Herefordshire Council

AGENDA

Overview and Scrutiny Committee

Date: **Friday 14 January 2011**

Time: **9.30 am**

Place: **The Council Chamber, Brockington, 35 Hafod Road, Hereford**

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

For any further information please contact:

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Agenda for the Meeting of the Overview and Scrutiny Committee

Membership

Chairman	**Councillor PJ Edwards**
Vice-Chairman	**Councillor WLS Bowen**
	Councillor PA Andrews
	Councillor ME Cooper
	Councillor AE Gray
	Councillor KG Grumbley
	Councillor TM James
	Councillor RI Matthews
	Councillor PM Morgan
	Councillor AT Oliver
	Councillor PJ Watts

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AGENDA

		Pages
1.	**APOLOGIES FOR ABSENCE** To receive apologies for absence.	
2.	**DECLARATIONS OF INTEREST** To receive any declarations of interest by Members in respect of items on the Agenda.	
3.	**MINUTES** To approve and sign the Minutes of the meeting held on 29 November 2010.	1 - 8
4.	**SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY** To consider suggestions from members of the public on issues the Committee could scrutinise in the future.	
5.	**MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12** To seek the Committee’s views on the draft Medium Term Financial Strategy for 2011/14.	9 - 76
6.	**JOINT CORPORATE PLAN 2011-2014** To consider the draft Joint Corporate Plan.	77 - 82
7.	**WORK PROGRAMME** To consider the work programmes of the scrutiny committees.	83 - 98

PUBLIC INFORMATION

HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES

The Council has established Scrutiny Committees for Adult Social Care and Strategic Housing, Children's Services, Community Services, Environment, and Health. An Overview and Scrutiny Committee scrutinises corporate matters and co-ordinates the work of these Committees.

The purpose of the Committees is to ensure the accountability and transparency of the Council's decision making process.

The principal roles of Scrutiny Committees are to

- Help in developing Council policy
- Probe, investigate, test the options and ask the difficult questions before and after decisions are taken
- Look in more detail at areas of concern which may have been raised by the Cabinet itself, by other Councillors or by members of the public
- "call in" decisions - this is a statutory power which gives Scrutiny Committees the right to place a decision on hold pending further scrutiny.
- Review performance of the Council
- Conduct Best Value reviews
- Undertake external scrutiny work engaging partners and the public

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PUBLIC INFORMATION

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Please note that the Committees can only scrutinise items which fall within their specific remit (see below). If a matter is raised which falls within the remit of another Scrutiny Committee then it will be noted and passed on to the relevant Chairman for their consideration.

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Adult Social Care and Strategic Housing

Statutory functions for adult social services and Strategic Housing.

Children's Services

Provision of services relating to the well-being of children including education, health and social care, and youth services.

Community Services Scrutiny Committee

Cultural Services, Community Safety (including Crime and Disorder), Economic Development and Youth Services.

Health

Scrutiny of the planning, provision and operation of health services affecting the area.

Environment

Environmental Issues
Highways and Transportation

Overview and Scrutiny Committee
Corporate Strategy and Finance
Resources
Corporate and Customer Services
Human Resources

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 29 November 2010 at 9.30 am

Present: **Councillor PJ Edwards (Chairman)**
Councillor WLS Bowen (Vice Chairman)

Councillors: PA Andrews, AE Gray, KG Grumbley, TM James, RI Matthews, PM Morgan and AT Oliver

In attendance: Councillor MAF Hubbard

35. APOLOGIES FOR ABSENCE

Apologies were received from Councillor PJ Watts. Councillor JP French (Cabinet Member – Corporate and Customer Services and Human Resources) also sent apologies.

36. DECLARATIONS OF INTEREST

Councillor PJ Edwards declared a personal interest in agenda item 5: Update on Accommodation Programme because of a job held by a relative.

Councillor TM James declared a personal interest in agenda item 8: Budget Monitoring Report 2010/2011 because of the nature of a relative's employment.

37. MINUTES

RESOLVED: That the Minutes of the meeting held on 18 October 2010 be confirmed as a correct record and signed by the Chairman.

38. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

There were none.

39. UPDATE ON ACCOMMODATION PROGRAMME

(Councillor PJ Edwards declared a personal interest.)

The Committee considered an update on progress with the proposed joint office accommodation strategy for the Council and NHS Herefordshire.

The Head of Asset Management and Property Services (HAMPS) presented the report. He highlighted that the work of EC Harris, consultants, had confirmed that consolidation of office accommodation onto a single site at Plough Lane remained viable and that the space requirement was less than that originally envisaged. The Joint Corporate Property Strategy provided for a “hub and spoke” model of service delivery for office accommodation in the County based on the new headquarters at Plough Lane.

He outlined the main elements of the accommodation programme and the wider organisational benefits in addition to the benefits of property rationalisation. He noted that a change in organisational culture would be required to support the more flexible working arrangements required by the accommodation strategy.

In discussion the following principal points were made:

- The replacement of Garrick House, Hereford with a facility to provide accommodation for the Council, NHS Herefordshire, West Mercia Constabulary and HM Revenues and Customs was discussed. The HAMPS commented that Garrick House would be subsumed within the Edgar Street Grid retail quarter development. The Council was looking to use an existing building within the City Centre instead. The preferred option was not in the Council's ownership but an alternative site was. A Member questioned whether it was a sound option to rent a site rather than using Council owned accommodation. The HAMPS said the options were still under consideration.

- That all Members of the Council needed to be kept more informed of the proposals within the accommodation project, including the proposals for locality working, to ensure that there was a clear, shared understanding of what was being delivered. In support of this comment Members noted that it was intended that Brockington would be disposed of and proposed improvements to the Shirehall included provision of a "demountable" Council Chamber to allow flexible use of space.

  Observations on the development of a future Council Chamber included support for a public space that carried a sense of civic pride; and a view that the essential requirement was that the Council's buildings were a vehicle for service delivery and it was important to maintain focus on ensuring the Council's property holding was fit for that purpose. Officers were being required to change their working practices and Members might similarly need to consider how they worked.

  The efficiency of the Shirehall as a building was questioned. It was also emphasised that it was important that nothing was done that jeopardised the use of the building by the Crown Court which brought economic benefit.

  The HAMPS commented that proposals for both the Town Hall and Shirehall were at an early stage.

- It was asked why the Council had engaged a second firm of consultants in connection with the accommodation project. The Director of Resources replied that the scale of the project and the in-house capacity meant that external expertise was required to deliver the project. The firm EC Harris had carried out a peer review of the work of the first consultants. This had confirmed the original work had been thorough, however, circumstances had changed. The finding that only one additional block would be required at the Plough Lane site rather than two was significant. He confirmed that the proposed provision of car parking on the site was also to be reduced and that public use at weekends would be considered as part of the Council's car parking strategy. Members requested a briefing note on the costs incurred in employing the two consultants.

- It was asked whether there was scope for increasing provision at Plough Lane in future in response to changing circumstances. The HAMPS said that EC Harris had considered whether there would be advantage in providing more space than was currently required. However, they had concluded that providing spare capacity would not be financially beneficial. The building it was proposed to provide would have sufficient flexibility for current needs and the fact that it was now proposed to build one additional building rather than two meant that there was further capacity on the site.

- Clarification was sought on the financing of the accommodation programme. It was noted that costs could not be defined at this stage. The Director of Resources commented that provision of £17.3m had been made in the Capital Programme, £4.3 m of which had been spent on Plough Lane. There would be revenue savings associated with the move to that building. The generation of capital receipts by disposing of surplus Council owned buildings would be an important part of the financial package. However, it was important to note that receipts would be generated over time to ensure appropriate value was obtained, mindful that demand for such property was limited. It was not known what percentage of the cost of the programme might be met by disposal, but it was estimated at between 30-40%.

- The HAMPS acknowledged that the accommodation project was dependent on ICT infrastructure being in place supported by appropriate HR policies. The Deputy Chief Executive reported that the Joint Director of ICT was on the Accommodation Board and that the Joint Management Team, in discussing future ICT strategy, had emphasised the need to be more proactive to take advantage of the benefits to working practices that IT was already delivering in the private sector.

- The plans for the replacement of the Thorn Data Centre were discussed. The HAMPS commented that the Data Centre was leased until 2017 and the pace of technological change was so fast, that it was unclear at this stage what the future requirement for data storage might be. The proposed replacement for the archive facility could contain provision for data storage if it were to be required. The Joint Director of ICT was involved in discussions about the requirements.

RESOLVED:

That (a) the issues raised by the Committee be taken into account by the Accommodation Board;

(b) consideration be given to communication with all Members about the accommodation programme and the localities project to ensure that Members were appropriately briefed;

(c) the critical role of ICT provision to the success of the accommodation programme be highlighted and full account taken of this in developing the accommodation proposals; and

(d) a briefing note be circulated on the costs of consultants employed on the accommodation programme.

40. SCRUTINY REVIEW OF COMMUNICATION WITH THE PUBLIC ABOUT SERVICES AND ACCESS TO THOSE SERVICES - EXECUTIVE'S RESPONSE

The Committee considered Cabinet's response to the recommendations made to it in the Scrutiny Review of communication with the public about services and access to those services.

It was noted that an external review of the communications function had been undertaken by consultants alongside the scrutiny review and that this had made a number of recommendations to improve the organisational impact and value for money of communications across the Council and the Primary Care Trust. A summary of the recommendations of the external review was appended to the report.

In discussion the following principal points were made:

- Concern was expressed that the publication Herefordshire Matters might be open to criticism for its tone, having regard to the Audit Commission's guidance on the need for such publications to be politically neutral and publicly defensible. The Head of Communications replied that careful consideration was given to the tone of the publication. The publication necessarily had to report on actions being taken by the elected administration to deliver its programme, including statements by Cabinet Members. This did not mean it was a politically biased document. There was scope for additional reporting on the work of Councillors, especially on the role of the scrutiny function. The Chairman commented that in his view there was a question of balance. He continued to consider that insufficient weight was given to reporting on the work of the scrutiny function.

- The Chairman of the scrutiny review group that had undertaken the review emphasised the need to reduce the proliferation of leaflets and other publications and for the Council's communications to be written in comprehensible language. The Head of Communications commented that he recognised the need for communications to be written with the audience in mind. The proposed strengthening of the central Communications Unit would reduce the proliferation of leaflets, which were often not the best means of communication, and improve the quality of communication. There was a readers' panel for health documents and consideration could be given to extending its use to include Council publications.

- The quality of press releases was questioned and it was also suggested they were too staid. The Head of Communications replied that over 90% of releases were used. Their tone had to be balanced and objective.

- A Member observed that in terms of the findings in a benchmarking exercise that Herefordshire's communications function was in the top quartile for productivity and output, whilst in the bottom quartile in terms of cost it was important that quality was borne in mind.

RESOLVED:

That (a) Cabinet's response to the findings of the review of communication with the public about services and access to those services be noted; and

(b) a full progress report in response to the scrutiny review be made in the Summer of 2011, with consideration then being given to the need for any further reports to be made.

41. INTEGRATED CORPORATE PERFORMANCE REPORT - QUARTER 2 2010-11

The Committee considered an overview of performance in the first half of the year against the Joint Corporate Plan 2010-13.

The report to Cabinet on 25 November was appended. In accordance with the Committee's request in July 2010, the outcome of the Children's Services Scrutiny Committee's consideration of early years and primary school performance was reported to the Committee.

The Policy Officer presented the report. He noted that of the 63 indicators for which performance data was available now, 37 were showing performance as on or above target, with 26 behind, or failing to achieve, target. This represented a decline in performance since the report on performance for the first quarter of the year.

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

- The reduction in road accidents was welcomed. It was suggested that the Environment Scrutiny Committee had contributed to this success, in part by urging that speed cameras be relocated with a clear focus on where they could prevent most accidents.

- The Performance Improvement Officer (Early Years, Schools, 14-19) confirmed that the creation of a stronger school governor support service was proceeding and this would enable more training to be provided for school governors.

  Asked about the allocation of local authority consultants to drive improvement at key stage 1 and whether this was sufficient resource she explained that 2 consultants, part of the local authority school improvement team would work with designated lead teachers to cascade training. The programme was to be completed by July 2011.

  It was proposed that the Children's Services Scrutiny Committee should be requested to continue to give consideration to educational performance.

- National Indicator (NI) 39, the number of alcohol related admissions to hospital was discussed. The Policy Officer confirmed that it was one of the priorities in the public health agenda in the County. Whilst performance to date was behind target it had improved compared with the previous year. The Deputy Chief Executive added that renewed focus was being given to this issue as a matter of priority.

- It was noted that the Safer Herefordshire Scrutiny Review Group had been satisfied that Safer Herefordshire (the Crime and Disorder Reduction Partnership) had appropriate mechanisms in place and had correctly assessed its priorities at a strategic level in relation to dealing with alcohol misuse and anti-social behaviour.

  Concern was expressed that there were still issues to be addressed on the ground and the accuracy of data collection on anti-social behaviour due to alcohol was questioned.

- Particular concern was expressed about performance against NI 59: initial assessments for children's social care carried out within 7 working days of referral, mindful of Councillors'' roles as corporate parents. The unannounced OFSTED inspection at the end of June had highlighted a number of initial assessments that had been closed down and moved to a core assessment prematurely. It was noted that a core performance improvement team and action plan was in place and an upward trajectory of improvement was planned to the end of the year. The importance of this being monitored was emphasised.

RESOLVED:

That (a) the Committee's observations on performance be sent to the Leader of the Council;

(b) the Children's Services Scrutiny Committee should be requested to continue to give consideration to educational performance as part of its work programme; and

(c) the Committee's concerns about the monitoring of performance against National Indicator 59: % of initial assessments for children's social care carried out within 7 working days of referral be highlighted.

(The Committee adjourned between 11.20 and 11.30 am)

42. BUDGET MONITORING REPORT 2010/2011

(Councillor TM James declared a personal interest.)

The Committee considered the forecast financial position for both revenue and capital expenditure to 31 March 2011, an update on Directorates' recovery plans instigated to address projected overspends; treasury management activities; and amounts written off for individual debts.

The report to Cabinet on 25 November was appended.

The Head of Financial Services presented the report. The projected overspend on the revenue budget was £2.4m. She reported that the main overspends were in the Integrated Commissioning and Children and Young People's directorates. Both directorates had recovery plans in place, although the new Interim Director of Adult Social Care was reviewing the Integrated Commissioning recovery plan. In any event the proposals would not take effect until the next financial year. The recovery plan in Children's Services had already delivered savings but these had been in part offset by increased additional external placements and placements for children with special needs.

Additional savings targets had been set for directorates supported by a restriction on discretionary expenditure. This combination of targets together with additional central financing activity would deliver a balanced budget if directorates took the necessary action.

In relation to write offs she highlighted that the Council was performing far above average in collecting council tax and above average in collecting on other debts.

In the ensuing discussion the following principal points were made:

- It was noted that the Revenues and Benefits Team performed well in comparison with other authorities for the collection of debt. It was proposed that the work of the Revenues and Benefits Team in collecting debts was to be commended. In response to a question the Director of Resources confirmed that where people did default on debts a range of options were explored. This included looking at attachment orders on property in order to avoid people being forced to lose their homes.

- The potential for additional costs to be incurred under the waste disposal contract if waste growth between Herefordshire and Worcestershire varied by more than 1% was highlighted. The Executive was urged to give careful consideration to whether additional cost effective action could be taken to avoid incurring additional costs under the waste disposal contract;

- The financial implications of schools being granted academy status were discussed. The Director of Resources commented that there was a potential implication for the sustainability of functions supplied centrally by the Council. The Council and the Shared Services Joint Venture Company would clearly be seeking to attract business from the academies.

  The Deputy Chief Executive added that services provided by the Council inevitably carried an overhead cost, as to a lesser extent would those provided by the Joint Venture Company. Whilst the Joint Director of ICT considered that schools who chose not to use Council Services simply on grounds of cost were not taking full account of the level of service the Council provided he recognised the need to ensure costs were competitive.

A Member observed that note should be taken that it was not important who provided services. The key was that the services provided represented value for money.

- It was noted that the first stage of negotiations on the Shaw Contract had been completed and would deliver some savings in the current financial year. The contract was a long term one and negotiations with the contractor, in whose interests it was to deliver service improvements, were continuing. A briefing note was in preparation.

- The perennial overspend on the Integrated Commissioning budget was questioned. The Director of Resources commented that, whilst increased demand was part of the problem, additional resources had been made available for social care over the years. In particular £3.3m had been allocated based on a needs analysis to change the direction of care. These measures had not been progressed as planned. Whilst he considered additional resources would need to be made available for social care in the 2011/12 budget, the approach to provision of care did need to change, with a greater emphasis on personalisation.

  It was suggested that a more realistic approach to the social care budget was needed, bearing in mind the persistent overspend by a similar amount year on year, and noting that costs were incurred in preparing and implementing recovery plans.

  A view was expressed that there was scope for efficiencies and it was to be hoped that the development of locality working would, for example, reduce travel costs and inefficient use of time spent travelling.

- The Director of Resources confirmed that a seminar on the Council's financial prospects would be held for all Members once the details of the imminent financial settlement were known.

RESOLVED:

That (a) the Revenues and Benefits Team be commended for its work in collecting debts;

(b) the Executive be urged to give careful consideration to whether additional cost effective action could be taken to avoid incurring additional costs under the waste disposal contract;

(c) the implications of schools achieving academy status be noted and monitored; and

(d) the Committee's observations be reported to the Executive.

43. BUDGET UPDATE 2011/12

The Committee considered arrangements for the preparation of the 2011/12 budget.

The Director of Resources presented the report. He drew attention to the complexity of the task that lay ahead, the budget setting principles and a series of planned engagement events.

The intention to include an additional 0.7% of pay for the outcome of the actuary's revaluation of the pension fund was questioned. The Director of Resources replied that the revaluation was not complete but there was a longer term deficit that would need to be addressed over time. In part this would be done through increased contributions by employees but he also believed decisions would need to be made on when benefits could be drawn and the level of those benefits. The principle of an Employer's contribution was set by national agreement.

In relation to provision for inflation it was noted that this was on the non-pay budget. The Council's contracts with external providers contained specific provisions regarding inflation which would need to be met.

RESOLVED: That the approach to engaging with the Community in preparing the 20011/12 budget and the underlying principles for that budget be noted.

44. WORK PROGRAMME

The Committee considered the work programmes of the scrutiny committees.

It was noted that clarification was still required on when the Executive's proposals for making the Council's own holdings available for affordable housing would come forward.

