

# AGENDA

## Cabinet

Date: **Thursday 16 June 2016**

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Time: **2.00 pm**

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

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

For any further information please contact:

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If you would like help to understand this document, or would like it in another format, please call David Penrose on (01432) 383690 or e-mail [dpenrose@herefordshire.gov.uk](mailto:dpenrose@herefordshire.gov.uk) in advance of the meeting.

# Agenda for the Meeting of the Cabinet

## Membership

<b>Chairman</b>	<b>Councillor AW Johnson</b>
<b>Vice-Chairman</b>	<b>Councillor PM Morgan</b>

Councillor H Bramer  
Councillor DG Harlow  
Councillor JG Lester  
Councillor PD Price  
Councillor P Rone  
Councillor NE Shaw

**AGENDA****Pages****HEREFORDSHIRE COUNCIL**

Notice has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Item No	Title	Portfolio Responsibility	Scrutiny Committee	28 Day Notice Given
4	Hereford Relief Road	Infrastructure	General Overview and Scrutiny Cttee	Yes
5	2015/16 year-end corporate budget and performance report	Economy & Corporate Services	General Overview and Scrutiny Cttee	No
6	Development Partnership Project	Contracts and Assets	General Overview and Scrutiny Cttee	Regulation 10 notice

**1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2. DECLARATIONS OF INTEREST**

To receive any declarations of interest by Members in respect of items on the Agenda.

**3. MINUTES**

To approve and sign the minutes of the meeting held on the 9<sup>th</sup> May 2016.

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**4. HEREFORD RELIEF ROAD (HEREFORD BYPASS)**

To seek approval to commence work to develop the Hereford relief road (Hereford bypass) in support of proposals within the adopted Core Strategy in the context of the overall transport strategy for the city.

11 - 20

**5. END OF YEAR CORPORATE BUDGET AND PERFORMANCE REPORT 2015/16**

To inform cabinet of the revenue and capital outturn for 2015/16, including the treasury management outturn report, debts written off and invite cabinet members to consider performance in the year.

21 - 58

**6. DEVELOPMENT PARTNERSHIP PROJECT**

To agree the partnership model and site selection that will be issued for the procurement of a development partnership for the council.

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

**MINUTES of the meeting of Cabinet held at Council Chamber, The Shire Hall, St Peter's Square, Hereford, HR1 2HX on Monday 9 May 2016 at 2.00 pm**

**Present:** Councillor AW Johnson (Chairman)  
Councillor PM Morgan (Vice-Chairman)  
  
Councillors H Bramer, JG Lester, GJ Powell, PD Price and P Rone

Cabinet support members in attendance	Councillors JA Hyde and DG Harlow
Group leaders in attendance	Councillors JM Bartlett, RI Matthews and AJW Powers
Scrutiny chairmen in attendance	Councillors WLS Bowen and PA Andrews
Other councillors in attendance:	Councillors EPJ Harvey, D Summers and EJ Swinglehurst
Officers in attendance:	Alistair Neill, Jo Davidson, Geoff Hughes, Peter Robinson, Martin Samuels and Claire Ward

**156. APOLOGIES FOR ABSENCE**

None.

**157. DECLARATIONS OF INTEREST**

None.

**158. MINUTES**

The cabinet member (infrastructure) asked that Minute 153 be altered to read:

The cabinet member (infrastructure) pointed out that farm business tenancies were agree on a rolling basis and that it was usual practice that notices to quit were served at least a year before the end of a given contract term.

**RESOLVED:** That, subject to the above correction, the Minutes of the meeting held on 14 April 2016 be approved as a correct record and signed by the Chairman.

**159. SUPPORT SERVICES FOR SYRIAN REFUGEES IN HEREFORDSHIRE**

Cabinet received a report on the procurement of orientation and support services for Syrian refugees settling in Herefordshire. The joint commissioning manager presented the report and made the following points:

It had been confirmed that 60 refugees (approximately 18 families), would be accepted gradually from September 2016. The profile of the expected refugee population was determined by the nature of the government's Vulnerable Persons Re-settlement programme. People will be brought directly from camps and settlements around the Syrian borders and will meet at least one of the United Nations High Commission for

Refugees (UNHCR)'s seven vulnerability criteria. They would all come in family groups and children would be around half of the cohort. Approximately 20% or 12 refugees were likely to have complex needs in relation to health, social care or education.

The contracted service would be funded through monies allocated to local authorities on a per capita basis for each refugee in order to support them for the first two years. This funding would also be used to meet other costs including interpretation and translation, transport and any net costs of providing housing to refugees. It was one part of a package of financial support from government which also included support for NHS services and education of refugee children. It was expected that refugee families' specialist and particular needs would largely be met within the initial two year period.

In reply to questions from cabinet members and members in attendance, the following points were made:

- That it was likely that government would ask local authorities for additional pledges to take refugees in later years.
- That funding per head to councils for general support tapered off from £5k to £1k by year five.
- That schools would receive funding for refugee pupils whenever they arrived on roll, but that they would only receive the additional £4.5k for one year.
- That the approach being adopted built upon the experience in this area already gained in Birmingham and Coventry.
- That the council had five Arabic speaking interpreters to hand, one of whom was a Syrian national. There were a number of Arabic speakers in the city, and there was a campaign in hand to encourage these people to become involved as volunteers in the day to day issues that the refugees would have. Sensitive areas would be dealt with by professional interpreters.
- That the voluntary sector was playing its part, and campaign groups in Ross, Ledbury and Leominster had arranged to collect donations of clothes and domestic goods.
- That the council was confident of receiving a number of bids in response to its tendering exercise. Contingency plans were being worked up across all areas of the programme, including for a delay in being able to award a contract for the support service.

**Resolved:**

**That:**

- a) the commissioning of an orientation and support service for Syrian refugees by way of an open competitive procurement process be approved; and
- b) authority be delegated to the director for adults and wellbeing to award a contract for the provision of the orientation and support service at the conclusion of a tender evaluation process, for a period of two years and for a total value not exceeding £540,000

## **160. HEREFORD LIBRARY AND MUSEUM RESPONSE**

Cabinet received a report to consider the response to the proposals submitted by Hereford Library Users Group (HLUG) regarding the future operation of Hereford library



and museum. The assistant director, communities presented the report and said that the recommendations would enable services to be resumed at the earliest opportunity, mitigating the effect on users if the building were to be closed for a long period. This was balanced with providing the HLUG or another party time to secure funding for a development scheme. If funds were not forthcoming for any development scheme within 2 years then the opportunities for the site and the services would be reviewed to consider options in light of value for money.

In reply to questions from cabinet members and members in attendance, the following points were made:

In reply to a member's question as to whether money from the library and museum support fund would only be available to organisations that have charitable status, the assistant director, communities said that organisation need to be based on a constitution and that does not necessarily have to be a charity.

The Leader of the Independent Group welcomed what has been achieved to date and thanked the library user groups and officers. He added that although the temporary library service was being utilised it was felt that it was inadequate for junior users.

The Leader of It's Our County commented that he was aware of the excellent work of the HLUG. He added that there appeared to be arguments for and against centrally located museums, however outreach services should be considered.

Clarification was sought on paragraph 48 of the report which stated that the HLUG must exist as a legal entity before any funding could take place compared to the Local Enterprise Partnership. The assistant director said that this was a report regarding Hereford library and museum, and external funders would award funding to a constituted group that is a legal entity.

**Resolved:**

**That:**

- (a) works to enable reinstatement of Hereford library and museum building, and relocation of the Wellbeing Information and Signposting Service (WISH) to the Broad Street site, Hereford be undertaken to a maximum cost of £500k;**
- (b) following completion of the works at recommendation a) above, the balance of the capital allocation be used as match funding for a development scheme, led by HLUG or other partner, subject to the development scheme being approved by the relevant cabinet member within a two year period; and**
- (c) a further report be prepared on the options for shorter term re-opening of the museum and art gallery at the Broad Street site, pending a decision on longer term options for sustainable delivery of the museum and archive service.**

**161. UNIFIED RESIDENTIAL AND NURSING CONTRACT BETWEEN THE COUNCIL AND HEREFORDSHIRE CLINICAL COMMISSIONING GROUP (CCG), FEE INCREASE FOR CARE HOMES AND CHANGE IN PAYMENT PROCESS.**

The director for adults and wellbeing reported that the council and the CCG fund in the region of 900 placements in residential and nursing care homes across Herefordshire, at an annual net cost of around £27m, with the largest proportion of this expenditure, £19m,

being spent on council placements and the remaining £8m by the CCG. In order to facilitate choice for service users, as required by the Care Act 2014, the council and the CCG should secure placements on an individual 'spot' basis. To ensure fairness, the council set a rate for the cost of care each year, for older people residential and nursing placements, with a third party being able to pay a top-up if they choose a home where the fees are higher than the rate.

In reply to questions from cabinet members and members in attendance, the following points were made:

- That it would be the decision of the NHS as to whether an individual would be eligible for continuing health care funding. The intention was to review all of the high cost placements in order to ensure that the terms for social care and continuing health care cases would be the same for the local authority and the CCG.
- That there would be no risk to the council in the transfer of collection of the top-up fees. The council already had a significant team in place for the collections, and the ability of the council to recover payments would be better than that of individual care homes. Individuals would be more likely to pay the top-up fees for which they were liable if they received a council invoice.

The director said that he had had experience of care homes closing at short notice but that there was capacity within the system to rehouse people should this happen. The churn within the system meant that it was always possible to rehouse individuals, but that the council would seek to avoid this option as it could cause distress to the service user.

**Resolved:**

**That:**

- a unified contract be developed by the council and the CCG for future spot placements, with the intention of implementation from September 2016 subject to agreement with the CCG and providers;**
- the council approve the change in approach to pay Providers on a gross basis (i.e. inclusive of any client and third party contribution) rather than net, and to paying in arrears rather than the two weeks in advance and two weeks in arrears, effective from the implementation of the unified contract and subject to agreement with providers;**
- as lead commissioner the council undertake a procurement exercise with a view to establishing an accredited list for the council and CCG of Providers in Herefordshire; and**
- the Provider fee rate increase of 1% be agreed for 2016/17 (excluding placements still on the higher old usual price rates)**

The meeting ended at 3.20pm

**CHAIRMAN**



<b>Meeting:</b>	<b>Cabinet</b>
<b>Meeting date:</b>	<b>16 June 2016</b>
<b>Title of report:</b>	<b>Hereford relief road (Hereford bypass)</b>
<b>Report by:</b>	<b>Cabinet member infrastructure</b>

## Classification

Open

## Key decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates and because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

## Wards affected

Wards directly affected by the Hereford bypass are likely to be Stoney Street, Belmont Rural, Credenhill, Whitecross, Kings Acre, and Queenswood

## Purpose

To seek approval to commence work to develop Hereford relief road (Hereford bypass) in support of proposals within the adopted Core Strategy in the context of the overall transport strategy for the city

## Recommendation(s)

**THAT:**

- (a) funding of £600k be approved to support works necessary to inform route selection; and**
- (b) authority be delegated to the assistant director environment and place to take all operational actions necessary to progress the Hereford bypass to route selection within the resources (including external funding) available**

## Alternative options

- 1 An option for proceeding with the Hereford growth proposals without the provision of a bypass was considered and discounted during the Core Strategy process. The development proposed for Hereford in accordance with the spatial strategy would cause significant additional traffic congestion if there were no substantial

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Further information on the subject of this report is available from Mairead Lane, Head of infrastructure delivery on Tel (01432) 260944

improvements to the city's transport infrastructure. Analysis of the impact of the no-road scenario against the proposed development options indicated a significant detrimental effect on the operation of Hereford's highway network.

- 2 As such, there are no alternative options to the recommendations in this report. Hereford Bypass has been identified as necessary infrastructure in the adopted Local Transport Plan (2016-31) ("LTP") and is required to enable the planned growth of Herefordshire in accordance with adopted Herefordshire Local Plan Core Strategy (2011-31) ("the Core Strategy").
- 3 The rate of housing delivery and supply will be assessed through the annual monitoring process. If the delivery of the Hereford bypass is not prioritised to achieve the growth targets set out in the Core Strategy, housing delivery would have to be reviewed to consider alternative delivery arrangements.

## **Reasons for recommendations**

- 4 The Hereford bypass is a key piece of infrastructure identified in the council's LTP and forms an essential part of the Hereford transport package which is outlined in this strategy. To enable the housing and employment growth objectives set out in the Core Strategy, the section of the bypass, connecting the southern link road with the junction of the A438, and the subsequent connection to the A49 trunk road must be in place by 2027. Approval of the recommendations will enable work to proceed with the development of route options, environmental and transport surveys and consultation on route options.

## **Key considerations**

### **Background**

- 5 The Hereford relief road, widely known as the Hereford bypass and therefore referred to in this way for the remainder of this report, is a key infrastructure project that is necessary to drive the economic growth of Hereford and the region. It is identified as a priority within the LTP and Core Strategy and also within the Marches Strategic Economic Plan. It has also been a key theme within the emerging economic masterplan for Herefordshire.
- 6 For many years discussions have taken place regarding the merits of providing a north to south bypass for the city of Hereford to address traffic problems within the city and allow it to grow. Indeed, proposals for an eastern route bypass were developed in the 1990s by the then Highways Agency but were rejected by a public inquiry. Since then, considerable work has been undertaken to examine the issue and identify how best to enable Hereford to grow and fulfil its role as a sub-regional centre. The background work to the Unitary Development Plan (UDP) for Herefordshire (1996-2011) recognised the excessive congestion on the A49 trunk road through Hereford and recommended further work to identify the options for a bypass connecting the north and south sections of it. The Herefordshire UDP was adopted in 2007.
- 7 The bypass scheme was identified as a regional priority in the West Midlands Regional Funding Advice to Government in 2009. Further studies, in 2009 and 2010, reiterated the need for a bypass and concluded that sustainable transport measures alone would not solve Hereford's traffic issues.
- 8 The preferred option for Hereford was published for consultation in September 2010

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and it included a western bypass along with a package of sustainable transport measures. The supporting analysis again concluded that whilst sustainable transport measures improved the performance of the network, it was only in combination with a bypass that they provided the network capacity necessary to support the required growth. Furthermore, the western alignment was preferred over an eastern alignment, due to the likely significant impacts on the River Lugg Site of Special Scientific Interest (SSSI), a major tributary of the River Wye Special Area of Conservation (SAC), and the Lugg Meadows SSSI, contrary to European Habitat Regulations, national policy, and local policy affording their protection.

- 9 To address issues that were raised during the consultation and to reflect additional technical work undertaken, a revised preferred option for the Local Development Framework Core Strategy was published (September 2011). It set out a revised package of development and infrastructure measures for Hereford, and continued to include a western alignment for a bypass. This was based on further examination of traffic flows and consideration of modified alignments to the east of the city. However, a revised eastern alignment did not provide for a full bypass and the associated economic benefits, would not have enabled the full realisation of sustainable transport measures in the city, and still posed a potential for likely significant effects on the River Wye SAC.
- 10 The western bypass corridor was included in the draft Core Strategy (March 2013), retained in pre examination updates, and then submitted to the Secretary of State for Examination (September 2014). The likelihood of delivery of the bypass during the Plan period to 2031 and the implications for planning growth in the identified Urban Expansion Areas were the delivery of the bypass to be delayed, was a key consideration during the Examination process. The inspector's report was published in September 2015 and proposed further modifications, including a policy amendment to align the pace of delivery of transport and movement infrastructure with that of housing provision.
- 11 The Core Strategy was adopted in October 2015 and commits the council (in policy SS3) to work with developers and other stakeholders to ensure the timely development of these strategic proposals and the key infrastructure requirements.
- 12 A Hereford bypass will increase traffic capacity to allow the city to grow with more homes and jobs. It will enable full delivery of Herefordshire's Core Strategy housing (6,500 in Hereford and 16,500 county wide) and employment allocations (6,059 jobs), including those at the Hereford Enterprise Zone and the Three Elms employment site, which can only be achieved with a Hereford bypass and its complementary package.
- 13 It will also enable the improvement of the A49 trunk road through the city, providing an alternative route for freight and other long distance traffic, accommodating more local transport needs. The bypass is an integral part of the LTP. It will form part of a Hereford Transport Package of schemes which will support initiatives to improve access to and within the central area, encourage more active travel within the urban area through increased supply of pedestrian, cycling and bus networks, supporting safer routes to school, and tackling poor air quality that results from high levels of congestion and heavy good vehicles in the city. As such the scheme will also make a significant contribution to health and wellbeing objectives.
- 14 The bypass will also support the local and wider regional economy. The Marches Local Enterprise Partnership (LEP) recognises that one of the barriers to economic growth is poor transport infrastructure. Alongside investment to improve public transport, the LEP identifies investment in highway infrastructure to reduce congestion in Hereford as a key priority investment area in the 'Marches Local

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Enterprises Partnership Strategy for Growth' (2013-2022). The Hereford Bypass is identified as a priority project for 2016/17 in the 'Marches Local Enterprises Partnership Strategic Economic Plan' (March 2014). The Marches LEP has recently approved the submission of a bid to the Department for Transport Large Local Major Transport Schemes fund to support the development of the Hereford bypass as part of the overall Hereford transport package.

- 15 Hereford has also been identified as part of an 'intensive growth corridor' linking Birmingham with Worcester, Hereford, and South Wales. Significant investment has already been made by the Welsh Government in delivering the Heads of the Valley A465 dualling project. Herefordshire Council, as part of the Midlands Connect partnership of LEPs and local authorities across the Midlands, is highlighting the constraints on economic growth of slow connectivity on the rail network and slow journeys on the road network, and making the case for investment in infrastructure on the basis of wider economic benefits to the Midlands regions. As part of this initiative the council must advance the business case for the Hereford bypass.
- 16 The adopted Core Strategy anticipates that the southern link and river crossing will be required by 2022. The delivery of the Hereford bypass, linking the southern link road with the A49 trunk road in the north, is identified as infrastructure required by 2027, in order not to hold up/delay the delivery of 4800 homes (Appendix 5 of the adopted Core Strategy - SS3: Necessary Infrastructure for Strategic Sites).

### **What Needs to Happen to Progress the Bypass?**

- 17 In order to meet the timescales required to deliver the bypass, work needs to progress to develop the Hereford transport package and business case in order to attract capital funding, to begin the definition and appraisal of different road alignments, and to consult on those options. The critical path activities required to deliver the Hereford bypass by 2027 are set below with indicative timescales.

Option Appraisal	June to August 2016
Options Consultation	October 2016
ES Scoping Report	February 2017
Preferred Alignment Consultation	September 2017
Preferred Alignment Decision	December 2017
Outline Business Case	April 2018
Development Consent Order (DCO) Application Submitted to the Planning Inspectorate (PINs)	June 2018
Examination	October 2018 to April 2019
DCO Decision	October 2019
Construction Phase 1 Bypass (SLR to A438)	May 2020 to March 2022
Phase 1 Bypass Open	March 2022
Phase 2 Bypass Open (A438 to A49)	2027

- 18 In addition to the benefits associated with economic and housing growth, the scheme will enable a more reliable and safer route for traffic currently using the A49 through Hereford and the wider region. It will:

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- Significantly improve currently extended and unreliable journey times for traffic on the A49 trunk road through Hereford. The A49 experiences heavy congestion and low network speeds on a daily basis, passing on significant cost to existing major businesses such as Heineken and Cargill, along with the large numbers of smaller businesses in and around the city.
  - Replace a section of the A49 which has a poor safety record with a route built to current design standards and so reduce accident costs to Highways England.
  - Provide enhanced network resilience - one main river crossing carrying 45,000 vehicles per day currently leads to low network resilience with the result that extensive queues develop following an incident anywhere on the strategic network
- 19 A number of key tasks are required to take the scheme forward. First, design development of route alignments options needs to be undertaken. The adopted Core Strategy identifies an indicative 'Relief Road Corridor' within which the Bypass could be located (Figure 4.2 Hereford Key Diagram – [https://www.herefordshire.gov.uk/media/3712733/section\\_4\\_place\\_shaping.pdf](https://www.herefordshire.gov.uk/media/3712733/section_4_place_shaping.pdf)). This corridor is based on engineering, transport, and environmental appraisal undertaken in a Study of Options (August 2010) and will form the basis of a review of alignment alternatives.
- 20 The adopted Core Strategy (policy HD3) requires that the bypass is designed and developed in such a way which avoids and mitigates adverse impacts or physical damage to or loss of habitats, noise pollution and vibration, light pollution, air pollution, flood risk and water quality on the River Wye Special Area of Conservation, as well as residential amenity and business interests. Consideration of the impact of the road on heritage assets, their significance and setting, as well as the historic character of the wider landscape will also be required. Access arrangements and connections to the western urban expansion (Three Elms) and the northern urban expansion (Holmer West) will also be taken into account in defining route alignment options. All options will require the construction of a major viaduct and bridge span to cross the River Wye and its floodplain. Architectural advice will be included within the project team to advise on key design decisions that may impact on the landscape quality and views.
- 21 In parallel with the development of the route options, a package of complementary measures will be developed aimed at increasing levels of walking, cycling and bus use in the city, particularly for short distance 'intra-city' journeys.
- 22 Secondly, route appraisal of the alignment options and complementary measures is required to support the development of the business case for government funds, inform the council's investment decisions, and provide a robust basis for consideration of alternatives required under the environmental impact assessment regulations. The appraisal of route options for the bypass will be undertaken in accordance with Department of Transport (DfT) Transport Analysis Guidance (WebTag), a multi criteria decision framework used to appraise transport projects and proposals. The analysis will include appraisal of how the bypass and complementary measures will change patterns of travel (choice of origin and destination; frequency; distance), patterns of social activity (work and leisure) and impact on the environment. Having measured the impacts of the bypass, and the complementary measures when they have been identified, the appraisal will draw them together in a cost benefit analysis.
- 23 Thirdly, local communities, statutory consultees and other stakeholders must to be  
Further information on the subject of this report is available from Mairead Lane, Head of infrastructure delivery on Tel (01432) 260944

engaged in and consulted on the development of the design and alignment of the bypass and complementary measures. Paragraphs 40-42 of this report set out the proposed approach to consultation. Subject to the cabinet approval sought in this report, it is anticipated that a first round of consultation on route options would commence in October 2016. A second round of consultation on the preferred option would commence in June 2017, prior to a further cabinet decision to select a preferred option.

- 24 Fourthly, the route to secure planning consent must be determined. If the bypass meets certain size thresholds and criteria, it must be treated as a Nationally Significant Infrastructure Project (NSIP) under the provisions of the Planning Act 2008 and the council must make an application for a Development Consent Order (DCO), which will be submitted to the Planning Inspectorate and determined by the Secretary of State for Transport. Paragraphs 32-37 sets out the legal considerations in this regard.

## **Community impact**

- 25 The bypass is a significant transport infrastructure element of the Hereford transport strategy, linked to the promotion of social progress (by supporting housing needs), economic prosperity (by supporting new jobs, area regeneration, and business), and environmental quality (lessening the harmful impacts of traffic growth, providing an alternative route for the movement of Heavy Goods Vehicles (HGVs), and freeing up space for pedestrians and cyclists). The delivery as part of a Hereford Transport Package will enable active travel measures to be implemented to deliver benefits to communities within the city.
- 26 The bypass will enable the delivery of new homes and communities in the western urban expansion (Three Elms). The development of this area will include associated community infrastructure including a new linear park, an extension to Whitecross High School, small scale retail, health provision, sports facilities, along with a park and choose site, new bus, pedestrian and cycle links.
- 27 The bypass will also enable the delivery of new homes and communities in the northern urban expansion (Holmer West). The development of this area will include provision of open space and allotments, improvements to existing schools, a park and choose site, and new walking and cycle routes.
- 28 The re-routing of traffic, particularly HGVs, from the Hereford city centre, will benefit those living and working near the A49. However, there will be adverse effects on residents living near the proposed route. Given that the land within the bypass corridor is largely rural and suburban, there are likely to be adverse noise impacts and increases in the level of air pollution. The technical work will develop options to mitigate adverse impacts on residential amenity in line with Core Strategy policy (HD3 Hereford Movement).

## **Equality duty**

- 29 In taking forward the route options for the bypass and in consultation with local communities, the council will pay due regard to the public sector equality duty under the Equalities Act 2010.



## Financial implications

- 30 The estimated cost of development work required to inform a decision on the preferred alignment for the bypass and associated business case is £3.25m. The costs of this development work are being sought through a bid for funds under the DfT's Local Majors Transport Fund, summarised in the table below. The aim of the fund is to provide funding for large, transformative, local schemes that are too big to be taken forward within Local Growth Deal allocations and might not otherwise be funded. A total of £2.65m is being sought from the DfT to develop the business case for Hereford bypass and complementary measures. Herefordshire Council will make a local contribution of £0.6m towards the development of the business case from existing budget for the scheme.

	2016/17 £m	2017/18 £m	TOTAL £m
Funding sought from DfT large local majors fund	1.95	0.70	2.65
Local funding	0.30	0.30	0.60
<b>TOTAL</b>	<b>2.25</b>	<b>1.00</b>	<b>3.25</b>

- 31 If funding is not awarded through the Department for Transport Local Major Transport Schemes process, the council would need to consider whether to allocate further funding and / or include the scheme within future revisions of the capital programme.

## Legal implications

- 32 The route to secure planning consent is to be determined through discussion with the DfT, and will be subject to further legal advice.
- 33 If the bypass meets certain size thresholds and criteria, it must be treated as a Nationally Significant Infrastructure Project (NSIP) under the relevant provisions of the Planning Act 2008 (as amended), and the council must make an application for a Development Consent Order (DCO), which will be submitted to the Planning Inspectorate (PINs) and determined by the Secretary of State for Transport. If the project is classed as an NSIP the council cannot be the determining authority for a planning application.
- 34 As mentioned in the Risk Management section of the report below, any consultation on the choice of route should be "robust", in order to reduce the possibility of a judicial review challenge.
- 35 One of the determinants of whether the bypass is an NSIP is whether the Secretary of State will be the highway authority for the road. It is understood that, whilst Highways England accept the likely benefits to the strategic highway network of the bypass and recognise that, at some future date, the bypass should take the place of the current relevant part of the A49 trunk road within the strategic road network, to facilitate delivery of the objectives set out in the council's LTP, it has not yet been agreed or accepted that the Secretary of State will be the highway authority for the bypass.

- 36 It is understood that this criteria may be met if, at any point up to completion and operation of the road, the Secretary of State does decide to adopt the road, as part of the Strategic Road Network. Given that the bypass would be connecting the A49 trunk road in the south with the A49 in the north, and the future aspiration to de-trunk the existing A49 as it passes through Hereford, it is understood that it is felt likely that the bypass will eventually become part of the Strategic Road Network.
- 37 It is anticipated that further consideration will be given, including guidance from the DfT, in determining whether the bypass is an NSIP.

## **Risk management**

- 38 A risk register has been prepared for the Hereford bypass and will be reviewed regularly during the progress of the scheme. Risks will be reported to and mitigation actions agreed in accordance with the council's risk management policies.
- 39 Residents and statutory bodies could bring successful challenge during the course of the planning application for the bypass, if the council does not carry out a robust appraisal process of the alignment alternatives. This risk will be managed through the commissioning of engineering, transport planning, and environmental professional services (WSP Parsons Brinckerhoff), challenged and reviewed by an adequately resourced project team within the council and its delivery partner Balfour Beatty Living Places. The route appraisal will be carried out and documented in accordance with DfT Transport Analysis Guidance (WebTAG). Compliance with this guidance will be monitored at key stages in the project.
- 40 The need for significant investment in transport infrastructure is recognised by the council, the LEP, and Highways England. It is possible that the current economic climate and the reliance on various funding sources to deliver the road may affect the timing and deliverability of the bypass. The risks associated with uncertainty of funding will be managed through applications for government funding, consideration of phased delivery of the road, the development of a robust business case, and ongoing regional partnership work through both the LEP and Midlands Connect to secure funds from central government. The council, through the Midlands LEP, are currently applying for funds to develop the business case for the bypass and complementary measures under the DfT's Local Major Transport Schemes. If secured, this will be a significant step forward in progressing the bypass and complementary measures.

