
9 Crematorium	3,050	450	800	1,800		<b>Key Driver Environmental Legislation</b> Legal requirement to comply with emissions legislation together with a robust business need to improve facilities.
19 Aylestone Park - Canal Safety	166	166				<b>Key Driver Environmental Legislation specifically re emissions</b> To remove contaminated silt from the section of the Herefordshire & Gloucestershire Canal that is included in the Aylestone Park and to treat the removed material so that it can be reused on site. Need to progress with works on the site to prevent legal action following previous CPOs - <b>Key Driver Environmental Legislation</b>
<b>Total Bids with legal requirement</b>	<b>4,276</b>	<b>1,176</b>	<b>1,300</b>	<b>1,800</b>	<b>-</b>	
<b>Total Priority Bids plus brought forward Allocations</b>	<b>8,594</b>	<b>3,631</b>	<b>2,113</b>	<b>2,850</b>	<b>-</b>	
Indicative Funding Available	15,000	5,000	5,000	5,000	-	
SCE(R) Available for Allocation	375	125	125	125		
<b>Unallocated Resource</b>	<b>6,781</b>	<b>1,494</b>	<b>3,012</b>	<b>2,275</b>	<b>-</b>	

**2005/06 SCHEME SELECTION & PRIORITISATION BIDS  
FOR FURTHER CONSIDERATION**

		05/06	06/07	07/08	08/09		
	Total	£'000	£'000	£'000	£'000	Reason for Bid	
1	Energy Conservation Infrastructure	660	220	220	220	This initiative enhances the value of our premises and ensures better asset management. In the case of Education schools get the benefit of lower energy consumption. However as fuel costs are increasing a projected 30% in the next few years' consumption will go down but costs will go up. Possibility of significant external funding.	
			<b>Key Driver Carbon Management Plan</b>				
5	Improvements to Toilet Facilities	858	215	401	110	132	Planned programme to improve facilities, reduce anti-social behaviour associated with toilets and improve the image of visitors to Herefordshire.
			<b>Key Driver Property Best Value Review</b>				
14	St Katherine's, Ledbury - INFO shop, Library & TIC	1,980		860	950	170	The project is to restore the medieval Masters House, an important listed building in the town of Ledbury, and ensure its setting is appropriate for the heritage significance of the building and the surrounding area. It will enable the restoration of the building in a sympathetic manner to English Heritage standards, whilst providing 21st century facilities for the people of Ledbury. Objective is to restore the building to enable the delivery of Council Services, including library, info shop and Tourist Information Centre; access for community and voluntary organisations to use rooms for service delivery and meetings; development of a tourist attraction which will enhance the town centre of Ledbury through provision of displays, exhibitions and information.
			<b>Key Drivers Strategic Improvement Plan for Ledbury and Herefordshire Council Customer Service Strategy</b>				
15	Relocation Ledbury Library	53	53			The project is to relocate the library service from the current leased accommodation (Barrett Browning building) into vacant space at St Katherine's. This will offer full access to services for disabled customers and allow the Customer Services, Libraries & Information division to provide a single point of access for local people to both library and INFO in Herefordshire services. Objective is to ensure that library services in Ledbury are fully accessible to disabled users and that the Council meets the minimum requirements of the Disability Discrimination Act and significantly reduces any risk of prosecution. Relocation into St Katherine's allows the CSLJ division to operate a single integrated facility with reduced running costs.	
			<b>Key Drivers Herefordshire Council Customer Service Strategy and Herefordshire Library Strategy</b>				
17	Kington Library Refurbishment	535	535			To refurbish the Kington Library and to bring the Kington INFO Shop into the facility to provide an integrated front line council service in Kington. To increase the use of both services by this integrated approach and to provide a flexible community space for local and voluntary groups within Kington.	
			<b>Key Drivers Herefordshire Council Customer Service Strategy and IEG Statement &amp; Modernisation Programme</b>				
	C/Fwd	4,086	1,023	1,481	1,280	302	

## APPENDIX 4 (CONT)

		Reason for Bid			
		05/06	06/07	07/08	08/09
		£'000	£'000	£'000	£'000
<b>B/Fwd</b>					
16	Friar Street	4,086	1,023	1,481	1,280
				387	223
22	Contact Centre	1,500	750	750	
6	Accommodation Project	3,400		1,700	1,700
23	ICT Network Requirement	2,000		2,000	
7	Streitton Landfill - Replace Flare	55	55		
	<b>Total bids for further consideration</b>	<b>11,722</b>	<b>1,899</b>	<b>6,318</b>	<b>3,203</b>
					<b>302</b>
	<b>Residual Prudential Borrowing available</b>	<b>6,781</b>	<b>1,494</b>	<b>3,012</b>	<b>2,275</b>
	<b>Excess over Indicative Funding Available</b>	<b>4,941</b>	<b>405</b>	<b>3,306</b>	<b>928</b>
					<b>302</b>

Significant external funding but not considered a corporate priority, Key Driver Cultural Consortium Action Plan

Possible sites currently under evaluation

Future years bid for further consideration

Future years bid for further consideration

The existing landfill gas flare is of poor design and does not burn the gas at the correct temperature to ensure the products of combustion are safe. A new flare would comply with the current Environment Agency guidance on landfill flares.

**2005/06 SCHEME SELECTION & PRIORITISATION BIDS  
BIDS FUNDED THROUGH REVENUE ALLOCATION**

	Total 05/06/07 07/08/08/09 £'000 £'000 £'000 £'000 £'000	Reason for Bid
11 4 x Minibuses (Revenue to meet financing costs)	97 97	Required for service provision. Prudential Borrowing recommended as an alternative to leasing. <b>Key Driver Community Care Plan and Children's Service Plan</b>
12 Holistic Resource at St. Owens (Rev to meet financing costs). Cost is £83,000, part funded by £74,000 capital receipt.	9 9	To extend the therapeutic activities already available at St. Owens to satisfy additional demand identified from the pilot scheme. Building alterations are needed to install a dark room, upgrade personal care rooms and provide a new chemical dosing system. Sum required is net of £74,000 funded from Capital receipts.
18 Queenswood Car Park (Revenue to meet financing costs)	137 137	To improve the quality, safety and quantity of car parking available at Queenswood Country Park by installing hard surface and proper drainage system to main car park. Stabilising/replacing existing hard entrance surfacing. Expanding the number of car parking spaces available in the "woodland car park area". Installing updated and improved signage of car parking and facilities. Objective is to remove ongoing Health & Safety problems of potholes and unstable car park surface caused by increasing number of private vehicles and coaches using the car park to visit Queenswood Country Park. To minimise illegal/dangerous parking on A49(T) currently taking place at peak use times. To ensure visitors can easily locate parking and facilities (e.g. mobility impaired and motorcycle parking areas) by installation of appropriate signage. It is proposed that income from parking fees will be used to meet capital financing costs.
20 2 x Mobile Libraries	180 180	Required for service provision. Prudential Borrowing recommended as an alternative to leasing.
<b>Additional Requirement</b>	<b>423 423</b>	

## APPENDIX 6

### CAPITAL RECEIPTS RESERVES POSITION AS PER NOVEMBER 2005 MONITORING

	Balance at 1 April 2004	Movement	Balance at 31 March 2005
	£	£	£
Education	50,546		50,546
Social Care	121,953	(35,000)	86,953
Policy & Finance - Property	10,122	(2,000)	8,122
Policy & Finance - General		(11,000)	(11,000)
Policy & Finance - ICT Services			
Environment General	(45,875)		(45,875)
Social Development	28,350	39,951	68,301
Economic Development	823,156	(1,033,524)	(210,368)
Housing - HRA			
Strategic Housing	12,988,681	(2,338,539)	10,650,142
Corporate Capital Receipts Reserve	5,987,221	(1,124,066)	4,863,155
	<u>19,964,154</u>	<u>(4,504,178)</u>	<u>15,459,976</u>



## REVENUE BUDGET 2005/06

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH FEBRUARY, 2005

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#### Wards Affected

County-wide.

#### Purpose

To formulate Cabinet's recommendations to Council on the budget for 2005/06 and the associated level of Council Tax.

#### Key Decision

This is not a key decision. The final decision will not be taken by Cabinet but by Council at its meeting on 11th March, 2005.

#### Recommendation

**THAT Revenue Budget proposals for 2005/06 be finalised and decisions taken on the consequent level of Council Tax for recommendation to Council.**

#### Reasons

To agree a recommendation to Council.

#### Considerations

1. As its meeting on 27th January, 2005, Cabinet considered the recommendations of the Budget Panel regarding the parameters for preparation of the Revenue Budget for 2005.
2. The following paragraphs detail the information reflected in the report considered by Strategic Monitoring Committee as a basis for commenting on the budget proposals prior to a final recommendation from Cabinet to Council. The recommendations of Strategic Monitoring Committee are contained in paragraph 42.

#### **Aligning the Medium Term Financial Plan to the Corporate Plan**

3. The Council has recognised the importance of forward planning and has adopted key principles, to be reflected in budget considerations, within a Medium Term Financial Framework. Building on this approach, further work has been undertaken to develop a Medium Term Financial Plan for the period 2005/06 to 2007/08.
4. Cabinet recently agreed the Council's Draft Corporate Plan ('the Plan') for the period 2005-08. The Plan clearly sets out the Council's priorities and its direction of travel over the next three years. The Medium Term Financial Plan (MTFP) performs a vital

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Further information on the subject of this report is available from Neil Pringle, the Chief Executive on (01432) 260044 or Ian Hyson, County Treasurer on (01432) 260235

role in resourcing the Corporate Plan and, in particular identifies unavoidable spending pressures and the potential impact on council tax.

5. The savings figure in future years within the MTFP is based upon limiting council tax rises to broadly Government guidelines and provides a guide to the level of resources the Council has available to deliver its priorities within the Plan. There are a number of important factors to be highlighted. There is highly unlikely to be any significant headroom in the budget over the period of the MTFP given:
  - the restrictions in raising revenue locally through capping, particularly in 2005/06.
  - the requirement to identify cash efficiency savings following the Gershon Review.
  - the ongoing pressures in the funding of care for older people and waste disposal and, the continued support for Education in line with Government targets.
6. It is imperative, therefore, for the corporate savings initiative to continue through the Service Improvement Programme (SIP); corporate procurement and reducing base budgets in line with the priorities set out in the Corporate Plan. Appendix 1 details the budget reductions agreed by Cabinet at its meeting on 27th January, 2005.
7. The constraints within the MTFP demonstrate the need for flexibility in how the priorities within the Plan are funded. Three specific ways of doing this are;
  - the LPSA Performance Reward Grant will be received over the next two years and this is shown as funding improvement in Herefordshire Partnership priority areas.
  - the use of capital investment through both prudential and supported borrowing and this needs to be reflected in the capital strategy.
  - the prudent use of reserves and the flexibility accorded by the one-off changes in the current year's settlement to manage base revenue budget fluctuations over the medium term.
8. A number of priorities emerged from last year's budget considerations with a number of principles being established in setting the current year's revenue budget and the MTFP. These are as follows:
  - (a) The underlying principle of the medium-term financial strategy is that the Council would intend to maintain the real purchasing power of current revenue budgets throughout the life of the plan period.
  - (b) An acceptance that the Education budget will largely be driven by a national agenda which has seen investment in Education above the level of inflation throughout the life of this Council. The emphasis within that investment is on passporting cash to schools. The Council wish to support that approach whilst recognising that that does create difficulties for funding central support for schools, particularly in a Council with Herefordshire's characteristics.
  - (c) There will be a need to continue to strengthen the Social Care budget through the medium-term financial plan period if the Council is to maintain

improvement in this key area of its performance. This is particularly true in the area of care for older people where the Council spends significantly below its FSS.

- (d) The Council has been postponing investment in Information and Communications Technology (ICT), partly because of its poor and inconsistent inheritance but also because of the difficulty of making judicious investment in those areas based on the occupation of existing accommodation. Investment cannot however be further postponed without the Council risking failure in the way it works and delivers services to the public.
- (e) The Council needs to address its performance in relation to highways, transport, planning and waste. This will require prudent investment and the generation of that investment may require the Council to support significant changes in the pattern of provision.
- (f) There is a need to continue to resource activity, which is of direct benefit to the community. Past inspections have led to criticism of levels of investment in adult learning and libraries. The Council needs to maintain resources for these services if it is to continue to offer them. If it is unable to maintain those minimum levels of service then it needs to consider in some cases whether to continue to maintain the services at all in some areas.
- (g) The Council needs to continue to strive for efficiency. It would be foolish to pretend with an organisation of the size of the Council, delivering the range and breadth of services that it does, always maintains 100% efficiency. There is however a recognition that the amount which can be driven out by traditional approaches to improving efficiency are unlikely to be sufficiently significant to support the Council's medium-term financial plan. Cabinet has therefore agreed to look at two specific projects as an alternative to traditional approaches to economies and efficiencies. These approaches are now embodied in the work through the Service Improvement Programme and Procurement initiatives. That is not to say, however, that the traditional approaches would not continue.

The Service Improvement Programme (SIP) - this programme is intended to take a fundamental look at the way in which the Council operates. It will seek to address the prospects for savings by entirely changing operational process. It is believed that there are significant opportunities for efficiency savings. Cabinet has agreed in principle to pursuing this approach, ensuring that savings generated are freed to support the Council's MTFP rather than individual Directorate and Departmental activity.