It was proposed that the Community Services Scrutiny Committee should consider proposals for the future management of Commons as these were generating comment in the community.

RESOLVED: That the current work programmes as amended be approved as a basis for further development.

The meeting ended at 12.35 pm **CHAIRMAN**

Herefordshire Council

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE**
DATE:	**14 JANUARY 2011**
TITLE OF REPORT:	**MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12**
REPORT BY:	**DAVID POWELL, DIRECTOR OF RESOURCES**

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To seek Overview and Scrutiny Committee's views on the draft Medium Term Financial Strategy (MTFS) for 2011/14.

The Committee's views will be considered by Cabinet on 20th January 2011, when they will make recommendations to Council on 5th February 2011 about the budget, including the level of Council Tax for 2011/12 and the Medium Term Financial Strategy for 2011/12 to 2013/14.

Recommendation(s)

That Overview and Scrutiny Committee comments on the contents of the MTFS including the approach to budget setting, so that Cabinet is informed of its views.

Key Points Summary

- The Council will set its Council Tax on 4th March 2011 based on a balanced budget. It cannot budget for a deficit.
- The analysis of the provisional local government settlement has confirmed a number of grants have ceased, others have reduced and are now part of the "general" Formula Grant.
- Herefordshire has been adversely affected by funding formula changes that remove £2.7m of funding.
- The 2011/12 net Budget total is £148.28m.
- A Star Chamber process has been used by JMT to identify and challenge savings proposals and service pressures.
- The set of principles and priorities that came from discussions between Cabinet Members and

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 383519

Non-Executive Directors have been used to assess all proposals and the resultant service changes.

Alternative Options

1 Joint Management Team (JMT) have approved a balanced budget for 2011/12 and this is summarised in the Financial Resource Model (FRM) in the attached MTFS. It incorporates inflation, service pressures and other spending requirements, the financing of which has been identified from within the Formula Grant, service efficiencies and council tax.

Reasons for Recommendations

2 The proposed MTFS, shown in Appendix A, provides a financial planning framework for the next three years.

Introduction and Background

4 On 20th January 2011, Cabinet is requested to consider the budget proposals set out in the MTFS, in order to make a recommendation to Council for setting the 2011/12 revenue budget based on holding Council Tax at current levels.

5 The provisional Local Government Settlement was announced on 13th December 2010; the key components were:

- The Formula Grant, which includes Revenue Support Grant and Redistributed Business Rates, is set at £60.125m. It is unlikely there will be changes to this figure when the final settlement is published in late January 2011.

- Indicative figures have been provided for 2012/13. This confirms a continuing tightening financial picture for local government.

6 The Department for Education has yet to provide an overall Dedicated Schools Grant (DSG) estimate for 2011/12. However, we know that per pupil funding will be £4,723.65 per pupil. The planning total being used by the Council is 22,467 pupils..

Comprehensive Spending Review (CSR10)

7 CSR10 announced on 20th October 2010 was largely in line with the anticipated position and this in turn influenced the provisional Local Government Settlement announced on 13th December 2010. In summary CSR10 meant the following for Herefordshire:

- If local authorities wish to take part in the voluntary scheme, Council Tax in 2011/12 will ‘have the tax base funded at a rate of 2.5% in each year of CSR10’.
- By 2014/15, £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn; in 2011/12 the addition is £530m. In 2011/12 this is an additional £1.96m for Herefordshire and a further £1.48m in 2012/13.
- £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care. For Herefordshire this is £2.368m.
- All ring fencing on grants will be removed, apart from a total of nine grants including the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013. For Herefordshire this means we will have only six specific grants.

- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period; this includes £2.5bn of funding for the new pupil premium.
- The number of transport grants to councils is to be reduced; however, councils will gain greater control and flexibility over spending these grants.
- Bus Operators' Subsidy will be reduced by 20%, but the statutory concessionary travel entitlements remain in place.
- The 'New Homes Bonus' will be introduced to 'reward' councils granting planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years, with an additional premium added. It is estimated that this will provide £660k per annum.
- The Regional Growth Fund totals over £1.4bn over three years. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant. For Herefordshire this is an estimated £13.55m.
- From 2013/14 Council Tax Benefit (CTB) will be localised. We await details of this change.

8 A significant factor that added to the pressure faced in 2011/12 is the front loading of funding reductions. The profile of reduction is therefore uneven and for Herefordshire is 13.3%, 8.6% and 1.9% for the next three years.

Budget and Policy Process

9 The council has been preparing for the funding reduction for some time. In late 2009 there was evidence that the public finances would be reduced to meet the growing national deficit. As a result the process of preparing for the 2011/12 budget commenced as part of setting the current year's (2010/11) budget. In 2009 Directorates were asked to submit proposals for an anticipated 5% year on year reduction as part of the overall resource allocation framework. This approach used an estimated 15% reduction in government funding over three years that represented a best estimate in 2009 of an approach to address the national deficit. These figures were built into the 2010 Medium Term Financial Strategy (MTFS) agreed by full Council in March 2010.

10 A series of meetings (Star Chambers) have been held by JMT in preparation for the anticipated financial pressures ahead where Directors were challenged by the Chief Executive, Deputy Chief Executive and Director of Resources about savings targets and financial pressures. Over the same period, Cabinet has met informally to consider the emerging picture. Joint meetings have also been held with the Non-Executive Directors of NHSH to consider the impact across HPS. These preparations were focussed on the anticipated dates of Government announcements.

11 The provisional Local Government Settlement was announced on 13th December 2010. This was one of the latest announcements in recent times. The settlement includes a reduction in formula grant funding of £11.008m when comparing a rebased 2010/11 funding position with 2011/12. After taking into account further reductions and allowing for additional allocations of social care funding there is a net funding loss of £11.206m in 2011/12.

12 At Joint Management Team on 4th January 2011 options to close the position were discussed including the outcomes of the Star Chambers to date. A number of possible measures were reviewed.

13 It is proposed that the 2011/12 budget will also include the setting up of a budget management reserve to be held on the balance sheet. In addition the general fund reserve will remain at the policy - a minimum of 3% of net budget. This means that the general fund reserve will be £4.5m in 2011/12.

Star Chambers

14 The overall budget and policy process is now concluding. The Star Chambers had four key aims:

- To sign off the ongoing 5% savings previously identified for 2010 and beyond.
- To review future savings identified in Star Chambers earlier in 2010.
- To identify further cross cutting savings from the 'Rising to the Challenge' transformation programme and challenge existing proposals. These are primarily Streamlining the Business (shared services, organisational redesign, office accommodation and commercial strategy), People & Performance (reducing the pay bill, agency spend), Communities First (property review) and Customer Services (replacement CRM).
- To challenge and review all submitted service pressures.

15 In order to guide those attending star chambers in the search for further savings and the necessary service changes, Joint Management Team (JMT) agreed core principles and priorities on 12th October. These re-emphasised the need to bring policy based issues to the ce^nt re of the process. Given the financial challenge ahead, the following core principles for the future were agreed.

PRINCIPLE	IMPACT
Valued Services	• Focusing on what matters to people, core business, stopping things we don't need to do
Cutting Red Tape	• Less regulation and bureaucracy, smaller local government
Supporting the Vulnerable	• Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention
Cutting Costs	• Reducing the pay bill; third party spend savings; smarter delivery
Local Delivery	• Devolution, role of parishes and the VCS; working through the nine localities
Personal Responsibility	• Self reliance, people and communities helping themselves, behavioural change

Alongside these principles the priorities to be delivered in the medium term were expressed in the form of the Joint Corporate Plan which is still being revised and is due to be considered by Cabinet on 20th January 2011.

PRIORITY	IMPACT
A resilient Herefordshire	• Preserving our environment and access to the countryside • Promoting access to services in rural areas • Strong voice in the region
Creating a strong economy	• Regeneration of Hereford; delivery of ESG • Delivery of key infrastructure for growth • Small business growth: jobs and wages; broadband
Raising Standards for Children & Young people	• An affordable education system • Meeting safeguarding standards • Increasing primary school and pupil performance
Improving Health Care and Social Care	• Reforming care for Older People • Creation of the ICO: April 2011 • Planning for GP Consortium and Health Promotion changes
Promoting self reliant local communities	• A balanced housing market • Reducing fear of crime • Encourage community and parish planning
Commissioning the right services	• Streamlining working practices • High levels of customers and citizen satisfaction • A High quality workforce

The Organisational Development project has identified the preferred future structure for each directorate and the Star Chambers have identified the financial challenges; the shape of the organisation for the future is beginning to emerge.

16 Given the provisional settlement only covers two years Joint Management Team conducted more detailed financial planning over the two year period based on the Joint Corporate Plan. The settlement announced on 13th December 2010 was worse in terms of total reduction and timing of the reductions and therefore required a further phase. This saw Directors work to a further set of principles to help refine the budget proposals. These principles are as follows:

- Grant reductions and grants that have ceased will not be funded. Their relationship to changes in national government policy will need to be determined and if the case cannot be made that funding delivers a policy requirement then the funding will not be back filled.

- Any growth requirement will need to be self funded by directorates.

- The additional sums provided for Adult Social Care as part of the settlement and also via Health will be added to the overall control total for Adult Services.

- There will not be any additional capital borrowing in 2011 apart from meeting agreed prior year decisions that still have a sound business case or where borrowing commitments cover projects already being delivered. Spend to save funding will be made available where a sound business case demonstrates a positive revenue contribution.

- Inflation at 2% will be applied to budgets. There is also an assumption that fees and charges will be raised by inflation and that any subsidy of services through under recovery of fees will end. A review of fees as part of the emerging income policy will need to be undertaken and future level of fees and charges will be adjusted to ensure we eliminate any subsidies.

- The savings put forward as part of the Star Chamber process are to be signed off and delivered. Directors were asked to revisit the explanation for any reductions put forward as part of the Star Chamber process so that any decision stands up to any challenge.

- Directors were required to review savings proposals identified for 2012/13 to assess if these can be brought forward.

Budget Setting Principles

17 The attached draft Medium Term Financial Strategy includes the Council's financial model. This indicates the amounts built in to meet unavoidable commitments. It also includes reductions to balance the budget. Key points included in the model are as follows;

a. Inflation: The model includes net inflation of £2.962m. It assumes that inflation will be added to discretionary charges.

   In previous years inflation has not been applied to budget as a proxy for efficiency. This approach has ceased and does not form part of the 2011/12 budget framework.

b. Additional funding for Adult Social Care: The council will passport to Adult Social Care the £1.96m for Adult Services included in the formula grant and the £2.368m of funding from the NHS included in the CSR10 announcement. In order to support the transformation of Adult Services £750k of funding will also go to Adult Services. This will enable a continuation of the activity funded by the 2010/11 social care reform grant that is now part of general funding in 2011/12.

c. Shared Services: Funding and savings associated with the Shared Services programme is included in the financial model.

d. Budget Management Reserve: The potential pressures associated with the reduction in funding will require adequate reserves. The budget will include a £500k contribution to a specific budget management reserve. This will be brought to a level of £1m by the addition of £500k following a review of existing specific reserves.

e. Change Management Reserve: In 2010/11 a reserve was established to support costs associated with staff reductions. In 2011/12 the annual budget will increase to £1m.

f. Use of Reserves: Changes to the local government funding formula remove £2.8m of funding in 2011/12. The main reduction affects concessionary fare funding. In 2010/11 gross expenditure on concessionary fares of £1.8m is projected. In order to support concessionary fares' funding it is proposed £1m is temporarily used from specific reserves to ease financial pressure. This demonstrates the benefits of financial planning over more than one year with the sum being repaid in 2012/13 and to be included in the budget for that year.

g. The council will take advantage of government funding up to 2.5% of council tax increase and this is included in our financial plan. For Herefordshire this is £2.15m;

h. An additional 0.7% of pay is included for the outcome of the actuary's revaluation of the pension fund;

i. The front loading of government funding reductions announced in CSR10 is now included in the financial plan.

Provisional Local Government Finance Settlement 2010

18 The provisional settlement was announced on 13th December 2010 and remains subject to consultation until the end of January 2011. As previously indicated CSR10 and the subsequent provisional settlement form part of the Government's deficit reduction plan. In year savings for 2010/11 have already been made.

19 The provisional settlement gives local government greater flexibility to take decisions locally. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found. However, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.

20 The provisional settlement covers two years (unlike CSR10 that covers the next four years). The shorter time frame is because local government is expected to have a new funding distribution system from 2013. It is anticipated that consultation on changes will commence in 2011.

21 The number of specific grants has reduced dramatically. In 2011/12 Herefordshire will receive only six specific grants compared with approximately 70 it received in 2010/11. The majority of funding is now via the general Formula Grant and this has been subject to a significant reduction of £11.008m for 2011/12 when compared with a like for like 2010/11 total for Formula Grant (plus grants rolled into Formula Grant for 2010/11). In summary this is as follows:

	£'000
2010/11 Formula grant	57,583
Grants rolled into Formula Grant	13,550
TOTAL	71,133
2011/12 Formula Grant	60,155
TOTAL loss in Formula grant	**11,008**

22 In addition a number of grants have been reduced or have ceased and these total £2.566m. However, £2.368m in NHS funding transferred to the Council to provide support for Social Care. This gives an additional net reduction of £198k and therefore when added to the £1.008m reduction the overall net position is a loss of £11.206m in funding for 2011/12.

23 The Council will receive £1.961m as part of the national allocation for Personal Social Services but this is within the 2011/12 formula grant total of £60.155m.

24 As part of the Local Government Settlement, the government reviews the funding formula that distributes funding to local authorities. The provisional settlement indicates that the Council has been badly hit by changes to the formula. The net change in grant is £2.7m, with the main variation arising from changes to concessionary travel funding distribution.

25 The Concessionary Bus Travel Act 2007 transferred responsibility for the concessionary travel scheme from district level authorities to county level authorities. To achieve this transfer, the funding needed to be transferred. District Councils are funded from the lower tier funding calculations, and county councils are funded from the upper tier funding calculations. Therefore, funding needed to be transferred from the lower tier to the upper tier, and this was achieved as part of the local government finance settlement for 2011/12 announced on the 13th December. However, the element of concessionary travel funded by special grant was transferred in to formula grant from 2011/12 onwards.

26 The formula grant consultation launched in the summer of 2010 presented 40 options for the transfer, with losses ranging from £1.5m-£3.5m for Herefordshire, based on the 2010/11 settlement. Due to the inherent unfairness of the transfer for unitary authorities we worked with organisations such as SPARSE Rural, the SCT and the LGA to persuade the government of this view. Subsequently, a 41st option was considered, which ensured a zero loss for all unitary authorities. This option was not supported by Government.

Savings proposals

27 As described earlier Directors were asked to frame savings proposals within an agreed set of principles coming out of the joint Cabinet/NED meeting on 28th October. This places the proposals within a framework that helps us meet the challenges ahead. In summary the proposals can be analysed by directorate or principle. The following tables provide the summarised information by directorate.

	2011/12 £'000	2012/13 £'000	TOTAL £'000
Adult Services	2,649	2,383	5,032
CYPD	1,747	839	2,586
DCX	1,033	853	1,856
Public Health	297	278	575
Resources	576	338	882
Sustainable Communities	2,200	1,092	3,292
TOTAL	8,502	5,783	14,223

In addition the Commercial Strategy will deliver £1.8m of savings in 2011/12. This gives overall savings of £10.27m. The overall 2011/12 savings being built into the budget total £10,302m and can be analysed as follows:

	£'000

Shared Services including Commercial Strategy	2,560
Reductions in the pay bill	3,148
Directorate reductions	4,594
TOTAL	**10,302**

Financial Management

28 It is important that the Council has appropriate levels of reserves at a time of financial challenge. The current policy for the general fund reserve requires it to be 3% of net revenue budget. The total net budget for 2011/12 is £148.8m and will require a reserve of £4.5m. In addition our non schools specific reserves total £7.87m.

29 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on "repayment" should be the directorate that has overspent in the previous year.

30 The report has indicated that changes to the funding formula have affected concessionary fares funding. After the application of a specific grant the net expenditure in 2010/11 is £1.1m.

31 The current specific grant is now part of formula grant and has also been reduced. For 2011/12 it is proposed that a sum of £550k is passported within formula grant and that temporary support of £1m is provided by temporary use of the current £2.774m Waste Reserve. The 2012/13 budget would require this to be repaid and the base budget would be adjusted.

32 The above will mean that £1.5m of funding for concessionary fares is available in 2011/12. A reduction in expenditure on concessionary travel will still be needed. This could be achieved by meeting guidance for availability of concessionary fares; this will yield approximately £200k of savings. The measures outlined will protect concessionary travel funding and provide £1.55m of funding compared with £1.8m in 2010/11.

Provisional 2012/13 Settlement

33 The two year settlement provisionally allocates £54.4m of formula grant to Herefordshire for 2012/13 with a new methodology to be in place for 2013/14. For this reason local authorities have a two year financial settlement compared with the four year timeframe of CSR10.

Legal Implications

34 Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

35 Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so members will have authoritative advice available to them when they make their decisions.

Risk Management

36 Clearly, there is the potential risk that the public finance will be in worse shape than assumed as part of CSR10. The appropriate management would be via further cost reduction.

37 The additional risk that may occur is if the services currently supported through former specific grants are no longer funded because of a change in priorities. This would need to be managed over time.

Appendices

Medium Term Financial Strategy 2011/14

Background Papers

- None identified

Working together for the people of Herefordshire

Joint Medium Term Financial Strategy 2011 – 14

Joint Medium Term Financial Strategy 2011 – 14

Foreword by the Council Leader & NHSH Non Executive Director

The Joint Medium Term Financial Strategy (JMTFS) is an important document because it reflects our strategic and operational intentions for Herefordshire Public Services. The strategy continues to have a significant influence on our financial culture, helping to shift thinking and financial behaviour away from short-term budget setting to a more appropriate, longer-term approach that brings stability to our support for service improvement.

Although we are in line to deliver a balanced budget in 2010/11, the challenges facing the council are vast. Significant funding from central government and recent announcements on its reduction will have a large impact on budgets and service delivery. Throughout the coming year we will assess discretionary services, and consider alternative ways of working, in particular investigating broader partnership arrangements, to mitigate the effects.

The JMTFS also reflects on the scale of the impact of the economic downturn that has affected the world economy and its influence on Herefordshire. There are a number of joint assumptions that are similar for both organisations and by working together in line with government policy they will enable world class services to be delivered to Herefordshire. We have adapted our medium term plans to address the implications of the dramatic change in the economy and the coalition governments first financial settlement. In line with government policy we will be implementing Shared Services to deliver back office savings which will be realigned to front line services. It is because we have a flexible JMTFS that we can make decisions as and when it is appropriate to do so.