## **Consultees**

- 41 The Core Strategy and the LTP which include proposals for a Hereford bypass (defined as a corridor within which the road could be built) have been subject to public consultation. The Core Strategy was also subject to an examination process, including public hearings. The council has committed to showing the detailed alignment of the road in the Hereford Area Plan (HAP) and to close working with key statutory stakeholders in preparing the HAP.
- 42 In compliance with DfT guidance for Stage 1 and 2 assessments, initial route options for the Hereford bypass that are included in the 2010 bypass studies were subject to consultation with statutory consultees. However, further public consultation is necessary. Two rounds of public consultation are planned to be undertaken prior to making any planning application – a first consultation to be undertaken on the route and complementary measures, and a second consultation exercise to be undertaken on the preferred alignment and complementary measures, prior to the council's

approval of the package.

- 43 In addition to the two formal rounds of formal consultation on route options, there will be engagement with statutory consultees undertaken during the route appraisal process. This will include consultation with Highways England on transport modelling, developing the business case and establishing the required design standards; consultation with Historic England discuss options to avoid adverse impacts on heritage assets, including the setting of listed buildings; consultation with Natural England to agree the approach to the Habitats Regulation Screening Assessment and Environmental Impact Assessment; and the Environment Agency to discuss matters in relation to watercourses and flood risk, particularly design requirements for the River Wye. The process will also enable the views of ward members and parish councils to be gathered and considered.

## **Appendices**

None

## **Background papers**

- None identified





<b>Meeting:</b>	<b>Cabinet</b>
<b>Meeting date:</b>	<b>16 June 2016</b>
<b>Title of report:</b>	<b>End of year corporate budget and performance report 2015/16</b>
<b>Report by:</b>	<b>Economy and corporate services</b>

## Classification

Open

## Key decision

This is not a key decision.

## Wards affected

Countywide

## Purpose

To inform cabinet of the revenue and capital outturn for 2015/16, including the treasury management outturn report, debts written off and invite cabinet members to consider performance in the year.

## Recommendation(s)

**THAT:**

- (a) the final outturn for 2015/16 be noted;
- (b) the movements in reserves set out at paragraphs 66-68 be approved;
- (c) debts written off in the period be noted;
- (d) the treasury management outturn report be recommended to Council for approval; and
- (e) performance for 2015/16 is considered.

## Alternative options

- 1 Cabinet may: choose to review performance more or less frequently; or request alternative actions to address any identified areas of under-performance, including referral to the relevant scrutiny committee.

## Reasons for recommendations

- 2 Ahead of the commencement of the external audit, cabinet note the outturn for the 2015/16 financial year. The unaudited 2015/16 accounts are available for review at [www.herefordshire.gov.uk/council-finance](http://www.herefordshire.gov.uk/council-finance)
- 3 To provide assurance that progress is being made towards achievement of the agreed outcomes and service delivery targets, and that the reasons for important areas of actual or potential under-performance are understood and are being addressed to cabinet's satisfaction.

## Key considerations

- 4 Council approved the corporate plan 2013-15 in November 2012, framed around the key priorities of: enabling residents to be independent and lead fulfilling lives with resources focussed on supporting the most vulnerable; and creating and maintaining a successful economy. The supporting delivery plan for 2015/16 was approved by cabinet in March 2015.
- 5 Progress is measured through a number of performance measures. These have been selected because they demonstrate progress towards achievement of the council's priorities and also provide an overview of the council's performance from a resident's perspective. The databooks, which are available on the council's website (at <https://www.herefordshire.gov.uk/government-citizens-and-rights/performance-and-risk/performance-reports>), contain the latest performance outturns available. Where monitoring information is only available annually, these measures will be reported at the point they become available.
- 6 Given the level of financial savings required within Herefordshire, we look at everything we do and prioritise accordingly. Whilst some services are statutory and have to be delivered, there are others that we do not have to provide, even though they are valued highly by the community. In order to help maintain some of these important local services we have had to identify different ways of delivering them. We have also identified cross-cutting themes all across the organisation.
- 7 As regards enabling residents to be independent and lead fulfilling lives, we have increasingly been focussing upon prevention and early support. The development of community connections and bridging the gaps between voluntary, professional and statutory services has been key to this with examples including Golden Valley Supportive Communities and Leominster Community Connections. We have also worked with families, schools and the community to build resilience so that families are able to help themselves and stop problems from escalating.
- 8 Whilst parts of the county have different needs and their capacity to respond varies, we recognise the advantages of working with those local communities who want to take ownership of certain services and do more for themselves. This has been evident through the development of community libraries throughout the county.
- 9 We have continued to build upon the benefits of public health functions becoming the responsibility of the council, ensuring that services become more outcome focused. This has also extended to other areas through improved educational outcomes and the percentage and the proportion of the county's young people who were recorded as being in full time education and training. Significant refurbishment works have taken place at leisure centres across the county in order to modernise and improve facilities which will enable local people to be more physically active.

- 10 Positive progress has been made with regard to maintaining a successful economy. We have continued to focus on growth to support our local economy. Key to this is the adoption by Council of the Local Development Framework Core Strategy which forms the basis for future planning in the county. The Enterprise Zone has continued to contribute to the local economy with the creation of new businesses and jobs. Other important aspects being infrastructure which includes the Fastershire broadband project and our two-year £40m investment programme in the roads.
- 11 Key to all of the above is the work we are doing in developing a more integrated approach with those who provide services on our behalf. This includes the unified contract for care homes providers, Herefordshire intensive placement support service and public realm services provided by Balfour Beatty Living Places.
- 12 Careful management of council budgets has enabled us to protect council services, whilst safeguarding our vulnerable children and alleviating the rising costs of adult social care for the county's higher than average ageing population.
- 13 In February 2016, Council adopted the new corporate plan, annual budget and medium term financial strategy. These cover the 2016-20 period of the council's administration and set out the council's key priorities for the next four years: enabling residents to live safe, healthy and independent lives; keeping children and young people safe and giving them a great start in life; supporting the growth of our economy; and securing better services, quality of life and value for money. These key documents explain the financial challenges faced by the council and how adopting new approaches can help us to meet them. As before, we will continually review our performance throughout the year.

#### Revenue outturn

- 14 The 2015/16 outturn is an underspend of £250k which has been added to the general reserve balance which now totals £7.3m, 5% of the council's 2016/17 net budget.
- 15 The outturn is consistent with reporting throughout the year with actions being taken in year to bring forward savings in economy, communities and corporate (ECC) and addressing issues in children's wellbeing (CWB). The net directorate overspend of £677k was mitigated by the £700k corporate contingency that wasn't required during the year.
- 16 The 2016/17 budget includes a further savings target of £10.9m which will require continued close monitoring with challenges increasing as more savings are required.

Service	Net budget £000	Outturn before year end account movements £000	Outturn over /(under) £000
Adults and wellbeing (AWB)	54,245	54,223	(22)
Children's wellbeing (CWB)	23,978	26,029	2,051
Economy, communities and corporate (ECC)	50,510	49,158	(1,352)
<b>Directorate total</b>	<b>128,733</b>	<b>129,410</b>	<b>677</b>
Corporate	803	425	(378)
Other budgets and reserves	12,457	11,908	(549)
<b>Outturn</b>	<b>141,993</b>	<b>141,743</b>	<b>(250)</b>

Further information on the subject of this report is available from Josie Rushgrove, head of corporate finance on (01432) 261867 and Richard Ball, assistant director, environment and place on (01432) 260965

- 17 A more detailed analysis of the revenue outturn is provided in appendix A.
- 18 Appendix E provides an overview of performance during 2015/16. 70% of measures show a positive direction of travel compared to last year (69% at quarter 3), whilst 26% are behind last year's performance (29% at quarter 3). A summary of performance and the challenges faced within each directorate is included below in paragraphs 19-59.

### ***Adults and wellbeing***

- 19 AWB delivered a minor under-spend of £22k against budget. Client groups overspent by £1m due to higher than anticipated expenditure on direct payments in excess of the compensating reduction in domiciliary care spend that would normally be expected.
- 20 This overspend was mitigated by an underspend in staffing expenditure. This position isn't sustainable in the long term as vacancies will need to be filled in order to deliver the assessments and reviews that are required in order to comply with Care Act requirements and deliver the Medium Term Financial Strategy (MTFS) savings plans for 2016/17 onwards.
- 21 As part of the budget setting processes for 2016/17 the client budgets have been 're-based' to reflect the actual spend patterns in 2015/16. This growth pressure has been offset by the savings that have also been built into the budget.
- 22 For 2016/17 evidence suggests that the scope to control expenditure through unit prices is limited. The focus will therefore need to be on addressing demand in the context of significant demographic pressures.

### ***What is going well?***

- 23 The community development programme will develop community connections – bridging the gaps between voluntary, professional and statutory services, in order to meet needs differently. This will improve the quality of life and hence reduce demand on adult social care. An initial location within the county has been identified for piloting and developing the community offer. Recruitment to the project is now underway, and the team are working with the design council as part of a national programme in public sector service design to support different ways of thinking.
- 24 Towards the end of April 2016, the upgrade from Frameworki to the MOSAICWORK social care case management system successfully went live. This involved significant amounts of preparatory work; ensuring that the system was in a position to go live on schedule, data cleansing exercises and training of around 500 core users. We received positive feedback from the software vendor on the approach taken by the project team (including AWB, CWB and Hoople staff) and the initial response from the operational staff using the system was positive. This system now provides the platform to improve processes, practices and implement mobile working. This will facilitate improvements in the service experienced by members of the public, while releasing efficiency savings.
- 25 In the final quarter of 2015/16, a new quality assurance framework was implemented. This provides a basis by which the council monitors local care and support services and ensures that they meet the needs of individual citizens in a safe manner. The key principles of the framework reflect an approach that is person-centred, intelligent, supportive and proportionate. As part of the framework, new quality standards, reflecting what good practice looks like, will be set and communicated, and all stakeholders will be required to work collaboratively to make sure this is delivered across the full range of care settings.



- 26 The wellbeing information and signposting for Herefordshire (WISH) website was launched on 2 February 2016. WISH provides access to a range of information and signposting to services and activities to meet needs around care, support and wellbeing. The WISH hub also opened in Hereford city on the same date, offering a face to face and telephone option. 'Pop up' sessions are also being delivered right across the county, enabling people to access the service. To the end of March, there had been approximately 3,000 hits to the website and over 300 people had visited the WISH hub. The WISH hub and web portal is part of a key strategy to focus efforts on maintaining wellbeing and hence to reduce and delay the need for formal care, enabling people to self-help through improved awareness of wellbeing activities and approaches.

### *Challenges*

- 27 During the last quarter we continued to review clients in receipt of long term support. By the end of the year 63% of these clients had been reviewed/re-assessed. Whilst this is some way behind our annual target, due to a number of pressures which impacted on the capacity to delivery reviews during the year, it does demonstrate an improvement on 2014/15. Focus on reviews continues to be a key priority for operational services in 2016/17, with those clients not reviewed in the last year being priority during the first two quarters.
- 28 Adapting to recent changes that impact upon the workforce and its practice remains a significant challenge for AWB. Cultural change therefore remains a key priority across the directorate for the immediate future.
- 29 In May, we will deliver the findings of our review into making safeguarding personal. The review collates the recommendations from the west midlands association of directors of adult social services (ADASS) peer review, reviews our implementation of the new practice and process, and benchmarks against national best practice. The report will include an action plan to address areas of improvement.
- 30 Following the publication of national institute for health and care excellence (NICE) guidelines in best practice around transitioning to adulthood for children with disabilities, we are reviewing this area with an experienced facilitator from NICE to understand the issues and ensure early planning for young people and their families to support the transition. Following the workshop, further work will be undertaken to develop a 0-25 service to ensure the alignment of services across CWB and AWB.
- 31 The redesign of the home care service is currently in development and being scoped as the help to live at home service. The intention is to commence the tender process in September 2016 with mobilisation from January 2017 and the new model fully implemented from July 2017. The model will be more focussed on a reablement methodology, with the goal of supporting people to regain their physical dependence wherever possible. Work has already began on modelling the current service and anticipated demand levels.

### ***Children's wellbeing***

- 32 CWB had a £2.1m overspend against budget. The total overspend in safeguarding of £3m was forecast early in the financial year. This was part mitigated in the directorate by maximising one-off grant income and ensuring all other savings were achieved at or above target.
- 33 The spend in safeguarding has been in placement costs. The total number of children in safeguarding reached an all-time high of over 300. The 2016/17 budget includes an additional £1m funding for residential and fostering budgets to reflect increased

demand on these services. Action taken during 2015/16 to find alternatives to independent agency fostering and residential placements had an impact on reducing costs. Priority activity in 2016/17 will focus on alternative housing options for older teenagers; approaches to working families to help more children stay within their family, improving outcomes and in turn helping to manage costs.

- 34 The cost of agency staff in the fieldwork teams was £1.3m above budget, spend was agreed in order to cover vacancies and to manage increased caseloads. The success of the recruitment and retention strategy, and a decision to reduce agency spend to the permanent staff equivalent costs, has reduced the number of agency staff from 60 to 26. The result of these two actions means that the current forecast for safeguarding staffing costs in 2016/17 will be contained within budget. Filling vacancies and the use of newly qualified social workers will ensure caseloads are not affected. The positive trend of effective application of the safeguarding children board levels of need guidance is also leading to a reduction in the activity levels in safeguarding services.

*What is going well?*

- 35 The percentage and number of young people not in education, training or employment (NEET) is better than targeted for this quarter. 271 young people were NEET, which represents 4.8% and is below the 5% target. The project to support learners with a social, emotional and mental health (SEMH) issue; to transition from the pupil referral unit and special school into post 16 education, training or employment started in the summer 2015 and has been successful. Of the 20 students that started, 82.4% (17 students) were successful and prevented from becoming NEET. There has also been focused support from the traveller learning mentor and the gypsy romany and traveller team; a number of those supported have entered employment and post 16 learning. Of the 45 learners supported 23 remain in employment or training (51%).
- 36 Provision for post 19 learners with learning difficulties at new horizons in Hereford is continuing its success into the second year. Herefordshire now has 20 out of 41 learners in local provision, reducing the reliance on out of county provision that has traditionally been used which places young people away from their family and local friendship and community groups.
- 37 Adult community learning is subject to an Ofsted inspection, the council remains responsible for the quality of this provision. Ofsted inspected the team and the provision in January 2016 and the service was awarded an overall grade of 2 'Good'; with partnership working being judged as 'outstanding'.
- 38 Education health and care plan timescales are improving and are now running at 78%. The department for education has noted that this is one of the higher figures nationally.
- 39 The families' first programme actively worked with 247 in the last quarter. The number of 'families identified as needing support' is 426 with the difference representing the number that have been identified but not being worked with yet. The increase in the pattern of those families identified as needing support between December and March (260 to 426) is due to the increased activity in the last quarter between families first and family support. This identifies families that meet the troubled families criteria. In addition, a performance framework is being established and an intelligence function for families first and early help to meet national and local requirements. This includes a clear outcomes plan so that the children and young people's partnership can monitor effectiveness of turning families around. The outcomes plan will support the drive for improved front line practice, alongside a

workforce development and training programme that will be developed. This will provide staff with the skills in working with families with challenges and delivering evidence based programmes.

- 40 The framework transformation project has successfully migrated to MOSAIC and through the project we now have a much better understanding on how the whole system is operating than we had previously. This has enabled an improved focus on understanding and targeting performance improvement areas to be taken forward.
- 41 The number of initial assessments completed in timescale has been on an upward trajectory since September 2015 and, although there was a dip in performance in the period December 2015 and January 2016, the team are now achieving 95% of initial assessments in timescale. Currently, the multi-agency safeguarding hub and children in need teams are reviewing their structures and resources to consider how they can be most effective, especially with the introduction of the single assessment to be introduced in late autumn 2016.
- 42 Since the introduction of controls for all strategy meeting requests (service manager to authorise all requests), the number of strategy meetings convened has significantly reduced. This is slowly increasing the number of strategy meetings that result in a section 47 investigation. This is reassuring as the figures suggest that the direction of travel is correct and that strategy meetings where convened are appropriate and are no longer case management meetings or professional meetings.

### *Challenges*

- 43 During the final quarter of the year numbers of looked after children have remained close to 300. This is significantly higher than we would expect when comparing Herefordshire to our statistical neighbours. Our rate per ten thousand children is 83 whilst our statistical neighbour average is 50 per ten thousand; which would mean a population of 180. Work is underway to understand the factors behind this sustained rise in our looked after population, which is not supported by any identifiable demographic elements. We will remodel our practice to support a planned reduction in looked after children numbers during the next three years down to our statistical neighbour average.
- 44 At the end of the year there were 231 children subject to a plan, this is a reduction of more than 40 during March. This downward trend continues and is as a direct result of a three-pronged approach which has included greater scrutiny being applied in multi agency safeguarding hub (MASH) in convening strategy meetings; the interim implementation of a conference chair focussing solely on initial child protection conferences and providing a higher level of challenge and scrutiny to social work teams; and a more robust consideration of threshold at review conferences with chairs providing a steer where necessary to the multi-agency decision-making group. This approach has seen immediate results in reducing the child protection cohort. Despite this reduction in the number of child protection plans during March, this still represents a 20% increase during the year.
- 45 The performance at all key stages for vulnerable groups and particularly those eligible for free school meals remains an area of focus for individual schools and the local authority. The gap between these groups and their peers remains too great. Specific work to address this is being co-ordinated through the Herefordshire school improvement partnership.
- 46 There is a mixed picture of Ofsted judgements and educational performance with inspections reporting in the last quarter for primary schools and included Brockhampton primary who were judged to be inadequate and most recently Canon

Pyon who were judged to be outstanding. In addition the only secondary school to have a new Ofsted inspection reported in the last quarter was Aylestone School and business enterprise, who were judged to be requiring improvement.

### ***Economy, communities and corporate***

- 47 ECC underspent its budget by £1.4m, achieved in some parts by bringing forward savings planned for 2016/17. The main underspends were within public and community transport (£389k), transport strategy (£145k), waste disposal (£205k) and management restructure savings (£460k).
- 48 The public and community transport underspend arose as a result of income from parental contributions exceeding forecasts, and costs of concessionary travel being lower than expectations. The waste disposal and management restructure underspends had been forecast earlier in the year, arising from early delivery of savings initiatives which resulted in these budgets being reduced for 2016/17 as per the existing MTFS proposals.

#### *What is going well?*

- 49 Delivery of the Hereford city centre link road project is progressing according to plan with phase three demolition works due to commence in April.
- 50 The reduction in household residual waste sent to landfill and kerbside recycling performance continues to improve. New measures are being developed to tackle increased general waste deposited at household recycling centres which is offsetting increased kerbside recycling. This work will continue with new initiatives for 2016/17.
- 51 The core strategy was adopted during 2015/16 by Council with further work now underway with regards to drafting development plan documents (DPD's) necessary to support core strategy policy delivery.
- 52 The local transport plan (LTP) has been adopted by Council. The LTP sets out the county's long term transport strategy to achieve transport objectives and provide the infrastructure necessary to deliver the new jobs and homes required in the core strategy.
- 53 We completed our two-year £20m investment programme in the roads, receiving national recognition for having the most improved network out of 77 other local authorities.

#### *Challenges*

- 54 Throughout the year we have continued to take appropriate steps towards resolving the long standing disputes with our previous public realm partner. Mediation between the two parties commenced in October 2015 and is ongoing.
- 55 The south wye transport package scheme experienced delays during the year due to the need to reconsult on the planning application.
- 56 The number of people killed or seriously injured in road traffic collisions in Herefordshire remains an ongoing challenge. The number of those killed or seriously injured has increased in year, although the three year average has reduced slightly.
- 57 Due to the complexity of delivering fibre broadband to Herefordshire because of its rural and sparse nature BT have not completed milestone areas to deadline, although they are on back on track for completion by the contract end date of December 2016.

The main priority going forward is to commence procurement of a contractor/s to deliver remaining phases of the broadband strategy.

- 58 Hereford library was closed in September, due to the discovery of trace levels of asbestos in the building as a result of planned building work due to take place at the site. A temporary library has been located at Hereford town hall and extra hours at Belmont library. The asbestos has been removed and it was agreed by Cabinet to relocate back into the broad street site which is due in January 2017 after “make good” works are complete, and Hereford library users group work on a larger scale development.
- 59 Although considerable activity has taken place for services to be delivered digitally, there is much more that can be done. This includes an overhaul of our website with increased functionality and improved navigation. Investment is needed to carry out this overhaul. A specification will be produced that meets the different aspirations of the services which will be future proofed in terms of customer use and expectations. A tender has been issued to procure a refreshed website and responses are expected in early May.

### **Corporate, other budgets and reserves**

- 60 The corporate other budgets and reserves underspent by £0.9m in 2015/16. This is the unallocated corporate contingency budget of £0.7m and a surplus of £0.2m on investment income. Corporate contingency has been used to mitigate the directorate overspend. Surplus investment income was generated from a higher dividend than budgeted from west mercia energy due to lower energy market costs.

### **Capital outturn**

- 61 £77m of capital spend was funded in 2015/16, including:
- Road network investment and improvements - £23m
  - EnviRecover, energy from waste plant loan to be operational in 2017 - £17.4m
  - Fastershire, continued investment in the rural broadband network throughout Herefordshire and Gloucestershire - £10.3m
  - Hereford enterprise zone site investment - £5.1m
  - Improvements to Hereford, Ross-on-Wye, Bromyard and Leominster leisure centres - £3.3m
- 62 A more detailed analysis of the capital outturn is provided in appendix B.

### **Treasury Management**

- 63 Treasury management overspent by £0.1m. Appendix C provides more details and includes a detailed analysis in line with the CIPFA code of practice on treasury management. The council has complied with its prudential indicators for 2015/16 approved by Council on 6 February 2015 as part of the treasury management strategy statement.

### **Pension deficit**

- 64 The estimated pension deficit on Herefordshire’s fund as at 31 March 2016 is £204m, a decrease of £7m from 31 March 2015. The shortfall represents the difference between the estimated value of obligations and the assets held in the pension fund. The council ensures that funding is set aside by the time the benefits become payable with revised contribution rates bringing the fund into balance over a period of

21 years. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. At the moment the council has included £7m pa in its revenue budget to repay the deficit, this includes £2m in relation to schools, and is agreed with the pensions fund's actuaries. During 2016/17 a full actuarial review will be undertaken based on values at 31 March 2016.

<b>Pension fund</b>	<b>As at 31 March 15 £m</b>	<b>As at 31 March 16 £m</b>
Present value of obligations	500.0	486.0
Fair value of assets	(288.6)	(281.7)
<b>Deficit</b>	<b>211.4</b>	<b>204.3</b>

### **Medium term financial strategy (MTFS)**

- 65 The current MTFS 2016/17 – 2019/20 was approved by Council in February 2016 and details saving requirements over the planning period of £28m.

### **Reserves**

- 66 The prudential general reserve balance at 31 March 2016 is £7.3m, after taking account of the £0.3m 2015/16 underspend. This represents 5% of 2016/17 net budget, providing resilience for the budget challenges ahead.
- 67 The general fund balance is expected to increase by £4.5m in 2016/17 to give an estimated total general fund reserve of £11.8m as at 31 March 2017. The increase is due to the additional rural and transitional grant funding received in the final 2016/17 funding settlement from government confirmed after the budget for 2016/17 was approved by Council in February 2016. This one off grant funding will be used to provide increased resilience in the MTFS supporting rural service delivery.
- 68 As at the 31 March 2016, in addition to the general fund, the council held £19.1m of earmarked reserves plus £9.4m school balances, a total of £28.5m, an increase of £1.8m from 31 March 2015. Earmarked reserves include unused grants of £4.3m carried forward into 2016/17, the largest being the dedicated schools grant of £1.6m. A summary of usable reserves is provided below:

<b>Balance as at:</b>	<b>General fund £m</b>	<b>Other specific £m</b>	<b>Total council reserves £m</b>	<b>Schools £m</b>	<b>Total earmarked £m</b>	<b>Total £m</b>
31 March 2015	7.1	20.5	27.6	6.2	26.7	33.8
31 March 2016	7.3	19.1	26.4	9.4	28.5	35.8
31 March 2017	11.8	18.0	29.8	7.2	25.2	37.0

### **Collection fund**

- 69 Income collected from council taxpayers and business ratepayers is accounted for through the collection fund. For council tax the income is distributed to the council, west mercia police and Hereford & Worcester fire and rescue authority. Similarly the account distributes shares of the business rates collected between the council, central government and the fire authority.
- 70 Council tax income was as forecast in the budget, £84m with an in year collection rate of 97.9%. Business rates income was £23m as per the budget, with an in year collection rate of 98.5%. Uncollected council tax and business rate income at the year-end is collected in the following years.

## Community impact

- 71 The recommendations within the report do not have a community impact.

## Equality duty

- 72 There are no specific implications in this report. As regards demonstrating due regard to the council's public sector equality duty (PSED), as part of our decision making processes we ensure that individual directorates and service areas assess the potential impact of any proposed project, leading to fairer, transparent and informed decisions being made.

## Financial implications

- 73 Included within the report.

## Legal implications

- 74 None.

## Risk management

- 75 The council is required to close the 2015/16 accounts by 30 June 2016 which includes the approval of statutory statements by the chief finance officer. Failure to meet statutory deadlines carries a reputational risk for the council in relation to its corporate governance role. Successfully publishing the unaudited accounts on 9 June proves the council is capable of meeting the shorter timeframes applicable from 2017/18. The council ensures this by maintaining, communicating and sharing detailed plans and timetables.
- 76 The risks associated with any delivery plan objectives and projects are entered onto the relevant service or directorate risk register and escalated as appropriate. The corporate risk register is available on the council's website (<https://www.herefordshire.gov.uk/government-citizens-and-rights/performance-and-risk/performance-reports>) and an overview of the significant risks is included within background papers.

## Consultees

- 77 None in relation to this report. The development of the delivery plan was informed by the evidence base already gathered during the year and which includes user, resident and partner feedback where available.

## Appendices

- Appendix A Revenue outturn
- Appendix B Capital outturn
- Appendix C Treasury management outturn
- Appendix D Bad debts written off
- Appendix E Scorecards: Adults and wellbeing  
Children's wellbeing  
Economy, communities and corporate  
Organisation wide

## Background papers

- [Adults and wellbeing databook](#)
- [Children's wellbeing databook](#)
- [Economy, communities and corporate databook](#)
- [Corporate risk register](#)



## Revenue Outturn 2015/16 including adjustments to comply with CIPFA and IFRS reporting standards

In order to comply with CIPFA's Service Reporting Code of Practice (SERCOP) a number of adjustments are made at the year-end to reflect the requirement to allocate internal recharges. This changes the budgets monitored and reported through the year which are set to reflect management responsibilities and accountabilities in line with normal practice. These changes are reflected in the accounts by transferring budget and actual costs to recognised service headings. The reason CIPFA do this is to ensure that each council's statement of accounts are comparable to others for benchmarking purposes. The year-end adjustments also include technical accounting movements to comply with International Financial Reporting Standards (IFRS), including pensions, PFIs and holiday accruals.

