

Agenda

Adults and wellbeing scrutiny committee

Date: **Monday 4 February 2019**

Time: **10.00 am**

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

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

For any further information please contact:

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Agenda for the meeting of the Adults and wellbeing scrutiny committee

Membership

Chairperson **Councillor PA Andrews**
Vice-Chairperson **Councillor J Stone**

Councillor MJK Cooper
Councillor PE Crockett
Councillor CA Gandy
Councillor JA Hyde
Councillor D Summers

Agenda

Pages

- 1. APOLOGIES FOR ABSENCE**
To receive apologies for absence.
- 2. NAMED SUBSTITUTES (IF ANY)**
To receive details of any member nominated to attend the meeting in place of a member of the committee.
- 3. DECLARATIONS OF INTEREST**
To receive any declarations of interests in respect of schedule 1, schedule 2 or other interests from members of the committee in respect of items on the agenda.
- 4. MINUTES**
The draft minutes of the meeting held on 29 January 2019 will be presented to the next scheduled meeting on 5 March 2019.
- 5. QUESTIONS FROM MEMBERS OF THE PUBLIC**
To receive any written questions from members of the public.
For details of how to ask a question at a public meeting, please see:
www.herefordshire.gov.uk/getinvolved
The deadline for the receipt of a question from a member of the public is Tuesday 29 January 2019 at 5.00 pm.
To submit a question, please email councillorservices@herefordshire.gov.uk
- 6. QUESTIONS FROM COUNCILLORS**
To receive any written questions from councillors.
The deadline for the receipt of a question from a councillor is Tuesday 29 January 2019 at 5.00 pm.
To submit a question, please email councillorservices@herefordshire.gov.uk
- 7. ALTERNATIVE BUDGET PROPOSAL 2019-20**
Council is required by law to set a balanced budget every year. It is the responsibility of the executive to formulate the documents that form the budget and policy framework of the council and recommend them to Council. The budget provides details of expenditure on local services in the forthcoming municipal year and the forms of income upon which the council relies to provide those services.
Alternative budget proposals have been submitted by the It's Our County Group. A copy of the alternative budget to be proposed as an amendment to the substantive budget proposal, and the chief finance officer's statement are attached. The committee is asked to inform and support the process for Council consideration of the proposals by providing constructive challenge and make recommendations and other appropriate comments to the It's Our County Group, and which will be reported to Council.

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Protocol for alternative budgets

The council's constitution requires that where an alternative budget is being proposed:

- The proposing group or member must present their proposals to the scrutiny committees. The scrutiny committee will receive a presentation from the proposing group or member setting out the proposals in the alternative budget. The presentation from the It's Our County Group is provided in the papers for this meeting.
- The scrutiny committee may make recommendations or other appropriate comments to the proposing group or member. The recommendations of the scrutiny committee to the It's Our County Group will be attached to the alternative budget presented to the budget meeting of full Council.
- Members proposing amendments to budget proposals must have consulted with the relevant director(s) to determine the context and possible consequences of the proposal.
- The chief finance officer must have provided confirmation that the alternative budget meets statutory requirements. The chief finance officer's statement is provided in the papers for this meeting.

8. DATE OF NEXT MEETING

The next scheduled meeting is Tuesday 5 March 2019 at 10.00am.

The public's rights to information and attendance at meetings

You have a right to:

- Attend all council, cabinet, committee and sub-committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the council and all committees and sub-committees and written statements of decisions taken by the cabinet or individual cabinet members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting (a list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all councillors with details of the membership of cabinet and of all committees and sub-committees. Information about councillors is available at www.herefordshire.gov.uk/councillors
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the council, cabinet, committees and sub-committees. Agenda and reports (relating to items to be considered in public) are available at www.herefordshire.gov.uk/meetings
- Have access to a list specifying those powers on which the council have delegated decision making to their officers identifying the officers concerned by title. The council's constitution is available at www.herefordshire.gov.uk/constitution
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50 for postage).
- Access to this summary of your rights as members of the public to attend meetings of the council, cabinet, committees and sub-committees and to inspect and copy documents.

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Attending a meeting

Please note that the Shire Hall in Hereford, where the meeting is usually held, is where Hereford Crown Court is located also. For security reasons, all people entering the Shire Hall when the court is in operation will be subject to a search by court staff. Please allow time for this in planning your attendance at a meeting.

Recording of this meeting

Anyone is welcome to record public meetings of the council using whatever, nondisruptive, methods they think are suitable. Please note that the chairperson has the discretion to halt any recording for a number of reasons including disruption caused by the recording, or the nature of the business being conducted. Recording should end when the meeting ends, if the meeting is adjourned, or if the public and press are excluded in accordance with lawful requirements.

Anyone filming a meeting is asked to focus only on those participating actively.

If, as a member of the public, you do not wish to be filmed or photographed please let the democratic services officer know before the meeting starts so that anyone who intends filming or photographing the meeting can be made aware.

The reporting of meetings is subject to the law and it is the responsibility of those doing the reporting to ensure that they comply.

The council is making an audio recording of this public meeting. These recordings are made available for members of the public via the council's website unless technical issues prevent this. To listen live or to hear the entire recording once the meeting has finished navigate to the page for the meeting and click the larger blue arrow at the top of the agenda. To listen to an individual agenda item click the small blue arrow against that agenda item.

Fire and emergency evacuation procedure

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You should vacate the building in an orderly manner through the nearest available fire exit and make your way to the fire assembly point in the Shire Hall car park.

Please do not allow any items of clothing, etc. to obstruct any of the exits.

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

The chairperson or an attendee at the meeting must take the signing in sheet so it can be checked when everyone is at the fire assembly point.

ALTERNATIVE BUDGET PROPOSAL 2019-20

1. OVERVIEW

Themes: Prosperity – Wellbeing - Sustainability

1.1. This alternative budget is produced using the following framework of **principles and priorities**:

- Herefordshire is different and special. It is the only truly rural county in England. We need to apply a sympathetic and sensitive approach to the county's stewardship.
- Community is key. Providing the support and funding to help people to help themselves keeps communities strong and builds resilience.
- The council must recognise and provide leadership in its response to global and local trends in environmental and demographic pressures
- This council represents the whole of Herefordshire. Our city and market town parish councils, and the parishes within each of their immediate localities, are an important network of partners for maintaining and growing a strong and sustainable Herefordshire.

1.2. As regards the **Revenue Budget**:

- For financial year 2019-20 we shall work within the funding envelope of the Administration's draft budget to deliver a prudent but re-prioritised work programme.
- This budget has been developed in conjunction with other opposition and outside stakeholder groups who have worked co-operatively with It's Our County.
- We support those aspects of the Administration's budget which work with and build upon the strengths of Herefordshire.
- We also support those aspects which follow best practice guidance and are underpinned by sound evidence.
- Given the constraints on us as regards to time and access to resource during this budgeting process, we have not made amendments to the base budgets as proposed for each Directorate by the Administration.

1.3. As regards the **Capital Programme**:

- For financial year 2019-20 we shall work within the funding envelope of the Administration's draft budget to deliver a prudent but re-prioritised work programme.

1.4. We wish to signal our preference for a number of material changes in policy direction and priority which we would wish to implement with effect from May 2019.

1.5. We also wish to make clear to the people of Herefordshire that we believe this alternative budget represents a more sustainable and sympathetic balance of plans and policies for Herefordshire and the people who live here and the budget proposed by the Administration.

1.6. **Council Tax for 2019/20** – We support the Administration's proposal to increase

council tax charges by 4.9%, inclusive of a 2% adult social care precept and the commitment to deliver savings of £3.9m.

- 1.7. However, we are disappointed that, once again, the public consultation feedback received regarding budget priorities has not been fully taken into account.

2. INCOME SOURCES

- 2.1. The scope to produce a detailed alternative budget while in opposition is limited by our own ability, as councillors, to access and interpret detailed information within the timescales required by the budgeting process and the scrutiny requirements as determined by the Council's Constitution.
- 2.2. Consequently, we have proposed investments in improving the resilience and sustainability of communities and council services, and changes in spending priority in 2019/20 whilst retaining the base budgets of the Directorates at the levels already proposed by the Administration.
- 2.3. Our investments are funded by monies from the following sources:

Additional Income 2019-20	£000
RSD Grant	1,008
Business Rates	493
Council Tax Base	343
New Homes Bonus	147
RSG	4
ASC Grant	5
Total	2,000

3. ECONOMY AND PLACE DIRECTORATE

Planning

- 3.1. **Core Strategy:** Over the last 12 years of this Administration, the council has failed to deliver on its targets for growth in house building. As a consequence, the county is unable to demonstrate a 5-year housing land supply and communities across Herefordshire are being subjected to applications for unplanned housing from developers.
- 3.2. We propose to invest **£250k** in strategic planning resource to bring forward the revision of the council's Core Strategy/Local Plan to start immediately after the local government elections in May 2019.
- 3.3. This revision will include:
- Achieving a more equitable balance of investment in community infrastructure between the city, market towns and growth villages.
 - Ensuring that suitably sized employment sites are both deliverable and delivered in each of the market towns.
 - Reducing the 2011-2031 housing target for Herefordshire to align with the growth target which was assessed by government in 2015 – or with the imminent new target expected to be still lower - as delivering appropriately

proportionate growth for the county.

- 3.4. Additionally, we are keen that this Council begins to work in genuine partnership with Hereford City Council on the city's transport and planning issues. To this end this alternative budget proposes to invest **£100k** in 2019 to commence the work needed to identify and **save a land corridor to retain the option for an eastern city river crossing** to be built in the future.
- 3.5. We will **increase and accelerate the delivery of affordable and social housing** in Herefordshire. To do this we shall use the Keepmoat strategic development partnership to implement an approach to housebuilding which echoes, but also takes the lessons learned from, the approach taken since 2011 by the Sheffield Housing Company – a partnership between Sheffield City Council and Keepmoat which builds high build quality, sustainable, spacious, energy-efficient, accessible social/affordable housing
[\[www.sheffieldhousingcompany.co.uk/home/quality_assured\]](http://www.sheffieldhousingcompany.co.uk/home/quality_assured)
- 3.6. Housing built through this partnership on publicly owned land will deliver a significantly greater percentage of affordable/social housing than is given as the target in the Place Shaping Policies of the Core Strategy relevant to each development.
- 3.7. We propose that the ownership of this affordable/social housing will be retained by Council and its management contracted out to existing social housing landlords.
- 3.8. This will begin to address the significant shortage of affordable housing available to local people in Herefordshire. It will also generate a sustained income stream for the Council and will build the Council's capital asset base whilst create assets against which the Council will be able to borrow, if necessary, in the future. These developments are already planned to be funded by borrowing and a portion of the income generated will be used to service this debt.