2011 will be challenging as a result of the economic downturn and it is important that we continue to strengthen the partnership between the Council, NHSH and Hereford Hospital Trust. This deep partnership is already paying dividends and, over the next 12 months, there will be stronger evidence of its impact, with the implementation of a shared back office service and associated systems.

Cllr. Roger Phillips
Leader of the Council

Joint Medium Term Financial Strategy 2011 – 14

Foreword by the Chief Executive and Director of Resources (Council and NHSH)

Planning the use of public money and transparent accountability for Herefordshire is a key priority, from which we continue to ensure Herefordshire has financial stability and also deploy resources to support agreed priorities. This cannot be achieved if we limit our planning horizon to a single year. The Joint Medium Term Financial Management Strategy (JMTFS) helps planning over a longer time framework and demonstrate how we will use our resources in the future.

The JMTFS forms part of the service planning process and sets a framework for the interpretation of the council's priorities and principles. It is an appropriate way to plan our expenditure and has played a part in helping maintain the Use of Resources standards. However, we continue to review and, where appropriate, improve the strategy each year.

The JMTFS has helped change Herefordshire's financial management culture; it includes a requirement that responsibility for managing individual budgets rests with our budget managers who operate within our financial policies and procedures. The JMTFS helps explain the overall position, so that we all know that financial management is part of our day-to-day activity and that we must demonstrate we provide value for money at a time when the economic downturn is having a widespread effect.

Chris Bull
Chief Executive

David Powell
Director of Resources (Council)

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1. Introduction

1.1 The Joint Medium Term Financial Strategy (JMTFS) covers the financial years 2011 to 2014 and demonstrates how HPS will maintain financial stability, deliver annual efficiencies, and support investment in priority services, whilst demonstrating value for money and maintaining service quality.

1.2 The JMTFS is a key part of HPS's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.

1.3 A major development has been the continuation of the downturn in the economy and the clarity of how the "credit crunch", has impacted across the world. This has had a direct effect on the income earned from investing balances and income collected from the provision of services.

1.4 The coalition government has published a two year financial settlement for the public sector alongside a number of white papers that will reshape service delivery and resultant financial requirements:

- Equity and Excellence – liberating the NHS
- Schools – the importance of teaching
- Healthy Lives, healthy people: our strategy for public health in England

1.5 The settlement reduces public sector funding thus providing a challenge to deliver front line services against severe financial constraints.

2. Economic and Demand Background

2.1.1 The national outlook suggests the economy will grow less than expected, although growth in 2012 will be better than predicted. The Office for Budget Responsibility recently downgraded its 2011 growth forecast from 2.3% to 2.1% but it indicated the economy was sufficiently robust to avoid slipping back into recession and was more upbeat moving forward because of private sector growth. The UK economy grew by 0.8% between July and September 2010, but most economists expect this rate to slow once the government's austerity measures kick in.

2.1.2 There are concerns that government spending cuts and tax rises, including the VAT increase, will undermine the recovery, with increased unemployment through public sector job losses as a result of the spending cuts.

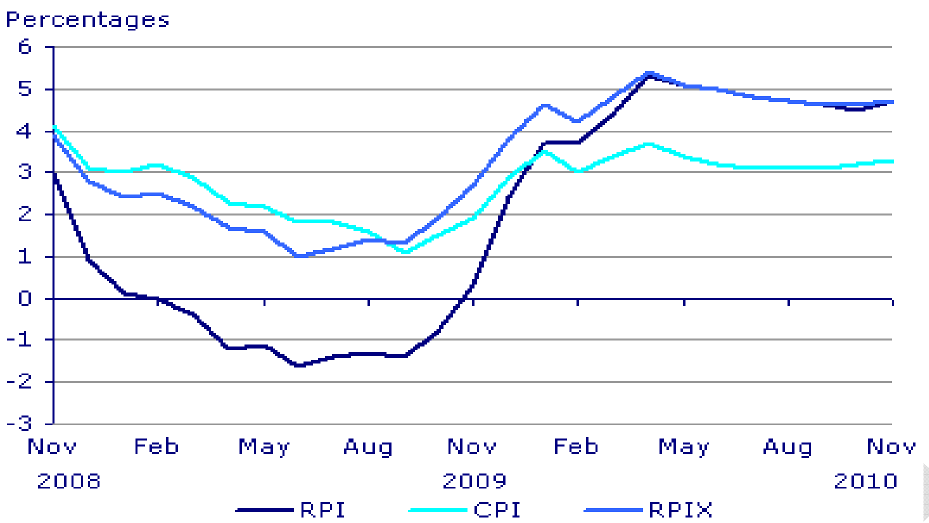
2.1.3 The Monetary Policy Committee a movement away from further Quantitative Easing. Despite Money supply being weak and growth prospects remaining subdued the MPC have gravitated towards increasing rates as global inflation continues to rise along with household inflation.

2.2 Inflation

2.2.1 HPS needs to understand the future inflation rates and the potential impact on the cost of supplies and services. The rates will also affect the potential cost of borrowing and at what point in the year they change assists in decisions on the timing of events.

2.2.2 The Consumer Price Indices rose to 3.3% year-on-year to November 2010. This was above the forecast by economists. This is in relation to October 2010 figure of 3.2%. It is likely to move above 4% when further price increases are implemented.

Annual Inflation Rates – 12 month percentage change



2.2.3 The most significant change in the 12 month rate between October and November came from food and non-alcoholic beverages, where prices increased by 1.6% on the month, in comparison to 0.6% in November 2009. Clothing and footwear prices rose by 2%, the largest rise for the month on record. There was also a 3.7% rise in furniture and furnishings prices.

2.2.4 It is possible that some of these rises reflect 'temporary' reasons. For example, food price inflation was pushed higher by the rising bread and cereal prices, reflecting higher wheat prices. Clothing prices are known to always rise in November in advance of sales in December and January.

2.2.5 The cold weather could also be a reason for the increase in clothing prices. However, not all of those effects will reverse in subsequent months and headlines suggest that inflation continues to remain a problem and eventually this will impact on underlying inflationary expectations.

2.3 Economic Summary of Herefordshire

2.3.1 The Office for National Statistics supplies data on numbers and rates of unemployment (% of the working age population claiming Jobseekers Allowance). The claimant count for Herefordshire saw a decrease between September and October 2010.

2.3.2 In October 2010 the count was 2,368, a 1% decrease on September and a 16% decrease on this time last year (2,831) however a large increase as compared to July 2008 (1,505).

2.3.3 Herefordshire's unemployment rate in October was 2.2%, low compared to West Midlands region 4.4% and England as a whole 3.5%.

2.3.4 The unemployment rate for the 18-24 age group saw an increase in October 2010, increasing to 5.7% from 5.5% in September. The rate for the over 50s remained at 1.3%, whilst the 25-49 age group decreased to 2.3%.

2.3.5 The State of Herefordshire report for 2010 contains information that describes the county. Some of the key findings are:

- The population of Herefordshire is increasing - Herefordshire's resident population grew by 2% between 2001 and 2009 – which is a similar growth rate as that of the West Midlands region overall (+3%), but slightly lower than England & Wales (+5%).

- Herefordshire's economic output is low compared to regionally and nationally - as measured by Gross Value Added (GVA) per resident and has increased at a lower rate over the last ten years. This has resulted in a widening of the gap between Herefordshire and the rest of the West Midlands and England.

- Herefordshire's weekly work based earnings are low compared to regionally and nationally. In addition, the gap between Herefordshire's earnings and those of the West Midlands region and England as a whole is getting wider.

- The rate of self-employment in Herefordshire is higher than in the West Midlands and England as a whole.

- Increases in number of out-of-work benefit claimants have been seen during the recession. However, rates are still low in Herefordshire compared to regionally and nationally.

- Pockets of deprivation are concentrated in urban areas of Herefordshire, but smaller pockets also occur in more rural areas. Some of these areas have got worse since 2004.

- Rural areas in Herefordshire are less likely to receive a decent level of broadband service compared to urban areas.

- Affordability of housing is a key challenge in Herefordshire.

- Herefordshire has a longer life expectancy that is healthy, disability free and life in general than regionally and nationally.

- Mortality rates from circulatory diseases are low compared with regionally and nationally and have been decreasing.

- Coronary Heart Disease compares well with elsewhere but has a large cost locally.

- Stroke is a slight problem compared with elsewhere and has a large cost.

- Cancer is the biggest killer and cause of hospital admissions in Herefordshire.

- The number of 18 - 64 year olds with disabilities in Herefordshire is likely to increase by 2026.

- Reliance on, and support for, carers is currently a challenge and will only get worse in future years.

- A substantial increase in numbers of older people that will have some dependency on social care in Herefordshire is expected by 2020. Within this, there is also expected to be a disproportionate increase in the number of older people with dementia.

2.4 Potential Growth and Changes that will affect Service Need

2.4.1 Over a fifth (22%) of Herefordshire's population is aged 65 and over (38,800 people), compared to 17% regionally and 16% nationally. Numbers of older people have grown more rapidly locally than nationally: there are 15% more people aged 65+ living in Herefordshire in 2009 than in 2001, compared to 8% more in England and Wales. This growth is expected to continue, but even more rapidly - with 57% more people aged 65+ forecast to be living in Herefordshire by 2026, an increase from 38,800 in 2009 to 61,000 in 2026. In particular, the number of people aged 85+ is expected to almost double, from 5,400 in 2009 to 10,200 in 2026.

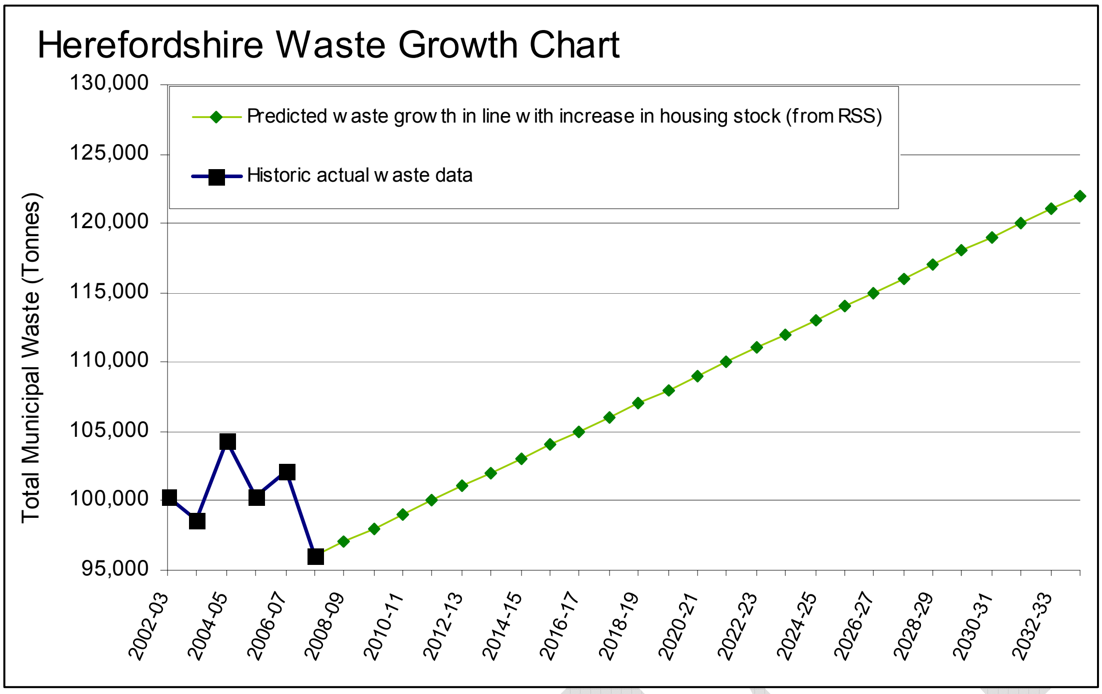
2.4.2 Numbers of children in Herefordshire are decreasing, although there have been more births than expected in the last two years. The current proportion of Herefordshire's population aged under 16 (17%) is similar to England & Wales (19%), but numbers have fallen from 34,000 in 2001 to 31,000 in 2009. This decline is expected to continue and then stabilise from 2016; around 6% below 2009 levels (29,000 children).

2.4.3 Primary school numbers (including nursery classes) will continue to fall in 2011/12 with a predicted reduction of 191 pupils or 1.6% from January 2010. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 2,224 from a high of 14,230 in 2006 equivalent to 15.6%. Since January 2010 secondary school numbers have increased by 30 or 0.3%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,791, a reduction of 720 equivalent to 7% and are expected to continue to fall until 2019.

2.4.4 Recent years have seen a slight decline in overall municipal waste in Herefordshire from over 100,000 tonnes per annum in 2002/03 to 90,000 tonnes in 2009/10. This trend has helped offset significant increases in Waste Disposal Costs for both Herefordshire Council and for our partner in the Waste Disposal Contract, Worcestershire County Council. This is at a time when the two councils, together with the district councils in Worcestershire, have invested significantly in expanding kerbside collection services, refurbishing existing Household Recycling Centres and developing the new EnviroSort materials recovery facility. Herefordshire is currently on track to meet the national recycling target of 40% which increases to 50% in 2020.

2.4.5 Significant challenges lay ahead in meeting landfill diversion requirements which will require significant investment in waste treatment infrastructure.

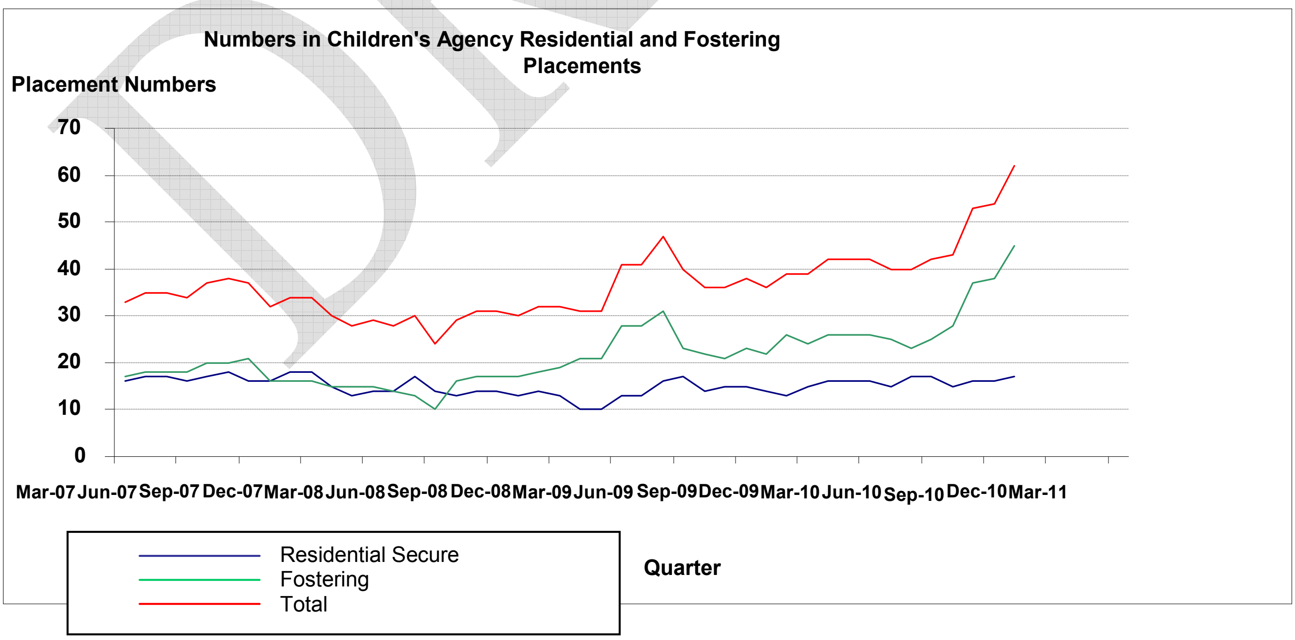
2.4.6 Although the council will continue to invest in the promotion of Waste Prevention with the aim of minimising waste it is very likely that in the future waste will once again start to rise in line with population growth and this is illustrated in the graph below. The Joint Municipal Waste Management Strategy for Herefordshire and Worcestershire predicts that this growth will be in line with expected increases in housing stock as detailed in the Regional Spatial Strategy.



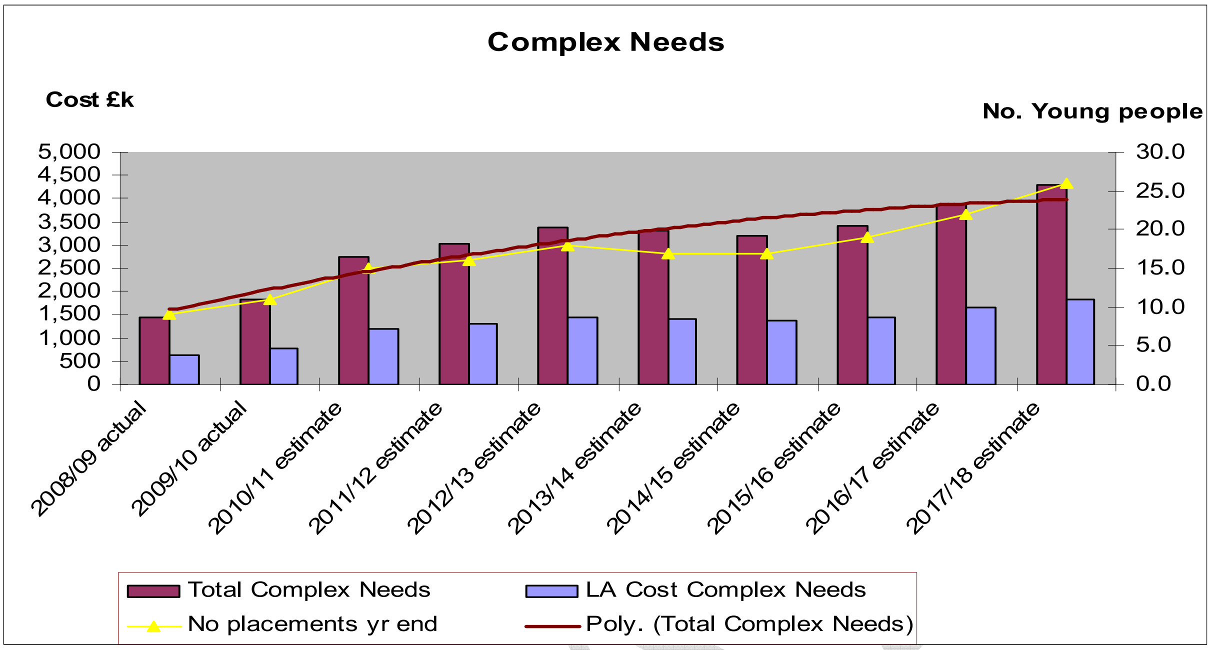
2.4.7 Central Government are expected to publish the Waste Strategy for England later in 2011 and this will give a clearer picture of the financial position in relation to waste in the future.