Service	Budget	Outturn	Outturn over/(under)	Year-end adjustments	Outturn Budget	Outturn Actual	Outturn over/(under)
	£000	£000	£000	£000	£000	£000	£000
Adults and wellbeing	54,245	54,223	(22)	4,642	58,887	58,865	(22)
Children's wellbeing	23,978	26,029	2,051	14,304	38,282	40,333	2,051
Economy, communities and corporate (ECC)	50,510	49,158	(1,352)	20,345	70,855	69,503	(1,352)
<b>Directorate outturn</b>	<b>128,733</b>	<b>129,410</b>	<b>677</b>	<b>39,291</b>	<b>168,024</b>	<b>168,701</b>	<b>677</b>
Corporate	803	425	(378)	0	803	425	(378)
<b>Net expenditure outturn per accounts</b>	<b>129,536</b>	<b>129,835</b>	<b>299</b>	<b>39,291</b>	<b>168,827</b>	<b>169,126</b>	<b>299</b>
Other budgets and reserves	12,457	11,908	(549)	(39,291)	(26,834)	(27,383)	(549)
<b>Total</b>	<b>141,993</b>	<b>141,743</b>	<b>(250)</b>	<b>0</b>	<b>141,993</b>	<b>141,743</b>	<b>(250)</b>

## Adults and Wellbeing: Revenue Outturn 2015/16

Service	Budget	Outturn	Over/ (Under)spend	Year-end Adjustments	Outturn Budget	Outturn Actual	Over/ (Under)spend
	£000	£000	£000	£000	£000	£000	£000
Learning Disabilities	14,825	15,532	707	161	14,986	15,693	707
Memory and Cognition/Mental Health (Inc Safeguarding)	7,875	7,174	(701)	(119)	7,756	7,055	(701)
Physical Support	18,443	19,650	1,207	(894)	17,549	18,756	1,207
Sensory Support	668	471	(197)	(40)	628	431	(197)
<b>Client Sub-Total</b>	<b>41,811</b>	<b>42,827</b>	<b>1,016</b>	<b>(892)</b>	<b>40,919</b>	<b>41,935</b>	<b>1,016</b>
Operations	6,676	5,981	(695)	3,007	9,683	8,988	(695)
Commissioning	5,086	5,135	49	654	5,740	5,789	49
Directorate Management	(861)	(922)	(61)	1,828	967	906	(61)
Public Health	120	155	35	(156)	(36)	(1)	35
Transformation	1,413	1,047	(366)	201	1,614	1,248	(366)
<b>Non Client Sub-Total</b>	<b>12,434</b>	<b>11,396</b>	<b>(1,038)</b>	<b>5,534</b>	<b>17,968</b>	<b>16,930</b>	<b>(1,038)</b>
<b>Adult's and Wellbeing</b>	<b>54,245</b>	<b>54,223</b>	<b>(22)</b>	<b>4,642</b>	<b>58,887</b>	<b>58,865</b>	<b>(22)</b>

## Children's Wellbeing: Revenue Outturn 2015/16

Service	Budget	Outturn	Over/ (Under)spend	Year-end Adjustments	Outturn Budget	Outturn Actual	Over/ (Under)spend
	£000	£000	£000	£000	£000	£000	£000
Directorate	(133)	(780)	(647)	10,840	10,707	10,060	(647)
<b>Directorate</b>	<b>(133)</b>	<b>(780)</b>	<b>(647)</b>	<b>10,840</b>	<b>10,707</b>	<b>10,060</b>	<b>(647)</b>
Additional Needs	2,446	2,366	(80)	295	2,741	2,661	(80)
Children's Commissioning	1,430	1,237	(193)	128	1,558	1,364	(193)
Commissioning Management	393	350	(43)	516	909	866	(43)
Development and Sufficiency	1,660	1,589	(71)	(366)	1,294	1,223	(71)
Education Improvement	118	85	(33)	31	149	116	(33)
<b>Education &amp; Commissioning</b>	<b>6,047</b>	<b>5,626</b>	<b>(421)</b>	<b>604</b>	<b>6,651</b>	<b>6,230</b>	<b>(421)</b>
Safeguarding and Review	655	735	80	216	871	951	80
Early Help and Family Support	2,036	1,791	(245)	83	2,119	1,874	(245)
Fieldwork	3,265	4,533	1,268	835	4,100	5,368	1,268
Looked After Children	7,137	8,231	1,094	596	7,733	8,827	1,094
LAC External placements	2,877	3,679	802	(0)	2,877	3,679	802
Safeguarding Development	872	942	70	156	1,028	1,098	70
Safeguarding and Early Help Management	1,222	1,271	50	974	2,196	2,245	50
<b>Safeguarding &amp; Family Support</b>	<b>18,064</b>	<b>21,183</b>	<b>3,119</b>	<b>2,860</b>	<b>20,924</b>	<b>24,043</b>	<b>3,119</b>
<b>Children's Wellbeing</b>	<b>23,978</b>	<b>26,029</b>	<b>2,051</b>	<b>14,304</b>	<b>38,282</b>	<b>40,333</b>	<b>2,051</b>

**ECC: Revenue Outturn 2015/16**

Service	Budget	Outturn	Over/ (Under)spend	Year-end Adjustments	Outturn Budget	Outturn Actual	Over/ (Under)spend
	£000	£000	£000	£000	£000	£000	£000
Directors	1,313	822	(491)	436	1,749	1,258	(491)
Commissioning	28,103	27,086	(1,017)	5,785	33,888	32,871	(1,017)
Resources	11,988	12,023	35	11,976	23,964	23,999	35
Growth	1,791	1,794	3	864	2,655	2,658	3
Communities	7,315	7,433	118	1,284	8,599	8,717	118
<b>Total ECC</b>	<b>50,510</b>	<b>49,158</b>	<b>(1,352)</b>	<b>20,345</b>	<b>70,855</b>	<b>69,503</b>	<b>(1,352)</b>

## 2015/16 Capital outturn

Capital investment in 2015/16 totalled £77.0m. This includes £4.1m on Gloucestershire broadband infrastructure which forms part of the Fastershire broadband contract hosted by Herefordshire. It also includes £17.4m on a loan for an energy from waste plant as part of the joint PFI arrangement with Worcestershire. The total outturn and funding is summarised below.

**Table A –Summary outturn and sources of funding 2015/16**

	15/16 Budget £000	15/16 Outturn £000
<b>Directorate Outturn</b>		
Adults Wellbeing	1,277	1,001
Children's Wellbeing	6,034	3,232
Economy, Communities and Corporate	69,778	72,814
<b>Total</b>	<b>77,089</b>	<b>77,047</b>
<b>Funding</b>		
Capital Grants	30,267	39,148
Prudential Borrowing	40,809	31,858
Capital Receipts	5,763	5,691
Revenue	250	350
<b>Total</b>	<b>77,089</b>	<b>77,047</b>

## 2015/16 outturn compared to 2015/16 budget

Scheme	2015/16 budget £000	2015/16 investment £000	Total spend to 31.03.16 £000	Comments
<b>Children's wellbeing</b>				
Colwall replacement school	1,574	33	33	To provide a new school
Peterchurch primary school	1,000	6	6	Replace a leaking roof and internal remodelling work
Aylestone and Broadlands relocation	983	1,302	1,302	Refurbish and combine both schools and release the Broadlands site for disposal
Condition property works	2,477	1,891	1,891	Annual programme of works at various school sites committed on a highest need first basis
<b>Adults and wellbeing</b>				
Disabled facilities grant	1,277	1,001	1,001	Individual grants awarded through an application process, enabling independent living
<b>Economy, communities and corporate</b>				
Leisure centre improvements	5,539	3,255	7,268	Works at Leominster, Ross and Hereford leisure centres completed. Ledbury works to commence in summer 2016.
Local transport plan	12,542	11,082	11,082	Annual programme of capital works to highways, footways and bridges
Fastershire broadband	6,200	10,282	18,677	Investment in rural broadband infrastructure in Herefordshire and Gloucestershire.
Link road	7,513	3,984	14,642	Acquisition costs and early construction works
LED street lighting	4,889	4,670	5,436	Phased installation of LED street lighting throughout Herefordshire
Solar panel installations	599	428	463	Photovoltaic instalment at various locations
South wye transport package	1,000	1,712	1,712	Funded from LEP growth deal, construction to start in 2017
Hereford enterprise zone	2,500	5,071	5,071	Self-financed investment in serviced plots, accelerated works funding brought forward
Road investment	4,387	5,166	19,779	Investment improvements to the highway infrastructure
Three elms trading estate	2,350	2,109	2,109	Purchase and improvement works to be funded from rental income
Energy from waste plant	14,000	17,408	23,417	Construction loan, accelerated spend due to faster than anticipated completion of elements of work. The plant remains on schedule to open in early 2017
Marches and Worcestershire LEP redundant building grant	327	327	327	Capital grant support of £3k to £50k to small job-creating businesses to refurbish underused and redundant

scheme			buildings, bringing them back into commercial use.
Other schemes	7,932	7,320	n/a
<b>Total</b>	<b>77,089</b>	<b>77,047</b>	<b>114,216</b>

### Capital receipts reserve

The capital receipts reserve totalled £0.4m at 31 March 2016, a net decrease of £3.9m from 1 April 2015, movements in year are summarised in the table below.

	£m
Opening balance	4.3
Plus total capital receipts	1.8
Less funding of 2015/16 capital spend	(5.7)
<b>Closing balance as at 31.03.16</b>	<b>0.4</b>

The carried forward balance and future capital receipts will fund approved capital scheme spend in future years.





## Annual Treasury Management Report 2015/16

## 1. Introduction

- 1.1. The council's treasury management activity is underpinned by CIPFA's code of practice on treasury management (the code). Before the start of every year the code requires local authorities to produce prudential indicators and a treasury management strategy statement detailing the policies and objectives of the council's treasury management activities for the forthcoming year. This outturn report compares actual activity to those policies and objectives.
- 1.2. The council borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of these risks are central to the treasury management strategy.

## 2. Economic background

- 2.1. **Growth:** Economic growth (GDP) in 2015/16 fell steadily from an annual rate of 2.9% in quarter one 2015 to 2.1% in quarter four.
- 2.2. **Inflation:** During 2015/16 forecasts for inflation have been repeatedly revised downwards. Annual CPI rose to 0.5% for the year to March 2016, the highest level since December 2014.
- 2.3. **Labour market:** In February 2016 there was an unexpected increase in UK jobless numbers for the three months to February, the rate of unemployment was unchanged at 5.1%. Wages rose at the slowest rate in a year at 1.8%.
- 2.4. **UK monetary policy:** The Bank of England's MPC maintained interest rates at 0.5% during 2015/16. Market expectations for the first increase in bank rate moved considerably during 2015/16 from quarter three in 2015 to quarter two 2018 at the end of the year.
- 2.5. **Market reaction:** The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth. The ECB commenced a quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. As for America, the economy has continued to grow healthily, the first increase in the central rate occurred in December 2015.

## 3. Borrowing

- 3.1. The council continues to access lower cost short-term loans from other local authorities rather than more expensive longer term debt due to the differential between short and longer-term interest rates. This policy is expected to continue until 2018 but should this differential decrease and short term borrowing costs increase, the council will begin using more fixed long term debt to fund its borrowing requirements.
- 3.2. In 2015/16 the weighted average interest rate paid on council borrowing was 3.42% (3.43% in 2014/15). The weighted average cost of long term borrowing was 4.14%

## Annual Treasury Management Report 2015/16

compared to 0.56% for short-term borrowing (being the gross cost including brokers' commission of between 0.01% and 0.10%). This demonstrates that if the council had secured fixed term borrowing instead of short term the additional fixed term borrowing could have totalled £27.5m which could have been at an additional annual interest cost of £1.0m.

3.3. It is council strategy to maintain borrowing and investments below their underlying levels by using "internal borrowing", utilising usable reserves. This maintains borrowing and investment balances to a minimum.

3.4. The actual movement in gilt yields meant that the trend in the public works loan board (PWLb) rates during 2015/16 saw an increase in rates during the first quarter followed by sharp volatility since July 2015 but with an overall trend for rates to fall to historically low levels by the end of the year. This enabled the council to replace some short-term loans with longer-term finance. In 2015/16 the following longer term loan was taken out from the PWLB:

Amount Borrowed	From	To	Period	Type of loan*	Interest Rate
£13m	17/02/16	17/02/28	12 years	EIP	1.64%
*EIP = Equal Instalments of Principal, where loan is repaid in equal instalments every six months over the period of the loan.					

3.5. The premium charged by the PWLB for the early repayment of PWLB debt remained too expensive for existing loans in the council's portfolio to be repaid and rescheduled. No rescheduling activity was undertaken in 2015/16 and this will continue to be constantly considered.

3.6. Borrowing activity during the year is summarised below:

Borrowing activity in 2015/16	01/04/15 balance £m	New borrowing £m	Debt maturing £m	31/03/16 balance £m
Short-term borrowing	19.0	141.0	(113.5)	46.5
Long-term borrowing	145.5	13.0	(8.6)	150.0
<b>TOTAL BORROWING</b>	<b>164.5</b>	<b>154.0</b>	<b>(122.1)</b>	<b>196.5</b>
Other long-term liabilities*	26.6	0.3	(1.3)	25.6
<b>TOTAL EXTERNAL DEBT</b>	<b>191.1</b>	<b>154.3</b>	<b>(123.4)</b>	<b>222.1</b>
*Other long term liabilities represent existing commitments under PFI arrangements included in the medium term financial strategy				

3.7. Total borrowing increased by £31.9m representing capital spend financed by borrowing, which included the following:

- Energy from waste plant loan, £17.4m, to be funded by future loan repayments
- Road investment of £5.2m, the cost of borrowing to be financed by revenue maintenance cost savings
- LED street lighting investment of £4.0m, to be financed by energy cost savings
- Investment in leisure centres of £2.8m, to be financed by rental charges
- Purchase of three elms trading estate, £1.8m, to be funded by rental income

## Annual Treasury Management Report 2015/16

3.8. The council's underlying need to borrow is measured by the capital financing requirement (CFR). As at 31/03/2016 this totalled £264.8m. The difference of £42.7m between the CFR and total external debt represents internal borrowing from usable reserves and working capital.

3.9. The council's capital financing costs in 2015/16 were as follows.

<b>Capital financing costs for 2015/16:</b>	<b>Budget</b>	<b>Outturn</b>	<b>Over / (under) spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Minimum Revenue Provision (provision for repayment of loan principal)	9.8	10.4	0.6
Interest on existing longer-term PWLB and bank loans	5.8	5.7	(0.1)
Interest on short-term variable rate loans	0.9	0.2	(0.7)
Less capitalised interest	(0.3)	(0.0)	0.3
<b>Total</b>	<b>16.2</b>	<b>16.3</b>	<b>0.1</b>

3.10. The variances to budget have arisen from:

- An additional voluntary minimum revenue provision contribution to repay debt balances early, saving on future interest costs;
- Short-term variable interest rates being lower than expected resulting in an interest cost saving;
- Less revenue interest costs being capitalised due to less capital scheme spend being funded by borrowing.

#### 4. Investments

4.1. The council invests significant funds, representing income received in advance of expenditure plus balances and reserves. During 2015/16 the council's investment balances averaged at £16m and ranged from £36m in July 2015 to £7.6m in March 2016.

4.2. Security of capital remained the council's primary objective. Investment income remained low due to the continued low interest rate environment and the reduction in investment maturity limits in the treasury management policy which are set for each financial institution following advice from the council's treasury adviser, Capita asset services.

4.3. Investments held at the start and end of the year were as follows:

## Annual Treasury Management Report 2015/16

Investments	01/04/15 balance £m	Investments made £m	Maturities/ withdrawals £m	31/03/16 balance £m
Instant Access Accounts	2.6	349.0	(346.5)	5.1
Notice Accounts	0.2	2.3	-	2.5
Term Deposits	-	2.5	(2.5)	-
<b>Total</b>	<b>2.8</b>	<b>353.8</b>	<b>(349.0)</b>	<b>7.6</b>
<b>Increase in investments</b>				<b>4.8</b>

4.4. Interest received during the year was as follows:

Month	Average amount invested		Average rate of interest earned		Budget £000	Interest earned £000	(Surplus) /deficit £000
	Actual £m	Budget £m	Actual %	Budget %			
Apr-15	19.5	30	0.52	0.40	10	8	2
May-15	16.9	30	0.59	0.40	10	8	2
Jun-15	16.1	30	0.58	0.40	10	8	2
Jul-15	22.7	30	0.54	0.40	10	10	-
Aug-15	15.5	30	0.60	0.40	10	8	2
Sep-15	12.5	30	0.63	0.40	10	6	4
Oct-15	13.8	30	0.60	0.40	10	7	3
Nov-15	12.5	30	0.60	0.40	10	6	4
Dec-15	15.7	30	0.56	0.40	10	7	3
Jan-16	15.9	30	0.58	0.40	10	8	2
Feb-16	16.6	30	0.58	0.40	10	7	3
Mar-16	10.4	15	0.65	0.40	5	6	(1)
<b>Outturn</b>					<b>115</b>	<b>89</b>	<b>26</b>

4.5. The interest received in the year was below budget due to lower balances being maintained, reducing the need to borrow.

4.6. The average interest rate achieved during 2015/16 was 0.59%, higher than budgeted. This compares favourably with the generally accepted benchmark of the average 7-day London Inter-Bank Bid (LIBID) rate of 0.36%.

4.7. During the year the provision of loan finance to the waste disposal PFI provider generated loan interest payable to us of £0.8m which will be recharged through the PFI.

## 5. Compliance with prudential indicators

- 5.1. The Council complied with its prudential indicators, treasury management policy statement and treasury management practices for 2015/16, approved 6 February 2015, see Annex 1. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

## Annual Treasury Management Report 2015/16

## Annex 1

## Performance Indicators

## 1. Treasury management indicators

The council measures and manages its exposures to treasury management risks using the following indicators.

## 1.1 Interest rate exposures

This indicator is set to control the council's exposure to interest rate risk. The indicator sets upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	2015/16 approved limit	2015/16 maximum exposure
<b>Upper limit for fixed rate exposure</b>	100%	100%
<b>Upper limit for variable rate exposure</b>	50%	22%

The above indicator relates to net debt, if the council has variable rate investments at the same level as its variable rate debt it is deemed to have no variable rate exposure (all council investments are regarded as being at variable rate because no investments are for more than one year). For 26 days in the year the council's investments exceeded its variable rate short-term borrowing.

## 1.2 Maturity structure of fixed rate borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity structure of fixed rate borrowing</b>	<b>Lower Limit %</b>	<b>Upper Limit %</b>	<b>Actual Fixed Rate Borrowing 31/03/16 £m</b>	<b>% Fixed Rate Borrowing 31/03/16</b>
Under 12 months	0%	20%	8.5	5%
12 months and within 24 months	0%	20%	5.5	4%
24 months and within 5 years	0%	20%	16.2	11%
5 years and within 10 years	0%	20%	24.1	16%
10 years and within 20 years	0%	40%	34.5	23%
20 years and within 30 years	0%	40%	11.9	8%
30 years and within 40 years	0%	40%	21.3	14%
40 years and within 50 years	0%	40%	28.0	19%
<b>Total</b>			<b>150.0</b>	<b>100%</b>

Two LOBO ("Lenders Option then Borrowers Option") bank loans of £6m each are repayable in 2054 however if the lenders seek to increase the interest rate charged, currently 4.5%, the council has the opportunity to repay the loans.

## 1.3 Upper limit for total principal sums invested over 364 days

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

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Upper limit for total principal sums invested over 364 days	2015/16 Approved £m	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>Total</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>5</b>

During 2015/16 no long-term investments were made for a period exceeding 364 days.

## 2. Prudential Indicators

### 2.1 Estimates of capital expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2015/16		31/03/17 Estimate £000	31/03/18 Estimate £000
	Estimate £000	Actual £000		
<b>Total</b>	<b>77,089</b>	<b>77,047</b>	<b>75,075</b>	<b>50,701</b>

Capital expenditure has been and is expected to be financed or funded as follows:

Capital Financing	2015/16		31/03/17 Estimate £000	31/03/18 Estimate £000
	Estimate £000	Actual £000		
Capital grants	30,267	39,148	24,343	35,873
Capital receipts	5,763	5,691	7,900	6,400
Revenue funding	250	350	0	0
Salix loan	-	-	300	
Prudential borrowing	40,809	31,858	42,532	8,428
<b>Total</b>	<b>77,089</b>	<b>77,047</b>	<b>75,075</b>	<b>50,701</b>

Generally prudential borrowing finance is provided where the return on the investment exceeds the debt financing cost.

## 3. Capital Financing Requirement (CFR)

Estimates of the council's cumulative maximum external borrowing requirement for 2015/16 to 2017/18 are shown in the table below:

Capital Financing Requirement	31/03/16 Approved £000	31/03/16 Actual £000	31/03/17 Estimate £000	31/03/18 Estimate £000
Total CFR	285,109	264,838	316,677	310,744

Total debt is expected to remain at or below the CFR during the forecast period.

## Annual Treasury Management Report 2015/16

**4. Authorised limit and operational boundary for external debt**

The Local Government Act 2003 requires the Council to set an affordable borrowing limit or authorised limit. This is a statutory limit which should not be breached.

The operational boundary is based on the same estimates as the authorised limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the authorised limit.

The Section 151 officer confirms that there were no breaches to the authorised limit and the operational boundary during the year; borrowing at its peak was £201.5m.

	<b>2015/16 approved operational boundary £m</b>	<b>2015/16 approved authorised limit £m</b>	<b>Actual external debt as at 31/03/16 £m</b>
Borrowing	270.0	280.0	196.5
Other long-term liabilities	30.0	40.0	25.6
<b>Total</b>	<b>300.0</b>	<b>320.0</b>	<b>222.1</b>

**5. Ratio of financing costs to net revenue stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of financing costs to net revenue stream</b>	<b>2015/16 Approved %</b>	<b>2015/16 Actual %</b>	<b>2016/17 Estimate %</b>	<b>2017/18 Estimate %</b>
Net revenue stream	141,318	141,993	<b>147,979</b>	<b>142,925</b>
Financing costs	18,502	16,272	<b>16,607</b>	<b>15,622</b>
<b>Percentage</b>	<b>13.1%</b>	<b>11.4%</b>	<b>11.2%</b>	<b>10.9%</b>

**6. Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the council has adopted the principles of best practice.

The council has incorporated the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* into its treasury policies, procedures and practices.





**Debt write offs during the period 1 September 2015 to 31 March 2016**

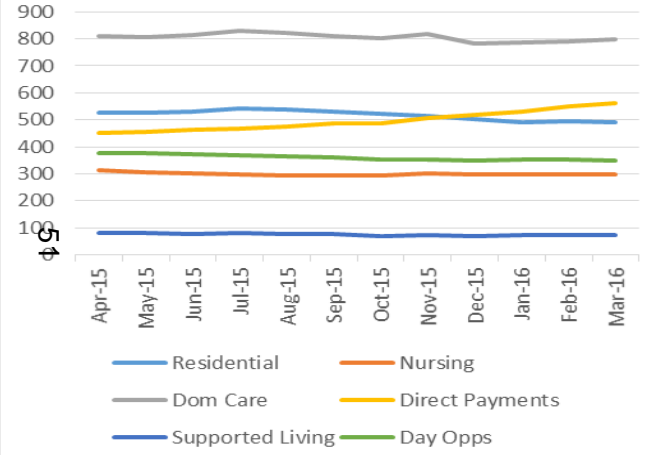
- 1 The finance procedures rules require the S151 officer to report amounts over £2k written off to Cabinet for information purposes two times per annum, this detail is provided in the table below. In addition, for writes off of debt exceeding £20k the S151 officer shall seek agreement from the relevant Cabinet member responsible for resources. No individual debts exceeding £20k were written off in the period.
- 2 The table below sets out the numbers and amounts written off for individual debts exceeding £2k for the period 1 September 2015 to 31 March 2016:


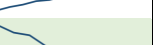







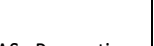
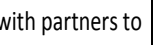
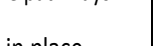
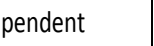
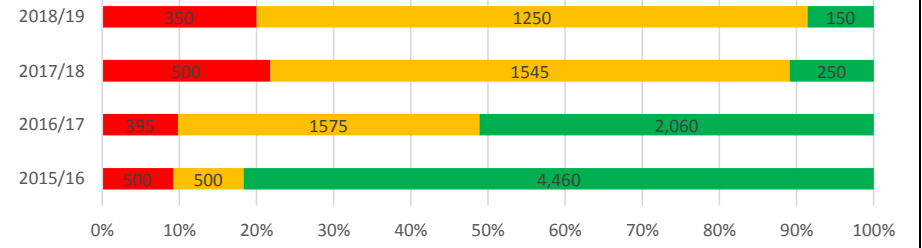
Income type	1 September 2015 to 31 March 2016	
	Number of cases	Amount £000
Council tax	13	39
Business rates – 50% central government	12	96
Benefit overpayments	7	30
General Debtors	14	77
<b>Total</b>	<b>46</b>	<b>242</b>
Other write offs individually below £2k		140
<b>Total write offs</b>		<b>382</b>

- 3 Debts written-off represent a very low proportion of income collected per annum, eg council tax £84m, business rates £23m. Debts are only written off once full debt recovery processes are completed, occasionally debt previously written off becomes payable if the debtors circumstances change. The council works closely with statutory bodies when deciding to write off debt. Legislative processes can take many months, even years if the debtor is on low income.



Adult Wellbeing Scorecard - March 2016

Staffing														
	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	
FTE	235	239	237	239	242	244	254	255	260	255	253	254	253.6	
Headcount	267	271	269	272	274	275	285	285	290	286	284	285	285	
Permanent Costs (£k)	706	722	736	746	737	768	786	796	799	793	774	770	775	
Agency	30	28	19	29	30	32	35	32	30	29	32	30	33	
Agency Cost (£k)	314	95	212	237	262	221	204	116	169	172	139	148	184	
Absence-days lost per FTE	11.35	11.32	11.43	11.28	11.51	11.89	12.57	13.03	14.06	14.10	12.96	14.49	15.03	
Turnover (annualised)	29%	25%	24%	22%	22%	11%	10%	11%	10%	11%	12%	14%	13%	
Performance Management update														
Admissions to permanent residential/nursing placements is a significant improvement on last year. DTOC is improving in the year. Direct payments recipients have increase by more than 120 in the year. Safeguarding completions are still below targets, although this is in part a reflection in the demand of other agencies to be involved with investigations . Figures are draft and subject to change whilst year end reporting processes are undertaken														
Service User Numbers														
														
Decisions next month														
Forward Plan Key Decisions & Activities														

Indicators				
Measure	Target	Latest	Period	Trend
Permanent admissions - U65	15	6.5	Mar	
Permanent admissions - 65+	680	428	Mar	
Social Care Delayed Transfers	2.7	4.60	Feb	
Reablement - 91 days after discharge	85%	81%	Mar	
Safeguarding - closures in 28 days	80%	38%	Mar	
Safeguarding - outcomes met	80%	96%	Mar	
Direct Payment recipients	40%	23%	Mar	
Percentage of carers in receipt of support	30%	43%	Mar	
Timeliness of Service (28 days of referral)	80%	49%	Mar	
Reviews undertaken	100%	63%	Mar	
Affordable housing units delivered	200	129	Mar	
Households in temporary accommodation	50	39	Mar	
NHS Health checks	60%	46%	Mar	
Risk Management				
Risk	L	I	Risk Mitigation	
Demographic Pressures			Reablement, Rapid Response, IAS. Prevention programme in place. Working with partners to establish service models and care pathways	
Integration	5	5	25	Transformation Board & JCB in place. Programme review and independent chair/programme director in place
Reducing Resources and impact on statutory duties and ability to deliver transformation	5	5	25	Transformation plan in place, regular performance management arrangements and appraisal processes in place
DOLS Capacity	4	5	20	Staff Training, additional legal support, constant re-evaluation of prioritisation. BIA training programme
Better Care implementation	4	5	20	JCB in place which supports monitoring of BCF progress
Risk Management updates				
Two risks have now been reviewed off the plan, following the novation fo health visiting and school nursing contracts to Public Health. In addition Mosaic social care system has also gone live as planned in April; this now moves into phase 2 of the project				
Savings				
				

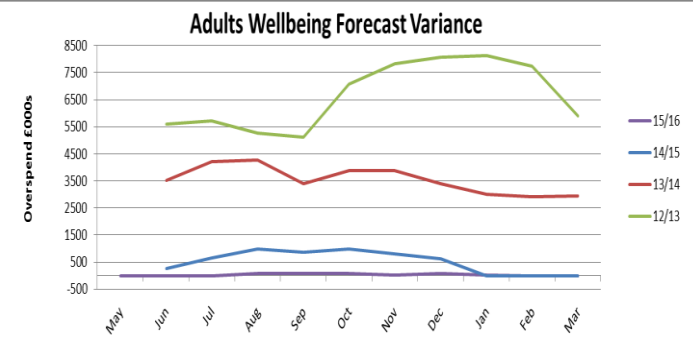
Programme												
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
Mosaic	System Freeze						EDRMS implementation					
	Sandpit Analysis	Training for upgrade Testing		Go-live upgrade (tech)	Stabilisation period		Business process change					
EMS				Go-live	Embedding change and handover to BAU							
Abacus	Mosaic interface development and testing											
WISH (online)	Phase 1 go live (31st)	Phase 2 - PA directory, events directory, tools, emarketplace, assessment/calculators										
RAS							Review FACE RAS					
ASC Pathway design	Phase 1 Info sessions	Phase 2 - scope review			Phase 2 starts							
Just right		Units removed	Review of packages	Project closure								
Managing the care home market	Provider engagement				Key Dec - unified contract	Provider engagement						
Quality assurance framework	Internal consultation				Officer decision - sign off							
Transitions	Transfer to BAU					Review of Transitions						
helped to Live at Home (HACS)		Scoping, consultation, designing new models of care, analysis of current activities					Decision Sign Off					
Housing Solutions	Housing allocation remodelling			Housing solutions tender								

### Programme updates

During the last quarter, mosaic system has gone live on schedule. WISH website online with a soft launch, with nearly 3000 hits before the end of March.