Transport

- 3.9. **City Packages:** We will **prioritise the delivery of all the sustainable and active travel measures** in the Hereford Transport Package which can be implemented independent of any road-building, as already identified by the Council's consultants. This approach aligns with Department for Transport guidance and with the implementation hierarchy in the council's own adopted Local Transport Plan.
- 3.10. Implementing these measures, alongside improvements we propose in the commissioning of-better public transport at peak travel times and piloting 'lights out' schemes at key pinch points within the city (see Traffic & Travel Measures below), will, it is confidently anticipated, deliver immediate improvements in city travel conditions.
- 3.11. Following the implementation of these schemes, city traffic conditions will be evaluated to inform the need and business case for any further road infrastructure improvements around the city.
- 3.12. This re-ordering the delivery of these projects within the existing transport packages will be 'budget-neutral' and would be notified and agreed with all relevant funding bodies.
- 3.13. **Traffic and Travel Measures:** We wish to achieve a better balance between investment in city travel and traffic measures and investments addressing issues elsewhere in the county.

- 3.14. As regards measures within the city, Highways England has previously offered to **fund ‘lights out’ and other alternative traffic management trials** within the city at some of the peak travel time traffic pinch-points.
- 3.15. We will invest **£50k** in traffic planning resource to explore the scope and opportunities to revisit the subject of these trials in the city.
- 3.16. A proportion of the vehicle traffic entering the city from the north on the A49 is understood to be through traffic heading for South Wales or the motorway network via the M50.
- 3.17. We will invest **£100k** to engage with Highways England and adjacent local Highways Authorities to **improve signage informing A49 traffic** of route options via the A417 from Leominster to the M50 at Ledbury and M5 at Worcester.
- 3.18. These stretches of A-road have benefitted from considerable investment during 2018 and will be able to deliver traffic efficiently to the motorway network thereby removing unnecessary through-traffic from the city and the A49 south of the city.
- 3.19. The NMiTE University project has become central to the Administration’s plans for the county’s economic growth and regeneration/investment in the city. The university proposes that its students will travel within the city by active and sustainable means and will not use their own vehicles.
- 3.20. We will re-prioritise existing highway engineering consultancy resource to provide advice on **additional sustainable transport solutions, including light rail and tram systems for the city**, which are aligned with current and emerging best practice and which support the emerging requirements of the new university. This re-direction of resource will be ‘fiscally-neutral’.
- 3.21. NMiTE have indicated that the university would be keen to provide research support to the council’s exploration of future engineering solutions to people transit systems in the city.
- 3.22. **School and Public Transport:** It is well recognised that the county’s road system is very much less congested during the school holidays. We will invest in measures which to reduce the excessive numbers of school travel journeys taken in private vehicles.
- 3.23. The Sustainable Schools National Framework states Government’s target for every school to be sustainable by 2020. In this framework a travel and transport target is set for “all schools to be models of sustainable travel where vehicles are used only when absolutely necessary and facilities for healthier, less polluting or less dangerous modes of transport are exemplary.”
- 3.24. The council is required by law to produce a Sustainable Modes of Travel to School Strategy (SMOTS) for school transport. Herefordshire has only recently complied with this statutory requirement (www.herefordshire.gov.uk/info/200136/travel_and_transport/220/local_transport_plan/3).
- 3.25. However, the Council’s 2018 strategy was not informed by up-to-date school travel plans from across the county because these plans either do not all exist or have not been produced in a consistent manner. Consequently, the existing SMOTS is not shaped by a comprehensive view of the specific local issues which inhibit accessibility, influence travel behaviour and should inform the delivery and location

of council transport services.

- 3.26. We will invest in additional school travel planning resource **£100k** to develop an integrated and consistent approach to the **creation/update of school travel plans** for all schools in the county during 2019. These new plans will inform the update of the SMOTS in 2020 and this will, in turn, inform the update of the Core Strategy.
- 3.27. The Administration already plans to invest in procuring bus route modelling software to assist in the re-procurement of services. The coherent approach to school travel planning will also be able to inform the extension of option modelling for school transport/public transport services.
- 3.28. We will invest **£100k** to fund this **extended school transport/public transport modelling**, with the aim of extending access to bus and other sustainable modes of travel at peak travel times, thereby significantly reducing the amount of private vehicle journeys during the school year on the county's roads.
- 3.29. **Rail:** Herefordshire is served by three rail franchises Transport for Wales (TfW), West Midlands Rail and Great Western Railways, being managed by WMR & TfW. All the county's rail network lies on the extreme edge of these franchisee networks. In Shropshire TfW operates request stops north of Shrewsbury which enable rural communities to benefit from rail connectivity otherwise not available to them.
- 3.30. Hereford Civic Society and local transport user groups have suggested that the county is not making best use of the opportunities for the reinstatement of similar halts to serve growth villages along existing rail routes.
- 3.31. We will invest **£50k** to engage with rail operators to explore the **opportunities for rail request stops** and associated mini-parkway pick-up points to enable commuters and businesses to access our rail network. This work will also support and inform the revision of the Core Strategy.
- 3.32. **Car Parking:** The Council's car parking service delivers annually a significant net income. The Government does not allow councils to make a profit from the operations of their services. It is a legal requirement that this net income is spent supporting services directly related to transport and people movement.
- 3.33. We propose, as a change of approach, that the Council engage directly with the city and market town councils to agree priorities for the way in which the net revenue delivered by the county-owned car parks located in urban areas is spent on local services. This will not involve any increase in parking charges.
- 3.34. We propose that information about the **agreed mix of services supported by car park revenue** in each population centre will be publicised on signage in each car park when the signage is next updated.
- 3.35. This improved consultative and partnering approach with the county's urban parish councils will not have a financial impact on the budget
- 3.36. We also propose that **city and market town councils are given the opportunity to share in the future net income from their local car parks**. This will assist these councils to take on additional service provision themselves which falls within the statutory spending remit of this funding source.

Sustainability

- 3.37. One of the special things about this county is its wonderful natural environment.

Due to our sparse and evenly distributed population, and the small scale and mixed nature of our traditional agricultural base, Herefordshire is the only county in England to meet the European definition of 'Rural'.

- 3.38. We have two designated Areas of Outstanding Natural Beauty in the county – Wye Valley and Malvern Hills, and our landscape feeds two major rivers– the Lugg and the Wye.
- 3.39. We make a number of proposals which aim to address issues of the county's rurality and the opportunities offered by our natural and environmental resources.
- 3.40. We propose to signal our intention for this Council to **place the strategic priority of 'sustainability' on a par with its existing priorities of Prosperity and Wellbeing**; and for Sustainability to be a 'lens' through which all the Council's service delivery, and its own operation, are viewed and reviewed. Consequently, we propose the following investments:
- **£25k** in additional resource to **explore options for investment in solar and water power projects** in partnership with social housing landlords, development partners, third sector specialists, community land trusts and WM Energy.
 - **£25k** in additional resource to **explore options for coordinated woodland management, and coordinated biomass waste stream management**; alongside the business case for a Herefordshire based wood pellet production plant and the feasibility of generating energy/district heating from biomass waste.
 - **£15k** additional funding to cover the small additional cost of **purchasing all council and school energy entirely from renewable sources** with effect from 2019-20.
 - To use existing resource in partnership with third sector, charity and partner organisations **to promote the waste hierarchy** of: 1: Reduce, 2: Reuse, 3: Recycle, and to generate additional income for local charities and community groups through 'reuse' initiatives.
 - To use existing resource to work with partners to **increase the Council's recycling performance** from the current 40% to national average of 50% by 2020 and 65% by 2025.
 - **£35k** to prepare for the implementation of an **urban area pilot of commercial curb-side green waste collection**.
- 3.41. **Waste Management and Energy Generation:** The county's natural assets support and drive a strong tourist economy. However, we believe that there is much more that could be done to work in sympathy with these assets to benefit local communities, to increase the county's resilience to economic and environmental pressures and to generate new income streams for the Council:
- Studies contained in the Core Strategy evidence base indicate that the county has a significant and currently under-utilised capacity to generate biomass as an energy source for individual and district heating systems.
 - The county's water resources offer the potential for hydro and heat pump energy projects.

- The significant affordable/social housing planned for development on the county's strategic housing sites offers scope for using roofs for the creation of large-scale distributed solar arrays.
- Intensive poultry production, and local food and drink industries all create significant levels of biomass waste, not all of which is currently being processed local to its source, or in a coordinated or low-impact manner.
- The Council is an owning partner in West Midlands Energy, a company already specialising in the energy sector.
- The Council has also recently entered into a strategic development partnership with Keepmoat and its project partner Engie, both of which have track record in delivering energy and heating projects alongside housing and other types of development.

3.42. **Climate Emergency:** We support the initiative already shown by councils, including Bristol, London, Forest of Dean, Brighton, Frome, Isle of Wight, Bradford, Kirklees, in **recognising our global climate emergency**.

3.43. The Council has been committed for some time to a carbon reduction target of 80% by 2050. The improvements delivered to-date by the Council itself and through partners, business and individuals' own actions has broadly kept pace with the trajectory needed to meet the original target.

3.44. However, we believe that in the face of more up-to-date assessments of the rate and current/likely future effects of climate change, this target is now too relaxed and needs to be revised as a matter of urgency.

3.45. We will challenge the Council to identify the measures and actions which it can deliver, working with partners and local stakeholders across all sectors to achieve an 80% reduction in 1990 carbon emission figures for Herefordshire by 2035. We propose to use existing resources to input to an update of the Teeconomy Reports produced for Herefordshire in 2013 (<https://hgnetwork.org/mdocuments-library>).