2.5 Impact of Demand for Services

2.5.1 In August 2010 it was reported that the number of looked after children showed a significant increase over the summer period with numbers of children being placed with agency foster carers up from 28 at the end of July 2010 to 37 at the end of August 2010. Since then numbers have continued to rise with numbers as at 12th October being 14 in residential placements and 45 in agency foster placements. The trends are demonstrated in the chart below.



2.5.2 The number of children requiring intervention and subsequent support from Children's Services is increasing. There have been a number of reports on the national trends which show a 33% increase in referrals from 2008 to 2009/10 (post the "Baby Peter" case of 2008). The following graph shows the upward trend and expected cost. The projections and trend line give an indication of the potential pressures.



2.5.3 Adult Social Care face significant future pressures due to increased life expectancy and future demand due to an aging population. The main service pressures are:

- An increase of 21% in the number of older people requiring care from 2011 to 2020 which will result in an additional 155 new care packages per annum.
- Ten new learning disability service users coming into adulthood per annum in addition to existing clients now meeting FACS criteria and now eligible for support. There are also additional pressures on the older carers of learning disability clients (currently 19 over 85 years old) which will no longer be able to provide support.
- There is also increased cost pressures for high complex packages.
- The number of adults experiencing common mental health problems in the county are expected to increase by an average of 10 cases per year.
- The number of clients client's with a serious physical disability is due to rise by 5% between 2005 and 2021, 10 per annum.

3. National Financial Context

3.1 Introduction

3.1.1 This section of the JMTFS sets out the financial context at national level across both NHSH and Herefordshire Council.

3.2 Pre Budget Cuts – Summer 2010

3.2.1 On 24th May 2010 the Chancellor of the Exchequer announced spending cuts totalling £6.2bn to be implemented in the 2010/11 financial year. From these savings there was a net spending cut of £5.7bn; the remaining £500m to be reinvested in further education, apprenticeships and social housing. This announcement also detailed that grants to local authorities would be cut by £1.166bn.

3.2.2 On 10th June 2010 the Communities and Local Government Minister, Eric Pickles, laid a written ministerial statement before the House of Commons. The statement outlined details of the £1.166bn local government contribution to the £6.2bn spending cuts, broken down by central government department as shown in the table below.

Department	*Revenue Cut*	*Capital Cut*	*Total Grant Cuts*
Department for Education	£311m	-	£311m
Department for Transport	£35.6m	£273.4m	£309m
CLG DEL	£278.5m	£80.0m	£358.5m
Local Government DEL	£175m	-	£175m
Defra	-	£7.5m	£7.5m
Home Office	£6m	-	£6m
Adjustment grant	-£1.1m	-	-£1.1m
	£805m	£360.9m	£1.166bn

3.3 June 2010 Budget

3.3.1 The Coalition Budget of 22nd June gave the overall level of public spending for the four years from 2011/12 to 2014/15 (spending envelope). The Spending Review 2010 is the process through which this spending envelope is allocated to pay for all areas of Government activity including public services, social security, and administration costs.

3.3.2 The Budget suggested action to eliminate the bulk of the structural deficit through plans for additional consolidation of £40 billion per year by 2014/15. This is expected to be achieved through £32bn of spending cuts and £8bn of net tax increases. The plans are for the structural current deficit to be eliminated by 2014/15, with a projected surplus of 0.8% of GDP in 2015/16.

- **Borrowing -** The current structural deficit "should be in balance" by 2015/16. The balance of spending cuts to tax rises would be 77% to 23%. The measures are forecast to result in public sector net borrowing of £149bn this year, £116bn in 2011, £89bn in 2012/13 and £60bn in 2013/14. The Chancellor said by 2014/15 borrowing should reach £37bn, falling to £20bn in 2015/16.

- **Spending -** Current expenditure would rise from £637bn in 2010/11 to £711bn in 2015/16, the Chancellor blaming a "rapidly rising bill for debt interest". He said his Budget implied a further £17bn cuts in departmental spending by 2014/15, unprotected departments face an average real terms cut of around 25% over four years.

- **Tax -** VAT will rise from 17.5% to 20% from 4th January 2011. Personal income tax allowance for basic rate taxpayers to go up by £1,000 in April to £7,475. Councils which propose no council tax increases will be offered extra funds to allow them to freeze the tax for one year from April 2011. Capital Gains Tax remains at 18% for low and middle-income savers but, higher rate taxpayers will pay 28%. The capital gains tax "entrepreneurs relief" rate of 10% on the first £2m of gains will be extended to the first £5m.

- **Benefits -** From 2011 - except for the state pension and pension credit - benefits, tax credits and public service pensions will rise in line with CPI, rather than RPI, saving over £6 billion a year. A new maximum limit of £400 a week will be applied to Housing Benefit, to save £1.8bn a year by the end of the Parliament. The government will introduce a medical assessment for Disability Living Allowance from 2013 for new and existing claimants. The above measures are expected to save £11bn by 2014/15.

- **Public Sector Pay and Pensions -** Public sector workers face a two-year pay freeze, although 1.7 million of those earning less than £21,000 will get a flat pay-rise worth £250 in both years. John Hutton (ex Labour cabinet minister) to head an independent commission to undertake a fundamental and structural review of public sector pensions which would unveil "early steps" by September, with full proposals in time for the 2011 Budget.

- **Business -** From April next year, the threshold at which employers start to pay National Insurance will increase by £21 per week. Corporation Tax will be cut in 2011 to 27%, and by 1% annually over the next three years, until it reaches 24%. The small companies' tax rate will fall to 20%. Tax relief for the video games industry will be scrapped.

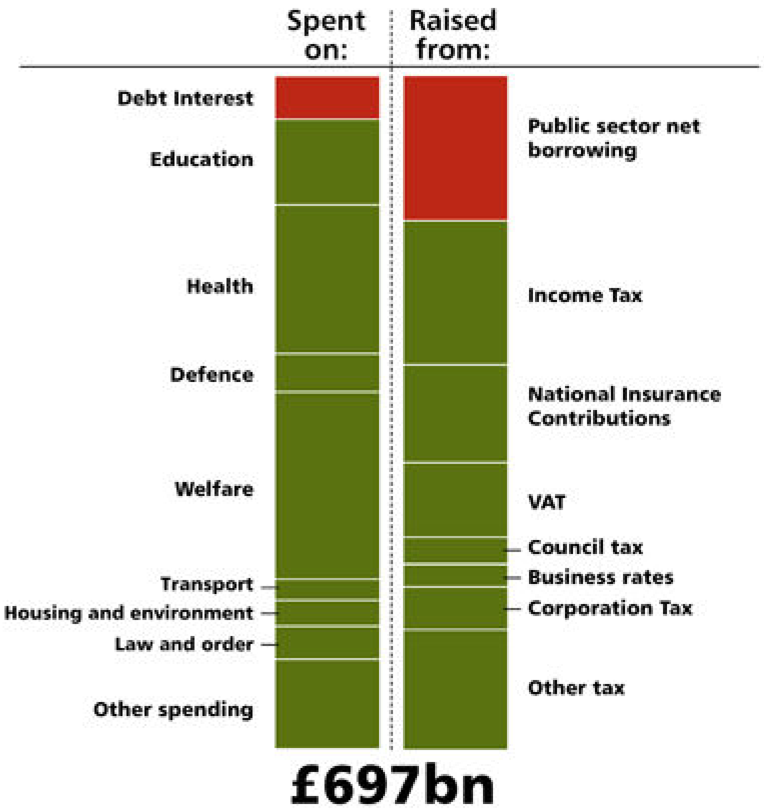
- **Pensions -** The basic state pension will be linked to earnings from April next year, with the pension guaranteed to rise in line with earnings, prices or 2.5%, whichever is the greater. The government will accelerate the increase in state pension age to 66.

- **Banks -** Introduction of a bank levy, which will apply to the balance sheets of UK banks and building societies and the UK operations of foreign banks from January next year - but smaller banks will not have to pay. It is expected to rise over £2bn a year.

3.4. Four Year Spending Review

3.4.1 The Comprehensive Spending Review was announced on the 20th October 2010, Last year, the Government borrowed one pound in every four that it spent and the UK currently spends £43 billion on debt interest, which is more than it spends on schools in England.

3.4.2 The diagram below show government spending on debt interest and amount of borrowing as part of the total budget:



3.4.3 The Government has said that tackling Britain's deficit is its top priority and that it is necessary to secure sustainable economic growth. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

3.4.4 The Spending Review sets out spending plans for the four years until 2014-15. In its approach to these choices, the Government has prioritised:

- spending that promotes long-term growth, and creating the conditions for a private sector-led recovery and
- fairness, with all sections of society contributing to tacking the deficit, whilst protecting the most vulnerable and providing opportunity for the poorest.

3.4.5 This is underpinned by a radical programme of public service reform, improving transparency and accountability, giving more power and responsibility to citizens and enabling sustainable long term improvements in services. It also includes further savings and reforms to welfare, environmental levies and public service pensions. Around 490,000 public sector jobs are likely to be lost over the period and on average departmental budgets will be cut by 19% over the four-year period.

3.4.6 The Spending Review also delivers the Government's specific commitments set out in the Coalition Agreement to:

- increase NHS spending in real terms in each year of this Parliament;
- spend 0.7 per cent of Gross National Income on overseas aid by 2013 and
- restore the earnings link for the basic state pension from 2011, as part of the triple guarantee of using earnings, prices or 2.5 per cent, whichever is highest, from April 2011

3.4.7 The main changes for local government are:

Formula Grant

- Formula Grant will decrease 10.7% from £28.0bn in 2010/11 to £26.0bn in 2011/12
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant.
- An additional £1bn for personal social services will be included in Formula Grant by 2014/15.

Unringfencing Grants

- From April 2011 onwards, grant streams to local authorities will be reduced to less than ten.
- All ringfencing on grants will be removed, except from the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013.
- A separate new unringfenced Early Intervention Grant, worth around £2bn will be introduced.

Council Tax Freeze

- Authorities, which choose to freeze Council Tax in 2011/12, will ‘have the resultant loss to their taxbase funded at a rate of 2.5% in each year of the Spending Review period’. The report tables show this will cost CLG £700m in each of the four years.

Social Care

- £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn a year by 2014/15.
- In addition, £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care.

Transport

- Bus Operators’ Subsidy will be reduced by 20%, saving over £300m by 2014/15.
- Statutory concessionary travel entitlements will remain.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- The number of transport grants to councils will be reduced; councils will gain greater control and flexibility over spending these grants.

Education

- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period. This includes £2.5bn of funding for the new pupil premium.
- £15.8bn of capital funding will be made available for schools over the Spending Review period. The Government will rebuild or refurbish over 600 schools from the Building Schools for the Future and Academies programme.

Fire and Rescue Services

- Formula Grant funding for fire and rescue services will decrease by 25% over the period, weighted to the third and fourth year of the period.

Housing

- The ‘New Homes Bonus’ will be introduced to incentivise councils to grant planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years.
- The council housing finance system will be reformed so councils can invest in housing stock.

Economic Growth

- The Regional Growth Fund will be worth over £1.4bn over three years. A panel will asses funding bids from Local Enterprise Partnerships as well as the private sector.

Council Tax Benefit

- From 2013/14 Council Tax Benefit will be localised; Government also plans to reduce spending by 10%.
- Government will consider measures to give authorities more flexibility 'to manage pressures on council tax', to be implemented from the same date.

Local Authority Borrowing

- Interest rates on loans from the PWLB have been increased to 1% above the rate for British Government gilts, previously the rate tracked gilts. The Treasury estimate this will lead to a reduction of 17% in self-financed expenditure by councils over the Spending Review period.

Internal Restructuring

- In 2011/12 a £200m capitalisation fund will be available for capitalisation to support authorities wishing to deliver savings through internal restructuring.

Public Sector Pensions

- The state retirement age will reach 66 in 2020, four years earlier than planned
- Employee contributions to public sector-pensions scheme will be increased. However, they will remain as 'defined-benefit' schemes. A consultation will be launched on a Fair Deal system, recommended by Lord Hutton.

3.5 Local Government Settlement

3.5.1 The Provisional Local Government Finance Settlement was presented to the House of Commons on 13th December 2010, and will be ratified in the Final Local Government Finance Report (England) presented in a written statement to the House of Commons on 20th January 2011. The Final Settlement potentially remains unchanged from those published in the Provisional Settlement.

3.5.2 A key message contained in the provisional settlement is that local government has been given flexibility to take decisions locally. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found, however, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.

3.5.3 The settlement is for a two year period, a second two year settlement is expected to follow, for which Government intend to adopt a new distributional system.

3.5.4 A significant factor that added to the pressure faced in 2011/12 is the front loading of funding reductions. The profile of reduction is therefore uneven and for Herefordshire is 13.3%, 8.6% and 1.9% for the next three years.

3.5.5 The headline changes are:

- Two year settlement, then a further two year settlement which will have a new distribution system from 2013
- Formula grant falls by 12.1% for 2011/12
- Significant formula distribution changes – concessionary fares, social care and transport
- Specific grants have rolled into either formula grant, dedicated schools grant (DSG) or early intervention grant
- Damping arrangements are in place based on four banded floors and dependency on formula grant; Herefordshire in Band 3
- Those worst hit by the changes (limited to 8.9% of spending power reduction) will be provided with a transitional grant of £85m

- There will be the ability to capitalise redundancy costs
- Council tax grant will cover a one year (2011-12) freeze
- £1bn additional funding for social care within the formula grant by 2014/15.
- NHS Funding of £648m in 2011-12 and £622m in 2012-13 has been identified to support integrated working between health and social care
- Bus operators subsidy reduction of 20% but statutory concessionary entitlement remains
- New homes bonus to incentivise the support of new housing development
- Dedicated Schools Grant has an overall increase of 1%, but this translates into a flat cash per pupil increase, due to pupil number rises. There will be a minimum funding guarantee at school level of -1.5%
- Pupil premium of £625m will be distributed, which has been set at £430 per free school meals pupil for the first year
- Pupil premium will rise to £1,750 per free meals pupil as the premium increases over the next four years

3.5.6 Although formula grant is being cut by 12.1 per cent, cost pressures in areas such as adult social care, children's protection, waste management, and flood defence will continue to mount. As a result, local government faces a total funding shortfall in the order of £6.5bn in the next two years.

3.5.7 The government has introduced a measure known as "local authority spending power". This is based on funding from central government and council tax receipts. For 2011-12 this is made up of:

- Council tax
- Formula grant
- Specific grants
- NHS funding to support social care

3.5.8 The coalition government has published a number of white papers that will reshape service delivery and resultant financial requirement over the coming years:

- Equity and Excellence – liberating the NHS
- Schools – the importance of teaching
- Healthy Lives, healthy people: our strategy for public health in England

4. Herefordshire Council's Financial Context

4.1 Introduction

4.1.1 This section of the JMTFS describes Herefordshire's financial position. It is important to set the scene locally before considering the best approach to the high-level management of the Council's financial resources to ensure cash follows priorities.

4.1.2 The overall reduction to council funding is £11m from formula grant changes with further cuts to Children's grant of £2.5m.

4.1.3 Additional funding of £4.3m is being made available for Social Care.

4.2 Formula Grant

4.2.1 The council received £57.583m in 2010/11, but specific grants and funding streams within Area Based Grant (ABG) have transferred into formula grant for 2011-12 giving a starting point of £71.13m.

4.2.2 The government calculates an adjusted figure for 2010-11 to enable a like-for-like comparison with 2011-12 which has been calculated as £69.349m. It is estimated that this calculation has cost the council £1.8m due to the way that schools budgets have been transferred to academies and concessionary travel, specific grant and transport grants have been transferred into formula grant.

4.2.3 Herefordshire Council's allocation of formula grant is £60.125m for 2011/12 and £54.404m for 2012/13.

4.2.4 Herefordshire's reduction against the adjusted 2010/11 Formula Grant is £9.244m or 13.3%, which is the 'floor' for the damping group the council is allocated to, (this is in addition to the £1.8m mentioned above). Within the overall reduction, the following can be identified specifically;

- £3.1m reduction to the formula that distributes Concessionary Fares
- Approximately £2.7m reduction in the grants rolled into formula grant, including supporting people and transport.
- £650k has be taken out for academy transfers

4.2.5 Additional funding is provided for in the settlement:

- £2.0m social care funding within formula grant
- £2.1m council tax grant
- £2.3m NHS funding to support social care, money which is held by PCT's, but will be distributed on submission of robust business cases

4.3 Specific Grants

4.3.1 The number of specific grants has reduced dramatically, with only the following allocated for 2011-12 and 2012-13 (excluding DSG and council tax grant);

List of Specific Grants	2011-12 £000	2012-13 £000
Early Intervention Grant	6,473	6,873

HCTB Admin	1,228	0
Lead Local Flood Authorities	130	200
Learning Disability	3,647	3,733
Preventing Homelessness	225	225

4.3.2 £13.5m of specific grant and ABG have been moved into formula grant, but reduced to an estimated £10.8m, leaving a funding shortfall of £2.7m.

4.3.3 £16.3 m of former Standards Funds grants have been transferred into Dedicated Schools Grant on a per pupil basis.

4.3.4 The Early Intervention Grant, replaces non-ring-fenced funding from the Department for Education. Grants totalling £7.07m have been transferred into the Early Invention Grant and reduced to £6.47m in 2011-12, leaving a funding shortfall of £0.6m.

4.3.5 A number of education grants have not been mentioned and we assume at this stage that they will no longer be received, the major areas are, ABG £1.1m and Standards Fund £0.8m.

4.4 Dedicated Schools Grant

4.4.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and used in support of the Schools Budget. It is the main source of income for Schools. DSG is based upon a per pupil formula using the actual pupil numbers from the January school Census data each year. Government sets a fixed amount per pupil for Herefordshire which is multiplied by the total pupil numbers to determine the final grant. There is specific grant certification and audit requirements to ensure appropriate use of the grant and any under or overspends must be carried forward to the next financial year. Funding is delegated to schools through a funding formula that is agreed with Schools Forum.