- (h) Accommodation - the Council's current occupation of accommodation is inefficient both in terms of the actual occupation of space but also in terms of maintenance and loss of staff time. Again Cabinet has approved in principle a process for managing the accommodation requirements of the Council in a way that will be at least cost neutral and hopefully over the planned period will make a modest revenue return for reinvestment.
- (i) In addition, Cabinet considered the extent it wishes to resource any additional borrowing required as a consequence of the Prudential Guidelines. The MTFP reflects a provisional spend of £5,000,000 per annum. The position will be reviewed annually.

9. The 2004/05 Revenue Budget substantially reflected these principles despite capping. In the light of the funding constraints now faced, however, the above principles have been revisited in Budget Panels over the last two months with a realisation that levels of revenue investment anticipated (i.e. £7,000,000 in total less £1,800,000 invested in 2004/05) may not be able to be maintained in all areas. The following paragraphs highlight the key issues for Cabinet's consideration.

## **Aligning the Medium Term Financial Process to Budget Policy**

10. In determining its budget policy, the Council will need to take into account immediate factors outside the MTFP. These include:
- (a) the need to protect the Council's financial reputation, managing and highlighting potential risks to the medium-term financial strategy both in terms of the forthcoming annual budget but also into future years.
  - (b) continuing to learn from the monitoring of the current year's financial performance translating that practical experience into amendments to the budget for the forthcoming year. This requires an examination of both overspends and underspends although clearly overspends represent a greater risk.
  - (c) assessing the Government's financial settlement for the forthcoming year but also seeking to anticipate trends over the medium-term financial plan period.
  - (d) the level of the Council's general reserves and balances.

## **National Outlook**

11. Prior to considering local priorities, as reflected in the Corporate Plan and associated MTFP, it is important to give consideration to the national outlook. The CSR 2004 sets out the Government's resource forecasts for local government for the three-year period 2005/06 to 2007/08. A detailed report has been considered by Cabinet but the following aspects are worth reiterating:
- Continued direction of resources towards Education and Social Care.
  - Expectation of cost effectiveness savings to redirect to other service pressures (Gershon).
  - Real terms reduction in Highways funding.
  - Possible three-year settlements from 2006/07.
  - Direct funding of schools.
  - Transfer of Preserved Rights Funding Social Care to Review to mainstream FSS. (This transfer into the national funding stream is likely to result in a significant loss of revenue to the Council).
  - The Balance of Funding Review led by Sir Michael Lyons, is due to report in December 2005 although it is too early to speculate on changes to the way local authorities are funded.

A summary of the Revenue Support Grant Settlement for 2005/06 is contained in Appendix 2.

## Status and Risks

12. Clearly the need to avoid capping is critical in the determination of the level of council tax for 2005/06 and predictably also in future years. However, it is also vital that the Council has regard to the risks faced, both in terms of impact on service delivery and its status and reputation, in determining its MTFP. The following paragraphs highlight the major issues to be considered.
13. The Council has maintained its steady improvement with regard to the Audit Commission's Corporate Performance Assessment (CPA) and the recent CPA announcement sees the Council consolidate its position as a "Good" authority. Based on its current plans, Herefordshire was judged to be well placed to continue to improve the services it provides to local people. The Council has made progress on its service score for Environment but fallen back in its score for Education and Social Care (Children and Young People). The Council currently enjoys the maximum score for the "Use of Resources" and for this to continue, particularly having regard to the new CPA methodology for 2005 onwards, resources will need to continue to be directed in support of the Council's priorities
14. The CPA methodology is changing from 2005 onwards and, whilst still subject to consultation, is almost certain to involve the attainment of higher standards to maintain the Council's current classification. The Auditor's judgement, as currently proposed, will offer stronger judgements on financial planning and management, internal controls and financial standing. The mechanisms the Council has used to consult on and determine the level of resources will also be considered. The current development of the Corporate Plan and associated MTFP will be critical factors in the CPA and the Council will, therefore, need to ensure that resources continue to be directed accordingly.
15. The Council does, however, face significant risks in the following areas over the medium term.
  - (a) The Social Care budget, which without ongoing investment would place the Council at risk with increased expectation, increasing number of clients and increased exposure to challenge. Continuing to press for the adoption of the 2001 census data is an important element of mitigating that challenge.
  - (b) The difficulty of estimating the escalating costs of waste disposal and collection. There are a number of actions such as the need to re-negotiate the Waste Disposal PFI contract and the pressure of ever-increasing volumes of waste, coupled with the annual increases in landfill tax. There is also the cost of recycling, particularly in a scattered rural community. The standstill budget reflects the costs associated with anticipated increases in waste volumes and a provisional allowance for increased costs.
  - (c) There is a need to address issues of levels of performance within Social Care (Children and Young People) which contribute to the annual star rating. This will now be reflected in the Joint Area Review of Children's Services.
  - (d) In relation to other service areas, national targets and standards, which are subject increasingly to a variety of inspection regimes, do have to be met, both in the short and medium-term. They require either a realistic budget provision or for the Council to formulate a strategy for dealing with the non-achievement of those targets.

- (e) Regarding the late additional funding provided in this year's settlement, it is asserted that it is highly unlikely that they will be made available next year. If not, that would place a further significant pressure on council tax in 2006/2007 and beyond.
  - (f) The Council is embarking on a major budget reduction exercise including SIP and Procurement savings. Significant reductions in budgets reduces the capacity to manage unforeseen budget pressures in year.
  - (g) Lack of affordable housing is impacting on spending on homelessness and may continue to put pressure on limited resources.
  - (h) Revenue Support Grant Clawback - the issuing of annual amending reports by the Office of the Deputy Prime Minister (ODPM) creates the potential for retrospective clawback of RSG as a consequence of changes to other authorities' data.
  - (i) The markets supplying residential care and public transport increasingly require increases in charges/subsidy beyond inflation or services are withdrawn.
  - (j) Significant reductions in the Supporting People Grant are anticipated over the period of the Medium Term Financial Plan.
16. As previously reported Section 25 of the Local Government Act 2003 requires the County Treasurer to report to the Council when it is determining the budget and council tax each year. The County Treasurer is required to give professional advice on those two elements which are inter-dependent and must be considered together. Decisions on the appropriate level of reserves must be considered in the context of risk and uncertainty, with decisions ultimately guided by advice based on an assessment of all the circumstances considered likely to affect the Council. Paragraphs 17 and 18 below reflect this requirement.
17. The County Treasurer, in considering the robustness of the estimates reflected in the budget and the adequacy of general reserves, has taken into account the following factors:
- **Realism of budget provision for:**
    - Pay awards and price increases.
    - Income, particularly that of a volatile nature.
    - Demand led services, most notably but not exclusively within Social Care and Waste Management.
  - **Financial management arrangements currently in place including:**
    - Revenue and Capital monitoring and reporting procedures.
    - Treasury Management best practice.
    - Income collection and debt management procedures.
    - Specific provisions and estimated reserves.

- Financial control procedures and internal audit reviews.
  - Risk management and contingency planning procedures.
  - **External influences**
    - Potential claims against the Council.
    - Changes to Revenue Support Grant funding.
    - Economic considerations.
    - Major unforeseen events or emergencies.
18. Having regard to the foregoing paragraphs, the County Treasurer is satisfied that the budgets proposed are realistic and the level of reserves are adequate having due regard to the proposed application of reserves reflected in paragraphs 19-28 below.

**The Current Year's Budget and Accumulated Reserves and Balances.**

19. A key factor linking the Council's budget and risk is the level of the Council's general reserves. An estimate of the position on reserves as anticipated at 31st March, 2005 is set out in Appendix 3.
20. The main features arising from this year's revenue budget which are relevant both in terms of the MTFP and the 2005/06 Budget specifically are:
- Demographic demand for older people's services.
  - Waste Management – increasing costs and volumes.
  - Reducing income – industrial estates and commercial property.
  - Pressures on the homelessness budget.
  - ICT Investment
  - Grounds maintenance – adopted land etc.
21. The estimated level of general reserves at 31st March, 2005 is £5,000,000, i.e. £2,000,000 in excess of the minimum level of £3,000,000 approved by Council. Whilst the position will need to be reassessed on the basis of any further emerging issues and the Council's final budget proposals, the County Treasurer advises that a figure of £3,000,000 represents a valid and prudent reserve to maintain. A sum of £2,000,000 is, therefore, available on a one-off basis to support the Council's overall budgetary position. Once again, previous advice is reiterated that such a sum should not be used in support of ongoing revenue expenditure, not least having regard to the impact on future years' council tax rises.
22. In addition to the sums represented above, it is forecast that the Council will retain some £1,100,000 as a consequence of underspendings resulting from delays in implementing revised Waste Disposal PFI contractual arrangements come the end of the financial year. Current indications from negotiations point to significant increases in costs, at least over the next few years, which although consistent with projections reflected in the MTFP would adversely impact on council tax, potentially by up to 1.5% - 2% from 2006/07 onwards. It is, therefore, recommended that the

accumulated underspend is utilised to even out the call on the budget for the three-year period 2005/06 to 2007/08.

23. The overspending predicted for Social Care and Property Services are two areas which give rise to some concern despite ongoing efforts to contain expenditure within budgetary limits.
24. With regard to Social Care the significant efforts made in 2003/04, which saw the overspend reduce to £253,000 have been confounded by emerging pressures during the current year. It seems likely that, despite the rigorous management action applied to mitigate the position, an overspend in excess of £750,000 will result.
25. The position regarding Property Services has developed over the last few years as rent reviews and other factors has seen income levels fall. Additional resources of £197,000 provided as part of the 2004/05 budget has stabilised the position but an accumulated deficit come the year end of some £450,000 is anticipated. The Director of Environment had proposed reducing property maintenance by £200,000 a year as a means of addressing the position over the medium term.
26. Managing down these overspends against the backdrop of tight budgetary constraints over the period of the MTFP presents a significant challenge. Cabinet has therefore supported the proposition that, given the relatively healthy position reported, general reserves are utilised to reduce the overspend to be carried forward at least in part. Clearly such an approach must be viewed as exceptional given the Council's current policy of carrying forward both over and underspending as detailed in financial regulations. The position will be reviewed in the light of the final outturn for Services at the end of the financial year.
27. A further issue requiring consideration in the context of the Council's available reserves is the implementation of the Children Act 2004. The appointment of an interim Director of Children's Services paves the way for the realignment of service provision within the Social Care and Education directorates. The process will require dedicated resources additional to those currently available, to develop a clear rationale for likely change and to implement new systems, procedures and staffing structures. The Director is currently preparing a report for Cabinet consideration and at this stage additional one-off costs in the order of £250,000 are anticipated over the next two years. Cabinet has also supported the proposal for this one-off cost to be met from reserves.
28. Finally, with the pressures of job evaluation and the need for Human Resources support for major change programmes, there is the opportunity to provide temporary financial support for the Human Resources Division prior to Cabinet considering final proposals for the structuring of that Division.

### **Standstill Budget**

29. A key component of the Council's budgetary process in recent years, endorsed by Council last year in adopting the MTFP, has been the maintenance of the real terms purchasing power of current revenue budgets. In essence, this is the impact of inflation for pay and prices on current budgets over the life of the planned period.
30. The standstill budget takes account of this anticipated inflation together with unavoidable commitments, either known or anticipated, of a corporate i.e. council-wide nature. Account is also taken of changes to the budget required as a result of the transfer of funding between mainstream RSG funding and Specific Grants (e.g. Preserved Rights Grant). The position reached is the total cost of



providing current levels of service before taking into account service pressures, budget reductions or any other policy decisions. Standstill budgets for 2005/06 to 2007/08 are reflected in Appendix 4.

31. Government funding through the Revenue Support Grant (RSG) mechanism is then taken into account to arrive at the council tax required to meet the approved level of spending.
32. The net standstill budget for 2005/06 is £184,697,000 which, after RSG and Collection Fund surplus of £117,942,000, leaves a sum of £66,755,000 to be funded by council tax. The figure is before taking into account development pressures, e.g. Social Care and ICT and before any budget reductions and generates an increase in council tax of 4.0%. The increase now reflects the small change in RSG provided in the final settlement.

### **Council Tax Capping 2005/06 and Beyond.**

33. The prospect of Government using their capping powers remains a very real possibility for authorities deemed to have 'excessive' rises in Council Tax. The following paragraphs highlight key elements emerging from the Revenue Support Grant Settlement particularly the potential impact in 2006/07.
34. As detailed earlier in this report, and reported to Cabinet on 16th December, 2004, the provisional local government finance settlement issued by the Office of the Deputy Prime Minister on 2nd December, 2004 was significantly better than that which could have been predicted from the CSR 2004 announcement in July. Those improvements, followed intensive negotiation between the Local Government Association (LGA) and Government over the intervening period. Whilst that relief is welcomed, as reported to Cabinet on 16th December, 2004, on the face of the announcement, there was the clearest possible indication that £3 million of the additional monies made available in support of the current year's settlement will not be repeated in 2006/07. There has been further opportunity to examine the detail and it is clear that applies both to the sum of £1.5 million addition made available through the late changes to the settlement and also to the proposal to postpone the technical adjustment in relation to the preserved rights expenditure (Social Care) which is currently funded by specific grants where the intention remains to transfer this into mainstream FSS funding, which may disadvantage Herefordshire to the tune of £0.8 million. There is, therefore, a total potential impact on the 2006/07 budget of £2.3 million. The final settlement, announced on the 27th January, 2005, showed a marginal improvement on the provisional settlement.
35. There remains the possibility that as in the current year, there will be adjustments made to the underlying CSR 2004 announcement in relation to 2006/07 but the current very clear message is that similar adjustments next year are not in contemplation.
36. The other important factor to which to draw attention and which is easily overlooked as part of the Government's announcement, is that part of the additional monies made available is expected to be applied to drive down still further the levels of council tax which will need to be levied. The average national figure to which the Government is making reference in its announcements is 3.7% but employing exactly the same method of calculation for Herefordshire's own position then the predicted council tax increase in Herefordshire would be some 4.8%. Before the council tax is set in March, it will be important to look at the council tax rises being generated within the region, to look at those being generated by similar County authorities and to look at those being generated by similar Unitary authorities. Early indications are

that council tax increases are more likely to be in 4% - 4.5% range and it clearly is a priority for the Council to avoid any risk of “capping” in the forthcoming financial year. At the same time, it is important particularly given the one off nature of much of the additional assistance in the current financial year, that the Council maintains the highest possible base because that will give the maximum flexibility in dealing with the challenges which are clearly set out in the supporting Appendix 4.