### Finance

#### Adults Wellbeing Forecast Variance



Month	15/16	14/15	13/14	12/13
May	-100	0	3500	5000
Jun	0	500	4000	5500
Jul	0	1000	4000	5000
Aug	0	1000	3500	4500
Sep	0	1000	3500	6500
Oct	0	1000	3500	7000
Nov	0	1000	3000	7500
Dec	0	500	2500	7500
Jan	0	0	2500	7000
Feb	0	0	2500	6000
Mar	0	0	2500	5500

Outturn variance against budget has improved in the final quarter and the final year end position was £22k underspent. This is down from 88k at the end of the 3rd quarter.

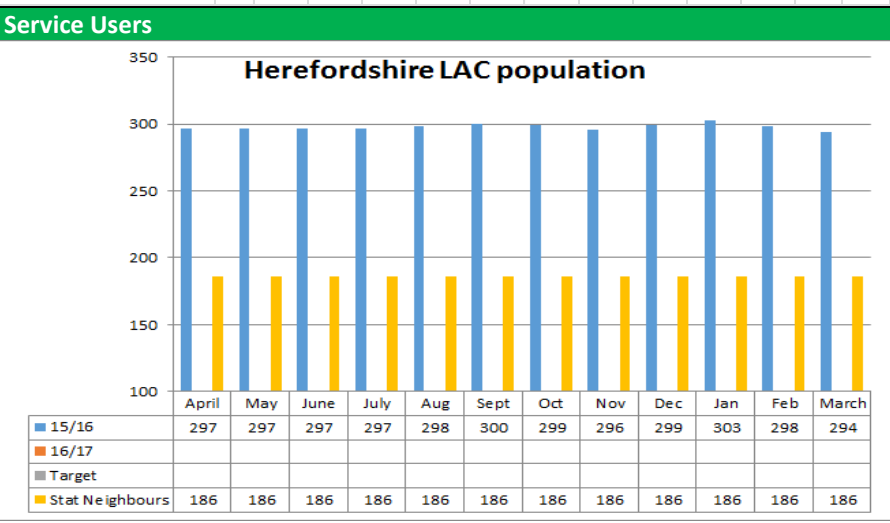
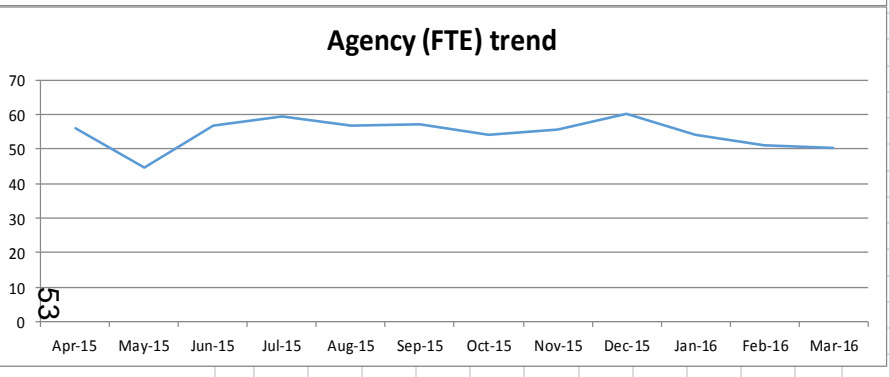
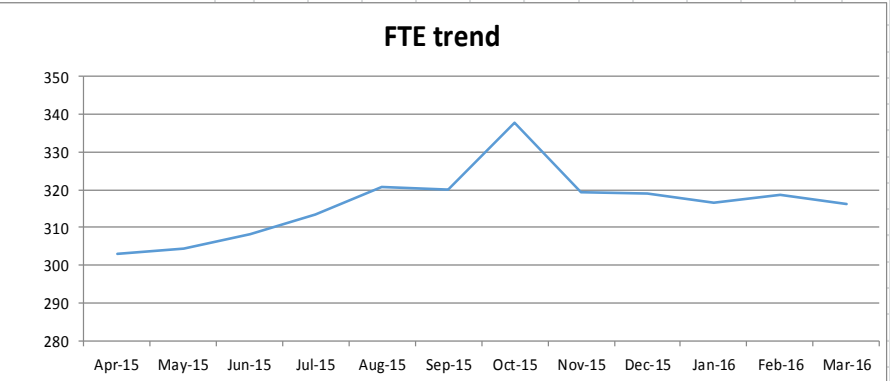
### Outturn Detail

	Budget			Actuals			Variance
	Expenditure	Income	Full Year	Expenditure	Income	Full Year	Net
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Learning Disabilities	17,102	(2,277)	14,825	19,208	(3,675)	15,532	708
Mental Health/Memory & Cognition	10,185	(2,310)	7,875	9,522	(2,348)	7,174	(701)
Physical Support	25,559	(7,116)	18,443	27,519	(7,868)	19,650	1,207
Sensory Support	873	(205)	668	625	(154)	471	(197)
Operations	8,368	(1,689)	6,678	23,880	(17,898)	5,982	(696)
Commissioning	6,684	(1,598)	5,086	7,419	(2,284)	5,135	49
Directorate Management	820	(1,682)	(861)	20	(943)	(922)	(61)
Public Health	8,091	(7,971)	120	9,005	(8,851)	155	35
Transformation and Safeguarding	1,418	(5)	1,413	1,076	(29)	1,047	(365)
	79,100	(24,854)	54,245	98,274	(44,051)	54,223	(22)



CWB Scorecard - March 2016

Staffing														
	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	
FTE	298	303	304	308	314	321	320	338	320	319	316	319	316	
Headcount	354	356	360	366	373	381	378	377	375	373	367	370	367	
Permanent Costs (£k)	976	1,012	1,004	1,043	1,051	1,064	1,049	1,033	1,024	1,024	1,026	1,009	979	
Agency	60	56	45	57	60	57	57	54	56	60	54	51	50	
Agency Cost (£k)	483	299	371	448	486	379	434	252	354	453	311	351	371	
Absence -days lost per FTE	8.62	8.35	8.28	8.41	8.16	8.18	7.86	7.58	7.64	7.53	6.92	7.20	7.23	
Turnover (annualised)	7%	8%	9%	10%	10%	11%	12%	13%	14%	14%	15%	15%	19%	



Indicators			
Measure	Target	Latest	Period
% of children attending a primary school/setting that is good/outstanding	88%	88%	Mar
% of children attending a secondary school/setting that is good/outstanding	83%	79%	Mar
% of young people not in employment, education or training	5.3%	4.8%	Mar
% of young people whose destination is not known	2.0%	3.2%	Mar
% of education health and care plans produced to 20 week timescale	100.0%	78.0%	Mar
Reduce the spend in institutionalised care (£000's) (Residential)	1,064	1,175	Mar
Reduce the spend in institutionalised care (£000's) (Complex Needs)	1,498	1,568	Mar
Number of families being worked with (Families First)	233	247	Mar
Number of families identified as needing support (Families First)	233	426	Mar
Proportion of IFAs fostering placements as a proportion of all lac	10%	16.2%	Mar
The % of contacts and referrals received progressed within 24 hours	95%	96.7%	Mar

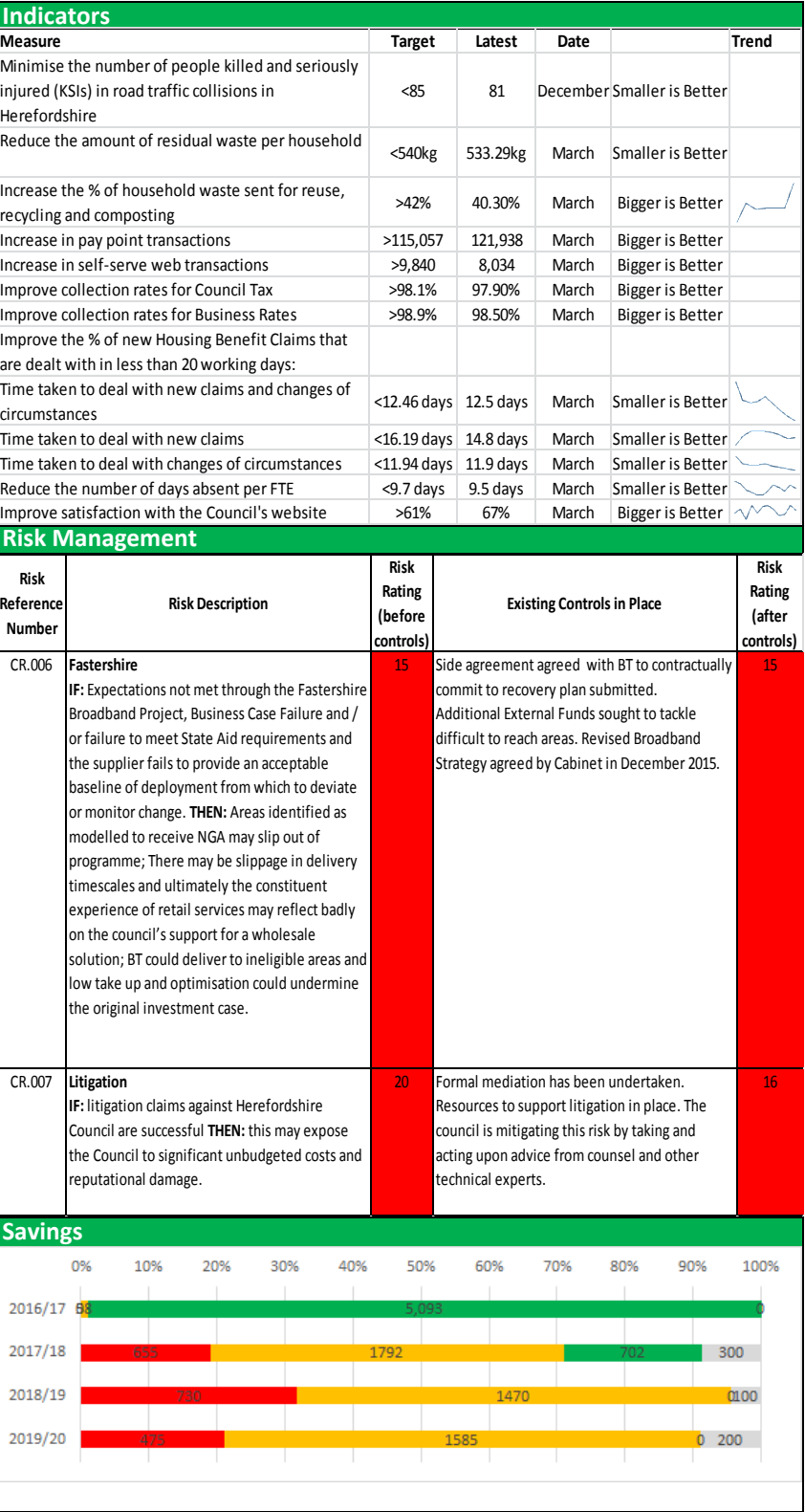
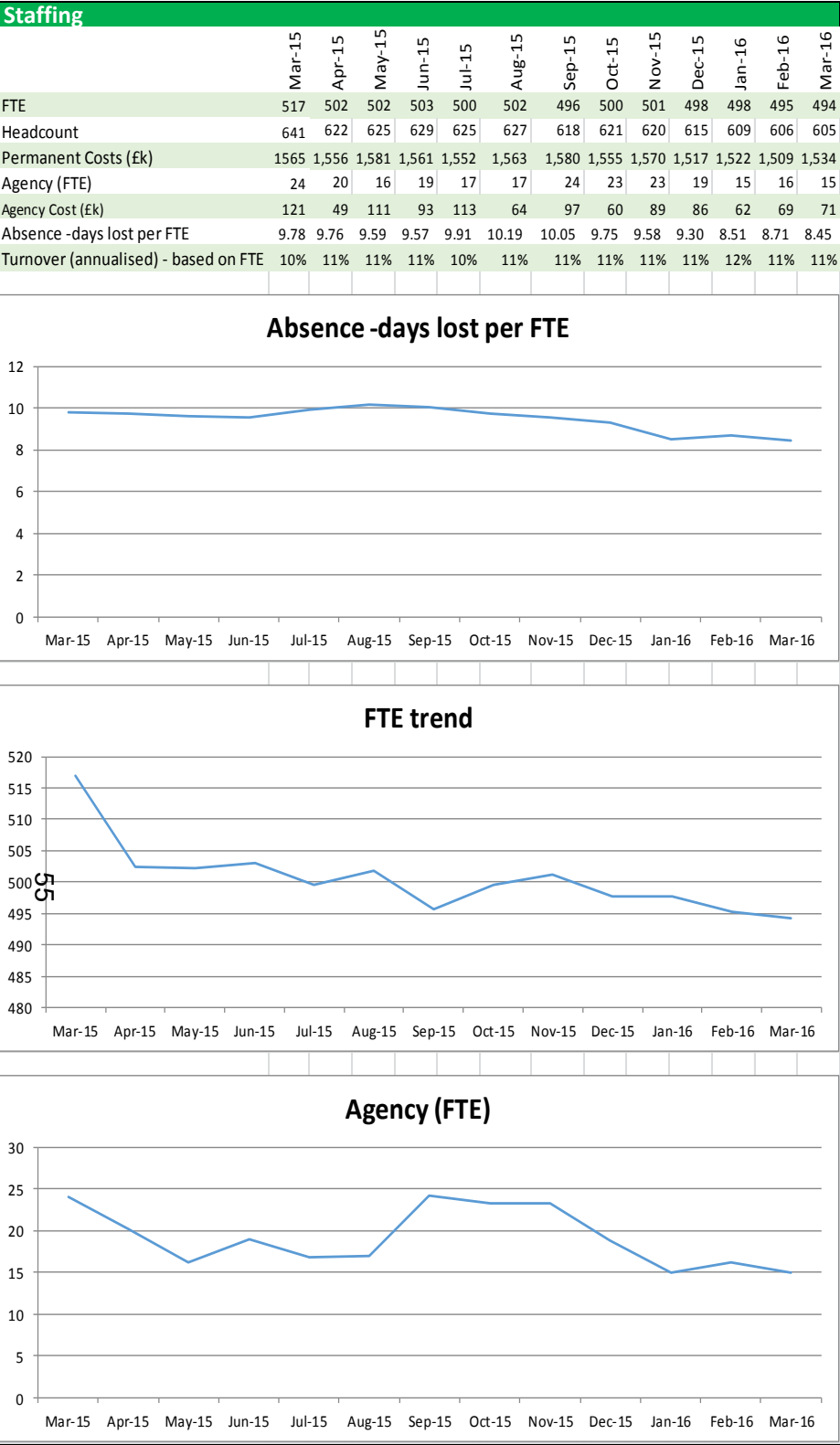
Risk Management				
Risk Reference Number	Risk Description	Risk Rating (before controls)	Existing Controls in Place	Risk Rating (after controls)
CWB.017	IF the national funding formula for education removes significant funding without removing statutory responsibilities THEN the local authority may not be able to carry out its duties effectively, funding pressure will result, the effectiveness of some schools and outcomes for children will decline	20	Management Board and Leader's briefing aware of implications. Working group established to develop Herefordshire's approach	16
CWB.018	IF schools and the local authority focus solely on the possible implications of the White Paper Educational Excellence Everywhere THEN focus will lessen on improving pupil outcomes, particularly the most vulnerable, and on budget control at a time of increasing pressures	20	Local authority establishing a way forward with schools. Working group led by the Director of Children's Wellbeing. Management Board and Leader's briefing aware of implications. Working group established to develop Herefordshire's approach. Continued implementation of the HSIP Framework via Learning and Achievement and a focus on vulnerable groups including implementing work to address closing the gap. Work to be reviewed via Strategic Education Board and HSIP	16
CWB.014	IF/AS:The number of looked after children continues to increase; therefore new placements are less likely to be planned THEN: There may be an increased use of institutionalised care at exceptional costs	25	Work is ongoing to minimise the number of institutionalised care placements, through the development of the HIPSS service, and the wider LAC Strategy.	12

Budget Outturn					
Service	Budget £000's	Outturn £000's	Over/ (Under)spend £000's	December Over/ (Under)spend £000's	Adv/ (Fav) £000's
Directorate	(133)	(780)	(647)	(446)	(201)
Directorate	(133)	(780)	(647)	(446)	(201)
Additional Needs	2,446	2,366	(80)	(0)	(80)
Children's Commissioning	1,429	1,237	(193)	(56)	(137)
Commissioning Management	393	350	(43)	0	(43)
Development and Sufficiency	1,660	1,589	(71)	(41)	(31)
Education Improvement	118	85	(33)	(0)	(33)
Education & Commissioning	6,047	5,626	(421)	(96)	(324)
Safeguarding and Review	655	735	80	15	65
Early Help and Family Support	2,036	1,791	(245)	(99)	(146)
Fieldwork	3,266	4,533	1,268	696	572
Looked After Children	7,137	8,231	1,094	1,040	54
LAC External placements	2,877	3,679	802	652	150
Safeguarding Development	871	942	70	75	(5)
Safeguarding and Early Help Management	1,222	1,271	50	71	(21)
Safeguarding & Family Support	18,065	21,183	3,119	2,451	668
Children's Wellbeing excluding DSG	23,978	26,029	2,051	1,908	143

MTFS Savings 16/17 to 19/20									
	2016-17 £'000	2016-17 RAG	2017-18 £'000	2017-18 RAG	2018-19 £'000	2018-19 RAG	2019-20 £'000	2019-20 RAG	Total £'000
CWB Savings Proposal									
Manage contract inflation and secure contract efficiencies.	200	G	250	G	250	G	250	A	950
Reduction in the number of looked after children from 300 to 200 by 2019/20	300	£100k G £200k A	566	A	822	R	450	R	2,138
Review of allowances paid to families providing homes for other peoples children on a permanent basis. (Special Guardianship, adoption and child	200	£100k G £100k A							200
Accessing government grant to focus early help offer on the most vulnerable families, to reduce the need for higher cost services.	270	G	100	A	150	R	150	R	670
Continuing the social worker recruitment and retention strategy (grow our own, cap agency rates, specific recruitment, overseas recruitment and alternative contracts), to increase the number of permanent social workers and reduce agency staff.	300	G	350	A	200	A	200	A	1,050
Reduce management overhead and reduction in contribution to the Youth Offending Service (YOS) contract.	230	G							230
Total	1,500		1,266		1,422		1,050		5,238
Corporate workforce savings	159	A							159
Educational Service Grant			1,100	R					1,100
Total after Corporate Savings / Pressures	1,659		2,366		1,422		1,050		6,497



ECC Scorecard - March 2016



Programme					
ECC major projects	RAG Rating	Update			
Hereford City Centre Link Road	Green	Business Case signed off by the LEP. Grant award letter received and contract signed. Second claim made in January 2016. Culvert works at Canal Road complete. Culvert works at Police Training Ground progressing. Phase 2 demolition works complete on site. Asbestos testing continues. Ground Investigation works are progressing in the area of Royal Mail accommodation works. Royal Mail design works continuing. Five tenders received for roadworks contract. Assessment of tenders progressing.			
Parking Strategy	Green	Off-street parking: New charges were implemented on 1 February.			
Enterprise Zone development/sales/jobs	Green	Nine out of ten units at Skylon Court have tenants signed up, there is definitive interest in the tenth. Skylon Place has first tenants moved in. An ERDF application for funding is being completed for an Incubation centre within a refurbished Shell Store building. Quick Skip have completed their build and have commenced their project on the Chapel road site.			
South Wye Transport Package	Amber	Discussions with Historic England have concluded and they have removed their objection to the application. Planning consultation concluded and application was considered by Planning Authority on the 6th June 2016. Subject to the application not being called in by Secretary of State the decision to approve the scheme was made. Detailed design works continue. Business Case development is progressing - some initial sections of business case have been sent to DfT for review and comment.			
Western Outer Relief Road	Green	Project initiation work underway to prepare Cabinet report for consideration in May/June.			
Local Transport Plan	Green	Presented to Cabinet in April 2016. Final amendments to be made to Strategy and Delivery document and Policy Document.			
Waste Strategy	Green	The Energy from Waste (EFW) is expected to be operational on the planned date of 28 February 2017. The structure of the facility is complete and work on the services and accommodation blocks has commenced.			
High Town Refurbishment	Green	Consultation was extended to end January 2016 to enable further feedback from city centre residents and businesses. Integrated programme of city centre improvements being developed. Cabinet Member report re consultation feedback and progressing scheme presented to Cabinet. City Centre Improvements scheme includes delivery of on street parking provision.			
Outturn 2015/16					
Service	Annual Budget	Outturn	Over / (Under) spend	December Outturn	Adv / (Fav)
	£000's	£000's	£000's	£000's	£000's
Directors	1,313	822	(491)	(410)	(81)
Commissioning	28,103	27,086	(1,017)	(629)	(388)
Resources	11,988	12,023	35	(24)	59
Growth	1,791	1,794	3	(72)	75
Communities	7,315	7,433	118	172	(54)
Total ECC and Chief Executive	50,510	49,158	(1,352)	(963)	(389)





# Herefordshire Council performance & budget report

## Budget forecast

	Net Budget	Outturn before year-end movements	Projected Over / (Under) spend
<b>Directorate</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Adults Wellbeing	54,245	54,223	(22)
Children's Wellbeing	23,978	26,029	2,051
Economy, Communities & Corporate	50,510	49,158	(1,352)
<b>DIRECTORATES TOTAL</b>	<b>128,733</b>	<b>129,410</b>	<b>677</b>
Other budgets and reserves	13,260	12,333	(927)
	<b>141,993</b>	<b>141,743</b>	<b>(250)</b>

## Significant corporate risks

The following items from the Corporate Risk Register are still red after controls have been put in place. Further details are available in the relevant directorate's overview:

### School Assets

**IF:** Insufficient condition oversight of school assets is not in place **THEN:** There may be an increase in costs due to unplanned significant spend.

### Fastershire

**IF:** expectations not met through the Fastershire Broadband Project, Business Case Failure and/or failure to meet State Aid requirements **THEN:** areas identified as modelled to receive NGA may slip out of programme; There may be slippage in delivery timescales and ultimately the constituent experience of retail services may reflect badly on the council's support for a wholesale solution.

### Litigation

**IF:** litigation claims against Herefordshire Council are successful **THEN:** this may expose the Council to significant unbudgeted costs and reputational damage.

### Demographic Pressures

Continued demographic pressures require significant savings to be made or reductions in levels of dependency to manage rising levels of demand across council services.

### Integration

The scale and pace of integration work required internally to the council and across health and social care proves to be undeliverable and a new model for integrated and financially viable health and social care pathways does not emerge.

### System resilience and urgent care

The role and responsibility of adult social care alongside system and process is not clearly set out in relation to system resilience and urgent care

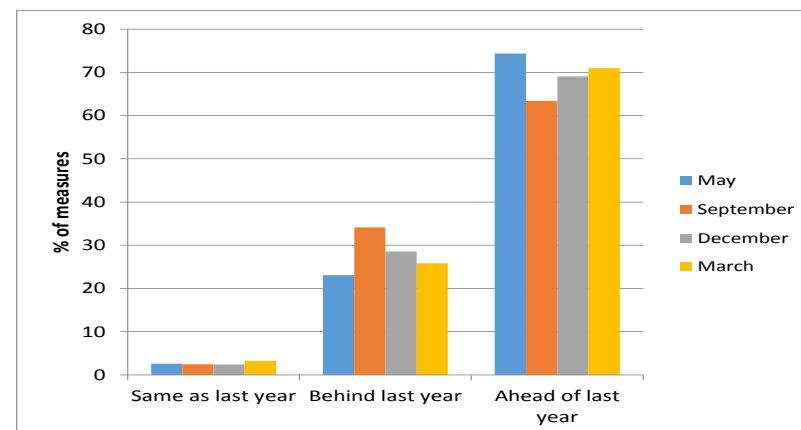
### Education funding

**IF** the national funding formula for education removes significant funding without removing statutory responsibilities **THEN** the local authority may not be able to carry out its duties effectively, funding pressure will result, the effectiveness of some schools and outcomes for children will decline

### White Paper - Educational Excellence Everywhere

**IF** schools and the local authority focus solely on the possible implications of the White Paper Educational Excellence Everywhere **THEN** focus will lessen on improving pupil outcomes, particularly the most vulnerable, and on budget control at a time of increasing pressures

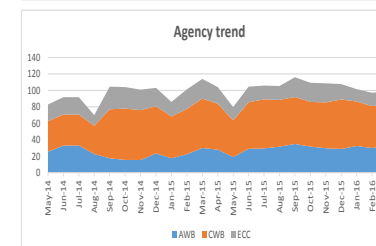
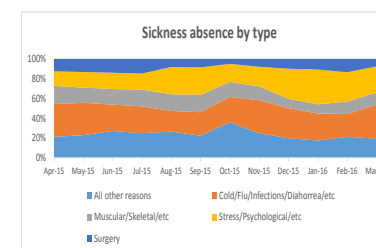
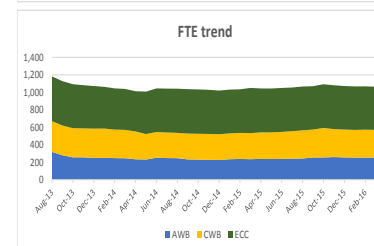
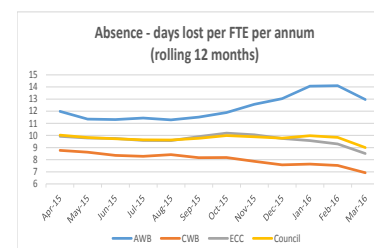
## Direction of travel (measures compared to last year)



## PERFORMANCE

	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
FTE	1050.0	1044.2	1043.9	1050.7	1054.9	1066.3	1069.9	1092.2	1080.2	1071.8	1067.6	1068.1	1064.2
Headcount	1,262	1,249	1,254	1,267	1,272	1,283	1,281	1,283	1,285	1,274	1,260	1,261	1,257
Permanent Costs (£k)	£3,248	3,290	3,321	3,350	3,340	3,395	3,415	3,384	3,393	3,334	3,322	3,288	3,288
Agency (FTE)	114.0	103.7	80.0	105.1	105.9	105.4	116.0	109.4	109.0	107.8	102.0	97.0	99.0
Agency Cost (£k)	917	444	694	778	861	664	735	428	612	711	512	568	626
Absence - days lost per FTE	9.83	9.73	9.64	9.62	9.76	9.99	9.89	9.78	9.98	9.84	9.00	9.52	9.54
Turnover (annualised) - based on FTE	13.5%	13.1%	12.3%	13.2%	13.2%	10.7%	11.1%	11.5%	11.9%	12.1%	12.9%	12.9%	13.7%

## WORKFORCE







<b>Meeting:</b>	<b>Cabinet</b>
<b>Meeting date:</b>	<b>16 June 2016</b>
<b>Title of report:</b>	<b>Development partnership project</b>
<b>Report by:</b>	<b>Cabinet member contracts and assets</b>

## Classification

Open

## Key decision

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county.