4.4.2 National funding reflects factors such as deprivation, sparsity and area cost adjustments which affect urban and rural areas in different ways. The current grant methodology ("Spend Plus") underlying the allocation of DSG to individual authorities is determined by central government. A national review of the distribution formula for DSG is about to commence.

4.4.3 For 2011/12 the expected fall in pupil numbers and increased spend on out of county suggests a DSG shortfall of £1m, equating to £40 per pupil. A pupil premium of £430 per free school meals pupil will be new money distributed to schools.

4.4.4 DfE informed us that DSG funding will be at £4,723.65 per pupil. The planning total is based on 22,293 pupils (as at Sept 10) plus an extra 174 pupils for the increase in private nursery hours to 15 per week (from 12.5 hrs per week), giving a DSG planning total of £106.126m.

4.4.5 Academies are publicly funded independent local schools that provide a first class free education. Academies are independent of the Council and responsible directly to government and are funded directly by government. They are freed from national restrictions such as the teachers pay and conditions documents, the national curriculum and Ofsted inspection requirements.

4.4.6 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.

4.4.7 Academies receive additional top-up funding to reflect their extra responsibilities which are no longer provided by the local authority

4.4.8 In May 2010 the Secretary of State for Education, Michael Gove, announced legislation which allow the Secretary of State to approve schools to become academies through a simplified streamlined process.

4.4.9 Reduction for schools moving to academy status from formula grant is £650k in 2011/12, this is irrespective of the number of academies commencing. Services will need to consider charging to mitigate this reduction, for example within school improvement, strategic management and property.

4.5 Revenue Spending Power

The Revenue Spending Power amounts for Herefordshire are set out below;

	2010-11 £m	2011-12 £m
Council tax requirement (including parishes)	87.749	87.749
Formula grant (adjusted base)	69.349	60.125
Learning disability grant	3.574	3.647
Early interventions grant	7.070	6.473
Cohesion	0.057	
HB admin subsidy	1.324	1.228
Preventing Homelessness	0.191	0.225
Council tax freeze		2.152
NHS funding to support social care		2.368
Revenue Spending Power	**169.314**	**163.967**
Change - £000		-5.347
Change - %		-3.16

4.6 Council Tax

4.6.1 Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their taxbase funded at a rate of 2.5%, equating to £2.1m in 2011/12, in each year of the Spending Review period'.

4.6.2 The scheme will be voluntary; and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities) rather than to each council tax bill issued. Local precepting authorities, such as town and parish councils, will not be included in the scheme.

4.6.3 The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011/12. However, the Government intends to provide supplementary funding to local authorities in subsequent years of the Spending Review via specific section 31 grants to compensate them for the council tax income foregone during the period of the freeze.

4.7 Reserves

4.7.1 Revenue Reserves

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

4.7.3 The following table shows the year end balance on the General Fund and the level of Specific Reserves for the last three financial years.

Balance as at:	General Fund £000	*Specific Reserves* Schools	*Specific Reserves* Other	Total £000
31st March 2008	6,728	5,657	10,915	23,300
31st March 2009	6,390	5,476	10,588	22,454
31st March 2010	5,390	5,497	8,739	19,626

4.7.4 A significant proportion of the Specific Reserves belong to schools and cannot be used to help pay for non-schools services.

4.7.5 The Council's policy is to maintain the General Reserve at a minimum of £4.5m (approximately 3% of the net revenue budget). This level of General Reserve balance is in line with recommended best practice and is consistent with the approach other similar authorities take. Although the Director of Resources is content to make his statutory declaration that this level of General Reserves is prudent, there is an increased level of risk attached to this volatile financial climate, and use of these reserves are not advisable without a clear strategy for payback in a short time frame.

4.8 Capital Reserves

4.8.1 There is one capital reserve that represents cash available to support spending on the creation or enhancement of assets that is recorded in the capital account. It is known as the Usable Capital Receipts Reserve. The following table shows the level of usable capital receipts for the last 4 financial years and an estimate for 2010-11;

Balance as at:	£000
31st March 2008	17,945
31st March 2009	17,558
31st March 2010	13,296
31st March 2011	6,337

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

5. Herefordshire's Policy Context

5.1 Introduction

5.1.1 This section of the JMTFS describes the local policy context for Herefordshire.

5.2 Herefordshire Sustainable Community Strategy

5.2.1 *The Herefordshire Sustainable Community Strategy 2006 to 2020* sets out what the Council and its partners aim to achieve to make the county an even better place to live and work. The strategy is being reviewed for 2013 to focus even more on the people and places of Herefordshire.

5.3 Corporate Plan

5.3.1 The Council, working with NHSH, have a joint corporate plan that sets out the vision for Herefordshire Public Services 2011-14 including how the aims and objectives of the *Herefordshire Sustainable Community Strategy (HSCS)* will be realised. The vision is 'Working together to deliver excellent services and improve outcomes for the people of Herefordshire'.

5.3.2 The Joint Corporate Plan contains the current overall targets, milestones and actions, together with the current budgets and other resources to achieve them, over the coming years.

5.3.3 The shared values expressed in the Joint Corporate Plan themes are:

- People – treating people fairly, with compassion, respect and dignity,
- Excellence – striving for excellence and the highest quality of service, care and life in Herefordshire,
- Openness – being open, transparent and accountable for the decisions we make,
- Partnership – working together in partnership and with all our diverse communities,
- Listening – actively listening to, understanding and taking into account people's views and needs,
- Environment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.

5.3.4 The priorities of the joint Corporate Plan are:

- The creation of a strong economy
- The improvement of Health Care & Social Care
- Raising standards for Children and Young people
- The promotion of self reliant local communities
- A resilient Herefordshire
- Commissioning the right services

6. Financial Management Strategy

6.1 Introduction

6.1.2 This section of the JMTFS describes Herefordshire's corporate financial objectives given the national and local context. It also covers Herefordshire's financial management proposals to achieve these objectives. This section also describes the financial approach for:

- Revenue spending.
- Capital investment.
- Treasury management.

6.1.3 Active risk management is a key component of the Council's corporate governance arrangements. This section of the JMTFS therefore sets out the key corporate and financial risks the Council will be monitoring to ensure it stays on course to deliver its overall objectives.

6.2 Corporate Financial Objectives

6.2.1 Herefordshire's financial management objectives are to:

a) Ensure budget service plans are realistic, with balanced budgets and support corporate priorities.

b) Manage spending within budgets, Directorates have a 'non-negotiable' pact to manage outturn expenditure for each financial year within budget.

c) Ensure sustainable balances, reserves and provisions, within a reasonable limit, consistent with the corporate financial risks and without tying up public resources unnecessarily.

d) Create the financial capacity for strategic priorities for service improvement.

e) Support a minimum level of capital investment to meet the Council's strategic requirements.

f) Maintain a strong balance sheet position.

g) Deliver and capture year on year efficiency and Value for Money improvements.

h) Ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders.

i) Ensure a whole-life costing approach is taken to both revenue and capital spending decisions.

6.3 Managing Partnership Resources

6.3.1 Herefordshire welcomes the opportunity to work with strategic partners to improve outcomes. However, to achieve its corporate financial management objectives, we will always seek to ensure:

a) The financial viability of partners before committing to an agreement.

b) Clarity of respective responsibilities and liabilities.

c) Accounting arrangements are established in advance of operation.

d) Implications of terms and conditions on any associated funding are considered in advance of operation

6.3.2 From April 2011 an Integrated Care Organisation (ICO) for Herefordshire will be established, comprising the provider arm of the council and NHSH, alongside Hereford Hospital Trust. With the aim of delivering health and social care which is focused on providing care as close as possible to people's homes, rather than in an institutional setting; a model which is also aimed at identifying our most vulnerable clients and shifting the emphasis from diagnosis and treatment to prediction and prevention.

6.3.3 The ICO will deliver financial savings across the health sector which will contribute towards their deficit recovery plans. A proposal to change Care Pathways, shifting care from a bed to community base with pilot areas for frail elderly, stroke, COPD and diabetes are progressing. It is likely spend will increase within Social Care, but will be funded partly by health savings.

6.4 Managing External Funding

6.4.1 Grants - provides another opportunity to increase financial capacity. The JMTFS will be to pursue such opportunities, providing that:

a) Match funding requirements are considered in advance.

b) They support, or do not conflict or distract from, corporate priorities.

c) They have no ongoing commitment that cannot be met by base budget savings.

d) They do not put undue pressure on existing resources.

e) The net cost overall is not excessive

6.4.2 Managing Developer Contributions - This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support the cost of day-to-day services (e.g. commuted sums for maintenance of public open spaces). Support for capital infrastructure can also be achieved in this way (e.g. developer contributing to cost of new access roads). HPS aims to maximise the potential for increasing financial capacity and managing growth in volumes through s106 agreements, where possible.

6.4.3 Managing Fees and Charges - The Council is currently developing a charging protocol with the aim of implementing a corporate charging policy. The policy will recognise the potential for discretionary charges to fund services and ensure full cost recovery where feasible and minimise the subsidy from Council budgets.

6.5 Managing the General Fund Balance and Specific Reserves

6.5.1 Herefordshire's General Fund opening balance for 2010-11 was £5.39m, with an additional contribution of £1m allocated on 1st April. This is in excess of the current policy in place to maintain a minimum balance of £4.5m (3%).

6.5.2 Herefordshire's financial management strategy is to maintain specific reserves to deal with the key corporate financial risks reducing the need for a higher level of General Fund balances. This strategy ensures there is complete transparency about what is resourced, for corporate financial risks that, if realised, would affect the Council's financial standing. It represents an 'open-book' approach to accounting.

6.5.3 There is an increased level of risk attached to this volatile financial climate, and the use of these reserves are not advisable without a clear strategy for payback in a short timeframe.

6.5.4 All Directorates are expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget. Any in-year budget pressures must be managed by use of a recovery plan, which is approved at Joint Management Team.

6.5.5 The need for the range and level of specific reserves and the policy for minimum General Fund balances is continually reviewed as part of the financial planning, monitoring and outturn processes.

6.5.6 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on "repayment" should be the directorate that has overspent in the previous year.

6.6 Governance

6.6.1 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFS. Good systems and procedures are in place for regularly reporting on financial performance to Cabinet, Strategic Monitoring Committee and Scrutiny Committees as part of the integrated performance framework.

6.7 Efficiency Review

6.7.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources, including people, land, property, ICT and cash.

6.7.2 Herefordshire has had a good track record delivering to the government's efficiency targets. For 2010/11 this rises to 4%. £6.7m.

6.8 Value for Money (VfM)

6.8.1 Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the Performance Improvement Cycle.

6.8.2 We support the drive for VfM through the following mechanisms:

- Ensuring service managers deliver the outputs and outcomes agreed for their service area within budget, managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures.
- Support from the Procurement through efficient tender and other procurement processes that ensure robust quality and price.
- Integrating corporate, service and financial planning processes.
- Planning over the medium-term as well as the short-term.
- Developing our routine financial performance monitoring reports for Cabinet to include VfM data over the coming year.
- Benchmarking our costs and activities, year on year and with other authorities.
- Through internal and external audit reviews.
- Through scrutiny reviews.

6.9 Financial Strategy for Capital Investment

6.9.1 The coalition government will no longer support borrowing costs. There future capital funding is by way of grant:

Local Transport Plan

- This is now funded by an un-ring-fenced capital grant of £10.3m. 2010-11 funding allocation was initially £13.0m reduced to £12.5m so this represents a further £2.3m (17%) cut.
- Other funding pots have been announced, available through a bidding process, the main one being the Local Sustainable Transport Fund (for sustainable transport initiatives) which is available for both capital and revenue need. The first bidding round closes in April 2011.

Schools Capital

- There has been a major shift in allocation of funding from devolving funding to schools to allocating to the local authority.
- The total allocation has reduced by 1%. The main reduction is in relation to devolved funds decreasing from funding in 2010-11 initially of £2.9m - reduced by a £1.4m advance into 2009-10 - to £0.7m in 2011-12.
- The maintenance allocation for Hereford has therefore increased from funding in 2010-11 of initially £1.9m - reduced by a £1.3m (advance into 2009/10) - to £2.7m in 2011/12.

6.9.2 The FRM reflects the borrowing requirement implied by the Treasury Management Strategy to support the capital programme currently in place.

6.9.3 The Council can fund additional borrowing to the extent it considers it is affordable and prudent to do so (prudential borrowing) but is unlikely to find any scheme unless a spend to save/mitigation assessment demonstrates a clear benefit. One unforeseen aspect of the Spending Review is that Public Work Loan Board rates (the rates at which local authorities can borrow) will be 1% above the gilt rate (compared to the 0.13% previously).

6.9.4 The coalition government has recently announced new borrowing powers aimed at encouraging local investment and economic growth. Tax Incremental Financing (TIF) Tax works on the basis that when a development or public project is carried out, there is often an increase in the value of surrounding land and property, and perhaps new investment. Local Authorities will be able to borrow against predicted growth in their locally raised business rates. They can use borrowing to fund key infrastructure and other capital projects, which will support locally driven economic development and growth.

6.9.5 The capital receipts reserve is likely to be just over £6m by the end of the financial year. Capital receipts reserve funding has been committed to fund the capital programme in coming years.

6.9.6 The financial management strategy for increasing capital investment capacity centres on:

- Maximising developers' contributions.
- Effective project management of capital schemes to ensure they stay within budget.
- Implementing the property review arrangements set out in the Asset Management Plan to rationalisation of property assets to release resources (capital and revenue).
- Maintaining our successful track record for innovative capital investment schemes.
- Attracting external funding

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

6.9.8 Over the longer term authorities are expected to generate income from selling surplus assets and reduce the costs of running their property portfolios by providing efficiencies including reducing carbon emissions from their capital stock. At the same time there is increasing pressure to provide cross-cutting co-located services to provide a one-stop service provision to the public which is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, voluntary sector and community organisations. For local authorities to deliver their priorities within the financial constraints officers must demonstrate creativity using greater innovation and ideas, to deliver services differently.

6.9.8 The localities agenda is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, voluntary sector and community organisations. This new concept of meaningful engagement at a very local level, critically challenges the historical basis for resource allocation and the effectiveness of services to deliver on local need and is designed to provide a more creative use of the current asset base and support improvements to community based planning and service. This is designed to produce more efficient local spending by pooling budgets and ending duplication.

Other Capital Grants

6.9.9 Herefordshire has been selected as one of four pilot schemes to deliver superfast broadband to rural areas and this is expected to receive grant funding of £6m over the next two financial years. An unringfenced allocation of disabled facilities grant is expected but this hasn't been confirmed to date. The department of health has announced funding of £452k towards personalisation, reform and efficiency in adult social care.

6.10 Capital Programme

6.10.1 The 2010/12 capital programme represents funding indications received to date from grants and the existing schemes that commenced in prior years.

6.10.2 The following table summaries the existing capital investment programme updated for slippage.

	2011-12 £'000	**2012-13 £'000**	**2013-14 £'000**
Directorate			
Children's Services	23,402	4,849	4,849
Resources	6,229	7,028	
Deputy Chief Executive	482	208	-
Adult Social Care	1,123		
Sustainable Communities	23,413	15,336	9,792
Public Health	289		
Contingency (1%)	*539*	*224*	*147*
TOTAL	55,477	27,645	14,788
Funded by			
Prudential Borrowing	10,920	7,811	147

Capital receipts reserve	4,260	-	-
Grants and contributions	40,297	19,834	14,641
TOTAL	55,477	27,645	14,788

6.11 Treasury Management Strategy

6.11.1 The Council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2011/12, is provided at Appendix A and complies with the detailed regulations that have to be followed.

6.11.2 The Treasury Management Strategy is a key element of the overall financial management strategy. It supports achievement of several corporate financial objectives, including creating financial capacity within the revenue account as it aims to optimise investment and borrowing decisions.

6.11.3 In summary, the Treasury Management Strategy sets out the Council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the types of investment the Council will use and the limits for non-specified investments. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities. The strategy also included the Minimum Revenue Provision (MRP) policy.

6.11.4 Since the 'credit crunch' a more cautious approach to investment has been implemented. This has resulted in reduced interest on investments used to support Council budgets.

6.11.5 The Council's treasury adviser assists the Council in formulating views on interest rates. They are predicting that the bank rate will remain at 0.50% until autumn 2011 when it will gradually rise to reach 2.50% by the end of 2012.

6.11.6 The Treasury Management Strategy also sets the Prudential Code limits for the year and beyond. These limits define the framework within which the Council self-regulates its borrowing based on long-term affordability. These link back to the overall size of the capital investment programme and the FRM.

6.11.7 The Treasury Management Strategy assumes that, as far as possible, external borrowing for the capital programme will be delayed and will be funded by borrowing from internal reserves until the economic situation improves. In the current climate long term borrowing would be at considerably higher rates than investment income can generate and the number of counter parties has reduced due to poor credit ratings.

6.12 Key Corporate & Financial Risks

6.12.1 HPS sees risk management as an essential element of the corporate governance framework. All formal reports include a risk management assessment. The Cabinet receives regular updates on the corporate risk register as part of our Performance Reporting arrangements.

6.12.2 Service Plans for each directorate provide a section on both short and long term risk, assessing the feasibility of delivering their objectives against barriers for delivery.

6.12.3 An extract from the Corporate Risk Register is shown at Appendix B where these items could have a significant financial impact.

7. Medium-Term Financial Resource Model (FRM)

7.1 Background

7.1.1 The FRM shown in Appendix C takes into account the corporate financial objectives and MTFS approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2011 to 2014.

7.2 Assumptions

7.2.1 The FRM includes the following assumptions;

a) **Council Tax** - a nil increase for 2011-12 and 2.5% there after

b) **Formula Grant** – the FRM reflects the two year settlement, including the grants transferred in

c) **New Homes Bonus –** using the 2010-11 tax base compared to the 2009-10 demonstrates additional home growth of 468 which provides £660k. A similar level of growth has been anticipated for future years.

d) **Inflation** -The current FRM includes 2% inflationary uplift on non pay expenditure and income

e) **Pay** – assume zero pay award for 2011 and 2012 (except for £250 for staff under £21,000)

f) **Employers' superannuation costs** – the FRM includes increases in employers' contributions rates of 0.7% in line with latest valuation which concluded in November.

g) **National Taxation** – the FRM assumes there will be an increase in national insurance contributions in 2011/12 in line with the pre-budget report.

h) **Interest Rates** – the FRM reflects interest rate assumptions for investment income and new borrowing costs in line with the Treasury Management Strategy 2011-12.