### Budget Recommendations to Council

37. Cabinet has established the following key principles to be applied in the setting of the Budget for 2005/06 and the associated level of Council Tax.

- The very real possibility that RSG will be significantly reduced in 2006/07.
- The consequential need to deliver budget reductions as reflected in Appendix 1.
- The need to provide additional resources for Older People Services and ICT in the total sum of £1m.
- The need to secure Service Improvement Programme and Procurement Savings.
- The need to resource Invest to Save initiatives, including accommodation rationalisation, the service improvement programme and other measures which will generate economies to assist in minimising the impact of grant reduction in 2006/07 and beyond.
- An increase in Council Tax of between 4% and 4½%.

38. The position may be summarised as follows on the basis of a 4% increase in Council Tax.

	<b>£000</b>	<b>£000</b>
Standstill budget reflected in Appendix 4.		184,697
Older Peoples Services and ICT		1,000
Budget Reductions	(3,056)	
Invest to Save provision	2,048	(1,008)
Total budget requirement		<hr/> 184,689 <hr/>

39. Supporting schedules for each programme area are attached at Appendix 5.

40. The impact of the Children Act and the consequent appointment of the Director of Children’s Services requires a major restructuring of both the Education and Social Care Directorates, as referred to in paragraph 27. A comprehensive review of the

budget allocation between Adult and Children's Services will also be required. It is therefore inappropriate, at this stage, to make firm final decisions on the allocation of the additional £1,000,000 between Social Care and ICT services. A further report to Cabinet in the spring will provide the basis for the allocation of the additional budget provision.

41. Similarly, the allocation of the Invest to Save provision to priority initiatives will also require further consideration by Cabinet as proposals are put forward. Reports will also reflect progress on the attainment of Service Improvement Programme and Procurement savings which will add to the Invest to Save provision.

### **Recommendations of Strategic Monitoring Committee**

42. Cabinet will wish to consider the views of the Strategic Monitoring Committee following its meeting on 8th February, 2005. The Committee resolved as follows
  - a) the approach to preparing the 2005/06 revenue budget, as reflected in the recommendations of the Budget Panel as endorsed by Cabinet, be supported in principle, subject to the caveat that the assumptions made about the savings which it was expected could be achieved by efficiencies and other means needed to be viewed with caution; and
  - b) whilst recognising the Cabinet and Council needed to consider the budget in strategic terms it was important that all Members were provided with the detail of the proposed budget reductions summarised in Appendix 1 to the Cabinet report. (This information is now provided as part of an expanded Appendix 1).

### **Consultation Results**

43. The Council has again consulted widely on the budget utilising a range of approaches from public meetings to a representative survey of households across the County. Cabinet considered the results at its meeting on 27th January, 2005 and whilst recognising the difficulties inherent in public consultation, particularly when considering a detailed package of options, felt that the results were helpful in informing the Council's decisions over the period of the Medium Term Financial Plan.
44. The Research for Today survey also indicates that the majority of adults would be likely to favour a package which combines a relatively modest increase in Council Tax with, if necessary, targeted service reductions of up to £3,000,000.

### **Risk Management**

Due consideration of the budget is required to ensure that financial reserves are directed in accordance with the Council's policy objectives. Paragraphs 12-28 of the report detail strategic risk issues.

### **Consultees**

Budget Panel, Strategic Monitoring Committee, Local Area Forums and the general public.

### **Background Papers**

None identified.



## SUMMARY OF PROPOSED BUDGET REDUCTIONS

	<b>2005/06 £000</b>
<b>1 Environment</b>	
Environment General	
- Road Maintenance	730
- Other	140
Environment Regulatory	30
Environment Planning	400
<b>Total</b>	<b>1300</b>
<b>2 Policy &amp; Finance General</b>	
Policy and Community	214
Support Services (Human Resources)	30
Support Services (County Secretary & Solicitors)	136
Support Services (County Treasurers)	334
ICT (For reinvestment)	120
<b>Total</b>	<b>834</b>
<b>3 Policy &amp; Finance Property</b>	<b>205</b>
<b>4 Community &amp; Economic Development</b>	
<b>Social Development</b>	
Efficiency Savings	301
Strategic Options and further reductions	216
<b>Rural Regeneration and smallholdings</b>	
Efficiency Savings	66
Strategic Options and further reductions	50
<b>Economic Development Markets &amp; Property</b>	
Efficiency Savings	26
Strategic Options & further reductions	60
<b>Total</b>	<b>719</b>
<b>5 Education</b>	
Schools Budget (For reinvestment)	405
Outside Schools (For reinvestment)	270
Outside Schools (Corporate contribution)	300
<b>Total</b>	<b>975</b>

	<b>2005/06 £000</b>
<b>6 Social Care &amp; Strategic Housing</b>	
<b>Social Care</b>	
Childrens Services	
Efficiency & other Savings	204
Adult Services	
Efficiency & other savings	301
<b>Other Social Care</b>	
Efficiency and other Savings	329
<b>Total (for reinvestment)</b>	<b>834</b>
<b>Strategic Housing</b>	
Efficiency & other Savings	23
<b>Total</b>	<b>23</b>

#### **SUMMARY**

<b>Proposed Reductions</b>	<b>2005/06 £000</b>
<b>Environment</b>	<b>1300</b>
<b>Policy &amp; Finance – General</b>	
Support Services	500
Policy & Community	214
	<hr/> <b>714</b> <hr/>
<b>Community and Economic Development</b>	<b>719</b>
<b>Strategic Housing</b>	<b>23</b>
<b>Education</b>	<b>300</b>
<b>Total Proposed Reductions</b>	<hr/> <b>3056</b> <hr/>
<b>Contributions towards service development</b>	
<b>ICT</b>	<b>120</b>
<b>Social Care</b>	<b>834</b>
<b>Education</b>	<b>675</b>
<b>Property (Reducing overspend b/f)</b>	<b>205</b>

## BUDGET 2005/06

### PROGRAMME AREA - ENVIRONMENT GENERAL

			Proposed Reduction	
Service Area	Description	Current Budget Provision (£'000)	2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
Highways	Roads Maintenance	3,422	730	20% less road and footway resurfacing schemes carried
				out as more minor repairs have to be funded from capital
				Road condition improvement targets unlikely to be met.
				LTP rating reduction likely.
				Potential impact on CPA.
				An increased number of insurance claims.
				Increase in capital expenditure through Local Transport Plan allocations will offset the reductions in revenue funding in 2005/06 but may not continue in 2006/07 and beyond.
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>730</b>	

#### SERVICE PRESSURES

The FSS contains zero growth for highways maintenance in 2006/07 and 2007/08. Given that inflation is higher than average due to bitumen price rises as a result of oil price increases there will be a continuing reduction in service delivery.

It is intended to refocus funding within the Highways budget to enhance the streetscene initiative by an additional £100,000.

**BUDGET 2005/06**

**PROGRAMME AREA - ENVIRONMENT GENERAL**

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
b/f			730	
Highways	Public Conveniences	295	50	2 facilities closed earlier than proposed in Best Value Action Plans.
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>780</b>	

**SERVICE PRESSURES**

From April 2006 Rural Bus Subsidy Grant (£0.75m) and Countryside Agency support (£0.25m) for public transport ceases. Unless this funding is renewed or replaced the provision for public transport will be reduced by two thirds.



**BUDGET 2005/06**

**PROGRAMME AREA - ENVIRONMENT GENERAL**

			Proposed Reduction	
Service Area	Description	Current Budget Provision (£'000)	2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
b/f			780	
Waste	Waste Collection (Trade)	- 93	- 40	Increase charge for green waste bags in Hereford City.
				No impact on composting targets expected.
Other	Cemeteries	- 77	10	Increase in fees 15% .
	Crematorium	- 355	40	Increase in fees 9.5% overall
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>870</b>	

**SERVICE PRESSURES**

Waste collection will face a higher than inflation rate for the contract due to the contract index reflecting the increases in oil prices.

**BUDGET 2005/06**

**PROGRAMME AREA - ENVIRONMENT REGULATORY**

			Proposed Reduction	
Service Area	Description	Current Budget Provision (£'000)	2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
		b/f	870	
Landfill Sites	Contaminated Land	258	9	Less site works being carried out.
Trading Standards	Analysts fees	45	17	Less sampling overall.
Environmental Health and				
Trading Standards	Promotions	12	4	Reduced publicity for trading standards promotions
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>900</b>	

**SERVICE PRESSURES**

Liquor licensing is due to take effect from Spring 2005.

**BUDGET 2005/06**

**PROGRAMME AREA - ENVIRONMENT PLANNING**

<b>Service Area</b>	<b>Description</b>	<b>Current Budget Provision (£'000)</b>	<b>Proposed Reduction 2005/06</b>	<b>Key Performance Issues (to include summary of specific impact on performance measures and implications)</b>
		b/f	900	
Development Control	Fees incl 2004/5 additional	851	400	Maintain income with no impact on performance
	income carried forward			
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>1,300</b>	

**SERVICE PRESSURES**

A reduction in planning applications would mean less income.

## BUDGET 2005/06

### PROGRAMME AREA - POLICY & FINANCE - POLICY & COMMUNICATION

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction		Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06		
Policy & Communication	This includes the Head of Policy & Communication and secretary, plus the Policy development fund and corporate publications. Proposed reduction relates to the deletion of the vacant Secretary post.  Review of Herefordshire Matters.	230	20	50	The Director has commissioned a study to produce a business case. Production will be on a trading account basis. The figure at this stage is indicative within a range of £50k to £90k.
Public Relations	This team is responsible for media relations, information campaigns, media training/monitoring, internal communication, graphic design and corporate identity. Also includes the budget for Three Counties Show. Proposed savings are from non-attendance at Three Counties Show (£16k), issuing Core News Specials electronically (£2k) and miscellaneous small budget reductions (£2k).	195	20		Attendance at the Three Counties Show has promoted the County rather than the Council, but those promotional benefits can be achieved through other economic development/tourism initiatives.
Corporate Policy & Research	This service area is responsible for developing and supporting the achievement of the Council's strategic aims and objectives, and the provision of a research and intelligence service on a corporate basis. Proposed reductions include bringing Herefordshire Voice in-house (£5k) and staffing budget reductions - salary costs & non-replacement of admin post (£9k).	370	14		Review to be undertaken to identify essential corporate and partnership work and potential for rationalising work load and resources.
Information Security	This team was responsible for ensuring that appropriate levels of security maintained the confidentiality, integrity and availability of information. Reductions are proposed on the staffing budget. It is proposed to vire budget to fund the Senior Archivist post, which is currently funded until 31st March 2005 (£35k p.a.).	172 (35)	17		To address statutory requirements to ensure compliance with Freedom of Information Act.
	Virement to ICT for Information Security post.	(42)			Reflects need to address specific issues raised by Audit Commission.

(viii)

INFO	INFO provides access to Council and partner services through INFO shops and INFO Help points. The proposed reduction is the deletion of the project budget, initially set up for the Contact Centre.	782	82	An alternative use of this budget would be to pump prime the Service Improvement Programme.
All Policy & Community Directorate service areas in P&F (excluding ICT)	Non-application of inflation uplift for non-salary budgets	465	11	
<b>TOTAL TARGET SAVINGS</b>			<b>214</b>	

### SERVICE PRESSURES

Anticipated overspend on the CCTV budget in 2005/06 of at least £15,000. Further legislation e.g. the Licensing Act could result in pressure to move to 24 hr coverage. (Monitoring currently takes place Sun-Thurs 8am - 1am, Fri-Sat 8am-3am.) Discussions are planned with the Police and Town Councils regarding partnership funding.

Service reductions will need to be considered if additional partnership funding is not secured.

**BUDGET 2005/06**

**PROGRAMME AREA - Policy & Finance - Support Services (Human Resources)**

			Proposed Reduction	
Service Area	Description	Current Budget Provision (£'000)	2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
Human Resources	- Restructure	738	5	The savings identified above can be made without any serious adverse effect on the provision of HR services. The majority of the savings will be made from reducing transportation costs and the spend. The remainder will be made from staffing as the result of the ending of a supplies and services temporary contract of employment.
	- Running costs		25	
<b>TOTAL TARGET SAVINGS</b>			<b>30</b>	

## BUDGET 2005/06

### PROGRAMME AREA - Policy & Finance - Support Services (County Secretary & Solicitors)

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
Legal Services	Staffing review	795	46	Turnaround time targets may not be met.
	Additional income (CFA)		75	None identified
CSS Department support	Running costs savings	172	5	None identified
Members' Support and Members' Expenses	Promoting the cost conscious council	1,112	10	None identified
<b>TOTAL TARGET SAVINGS</b>			<b>136</b>	

#### SERVICE PRESSURES

There will continue to be service pressures on the CSS Department in relation to the following service initiatives required by legislative change including Freedom of Information Act, Local Government Act 2000 and the Licencing Act. .