Notice has been served in accordance with Part 3, Section 10 (General Exception) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations 2012.

## Wards affected

Countywide

## Purpose

To agree a commissioning model for the procurement of a developer to work with the council to deliver the development of sites in council ownership.

## Recommendation(s)

**THAT:**

- (a) the council commission a developer to progress the development of suitable sites in its ownership including the capability to progress development funding and provision of services and to be open for use with other collaboration partners as required;**
- (b) an EU compliant procurement (using the competitive dialogue process) be undertaken as outlined at Appendix 4, to appoint a developer; and**
- (c) the use of the sites at Station Approach and Merton Meadow (South) as evaluation case studies during the procurement be approved.**

## **Alternative options**

### **In respect of the formation of a strategic approach to development with a partner:**

- 1 Do nothing and the sites would remain either vacant or continue in their existing use and not contribute to the economic and financial regeneration of the county.
- 2 Bring forward disposal of the sites on a piecemeal basis (in the traditional way) by offering the sites on the open market and selling the land. This could result in capital receipts being received quicker but at a potentially reduced overall value and the council would have to rely on the planning process to control the type and quality of the development and have no control over the timing of development (including ensuring it is progressed at all).

### **In respect of the structure of the delivery model as a commissioned programme:**

- 3 Establish the delivery model via a joint venture company (JVco). This may limit the council in terms of its: control over developments; ability to invest capital; increase set up and administrative costs and delay the start of development.

### **In respect of the use of 'real' sites as case studies as evaluation mechanisms within the procurement:**

- 4 Use sample 'non-real' scenarios which would generate no return for bidder and council resources during the procurement; limit the council's ability to assess the deliverability and financial returns of the programme and increase the time taken to bring the first schemes forward as development appraisals would only be able to commence post developer appointment.

## **Reasons for recommendations**

- 5 That the recommendations represent the most effective mechanism by which to:
  - Achieve the council's strategic development and economic regeneration objectives through the creation of 'holistic and balanced communities';
  - Deliver the development of the urban village (including the target of 800 homes);
  - Contribute to the housing targets set out within the core strategy;
  - Create a commissioning platform to support the emerging objectives of the economic masterplan;
  - Contribute to the construction of student accommodation to support higher education providers and as a key enabler of the establishment of university in Herefordshire;
  - Provide for further extra care provision throughout the county;
  - Generate the greatest potential to raise capital and revenue receipts from the council's land holdings;
  - Allow for council investment of land holdings and potentially capital;
  - Facilitate collaborative working between partners conducting developments within the county;
  - Deliver the outcomes required by the commissioning objectives; and
  - Generally limit development risks to council whilst strategically controlling development on land currently held by the council (when compared to outright land disposal).

## Key considerations

- 6 The council's corporate plan 2016-2020 includes the following strategic priorities: helping residents to live safe, healthy, independent lives; keep children and young people safe and give them a great start in life; support the growth of our economy; and to secure better services, quality of life and value for money.
- 7 The emerging Herefordshire economic masterplan sets out a bold and ambitious framework for economic growth within the county, guiding investment to and within the county and is supported by the recently adopted core strategy.
- 8 To help support the corporate objectives in a period of funding reductions from central government the council needs to become more commercial in outlook, seeking to obtain maximum value from its assets and looking for innovative approaches to securing financial security into the future, by way of the generation of capital receipts and the creation of ongoing revenue streams.
- 9 The council's corporate property strategy, approved by cabinet in February 2016, recognises that the council owns dispersed land and buildings which may provide an exciting opportunity for housing or commercial development and/or regeneration through a formal partnership vehicle which could enhance the financial return to the council and make a contribution towards strategic growth and economic development.
- 10 To gather insight and ensure market interest in any programme of development a decision was taken in January 2016 to carry out consultation in respect of delivery models and approach with the marketplace. Comments received from the consultation were broadly supportive of the recommended option and further details of the results of this consultation can be found at appendix 1.

## Why are we commissioning a development partner?

- 11 By commissioning a development partner the council is seeking to enable the strategic delivery of a development programme which will transform not only the built environment of Herefordshire, but will deliver regeneration; economic; employment and supply chain opportunities to support prosperity, growth, education and improve quality of life generally across the county, whilst still allowing for focus on the creation of benefits to local communities.
- 12 Taken in the round, the programme presents a highly dynamic and exciting opportunity across a number of key council objectives. The impact will be transformative and the appointment of a strategic partner enables the council to better co-ordinate and increase the benefits to be realised from these opportunities. Such benefits include the maximisation of financial returns to the council whilst responsibly controlling the sustainability, timing and nature of developments in a manner which is responsive to local needs and priorities.
- 13 The detailed aims of commissioning a developer to deliver a development programme ('the commissioning objectives'), are set out at appendix 2a and are illustrated in a diagram at appendix 2b.
- 14 In order to deliver these commissioning objectives the programme must provide:
  - Flexibility to deliver using a variety of funding mechanisms (see appendix 8);
  - Clear governance and rapid mobilisation, with minimum administration cost; and
  - Transparency, demonstrating best value.

## What kind of delivery model is being proposed?

- 15 The potential delivery models, described in the options appraisal at appendix 3 are: land disposal; construction contract; design and build contract; commissioned programme

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Further information on the subject of this report is available from  
Richard Gabb, programme director growth on Tel (01432) 261902

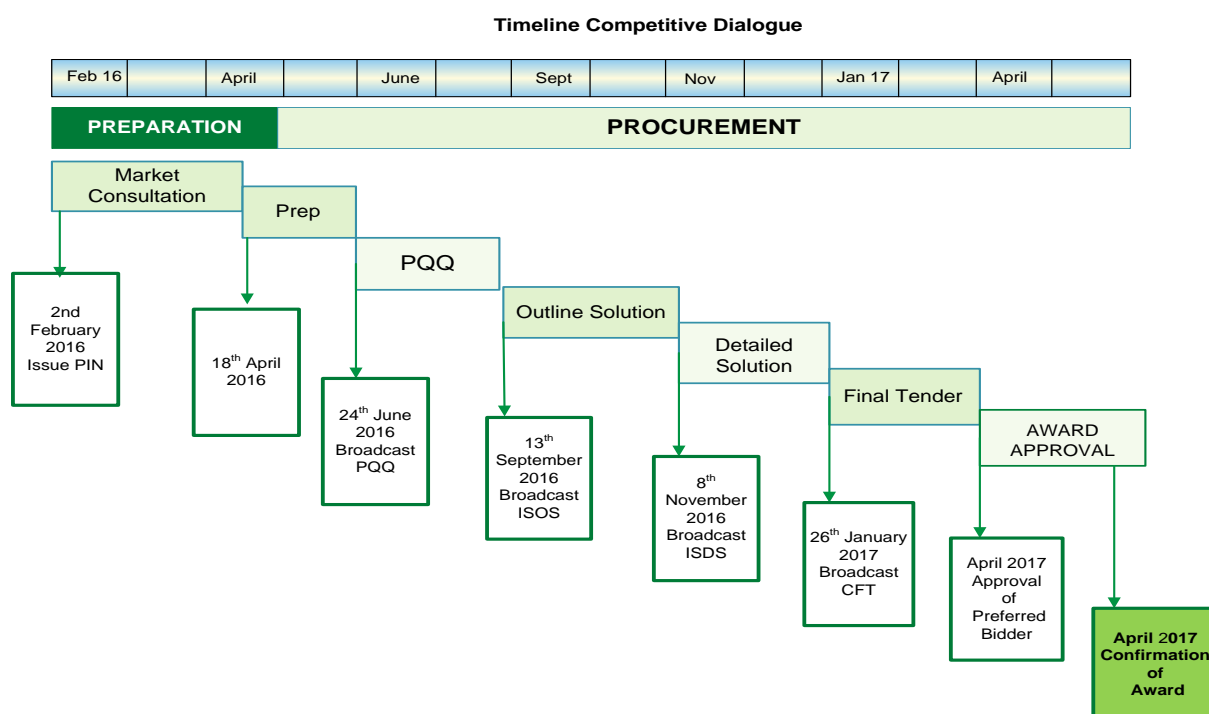
- and joint venture. The first three delivery models offer the simplest relationships with developers. However, they put the burden of programme development onto the council and do not offer the required flexibility in risk management and funding arrangements.
- 16 In order to deliver the commissioning objectives, therefore, the council needs a development 'partner'. There are, essentially, two mechanisms: via a commissioned approach (a contract) or joint venture (with the council contributing land and the developer providing capital and expertise).
- 17 The report considers the pros and cons of each model and, in summary, a commissioned approach is considered more appropriate as:
- Cabinet retains control over key aspects of the development programme;
  - A commissioned agreement (via a contract) is simpler with more straightforward governance; and
  - A commissioned approach can deliver more quickly than joint ventures.
- 18 Also, as the portfolio of land capable of development will need to be nurtured over the lifetime of the programme, it is difficult to quantify the council's initial investment in any joint venture. And experience of JVCos suggests that once in place, the JVCo can be more difficult to influence than a programme that is defined by a contractual relationship.
- 19 It is important to note that whilst the council will be commissioning via a contract, the intention is to work 'in partnership' with the developer in the context of a long term strategic relationship, which involves integrated working between the parties rather than the establishment of a formal legal partnership. The contract will not, in itself, create a new organisation (such as a JVCo) but will be a contractual agreement between the council and its developer 'partner'.
- 20 The contract will take the form of an overarching programme agreement. This will establish and manage a long term development programme in support of in the council's strategies (including its economic masterplan). The programme agreement will also regulate the overarching relationship between the council and the developer. Underneath it there will be a series of development agreements for housing and, potentially, other developments such as student accommodation, extra care or car parking. These will be put in place whenever a new project is agreed. The council will benefit from the value of the developed land, whilst the developer will receive profit from its contribution (which is the resources required for the agreed development).
- 21 Best value is assured by the co-design of projects by the developer and the council, as it is the value of the developed assets that ultimately determine land value. In this way, the council and the developer can balance the maximisation of sales revenue (for example via house types; density of development and massing), with the achievement of other commissioning objectives, such as the creation of 'holistic and balanced' communities.
- 22 The options for each site (e.g. land disposal; tenure and funding) will be presented as an options appraisal, which will also confirm the feasibility of proposals for cabinet approval. Land value will be assessed through transparent valuations (with the potential for the council to retain ownership of the land throughout the process).
- 23 Due diligence arrangements include estimated land value backed by an independent land valuation; subsequent sales will be via a competitive, open market process; developer's costs will be visible via open book accounting and rates for profit and overhead will be determined via the procurement process to appoint the developer.
- 24 The council could also consider the establishment of a council officer working group (i.e. a housing programme group) to ensure that a co-ordinated approach is taken to feasibility investigations and due diligence.

- 25 If the council decides to enter into more commercial arrangements, there will also be the options to: create special purpose vehicles (SPVs) with the developer for sharing profit from specific development projects including those which may offer services such as extra care and car parking; or develop and manage housing targeted at specific markets via a trading company, such as Hoople. Any such initiatives will be subject to Cabinet approval and legal review and cannot be undertaken without the establishment of or delivery via a trading company.

### How will the developer be procured? And when will they be in place?

- 26 The developer will be procured by the EU competitive dialogue process. This is designed for the procurement of “particularly complex” contracts and encourages co-development and innovation. It also allows the council to build relationships with developers during the process, facilitating a rapid transition from procurement to delivery.
- 27 Positive to very positive feedback was received from the market consultation in respect of the use of the competitive dialogue process. A description of the proposed process including process maps can be found at appendix 4.
- 28 The procurement process will use two actual potential development sites to better assess the capability of each bidder in a realistic setting. Proposals to progress any aspects of the successful final tender will be subject to approval by Cabinet; however, the approach can accelerate delivery by developing projects ready to be taken to planning shortly after contract award.
- 29 The procurement timetable is shown below. Cabinet is asked to approve the recommended approach; then will decide whether to commission any aspects of the successful final tender (in January 2017); and approve the recommendations from the procurement process (in April 2017).

**Table 1: Procurement Timetable**



### Potential Sites for Development

Further information on the subject of this report is available from Richard Gabb, programme director growth on Tel (01432) 261902

- 30 The project has considered the council's portfolio of existing land holdings and concluded that many of these sites could be utilised to meet these housing and regeneration needs, as well as generating capital and ongoing revenue streams for the council.
- 31 A list of sites that could potentially be included in the programme are listed in Appendix 5 below. (These sites are for indicative purposes only). This list is made up of potential sites within the council's land holding that may be suitable for inclusion in a programme that may span the next 10 – 20 years.
- 32 A site would require cabinet approval before being included in the development programme and this approval would only be gained after initial feasibility work and consultation, as per the sample governance process attached at Appendix 7. Support of these initial feasibility services and effective consultation processes are part of the services to be provided by the developer 'partner'.
- 33 Further feasibility work and consultation will be then necessary to confirm that sites within the programme are confirmed as suitable for development. This preliminary appraisal will take account of options for the development of these sites including analysis of needs.
- 34 This analysis of needs will include the potential for various options including (but not limited to), housing (including tenure types), extra care; commercial usage or civic amenities. Plus considerations in respect of infrastructure and economic regeneration; site suitability and the prospects for capital generation and revenue return (taking into account commercial funding viability and affordability) and political and local support for development.
- 35 Sites would only be delivered once Cabinet has decided that the development provides overall best value and the most effective way to ensure that the commissioning objectives are achieved.
- 36 These sites can be added to by the provision of land assembly expertise as part of the services provided by the developer, including that the council and the developer could jointly bring forward suitable sites on which the council could commission developments.
- 37 The potential for collaborative use of the agreement by other partners within Herefordshire (e.g. Herefordshire University), also allows sites within Herefordshire to be brought forward for development by other partners. This could either be in respect of stand-alone or joint projects with the council.
- 38 As speed of delivery is important to meet housing needs, generate capital and revenue receipts and bring momentum in the fledgling stage of the programme, it is recommended that sites are prioritised based on the following broad principles:
- developments should meet an identifiable housing, infrastructure; amenity need or have significant regeneration potential;
  - sites should be readily capable of development without significant constraints e.g. flood risks, topography; ground condition;
  - sites should have broad political and community support for development;
  - sites should be economically viable (without subsidy) and provide capital and or revenue generation.
- 39 Given that the development potential of many of the council's landholdings is yet to be clarified, the following sites within Hereford's proposed 'urban village' have been



identified most readily suitable for development and as such potential 'first batch' sites. A map detailing the scope of the sites within council ownership within the urban village is attached at appendix 6a.

- 40 Within the urban village sites the sites at Station Approach (appendix 6b) and Merton Meadow South (appendix 6c) are considered to be the most suitable for development (alongside a site (to be confirmed) to accommodate alternative car parking). On this basis, it is proposed to use the Station Approach and Merton Meadow South sites as evaluation case studies during the procurement.
- 41 The use of evaluation case studies means that development proposals can be requested from bidders to enable rapid progress of these sites once the developer has been appointed. The use of these sites would also enable the evaluation of bidders' capabilities to effectively deliver two important components of the programme: the creation of financial opportunities in terms of the generation of capital receipts and revenue generation.
- 42 The potential development on these sites is also of a manageable scale to ensure that their outline design stages can be accommodated within the proposed procurement timetable, to enable bidders' capabilities to be assessed against real opportunities. So enabling the plans developed during the tender stage to be progressed (via refinement and consultation) immediately on appointment.

## **Community impact**

- 43 The project will significantly contribute to the achievement of the following council strategies:
- The Corporate Plan;
  - The emerging Economic Strategy;
  - The Core Strategy;
  - The Corporate Property Strategy;
  - Health and Wellbeing Strategy;
  - Children's and Young People's Strategic Plan;
  - The Equalities and Human Rights Charter;
  - And the Environmental Strategy / Policy.
- 44 Demographic information from 'Understanding Herefordshire' has been used in the preparation of this report.

## **Equality duty**

- 45 The Public Sector Equality Duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services.
- 46 The project aims to create a more cohesive and accessible community within Hereford city centre urban village (and potentially county wide depending on the location of the sites included within the development programme).
- 47 This would be achieved through improved road layout and improved accessibility to multi-modal transport links. Plus the construction of additional community facilities and amenities, within the context of a strategic programme of development (as compared to development on a site by site basis).
- 48 The project also seeks to create balanced communities with the inclusion of extra care housing; student accommodation; private housing for sale (to meet a mixed

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- demographic from executive; mid-range family range and affordable homes) designed to a portfolio of house types and styles. The project would also wish to consider the potential to develop mixed tenure housing such as housing for affordable rent.
- 49 Social capital will be realised through training, employment and education opportunities which will include targets for opportunities for young people. These will be delivered by commissioning to the standards within the council's CITB CBA accreditation.
- 50 Further, there will be transparent and accessible local supply chain opportunities including targets for social businesses and community groups.
- 51 Programme targets will be set in relation to the achievement of wider community benefits such as volunteering and support for community groups and third sector organisations. There will also be scope for innovative proposals from bidders as to how further social and community benefits could be gained.
- 52 The equalities track record and capability of bidders to assure good practice will be assessed during the PQQ stage of the procurement and bidders' specific proposals to ensure the achievement of equalities will be evaluated as part of the procurement.
- 53 An initial equalities impact assessment will be completed, which will be reviewed frequently throughout the process. It is not envisaged that there will be any negative equality implications arising out of this report. However, it is expected that a full equalities impact assessment will recognise that there are many positive implications: including increased provision of homes to tackle homelessness; increased and improved provision of accessible homes for the disabled and elderly and improved access to transport and amenities.

## Financial implications

- 54 The programme has the potential to contribute significantly to the council's medium term financial plan as well as helping to secure financial security into the long term future through the contribution of capital and revenue receipts. Indeed, as more innovative self-financing approaches become needed during a period of funding reductions from central government, the programme's contribution may prove to be vital in supporting the achievement of the council's corporate objectives.
- 55 In addition to the programme's potential to contribute to the medium term financial plan and beyond, the programme will be a pivotal mechanism to secure development funding, as traditional sources of capital funding (such as grants to invest in capital schemes), have been reduced over recent years. On this basis, sourcing funding for the developments is a key outcome of the programme, as whilst the council has the capability to use the cost effective option of prudential borrowing, there are many competing demands on this funding source across the council. As such it is prudent to use commercial funding when it is available and presents value for money, as can be the case with development funding.
- 56 Furthermore, with revenue budgets under extreme pressure, the programme will need to be self-financing, that is, all revenue and capital costs the programme incurs need to be financed by capital or revenue generated by developments. The affordability of the programme will be assessed at all stages during the process. The costs of managing the programme will be met from existing budgets and would be part of the costings within any business case on support of commercial activity, such as the potential to use Hoople Ltd to manage affordable to let homes or student accommodation etc.
- 57 There are a number of potential sources of funding detailed at Appendix 8. At this stage in the process it is impossible to state with certainty which will prove to be the model(s) (and potentially the mix of these models) which will be best fitted to meeting the commissioning objectives. However, the procurement process does not at the outset need to specify the source of funding. Indeed, it is fundamental objective of the

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programme to source innovative and cost effective / risk managed approaches to secure the required funding.

58 Factors which make it difficult to predict the most appropriate sources are the lack of certainty around:

- The nature of the developments to be commissioned: not least the tenures; numbers and types of homes to be built;
- The cost of the developments (for example, house types; specification and whole life costing);
- The phasing of developments (and hence when funding will be required and the prevailing market conditions and funding rates / terms);
- The extent of the council's landholdings and the potential availability for the council to invest land for development and to share the profits with the developer; and if included, the likely value; size and timing of such investment.
- The revenue streams likely to be created by the developments.

59 Once these factors are known they will be used to inform the procurement process and thereby identify the funding model which best meets the commissioning objectives. Bidders will be evaluated on their capabilities to source a wide range of funding options, alongside costed funding proposals for the sample evaluation schemes (which are intended to represent revenue and a capital generating scheme).

60 The available options will be those presented by bidders during the procurement process. These will be presented in an update report to Cabinet broadly detailing the available and recommended funding options, prior to the finalisation of the terms of bids to be issued at final tender stage.

61 The financial implications of the establishment of a commissioned programme are reflected in the commissioning objectives. An outline of the development programme and capital funding implications will be reported to Council in January 2016.

62 The resources required for the procurement of the developer have been estimated at 750 days inclusive for all officers and external support. Project costs have been estimated at £250K and a budget has already been provided for this.

63 The small client team which would needed to be established by the council to manage the agreement. This would be self-financing from the development budget.

## **Legal implications**

64 The council has the legal powers to carry out the functions and activities described within this report by virtue of a wide range of legislative sources including the general power of competence under the Localism Act 2011.

65 Although the Council has powers to implement this report under any of the options described in this report, there are advantages and disadvantages to them, some of which are outlined in this report.

66 The legal issues in this project are likely to be complex and the legal work involved is likely to be significant. Council officers are expected to work closely with Legal Services in relation to this matter, particularly for the following purposes:

- Drafting the relevant contractual documentation according to the option approved by Cabinet;
- Ensuring the procurement is conducted lawfully;
- Assessing any state aid implications;
- Advising in contractual negotiations in the course of the procurement procedure.

- Assisting in incorporating a company if any of the proposed activities involve 'trading'. Use of a company is mandatory if the Council wishes to trade 'for profit'.
- 67 The use of the word 'partnership' or 'partner' in this report are not intended to imply that the Council intends to enter into a partnership (for the purposes of the Partnership Act 1890) with any person in connection with this project.

## **Risk management**

- 68 A table summarising the project risks and the responses which seek to eliminate; manage or mitigate these is included at Appendix 9.

## **Consultees**

- 69 A summary of the market consultation results is attached at appendix 1.
- 70 Consultation has taken place with prospective partner organisations including: Place Partnership; Hereford FC; and NMITE.
- 71 In terms of ongoing consultation, there will be public consultations in respect of any development masterplan (the creation of which could form part of the commissioned programme) and planning applications.

## **Appendices**

Appendix 1 - Market Consultation Summary

Appendix 2a – Commissioning Objectives

Appendix 2b – Commissioning Objectives Diagram

Appendix 3 – Options Appraisal

Appendix 4 - Indicative Competitive Dialogue Process Guide

Appendix 5 - Indicative Council Landholdings

Appendix 6a – Urban Village Site Plan

Appendix 6b –Station Approach Plan

Appendix 6c – Merton Meadow (South)

Appendix 7 – Sample Governance Process

Appendix 8 – Sources of Funding

Appendix 9 – Risks and Responses

## **Background papers**

- None identified

## **HEREFORDSHIRE DEVELOPMENT & REGENERATION PROGRAMME**

### **Market Consultation Summary**

First, the council would like to thank all parties for their interest in the market consultation for the proposed development and regeneration programme ('the programme'). In particular, the council would like to thank those organisations which returned a questionnaire and / or attended a consultation meeting ('contributors'). Comments received were much appreciated and will be considered within the council's ongoing review of how best to achieve its development and regeneration objectives.

#### **Feedback on the extent of responses received**

The market consultation was advertised via Procontract and the European Journal. Response numbers exceeded expectations as the number of potential providers capable of fulfilling the council's requirements is relatively small and specialised. 37 expressions of interest were received; 14 questionnaires submitted and 12 consultation meetings were held.

A cross section of organisations completed questionnaires, with 3 being received from small to medium enterprises. Publicity attracted national interest with 2 responses from organisations based in Herefordshire.

Overall a sufficient number of organisations expressed an interest in the opportunity to satisfy the council that sufficient bidders would tender should procurement be undertaken. Herefordshire was generally seen by contributors as an area with the potential for significant economic growth.

However despite this interest it is important to note that the development market is currently buoyant and bidders have limited resources with which to tender for contracts. On this basis the council is mindful of the need to structure the procurement so that the opportunity is viewed favourably by potential bidders at time when they may have many opportunities to select from: in other words that potential bidders 'Choose Herefordshire'.

#### **Feedback received on the options for programme strategy and scope**

Generally the outline programme scope was thought well-formed and enabling of the achievement of the council's development and regeneration objectives.

The vast majority of contributors (79%) expressed their ability and willingness to be flexible to meet any and all of the council's requirements and indeed, were also capable of offering works and services in addition to the scope outlined within the market consultation.

Further, all contributors stressed that their interest was heightened by the prospect of securing a long term partnership with the council. The majority of contributors also emphasised that the potential development and regeneration benefits would be maximised if the programme was delivered in the context of such a long term relationship.

Whilst the development of housing in Hereford city centre was recognised as the 'anchor' for the programme, the ability to encompass development sites across Herefordshire generally piqued contributor interest due to the increased development potential. This acknowledges the ability of a county wide programme to meet a greater spectrum of housing needs and deliver more extensive regeneration opportunities through a strategic approach.

The inclusion of affordable housing for rent and private homes for sale were considered significant factors by the majority of contributors (71%). Building homes for private sale was considered essential to maximise financial returns for the council. The importance of building affordable housing for rent was seen as central to the creation of 'balanced communities' which will meet Herefordshire's housing needs and support regeneration.

The potential to include community and commercial buildings were also considered to enhance prospects by broadly the majority of contributors. (managed facilities e.g. extra care

housing and student accommodation by 86%; community hubs by 49%; commercial facilities by 57% and district heating by 57% of contributors).

Such facilities were seen as important (beyond their commercial potential to provide ongoing revenue streams for the council) via their diverse functions in supplying infrastructure and amenities; the creation of community cohesion and providing a regeneration platform for the growth of local businesses. However, the inclusion of a more expansive scope to include such aspects as district heating, managed, community and commercial facilities would dissuade some specialised providers (up to 22% of contributors), who would only wish to focus on specific aspects of development such as the provision of finance or house building. Indeed, the council recognises that whilst specialist provision will need to be a feature of the supply base that this is likely to be provided in the context of an overall strategic programme, rather than commissioning via a separate procurement for every project, (however some stand-alone procurements may be conducted).

The inclusion of a requirement for the provision (or sourcing) of funding was seen as enhancing the programme (in particular by speeding up delivery) by 86% of contributors.

All contributors viewed a programme approach as significant in terms of providing strategic integration in terms of planning and the phasing of developments, as well as bringing financial and delivery benefits. 58% of contributors welcomed the potential to maximise these benefits if the delivery vehicle could also be used by other contracting authorities and partners, (with the remaining 42% being neutral about the benefits of this). Additionally, sufficient flexibility and scope was requested to be built into any commercial arrangement, in order to more easily cope with any changing requirements

Whilst most contributors viewed a joint venture delivery model as enhancing the attractiveness of the opportunity (86%); delivery via a commissioned approach was also viewed as attractive by 57% with 29% being neutral. (The most frequent reason stated for neutrality being because the proposed terms of the commissioned approach are not yet known). Whilst 14% of contributors would be dissuaded by the use of the partnership model, a further 14% sited it as the most suitable model for the council.

Contributors varied in terms of their views of the benefits of these two models: generally there were no consistent benefits identified by one model over another as contributors often emphasised the same pros and cons for each model. The conclusion drawn is that it is possible to achieve similar benefits from either model providing it reflects the council's position in terms of risk sharing; speed of return; governance and control.

### **Feedback received on the proposed tendering process**

Mindful of the fact that bidders need to be assured that the tendering process will request the investment of their time and resources prudently, the council is committed to ensuring that the procurement is well structured; transparent and efficient.

Transparency within the procurement process will be maximised to support bidders in the completion of a compliant tender which showcases their capabilities. Specific marking guidance will be provided for each question and maximum (but realistic) word counts will be adopted for answers. A full written debrief will be provided to bidders along with the opportunity for face to face debrief meetings.