7.3 Budget Process

7.3.1 The FRM includes key growth items and budget pressures identified as corporate priorities, alongside service and initiatives council wide to deliver savings.

7.3.2 Given the provisional settlement only covers two years Joint Management Team conducted more detailed financial planning for the two year period based on the Joint Corporate Plan. As the settlement was worse in terms of total reduction and phasing a further phase that saw Directors work to a further set of principles to help refine the budget proposals took place. These principles are as follows:

- Directors to assume that grant reductions and grants that have ceased will not be funded.

- The outcome of the Star Chamber process saw a level of budget growth request that cannot be funded within existing budgets directorates must fund these requirements.
- The additional sums provided for Adult Social Care as part of the settlement and also via Health will be added to the overall control total for Adult Services. No further funding will be provided and service redesign will need to deliver a balanced position.
- There will not be any additional capital borrowing in 2011 apart from agreed prior year decisions that still have a sound business case or where borrowing commitments cover projects already being delivered. Spend to save funding will be made available where a sound business case demonstrates a positive revenue contribution.
- Inflation will be applied to budgets. There is also an assumption that fees and charges will be raised by inflation and that any subsidy of services through under recovery of fees will end. An increase by the level of inflation will be built into budgets. A review of fees as part of the emerging income policy will need to be undertaken and future level of fees and charges will be adjusted to ensure we eliminate any subsidies.

7.3.3 A star chamber process has been used to identify and challenge savings proposals and service pressures, with four key aims:

- To sign off savings brought forward previously as part of the 2009/10 budget setting as well as those from the current challenge and review cycle 2010/11
- To identify further cross cutting savings from the "Rising to the Challenge" transformation programme and to challenge those savings identified to date from lead Directors and work stream leads – these are primarily;
    - Streamlining the Business (Shared Services, Organisational Redesign, Office accommodation and Commercial strategy)
    - People and Performance (Reducing the pay-bill, agency spend)
    - Communities first (property review)
    - Customer Focus (replacement CRM)
    - Better Services
- To challenge and review all submitted service pressures
- To review proposals from each Directorate for further savings and service change based on the application of the Core Principles and Priorities shown below:

Core principles for the future… *the financial challenges ahead require us to set out clearly what the Council stands for, what residents can expect of us and what we expect of them*

PRINCIPLE	IMPACT	EXAMPLES
Valued Services	• Focusing on what matters to people, core business, stopping things we don't need to do	• Reducing leisure funding • More outsourcing
Cutting Red Tape	• Less regulation and bureaucracy, smaller local government	• Cutting back enforcement • Abolishing old by-laws
Supporting the Vulnerable	• Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention	• 10 family intervention projects by 2014 • Reviewing eligibility criteria
Cutting Costs	• Reducing the pay bill; third party spend	• 20% less managers by

	savings; smarter delivery	2012 • £4M less supplier spend by 2015
Local Delivery	• Devolution, role of parishes and the VCS; working through the nine localities	• 25 local schemes parishes by 2014
Personal Responsibility	• Self reliance, people and communities helping themselves, behavioral change	• Parish warden schemes • Reduction in A&E visits

Our Priorities… *Alongside our principles, we need to state the "must do's" – the priorities to be delivered in the next 2/3 years*

PRIORITY	IMPACT
A resilient Herefordshire	• Preserving our environment and access to the countryside • Promoting access to services in rural areas • Strong voice in the region
Creating a strong economy	• Regeneration of Hereford; delivery of ESG • Delivery of key infrastructure for growth • Small business growth: jobs and wages; broadband
Raising Standards for Children & Young people	• An affordable education system • Meeting safeguarding standards • Increasing primary school and pupil performance
Improving Health Care and Social Care	• Reforming care for Older People • Creation of the ICO: April 2011 • Planning for GP Consortium and Health Promotion changes
Promoting self reliant local communities	• A balanced housing market • Reducing fear of crime • Encourage community and parish planning
Commissioning the right services	• Streamlining working practices • High levels of customers and citizen satisfaction • A High quality workforce

Directorate Budgets

7.3.4 Explaining the settlement and financial consequences for Herefordshire have taken place with town councils, business ratepayers and the public via presentations at Infoshops.

7.3.5 The Rising to the Challenge initiative is the HPS transformation programme. Its purpose is to drive service improvement and deliver cost reduction proposals. The FRM highlights the savings being proposed by the main initiatives are:

- Shared Services £2.5m - £1.8m of this target relates to the delivery of procurement efficiencies, with other savings expected to arise from staff reductions.
- Organisational Design £3.1m - this will be delivered by a reduction in staff management, and wider departmental restructures.

7.3.6 A breakdown of the directorate pressures in the FRM are shown below;

£'000	2011-12	2012-13
CYPD	309	186
Adults	576	1430
Sustainable Communities	960	640
Resources	4	(20)
Deputy Chief Executive	(40)	
Total	**1809**	**2236**

7.3.7 These pressures relate to growth in demographics activity alongside specific contract inflation obligations.

7.3.8 As has been explained earlier, 2011/12 presents Directorates with a series of financial challenges and a requirement that they support the Council to deliver a balanced budget.

Savings

7.3.9 The savings by directorate are split over the following initiatives.

£'000	*Other Savings*	*Rising to the Challenge*	*Total*
Resources	0	544	544
Sustainable Communities	831	1,369	2,200
Deputy Chief Executive	282	751	1,033
Adult Social Care	2,451	198	2,649
CYPD	877	870	1,747
Public Health	153	144	297
Procurement and Central		1,832	1,832
Total	**4,594**	**5,708**	**10,302**

8. Statutory Statement by the Council's Chief Finance Officer

8.1 The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Council's case the Director of Resources must report on the:

a) Robustness of the estimates made for the purposes of the budget calculations.

b) Adequacy of the proposed financial reserves.

8.2 Section 25 of the Local Government Act 2003 requires the Director of Resources to report to the Council when it is setting the budget and precept (Council tax). The Council is required to take this report into account when making its budget and precept decision. The Director of Resources' report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

8.3 The Director of Resources states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:

- The Council's corporate plans and strategies;
- The Council's budget strategy;
- The need to protect the Council's financial standing and manage corporate financial risks;
- This year's financial performance;
- The Government's financial policies;
- The Council's medium-term financial planning framework;
- Capital programme obligations;
- Treasury Management best practice;
- The strengths of the Council's financial control procedures;
- The extent of the Council's balances and reserves; and
- Prevailing economic climate and future prospects.

David Powell
Director of Resources

Appendix A

Herefordshire Council

Treasury Management Strategy 2011/12

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1.0 Background

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under Investment Guidance provided by Communities and Local Government (CLG).

1.2 CIPFA has defined Treasury Management as:

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

1.3 The council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements to treasury management activities and include credit and counterparty risk, liquidity risk, market or interest rate risk, refinancing risk and legal and regulatory risk.

1.4 The strategy takes into account the impact of the council's revenue budget and capital programme on the Balance Sheet position, the current and projected treasury position (Appendix 1), the Prudential Indicators and the outlook for interest rates (Appendix 2).

1.5 The purpose of this TMSS is to approve:

- Treasury Management Strategy for 2011-12 (Borrowing and Debt Rescheduling - Section 3 and Investments - Section 4)
- Prudential Indicators (NB: the Authorised Limit is a statutory limit)
- MRP Statement – Section 7
- Use of Specified and Non-Specified Investments – Appendices 3 & 4

1.6 The council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 4 March 2011. The council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.[1]

1.7 All treasury activity will comply with relevant statutes, guidance and accounting standards.

[1] This Prudential Indicator demonstrates the Council has adopted the principles of best practice in terms of Treasury Management

2.0 Balance Sheet and Treasury Position

2.1 The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR)[2], together with Balances and Reserves, are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011 Estimate £'000	**31/03/2012 Estimate £'000**	**31/03/2013 Estimate £'000**	**31/03/2014 Estimate £'000**
Total CFR	209,407	209,550	206,602	196,275
Less: Existing Profile of Borrowing Other Long Term Liabilities	 135,102 28,888	 129,766 27,982	 126,932 27,018	 124,085 25,952
Cumulative Maximum External Borrowing Requirement	45,417	51,802	52,652	46,238
Balances & Reserves	26,114	20,854	19,984	18,626
Cumulative Net Borrowing Requirement	**19,303**	**30,948**	**32,668**	**27,612**

2.2 The council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix 1. Market conditions, interest rate expectations and credit risk considerations will influence the council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The council will ensure that net physical external borrowing[3] (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements.

Estimates of Capital Expenditure:

2.3 It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	**2010/11 Approved £'000**	**2010/11 Revised £'000**	**2011/12 Estimate £'000**	**2012/13 Estimate £'000**	**2013/14 Estimate £'000**
Total	**77,904**	**74,656**	**55,477**	**27,645**	**14,788**

[2] The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.
[3] This is a key indicator of prudence and should not exceed the Capital Financing Requirement. As the CFR represents the level of borrowing for capital purposes, and revenue expenditure cannot be financed from borrowing, net physical external borrowing. should not exceed the CFR other than for short term cash flow requirements.

2.4 Capital expenditure is expected to be financed as follows [4]:

Capital Financing	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Capital receipts	5,820	9,120	4,260	0	0
Government Grants	40,255	39,605	40,297	19,834	14,641
Revenue contributions	0	208	0	0	0
Total Financing	46,075	48,933	44,557	19,834	14,641
Supported borrowing	13,229	13,230	0	0	0
Unsupported borrowing	18,600	12,493	10,920	7,811	147
Total Funding	31,829	25,723	10,920	7,811	147
Total Financing and Funding	**77,904**	**74,656**	**55,477**	**27,645**	**14,788**

Notes:

- *The unsupported or prudential borrowing is to support ongoing capital schemes that were approved in prior years. No new prudential schemes are included in the above figures.*
- *As part of the Spending Review, the government made the decision not to make any new supported borrowing allocations as part of the Formula Grant. Although the level of existing supported borrowing will continue to be financed through Formula Grant, for 2011/12 onwards support for new capital expenditure will be provided in the form of a capital grant.*

Affordability of Capital Investment Decisions:

2.5 As an indicator of affordability, one of the Prudential indicators looks at the impact of capital investment decisions on council tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. However, whilst there has been slippage of the existing approved capital programme, no new funding has been proposed.

2.6 The ratio of financing costs to the council's net revenue stream[5] is another indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Net Revenue Stream	142,844	142,844	**146,130**	142,539	143,713
Financing Costs	14,147	15,890	**17,520**	17,375	16,735
Percentage	**9.90%**	**11.12%**	**11.99%**	**12.19%**	**11.64%**

The above percentages have increased from last years Strategy Statement due to new accounting arrangements for PFI schemes. The above figures now include interest payable on finance leases.

4 The element to be financed from borrowing impacts on the movement in the Capital Financing Requirement. An increase in the CFR in turn produces an increased requirement to charge MRP in the Revenue Account.

5 The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.

3.0 Borrowing and Rescheduling Strategy

3.1 The council's forecast of actual gross borrowing plus other long-term liabilities is shown in Appendix 1.

3.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2010/11 Approved £million	2010/11 Revised £million	2011/12 Estimate £million	2012/13 Estimate £million	2013/14 Estimate £million
Borrowing	200	200	190	190	180
Other Long-term liabilities	30	30	40	40	40
Total	**230**	**230**	**230**	**230**	**220**

3.3 The Operational Boundary links directly to the council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	2010/11 Approved £million	2010/11 Revised £million	2011/12 Estimate £million	2012/13 Estimate £million	2013/14 Estimate £million
Borrowing	190	180	175	175	165
Other Long-term Liabilities	30	30	35	35	35
Total	**220**	**210**	**210**	**210**	**200**

3.4 The Director of Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations.

3.5 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the council will keep under review the following borrowing options[6]:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Local authority bills
- Structured finance (such as leasing etc)

3.6 From 20th October 2010, as part of the government's Comprehensive Spending Review, the margin that the council has to pay on new fixed rate loans from the PWLB, compared to the governments own cost of borrowing, was increased from 0.25% to 1.00%. Despite this increase to the cost of PWLB borrowing, the PWLB remains an attractive source of borrowing given the transparency and control that its facilities continue to provide. The

[6] These sources of borrowing should also then be included in the Treasury Management Practices.

types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

- Variable rate borrowing
- Medium-term Equal Instalments of Principal (EIP) or Annuity Loans
- Long-term Maturity loans, where affordable

3.7 Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011/12. The "cost of carry" associated with medium- and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. Where affordable, the use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.

3.8. PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Whilst variable rate loans may be an attractive option in 2011/12, exposure to variable interest rates will be kept under regular review. In a climate of increasing medium to long-term rates, short-term savings from variable rate loans need to be weighed up against additional costs in the future from not fixing borrowing rates sooner rather than later.

3.9 As an alternative to PWLB variable borrowing, the council may consider using a succession of short-term market loans arranged through the brokers. However, whilst this is a cheaper source of finance it may only postpone PWLB borrowing if funds became difficult to obtain.

3.10 The council has two bank loans of £6 million each which are LOBO loans (Lender's Option Borrower's Option). Each year, on the anniversary of taking out the loan, the lender may exercise their option to change the rate or terms of the loan. If this happens the council will consider the terms being offered and also repayment of the loan without penalty. The council may utilise cash resources for repayment or may consider replacing the loan.

3.11 Following the increase in PWLB rates, the interest rates payable on existing loans now appear more attractive compared to the equivalent rates under the new regime. Therefore opportunities for debt rescheduling are now more limited.

3.12 The rationale for debt rescheduling continues to be one or more of the following:

- Savings in interest costs with minimal risk
- Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
- Amending the profile of maturing debt to reduce any inherent refinancing risks.

3.13 As opportunities arise, they will be identified by Arlingclose and discussed with the council's officers.

3.14 Borrowing and rescheduling activity will be reported to both Cabinet and the Overview and Scrutiny Committee in bi-monthly reports.

3.15 The following Prudential Indicators allow the council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Borrowing Limits	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	25%	25%	25%	25%	25%

3.16 The council's borrowing relates wholly to fixed interest rate loans. However, it is recognised that it may be desirable to have a variable element in the loans portfolio over the longer term (particularly when interest rates are high or falling) and so the council continues to monitor rates and will take out variable borrowing when it is considered advantageous to do so.

3.17 The council will also limit and monitor large concentrations of fixed rate debt needing to be replaced.[7] Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

Maturity structure of fixed rate borrowing	Existing levels %	Lower Limit for 2011/12 %	Upper Limit for 2011/12 %
under 12 months	12.83	0.00	25.00
12 months and within 24 months	2.10	0.00	20.00
24 months and within 5 years	9.47	0.00	30.00
5 years and within 10 years	12.81	0.00	40.00
10 years and within 20 years	19.86	0.00	40.00
20 years and within 30 years	14.80		
30 years and within 40 years	9.62	25.00	100.00
40 years and within 50 years	18.51		

3.18 In the maturity profile above the council's two LOBO loans (referred to in section 3.9) are included as being repayable within 12 months as this is the earliest time when the loans could be repaid. However, if the lenders do not increase the interest rate being charged these loans could remain outstanding until 2054.

[7] This Prudential Indicator is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The TM Code of Practice (Guidance Notes page 12) recommends that the Maturity Structure of fixed rate borrowing is to be broken down into several ranges if significant debt is held in periods in excess of 10 years

[8]The TM Code Guidance Notes encourage authorities to define their benchmark interest rate exposure and maturity profile position and then set limits to logically relate to that benchmark.

4 Investment Policy and Strategy

4.1. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.

4.2. The council's investment priorities are:
- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

4.3. Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. A specified investment:
- Is sterling denominated
- Has a maximum maturity of 1 year
- Meets the "high" credit criteria as determined by the council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- Is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

4.4. Potential instruments for the council's use within its investment strategy are contained in Appendices 3 and 4. The Director of Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.

4.4 Changes to investment strategy for 2011/12 include:
- AAA-rate Variable Net Asset Value (VNAV) Money Market Funds
- Treasury Bills
- Term deposits in Sweden
- Maximum duration for new deposits of 2 years

4.5 The council's current and projected level of investments is shown at Appendix 1.

4.5. The council's in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.

4.6. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the council's capital is secure.)

4.7. The council and its treasury advisors, Arlingclose, selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
- Credit Default Swaps (where quoted)
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms/potential support from a well-resourced parent institution
- Share Prices
- Macro-economic indicators
- Corporate developments, news and articles, market sentiment.

4.8. The council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.

4.9. The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2011/12. Short-term money market rates are likely to remain at very low levels for an extended period which will have a significant impact on investment income.

4.10. To avoid a cost of carry when comparing the rate earned on investments to the cost of borrowing, the council may consider running its investments down and keeping its balances relatively liquid.

4.11. Alternatively faced with increasing borrowing rates the council may take out fixed rate loans and reduce the cost of carry by making longer-term investments. Two-year deposits and longer-term secure investments will be considered within the limits the council has set for Non-Specified Investments (see Appendix 4). The longer-term investments may include:

- Term Deposits with counterparties rated at least A+ (or equivalent)
- Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.

4.12. The Prudential Code requires the setting of an upper limit for principal sums invested for over 364 days. This limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Upper Limit for total principal sums invested over 364 days [8]	10,000	10,000	10,000	10,000	10,000

4.13. Collective Investment Schemes (Pooled Funds)
The council may evaluate the use of Pooled Funds (which are similar in nature to unit trusts) to determine the appropriateness of their use within the investment portfolio. Pooled funds may enable the council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.

4.14. Investments in pooled funds will only be undertaken with advice from Arlingclose and their performance and continued suitability in meeting the council's investment objectives would be regularly monitored.

5. Outlook for Interest Rates

5.1 The economic interest rate outlook provided by the council's treasury advisor, Arlingclose Ltd, is attached at Appendix 2. The treasury management strategy will be kept under regular review and, if needs be, will be realigned with evolving market conditions and expectations for future interest rates.

[8] Please make allowance within this Indicator for amounts invested for **1 year**, i.e 365/366 days.

6. Balanced Budget Requirement

6.1. The council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

7. 2011/12 MRP Statement[9]

Background:

7.1 For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the revenue account that was initially funded by borrowing.

7.2 In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31 March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations require a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, CLG produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.

7.3 The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by the Full council.

7.4 The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure (which gave rise to the debt) provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant.