Economic Development

3.46. Given this Council's inability to grow income from business rates and Council tax at the rate necessary to offset the loss in revenue support grant from Government, it is essential that further efficiencies and new and sustainable income sources are identified to continue to control and support the Council's service provision in this very difficult financial context.

3.47. It is also important that the council uses its community leadership role and its buying power to increase the pace at which improvements in prosperity, wellbeing and sustainability are achieved throughout the county.

3.48. **Progressive Procurement:** Significant progress has been made by some local authorities (Manchester & Preston City Councils) in developing what has been termed 'Progressive Procurement' practices which involve local authorities making a policy decision to circulate public money tightly within the local economy by procuring services and supplies locally.

3.49. These authorities also encourage and enable their partners to do likewise. In Preston and Manchester these progressive procurement partners include: District/Borough/Parish Councils, Healthcare Providers, Police, Colleges, Schools, Universities, Housing Associations, Third Sector.

- 3.50. This positive choice to spend locally has had a rapid and significant effect on the local economy, leading to business growth, increased export of services, additional employment, new business start-ups. Councils also adopting variants of this approach already include Birmingham, Oldham, Salford, Kirklees, Islington, Enfield, Southampton, Wakefield and Bristol
- 3.51. We propose that this Council commits in 2019 to implement its own progressive procurement policy, taking into account learning and best practice developed by pioneering councils elsewhere. We also propose that the Council encourages business and community partners to make similar commitments to progressive procurement practices.
- 3.52. This is a change to the approach to procurement and is anticipated to be fiscally-neutral in 2019-20.
- cles.org.uk/press-releases/manchesters-progressive-procurement-enables-growth-and-tackles-poverty/
<https://www.preston.gov.uk/thecouncil/the-preston-model/preston-model/>]
- 3.53. We propose to review service income targets in all Directorates early in 2019/20 and to direct all additional income to general reserves in-year.
- 3.54. **Working with Parish Councils:** We welcome the Council's embryonic efforts to implement our longstanding requests for better communication and improved partnership working with parish councils across the county. We support the continuation of Parish Council Summits and propose to increase the number and effectiveness of these events in future years.
- 3.55. Related to this, we will initiate bespoke sessions to engage with the city and market town councils to facilitate closer working, improve communication, initiate deeper dialogue on local service priorities and to explore options for mutual support, and shared future service delivery.
- 3.56. We propose to allocate **£50k** to fund improvements in these important working relationships.

4. CHILDREN AND FAMILIES' WELLBEING DIRECTORATE

- 4.1. **Looked-After Children** – This is an area of significant concern. Despite the implementation of a number of action plans to bring this budget under control; since 2011/12 expenditure in Children's Wellbeing has exceeded budget by more than £10m over the period. The majority of this overspend has repeatedly been in the Looked-After Children area.
- 4.2. Herefordshire continues to exceed national averages in the areas of children at risk of physical/emotional abuse and neglect. The county also has higher than average incidences of domestic violence, drug and alcohol abuse amongst adults which combine to cause and exacerbate to the risks to children exposed to these behaviours and their consequences.
- 4.3. The Council has a high level of case referrals from partner organisations and yet, following investigation, a large proportion of these are considered not to require any action. Even so, Herefordshire has more children under social worker supervision

and in care than our population indicates would be expected.

- 4.4. We recognise that there is much good work going on in this area and many very dedicated and committed staff working in the directorate. However, the Council continues to have difficulty recruiting and retaining social workers. Aspects of our Children's Services have been too often judged 'inadequate'; and in 2018 the Council was subject to three seriously critical High Court judgements on the treatment of young people in our care.
- 4.5. The recent move to accentuate this directorate's responsibility for 'families' provides an opportunity to implement award-winning improvements to family services proven in other authorities.
- 4.6. A family-centred approach to supporting vulnerable children and their families, developed in Hertfordshire, has subsequently been rolled out in Luton, Peterborough, Bracknell and West Berkshire.
- 4.7. The outcomes achieved in Hertfordshire were very positive and were experienced across the whole care service spectrum:
 - 49% reduction in children on protection plans,
 - 66% reduction of domestic abuse call outs by the police,
 - 53% reduction in adult A&E admissions and
 - 36% improvement in school attendance.
- 4.8. We will invest **£150k** in 2019/20 to secure access to the resources and consultancy necessary to produce a business case and implementation plan for **transitioning Herefordshire to the Hertfordshire family-centred support model**. Additional funding options to support the transition will also be identified.
- 4.9. **Preventative Measures for Family Wellbeing:** While preparing to implement the Hertfordshire model, there are investments which can be made sooner to strengthen preventative support services and thereby reduce future costs.
- 4.10. We propose the following investments:
 - An additional **£70k** to **support Child and Adolescent Mental Health Services (CAHMS)** particularly aimed at support in schools.
 - **£270k** for **social services support to a pilot group of schools** in areas of identified need. The intention here is to capture, build on and extend best practice already developed in Herefordshire schools which delivers **non-threatening edge of care interventions** and family support by non-social workers at the school environment. Such early interventions and support to families with 'stress indicators' picked up by schools will reduce the number of referrals or more serious interventions in future.
 - **£50k** to provide local government funding contributions to support **arts/creative projects for disadvantaged and vulnerable young people** to be led and delivered by arts organisations within Herefordshire's broad creative/cultural sector.
- 4.11. **Teenager Respite:** Whilst we support the recent initiative taken by the Administration to make a market-shaping intervention in the adult care sector with a capital investment for a high dependency facility at the council-owned Hillside

Centre. However, there has been a 100% increase in the forecast cost of delivering the facility since it was originally proposed for approval as a new capital project in July 2018.

- 4.12. We believe that it is potentially discriminatory to make this intervention to provide specialist facilities which the market is failing to deliver, when the Council has failed to provide a similar investment to respite facilities for high dependency and special needs young people, following the closure of the NHS-owned facility at No.1 Ledbury Road.
- 4.13. We will invest **£50k** to fund discussions with adjacent authorities in Worcestershire and Gloucestershire, and with families, to scope the need and to develop a business case for capital investment to **create a high support teenage respite facility** at a location suitably accessible to families from the three counties.

5. ADULTS AND COMMUNITIES DIRECTORATE

- 5.1. Adult social care is the second area of major statutory spending by Herefordshire Council. As a percentage of the population, the number of older people living in Herefordshire is considerably greater than the national average and this disparity is increasing. Government policy, funding pressures and changes in professional practice are putting greater emphasis on care in the home and in giving service users choices in personal care.
- 5.2. **Wellbeing Hubs:** We support the Administration's efforts to pilot Community Wellbeing Hubs in Kington and Leominster over the last three years. We consider their extension throughout the county is important, to strengthen community resilience and to grow community capability.
- 5.3. We will invest **£70k** to support the accelerated roll-out of the Wellbeing Hub initiative to other market towns as is considered most appropriate for the local context.
- 5.4. **Creative and Cultural projects:** Herefordshire has a strong creative and cultural sector. It is recognised that engagement in cultural and creative activities has a hugely positive effect, particularly for disabled, disadvantaged and vulnerable people. The Courtyard is already recognised internationally for its exceptional and pioneering work in this sector, but it has had its revenue support from the Council completely cut.
- 5.5. The cultural and creative sector regularly achieves more than a x10 gearing from other funding sources for every £1 from a local authority. But even a modest Council investment can be vital to the sector as a pre-condition for access to other funding sources.
- 5.6. Working alongside organisations who are developing a Cultural Strategy for Herefordshire we will invest **£150k** to provide local government funding contributions to support **arts/creative projects for disadvantaged and vulnerable older people** to be led and delivered by arts organisations within Herefordshire's broad creative/cultural sector.
- 5.7. **Community Transport:** The Administration has been signalling for some time that it will be withdrawing funding from Community Transport providers in 2019/20.

However, it remains the case that with the contraction of rural public transport services elderly people, particularly in the county's most rural areas, have very limited options to assist them in travelling to access essential services.

- 5.8. We remain concerned that without affordable Community Transport, vulnerable adults and older people - particularly in rural areas – will suffer increasingly from isolation and loneliness which is known to exacerbate or increase the likelihood of mental and physical health problems.
- 5.9. We will invest **£250k** to support the provision of **targeted Community Transport** options to enable people living to access wellbeing hubs, creative projects, local initiatives and social activities intended to combat isolation and loneliness.
- 5.10. **Digital Strategy:** There is rapid progress being made in the consumer electronics and technology markets to produce a range of internet enabled household and wearable devices. These have the potential to provide significant changes to the way that consensual health monitoring and care is delivered in the home and other more high-dependency environments.
- 5.11. The Council needs a plan for the adoption and future use of this ubiquitous technology, which offers potential to transform the delivery of care services and to support the Council's statutory public health and safeguarding responsibilities.
- 5.12. We propose to invest **£40k** to **develop an Adult Social Care Services Digital Strategy** and to integrate this with transformation plans for service delivery and the Council's overarching Digital Strategy.
- 5.13. **Sustainable Rural Housing for Older People:** Increasing numbers of older people living in rural communities are finding it necessary to move into towns as it becomes impossible for them to remain in the housing available to them in their communities.
- 5.14. The county has more Neighbourhood Plans in development than any other authority in England and has already identified growth villages in its adopted Core Strategy which are believed to possess the service infrastructure to represent sustainable communities.
- 5.15. We propose that the Neighbourhood Plan process and the update of the Core Strategy are used to challenge rural communities and designated growth villages to identify sites suitable for **the development of purpose-built clusters of older persons' housing**. These developments would be required to be built to high standards of energy efficiency and fitted with health monitoring and IT facilities aligned to the Council's adopted Digital Strategy. Making them affordable to live in as well as to buy.
- 5.16. Community Land Trusts, Parish Councils and Community-Owned Housing Associations will be encouraged to invest in the development of these residential clusters to enable people to remain living in and cared for by their communities. Ideally these developments would be managed by Community Trusts with properties leased or sold under buy-back agreements to retain ownership in the local community.