**BUDGET 2005/06**

**PROGRAMME AREA - Policy & Finance - Support Services (County Treasurer's)**

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
Financial Policy & Audit, Accountancy and Exchequer Services	- Restructuring	1,703	51	Audit Commission place increasing reliance on the work of Internal Audit and require more Corporate Governance activity each year in accountancy terms. Increasing workload with reduced resources may impact on Auditors Scored Judgement, which feeds into the Comprehensive Performance Assessment scores for use of resources.
	- Running Costs		105	General economies but some reliance on improved network capacity to improve use of electronic forms for payment of expenses via Payroll. Failure would impact on capacity to maintain effective payroll service. No significant impact on key performance issues but eliminates capacity to absorb emerging pressures and resource replacement IT systems.
Revenues and Benefits	- Restructuring	908	152	May impact on efficiency of cash collection, including parking fines. Best Value Performance Indicators for Council Tax and Business Rates collection (BV9 and BV10) may be affected. Assumes continued progress in securing payment by direct debit etc rather than cash. Excludes savings anticipated in Benefits through the Service Improvement Programme.
	- Running Costs		26	No significant implications but affects capacity to absorb emerging pressures.
<b>TOTAL TARGET SAVINGS</b>			<b>334</b>	

**SERVICE PRESSURES**

General thrust to secure economies and more efficient service delivery i.e. Gershon Review will require evaluation and support. Move to 'Whole of Government Accounting' will result in additional workload. Increasing demands from enhanced CPA criteria.



## BUDGET 2005/06

### PROGRAMME AREA - Policy & Community - ICT Services

			Proposed Reduction	
Service Area	Description	Current Budget Provision  (£'000)	2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
ICT	Procurement - 5% reduction	300	15	} Need to reinvest in priority areas
	Software	10	5	
	Internet/Intranet	3	2	
	Telephone Costs - 5% reduction	26	2	
	Rental Reduction - suite 10	5	2	
	Staff Savings	2,400	53	
	Transport	43	2	
	Training	80	30	
	E Gateway Platform	9	9	
	Agency Recruitment Costs -	415	-	
	includes staff advert & relocation etc saving 15%	48	-	
	Loan			
<b>TOTAL TARGET SAVINGS</b>			<b>120</b>	

## BUDGET 2005/06

### PROGRAMME AREA - Policy & Finance - Property

Proposed Reduction

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
Property Maintenance	Planned Maintenance	1,203	200	A reduction in Property Maintenance would allow the ongoing Property budget deficit to be reduced over the next four years.
				Property maintenance would mainly consist of reactive and emergency works
				rather than planned maintenance.
				<b>Not required if reserves used to reduce deficit.</b>
Markets and Fairs	Fees and charges	200	5	An increase in charges of 2.5% above the rate of inflation ( 5% in total).Excludes Butter Market etc
<b>TOTAL TARGET SAVINGS (NET)</b>			<b>205</b>	

#### SERVICE PRESSURES

Repairs backlog will grow and could reduce the value of properties when sold in the future.

## BUDGET 2005/06

### PROGRAMME AREA - Social and Economic Development - Efficiency Savings

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction 2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
<b><u>Social Development</u></b>				
Cultural Services	Arts and Tourism Services including revenue support to Courtyard and operation of 7 TIC's. Reductions include non-replacement of vacant posts.	1,347	30	
Heritage Service	Management of County heritage collection, operates 5 Heritage Centres/ Museums, education and community access, mobile museum. Reduction of provision for redundancies no longer required.	550	13	
Youth Service	Advice to young people, operation of youth and outdoor centres, outreach programmes, accreditation schemes. Reductions in youth worker hours.	917	18	Reduction in face-to-face youth work delivery with young people. Impact on ability to meet national standards and targets.
Leisure Client	Management fee to Halo for running of Leisure facilities. Leasing and maintenance costs. Reduction in the annual management fee.	1,400	25	Requires Halo to deliver same level of efficiency savings as Council.
External Liaison	Sports development, GP referral scheme, Play Development. Reductions in operating costs and promotion work.	300	3	
Directorate Support	Administrative support to Directorate. Deletion of vacant post	290	20	
Libraries	Ten libraries, 3 mobiles, Schools service, ICT systems and peoples network. Savings in marketing, stationery, ICT and staff costs, increased charges for schools and customers.	1,987	53	
Additional programme area saving	Freeze inflation on non-employee costs (adjusted for contractual payments)		89	
Additional programme area saving	Support for partnership activities that have reduced through re-negotiated arrangements.		50	
<b>SOCIAL DEVELOPMENT TOTAL TARGET SAVINGS</b>			<b>301</b>	

**BUDGET 2005/06**

**PROGRAMME AREA - Social and Economic Development - Efficiency Savings**

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
<b><u>Rural Regeneration &amp; Smallholdings</u></b>				
Herefordshire Partnership	Development and management of Herefordshire Plan and Partnership, policy and regeneration, Lifelong Learning. Reductions include savings in publications and events budgets.	538	11	May impact on ability to match-fund externally funded projects.
Community Regeneration	Support for community-led regeneration, town centre management, SRB and other funding. Reductions in operating costs.	350	13	
Additional programme area saving	Freeze inflation on non-employee costs (adjusted for contractual payments)		12	
Additional programme area saving	Budget for objective 2 project monitoring and record keeping costs no longer required as programmes wind down.		30	
<b>RURAL REGENERATION TOTAL TARGET SAVINGS</b>			<b>66</b>	
<b><u>Economic Development, Markets and Property</u></b>				
Business Support	Marketing Herefordshire worldwide to attract investment, support, advice, grants and workspace. Reduction through savings in operating costs.	417	10	
Community Regeneration	Support for community-led regeneration, town centre management, SRB and other funding. Reductions in contribution to Hereford City Partnership.	350	10	
Additional programme area saving	Freeze inflation on non-employee costs (adjusted for contractual payments)		6	
<b>ECONOMIC DEVELOPMENT TOTAL TARGET SAVINGS</b>			<b>26</b>	
<b>TOTAL SOCIAL &amp; ECONOMIC DEVELOPMENT SAVINGS</b>			<b>393</b>	

**SERVICE PRESSURES :**

Parks and Countryside - £100,000 shortfall in base budget resulting from adopted land, inflationary issues and Britain in Bloom costs.

## BUDGET 2005/06

### PROGRAMME AREA - Social and Economic Development Strategic Options and other Reductions

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
<b><u>Social Development</u></b>				
Cultural Services	Arts and Tourism Services including revenue support to Courtyard and operation of 7 TIC's. Reduction in Arts and Courtyard funding, closure of TIC's.	1,347	104	Subject to review of TIC leases and opportunity/capacity to accommodate in other buildings. Public increasingly using internet to research/book holidays. Courtyard capital grant repayment ends 04/05. Proposal needs to be considered in conjunction with scrutiny review.
Youth Service	Advice to young people, operation of youth and outdoor centres, outreach programmes, accreditation schemes. A detailed review of the service is underway. The savings assume closure of one large Youth Centre.	917	20	Failure to meet 4 key national standards and targets.
Parks and Countryside	Management and development of parks, open spaces and countryside sites, grant funding to AONB's. Introduce car parking charges at Queenswood Park.	1,238	25	Charges may deter visitors to Queenswood. Failure to achieve projected income would require budget reductions in other areas of service delivery e.g. play areas.
External Liaison	Sports development, GP referral scheme, Play Development. Cease cash contribution towards Connexions SLA for Youth Advocacy worker.	300	17	This is a statutory service. Education and Social Care will have to increase their contribution.
Leisure Client	Management fee to Halo for running of Leisure facilities. Leasing and maintenance costs. Introduce car park charges at Hereford LC.	1,400	-	Charges may impact on usage and Halo income streams. Potential conflict arising from users using retail car parks opposite.
Libraries	10 libraries, 3 mobiles, Schools service, IT systems and network. Reductions include closure of small libraries.	1,987	20	Would need to be undertaken in conjunction with review of mobile library services and other potential service options. Could impact on performance against library standards.
Community Regeneration	Voluntary sector grants - one-off grants and SLA's to strategic voluntary sector organisations. Reduction in one-off grants and associated officer time.	671	30	Includes suspension of one-off grants to voluntary sector. Would release approximately 1 FTE officer. Needs to be considered in the light of service improvement review findings which will be presented to Cabinet shortly.
<b>SOCIAL DEVELOPMENT TARGET SAVINGS</b>			<b>216</b>	

**BUDGET 2005/06**

**PROGRAMME AREA - Social and Economic Development  
Strategic Options and other Reductions**

<b>Service Area</b>	<b>Description</b>	<b>Current Budget Provision (£'000)</b>	<b>Proposed Reduction</b>	<b>Key Performance Issues (to include summary of specific impact on performance measures and implications)</b>
			<b>2005/06</b>	

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<b><u>Rural Regeneration &amp; Smallholdings</u></b>				
Herefordshire Partnership	Development and management of Herefordshire Plan and Partnership, policy and regeneration, Lifelong Learning. Reduction in Partnership development and promotional work.	538	50	May impact on ability to match-fund externally funded projects.
<b>RURAL REGENERATION TARGET SAVINGS</b>			<b>50</b>	

**BUDGET 2005/06**

**PROGRAMME AREA - Social and Economic Development  
Strategic Options and other Reductions**

<b>Service Area</b>	<b>Description</b>	<b>Current Budget Provision (£'000)</b>	<b>Proposed Reduction  2005/06</b>	<b>Key Performance Issues (to include summary of specific impact on performance measures and implications)</b>
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**BUDGET 2005/06**

**PROGRAMME AREA - Social and Economic Development  
Strategic Options and other Reductions**

			Proposed Reduction	
<b>Service Area</b>	<b>Description</b>	<b>Current Budget Provision (£'000)</b>	<b>2005/06</b>	<b>Key Performance Issues (to include summary of specific impact on performance measures and implications)</b>
<b><u>Economic Development, Markets and Property</u></b>				
Business Support	Marketing Herefordshire worldwide to attract investment, support, advice, grants and workspace. Reductions in support to outside bodies (Chamber, Business Link, Business Show).	417	60	Potential impact on business development opportunities in Herefordshire.
<b>ECONOMIC DEVELOPMENT TARGET SAVINGS</b>			<b>60</b>	



**BUDGET 2005/06**

**PROGRAMME AREA - Social and Economic Development  
Strategic Options and other Reductions**

<b>Service Area</b>	<b>Description</b>	<b>Current Budget Provision (£'000)</b>	<b>Proposed Reduction  2005/06</b>	<b>Key Performance Issues (to include summary of specific impact on performance measures and implications)</b>
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## BUDGET 2005/06

PROGRAMME AREA - EDUCATION - SCHOOLS BUDGET

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
<b>Individual Schools Budget</b>		61,658		
	Changes in pupil numbers		33	Maintaining the viability of small schools
	School Closure		35	providing rich educational opportunities for pupils
	Revision of SEN Allowance		137	
<b>Other Schools Budget</b>		11,289		
	Nursery Places		200	Reduced take up of places
<b>TOTAL TARGET SAVINGS</b>			<b>405</b>	

Savings reinvested within Schools Budget.

## BUDGET 2005/06

### PROGRAMME AREA - EDUCATION - BUDGET OUTSIDE SCHOOLS

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction 2005/06	Key Performance Issues (to include summary of specific impact on performance measures and implications)
<b>Costs outside Schools Budget</b>		11,107		
	Schools computer support		20	Provision of high quality support services
	Awards and Grants		50	Enabling students to benefit from Post-16 learning opportunities
	Net Efficiencies in school transport		300	Provision of cost effective services
	Gershon savings		100	Provision of cost effective services
	Other savings		100	Provision of cost effective services
<b>TOTAL TARGET SAVINGS</b>			<b>570</b>	

£270,000 reinvested

£300,000 additional corporate charges to Education contributing to budget reductions.

## BUDGET 2005/06 - 2007/08

### PROGRAMME AREA - SOCIAL CARE AND STRATEGIC HOUSING- SOCIAL CARE

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and
			2005/06	
<b>Children's Services</b>		8,789		
	Resultant reduction in agency placements		174	Improvements, dependent on funding the recruitment of more local foster carers, in performance indicators on qualifications/unit costs/life
	Transport costs		30	Best Value review of transport-reduced costs/no. of journeys-children
<b>Adults Services</b>		24,390		
	Reduced traditional day care		50	Best value review leading to reduced cost of day care and increased take up
	Procurement in adult social care		221	Government requirement for efficiencies on adults commissioning
	Transport costs		30	Best Value review of transport-reduced costs/no. of journeys-adults
<b>Business Services</b>		1,984		

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<b>Other Social Care</b>		582		
	Information system/ service improvements		120	Increased joint working/improved service to the public
	Managing sickness absence		162	Reduction in no. of days lost and resultant savings in costs of temporary
	Other Procurement		47	Increased efficiency in procurement not identified above
<b>Social Care overspend b/fwd</b>		245		
<b>NET RE-INVESTMENT SHOWN CUMULATIVE</b>		35,990	<b>834</b>	

#### SERVICE CHALLENGES

Continuing improvement in Older People's Services and addressing demographic demand

Resource pressures on Learning Disabilities and challenging traditional services

Making progress on Children's Agenda across services

Developing Family Support

Managing demand across all user groups whilst giving choice and developing direct payments options

Building the right workforce to support changes and improvements

Resource pressures as a result of the financial gap between growth in NHS resources, required efficiency/gershon savings

Reduced government funding for Preserved Rights and Residential Allowance.