7.5 The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and operating leases may be brought on Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

Options for making 'Prudent Provision'

7.6 There are four options for Prudent Provision set out in the guidance:

Option 1 - Regulatory

For debt which is supported by the Government through Revenue Support Grant (RSG), authorities may continue to use the formulae under the 2003 Regulations, as RSG debt support is calculated in that way. This includes applying an adjustment (the Item A adjustment), which reduces the charge back to the former credit ceiling accounting methodology.

[9] The Annual MRP Statement is subject to Council approval and may therefore be reported separately to Council instead of being incorporated into the TMSS.

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Option 2 - CFR method
This is similar to option 1, but just uses the CFR and doesn't apply the full formula, including the Item A adjustment. Under this option the annual repayment would be higher.

Option 3 - Asset Life Method
For new borrowing under the prudential system there are 2 options in the guidance. The first is to make provision over the estimated life of the asset for which the borrowing is undertaken. This can either be on an equal instalment method or an annuity basis.

Option 4 - Depreciation method
An alternative to Option 3 is to make provision in line with depreciation accounting. Although this would follow standard rules for depreciation accounting there would have to be some exceptions, for example, that MRP would continue until the provision is equal to the original debt and then cease.

MRP Policy 2010/11

7.7 In line with the guidance produced by the Secretary of State, the proposed policy for the 2010-11 calculation of MRP is as follows:

- Borrowing supported through the RSG grant system will be repaid in accordance with the 2003 Regulations.
- Prudential borrowing will be repaid over the life of the asset on an equal instalment basis commencing in the year following the year in which the asset first becomes operational.
- For expenditure under Regulation 25(1)(b), loans and grants towards capital expenditure by third parties, prudential borrowing will be repaid over the life of the asset in relation to which the third party expenditure is incurred.
- MRP in respect of PFI and leases brought on Balance Sheet, under the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and IFRS, will match the annual principal repayment for the associated deferred liability.

EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio at 31.12.10 £m	%	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
DEBT:						
Total External Borrowing	135		145	147	146	143
Other long-term liabilities	29		29	28	27	26
Total Gross External Debt	164		174	175	173	169
INVESTMENTS:						
Fixed rate deposits for 364 days	5		9	12	12	12
Other shorter-term fixed rate deposits	9		0	0	0	0
Variable rate instant access and notice accounts	27		16	11	11	11
Total Investments	41		25	23	23	23
NET BORROWING POSITION	123		149	152	150	146

APPENDIX 2

ARLINGCLOSE’S ECONOMIC AND INTEREST RATE FORECAST

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Bank rate (%)	**0.50**	**0.50**	**0.50**	**0.75**	**1.00**	**1.25**	**1.50**	**2.00**	**2.50**	**2.75**	**2.75**
PWLB rates (%):											
5 years	**3.00**	**3.25**	**3.75**	**4.25**	**4.50**	**4.75**	**5.00**	**5.00**	**5.00**	**5.00**	**5.00**
10 years	**4.50**	**4.75**	**4.75**	**5.00**	**5.25**	**5.50**	**5.75**	**5.75**	**5.75**	**5.75**	**5.75**
20 years	**5.25**	**5.50**	**5.75**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**
50 years	**5.25**	**5.25**	**5.50**	**5.75**	**5.75**	**5.75**	**5.75**	**5.50**	**5.50**	**5.50**	**5.50**

- The recovery in economic growth is likely to be slow and uneven.
- The initial market reaction to the government’s Comprehensive Spending Review (CSR) is positive, but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion remains a cause for concern in the global credit market.

<u>Underlying assumptions:</u>

- The framework and targets announced in the CSR to reduce the budget deficit and government debt are as announced in June and focuses on how the cuts are to be distributed. The next fiscal milestone will be the Office Of Budget Responsibility’s assessment of the CSR’s implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee’s December meeting suggested a movement away from further Quantitative Easing. Despite Money Supply being weak and growth prospects remaining subdued, the MPC have gravitated towards increasing rates in the new year as global inflation continues to rise along with household inflation.
- Consumer Price Inflation remains above 3% and is likely to spike above 4% in January as VAT, utilities and rail fares increase.
- Unemployment remains near a 16 year high, at just over 2.5 million, and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is mainly due to part time work, leaving many with reduced income.

- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK banks' balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.

- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore may limit future trend rates of growth, despite Q3's fairly strong performance.

- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

APPENDIX 3

Specified and Non Specified Investments

Specified Investments identified for use by the council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the "high credit quality" as determined by the council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

"Specified" Investments identified for the council's use are:

- Deposits in the DMO's Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts: (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- Treasury Bills
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

. * *Investments in these instruments will be on advice from the council's treasury advisor.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody's and Standard & Poor's (where assigned).

Long-term minimum: A+(Fitch); A1 (Moody's;) A+ (S&P)
Short-term minimum: F1 (Fitch); P-1 (Moody's); A-1 (S&P)

The council will also take into account information on corporate developments and market sentiment towards investment counterparties.

New specified investments will be made within the following limits:

Instrument	Country/ Domicile	Counterparty	Maximum Counter-party Limits £m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	£5 million
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£5 million
Gilts	UK	DMO	No limit
Treasury Bills	UK	DMO	No limit
Local Authority Bills	UK	Other UK local authorities	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/council of Europe, Inter American Development Bank)	£5 million
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value)	£5 million per Fund
Other MMFs and CIS	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments (For example, Payden & Rygel, Investec Short Bond Fund)	£5 million per Fund

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

<u>NB</u>
Non-UK Banks - These will be restricted to a maximum exposure of 25-30% per country to limit the risk of over-exposure to any one country.

MMFs – Arlingclose emphasise diversification for all investments including MMFs and so the council will spread their investments in Money Market Funds between two or more Funds.

Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group is used. For example, a single bank may have a limit of £5 million but if it is part of a group an overall group limit of £7.5 million would be applied.

APPENDIX 4

Non-Specified Investments determined for use by the council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the council's use:

	In-house use	**Maximum maturity**	**Max % of portfolio**	**Capital expenditure?**
▪ Deposits with banks and building societies over 1 year ▪ CDs with banks and building societies	✓ ✓	5 years	25% in aggregate	No
▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government ▪ Sterling denominated bonds by non-UK sovereign governments	✓ (on advice from treasury advisor)	10 years	20% in aggregate	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)	These funds do not have a defined maturity date	20%	No
Government guaranteed bonds and debt instruments issued by corporate bodies	✓	10 years	20%	Yes
Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	✓ (on advice from treasury advisor)	N/a – No defined maturity date	£2million	Yes

In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

APPENDIX 5

Treasury Management Policy Statement

1. Statement of Purpose

1.1 Herefordshire council adopts the recommendations made in CIPFA's *Treasury Management in the Public Services: Code of Practice,* which was revised in 2009. In particular, the council adopts the following key principles and clauses.

2. Key Principles

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

- The council will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities.

- The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and liquidity when investing funds.

- The council acknowledges that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of business and service objectives, whilst recognising that in balancing risk against return, the council is more concerned to avoid risks than to maximise returns.

3. Adopted Clauses

3.1 Herefordshire council adopts the following clauses (identified in Section 5 of the code):

- The council will create and maintain, as the cornerstones for effective treasury management:

  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

  - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

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

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

- Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Definition of Treasury Management

4.1 Herefordshire council defines its treasury management activities as: -

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

5. Policy Objectives

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

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

APPENDIX B

CORPORATE RISK REGISTER

Herefordshire Council

NHS Herefordshire

COUNCIL ASSURANCE FRAMEWORK 2010 - 2011

(incorporating corporate risks)

Strategic Objective	Risk No	*Risk Source	Risk	Risk Rating	Key Controls	Assurances on Controls*	Positive Assurance Y/N	Gaps in Controls/ Assurance	Corrective Action/ Action Plan (incl cost of mitigation)	Key Dates & Timelines	Lead Executive / Officer	Impact on Partnership Objectives Y/N
Organisational improvement and greater efficiency	1	RES.001	Local Government settlements will become more severe. Expecting 12.3% cut for 2011-12 and 25.2% over the next four years	16	The transformation agenda through Rising to the Challenge programme will produce savings to help close the funding gap - shared services, OD, reducing the paybill. It is also estimated that procurement savings will also make a significant contribution.	Transformation Board, Shared Services Board meet monthly. Star Chamber are challenging future budgets. Report on progress on Shared Services will be regularly presented to Cabinet		Current position to be identified although clear targets set for OD, Shared Services and 5% service efficiencies	Update to Resources Leadership team meeting	10th December 2010	David Powell Director of Resources	

Organisational improvement and greater efficiency	2	RES.002	The benefits realisation programme does not deliver the £1m savings outlined in the Medium Term Financial Strategy (MTFMS)	15	Project team involves all parties at an early stage, communication with staff and engagement in process - away day, investigate joint working with PCT integrated commissioning finance and social care finance as a pilot project	Monitoring monthly at Resources Leadership Team meetings. Joint Council and PCT MTFMS being developed. Realisation report to Cabinet		Current position identified some projects will slip into 2011-12, creating a financial gap for 2010-11	Update to Resources Leadership team meeting	10th December 2010	**Anne Phillips Head of Financial Services**	
Organisational improvement and greater efficiency	3	RES.003	Failure to implement the financial aspects including commitment accounting by 1st April 2011. Framework I does not provide accurate financial information to enable existing systems to be switched off.	12	Anne Phillips and Sam Powles part of the Project Board overseeing delivery of the project.	Monitoring monthly at Resources Leadership Team meetings. Project Board Meets on a regular basis.		Current position to be identified	Update to Resources Leadership team meeting. Recent meetings confirmed interface needed between Agresso and Framework I to deliver commitments	10th December 2010	**Anne Phillips Head of Financial Services**	
The best possible life for every child, safeguarding vulnerable children and improving educational attainment	4	CYP.009	Development of Academies within the county schools resource - will impact upon the overall funding available for distribution across the remaining schools and the sustainability of Council services, including corporate services.	16	Links with potential academies in development. Implications for funding raised with Schools Forum and budget working party. CYPD budget planning investigating impact. SLAs being put in place to maximise income across services	DLT, JMT, School's Forum, SLA working group/commercial board	Y	Controls in place but working to emerging local response to national agenda			**David Sanders**	

The Environment	11	RSK.SCS.010	Ross-on-Wye Flood Alleviation Scheme - Outcome of Ross on Wye Flood Alleviation scheme adjudication process has financial implications which may exceed available scheme grant and require Council funding for which there is no current provision in this financial year	**15**	Obtain legal advice about outcome of adjudication to inform next steps. Discuss additional cost with EA to establish grant criteria and establish if this cost is covered by terms of the grant. Obtain early view from HC legal about this.				**Scheme cost report submitted to the Environmen t Agency - We are going to undertake an independent review of ground conditions to challenge any contractors claim**	**End of December 2010**	**Richard Ball**	
Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives (old plan objective)	16	RSK.ICS.001	Significant budgetary pressures particularly in Learning Disabilities and Older People. Risk of reduced or poorer services thus inability to reach the Council's top priorities for health & well being and budget deficits not being reduced (Related NI's are 136, 142 and 125)	**12**	Additional funding from the MTFMS, outcome of the PIC process allocated additional funding, efficiency savings of £300k arising from Hereford Connects are expected, increase in the Social Care Reform Grant. Other measures are in place, for full details see the report to Adult Social Cre and Strategic Housing Scrutiny Committee dated 22 June 2009	Developm ent of Integrated Commissi oning Cost Improvem ent Plan & robust monitoring by monthly meeting of senior officers and updates at JMT and Programm e Board		Some business cases need to be reviewed and reassessed	Schemes currently being reassessed	**Monthly monitoring of plan**	**Jana Burton**	

The risk rating matrix

	Consequence					
Likelihood	**1 Insignificant**		**2 Minor**	**3 Moderat e**	**4 Major**	**5 Catastrophic**
5 Certain	**5**		**10**	**15**	**20**	**25**
4	**4**		**8**	**12**	**16**	**20**

Likely						
3 Possible	3		6	9	12	15
2 Unlikely	2		4	6	8	10
1 Rare	1		2	3	4	5

Risk Rating:

Low Risk	**1 to 3**
Moderate Risk	**4 to 6**
High Risk	**8 to 12**
Extreme Risk	**15 to 25**

Risk Source:

Directorate	**Identifier**
Deputy Chief Executive	DCX
Children's	CYP
Resources	RES
Commissioning	ICS
Public Health	PUH
Sustainable Communities	SCS

Appendix C

Medium Term Financial Strategy 2010-13

MTFRM	2011/2012 Budget £'000	2012/2013 Budget £'000	2013/2014 Budget £'000
Base Budget	**142,844**	**146,130**	**142,539**
Inflation - Staff	1,014	565	861
Inflation - Other costs	2,348	2,394	2,441
Inflation - Income	(400)	(408)	(416)
Total Inflation	**2,962**	**2,551**	**2,886**
	145,806	**148,681**	**145,425**
Transfers to/from RSG			
- Grants Rolled into Formula Grant (reduced figure)	10,832	(932)	(187)
- Personal Social Services	1,961	1,480	259
MTFMS Changes			
- Waste management - PFI Contract	(500)	500	500
- Whitecross PFI requirement	0	0	250
- Local Development Framework	(275)	0	0
Shared Services			
- Revenue Costs	(204)	56	
- Capital Financing	292	8	0
- Core team costs (rev)	9	(479)	
- Core team costs (capital financing)	(6)	(6)	42
- Shared Services	250	0	0
Capital Financing Costs			
- Cost of borrowing	570	739	696
- Cashflow management	0	500	500
- Investment Income	0	(210)	(240)
Emerging Pressures			
- Student Finance	(70)	(15)	0
- Income shortfall	0	(300)	0
- Management change reserve	500	0	(500)
- Spend to save reserve	0	0	(150)
- Winter maintenance	(500)	0	0
- Social care	0	0	0
- Contingency	0	0	0
- Statutory changes creating pressures	1,029	544	
- Base budget funding issues	130	907	
- Other service pressures	650	785	
- Academy schools	(300)	(150)	(100)
- West Midlands Councils	209	(209)	0
- Retail Quarter Timescales	230	0	0
Efficiencies & Savings			
- Directorate reductions	(4,594)	(6,121)	0

Rising to the Challenge Savings			
- Delayering Savings	(3,148)	0	0
- Reducing the Pay Bill	0	0	0
- Shared Services	(2,560)	(638)	(626)
New Homes Bonus	(660)	(660)	(660)
Council Tax Freeze Grant	(2,150)	0	0
General reserves	**(1,000)**	**0**	**0**
Movement from Reserves	**(500)**	**500**	**0**
Capacity to achieve desired Tax increase	**129**	**(2,441)**	**(1,496)**
TOTAL BUDGET	**146,130**	**142,539**	**143,713**

MEETING:	**OVERVIEW AND SCRUTINY COMMITTEE**
DATE:	**14 JANUARY 2011**
TITLE OF REPORT:	**JOINT CORPORATE PLAN 2011 - 2014**
REPORT BY:	**DEPUTY CHIEF EXECUTIVE**

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To consider the draft Joint Corporate Plan (JCP).

Recommendations

THAT:

(a) the Committee consider the draft Joint Corporate Plan and;

(b) make any recommendations it considers appropriate to Cabinet on the proposed content.

Key Points Summary

- The Herefordshire Public Services challenge and improvement cycle envisages a review / refinement of the JCP each autumn with Council approval in February. Joint Management Team (JMT) has already considered earlier drafts of the plan

- The current plan was arguably the first joint corporate plan in the country but its limitations are rapidly becoming clear. There have been fundamental changes, locally and nationally in the last 12 months which the plan does not reflect. The plan needs a fundamental review if it is to provide the clear strategic direction and prioritisation required for the future.

- This review needs to produce a more focussed JCP which only contains the key activities underway. It needs to reflect the reduced resources available in the period ahead. i.e. it needs to make sense as a political and managerial framework and as the basis for demonstrating performance.

- This clear strategic framework is the basis for robust operational plans for teams, services and directorates as well as personal objectives for individuals. This planning process is already being streamlined in accordance with the commitment in Rising to the Challenge

Further information on the subject of this report is available from
Tony Geeson – Head of Policy & Performance (01432) 261855

transformation programme to reduce bureaucracy and critically examine all processes for added value

Alternative Options

1 Not to revise the JCP. This would mean that the plan grew steadily less and less, meaningful as the prime measure of performance and demonstrating change and improvement to the communities of Herefordshire.

Reasons for Recommendations

2 So that Cabinet can consider its recommendations to Council with the benefit of the Committee's views

Introduction and Background

3 The JCP across Herefordshire Public Services (HPS) is now one year old and due for review. There has been a substantial amount of change in the past 12 months to the extent that the plan requires a more fundamental revision than usual if it is to continue as the prime measure of HPS performance.

Key Considerations

4 The intention is to revise the JCP so that it addresses the priorities of Cabinet and the NHS Herefordshire (NHSH) Board, is Herefordshire based and reflects reduced resources. The new plan will provide the strategic direction and prioritisation required for the future in a clear way.

5. There has never been a more important time for a strategic plan which shows precisely what Herefordshire Public Services (HPS) aims to achieve in the years ahead. Major organisational changes have now been captured in the Rising to the Challenge and the NHS & Social Care commissioning programmes. The external influences on Herefordshire are becoming clearer with the announcements of the NHS operating framework and the local government financial settlement. The Localism and the Police Reform & Social Responsibility bills have been published along with White Papers on the importance of teaching, healthier lives & healthier people (public health) and the vision for social care.

6. The current draft framework for the JCP is attached at *Appendix1.* This is the level of information that the Cabinet, Board and Council will be asked to approve. The more detailed measures and projects that will drive these priorities and outcomes will be agreed by JMT.

7. The JCP's broad intention is to show how the whole system of public services in Herefordshire is being transformed and, in particular, how HPS is contributing. It aims to provide clarity for officers and members and a public version will also be considered. The current draft is based on the HPS vision and six local priorities that have been discussed by cabinet members and non-executive directors during the current budget making process. The values are those adopted by the Council and NHSH for employees.

8. The outcomes should be strategic and long term supported by a range of projects and measures so that progress can be demonstrated and achievement clear. Although there are clear connections between many of those outcomes listed they are not repeated for reasons of clarity.

9. Following this meeting the timetable for approval is:

- Herefordshire Partnership management group – 19 January
- Cabinet commends draft JCP to Council – January 20
- HPS Steering Group – January 26
- NHS Herefordshire Board approves the JCP – January 26
- Council approves the JCP – February 4

Given the Elections in May 2011, it is likely that a JCP “refresh” will be necessary (perhaps in July) to reflect any changes to priorities that may be required.