6. SUMMARY

- 6.1. The investments outlined in this document result in the following proposed changes

to the Directorate budgets which balance at council level:

		Adults & Communities £000	Children & Families £000	Economy & Place £000	Central £000	Total Revenue £000
Additional Income 2019-20		56,675	27,185	42,201	22,926	148,987
Rural Services Dev't Grant						1,008
Business Rates						493
Council Tax Base						343
New Homes Bonus						147
Revenue Support Grant						4
Adult Social Care Grant						5
Total						150,987
	Paragraph					
Core Strategy Update	3.02			250		250
Eastern city river crossing	3.04			100		100
Traffic planning resource	3.15			50		50
Improved A49 signage	3.16			100		100
Travel planning resource	3.26			100		100
Extend school transport modellin	3.28			100		100
Rail operators options	3.31			50		50
Solar & waste power	3.40			25		25
Biomass waste management	3.40			25		25
Buy 100% Renewable Energy	3.40			15		15
Green waste collection pilot	3.40			35		35
Parish council joint working	3.56			50		50
Hertfordshire 'Families' model	4.08		150			150
Extra CAHMS support	4.10		70			70
School gate family support pilot	4.10		270			270
Arts/creative projects	4.10 & 5.06	150	50			200
Teenager Respite Care options	4.13		50			50
Wellbeing Hubs roll-out	5.03	70				70
Community Transport Services	5.09	250				250
Digital Strategy for Telecare	5.12	40				40
Total additional spend		510	590	900	-	2,000
Shadow Budget		57,185	27,775	43,101	22,926	150,987

- 6.2. Any further investment which needs to be made as a consequence of the pilots, investigations and option studies invested in during 2019/20 will come forward for consideration in the context of the Council's policy and priorities in future years of the plan.
- 6.3. We believe our proposals outlined in this document and accompanying MTFs will deliver improvements in the county's health, wealth, resilience and sustainability.

Appendix: Medium Term Financial Strategy – with proposed amendments

Alternative
Medium Term
Financial Strategy
2019/20 – 2021/22

Alternative - Medium Term Financial Strategy

Alternative

This alternative medium term financial strategy (MTFS) outlines the measures Herefordshire Council has taken since 2010 to deliver savings, and describes the 2019/20 budget proposal and financial forecasts up to 2021/22 with It's Our County and other political and interest groups would take forward following the May 2019 local government elections.

Themes: Prosperity – Wellbeing - Sustainability

This alternative budget is produced using the following framework of principles and priorities:

- Herefordshire is different and special. It is the only truly rural county in England and it needs a sympathetic and sensitive approach to its stewardship.
- Community is key. Providing the support and funding to help people to help themselves keeps communities strong and builds resilience.
- The council must recognise and provide leadership in its response to global and local trends in environmental and demographic pressures
- This council represents the whole of Herefordshire. Our city and market town parish councils, and the parishes within the localities, are important partners in maintaining and growing a strong and sustainable Herefordshire.

As regards the budget itself:

- For financial year 2019-20 we shall work within the funding envelope of the Administration's draft budget to deliver a prudent but reprioritised work programme.
- This budget has been developed in conjunction with other opposition and outside stakeholder groups who have worked cooperatively with It's Our County.
- We support aspects of the Administration's budget which work with and build upon the strengths of Herefordshire.
- We support aspects of the Administration's budget which follow best practice guidance and are underpinned by sound evidence.

We wish to signal a number of material changes in policy direction and priority which we will implement if we are in a position to do so following the May 2019 elections.

We also wish to make it clear to the people of Herefordshire that It's Our County, in cooperation with other groups currently in opposition on Herefordshire council, are an administration in waiting and have a shadow team ready and able to take these more sustainable and sympathetic plans and policies forward to the betterment of Herefordshire and the people who live here.

Introduction

The Medium Term Financial Strategy (MTFS) outlines the measures Herefordshire Council has taken since 2010 to deliver savings, and describes the 2019/20 budget proposal and financial forecasts up to 2021/22.

Rising to the financial challenge

Central government introduced measures in 2010 which has seen a reduction in the revenue support grant from £60.1m in 2011/12 to £5.3m in 2018/19 (reducing further to £0.6m in 2019/20). Over the same time period council services have seen increasing demand, particularly for adult social care and looked after children.

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

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

This has been achieved by the council:-

- Delivering organisational efficiencies including consolidating staff in fewer buildings, reducing the number of staff including agency staff, and introducing staff mandatory unpaid leave days
- Changing models of service delivery to focus on self-help, and early help and intervention to reduce the demand for higher cost interventions
- Reconfiguring household waste collection and grass cutting services
- Expanding the use of technology to enable people to contact the council through the website at a time that suits them, with a reduction in the need for face to face and phone contact to use resources for people who need them most
- Supporting greater community involvement in services such as community libraries, litter picks, environmental and bio-diversity initiatives
- Maximising commercial opportunities ensuring where possible, fees are set at levels which secure full cost recovery, and exploring further income generation from fees and charges, for example car parking
- Reviewing the council's smallholdings estate

At the same time the council has:-

- Significantly improved adult social care client satisfaction
- Worked with external partners to produce a business case which secured £23m of government funding to establish a new university in Hereford
- Delivered a new livestock market and a privately funded retail and leisure development on the old livestock market site
- Progressed plans for a by-pass for Hereford city and delivered major infrastructure improvements to the city and county road network
- Opened the new Hereford City Link Road which provides development opportunities for business, residential and public sector organisations.
- Successfully delivered the Hereford Enterprise Zone, creating over 600 jobs
- In partnership with Worcestershire County Council opening a new energy from waste plant
- In partnership with Gloucestershire County Council implementing the 'Fastershire' programme delivering broadband to 80% of the county

2019/20 budget proposal

Alternative

Our alternative MTFS proposes a balanced budget for 2019-20 which will be delivered within the financial envelope already proposed for the administration's budget.

The MTFS proposes a balanced 2019/20 budget achieved by increasing council tax charges by 4.9%, inclusive of a 2% adult social care precept and committing to delivering savings of £3.9m.

2019/20 savings requirement	Total
	£'000
Workforce and service delivery savings	837
Maximise income generation	100
Manage inflation and secure contract efficiencies	200
Efficiency savings	630
Reduced cost of transport	225
Phased removal of subsidies to parish councils	100
Waste & Sustainability	30
Savings in museums and archives	250
Accommodation strategy savings	360
Procurement savings	500
Public realm savings	200
Base budget realignment	500
TOTAL	3,932

Going forward

Alternative

Our MTFS demonstrates how this Council could better utilise its financial resources to address the risks and challenges facing people and businesses by working in a manner which is more in sympathy with the strengths of the county.

This alternative view delivers a more sustainable approach to the operation of the council, while reinstating preventative services and creating new income streams through the resilient use of publicly owned assets.

The council is recognised as being in a relatively secure financial position over the medium term which provides a platform to realise the county's ambitions.

It has increased its revenue reserves in recognition of the challenges yet to come. There are changes anticipated to national funding of local government which we are continuing to assess the impact of. We have growing demographic pressures, particularly relating to adult social care and children with disabilities, and the council needs to address the barriers to growing our economy.

The latest external audit opinion concluded that the council is financially sustainable for the foreseeable future. This MTFS demonstrates how the council will continue to utilise its financial resources to support its corporate plan objectives and realise its ambitions.

DRAFT

1. Overview

- 1.1. The council's gross annual revenue expenditure is in the region of £340m, this is funded by a combination of council tax, business rates, specific grants, rents, third party contributions and income from sales, fees and charges. Approximately £80m is ring-fenced to schools. This leaves the council with around £260m to meet its wide range of statutory requirements and to meet the needs of our residents, businesses and communities.
- 1.2. The council's capital expenditure on its physical assets is separate from revenue expenditure on day to day services and totals approximately £50m each year. This expenditure is funded from a combination of specific grants, third party contributions, capital receipts from sale of assets, contributions from the Local Enterprise Partnership and borrowing.

2. Medium Term Financial Strategy

Alternative

In balancing the challenge of the council's rurality and particular demographics, we propose that the Council does more to support communities and individuals to live independent, safe and healthy lives.

We recognise the need for our urban areas, villages and rural communities to develop in ways which are in sympathy with their local circumstances and ambitions. The Council has made too many cuts to preventative services and has under-delivered on its inflated plans for income growth from council tax and business rates. The whole county is now facing increasing pressures dealing with the consequences of these decisions.

We propose to focus investment in sustainable and resilient local infrastructure by applying current and emerging best practice in planning, design and engineering. We also propose to use public property and public money to increase, rather than to deplete, the council's asset base.

- 2.1. This Medium Term Financial Strategy (MTFS) covers the financial years 2019/20 to 2021/22 and demonstrates how the council will maintain financial stability, deliver efficiencies and support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 2.2. 2020/21 onwards is currently an estimate as we are awaiting the outcome of the next Government comprehensive spending review.
- 2.3. Herefordshire's key priority areas are:
 - **enable residents to live safe, healthy and independent lives**
 - **keep children and young people safe and give them a great start in life**
 - **support the growth of our economy**
 - **secure better service, quality of life and value for money.**

- 2.4. This MTFS contains progress on the financial challenges the council faces alongside the increasing demands for services. There are higher costs associated with the county's rurality and demographics. The council aims to balance this challenge by supporting independent, safe and healthy lives.
- 2.5. The Council continues to provide value for money service delivery and aspires to bring sustainable prosperity and well-being for all.
- 2.6. During this MTFS period the funding of council services will change significantly. Central government is leading a fair funding review and local rate retention will become live as we await the next comprehensive spending settlement which is due in the spring of 2019.
- 2.7. The council recognises the need to grow and has plans for new homes throughout the county, new employment opportunities, infrastructure and supporting the establishment of a new university.

3. Financial outlook

Alternative

This Council still does not have all of its accounts signed off by the external auditors and the reasons for this have not been disclosed. We will seek to address this matter as soon as we are able.

Areas of poor professional and management practice and governance failures have been revealed through high court judgements against the council and publicity over huge budget overspends.

We propose to increase knowledge about the extent of the assistance available to the bedrock of our local economy – small, medium and micro-business enterprises.

We shall also consult on what support is wanted in the city and market towns to maintain and enhance the economic health and resilience of their designated primary/secondary retail cores, and their employment areas.