**BUDGET 2005/06 - 2007/08**

**PROGRAMME AREA - SOCIAL CARE AND STRATEGIC HOUSING-STRATEGIC HOUSING**

Service Area	Description	Current Budget Provision (£'000)	Proposed Reduction	Key Performance Issues (to include summary of specific impact on performance measures and implications)
			2005/06	
<b>Strategic Housing</b>		1,380		
	Information system/ service improvements		5	Increased joint working/improved service to the public
	Managing sickness absence		6	Reduction in no. of days lost and resultant savings in costs of temporary
	Other Procurement		12	Increased efficiency in procurement
<b>NET INVESTMENT SHOWN CUMULATIVE</b>		1,380	<b>23</b>	
Made up of				
Efficiency and other savings Strategic Housing in year			23	
Plus change in base budget from previous year(s)			n/a	
<b>NET INVESTMENT SHOWN CUMULATIVE</b>			<b>23</b>	

**SERVICE CHALLENGES**

- Making progress on the affordable housing gap and homelessness (will require capital investment estimated at £5.3m in 2005/06)
- Ensuring the Supporting People grant allows sustained improvements
- Supporting improvement in Older People's Services and addressing demographic demand
- Building the right workforce to support changes and improvements
- Resource pressures, required efficiency/gershon savings

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NATIONAL POSITION (£m)	2004/2005 (LGFS) Adjustments	2004/2005 Adjusted Base	2005/2006 (LGFS)	'Real' Increase
EDUCATION	26,402	(16)	27,876	5.6%
PERSONAL SOCIAL SERVICES	12,427	367	13,567	6.0%
HIGHWAY MAINTENANCE	2,004	0	2,054	2.5%
E P C S	11,152	(46)	11,385	2.5%
CAPITAL FINANCING	2,387	0	2,847	19.3%
	<b>54,372</b>	<b>305</b>	<b>57,728</b>	<b>5.6%</b>
POLICE	4,355	0	4,554	4.6%
FIRE	1,848	0	1,898	2.7%
TOTAL	<b>60,575</b>	<b>305</b>	<b>64,180</b>	<b>5.4%</b>

HEREFORDSHIRE POSITION (£000's)	2004/2005 (LGFS) Adjustments	2004/2005 Adjusted Base	2005/2006 (LGFS)	'Real' Increase
EDUCATION	84,054	0	87,980	4.7%
PERSONAL SOCIAL SERVICES	36,186	1,503	40,006	10.6%
HIGHWAY MAINTENANCE	8,665	(0)	8,760	1.1%
E P C S	36,603	(1,419)	36,037	(1.5%)
CAPITAL FINANCING	7,595	6	9,740	28.2%
	<b>173,103</b>	<b>90</b>	<b>182,523</b>	<b>5.4%</b>

Adjustments, nationally:

Education	Academies	Nil
Personal Social Services	Training Support Programme £161k Residential Allowances £719k Preserved Rights Grant £625k Social Care Inspection (£3k) <b>£1,503k</b>	(£242k) Nil £114k (£1,289k) (£3k) <b>£1,419k</b>
EPCS (Environmental, Protective & Cultural Services)	Magistrates Courts (£80.014m) Reservoir Act Duties (£0.146m) Civil Contingencies £36.901m Welsh Environment Agency Levies (£2.587m) Critical Ordinary Waterways (£0.585m) <b>(£46.430m)</b>	





## STATEMENT OF RESERVES AND BALANCES

	<b>£000</b>
<b>General Reserves (estimated March 2005)</b>	5,000
<b>Other Provisions and Reserves at 31st March 2004</b>	
<b>Schools delegated budgets</b>	6,845
Retained at discretion of governing bodies	
<b>Winter Maintenance Reserve (gritting)</b>	
Retained to even out year on year fluctuations	108
<b>Insurance</b>	
Set to meet future insurance excesses and uninsured loss (self insurance)	1,088
<b>Schools Balance of Risk</b>	
Internal insurance for schools	253
<b>Bad debts</b>	
Former Hereford and Worcester liabilities	82
<b>Maintenance of Open Spaces</b>	
Commuted lump sums utilised to meet additional maintenance liabilities	162
<b>Planning</b>	
Section 106 Agreements	78
<b>Initiatives Fund</b>	
To fund projects	227
<b>Miscellaneous</b>	
Other minor provisions retaining funds held for specific purposes	662



FRM	2005/2006			2006/2007			2007/2008			2008/2009		
	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000
<b>Base Budget</b>	175,320	84,008	91,312	184,697	87,960	96,717	195,029	93,963	101,066	205,003	99,601	105,402
<b>Inflation</b>	5,319	2,527	2,792	5,175	2,646	2,529	5,601	2,837	2,764	5,870	3,007	2,863
	<b>180,639</b>	<b>86,535</b>	<b>94,104</b>	<b>189,872</b>	<b>90,626</b>	<b>99,246</b>	<b>200,630</b>	<b>96,800</b>	<b>103,830</b>	<b>210,873</b>	<b>102,608</b>	<b>108,265</b>
<b>Other Items</b>	911		911	825		825	580		580	580		580
- Waste management - PFI Contract	(323)		(323)	0		0	0		0	0		0
- Transfer of Magistrates Budget	774		774	1,995		1,995	0		0	0		0
- Part transfer of Preserved Rights grant into FSS	620		620	764		764	0		0	0		0
- Incorporation of Residential Allowances into FSS	0		0	187		187	0		0	0		0
- Transfer of Children's Quality Protects Grant into FSS	161		161	0		0	0		0	0		0
- Transfer of Training Support Programme Grant into FSS	50		50	0		0	0		0	0		0
- Other PSS FSS Transfers	72		72	0		0	0		0	0		0
- Civil Defence Grant into FSS	125		125	0		0	0		0	0		0
- Edgar Street Delivery Vehicle	(1,503)		(1,503)	0		0	0		0	0		0
- Direct Funding of Env Agency Levy (Wales)	(30)		(30)	0		0	0		0	0		0
- LPSA expenditure (Youth Offending - one-off expend 2004/05)	(750)		(750)	(750)		(750)	0		0	0		0
- LPSA 1 Performance Reward Grant	750		750	750		750	0		0	0		0
- Pump Priming of LPSA 2	100		100	0		0	0		0	0		0
- Corporate (Increased insurance premiums)	805		805	300		300	0		0	0		0
- Job Evaluation	176		176	1,135		1,135	1,033		1,033	781		781
- Changes in Capital Financing Costs	0		0	0		0	0		0	(453)		(453)
- Repayment of LGR SCA	675		675	772		772	860		860	753		753
- Prudential Code - Capital Implications	0		0	300		300	1		1	144		144
- Whitecross School - PFI Contract	2,613	0	2,613	6,278	300	5,978	2,474	1	2,473	1,805	144	1,661
<b>Additional Funding/(Savings)</b>	0	0	0	(4,158)	0	(4,158)	(901)	0	(901)	774	0	774
Savings Required to keep Council Tax at potential cap	0	0	0	(4,158)	0	(4,158)	(901)	0	(901)	774	0	774
	2,613	0	2,613	2,120	300	1,820	1,573	1	1,572	2,579	144	2,435
	183,252	86,535	96,717	191,992	90,926	101,066	202,203	96,801	105,402	213,452	102,752	110,700
Reinstate Education budget at FSS	1,445	1,445	0	3,037	3,037	0	2,800	2,800	0	833	833	0
<b>TOTAL STANDSTILL BUDGET</b>	<b>184,697</b>	<b>87,980</b>	<b>96,717</b>	<b>195,029</b>	<b>93,963</b>	<b>101,066</b>	<b>205,003</b>	<b>99,601</b>	<b>105,402</b>	<b>214,285</b>	<b>103,585</b>	<b>110,700</b>
<b>Assumed FSS</b>	182,523			192,752			202,625			211,010		
<b>Council Tax at 'Standstill'</b>	4.0%			5.5%			5.1%			5.1%		
<b>Council Tax increase - Government "Guideline"</b>	4.8%			5.5%			5.1%			5.1% ?		
<b>Assumptions</b>												
Assumed Pay and Price Increase	Employees - 2.95%			Employees - 2.95%			Employees - 3%			Employees - 3%		
	Teachers - 2.95%			Teachers - 3%			Teachers - 3%			Teachers - 3%		
	Employers pension contributions - additional 0.6% on basic pay			Employers pension contributions - additional 0.6% on basic pay			Employers pension contributions - additional 0.6% on basic pay			Employers pension contributions - additional 0.6% on basic pay		
	Other Expenditure - 2.5%			Other Expenditure - 2.5%			Other Expenditure - 2.5%			Other Expenditure - 2.5%		
	Income - 2.5%			Income - 2.5%			Income - 2.5%			Income - 2.5%		
Assumed FSS increase (as per FSS/Spending Review)	5.4%			5.6%			5.1%			4.1%		
Assumed Formula Grant Increase	5.7%			5.7%			5.1%			4.2%		
Assumed Collection Fund Surplus	£ 300			£ 300			£ 300			£ 300		



**SUMMARY BUDGET 2005/2006**

	<b>£'000</b>
Education (at FSS)	87,980
Social Care	38,521
Policy & Finance General	13,161
Policy & Finance Property	1,202
Environment - General	18,397
Environment - Regulatory	2,457
Environment - Planning	1,912
Social Development	6,817
Economic Development	2,144
Strategic Housing	1,349
<b>Total Programme Areas</b>	<b>173,940</b>
Financing Adjustments etc.	10,749
<b>Total Budget</b>	<b>184,689</b>
Revenue Support Grant	(58,688)
Redistributed Business Rate Income	(58,954)
Collection Fund Surplus	(300)
<b>Expenditure to be met from Council Tax Payers</b>	<b>66,747</b>
<b>Council Tax Base</b>	<b>67,152</b>
<b>Council Tax at Band D (excluding Special Items)</b>	<b>£ 993.96</b>

<b><u>SUMMARY</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	175,320	
Adjustments	74	
Adjusted starting position 2004/2005	<u>          </u>	175,394
 <b><u>Operating Costs</u></b>		
Inflation (Pay & Prices)	<u>5,053</u>	5,053
 <b><u>Maintaining &amp; Developing Services</u></b>		
Capital Financing Costs	951	
Other	<u>2,999</u>	3,950
 <b><u>Service Pressures/Savings</u></b>		
Proposed Budget Reductions	(4,385)	
Service Development - Social Care/ICT (to be allocated)	1,000	
Reinvestment in Services	1,629	
Invest to Save	<u>2,048</u>	<u>292</u>
 <b>Total</b>		 <b><u><u>184,689</u></u></b>

<b><u>EDUCATION</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	84,008	
Add back capping adjustment	<u>46</u>	
Adjusted starting position 2004/2005		84,054
 <u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>2,481</u>	2,481
 <u>Maintaining &amp; Developing Services</u>		
Reinstate Budget to FSS	<u>1,445</u>	1,445
 <u>Service Pressures/Savings</u>		
Proposed Budget Reductions	(675)	
Reinvestment in Services	<u>675</u>	<u>0</u>
 <b>Total</b>		 <b><u><u>87,980</u></u></b>

<b><u>SOCIAL CARE</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	35,978	
Transfer of Preserved Rights Grant	774	
Transfer of Residential Allowances	620	
Transfer of Training Support Programme Grant	161	
Transfer of Other PSS Grants	50	
LPSA Youth Offending (2004/05 one off expenditure)	<u>(30)</u>	
Adjusted starting position 2004/2005		37,553
 <b><u>Operating Costs</u></b>		
Inflation (Pay & Prices)	<u>1,006</u>	1,006
 <b><u>Maintaining &amp; Developing Services</u></b>		
Education Contribution	(70)	
Corporate (Increased insurance premiums)	<u>32</u>	<u>(38)</u>
 <b><u>Service Pressures/Savings</u></b>		
Proposed Budget Reductions	(834)	
Reinvestment in Services	<u>834</u>	<u>0</u>
 <b>Total</b>		 <b><u><u>38,521</u></u></b>



<b><u>POLICY &amp; FINANCE - GENERAL</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	14,234	
Add back capping adjustment	57	
Transfer of Magistrates Budget	(323)	
Transfer of Civil Defence Grant	72	
Reduction in Flood Defence (Direct funding from Env. Agency)	<u>(1,503)</u>	
Adjusted starting position 2004/2005		12,537
 <u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>540</u>	540
 <u>Maintaining &amp; Developing Services</u>		
Education Contribution Adjustment	(27)	
Corporate (Increased insurance premiums)	20	
Corporate (Job Evaluation)	<u>805</u>	798
 <u>Service Pressures/Savings</u>		
Proposed Budget Reductions	(834)	
Reinvestment in Services (ICT)	<u>120</u>	<u>(714)</u>
 <b>Total</b>		 <b><u><u>13,161</u></u></b>

<b><u>POLICY &amp; FINANCE - PROPERTY</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005		1,274
<u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>58</u>	58
<u>Maintaining &amp; Developing Services</u>		
Education Contribution Adjustment	(134)	
Corporate (Increased insurance premiums)	<u>4</u>	(130)
<u>Service Pressures/Savings</u>		
	<u>0</u>	<u>0</u>
<b>Total</b>		<b><u><u>1,202</u></u></b>

<b><u>ENVIRONMENT - GENERAL</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005		17,914
<b><u>Operating Costs</u></b>		
Inflation (Pay & Prices)	<u>483</u>	483
<b><u>Maintaining &amp; Developing Services</u></b>		
Corporate (Increased insurance premiums)	9	
Education Contribution	(50)	
Waste Management - PFI Contract	<u>911</u>	870
<b><u>Service Pressures/Savings</u></b>		
Proposed Budget Reductions	<u>(870)</u>	<u>(870)</u>
<b>Total</b>		<b><u><u>18,397</u></u></b>