Community Impact

10 The proposed JCP framework will demonstrate the priorities for delivery across HPS and their relevance to the communities of Herefordshire even more clearly than in the past.

Financial Implications

11 There are no direct financial implications arising from this report. The work programmes designed to deliver the priorities in the JCP are all within the available resources.

Legal Implications

12 There are no legal implications arising directly from this report

Risk Management

13 There are risks in producing any strategic plan at a time of such great change. However without clear intentions to guide activity there is a danger of duplication and wasted effort on lower priority tasks. The potential for further changes has been mitigated to some extent since much of the likely content has already received separate Cabinet or Board endorsement.

Consultees

14 The Joint Management Team, Cabinet Members and non executive directors of NHSH have all considered earlier drafts of the JCP during the current budget making process. All Directorates have considered and commented on earlier drafts of the document

Appendices

15 Appendix 1 Joint Corporate Plan Framework 2011 - 14

Background Papers

- None identified

THE HEREFORDSHIRE PUBLIC SERVICES VISION
Working together to deliver efficient, excellent services and improve outcomes for the people of Herefordshire **We aim to put PEOPLE at the heart of everything we do. Our shared values are** **People – treating people fairly, with compassion, respect and dignity, Excellence – striving for excellence and the highest quality of service, care and life in Herefordshire, Openness – being open, transparent and accountable for the decisions we make, Partnership – working together in partnership and with all our diverse communities, Listening – actively listening to, understanding and taking into account people's views and needs, Environment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.**

OUR PRIORITIES ARE TO					
1. Create a strong economy (People & Place combined)	**2. Improve Health Care & Social Care (People focus)**	**3. Raise standards for Children and Young people (People focus).**	**4. Promote self reliant local communities (Locality focus)**	**5. A resilient Herefordshire (County focus)**	**6. Commission the right services (Public service focus)**
LONG TERM OUTCOMES					
1.1 The regeneration of Herefordshire	2.1 Improved intervention and support for older people and keeping them safe	3.1 Sustainable educational provision throughout Herefordshire	4.1 Vibrant cultural opportunities	5.1 Preserving and enhancing our environment.	6.1. Streamlined, working practices
1.2 The delivery and maintenance of key infrastructure for growth	2.2 A robust & healthy provider market	3.2 Improved intervention and support for children & young people and keeping them safe	4.2 Safer places where people feel secure	5.2 Accessible services and countryside	6.2. High levels of customer and citizen satisfaction
1.3 Growing businesses, jobs & wage levels.	2.3 Financial balance across Herefordshire's health & social care economy	3.3 Improved performance by early years and primary school pupils including vulnerable groups relative to their peers	4.3 Enhanced local democracy and community engagement.	5.3 A strong regional and national reputation	6.3. A high quality workforce
1.4 Develop employment skills, including access to Higher Education	2.4 The development of a new local commissioning infrastructure	3.4 Reduced child poverty	4.4 Ways of working that reflect the needs and priorities of people & place	5.4 Protecting people's health & wellbeing.	
1.5 A reduction in Health inequalities for the working population	2.5 Good quality corporate and clinical governance standards are embedded in all services provided	3.5 Families & communities are able to support all children & young people effectively	4.5 A balanced housing market to meet residents needs	5.5 Increased equality of opportunity	
	2.6 A reduction in Health inequalities for frail, elderly people	3.6 A reduction in Health inequalities for children & young people			
	2.7 More people retaining their independence through greater choice and control				

Herefordshire Council

MEETING:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	14 JANUARY 2011
TITLE OF REPORT:	WORK PROGRAMME
REPORT BY:	COMMITTEE MANAGER (SCRUTINY)

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To consider the work programmes of the scrutiny committees.

Recommendation

THAT the current work programmes be approved as a basis for further development, subject to any comment the Committee wishes to make.

Introduction and Background

1. This Committee is responsible for overseeing, co-ordinating and approving the work programmes of the scrutiny committees and approving its own annual work programme. It is also required to periodically review its and the scrutiny committees work programmes to ensure that overview and scrutiny is effective, that there is an efficient use of scrutiny resources and that potential duplication of effort by scrutiny members is minimised.
2. A report on the work programmes of all Scrutiny Committees' will be made to this Committee quarterly. A copy of this Committee's own work programme will be made to each of its scheduled meetings Copies of the current work programmes are appended.
3. The Committee's programme may be modified by the Chairman following consultation with the Vice-Chairman and the Directors in response to changing circumstances.
4. Should any urgent, prominent or high profile issue arise, the Chairman may consider calling an additional meeting to consider that issue.
5. Should Members become aware of any issues they consider may be added to the scrutiny programme they should contact the Chairman or Democratic Services to log the issue so that it may be taken into consideration when planning future agendas or when revising the work programme.

Further information on the subject of this report is available from
Tim Brown Committee Manager (Scrutiny) on (01432) 260239

Progress in response to recommendations made and issues raised by the Committee

6. A note showing progress in response to recommendations made and issues raised by the Committee is also appended.

Background Papers

- None identified.

Overview and Scrutiny Committee – work programme 2010/11

	21 February 2011
	• Integrated Corporate Performance Report • Budget Monitoring Report
	25 March 2011 • Response to Scrutiny Review of Winter Weather – Update • ICT Services Update
Other issues • Consideration of Affordable Housing Options • Herefordshire Public Services – possible consideration of effectiveness of working arrangements • Herefordshire Partnership • Response to Scrutiny Review of Communications (Summer 2011) • Local Development Framework	

Further additions to the work programme will be made as required

ADULT SOCIAL CARE AND STRATEGIC HOUSING SCRUTINY COMMITTEE

WORK PROGRAMME 2010/11

PRESENTED FOR CONSIDERATION ON 13 DECEMBER 2010

<table>
<tr><th colspan="2">24 January 2011</th></tr>
<tr><td>Items</td><td>Budget Monitoring
Performance Monitoring
Safeguarding Board, Adult Social Care – Improvement Programme
Joint Scrutiny Review Of The Transition From Leaving Care To Adult Life</td></tr>
<tr><th colspan="2">21 March 2011</th></tr>
<tr><td>Items</td><td>Budget Monitoring
Performance Monitoring
Action Plan Monitoring: Scrutiny Review of the Support to Carers in Herefordshire and the Scrutiny Review of Home Care Services.</td></tr>
</table>

Further additions to the work programme will be made as required

Children's Services Scrutiny Committee - Work Programme - 2010/11
Following the Committee on 10 December 2010

Member Seminar – 7 February 2011 (pm)
Note: All Councillors will be invited to a seminar based on the Directorate Restructure and the Emerging Locality Initiative.

11 March 2011 at 10.00am	
	• Issues for scrutiny raised from the seminar on 7 February. • Directorate Reorganisation –update and indication of the activities and responsibilities within the directorate. • Ofsted Inspections of Safeguarding and Looked After Children in Herefordshire – June and September 2010: Outcomes and Action. • Standards in the Early Years Foundation Stage and Standards in the Primary and Secondary Phases – Further Update. • Cabinet Member response to the Pupil Achievement in Swimming at Key Stage 2 review. (passed to the Cabinet Member 1 Nov 2010) • Capital Budget Monitoring. • Revenue Budget Monitoring • Performance Digest • Committee Work Programme.
Scrutiny Reviews	--

11 July 2011 at 10.00am	
	• Capital Budget Monitoring. • Revenue Budget Monitoring • Performance Digest • Committee Work Programme.
Scrutiny Reviews	--

26 September 2011 at 10.00am	
	• Standards in the Early Years Foundation Stage and Standards in the Primary Phase – Full report. • Capital Budget Monitoring. • Revenue Budget Monitoring • Performance Digest • Committee Work Programme.

December 2011 at 10.00am	
	• Capital Budget Monitoring. • Revenue Budget Monitoring • Performance Digest • Committee Work Programme.
Scrutiny Reviews	--

March 2012 at 10.00am	
	• Capital Budget Monitoring. • Revenue Budget Monitoring • Performance Digest • Committee Work Programme.
Scrutiny Reviews	--

Possible future items on:

- Be Healthy' issues (obesity / alcohol / lifestyle/housing/ CAMHS/ psychology service) also consider inviting members from Health Scrutiny. (see minutes June 2010)
- The 14 – 19 Strategy
- Foundation and Academy Schools
- Governance arrangements for the Children's Trust and partnerships.
- Delivery plans to be submitted to Committee for the Children and Young People Plan.

In consultation with the Chairman and Vice-Chairman the Director of Children's Services is working up a programme of open seminars for Members based on defined themes.

Suggested themes or Issues identified by the Director for future agendas

Date	Subject
To be confirmed	Economic Well Being: 14-19 Strategy.
To be confirmed	Positive Contribution: Targeted / Integrated Youth Services
To be confirmed	Enjoy and Achieve: Attendance
	Herefordshire and its comparators

COMMUNITY SERVICES SCRUTINY COMMITTEE

WORK PROGRAMME TO BE PRESENTED FOR CONSIDERATION ON 7 MARCH 2011

	11 February 2011
Items	• Safer Herefordshire Scrutiny Review Group Annual Report
	7 March 2011
Items	• Budget Monitoring • Performance Monitoring • Edgar Street Grid – Update • Crime & Disorder Reduction Partnership Scrutiny – Update • Future Management of Commons • Review of Cabinet's Response to the Review on Volunteering • Action Plan Monitoring: Review of Community and Safety Drugs Partnership, Review of the Herefordshire Economic Development Strategy 2005- 25, Review of Tourism and Review on Volunteering.
Scrutiny Reviews	• Review of Access to Services • Review of Festivals

Further additions to the work programme will be made as required.

ENVIRONMENT SCRUTINY COMMITTEE WORK PROGRAMME
Following Committee on 26 Nov 2010

9.30am 28 February 2011	
	• Public Rights of Way Service – Update. • Road over Rail Bridges – To report on number, liability for and condition (including former road over rail bridges), including Network Rail responsibilities over associated land/fences etc. • County Flood Policy - (to consider the Preliminary Flood Risk Assessment policy prior to submission to Cabinet and Environment Agency) • Review of the Herefordshire Travellers' Policy – Executive Response. • Capital Budget Monitoring • Revenue Budget Monitoring. • Report on Performance Indicators. • Committee Work Programme

9.30am 4 July 2011	
	• Recycling – actions being taken to encourage further recycling. • Land Maintenance and its effect upon the County (e.g. Hedge cutting, drainage ditch clearance etc) • Capital Budget Monitoring • Revenue Budget Monitoring. • Report on Performance Indicators. • Committee Work Programme

September 2011	
	• Capital Budget Monitoring • Revenue Budget Monitoring. • Report on Performance Indicators. • Committee Work Programme

November 2011	
	• Environmental Performance 2010-11 (GEM Annual Report) • Capital Budget Monitoring • Revenue Budget Monitoring. • Report on Performance Indicators. • Committee Work Programme

Items may be added for consideration as the programme is further developed.

- Rail Services and Facilities in the County – invite the key providers to a meeting to discuss issues of concern. (see minute 50 26.11.10).
- Consider any impact of the Open Windrow Greenwaste composting facility at Morton-on-Lugg (see Minute 60-Committee work programme and Minute 64). Invite Environment Agency to discuss.

Health Scrutiny Committee Work Programme 2010/11

The agenda will be based on:

- Quarterly Updates – Service Development
- Statutory Business including consultations
- Quality Assurance and Public Engagement
- Population Health and Equalities

<table>
<tr><th colspan="2">21 January</th></tr>
<tr><td></td><td>Updates by Chief Executives of Health Trusts
(Nb Update for NHS Herefordshire to include information on:
A& E activity
Cancer services
Childrens’ cardiac surgery
Pharmacies – consultation?
Information on any developments on the White Paper and associated documents including GP consortia, Healthwatch and the Health and Wellbeing Board
(Nb Update from WMAS to incorporate information on the experience of the ambulance service in the three postcode areas within the County where performance has been best in the last six months (April - October 2010) and the three areas where performance has been least good.

This report should analyse what factors are considered to contribute to the comparative differences in performance in the six areas and what would be needed to bring performance across these areas (and therefore the County) up to the same standard.
WMAS – Foundation Trust Status bid
Herefordshire Service Integration Programme</td></tr>
<tr><th colspan="2">18 March</th></tr>
<tr><td></td><td>Update on response to Scrutiny Review of GP Services
Follow up points from previous meetings and “need to know” information from Health Trusts.
Population Health - health and wellbeing of older people
Population Health – Health Issues relating to housing</td></tr>
<tr><td colspan="2"></td></tr>
</table>

	• further report including information on access, based on distance, to GPs, Community hospitals, Hereford Hospital and other specialist hospitals out of the County to enable the Committee to understand how the difficulties of distance are overcome or mitigated to ensure appropriate attention at health facilities; • Population Health- further information on the proposed level of future support for community transport and how any reduction would affect the access to health care
TBC	• Mental Health Services – any proposals to substantially vary services • An update be provided on dental health care of children in the County when the results of the next National Survey are published. • a report on the outcome of a review of the mental health procurement exercise to see what lessons can be learned from this exercise.

Progress in response to recommendations made and issues raised by the Overview and Scrutiny Committee

March 10-Information Communication and Technology Services Update	
Recommendations	**Response/Action**
(b) a further progress report be made in 6 months time, noting in particular ongoing work on the interface between the Social Care Frameworki system with the Council's finance system and Civica software packages; and	Report made on 18 October.
(c) Councillor WLS Bowen be deputed to discuss access to the intranet for Members to identify and seek to resolve the apparent problems.	Work being undertaken.
July 10 – Annual Corporate Performance Report 2009/10	
the outcome of the Children's Services Committee's consideration of Key Stage 1 & 2 performance, scheduled for consideration 22 October, be reported to this Committee on 29 November	Included in Integrated Performance Report. – 29 November.
1. the Committee recommends to Cabinet that in principle the LAA targets be retained, however: Cabinet should consider whether any of the targets can sensibly be amalgamated or joined up to those used by the PCT. Only those targets that can realistically be achieved should be retained.	Reported to Cabinet September 10. Cabinet noted the recommendations of Overview and Scrutiny Committee to review the indicators in the Local Area Agreement, and agreed that the opportunity be taken to review the indicators and projects that are in the Joint Corporate Plan 2010-13, using the forthcoming review of the Joint Corporate Plan 2010-13 to do this.
The report resulting from the review being undertaken by Constitutional Review Working Group (CRWG) incorporating the wider organisational work stream on Regulatory Functions be circulated to Committee Members.	Reported to Council 19 November.
A briefing note be issued to members of Overview & Scrutiny; Health and Adult Social Care Scrutiny Committees setting out how improvements were being made to address the underperformance against NI131 target 'delayed transfer of care from hospitals'.	Report made to Health Scrutiny Committee. Updated report being prepared for wider circulation.

September 2010 – Integrated Corporate Performance Report	
A briefing note be provided on the eight risks in the Corporate Risk Register which required the appropriate Director to review and update the Register entry.	Circulated 10 November.
September 10 – Budget Monitoring Report	
Briefing notes be circulated on: **-the use of the spend to save reserve.** **-recoupment of Dedicated Schools grant for the Hereford Academy and the implications of John Kyrle High School achieving academy status;** **- how school balances held by the authority were managed;** **and the outcome of negotiations on the SHAW contract**	 Circulated 26 November. Circulated 7 October and 11 October respectively. Circulated 7 October To be circulated.
October 2010 – ICT Services Update	
a briefing note be provided on the pilot project looking at equipping frontline staff with mobile equipment to make the data collection process more efficient. **it be requested that a copy of the broadband policy paper to be provided to JMT in November be circulated to Members.** **staff be firmly reminded of the need to switch off computers on grounds of both cost and environmental considerations;**	Circulated 6 January. Policy will be provided upon publication. A First Press series is being run called 'Saving It'. Turning off computers and monitors is scheduled to be included in January.
October 2010 - Project Design and Development/Financial Control of Capital Schemes	
Briefing notes be provided on **(i) the control exercised over consultants with particular reference to the Ross flood alleviation scheme and;** **(ii) the scope for schools to undertake small schemes themselves**	(i) Issued 17 December 2010 (ii) To be finalised.
November 210 – Update on Accommodation Programme	
That (a) the issues raised by the Committee be taken into account by the Accommodation Board; **(b) consideration be given to**	Comments have been shared with the Accommodation Board. The Board is being revised and terms of reference updated.

communication with all Members about the accommodation programme and the localities project to ensure that Members were appropriately briefed;	A seminar on localities was held for all Members and PCT Board members on 5 November. A further seminar will be held in the New Year and a briefing note will be circulated.
(c) the critical role of ICT provision to the success of the accommodation programme be highlighted and full account taken of this in developing the accommodation proposals; and	Joint Director of ICT advised.
(d) a briefing note be circulated on the costs of consultants employed on the accommodation programme.	Circulated 17 December.
November 2010 - Scrutiny Review Of Communication With The Public About Services And Access To Those Services - Executive's Response	
That (a) Cabinet's response to the findings of the review of communication with the public about services and access to those services be noted; and	Noted
(b) a full progress report in response to the scrutiny review be made in the Summer of 2011, with consideration then being given to the need for any further reports to be made.	Noted in work programme
November 2010 - Integrated Corporate Performance Report - Quarter 2 2010-11	
That (a) the Committee's observations on performance be sent to the Leader of the Council;	Letters sent 16 December
(b) the Children's Services Scrutiny Committee should be requested to continue to give consideration to educational performance as part of its work programme; and	Request Made.
(c) the Committee's concerns about the monitoring of performance against National Indicator 59: % of initial assessments for children's social care carried out within 7	Request Made.

working days of referral be highlighted.	
November 2010 – Budget Monitoring Report	
That (a) the Revenues and Benefits Team be commended for its work in collecting debts;	Letter sent to Director of Resources.
(b) the Executive be urged to give careful consideration to whether additional cost effective action could be taken to avoid incurring additional costs under the waste disposal contract;	Leader and Cabinet Member Environment and Strategic Housing notified.
(c) the implications of schools achieving academy status be noted and monitored; and	Included in budget monitoring reports.
(d) the Committee's observations be reported to the Executive.	Letter sent notifying the Executive 16 December
November 2010 – Work Programme	
Requested that Community Services Scrutiny Committee should consider proposals for the future management of commons as this issue was exciting comment in the community.	Submitted for inclusion in the work programme.
Provide Clarification on when the Executive's proposals for making the Council's own holdings available for affordable housing will come forward.	The evidenced proposals are expected to come forward by March 2011.