- 3.1. The MTFS extends the time period under review to include 2021/22. This continues with the longer-term planning approach that is now well embedded in the Council's strategic financial management arrangements. As core government funding disappears in 2020/21, the council will become increasingly self-reliant upon local resources, council tax and business rates. Although the latter is in itself an uncertain funding source at this time.
- 3.2. By the end of 2018/19 the council will have made ongoing savings of circa £90m over the last ten years. This has involved taking some difficult decisions about the delivery of services; however the approach of long term planning supported by strong governance and a delivery focus across the whole council has meant that savings

have been delivered on time or slightly ahead of time. This past strong performance in this area cannot be regarded as a guarantee for the delivery of savings in the future, and there is a need to avoid complacency.



3.3. As well as meeting the councils legal responsibility to set a balanced budget, the benefits of long term financial planning are:

- Ensuring resources are allocated to the council's priorities,
- Improving value for money,
- Maintaining financial stability
- Managing significant financial risks.

3.4. The medium term financial strategy is underpinned by the following key principles:

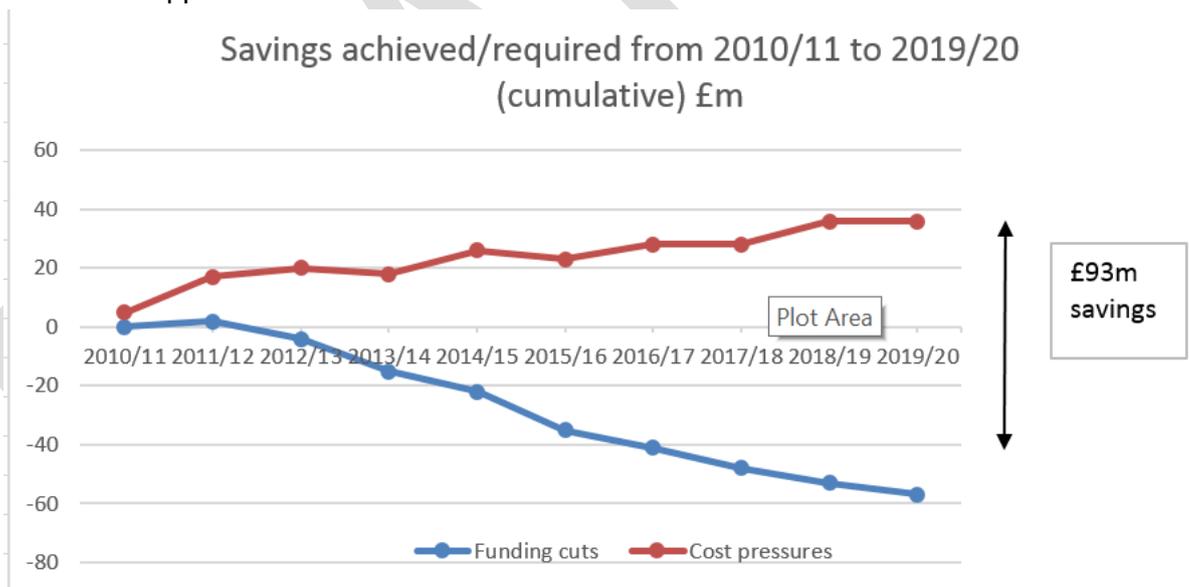
- Prudent assessment of future resources and unfunded cost pressures.
- Appropriate levels of income generated across all areas of the council, and prompt collection of all sums owed to the council.
- Prudent assessment of provisions required to mitigate future liabilities.
- Risk assessed level of reserves and balances held to mitigate potential financial liabilities and commitments.
- Prudent and planned use of reserves to fund expenditure
- Maximisation of capital receipts from disposals.
- Maximisation of external grant funding that meets our priorities.
- Prudent and proportional use of the council's borrowing powers to undertake capital investment that is not funded by capital receipts or contributions from third parties.
- Promotion of invest to save opportunities via detailed assessments of business cases.
- Effective forecasting and management of the council's cash flow requirements.
- Effective management of treasury management risks, including smoothing out the debt maturity profile, borrowing only when necessary and taking

advantage of opportunities arising because of disconnects in the market between long term and short term rates.

- Full integration of revenue and capital financial decision processes, to ensure the revenue implications of capital projects are appropriately reflected in the medium term financial strategy.
- Production of detailed implementation plans for all savings proposals.
- Sign-off of all revenue budgets by the relevant senior managers including any savings plans before the commencement of the financial year.
- Regular monitoring of budgets and robust management actions to address any unplanned variances that arise.

3.5. Whilst the council's finances have contracted, the demand for services has grown. The council faces a constant challenge to manage the increases in demand for adult social care and looked after children that are increasing significantly year on year.

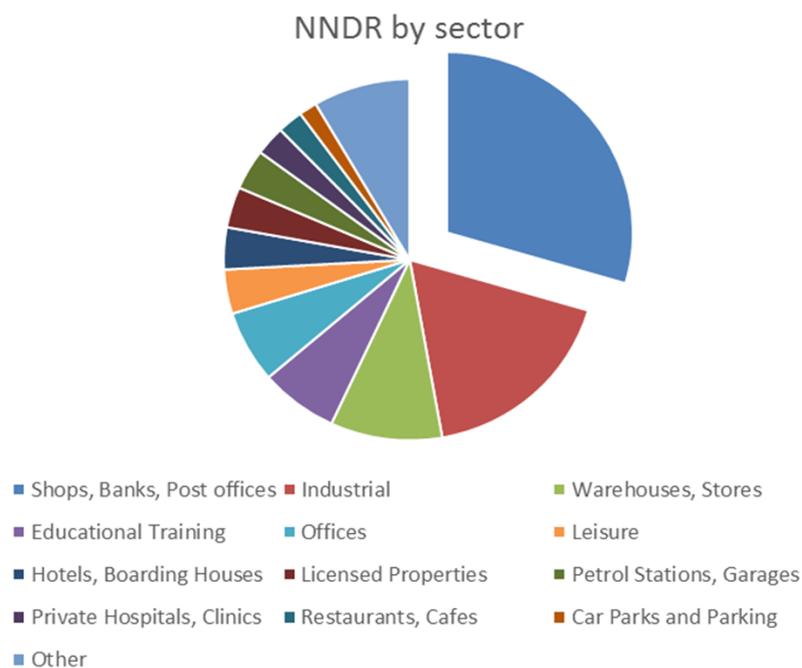
3.6. The council accepted a four-year Funding Settlement from the Government in 2016 and 2019/20 is the fourth and final year of that settlement. The impact of this will see the reduction in Revenue Support Grant to £0.6m in 2019/20 compared to £60.1m of Revenue Support Grant in 2011.



3.7. Over the life of the Funding Settlement the Government has introduced a range of temporary funding measures to assist with the increasing demands in adult social care but with little or no certainty beyond 2019/20.

3.8. Government policy is likely to be influenced by a range of internal and external factors over the coming years; it is not possible to assess the impact of the United Kingdom's withdrawal from the EU in March 2019 at this point in time. The Government has indicated that there will be a new comprehensive spending review in early 2019.

- 3.9. The Government has also indicated that the Adult Social Care Green Paper will arrive shortly. There is likely to be an extensive national debate about how to find a sustainable solution to the funding of care for an ageing population. This is a complex problem and it is very hard to predict when a solution will be found or when and how the solution will be implemented. This creates significant challenges for the council in making medium term financial plans, as a number of the shorter term funding solutions for care costs from Government are scheduled to end during the life of the MTFS, before a sustainable funding solution is found.
- 3.10. We are awaiting confirmation from Government of the implementation timetable for the move to business rates being retained by local government. The Government has indicated that it expects the move to be “fiscally neutral” and that councils should therefore pick up equivalent responsibilities commensurate with the additional funding. This raises a number of difficult challenges for the council given the makeup of the current business rates tax base within the county, with a large element reliant on retail businesses, as shown below.



4. Funding assumptions

Alternative

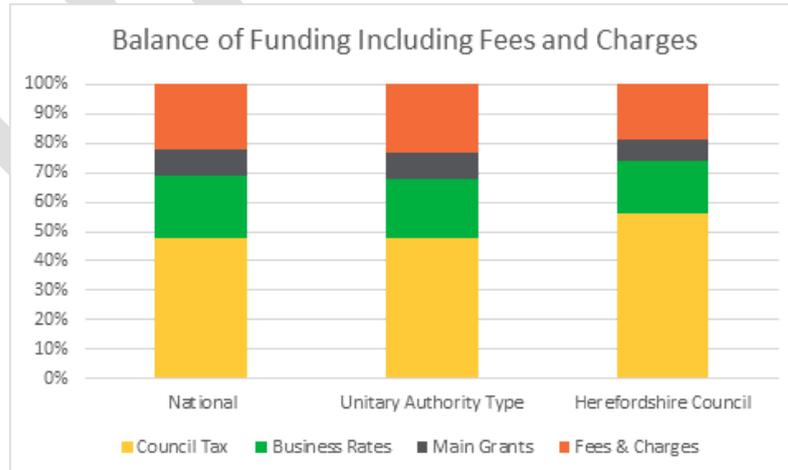
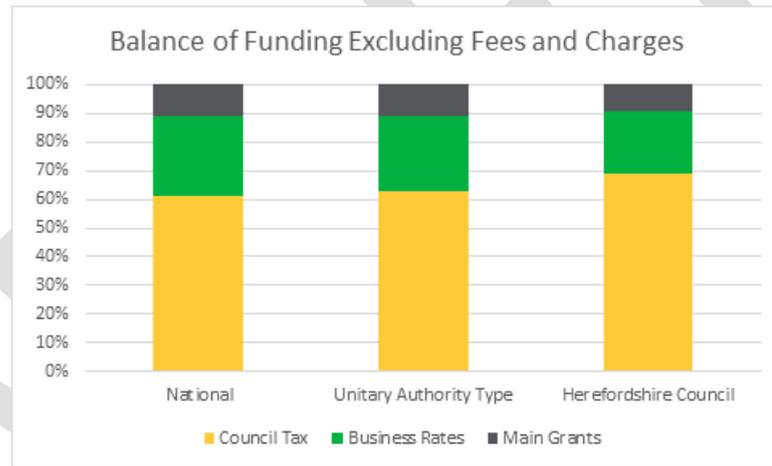
The Council has not delivered on the rate of planning permissions and house building necessary to meet its predictions in the Core Strategy. This has resulted in communities being subject to unplanned development as a consequence of the Council’s failure to evidence a 5-year housing land supply. The necessary growth in Council Tax and Business Rates income needed to offset the reductions Herefordshire has experienced in Government grant funding has therefore also not been achieved.