<b><u>ENVIRONMENT - REGULATORY</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005		2,406
<u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>76</u>	76
<u>Maintaining &amp; Developing Services</u>		
Corporate (Increased insurance premiums)	<u>5</u>	5
<u>Service Pressures/Savings</u>		
Proposed Budget Reductions	<u>(30)</u>	<u>(30)</u>
<b>Total</b>		<b><u><u>2,457</u></u></b>

<b><u>ENVIRONMENT - PLANNING</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	2,200	
Add back capping adjustment	<u>26</u>	
Adjusted starting position 2004/2005		2,226
 <u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>79</u>	79
 <u>Maintaining &amp; Developing Services</u>		
Corporate (Increased insurance premiums)	<u>7</u>	7
 <u>Service Pressures/Savings</u>		
Proposed Budget Reductions	<u>(400)</u>	<u>(400)</u>
<b>Total</b>		<b><u><u>1,912</u></u></b>

<b><u>SOCIAL DEVELOPMENT</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	7,133	
Add back capping adjustment	<u>3</u>	
Adjusted starting position 2004/2005		7,136
 <b><u>Operating Costs</u></b>		
Inflation (Pay & Prices)	<u>225</u>	225
 <b><u>Maintaining &amp; Developing Services</u></b>		
Education Contribution Adjustment	(36)	
Corporate (Increased insurance premiums)	<u>9</u>	(27)
 <b><u>Service Pressures/Savings</u></b>		
Proposed Budget Reductions	<u>(517)</u>	<u>(517)</u>
<b>Total</b>		<b><u><u>6,817</u></u></b>

<b><u>ECONOMIC DEVELOPMENT</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	2,130	
Add back capping adjustment	<u>24</u>	
Adjusted starting position 2004/2005		2,154
 <u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>63</u>	63
 <u>Maintaining &amp; Developing Services</u>		
Corporate (Increased insurance premiums)	4	
Edgar Street Delivery Vehicle	<u>125</u>	129
 <u>Service Pressures/Savings</u>		
Proposed Budget Reductions	<u>(202)</u>	<u>(202)</u>
 <b>Total</b>		 <b><u><u>2,144</u></u></b>

<b><u>STRATEGIC HOUSING</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	1,316	
Add back capping adjustment	<u>4</u>	
Adjusted starting position 2004/2005		1,320
 <u>Operating Costs</u>		
Inflation (Pay & Prices)	<u>42</u>	42
 <u>Maintaining &amp; Developing Services</u>		
Corporate (Increased insurance premiums)	<u>10</u>	10
 <u>Service Pressures/Savings</u>		
Proposed Budget Reductions	<u>(23)</u>	<u>(23)</u>
<b>Total</b>		<b><u><u>1,349</u></u></b>



<b><u>FINANCING ADJUSTMENTS ETC.</u></b>		
	<b>£'000</b>	<b>£'000</b>
Base Budget 2004/2005	6,727	
Add back capping adjustment	<u>93</u>	
Adjusted starting position 2004/2005		6,820
<u>Operating Costs</u>		0
<u>Maintaining &amp; Developing Services</u>		
Education Contribution	(70)	
Changes in Capital Financing Costs	276	
Prudential Code - Capital Implications	<u>675</u>	881
<u>Service Pressures/Savings</u>		
Service Development - Social Care/ICT (to be allocated)	1,000	
Invest to Save	<u>2,048</u>	<u>3,048</u>
<b>Total</b>		<b><u><u>10,749</u></u></b>



## 2005/06 PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

**CABINET**

**24TH FEBRUARY, 2005**

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#### **Wards Affected**

County-wide.

#### **Purpose**

To endorse the Prudential Indicators, including the projected Capital Programme, and Treasury Management Strategy for 2005/06 as attached to this report, for Council approval.

#### **Key Decision**

These are not key decisions. The decisions will not be taken by Cabinet but by Council at its meeting on 11th March, 2005.

#### **Recommendations**

- THAT (a) the Prudential Indicators detailed in Appendix 1, which include the projected Capital Programme, be endorsed;**
- (b) the Treasury Management Strategy in Appendix 2 be endorsed;**
- (c) it be recommended to Council that the borrowing limits outlined in Appendix 2 be approved.**

#### **Reasons**

The setting of Prudential Indicators and the reporting of the Council's Treasury Management Strategy for the coming financial year is required by the CIPFA Prudential Code for Capital Finance.

#### **Considerations**

##### **Prudential Indicators**

1. The key objectives of the Prudential Code are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
2. The code requires the Council to set a range of Prudential Indicators (PIs) for 2005/06 and where appropriate for at least the subsequent two years, in order to support such local decision making in a manner that is publicly accountable. The PIs must be set before the beginning of each financial year by Council in line with the budget setting process.

3. Regular in-year monitoring of the PIs will take place and any significant deviations from expectations are to be reported accordingly.
4. The framework of PIs has to cover Capital Expenditure plans and Treasury Management and these are set out on **Appendix 1**. These indicators include:
  - Actual and estimated capital expenditure for the current and future years
  - Ratio of financing costs to net revenue stream
  - Capital Financing Requirement
  - Authorised limit for External Debt
  - Operational boundary for External Debt
  - Council Tax implications of the incremental effect of capital decisions
  - Treasury Management Indicators

### **Treasury Management Strategy**

5. The Council has adopted and is currently working within CIPFA's Code of Practice on Treasury Management in the Public Services (2001).
6. A Treasury Management Strategy for 2005/06 has been prepared that conforms to the CIPFA Code of Practice 2001. This strategy includes a number of PIs specifically relating to Treasury Management and is set out at **Appendix 2**. The Treasury Management PIs are reproduced from the list of PIs contained in **Appendix 1**. The Strategy has been prepared in line with the Treasury Management Policy adopted by Council in February 2002, a copy of which is attached for reference at **Appendix 3**.
7. The CIPFA Code of Practice 2001 requires chief financial officers to prepare Treasury Management Practice Statements (TMPs). TMPs 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 the Council's staff involved in treasury management activities. The County Treasurer has prepared TMPs that conform to the CIPFA Code of Practice 2001.

## **Risk Management**

Risk is managed in accordance with the Treasury Management Policy Statement approved by Cabinet in February 2002. The setting and monitoring of Performance Indicators is designed to be a fundamental process in the management of risk.

## **Consultees**

Treasury Management advisers – Sector Treasury Services Limited.

## **Background Papers**

Reports to Capital Strategy and Asset Management Working Group.

## HEREFORDSHIRE COUNCIL

### PRUDENTIAL INDICATORS 2005/06

#### 1. INTRODUCTION

The PIs set out below are recommended by the Prudential Code. However members may prefer additional or alternative indicators that will help with the decision making process. The indicators set out below are based on the assumption of a provisional £5,000,000 Prudential Borrowing per year plus an additional £423,000 Prudential Borrowing for which the capital financing costs are met from existing revenue budgets. A number of the PIs set out in this report may therefore need to be amended following decisions made by Council concerning the allocation of Prudential Borrowing.

#### 2. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing. This table will need to be updated depending upon Members decisions on the level and allocation of Prudential Borrowing. The second table shows how this programme would be funded.

	2004/05	2005/06	2006/07	2007/08
	£'000	£'000	£'000	£'000
<b>Capital Programme Area:-</b>				
Economic Development	3,805	1,135	245	0
Education	5,857	5,691	3,251	2,763
Environment General	11,974	10,626	10,459	10,459
Policy & Finance - ICT Services	2,803	1,754	1,483	1,933
Policy & Finance - General	265	0	0	0
Policy & Finance - Property	503	250	250	250
Social Care	473	472	95	95
Social Development	2,792	887	63	0
Strategic Housing	5,435	10,710	7,883	5,383
Potential Prudential Borrowing to be allocated	0	2,968	4,187	3,950
	<b>33,907</b>	<b>34,493</b>	<b>27,916</b>	<b>24,833</b>
<b>By funding</b>				
Capital Receipts Reserve	5,353	5,469	3,477	3,382
Grants	7,585	9,875	5,703	3,234
SCE(R)	16,656	13,726	13,736	13,217
Agreed Prudential Borrowing	4,313	2,455	813	1,050
Prudential Borrowing to be agreed	0	2,968	4,187	3,950
	<b>33,907</b>	<b>34,493</b>	<b>27,916</b>	<b>24,833</b>

### 3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Net Revenue Stream	175,320	184,689	195,021	204,994
Capital Financing Requirement	7,418	8,362	10,269	12,162
Ratio of financing costs to net revenue stream	4.23%	4.53%	5.27%	5.93%

### 4. CAPITAL FINANCING REQUIREMENT

This indicator represents the Authorities underlying need to borrow for a capital purpose.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Capital Financing Requirement (as at 31/3)	96,486	110,347	123,149	134,341

### 5. AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Borrowing	119,000	133,000	151,000	169,000
Other Long Term Liabilities	3,000	3,000	3,000	3,000
<b>Total</b>	<b>122,000</b>	<b>136,000</b>	<b>154,000</b>	<b>172,000</b>

### 6. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Borrowing	73,500	94,500	108,500	121,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
<b>Total</b>	<b>75,000</b>	<b>96,000</b>	<b>110,000</b>	<b>123,000</b>

## 7. COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing. These figures will need to be revised following the decisions taken by Council.

	2005/06	2006/07	2007/08
	£ p	£ p	£ p
Increase in council tax (Band D, per annum) based on Prudential Borrowing of £5,000,000 taken for 2005/06 and subsequent years.	3.72	10.42	17.13

## 8. TREASURY MANAGEMENT INDICATORS

These are specific indicators which relate to the management of the Treasury Management process. The upper limit for variable rate borrowing is recommended to be increased in order to allow more flexibility to react to changes in market conditions.

	2004/05	2005/06	2006/07	2007/08
<b>Upper Limit for Fixed Interest Rate Exposure</b>				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>				
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
<b>Maturity Structure of new fixed rate borrowing during 2004/05</b>	<b>Upper Limit</b>	<b>Lower Limit</b>		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
<b>Upper Limit for total principal sums invested for over 364 days</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(per maturity date)	10,000	10,000	10,000	10,000



## HEREFORDSHIRE COUNCIL

### TREASURY MANAGEMENT STRATEGY 2005/06

#### 1. INTRODUCTION

- 1.1 The Financial Policy Team is responsible, under the direction of the County Treasurer for the day-to-day management of the Council's treasury management activities. The Treasury Management Strategy for borrowing and Annual Investment Strategy for 2005/06 details the expected activities for the Team in the coming financial year and has been produced in accordance with the Council's approved Treasury Management Policy Statement.
- 1.2 The 2003 Prudential Code for Capital Finance in local authorities introduced new requirements for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of this integrated Treasury Management Strategy.
- 1.3 The Treasury Management Strategy covers the: -
- current treasury portfolio position
  - treasury limits for 2005/06
  - prudential indicators for 2005/06 – 2007/08
  - prospects for the economy and interest rates
  - borrowing strategy
  - debt rescheduling opportunities
  - specified and non-specified investments
  - investment objectives
  - security of capital: the use of credit ratings
  - investment strategy
  - externally managed funds
  - end of year report

#### 2. CURRENT TREASURY PORTFOLIO POSITION

- 2.1 The Council's treasury portfolio position as at 31 January 2005 is as follows: -

<b>DEBT POSITION</b>	<b>Principal (£)</b>	<b>Borrowing Rate (%)</b>
Public Works Loan Board	50,886,555	4.96
Market Debt	12,000,000	2.05
<b>Total Debt</b>	<b>62,886,555</b>	

Estimated Borrowing Requirement for 2005/06 – supported borrowing approvals of approximately £13,679,211, plus the potential for an additional £5,423,000 unsupported borrowing under the Prudential Code. In addition refinancing of maturing debt of £9,423,523 in the year will be required.

<b>INVESTMENT POSITION</b>	<b>Principal (£)</b>	<b>Rate of Return (%)</b>
Internally managed funds	29,846,098	4.79
Externally managed funds	7,094,101	4.82
<b>Total Investments</b>	<b>36,940,199</b>	

**Note:** Total investments will decline sharply in the last two months of the financial year as capital projects near completion.

### **3. TREASURY LIMITS FOR 2005/06**

- 3.1 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. The authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003.
- 3.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.
- 3.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. The Council has already indicated an affordable Prudential Borrowing limit of £5,000,000 per year and the effect of this is set out in the Prudential Indicators below.

### **4. PRUDENTIAL INDICATORS FOR 2005/06 – 2007/08**

- 4.1 The following prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy.