The council will use the ProContract eTendering system to minimise the administrative burden of tender submission. Bidders can register their details via the link below:

<https://www.supplyingthesouthwest.org.uk>

The PQQ will follow the standard Crown Commercial Services (CCS) qualification question set. (However additional weighted questions will be included to allow for the short listing of bidders and the qualification questions may be adapted slightly as a result). The questions posed will focus on assessment of the individual circumstances of bidders (rather than the application of pass / fail criteria), to reduce barriers to participation. The standard CCS qualification question set can be viewed via the link below:

<https://www.gov.uk/government/publications/public-contracts-regulations-2015-requirements-on-pre-qualification-questionnaires>

The use of the competitive dialogue process was broadly welcomed, enhancing interest for 64% of contributors (the remaining 36% being neutral about its usage). Positivity in respect of competitive dialogue centred on its capability to co-develop solutions; encourage innovation; increase understanding and underpin the development of effective relationships.

The procurement timetable was seen as challenging but achievable, providing the procurement remained focused on the key issues. Some concerns were expressed around the length of time available for bidder responses and cost implications if very detailed design proposals were required to be submitted (35% of contributors). Considering these responses, the council is likely to request 2 sample schemes from bidders, but on the basis that these designs will not require progression beyond outline stages.

The amount of time that could be made available for dialogue between the council and bidders was also a point of concern for 28% of contributors. On this basis, the council has allowed for an additional dialogue session at the detailed solution stage and further dialogue time can also be accommodated via teleconferencing facilities. Dialogue is also not planned to take place during the months of July and August (as this was not a popular prospect for many contributors).

Contributors identified that a material factor in making sure that the time is used wisely is the number of bidders invited by the council to participate in the process (28%): as too many bidders can stretch council resources; limit the time available for dialogue and detrimentally affect bidder's assessment of their prospects of success. However, whilst considering these concerns, it remains the council's intention to invite 4 bidders to participate in dialogue, as otherwise the potential for bidder drop out and / or non-submission may leave the process disproportionately exposed to the risk of insufficient competition during the final stages.

Contributors also stressed that the council must ensure to sufficiently refine its requirements prior to advertising, so as to enable potential bidders to determine whether the opportunity is for them and likewise enabling the council to attract and identify the bidders with the right capabilities and commitment to the programme.

Plus to ensure that effective progress is made, contributors also emphasised the need to provide key information such as confirmed development sites (including feasibility information) and details of the proposed delivery vehicle and contract model at an early stage. Early engagement with council officers (in particular to understand planning requirements) was also considered essential by many contributors and this has been accommodated within the process.

Overall however, the procurement process and timetable proposed by the council was considered by contributors to be viable; balanced and realistic, with 86% of contributors considering that a planning submission was feasible prior to April 2017 (the remaining 14% being undecided rather than negative).

Once again the Council would like to express its thanks for your interest in the market consultation. An options appraisal has been prepared to seek approval for the most appropriate commissioning route. Further updates will be provided on the programme's internet page (which is currently in development).

Please send any comments in respect of this feedback to:

[procurement@herefordshire.gov.uk](mailto:procurement@herefordshire.gov.uk)





## Appendix 2a Commissioning Objectives

The commissioning objectives are the essential outcomes of the programme. They will be used as 'golden threads' which will run through each stage of the procurement. Bidder's proposals will be evaluated (as appropriate for each stage) on how successfully the evidence presented ensures the achievement of these objectives. The commissioning objectives are detailed below and illustrated in the commissioning objectives diagram attached at Appendix 2b.

- Delivery of the development and regeneration programme in a manner which is responsive to local needs and priorities;
- Maximisation and timing of capital and revenue generation for the council;
- Quality of developments, seeking to enhance the county's natural and built environments and provide a higher standard of daily living and opportunity for all, inclusive of residents, businesses and visitors;
- The provision of quality housing, which enhances the quality of life for residents and which meets specified building code standard(s);<sup>1</sup>
- Funding arrangements which balance the risks to the council whilst providing value for money;
- Assurance of best value facilitated by the competitive pricing; maximisation of land value; minimisation of overheads and administrative costs; robust and transparent costings supported by open book accounting; performance reporting and monitoring;
- Workforce and training initiatives provided to the benchmark standards contained within the Construction Industry Training Board Client Based Approach (CITB CBA) framework;
- Environmental protection and improvements;
- Development of sub-contracting and supply chain opportunities including transparency of opportunities and award procedures including open advertisement;
- Increased social capital through engagement and consultation with the community;
- Contribution to the regeneration of the economy in Herefordshire to support the creation of:
  - a vibrant local economy and keep residents spending locally;
  - a competitive Herefordshire through enhanced facilities and connectivity for businesses;
  - sustainable communities and the creation of employment and skills (including working with disadvantaged and targeted groups and social businesses).
- Benefits to the community which ensure that the development is cohesive, integrated and accessible; tackles poverty and promotes quality of life for all, in particular protecting the interests of individuals with protected characteristics; the elderly and children. For example this would be sought through the regeneration of open space and increased community cohesion through volunteering and support for community groups and third sector organisations.
- Contribution to education such as through education-work placements, school visits and volunteering and support for national curriculum topics such as: numeracy; literacy; science and careers. For instance, the programme could encourage innovative approaches such as the creation of a schools' entrepreneurship project or seek provider support to establish an apprenticeship academy which would provide 'shared' apprenticeships for project across the county.



## COMMISSIONING OBJECTIVES

### CORPORATE PLAN

LOCAL PLAN

DEVELOPMENT  
MASTERPLAN

ECONOMIC MASTERPLAN

LAND DEVELOPMENT SUPPORTS ECONOMIC REGENERATION

#### LAND DEVELOPMENT

Delivery of the Programme in a manner responsive to local needs

High quality of developments which enhance the natural and built environments; quality of daily living and opportunities for all.

Maximisation and timing of capital and revenue generation.

#### SHARED OBJECTIVES

Value for Money

Protection and Improvement of the Environment

Workforce and Training Programmes

Supply Chain Initiatives

Community Engagement

#### REGENERATION

Regeneration of the Economy

Benefits to the Community

Contribution to Education

REGENERATION SUPPORTS EFFECTIVE DELIVERY OF LAND DEVELOPMENT




### Appendix 3: Options Appraisal

1. The development of potential sites as a long term strategic programme is seen as bringing the following benefits:
  - Adding critical mass and strategic commitment to the contract which will increase developer interest in the opportunity;
  - Allowing the council to more effectively control housing development responsibly and sustainably via phasing to meet local needs and priorities through an annual development plan;
  - By ensuring that all developable sites (approved within the programme) are progressed, in comparison to piecemeal disposal of land, which risks that only the most commercially viable opportunities are taken up by the market;
  - Increasing the council's capability to design and develop strategic infrastructure as an intrinsic part of schemes such as district heating;
  - Maximising the potential to generate a greater capital receipt (albeit within a longer time frame than outright land disposal);
  - Introducing the potential to generate long term revenue streams;
  - Allowing easier access to development financing (which would be sourced or financed by the developer) to allow developments to be financially self-sustaining and provide financial benefits for the council;
  - Reducing the costs and time taken to complete developments by virtue of the programme being delivered without the need for procurement of a developer and /or contractor for each piece of land;
  - Implementation time will be reduced as schemes will be co-developed in a 'partnership environment', which heavily 'exploits' expertise;
  - Further, the developer and the council will have 'learned lessons' from previous developments so shortening the time taken and 'smoothing' the progress of any future developments;
  - In addition, 'partnership working' helps to manage development risks more effectively, by placing them on the party best positioned to bear them;
  - Extending the benefits of economies of scale;
  - Exclusivity would be given on sites which were approved by cabinet to be included within the programme, thereby allowing scope for the procurement of specific projects or for the outright disposal of land;
  - A commissioned arrangement would also have sufficient flexibility to accommodate the outsourcing of any related services e.g. property; facilities management and certain regulatory services;
  - A longer term relationship will not limit competition as development will be phased at a level which is within the capability of the small to medium enterprise (SME) market;
  - Smaller developments are highly likely to be sub-contracted by the developer or excluded from the programme and offered by the council directly to the SME market. (This will be discussed further with bidders during the procurement process);
  - And the relationship would not prevent development by other developers including affordable homes under section 106 provisions.
2. Given the benefits of adopting a strategic approach and on the basis of background factors (such as the results of the market consultation described in Appendix 2), it is clear the delivery model, approach, value and scope of the programme is key to the council securing the right developer and the achievement of its strategic objectives.

Table 1 summarises the key relationship models followed by further narrative detail on each.

**Table 1: Relationship (Delivery) Models: Degree of Integration between the Council and Developer**

	<b>Simplest Model: no integration</b>	<b>Land Disposal</b>	Council disposes of land on the open market. Not subject to EU procurement requirements.
	<b>Simple Model: low level of integration</b>	<b>Construction Contract</b>	Contractor commissioned to build homes to a specification drawn up by the council. Possibly subject to EU procurement depending on the value of contract or use of framework contractors.
	<b>Intermediate Model: moderate level of integration</b>	<b>Design and Build Contract (D&amp;B)</b>	Developer commissioned to design and build homes to meet the council's design brief / outcomes.
	<b>* Complex Model: high level of integration</b> (*Recommended Option)	<b>Commissioned Programme</b>	Commissioned development programme controlled by the council, including the provision of wider design and construction expertise. Potentially incorporating D&B, profit share (via a SPV) & revenue generating options.
	<b>Most Complex Model: full integration</b>	<b>Joint Venture Company</b>	Formation of a company which would be jointly owned and controlled by the council; the developer (and potentially any funder). Potentially incorporating D&B, profit share & revenue generating options.

3. **Land Disposal:** The council disposes of assets by sale on the open market. Whilst this provides the quickest receipt of capital, it does not provide for any revenue generation nor does it provide the council with control over developments (other than provided through the planning process). The sale of land to the highest bidder also does not focus on whether the development which raises the most capital is also the development which is most likely to meet housing needs and create a balanced, sustainable community and regeneration opportunities.
4. **Construction Contract:** Contractor engaged to build homes to a design brief drawn up by the council. This simple relationship relies heavily on council resource and expertise to design and oversee the development(s). This model is most often utilised for individually commissioned schemes of a size and scale and accessible to the SME market. However whilst procurement of contractors can be labour intensive, a construction framework could be established to minimise delays. A further caveat is that commercial funding may be more difficult to source and more expensive, plus there also may be a potential failure to capitalise on economies of scale. Further the delivery of strategic programme vision may be more difficult to deliver outside of a programme / strategic relationship.
5. **Design and Build Contract:** Developments designed by developer to meet the council's brief. This relationship recognises and utilises the expertise offered by the

developer (who also assumes more of the risk). Council resource and expertise are required to approve the design brief and oversee development (but less so than under a construction contract). Again this is more suitable for individually commissioned schemes and again this may increase costs; time taken; cause difficulties with obtaining commercial funding and fail to capitalise on economies of scale. As with a construction contract, the lack of 'partnership' working within a strategic programme framework is a cause for concern in ensuring delivery of the 'vision'.

6. **Commissioned Programme (Preferred Option):** the appointment of a developer to oversee delivery on all sites. This relationship further utilises the expertise offered by the developer (who further assumes more of the risk) and is likely to encourage a higher level of commitment and investment within a long term strategic relationship.
7. Plus this relationship could also include a wider range of services e.g. land assembly; feasibility studies (such as development masterplanning) and the sourcing of funding etc. The contract would also include a mechanism for sharing of increase in land value attributable to development of homes for private sale. The basis of this model is that the council provides the land and the developer develops the units. The council receiving a generated estimated land value, with further monies being realised via overage (should the costs of the development be less than estimated or sales revenues be higher than anticipated due to a change in market conditions for example).
8. This model could also include the potential to incorporate commercial revenue generating opportunities both in housing (such as the management of student accommodation and extra care) or more commercial opportunities such as car parks; retail and sporting facilities. Management could be outsourced; shared with the developer or managed by the council through an arms-length trading organisation such as Hoople Ltd.
9. Individual projects (and the progression of the programme) are overseen by a programme board (which features joint representation from the developer and the council). Under this model the council retains full control over the programme, as the programme board makes recommendations which are then approved by cabinet, as the decision making body<sup>1</sup>.
10. A small client team would need to be established by the council to manage the agreement. The council could also consider the establishment of a council officer working group (i.e. a housing programme group) to ensure that a co-ordinated approach is taken to feasibility investigations and due diligence.
11. Typically, the agreement would provide for a greater degree of council control over the development; faster scheme delivery (due to 'partnership' working); would receive a greater land value by virtue of the development and a share in decrease in development costs and land value increase due to market factors (overage), which it may not otherwise receive under the less integrated models.
12. Further, mechanisms could be established within the agreement by which the council could adopt a greater degree of development risk and therefore receive a greater proportion of the rewards for this. Developer profit would be determined from a 'fixed' maximum level set during the tender process. Generally, however the market showed a lesser degree of interest in this model compared to a JVco.<sup>2</sup>

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<sup>1</sup> A sample governance process diagram which sets out the process by which the programme could be governed is attached at appendix 7.

<sup>2</sup> Broadly because a number of contributors answered 'don't know' as the exact terms of the commissioned model will only be finalised post cabinet approval.

13. **Joint Venture Company (JVco):** Formation of a jointly owned and controlled company by the council and the developer (and potentially also any funder) in proportion to the levels of investment provided e.g. developer assumes commercial risk and the council would provide the land for development, via a transfer or ownership to the JVco. The JVco developer (JVco partner) would match the value of the land invested with capital to fund construction.
14. Under this model, control is shared with the JVco's executive board (featuring joint representation) taking programme and development decisions (however the council would have to authorise the addition of sites to the programme and approve funding (borrowing) commitments for example. The programme would be managed by JVco staff.
15. Again a JVco model would provide for a faster scheme delivery (due to formalised partnership working); would receive a greater land value by virtue of the development and a share in decrease in development costs and land value increase due to market factors (overage), which it may not otherwise receive under the less integrated models.
16. The JVco relationship is the most complex but receives a larger degree of support from the market on the basis that it maximises both developer and council expertise through 'shared aspirations, joint enterprise and control'. The JVco model can also be very commercially attractive to developers as typically the council assumes a higher degree of risk and makes a higher degree of commitment to the relationship with an expectation of receiving a greater level of financial return.

### **Options Consideration**

17. The nature of the various delivery vehicles (and access to funding) make some more suitable than others to accommodate the long term strategic scope of the land developments proposed within the Programme.
18. In particular, one of the key elements in selecting the most effective relationship will be the provision of funding by the developer / funder which would preclude the simplest relationships (i.e. construction and design and build contract), leaving only the options of a commissioned programme and a JVco.
19. Further these relationships both accommodate funding and the potential to realise profit from the council's investment of land for development.
20. In deciding between these models, the core difference between a JVco and a commissioned programme is the shared control (within a separate company) of the development programme between the developer (and any other parties such as 3<sup>rd</sup> party funders). Strategic decisions would normally be made by the JVco's partnership board (made up from council and other party shareholders, with control being held in proportion to the value of investment and commercial risk).
21. This is in comparison to a commissioned programme within which the council makes the key strategic decisions based on recommendations put forward (with the benefit of the advice and expertise of the developer) to the programme board. Whilst there are both council and partner representatives on the board, the chair (who typically would be a senior council officer would have the decisive vote).
22. Under a commissioned programme the council also has the option of retaining ownership of the land whilst construction takes place. And further for non-private market sale schemes, the council could also opt to fund or co-fund the construction stage. Any capital investment would be repaid on completion of the scheme and



replaced with commercial lending provision e.g. leaseback<sup>3</sup>, thereby allowing any investment to be 'recycled' to 'pump prime' successive developments. This has the potential to de-risk development and increase flexibility. Scheme borrowing costs can also be significantly reduced due to this short term funding of the development stage, which provides increased investment return and / or improves the viability of projects.

23. Whilst perceptions of the pros and cons of these models vary (with the market consultation attributing similar benefits and detriments) to both models, factors to consider broadly are:
- Whilst experiences vary, the establishment and management of a JVco can be complex, costly and time consuming, particularly in relation to senior management and executive officers. In comparison, a commissioned programme has the potential to underpin a start on site within 6 – 9 months of award with minimal set up costs, with much quicker receipt of capital returns as a result.
  - The extent of costs and time in establishing a JVco may prove to be disproportionate in relation to the extent of profit likely to be obtained by the council, as the extent of the council's landholdings which may be made available for development in the future is unclear. This may materially affect the level of market interest in the opportunity. A commissioned programme may provide a more flexible platform from which profits can still be realised, particularly if the land holding available for disposal is relative small and uncertain. A commissioned programme may also prove to more flexible in terms of the ability to accommodate the outsourcing of any future services.
24. Overall a commissioned programme offers similar benefits to a JVco but with a lower level of integration (in other words organisational change). In addition, as the key strategic drivers for the council are speed of development delivery; investment and project approach flexibility; council led management of the programme in accordance with council priorities and risk management, a commissioned approach would appear more appropriate. Further, in that as the full extent of the council's developable land holdings are not fully confirmed and that the council already has an arms-length trading organisation (through which any management services could be potentially delivered) the recommended model is a commissioned approach.

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<sup>3</sup> Leaseback funding is modelled so that lease payments are covered by predicted revenues to be received from the development e.g. rents, parking charges etc. less allowances for management costs; voids etc. In this way developments are 'self-financing or in other words 'washing their own face'.



16<sup>th</sup> June 2016

# **Herefordshire Council**

## **Development and Regeneration Programme**

Information Document 2

Indicative Competitive Dialogue Process Guide

Version (3)

(CDPG)

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## SECTION 1: Overview of the Process

### Part One: Process Outline

- 1.1 This document sets out the proposed competitive dialogue process (the Process) to be followed by the Council; however the Council reserves the right to: alter the timings and structure of any of the Stages within the Process at any time. In particular, Candidates should note that the Council reserves the right to terminate the Process and when appropriate, re-advertise the requirement for the Works in the event that an insufficient number of affordable; compliant and satisfactory responses are received to ensure best value and / or genuine competition.
- 1.2 The Process is planned to consist of the following process stages (Stages):
  - Pre-Qualification with the issue of a PQQ (Pre-Qualification Questionnaire);
  - Outline Solution with the issue of an Invitation to Submit a Outline Solution (ISOS) and the submission of a Detailed Solution (ISDS);
  - Final Tender, with the issue of a call to submit a Final Tender (CFT).
- 1.3 The purpose of the Process is to progressively develop a solution with Bidders that best meets the Council's requirements due to the technical, legal and financial complexity of the Programme. The aim of the Council is to run an effective and efficient Process that seeks to build the solution stage by stage (based around Commissioning Objectives) to minimise the time taken by the process and both Bidder and Council effort and costs.

## SECTION 2: Process Stages

### Stage One: Pre-Qualification Stage (PQS)

- 2.1 Full details of the procedure to be followed and evaluation guidance will be made available in Information Document 1: PQQ Guidance. The Council will be using the Crown Commercial Services Standardised Pre-qualification Questionnaire. Please follow the link below for details. (Please note that additional project questions will be included to assess Candidate's technical and professional ability. These questions will be scored by the Council to allow for the shortlisting of Candidates).  
<https://www.gov.uk/government/publications/public-contracts-regulations-2015-requirements-on-pre-qualification-questionnaires>
- 2.2 All Candidates will be debriefed on the relative merits of their Response. If any Candidates are not invited to submit a Outline Solution (be 'Participants') the Council may apply a voluntary standstill period of 10 days from the issue of debriefs before issuing the invitation to participate in the next stage. The Council's objective in applying this period is to improve transparency and ensure fairness and equal treatment, thereby protecting the interests of Candidates and the Council.
- 2.3 In particular, the application of the voluntary standstill period gives non-selected Candidates the opportunity to consider the reasons for their non-selection and if any areas of contention are identified, discuss these with the Council. This then allows the Council to consider any representations made and if these are agreed, rectify any issues with the evaluation before the next stage in the process is commenced. This being said it is hoped that the level of transparency contained within supporting documents will protect against any misunderstandings of requirements by Candidates and misapplication of criteria by the Council. Overall the application of a voluntary standstill period is thought to protect the interests of all.
- 2.4 This being said, the Council may choose not to apply a voluntary standstill period for example, if the application of a 10 day period would threaten the viability of Contract Award by early March 2017 or if all Candidates are invited to Participate in Dialogue.

## **Stage Two: Outline / Detailed Solution Stages (OS/DS)**

- 2.5 Participants selected to progress to the Outline Solution Stage will be issued with an Invitation to Submit an Outline Solution (ISOS). The OS stage enables dialogue to be held with each Participant. A timetable of meetings will be prepared which will ensure that each Participant spends an equal time in dialogue and has sufficient time to prepare their Solutions. The timetable will allow each Participant to prioritise resources and to invite advisers (and funders) to attend meetings as and when required.<sup>1</sup>
- 2.6 Following submission of Outline Solution Responses (OSRs), the dialogue will recommence and, formal written clarification questions may be issued to all Participants, as well as individual clarification questions being issued to each Participant as appropriate. Clarification meeting(s) may be held with each Participant to ensure clarity in the consideration of Outline Solutions and remove any ambiguity but the Council would seek to progress with alacrity.
- 2.7 OSRs will not be formally evaluated by the Council, but rather considered to ensure that they meet the Council's commissioning objectives. Given the limited timescales for the preparation of OSRs only details of the most material aspects of the Solution will be requested from Participants. Written feedback will be provided.
- 2.8 Based on the OSR consideration, the Council may refine the Invitation to Participate in Dialogue (ITPD), however the aim will be to limit any amendments to the documents and request Detailed Solution Responses (DSRs) (as far as possible), to the same requirements as set out within the OS documents. DSRs will then be formally evaluated. Participants will be invited to submit a Final Tender (FT) based on the evaluation of their DSRs.
- 2.9 The Council reserves the right not to invite all Participants to submit FTs. Should any Participant not be requested to submit a FT, the Council may apply a voluntary standstill period as per the process outlined at PQQ Stage (again protecting commercial confidentiality). All Participants will be debriefed on their DSRs.

## **Stage Four: Call for Final Tenders Stage (CFT)**

- 2.9 Participants called to submit FTs (Tenderers), will have the opportunity for limited clarification of the requirements of the FT (to ensure compliance) prior to the deadline for submission.
- 2.10 Following evaluation of FTs, a Preferred Bidder will be identified subject to the approval of the Project Team's recommendation to the Council's Cabinet. The Council also reserves the right to identify a Reserve Bidder and will request that the FT from that Bidder remain on offer for a specified period of time. The Reserve Bidder will be expected to attend meetings with the Council until the specified period of time has elapsed.
- 2.11 A final business case will then be prepared for submission to the Council's Cabinet's to seek approval to award the contract. The name of the Preferred Bidder will not be disclosed until the approval by Cabinet of the award of the contract.

## **Stage Five: Contract Award**

- 2.12 Following approval to award the contract, the Council will debrief Tenderers and issue an intention to award letter. The mandatory 10 day standstill period will then be applied prior to the award of the Contract. The Preferred Bidder will also be asked to confirm its tender commitments.

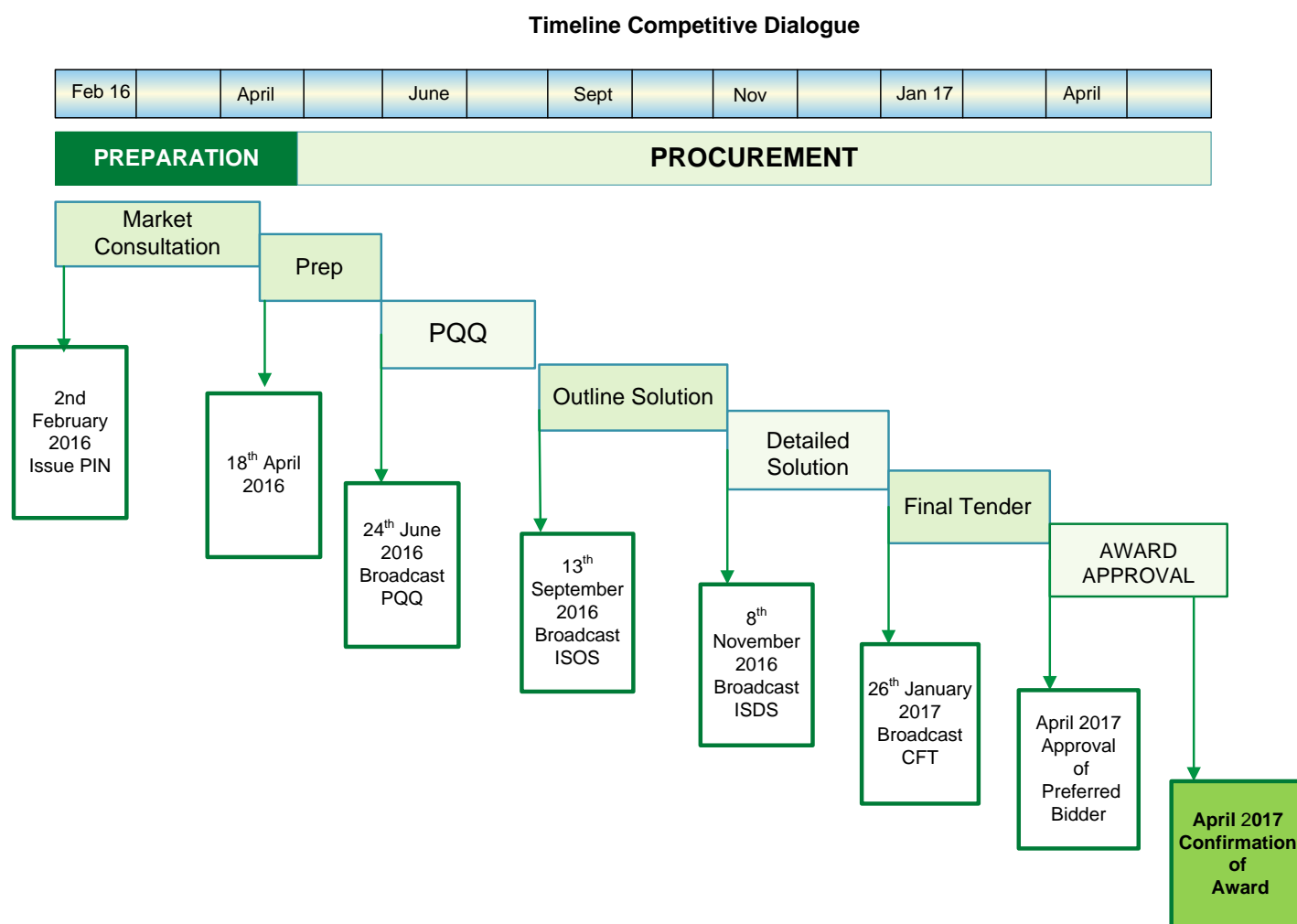
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<sup>1</sup> Whilst Participant's number of dialogue attendees will be limited to 8, Participants may rotate personnel during the course of the session. For example, a Participant may choose to bring 11 attendees, having a maximum of 8 in the dialogue room ('on the pitch') at any one time, with the 3 remaining attendees being outside the room ('on the bench'), thereby ready to be substituted as the dialogue demands. In providing this discretion to Participants, the Council would ask Participants to be reasonable and not to bring attendees in 'by the bus load'. (Plus to add, that from a commissioning perspective, strength of numbers and therefore a high frequency of substitution does not always equate to increased clarity or consistency during dialogue sessions).

## SECTION 3: Process Timetable

3.1 The table below outlines the proposed timetable for the Process. Candidates should be aware that the Tender Process will involve their attendance at various meetings at Council offices and at other venues within Herefordshire such as for site visits. Meetings are likely to consist of Q&A Sessions (the opportunity to put questions to Council Officers); Dialogue Meeting(s); Presentation(s) and Interview(s). The attendance of Council representatives on a Site Visit to the Candidate's premises may also be required. Advance notice will be given of any meeting requirements at the commencement of each Stage of the Process. Candidates should ensure they will be available to attend any meetings as notified.