We shall address these issues by bringing forward the update of the Core Strategy and by addressing policies within the current document which are creating problems for communities and difficulties for planners.

The Council also doesn't deliver the proportion of its income from fees and charges that is achieved from similar authorities elsewhere. We propose to generate realistic levels of income from Council services and will seek new, resilient and sustainable sources of income.

We will borrow prudently, through local government access to long-term low interest loans, in order to secure future income and growth in publicly owned assets. We will ensure that the Council has access to the right advice and skills to deliver growth projects rather than allow private sector interests to profit disproportionately from public property.

The council's main income stream is Council Tax and this is set to continue. This is positive in that it is a locally controlled funding stream and is expected to grow. A summary of how the income streams compare to unitary and national councils is shown in the graphs below.



The assumption built into the MTFS is a 4.9% Council Tax increase in 2019/20 and an increase of 4.5% in future years.

	2019/2020 £000	2020/2021 £000	2021/2022 £000
Revenue Support Grant	624		
Business Rates	35,950	45,853	46,554
Council tax	104,251	109,923	115,903
New Homes Bonus	2,176	1,209	767
Rural Sparsity Delivery Grant	5,101		
Collection Fund Surplus (one off)	500		
Adult social care grant (one off)	2,385		
	150,987	156,985	163,224

5. Savings by directorate

Alternative

We believe that the Council has made too many cuts to preventative services. These are now causing unsustainable pressures in follow-on service areas. We propose to make investments across all Directorates in a range of service areas to begin to rebalance this damaging position.

These investments are detailed in the summary document accompanying this MTFS and the financial impacts at Directorate level are summarised in Section 6.

The council has delivered £77m of savings since 2010, with a further £13m expected to be delivered in the current (2018/19) year. Going forward further savings are required to ensure the council does not overspend. The savings requirement for the next three years is £8.0m, as set out below, giving a savings total of £98m between 2010 and 2022.

	2019/2020 £000	2020/2021 £000	2021/2022 £000	Total £000
Adults and communities	700	600	500	1,800
Children and families	200	300	650	1,150
Economy and place	2,473	623	273	3,369
Corporate services	359	77	77	513
Centrally held budgets	200	500	500	1,200
TOTAL	3,932	2,100	2,000	8,032

6. Directorate base budget movements

Alternative

We believe that the Council has made too many cuts to preventative services. These are now causing unsustainable pressures in follow-on service areas. We propose to make investments across all Directorates in a range of service areas to begin to rebalance this damaging position.

The requirement for sustained investment to support our policy priorities in 20/21 and 21/22 will depend on the scoping and study work being proposed in 2019/20 budget. It is hoped that some of the sustained investment in preventative services will be able to be funded from the cost of delivering the current level of knock-on services.

We are concerned that the pressures for 20/21 and 21/22 in C&F listed in the table below are unrealistic, given past record in this Directorate. However, we do not have access to the level of detailed information to be able to challenge these figures with evidence. We believe this presents a risk to the delivery of the services in this Directorate in future years.

	A&C £000	C&F £000	E&P £000	Corporate £000	Central £000	Total £000
2018/19 revised base budget	52,087	23,958	29,169	14,301	24,609	144,124
Pressures	5,288	3,427	1,371	192		10,278
Savings	(700)	(200)	(2,473)	(359)	(200)	(3,932)
Other movements	(325)		(453)	932	(1,138)	(984)
Removal of one-off funding	(2,385)				(500)	(2,885)
Insertion of Alternative Investment	510	590	900			2,000
2019/20 base budget (ex one-offs)	54,475	27,775	28,514	15,066	22,771	148,601
Pressures	2,717	714	1,364	169	91	5,055
Savings	(600)	(300)	(623)	(77)	(500)	(2,100)
Public health new responsibility	7,500					7,500
Other corporate movements					(71)	(71)
2020/21 base budget	63,582	27,599	28,355	15,158	22,291	156,985
Pressures	2,219	732	1,228	347	94	4,620
Savings	(500)	(650)	(273)	(77)	(500)	(2,000)
Other corporate movements					3,619	3,619
2021/22 base budget	65,301	27,681	29,310	15,428	25,504	163,224

7. University

Alternative

The New Model in Technology & Engineering (NMiTE) has secured a significant level of Government funding. It offers the potential to have a radical effect on the future model for universities and the project is being watched with interest by international stakeholders and subject matter experts.

It is important for the Council to both plan for the success of this initiative and also to make every effort to minimise any possible damaging effects that may be consequent on both the hoped-for success and the possible failure of the project.

The impact of the university project on the city housing, transport, healthcare, business and service sectors needs to be closely considered and timely investments made to maximise the benefits and minimise the risks.

We propose reprioritising a number of currently planned capital investments and infrastructure projects to ensure that the university project's risks are managed and its benefits to the whole community are realised.

The New Model in Technology & Engineering (NMiTE), Hereford's nascent engineering only university, has the potential to be one of the key catalysts that enables the transformation of the county's economy. In a world driven by knowledge, economy, technology and urbanisation, the advent of the university from 2020 will, over the next 15-20 years, not only increase the intellectual capital of Herefordshire but also has the potential to support steady population growth. With 1,600 students recruited each year this will balance the annual out-migration of young people. In addition it is likely that at least ten per cent of graduates will remain in or near the county making Herefordshire an attractive inward investment location for employers needing hi-tech work-ready employees.

- 6.2 The direct impact on the economy, over the next 15 years, will come from a £550 million capital investment to build 40,000 square metres of teaching space and 150,000 square metres of student accommodation to house up to 5,000 students who will be resident for 46 weeks of the three years of each student's study period. At this peak capacity, NMiTE will employ nearly 600 staff directly (many requiring homes) and will be supported by a range of local suppliers. Based on data from other university cities, NMiTE is expected to add at least £120 million annually to the county's GDP. Taken together, the various impacts of NMiTE will do much to help the long term sustainability of the county.
- 6.3 New innovative higher education providers such as NMiTE will play an important part in educating the next generation of much-needed engineers, providing the skills and talent that employers need. Hereford is a cold-spot for higher education provision, leading to a 'brain drain' of 18-24 year olds leaving the area to study. The Higher Education reforms are about giving all young people access to university and an increasingly diverse market to choose from. This will ensure a steady stream of highly-skilled graduates into the workplace locally, and regionally. NMiTE builds on plans set out in the Government's modern Industrial Strategy, which aims to improve living standards and economic growth by increasing productivity and driving growth.
- 6.4 A fundamental role of the Marches LEP is to help develop a vibrant regional economy by removing barriers to growth. The creation of NMiTE will play a pivotal role in driving forward our economy through the development of a new and innovative

Higher Education provision. This will help address the national shortage of graduate engineers by teaching students the key skills which employers demand in the workplace. A key focus of the project will be to help retain a large proportion of the 18-24 population who leave the region to attend Universities across the country, implementing the knowledge and skills acquired to help improve the productivity of our valued businesses.

8. Better Care Fund

Alternative

We support the extension and deepening of joint working between Social Care Service and Healthcare Services. This joint and collaborative working is facilitated by money movements between service providers and by Government grants all managed through the mechanisms of the Better Care and Improved Better Care Funds.

Over the period of the plan, and within existing funding, we would encourage changes to working arrangements, colocation of service providers, joint service delivery and other mechanisms which improve effective working and increase positive outcomes for local residents.

Following the successful roll-out of our proposed investment in a network of locality wellbeing hubs we also propose to work more closely with community and third sector organisations over the period of the MTFS to enable these organisations to plan with confidence to provide an appropriate mix of local support services.

- 8.1 The Better Care Fund (BCF) is a pooled budget which is nationally mandated to further the integration of health and social care. Herefordshire's BCF has two partners, Herefordshire Council and Herefordshire Clinical Commissioning Group (CCG).
- 8.2 Funding is received by the council from the NHS, via Herefordshire CCG. The Department of Health and Social Care sets national minimum contributions to the pool for both revenue and capital and specifies that certain funding streams must be included within the mandatory minimum fund. Partners are permitted, and encouraged, to pool more than the minimum requirement. The BCF in Herefordshire has four components; mandatory capital and revenue contributions, additional voluntary revenue contributions from each partner, and the Improved Better Care Fund (IBCF).
- 8.3 The MTFS assumes that the transfer of funds from the NHS to the council will occur throughout the MTFS period and that the annual value will continue to grow in line with inflationary uplifts for the NHS.

9. Improved Better Care Fund

- 9.1 The Government's Spending Review in 2015 announced new money for social care and the 2017 Spring Budget subsequently increased this funding. The Government requires that this additional IBCF funding for adult social care in 2017-19 is pooled into the local BCF.
- 9.2 The funding is paid to Local Authorities for adult social care as a direct grant under Section 31 of the Local Government Act 2003. The funding may be used only for