<b>PRUDENTIAL INDICATOR</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
<b>(1). Extract from Budget Setting Report</b>				
<b>Capital Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	33,907	34,493	27,916	24,833
<b>Ratio of financing costs to net revenue stream</b>				
Net Revenue Stream	175,320	184,689	195,021	204,994
Financing Costs	7,418	8,362	10,269	12,162
Ratio of financing costs to net revenue stream	4.23%	4.53%	5.27%	5.93%

	2004/05	2005/06	2006/07	2007/08
<b>Affordable Borrowing Limit</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>	<b>£ p</b>
Increase in council tax (Band D, per annum) (Prudential borrowing of 2005/06 = £5.0m, 2006/07 = £5.0m, 2007/08 = £5.0m)	£0.00	£3.72	£10.42	£17.13
<b>Capital Financing Requirement (as at 31/3)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total	£96,486	£110,347	£123,149	£134,341
<b>PRUDENTIAL INDICATOR</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
<b>(2). Treasury Management Prudential Indicators</b>				
<b>Authorised Limit for External Debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	£119,000	£133,000	£151,000	£169,000
Other Long Term Liabilities	£3,000	£3,000	£3,000	£3,000
Total	£122,000	£136,000	£154,000	£172,000
<b>Operational Boundary</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	£73,500	£94,500	£108,500	£121,500
Other Long Term Liabilities	£1,500	£1,500	£1,500	£1,500
Total	£75,000	£96,000	£110,000	£123,000
<b>Upper Limit for Fixed Interest Rate Exposure</b>	<b>£ or %</b>	<b>£ or %</b>	<b>£ or %</b>	<b>£ or %</b>
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
<b>Upper Limit for Variable Interest Rate Exposure</b>	<b>£ or %</b>	<b>£ or %</b>	<b>£ or %</b>	<b>£ or %</b>
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
<b>Maturity Structure of new fixed rate borrowing during 2005/06</b>	<b>Upper Limit</b>	<b>Lower Limit</b>		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
<b>Upper Limit for total principal sums invested for over 364 days</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	10,000	10,000	10,000	10,000

## **5. PROSPECTS FOR THE ECONOMY & INTEREST RATES**

- 5.1 The Council retains Sector Treasury Services Limited as its treasury advisers and part of their service is to assist in forming a view on economic trends and the effect on interest rates. This section of the strategy outlines the Council's view of the economy and interest rates based on the advice of its treasury advisers.

### **Economic Background**

#### **UK**

- Above trend Gross Domestic Product (GDP) robust, but indications of weakening activity ahead.
- Slowdown in household spending and weakening housing market.
- Benign inflation at present, may rise in 2005 as high street competition cannot sustain the current situation against the effect of rising oil prices.
- Sterling expected to remain at \$1.80 or above.

#### **International**

- US - measured interest rate raising by the Federal Reserve; weak trend employment data.
- Consumer slowdown shows no signs of abating and this will be compounded by high oil prices, rising interest rates, the fading effects of past tax cuts and a faltering labour market.
- US inflation benign.
- European Central Bank (ECB) has held repo rate at 2.00% since June 2003.
- Weak domestic demand/export led growth indicates an economy about to suffer as world economy expected to slow.

#### **Interest rate forecast**

- The base rate is expected to rise to 5.00% in Q1 2005, but is nearing the peak of the cycle, and is consequently expected to fall back in 2005.

#### **Long term 25 year PWLB rate:**

- Expected to remain around 4.75%
  - Housing market to weaken from fast market increases causing consumers to feel the pinch.
  - Slower global growth driven by weakness in the US

#### **Interest Rates**

- 5.2 Having set the scene in economic terms, the likely impact for interest rates can be assessed and is illustrated in the following tables.

**Table 1 Sector Treasury - Interest Rate Forecast**

(This table represents the view of the Council's Treasury advisors as at January 2005)

%	Q1 2005	Q2 2005	Q3 2005	Q4 2005	Q1 2006
<b>Base Rate</b>	5.00	5.00	4.75	4.75	4.50
<b>10 Year PWLB</b>	5.00	4.75	4.75	4.75	4.75
<b>25 Year PWLB</b>	4.75	4.75	4.75	4.75	4.75

**Table 2 Summary of Independent Forecasts of Base Rate**

(This table represents the views of independent forecasters views of base rate as at November 2004)

%	2005 Year end	2006 average	2007 average	2008 average
<b>Average</b>	4.71	4.81	4.82	4.76
<b>Highest</b>	5.25	5.50	5.25	5.25
<b>Lowest</b>	3.90	4.10	4.10	3.80

## 6. BORROWING STRATEGY

6.1 Based upon the prospects for interest rates outlined above, there are a number of strategy options available. The anticipation is that there is not likely to be much difference between short-term variable PWLB rates and medium and long-term PWLB fixed rate borrowing during 2005/06 provided base rate falls from 5.0% to 4.75% as expected in quarter 3 of 2005. Variable rate borrowing will therefore be slightly more expensive than long-term fixed borrowing during quarter 2, but is expected to become cheaper in quarter 1 of 2006 when base rate is forecast to fall to 4.5%. Thereafter variable rate borrowing is expected to become still cheaper during 2006 and so the gap will widen further between long-term fixed and variable rates. Long-term rates are not currently expected to move significantly in 2005/06 but may drift to the downside.

6.2 These interest rate expectations provide a variety of options:

- that short-term variable rates will be good value compared to long-term rates, and are likely to remain so for potentially at least the next couple of years. Best value will therefore be achieved by borrowing short term at variable rates in order to minimise borrowing costs in the short term or to make short term savings required in order to meet budgetary constraints. Money Market debt will also be considered where opportunities are available to minimise borrowing costs in the short term. These have recently become more attractive than PWLB rates and therefore the County Treasurer will carefully monitor the interest rates available and take advice from the Treasury Management Consultants over the timing of any new borrowing. If fixed PWLB rates should fall significantly, then a suitable trigger point for considering new fixed rate long-term borrowing would be about 4.5%.

- that the risks intrinsic in the shorter term variable rates are such, when compared to historically relatively low long term fixed funding, which may be achievable in 2005/06, that the Council will maintain a stable, longer term portfolio by drawing longer term fixed rate funding at a marginally higher rate than short term rates.
- 6.3 Against this background caution will be adopted with the 2005/06 treasury operations. The County Treasurer will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.
- 6.4 **Sensitivity of the forecast** - The main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of view:
- ***If it was felt that there was a significant risk of a sharp rise in long and short term rates***, perhaps arising from a greater than expected increase in world economic activity, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
  - ***If it was felt that there was a significant risk of a sharp fall in long and short term rates***, due to e.g. growth rates remaining low or weakening, then long term borrowings will be postponed, and any rescheduling from fixed rate funding into variable or short rate funding will be exercised.

## 7. DEBT RESCHEDULING OPPORTUNITIES

- 7.1 Opportunities may exist for restructuring long-term debt into short-term variable rate debt to produce savings later in the year, particularly once base rate has fallen to 4.5%. With variable rate borrowing rates likely to fall significantly during 2005/06, it will be best to avoid restructuring into fixed borrowing for short periods (e.g. one year). Long-term fixed rates are not expected to rise above 5.25% during 2005/06. Consequently long-term debt rates at or above 4.90% would warrant reviewing the potential for undertaking debt restructuring.
- 7.2 Money market debt will also be considered as part of debt rescheduling, where opportunities exist to replace high rated PWLB loans with lower rated market debt to produce interest savings over the short term (between one and four years). The County Treasurer will carefully monitor interest rates and take advice from the Treasury Management Consultants over the timing of any debt rescheduling.
- 7.3 Any positions taken via rescheduling will be in accordance with the strategy position outlined in paragraph 6 above. The reasons for any rescheduling to take place will include:
- the generation of cash savings at minimum risk
  - the borrowing strategy outlined above
  - a better balance in the maturity profile of the long-term debt portfolio
  - a better balance in the ratio of variable to fixed interest rate loans in the long-term debt portfolio.

## 8. SPECIFIED AND NON-SPECIFIED INVESTMENTS

- 8.1 Under CIPFA's Treasury Management Code of Practice and the ODPM's Guidance on Local Government Investments issued in March 2004 the Council is required to formulate a strategy each year regarding its investments.
- 8.2 This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non-Specified Investments** as detailed in **Annex A**.
- 8.3 This Annex sets out:
- The procedures for determining the use of each category of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments."
  - The maximum periods for which funds may be prudently committed in each category.
  - Whether the investment instrument is to be used by the Council's in-house officers and/or by the Council's appointed external fund managers (Investec Asset Management); and, if non-specified investments are to be used in-house, whether prior professional advice is to be sought from the Council's treasury advisors (Sector Treasury Services Ltd).

## 9. INVESTMENT OBJECTIVES

- 9.1 All investments will be in sterling. The general policy objective for Herefordshire Council is the prudent investment of its treasury balances\*. The Council's investment priorities are:
- (a) the **security** of capital; and
  - (b) **liquidity** of its investments.

The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

\* This includes monies borrowed for the purpose of expenditure in the reasonably near future (i.e. borrowed 12-18 months in advance of need).

- 9.2 The ODPM guidance maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

## 10. SECURITY OF CAPITAL: THE USE OF CREDIT RATINGS

- 10.1 The Council relies on credit ratings published by *Fitch Ratings*, *Moody's Investors Service* or *Standard & Poor's* to establish the credit quality of counterparties and investment schemes. The Council has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment in conjunction with its Treasury Management advisor.

## 10.2 **Monitoring of credit ratings:**

- All credit ratings will be monitored monthly: The Council has access to Fitch credit ratings and is alerted to changes from its Treasury Management advisor.
- If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately. Any intra-month credit rating downgrade, which the Council has identified, that affects the Council's pre-set criteria will also be similarly dealt with. The Council will also immediately inform its external fund manager of the withdrawal of the same.
- If a counterparty is upgraded so that it fulfils the Council's criteria, its inclusion will be considered for approval by the County Treasurer.

## 11. **INVESTMENT STRATEGY**

- 11.1 The County Treasurer manages part of the Council's investment portfolio. Investments managed by the in-house team are generally temporary in nature and short-term. All decisions are made in the light of the Council's forecast cash flow requirements.
- 11.2 If, during the course of the year, the County Treasurer detects that the market's expectation for base rates has been too high, the strategy will be to keep investments as long as possible with a view to locking in higher rates of return than may be available at a later stage when market expectations are corrected.
- 11.3 The money market yield curve is currently anticipating falling base rates in 2005/06. The Council will therefore seek to lock in longer period investments at higher rates before this fall starts. For its cash flow generated balances, the Council will seek to utilise short-dated deposits (1-3 months), business reserve accounts and money market funds in order to benefit from the compounding of interest.
- 11.4 In relation to the Council's internally managed funds, the County Treasurer does not currently plan to invest over 364 days. However, the Council's External fund manager could have a maximum 50% of its investment portfolio invested for periods in excess of 364 days. The market will be continuously monitored for opportunities to lock in to higher, longer-term rates, if it is viewed that this will add stability and value to returns.

## 12. **EXTERNALLY MANAGED FUNDS**

- 12.1 A cash fund of £7,065,667.38 (as at 31<sup>st</sup> December 2004) is currently managed by Investec Asset Management on a discretionary basis. The Council, in conjunction with the Council's Treasury Management adviser, will monitor the external fund manager's performance in 2005/06.
- 12.2 The fund management agreement between the Council and Investec Asset Management formally documents the instruments it can use within pre-agreed limits.



### **13. END OF YEAR REPORT**

- 13.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report.

## SPECIFIED INVESTMENTS

*All investments listed below must be sterling-denominated*

<b>Investment</b>	<b>Security / Credit Rating</b>	<b>Circumstance of use</b>
<b>Debt Management Agency Deposit Facility (DMADF)</b>	Govt-backed	In-house
<b>Term deposits</b> with the UK government or with UK local authorities	High security although LAs not credit rated.	In-house and by external fund manager
<b>Term deposits</b> with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house and by external fund manager
<b>Certificates of Deposit</b> issued by credit-rated deposit takers (banks and building societies): up to 1 year.  <i>Custodial arrangement required prior to purchase</i>	Yes-varied <i>Minimum rating "F1+" Short-term (or equivalent)</i>	External fund manager
<b>Gilts:</b> up to 1 year  <i>Custodial arrangement required prior to purchase</i>	Govt-backed	(1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them
<b>Reverse Gilt Repos:</b> maturities up to 1 year	Govt-backed	External fund manager only subject to the guidelines and parameters agreed with them
<b>Money Market Funds</b>	Yes-varied <i>Minimum AAA credit rated</i>	In-house and by external fund manager subject to the guidelines and parameters agreed with them
<b>Forward deals</b> with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house
<b>Commercial paper</b> <i>[Short-term obligations (generally with a maximum life of 9 months) which are issued by banks, corporations and other issuers]</i> <i>Custodial arrangement required prior to purchase</i>	Yes-varied <i>Minimum rating "F1+" Short-term (or equivalent)</i>	External fund manager only subject to the guidelines and parameters agreed with them
<b>Gilt Funds and other Bond Funds***.</b> <i>[These are open-end mutual funds investing predominantly in UK govt gilts and corporate bonds. These funds do not have any maturity date. These funds hold highly liquid instruments and the Council's investments in these funds can be sold at any time.]</i>	Yes <i>Minimum rating "AA-"</i>	External fund manager only subject to the guidelines and parameters agreed with them (NB: In the selection of a fund the manager will ensure that the fund is not a body corporate by virtue of its set up structure).
<b>Treasury bills</b> <i>[Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value]</i> <i>Custodial arrangement required prior to purchase</i>	Govt-backed	In-house and external fund manager subject to the guidelines and parameters agreed with them

## ANNEX A

Investment	Security / Credit Rating	Circumstance of use
<b>Bonds issued by a financial institution that is guaranteed by the UK Government</b> <i>[As defined by Statutory Instrument 2004 No. 534, with maturities under 12 months].</i>  <i>Custodial arrangement required prior to purchase</i>	Govt-backed	1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them
<b>Bonds issued by a multilateral development bank</b> <i>[As defined by Statutory Instrument 2004 No. 534, with maturities under 12 months].</i>  <i>Custodial arrangement required prior to purchase</i>	AAA	1) Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them

\*\*\*Open-ended funds continually create new units (or shares) to accommodate new monies as they flow into the funds and trade at net asset value. (NAV).