3.2 An indicative timeline is shown below.



3.3 Indicative process timings are shown on the following page. As outlined at Section 2 above, Candidates should note that 10 day voluntary standstill periods have been included at any point in the process at which debriefs will be provided and that these voluntary standstill periods may not be applied.

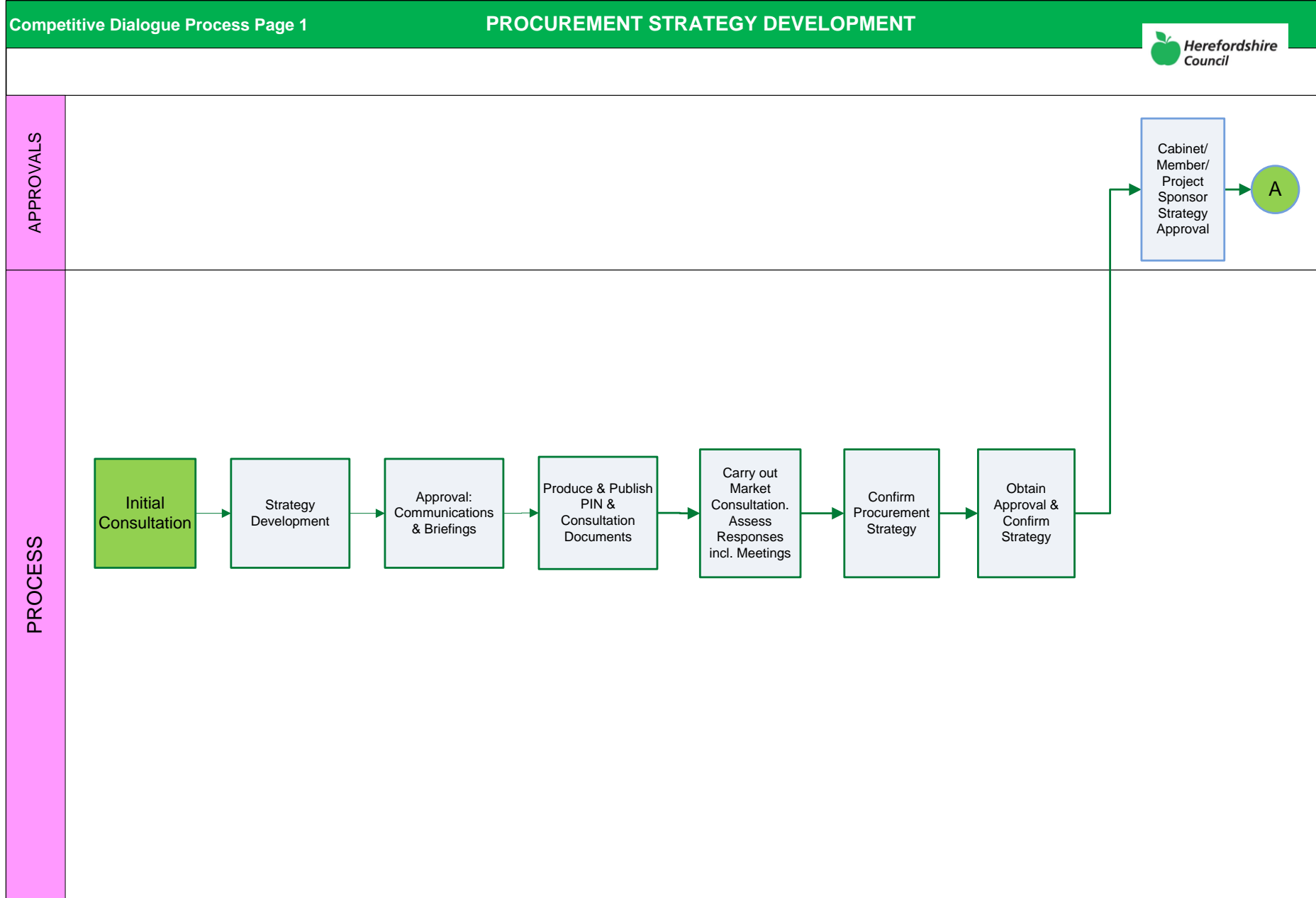
3.4 As a result, the timings of all post Pre-Qualification Stages should be best viewed as indicative only. Should it be necessary for the Council to alter the structure and timings of any of the stages within the Tender Process, the Council will endeavour to provide Candidates with as much notice as possible.

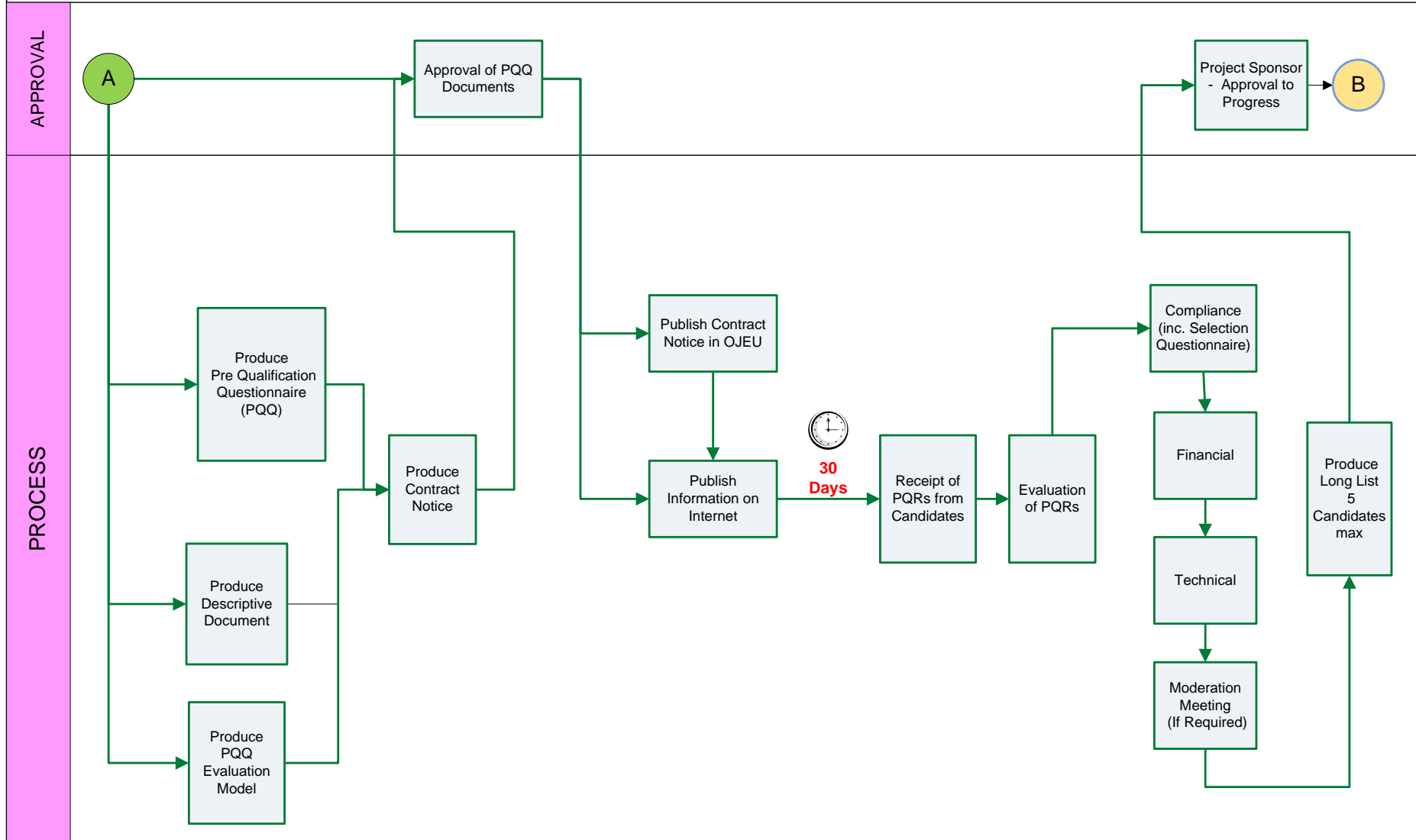
3.5 Should any Candidate identify any issues with any of the Stages of the proposed timetable, such as errors or omissions, they should notify the Council immediately so that any issues can be rectified.

**DEVELOPMENT & REGENERATION PARTNERSHIP  
INDICATIVE COMPETITIVE DIALOGUE TIMETABLE**

STAGE	ANTICIPATED DATES
PIN Sent for Publication in OJEU	28 <sup>th</sup> January 2016
<b>Market Consultation Documents Available</b>	<b>Documents available no earlier than 12:00 noon 2<sup>nd</sup> February 2016</b>
Consultation Appointments Available	18 <sup>th</sup> February – 15 <sup>th</sup> March 2016
<b>Closing date for return of Market Consultation Survey</b>	<b>24<sup>th</sup> March 2016 12:00 noon</b>
Market Consultation Feedback Summary Available	Onwards from w/c 18 <sup>th</sup> April 2016
Confirmation of Procurement Strategy. Approval of strategy at Cabinet Meeting 16 <sup>th</sup> June plus 3 working day call-in period.	18 <sup>th</sup> April – 18 <sup>th</sup> May 2016
Contract Notice Sent for Publication in OJEU	(Anticipated) 22 <sup>nd</sup> June 2016
<b>PQQ Documents Available</b>	<b>Documents available on no earlier than 12:00 noon on the 24<sup>th</sup> June 2016</b>
Clarification Period Closes	14 <sup>th</sup> July 2016 12:00 noon
Clarification Answers Published By:	21 <sup>st</sup> July 2016
<b>Closing date for return of PQQ</b>	<b>28<sup>th</sup> July 2016 12:00 noon</b>
Confirm Candidates to be Invited to Submit Outline Solutions: Debrief during voluntary standstill (meetings to be held w/c 5 <sup>th</sup> September). Standstill period to close midnight on 12 <sup>th</sup> September. <b>(From this point onward dates are indicative only.)</b>	19 <sup>th</sup> August 2016
<b>Broadcast ISOS</b>	13 <sup>th</sup> September 2016
Hold 1 <sup>st</sup> Round OS Dialogue Appointments (1 per Participant)	19 <sup>th</sup> September 2016
Hold 2 <sup>nd</sup> Round OS Dialogue Appointments (1 per Participant)	3 <sup>rd</sup> October 2016
Clarification Period Closes	12 <sup>th</sup> October 2016
Clarification Answers Published By:	18 <sup>th</sup> October 2016
<b>Closing date for submission of Outline Solution</b>	<b>24<sup>th</sup> October 2016 12:00 noon</b>
<b>Written debrief &amp; Broadcast ISDS</b>	8 <sup>th</sup> November 2016
Hold 1 <sup>st</sup> Round DS Dialogue Appointments (1 per Participant)	14 <sup>th</sup> November 2016
Hold 2 <sup>nd</sup> Round DS Dialogue Appointments (1 per Participant)	28 <sup>th</sup> November 2016 12:00 noon
Clarification Period Closes	7 <sup>th</sup> December 2016
Clarification Answers Published By:	13 <sup>th</sup> December 2016
<b>Closing date for submission of Detailed Solution</b>	<b>21<sup>st</sup> December 2016 12:00 noon</b>
Confirm Participants to be Invited to Submit Final Tenders: Debrief (via teleconferences / meetings) during Voluntary Standstill	13 <sup>th</sup> January 2017
Potential to return to cabinet if approval required to commission any aspects of the FT	19 <sup>th</sup> January 2017
<b>Broadcast CFT</b>	26 <sup>th</sup> January 2017 12:00 noon
Clarification Teleconferences (1 per Participant)	1 <sup>st</sup> February 2017
Clarification Period Closes	9 <sup>th</sup> February 2017
Clarification Answers Published By:	15 <sup>th</sup> February 2017
<b>Closing date for submission of Final Tender</b>	<b>22<sup>nd</sup> February 2017 12:00 noon</b>
Intention to Award Approval at 6 <sup>th</sup> April 2017 Cabinet Meeting plus 3 working day call-in period.	6 <sup>th</sup> April 2017 – 13 <sup>th</sup> April 2017
<b>Issue of Intention to Award &amp; Start of Mandatory Standstill Period</b>	13 <sup>th</sup> April 2017
<b>Confirmation of Intention to Award of Contract</b> (Contract Implementation onwards from 8 <sup>th</sup> March 2017)	<b>25<sup>th</sup> April 2017</b>

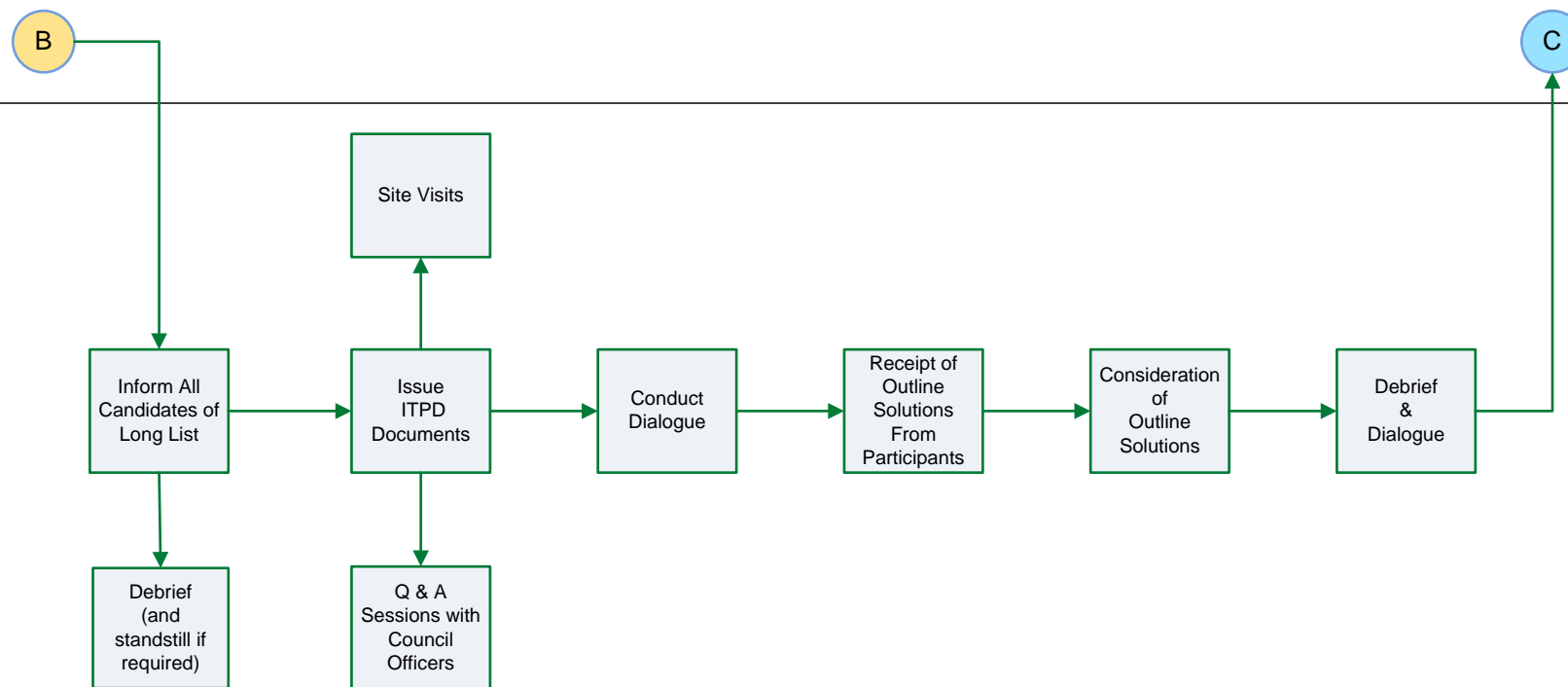


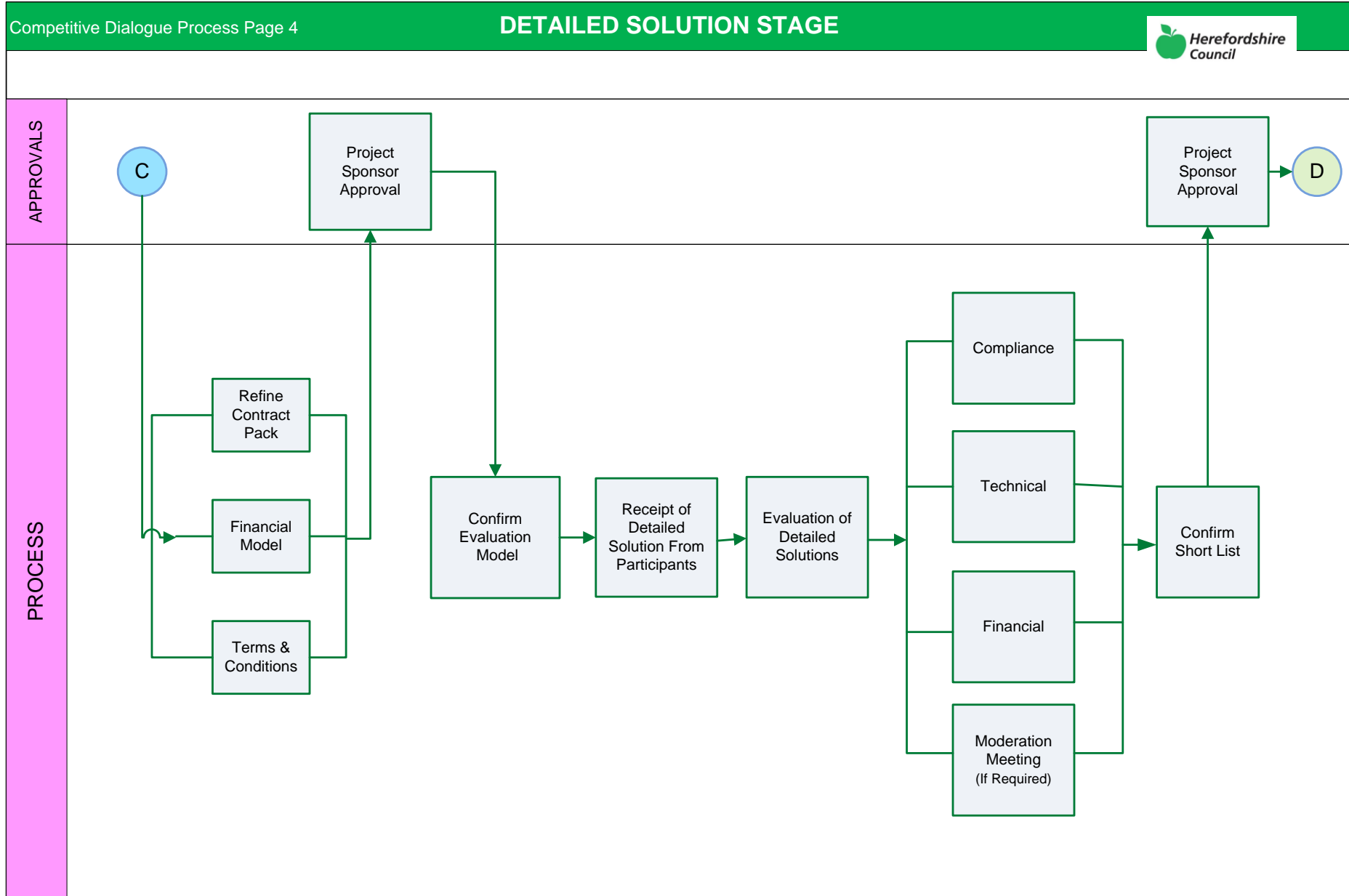




APPROVALS

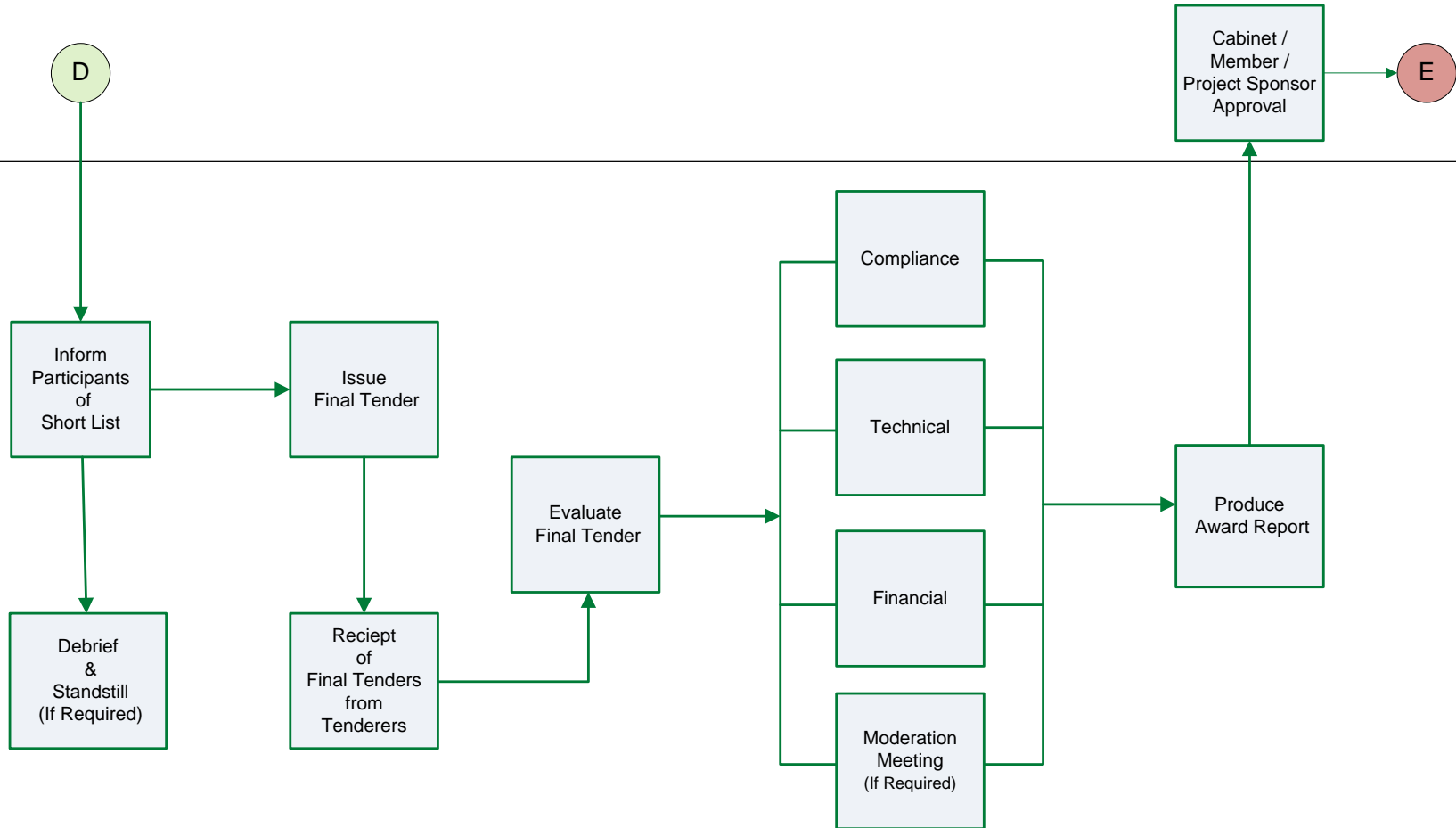
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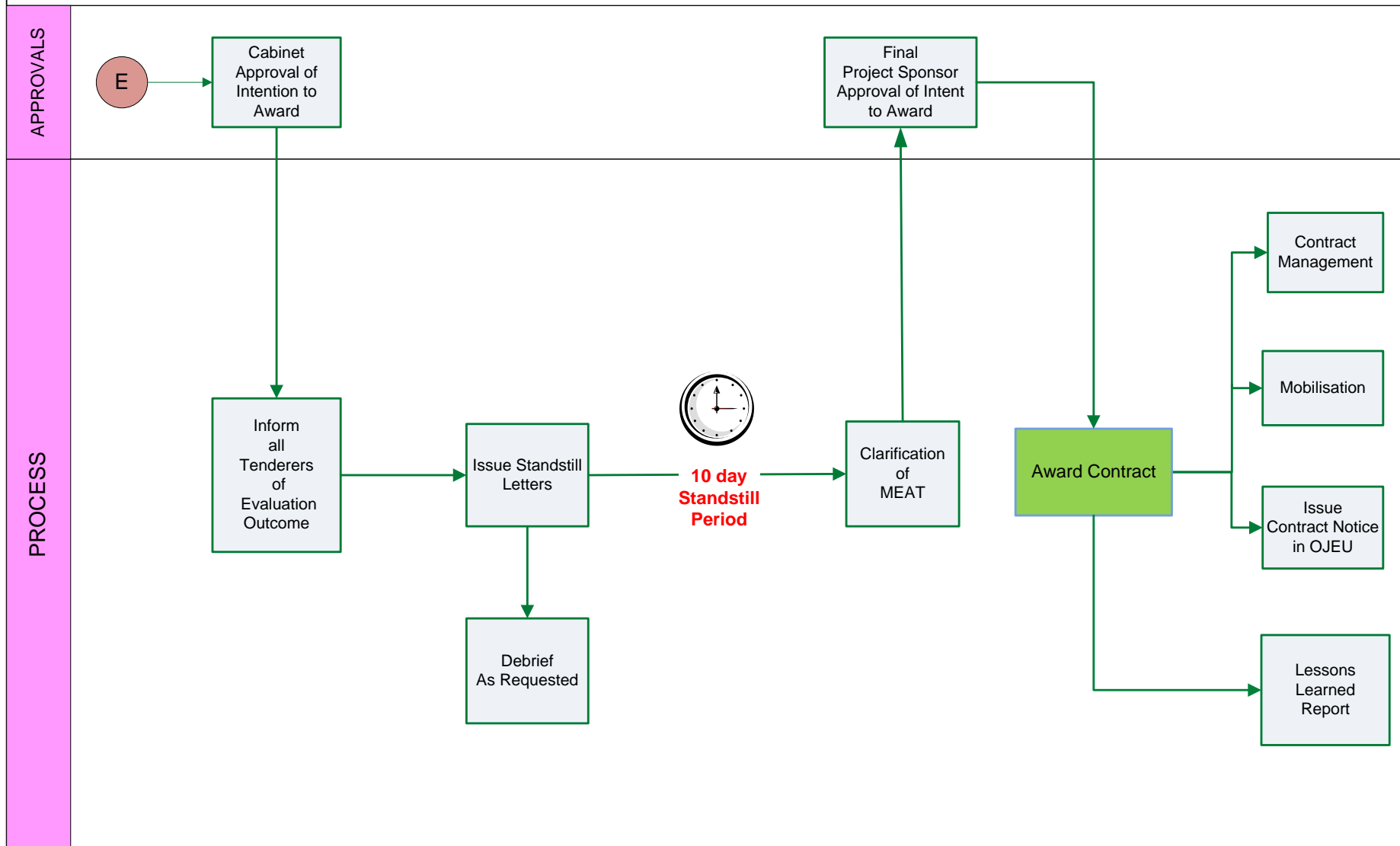