the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

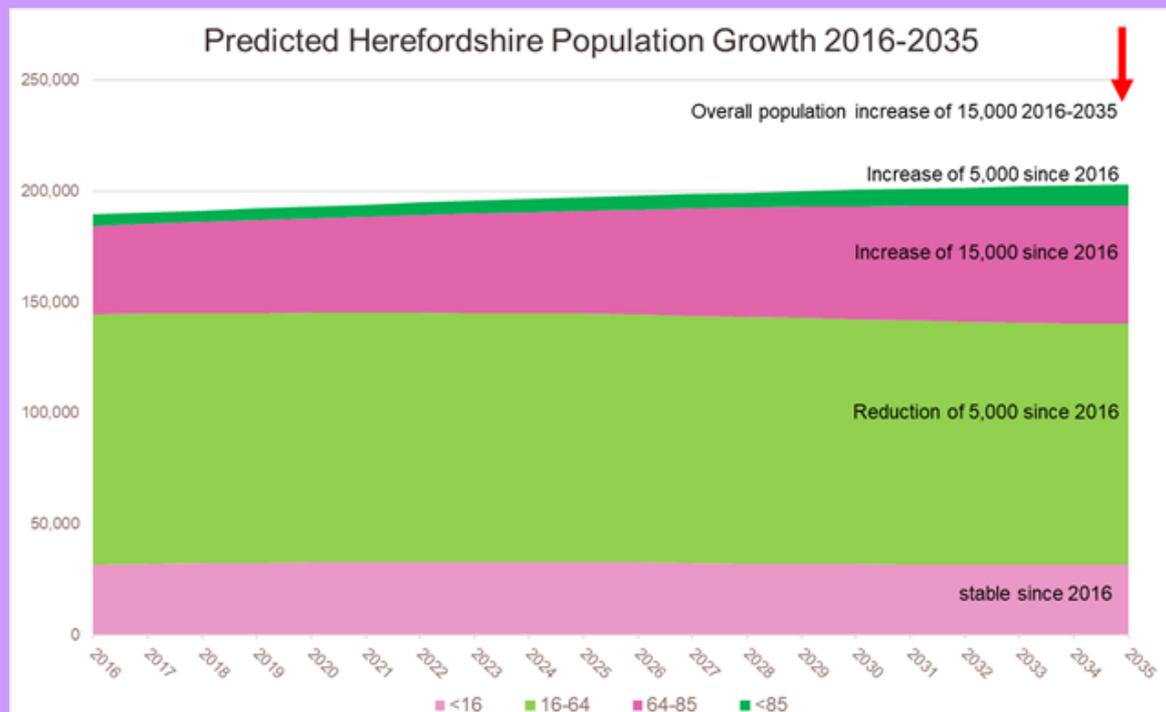
- 9.3 A recipient local authority must:
- pool the grant funding into the local BCF, unless an area has written Ministerial exemption;
 - work with the relevant CCG and providers to meet the national BCF condition on managing transfers of care set out in the Integration and Better Care Fund Policy Framework and Planning Requirements 2017-19; and
 - provide quarterly reports as required by the Secretary of State.
- 9.4 The MTFS assumes that the funding allocated in the 2015 spending review is recurrent and will be received throughout the MTFS period, albeit subject to any changes made by the forthcoming 2019 spending review; while the funding announced in the 2017 Spring Budget is assumed to be non-recurrent and will not be received after 2019/20.

10. Demographics

Alternative

We recognise the pressures placed upon the Council as a consequence of the particular demographics of the county's population and predicted future trends in these demographics.

We consider the following chart to provide a more understandable explanation of demographic trends than the one showing in the administration's MTFS.



Based on 2016 data, the working age population of the county is predicted to drop by 5,000 by 2035, while the retired population of the county is predicted to rise by 20,000 over the same period. A quarter of those additional retired residents are expected to be over 85 yrs.

The county has higher rates of employment and economic activity (80%) than for the West Midlands region or National rates, but also the lowest average wages of any authority in the West Midlands (£23,400), which are at least £5,600 p.a. less than the National average. At the same time the county has some of the highest house prices in the region as a proportion of household income. The county has higher rates of employment and economic activity (80%) than for the West Midlands region or National rates, but also the lowest average wages of any authority in the West Midlands (£23,400), which are at least £5,600 p.a. less than the National average. At the same time the county has some of the highest house prices in the region as a proportion of household income.

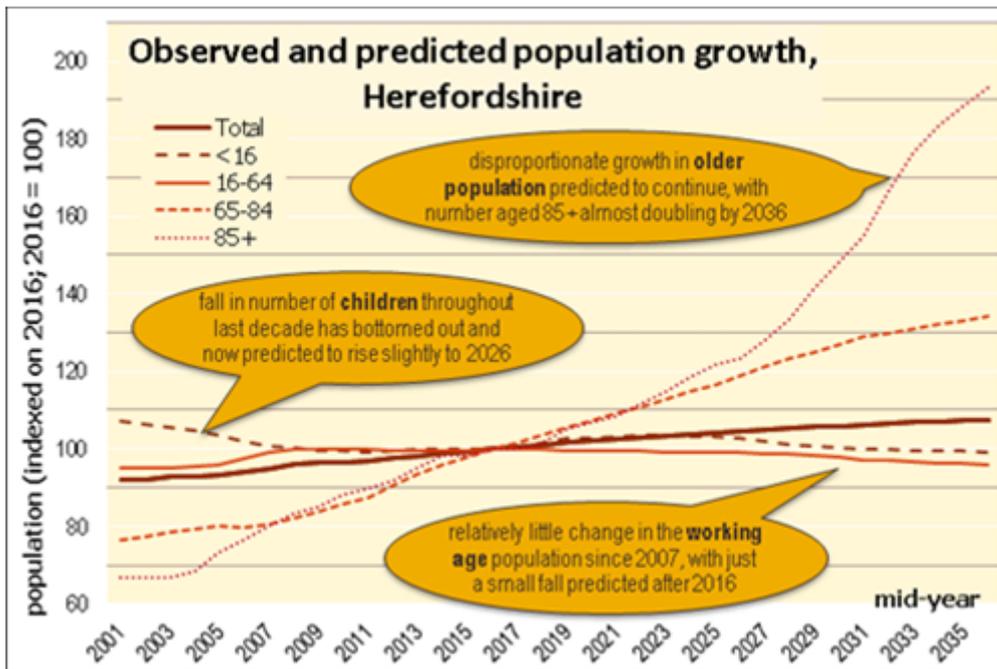
As a consequence of these circumstances national definitions of 'affordable housing' are irrelevant here in Herefordshire; income from business rates has not been grown by the council at the rate required to offset reductions in government grants; average wage levels are yet to show any significant narrowing of regional and national gaps; pressure on social care and health facilities caring for older people are high and continue to grow.

We propose to increase the number of affordable homes built within the county for local people to rent. We plan to achieve this through the partnership the Council has already committed to with Keepmoat to develop publicly owned land. We would deliver a significantly greater proportion of affordable homes on these development sites than the targets presently set by place shaping policies in the Core Strategy.

We would also increase the delivery of dedicated housing for older people, particularly in growth villages, to enable people living in rural areas to access homes suitable to their needs while remaining located within their communities.

- 10.1 The latest population projections for Herefordshire are the 2016-based Subnational population projections (SNPPs), published 24 May 2018 by the Office for National Statistics (ONS). Based on the ONS' 2016 mid-year estimates, the future population is projected forward by ageing on the population and applying observed trends in relation to births, deaths and migration, year on year, up to 2041.
- 10.2 The current projections suggest slower growth than the previous (2014-based) projections. This is because of assumptions about lower future levels of fertility and international migration, and an assumption of a slower rate of increase in life expectancy.
- 10.3 The total population of Herefordshire is projected to increase from 189,500 people in 2016 to 194,100 by 2021 (an increase of two per cent); and to 203,700 people by 2036 (an increase of seven per cent), equivalent to an average annual growth of 0.35 per cent per year over this 20-year period. This is a lower projected annual rate of growth than England as a whole (0.5 per cent per year).
- 10.4 These projections serve as a baseline scenario; they do not attempt to predict the impact that future Government or local policies (such as on housing development), changing economic circumstances or other factors might have on demographic behaviour.

Predicted population growth in Herefordshire:



11. Minimum Revenue Provision

- 10.1 The Minimum Revenue Provision (MRP) is a technical accounting requirement, specific to local government, which is the method by which councils charge their revenue accounts over time with the cost of their capital expenditure that was originally funded by borrowing.
- 10.2 Local government accounting rules require the council to make revenue provision to support the costs of capital spend funded by borrowing regardless of whether that borrowing has actually been taken up; this is referred to as minimum revenue provision and is intended to provide a public demonstration of the costs of capital expenditure.
- 10.3 During 2017/18 Herefordshire revised its Minimum Revenue Provision (MRP) Policy, this changed the notional debt repayment calculation basis to an annuity loan repayment method. This matches the flow of benefits generated by the assets funded from borrowing to the annual MRP charge in the revenue budget. Linking MRP to the average useful life of an asset reflects the economic benefit the council receives from using the asset to deliver services over its useful life, representing a fairer cost charge to current and future council tax payers. Council tax payers are being charged each year in line with asset usage and this avoids current council tax payers meeting the cost of future usage or future council tax payers being burdened with charges relating to assets that are no longer in use.
- 10.4 The actual MRP charge is based on the following calculation:-
- Historic debt balances, previously being written down on a 4% reducing balance basis, being charged on an annuity loan repayment basis. This change ensures all historic notional debt is repaid by 2025/26 whereas under the previous method a balance of £14m would be remaining to be repaid. The annuity rate used is a consistent 2% calculated in line with the changes in revenue support grant which was deemed to include a funding element in relation to the repayment of supported historic debt.

- Supported borrowing, previously written down on a straight line basis over the asset life, moves to a 3% annuity also charged over the asset life under the revised method. The annuity rate has been applied to capital expenditure incurred since 1st April 2008, and spend prior to this continues to be written down on a straight line basis. The 3% represents an average of PWLB (Public Works Loan Board) loan comparator rates.

10.5 The MRP calculation will be reviewed again in 5 years' time to ensure the revised method above is still appropriate.

12. Capital Programme

Alternative

We propose to reprioritise the way in which some of the funds identified in the Administration's Capital Programme are to be spent, specifically those relating to development partners Keepmoat and Engie and projects relating to transport packages for Hereford.

We propose that the development partnership is used to increase the delivery of affordable homes and for these homes to be retained in council ownership to grow the Council's capital asset holdings for income generation and to support the capacity for the Council to borrow in the future.

We propose that all planned projects within existing transport packages which deliver active modes of travel improvements are prioritised for implementation ahead of any further funds being spent in progressing the road-building projects within these packages. This is both to maximise the improvements which can be delivered quickly to address city traffic issues and to support the needs of the new university which is requiring that its students do not travel by car.

We also propose some scoping studies in the 2019/20 revenue programme relating to future income generating developments which may lead to new capital investment programmes being proposed during the timeframe of this MTFS.

The detail of all these changes is given in the summary report accompanying this MTFS.

11.1 The current capital programme is summarised in the table below, along with the overall financing and detailed budgets by scheme in appendix 2. The capital programme approved by Council in July 2018 was approved at £297.3m; this becomes £325.4m with additional grants added to the capital programme. We know that previously a number of schemes would deliver later than planned as budgets are often estimated very optimistically across financial years, but in reality with the time it takes to plan and progress projects they deliver later than first estimated. Work has been done to align these projects more realistically across the financial years and therefore the profile of budgets has moved between years to reflect this.