## NON-SPECIFIED INVESTMENTS

*All investments listed below must be sterling-denominated*

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<b>Term deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	External Fund Manager. In-house	50%  20%	5 years
<b>Certificates of Deposit</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	YES-varied <i>Minimum rating "AA" Long-term and "F1+" Short-term (or equivalent)</i>	External fund manager. In-house after consultation with Treasury Management advisor	50%  20%	5 years
<b>Callable deposits</b> with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	External Fund Manager. In-house after consultation with Treasury Management advisor	50%  20%	5 years in aggregate

ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<p><b>UK government gilts</b> with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	Govt backed	<p>(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor</p> <p>(2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them</p>	<p>20%</p> <p>50%</p>	10 years (but also including the 10 year benchmark gilt)
<p><b>Sovereign issues ex UK govt gilts:</b> any maturity</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA	<p>(1) Buy and hold to maturity in-house after consultation from Treasury Management advisor</p> <p>(2) For trading: by external fund manager only subject to the guidelines &amp; parameters agreed with them</p>	<p>20%</p> <p>50%</p>	10 years
<p><b>Forward deposits</b> with credit rated banks and building societies for periods &gt; 1 year (i.e. negotiated deal period plus period of deposit)</p>	<p>Yes-varied</p> <p><i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i></p>	<p>External Fund Manager</p> <p>In-house after consultation with Treasury Management advisor</p>	<p>50%</p> <p>20%</p>	5 years
<p><b>Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution:</b> any maturity</p>	<p>Not rated in their own right, but parent must be rated.</p> <p><i>Minimum rating for parent "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i></p>	In-house	20%	1 year

## ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
<p><b>Bonds issued by a financial institution that is guaranteed by the UK Government</b>            (as defined in Statutory Instrument 2004 No. 534) with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA / Govt guaranteed	(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them	20%          50%	10 years
<p><b>Bonds issued by multilateral development banks</b>            (as defined in Statutory Instrument 2004 No. 534) with maturities in excess of 1 year</p> <p><i>Custodial arrangement required prior to purchase</i></p>	AAA / Govt guaranteed	(1) Buy and hold to maturity: in-house after consultation with Treasury Management advisor (2) For trading: by external fund manager only subject to the guidelines and parameters agreed with them	20%          50%	10 years

### HEREFORDSHIRE COUNCIL

## TREASURY MANAGEMENT POLICY STATEMENT

### Statement of Purpose

1. Herefordshire Council adopts the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice (2001)* and: -
  - 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
  - will make effective management and control of risk the prime objectives of its treasury management activities
  - acknowledge that the pursuit of best value in treasury management, and the use of suitable measures of performance measures, are valid and important tools to employ in support of business and service objectives;
  - that, within the context of effective risk management, will ensure that its treasury management policies and practices reflect the pursuit of best value;
  - formally adopts Section 5 of the Code
  - will adopt a treasury management policy statement as recommended in Section 6 of the Code
  - will follow the recommendations in Section 7 of the Code concerning treasury management practice statements.

### Definition of Treasury Management

2. Herefordshire Council defines its treasury management activities as: -

*'The management of the organisations 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.'*

### Policy Objectives

3. Herefordshire Council regards the successful identification, monitoring and control of risk to 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.
4. Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

## Delegation & Reporting

5. Herefordshire Council retains responsibility for the approving the Council's Treasury Management Policy and will consider amendments to it on the advice of Cabinet.
6. Herefordshire Council delegates responsibility for approving an annual Treasury Management Strategy to Cabinet as the mechanism for implementing the Treasury Management Policy.
7. Herefordshire Council delegates responsibility for monitoring that treasury management activity is in accordance with the approved policies, strategies and practices to Cabinet.
8. Herefordshire Council delegates responsibility for the development and maintenance of suitable Treasury Management Practices to the County Treasurer.
9. Herefordshire Council delegates responsibility for the administration of treasury management decisions to the County Treasurer who will act in accordance with the approved Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practices. If the County Treasurer is a member of CIPFA, he/she shall also comply with CIPFA's Standard of Professional Practice on Treasury Management.
10. Herefordshire Council will receive reports from the County Treasurer on its treasury management policies, strategy, practices and activities, including, as a minimum, an annual strategy in advance of the year and an annual report after its close, in the form prescribed in the Council's Treasury Management Practices.





# DRAFT CRIME, DISORDER AND DRUGS REDUCTION STRATEGY 2005 - 08

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH FEBRUARY, 2005

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### Wards Affected

County-wide

### Purpose

To comment on and endorse the Draft Crime, Disorder and Drugs Reduction Strategy 2005-08. (The draft strategy has previously been circulated to all Members and you are requested to bring your copy to the meeting).

### Key Decision

This is not a Key Decision.

### Recommendation

**THAT it be recommended to Council that the draft Crime, Disorder and Drugs Strategy 2005-08 be approved.**

### Reasons

In accordance with the Crime and Disorder Act 1998 and the Police Reform Act 2002, the Council, in partnership with the Police, Probation, Fire Service, Primary Care Trust and Police Authority, are required to produce, publish and implement a three yearly crime and drugs strategy.

### Considerations

1. The draft strategy is an evidence-based document, which has been produced following an audit of crime, disorder and drugs within the County and extensive community consultation. The consultation included various surveys to include the 'Herefordshire Voice' and businesses, focus groups with a range of groups and a tour of the market towns and the City with an information caravan. Consultation culminated with a conference in November 2004, which was attended by over 100 people representing a wide range of organisations and sectors.
2. The draft strategy was issued (w/c 14th February, 2005) to approximately 400 representatives of organisations from a broad range of the community, to include private, public, charitable and voluntary sectors. Those representatives were requested to provide feedback by 25th February, 2005.
3. The strategy is required to be published by 1st April, 2005.

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Further information on the subject of this report is available from Jane Rose, Partnership Manager  
on (01432) 261831

## **Alternative Options**

There are no alternative options.

## **Risk Management**

This is a statutory report and duty, with the Herefordshire Community Safety and Drugs Partnership reporting performance to the Home Office.

## **Consultees**

See above.

## **Background Papers**

None identified

# CONSULTATION ON THE CIVIL CONTINGENCIES ACT

## PROGRAMME AREA RESPONSIBILITY: HUMAN RESOURCES AND CORPORATE SUPPORT SERVICES

CABINET

24TH FEBRUARY, 2005

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### Wards Affected

County-wide

### Purpose

To consider a response to the pending consultation on the draft Regulations and Guidance issued under the Civil Contingencies Act 2004.

### Key Decision

This is not a Key Decision.

### Recommendation

**THAT the County Secretary and Solicitor be authorised to respond to the consultation as detailed in this report.**

### Reasons

The Civil Contingencies Act 2004 seeks to deliver a single statutory framework for Civil protection in the UK by replacing the 1948 Civil Defence Act and the Emergency Powers Act 1920. It sets out clear responsibilities for all, from front line responders, through regions, to Central Government Departments. In essence it is an enabling Act that is supported by Regulations and Guidance with regard to powers and duties. The consultation process, which ends on 3rd March, 2005, is an opportunity to comment on the supporting Regulations and Guidance documents.

### Considerations

1. In principle the Act is welcomed, as it proposes to strengthen civil protection arrangements in the UK, both locally and Regionally. Following the Spending Review 2004, the Government's contribution to covering the costs of Herefordshire's enhanced civil protection activities will be increased by 66% (from £70.3k to £116.9k).
2. The Act does not radically change the basic requirement for local authorities to carry out emergency response planning. It does, however, bring in a requirement for all responding agencies to work together and to share information. To that end, local authorities have become 'Category 1 Responders', with a requirement to carry out the full spectrum of civil protection activities, specifically:
  - Risk Assessment (including Community Risk Register)

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Further information on the subject of this report is available from  
Philip Wilson, Emergency Planning Manager on (01432) 260567  
and available on the Internet at [www.ukresilience.info/ccact/index.htm](http://www.ukresilience.info/ccact/index.htm)

- Planning arrangements for (a) prevention of emergencies and (b) response to emergencies
  - Planning arrangements for Business Continuity Management
  - Warning and Informing
  - Sharing Information
  - Co-operation
  - Promotion of Business Continuity Management
3. The Regulations aim to provide a variety of civil protection duties in relation to different organisations, locations and issues as circumstances change. Part 1 of the Act deals with local emergency arrangements and Part 2 introduces new Emergency Powers legislation to enable the Government to implement National or Regional arrangements to deal with acts of widespread damage and/or disruption to the UK infrastructure.
4. Detailed comments on the Guidance and Regulations have been prepared by the Emergency Planning Manager in consultation with the Cabinet Member (Human Resources and Corporate Support Services). Specific issues relevant to Herefordshire are:
- Co-operation (Q7 and Q30) – the principle mechanism for multi-agency co-operation will be the Local Resilience Forum (LRF), based on police areas. West Mercia is a large police area and is already well served by two effective Emergency Planning Groups (EPSCOG – serving Herefordshire and Worcestershire; SEPSCOG – serving Shropshire), each functioning as an LRF. It is recommended that West Mercia retain these two groups as LRF North (for Shropshire) and LRF South (Herefordshire and Worcestershire).
  - Risk Assessment (Q9) – the use of a uniform matrix for country-wide risk assessment should be supported.
  - Monitoring and enforcement (Q18) – it is accepted that monitoring and enforcement are required, but the proposed audit cycle of every two years is probably too great a burden and the original proposal of three years is more acceptable.
5. The following papers are available in the Members Room.
- Civil Contingencies Act 2004: a short guide
  - Civil Contingencies Act 2004: Consultation on the draft Regulations and Guidance
  - Preparing for Emergencies
  - Responding to Emergencies
  - Civil Contingencies Act: Part 1 Regulations and Guidance Consultation Pro forma

## **Alternative Options**

There are no alternative options.

## **Risk Management**

Failure to respond to the consultation process would mean that Herefordshire Council will have no input to the Act's detailed Guidance and Regulations.

## **Consultees**

Civil Contingencies Secretariat  
Cabinet Office Emergency Planning College  
The Emergency Planning Society  
Government of the West Midlands Regional Resilience Team  
West Mercia Co-ordination of Emergency Response Major Incident Group  
West Midlands Chief Emergency Planning Officers/Emergency Planning Managers Group

## **Background Papers**

None identified.



# REVIEW OF THE DISCRETIONARY POLICY ON DENOMINATIONAL HOME TO SCHOOL TRANSPORT

## PROGRAMME AREA RESPONSIBILITY: CHILDREN'S SERVICES

CABINET

24TH FEBRUARY, 2005

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### Wards Affected

County-wide

### Purpose

To approve a review of the current discretionary policy providing free home to school transport on denominational grounds.

### Key Decision

This is a Key Decision because it is significant in terms of its effect on communities living or working in an area comprising two or more wards. A Notice in accordance with Section 15 of the Local Authorities (Executive Arrangements) (Access to Information) Regulations 2000 was sent to the Chairman of the Education Scrutiny Committee.

### Recommendation

**THAT a review be undertaken involving full consultation with the whole school community to determine a new school transport policy.**

### Reasons

Free transport is currently provided, as a discretionary policy to pupils attending school on genuine denominational grounds, for 50 primary and 750 High School pupils within Herefordshire at an annual cost of £465K.

It has become apparent that the current policy needs updating to reflect modern day requirements and to correct current anomalies which arise from the different admission policies which exist across the denominational school sector.

### Considerations

1. If the policy is to be changed a decision is required before June 2005 when the Information to Parents Handbook, giving guidance on admissions in 2006, is finalised.
2. Other LEAs across the country provide a range of different levels of discretionary denominational transport i.e:
  - a. as per current Herefordshire policy.
  - b. as per Herefordshire but with a distance conveyed limit (Bath and North East

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Further information on the subject of this report is available from  
George Salmon, Head of Policy And Resources on 01432 260802

Somerset – 6/10 mile limits).

- c. parents make a contribution to costs incurred (Worcestershire at £80 per term and Essex at £100 per term).
  - d. total withdrawal of provision (Northamptonshire in September 2003 and East Riding in September 2005).
3. The cost impact associated with 4 options above has been estimated as:
- a. No change
  - b. Reduction in cost of circa £75k per annum.
  - c. Contribution of £80 per term equates to a cost reduction of circa £110k per annum after allowing for additional admin costs.
  - d. If all pupils receiving denominational transport assistance were instead to attend their catchment school there would be transport costs associated with this but at a much lower level of £150k per annum. Therefore a minimum net saving of £315k per annum could accrue.
4. The earliest that a change could be effective from would be September 2006. This would have to be subject to genuine consultation with parents, schools and church authorities. Existing beneficiaries of the current denominational scheme should retain entitlement until such time that they leave the school in question. Therefore, full savings would not be achievable until 2011-2012 financial year.

## **Alternative Options**

### **Alternative Option 1**

Extending the free transport to all pupils at church schools who live more than three miles from the school on the basis the pupils are there as a result of genuine religious or denominational belief.

### **Alternative Option 2**

Withdrawing transport support on genuine religious or denominational grounds entirely to all schools in Herefordshire, and preparing a new policy based upon the statutory provisions and guidance. This will have to take into account religious preference but also other personal factors such as disability, special educational need and difficult routes.

### **Alternative Option 3**

Offering subsidised transport to all students living three miles or more from both schools and other church schools if parents can prove a genuine religious or denominational beliefs.

## **Risk Management**

The Council is required to provide services to all parents in a manner which is fair and transparent.



## **Consultees**

It is envisaged that the review will involve detailed consultation with the wider school community.

## **Background Papers**

None identified.



Document is Restricted