APPROVALS

PROCESS





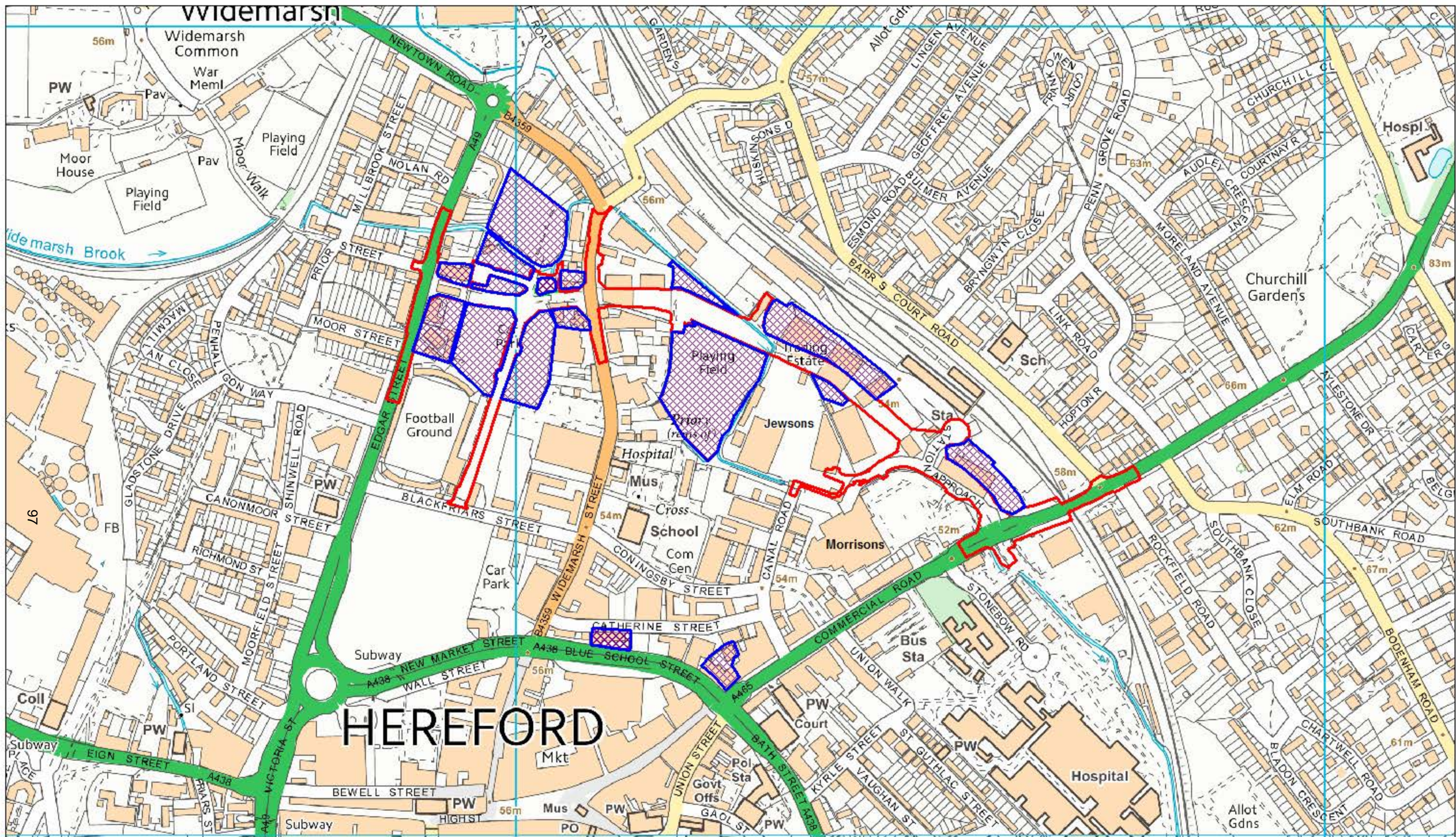
### Appendix 5: Sample Council Land Holdings

Development site	Site area (approx).
Merton Meadow south east	1.44 acres
Station Approach	0.78 acres
Other Future Urban Village	10 acres t.b.c.
Bromyard land and paddock	1.79 acres
Holme Lacy land	1.96 acres
Three Elms Trading Estate	7.81 acres
Hildersley, Ross on Wye	6.6 acres
Broadlands land & paddock	5.4 acres
Corporation Farm	15.96 acres
Hospital Farm	41 acres

Vhs

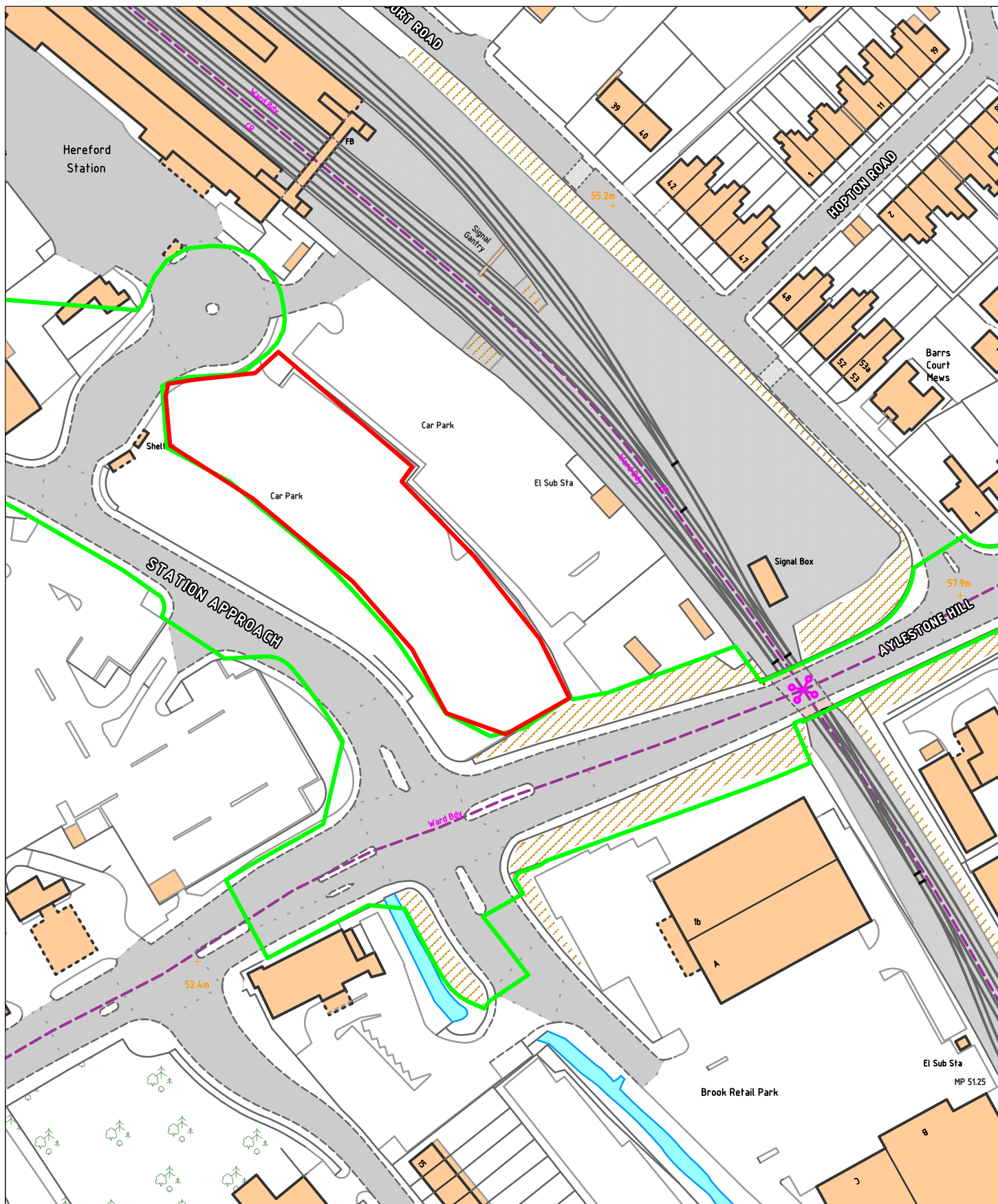




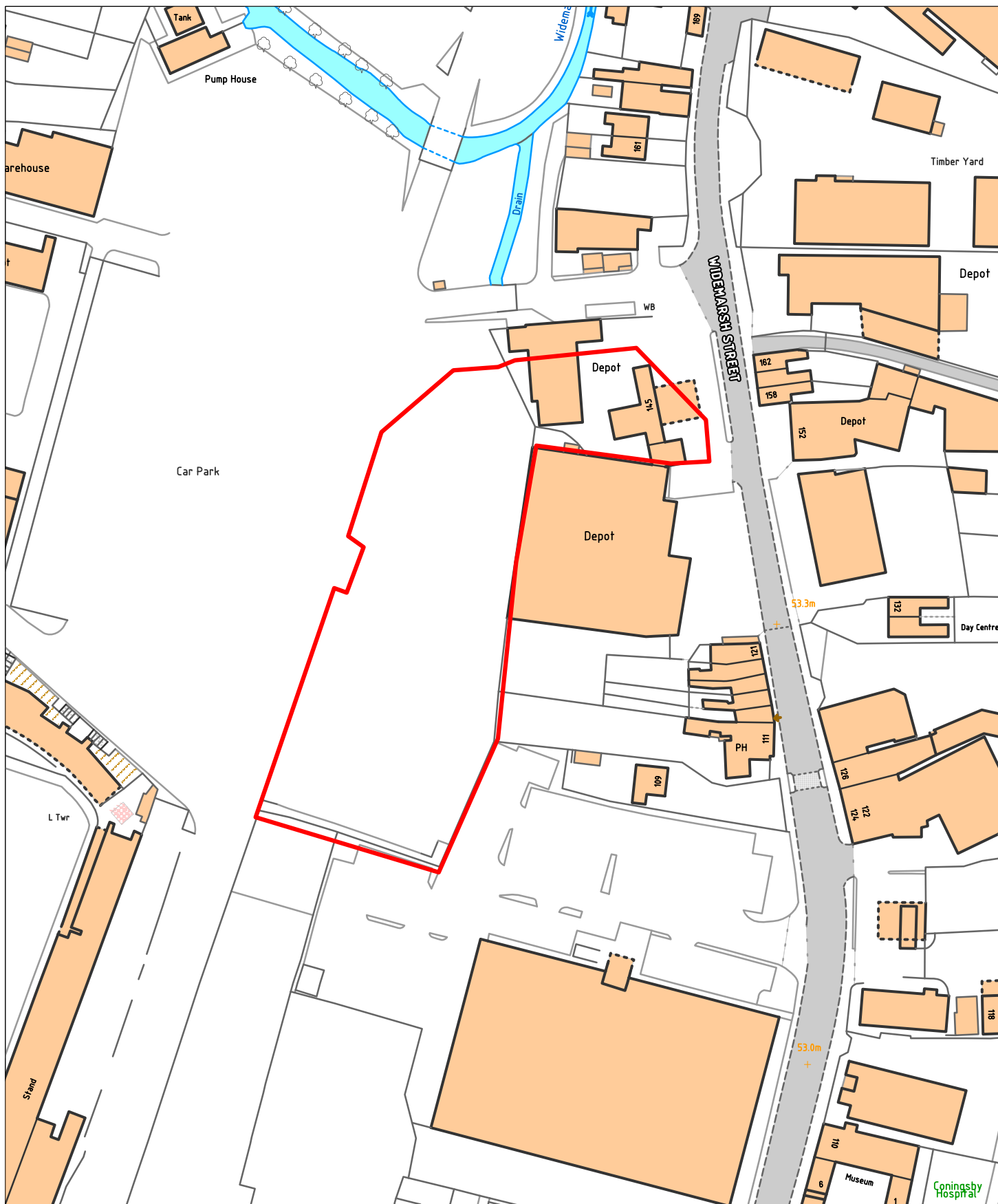












## LOCATION PLAN - Meron Meadow South land

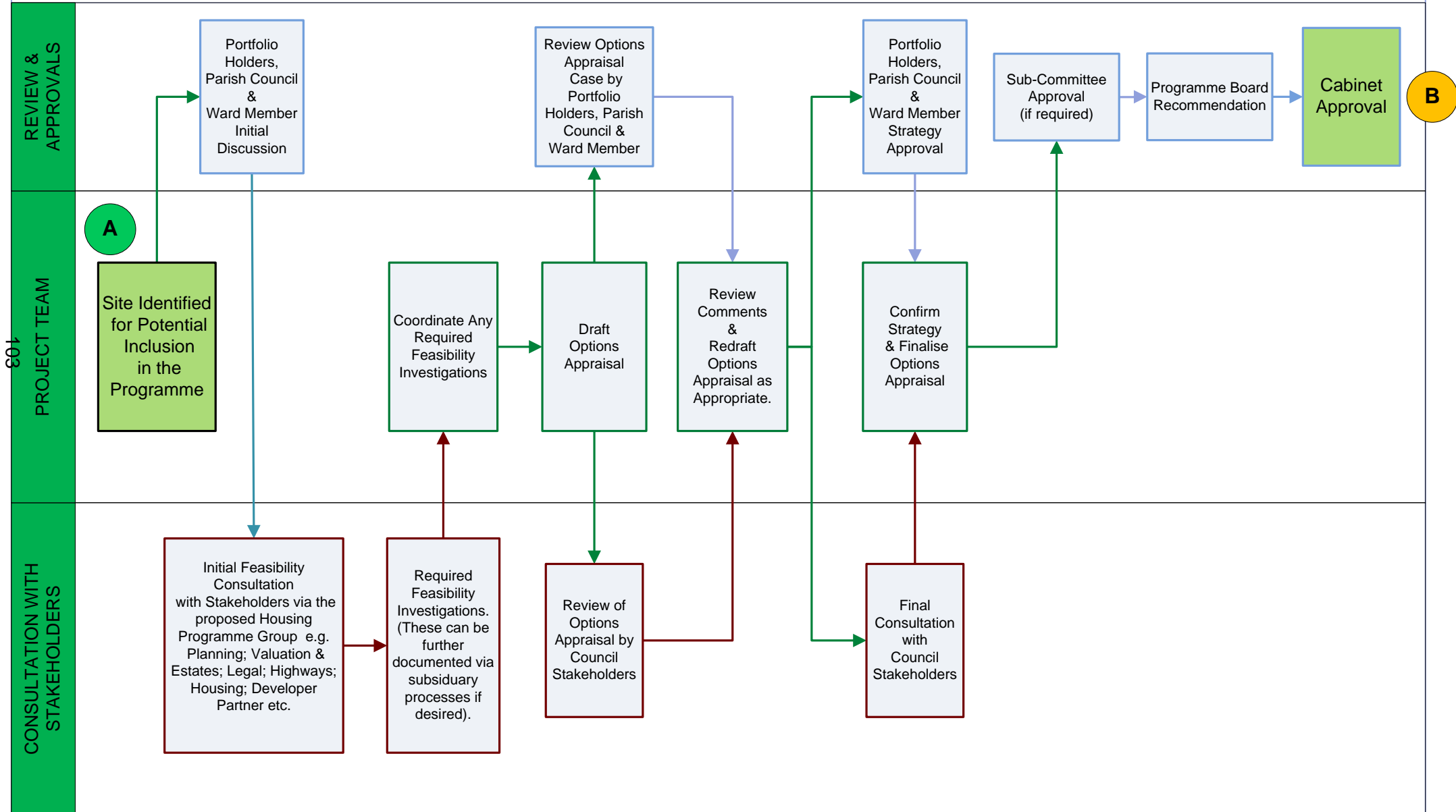
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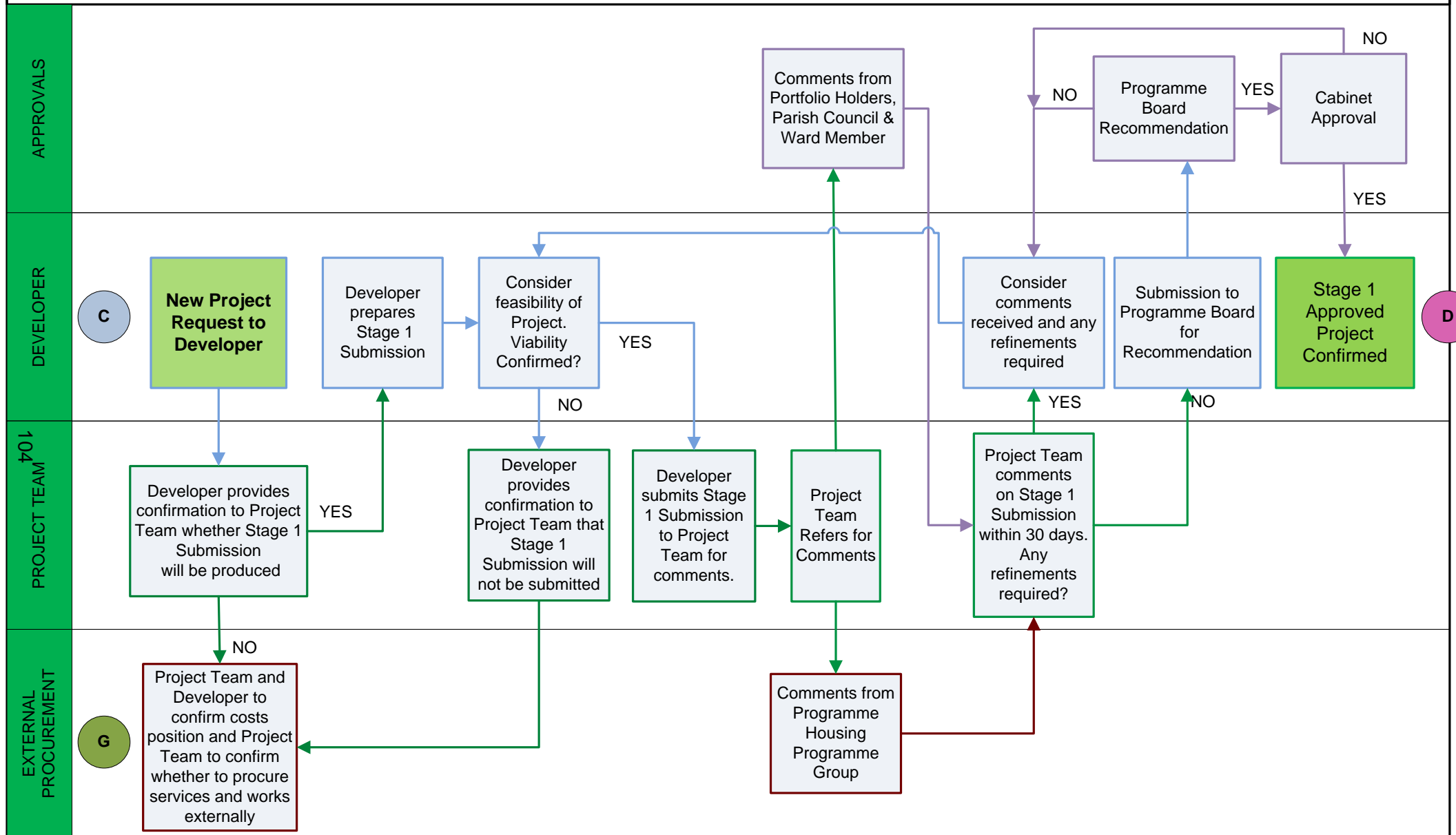
Herefordshire Council, Asset Management, PO Box 4, Hereford HR4 0XH [propertyinformation@herefordshire.gov.uk](mailto:propertyinformation@herefordshire.gov.uk)



# Stage Zero - Site Approval Process for Inclusion in the Development Partnership Programme

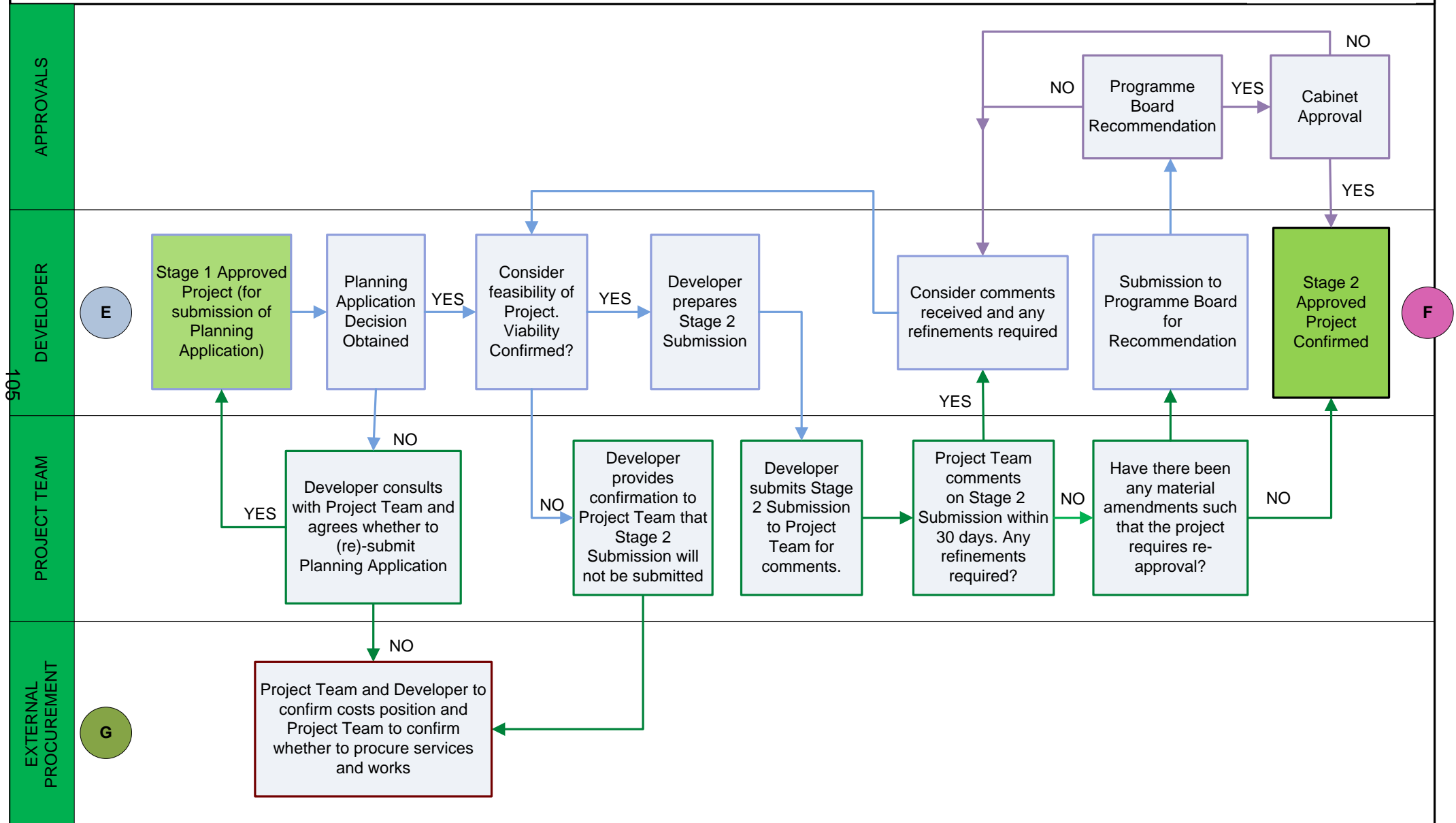


# Stage One - Project Approval Process (Preliminary Appraisal)





## Stage Two - Project Approval Process (Detailed Appraisal)





<b>Appendix 8 : Sources of Funding</b>	
<b>Funding Types / Revenue Streams</b>	<b>Description</b>
<b>Capital Receipts</b>	Market sale of land or assets.
<b>External funding e.g. grants &amp; pension fund investment</b>	Investments provided for specific projects / purposes.
<b>Revenue Streams</b>	Re-investment of revenue streams created by the programme such as from council tax; parking income and rents to fund up front development costs.
<b>Prudential Borrowing</b>	Council borrows within agreed limits and repays with interest (typically at a cheaper rate than commercial lending.)
<b>Prudential Borrowing / Capital Investment Hybrid</b>	Council borrows prudentially within agreed limits and repays with interest or invests capital to fund the construction phase and this is repaid by commercial lending.
<b>Gifted Units / Section 106 / CIL</b>	Developer builds units as part of a private development and gifts units. These could be managed via a third party; by an SPV or an arms length trading organisation such as Hoople Ltd.
<b>Sale and lease-back</b>	<p>Primarily suitable for managed facilities which generate revenue streams such as affordable rented; student accommodation and extra care. Also may be suitable for commercial opportunities such as car parks etc. Developer or the council provides funding to build units which would be managed via a third party; an SPV or an arms length trading organisation e.g. Hoople Ltd.</p> <p>On completion, the funder purchases units and recoups development/lending costs by leasing the units back to the council (who would then repay / recoup development costs). Council lease costs are met via rent receipts. Ownership usually transfers back to the council for a nominal fee at the end of the lease.</p>
<b>Buy-back</b>	Developer provides funding and builds units. Developer retains ownership of units and could manage or a third party or an arms length trading organisation could manage the units. The Council would have the option to purchase the units after end of an agreed flexible term (say up to 20 years).
<b>Development Agreement</b>	Council invests land and developer funds and builds units for a fixed rate of profit. Council recoups land value from sales revenue (after all costs and developer's profit deducted), plus a share in any overage.
<b>Provision of land for development (deferred payment)</b>	Council provides land for development and developer funds and builds units. Payment for land can be under a deferred payment system (rather from a share in sales revenue as per the development agreement above).
<b>Provision of land for development (profit share)</b>	Council provides land and developer provides funding (often matching the land value invested). Developer and the council split profits proportionately to the contribution made (as each party bears an equal development risk). This can be on a 'partnership' or on a project by project basis.
<b>Shared Ownership</b>	Home buyer purchases a share in a new home paying rent on the remaining, unsold share. This unsold share is owned by the provider of the shared ownership scheme (housing association).
<b>Rent to Buy</b>	Developer provides funding and builds homes for rent. Tenant occupies on a rent to buy basis (saving for a deposit as a proportion of payments made). Management agent would manage units and retain a % of the rental. Council does not at any point own the homes.



<b>Appendix 9: Risk and Responses</b>	
<b>RISK</b>	<b>RESPONSE</b>
There is insufficient interest from the market to ensure a competitive procurement process.	The council has conducted soft market testing with potential partner organisation and will design the offer to be based on the council's requirements and feedback received from potential bidders to maximise competition.
The procurement does not identify a suitable partner or the partner proves to be unsuitable.	The procurement will be designed with appropriate criteria to allow us to identify a partner that will deliver the council's objectives; the contract will be designed with suitable break clauses to allow the council to react in the event of unacceptable level of delivery.
Bidders may withdraw from the process reducing the level of competition.	Keeping time commitments (staying on plan) and being consistent and clear about the process and its objectives will minimise this risk. The project management will focus on avoiding these potential issues.  In addition, the intention to invite four bidders to participate in dialogue (whilst reserving the right to short-list at final tender stage) should guard against insufficient competition in the event of bidder withdrawal.
The procurement costs exceed the allocated budget.	The project will be tightly managed. The most likely reasons for cost overrun are changing requirements and milestone slippage. The project management will focus on avoiding these potential issues. The relevant Cabinet members and senior council officers will be kept fully informed of progress and given advanced warning of the timetable for the procurement and any associated decisions.
The procurement process is subject to successful challenge.	The procurement will follow the proscribed EU competitive dialogue process; this will be managed and controlled in cooperation with the council's commercial services team within its legal department; the council has procured professional procurement support and advice from an advisor with recent experience of implementing a similar partnership at another council.
The procurement identifies that the benefits expected by the council cannot be delivered.	The use of the competitive dialogue process allows for the co-development of approaches designed to ensure delivery of benefits.  The scope of the project will be widely defined within the contract notice (to allow for any changes in approach required to deliver benefits).  Allowance has been within the timetable for a return to cabinet for approval of the scope of the final tender (i.e. on development and funding approaches) to ensure that the commissioned programmes.
Planning and other complexity make it difficult to identify developable sites to include in the programme.	The project team will be clear about the requirements for the development partnership and the implications of any commitments or constraints on potential sites. We will work closely with other strategic projects and planning in order to identify and work around any issues.

RISK	RESPONSE
The partnership does not allow the council to meet its strategic planning targets because insufficient developable sites are identified	The project team (and the development partner once acquired) will work closely with planning to ensure that the programme identifies and releases sufficient developable sites.
The announcement of the development partnership prompts concern from council partners; stakeholders and residents etc.	<p>The council is developing wider consultation information and an approach to communications that will develop understanding and guide debate.</p> <p>The project manager and programme manager for housing and growth will put in place specific plans to manage existing relationships.</p>