Approved Capital Programme

	Prior Years £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	Total Capital Programme Budgets £000s
Total Adults & Communities	33	2,868	3,176	1,853	1,853	9,783
Total Children's & Families	7,743	3,375	14,887	13,200	1,200	40,405
Total Corporate	17,258	6,057	11,420	2,463	0	37,198
Total Economy & Place	65,457	56,104	88,945	27,157	362	238,025
Total Capital Programme	90,491	68,404	118,428	44,673	3,415	325,411

Financed by

Capital Receipts	24,755
Grants & Funding Contributions	121,382
Prudential Borrowing	88,783
Funded in prior years	90,491
Total Funding	325,411

- 11.2 Applications for grant funding towards the Hereford Transport Package will be submitted. The capital programme will be increased as these are secured. Additional corporate capital funding requests will be submitted to Full Council when they are required. This means there will be increases to the capital programme for 2019/20 onwards once approved by Council at any future meeting. These funding requests will be reviewed in line with Council plans and within the financing available of grants, capital receipts and increased borrowing of £6.7m annually but borrowing funded through revenue savings will be in addition to this limit. The capital receipts reserve balance at the end of 2017/18 was £42.5m and as we can see in the table above £24.8m of this has already been approved to fund current schemes but of course the reserve balance will increase by any future receipts from April 2018.
- 11.3 There are a number of large schemes of over £5m for replacement schools at Colwall, Marlbrook and Peterchurch, along with annual grants for the Local Transport Plan, Fastershire Broadband and Highways Asset Management. The Hereford Transport Package will also increase significantly once final plans and funding have been approved. However the three largest schemes are for the Hereford City Centre Transport Package for £40.6m, with only £8.3m budget remaining. The South Wye Transport Package for £35m with a £5m spend to date and plans being finalised for the project to be delivered. The Development Partnership Activities budget is for £40.6m with a £300k spend to date, although this is due to the partnership agreements only being signed in July 2018 and therefore these projects within the programme budget will begin to start to develop in the near future.

Development Partners

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

- 12.5 Development partners Keepmoat and Engie are committed to encompassing the use of local suppliers and contractors and to maximise the opportunities to employ local Herefordshire people. The KPIs have been set up to reflect this and all parties will take every action possible to ensure this is achieved.
- 12.6 The development partners are keen to achieve developments that reflect the highest standards and that the real impact is to viability, or the anticipated land receipt. The decision as to what standards are applied to a development lies with the council and will impact on development returns/outcomes on a case by case basis.

Keepmoat Homes Ltd

- 12.7 Supporting the delivery of new homes that will help the council to achieve its strategic housing growth targets. Current projects include Bromyard Depot, Merton Meadow, Hildersley and Holme Lacy.
- 12.8 The first new homes are expected to commence building by late summer 2019.

ENGIE Regeneration Ltd

- 12.9 Supporting the delivery of regeneration construction projects, such as business units, student accommodation, commercial development and retirement housing.
- 12.10 The agreements will bring to life plans contained within the adopted Core Strategy (the document that sets out Herefordshire's planning priorities until 2031). The plan outlines the development opportunities enabled by the Hereford City Centre Transport Package and Hereford Transport Package, as well other sites across the county such as the Ross Enterprise Park and Hillside.

Capital receipts reserve

- 12.11 At the end of the 2017/18 financial year there was a balance of £42.5m in the capital receipts reserve. There are a number of schemes within the capital programme to be funded by capital receipts; the balance will be retained to deliver enhanced investment on the use of these reserves, once business cases have been submitted for approval at Council.

13. Revenue Budget / Till receipt

Shown below is an indicative illustrative typical month's expenditure incurred by a band D property in Herefordshire from 1st April 2019, this is a draft that will be updated as the budget progresses into its final form.



Herefordshire Council

Charges per month (average Band D property)
2019/20 Monthly Council Tax receipt

	#
** Daily life **	
* Bin collections and environment	13,72
* Roads, bridges and care of public spaces	7,21
* Schools and education	98,13
* Buses and community transport	6,39
* Libraries, records and customer services	1,30
** Looking after adults **	
* Older people in residential / nursing care	13,38
* Older people supported at home	9,24
* Disabled adults	27,78
* Lifestyles services (substance abuse, sexual health)	2,64
* Health improvement (Public Health nursing, health checks, smoking cessation)	5,61
* Housing	0,52
** Looking after children **	
* Child protection	3,75
* Children in care	12,88
* Children with special needs	3,28
** Local government running costs **	
* Election, governance and legal services	3,24
* Directors & staff costs	0,65
* Organisational administration	1,41
* IT, transactions and billing (Hoople)	5,19
* Insurance and property maintenance	5,08
* Capital finance - Debt repayment	7,83
* Capital finance - Interest payments	10,24
** Economic growth **	
* Economic development and regeneration	1,27
* Broadband - rural rollout	0,13
* Planning	0,35
	241,19

** VOUCHER **	
** Other income to supplement council tax **	
* Investment Property income	-2,91
* Car parking	-5,36
* Capital finance - Interest received	-2,01
* Public Health grant	-7,70
* National Education funding (schools)	-96,98

TOTAL TO PAY (per month)	£126,23

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14 PFI contracts

Alternative

We do not support the principle of PFI and will not normally consider this approach to bringing forward future projects.

- 14.1 The council has two traditional PFI contracts; one in partnership with Worcestershire County Council for the provision of waste management services and the other for the provision of Whitecross High School. The council also has one contract that falls within the definition of a similar contract to a PFI, which is the Shaw Healthcare contract for the provision of residential care services. Under the Shaw Healthcare contract, the rent and service charges paid to Shaw by residents for the council's extra care flats at Leadon Bank have been treated as a contribution to the revenue costs of the units.

Waste disposal

Alternative

We continue to have concerns regarding the investment which the Council has been made in this waste processing facility – particularly as the end of the contract approaches and the assessed 'value' and options for future operation of the facility remain to be confirmed. This is the largest single investment this Council has made since its creation as a unitary authority.

We consider the lack of clarity as regards the future for the operation of the site and next generation waste management contract present a significant risk which we will wish to investigate closely and understand, using existing resource, during 2019/20.

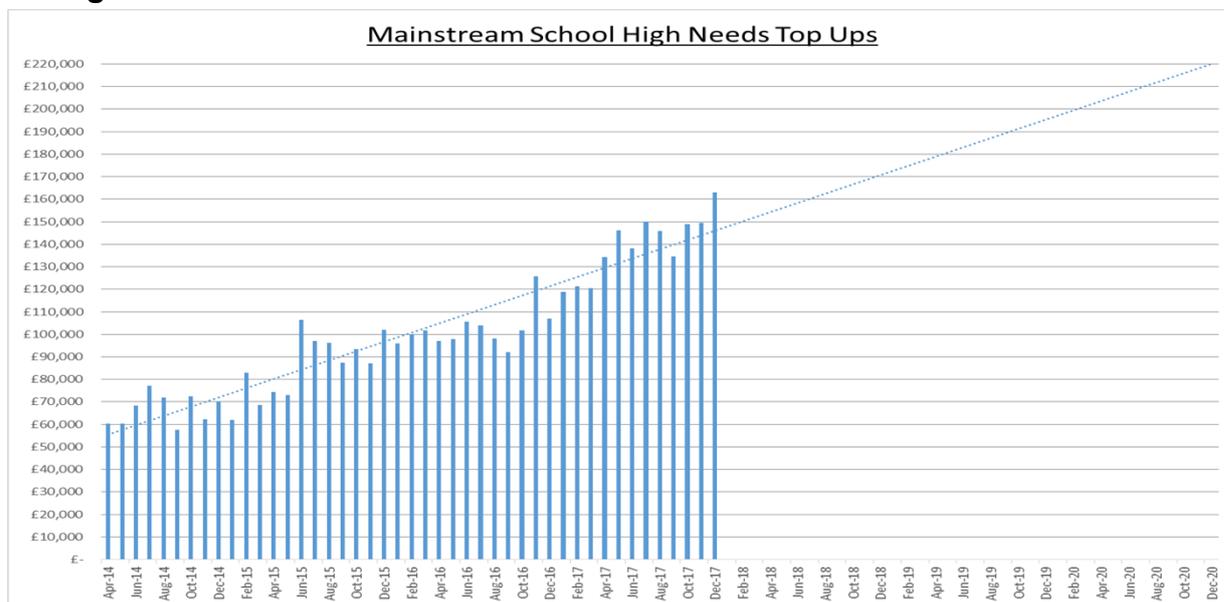
- 14.2 In 1998 Herefordshire Council, in partnership with Worcestershire County Council, entered into a 25 year contract with Mercia Waste Management Limited for the provision of an integrated waste management system using the Private Finance Initiative.
- 14.3 Under the contract the councils are required to ensure that all waste for disposal is delivered to the contractor, who will take responsibility for recycling or recovering energy from the waste stream. In total the estimated cost over the life of the contract is approximately £500m of which approximately 25% relates to Herefordshire Council. The original life of the contract was 25 years, until 2023, with the option to extend this by 5 years.
- 14.4 A variation to the contract was signed in May 2014 to design, build, finance and operate an Energy from Waste Plant. Construction was completed in 2017 with a funding requirement of £195m and an uplift to the annual unitary charge for both councils of £2.7m per annum.
- 14.5 Both councils provided circa 82% of the project finance requirement for the plant under a separate financing arrangement generating interest income for the councils. The remaining 18% was provided by the equity shareholders of Mercia Waste Management Limited.

Whitecross High School

- 14.6 The Whitecross School PFI project delivered a fully equipped 900 place secondary school with full facilities management services. The contract with Stepnell Limited has an overall value of £74m and lasts for 25 years, until 2032. During the 2012/13

financial year the school transferred to Academy status but the obligations under the PFI contract remain with the council.

15 High Needs



- 15.1 There is a severe cost pressure on high needs spend; spend on pupils with higher support needs, with growth and projected growth shown in the table above. The council is reviewing its SEN funding matrix whilst ensuring a new approach continues to comply with the legal duty to secure the special educational provision identified in an Education, Health and Care (EHC) plan. This statutory duty means that, by meeting individual care plan needs, an overspend may occur. The council recognises its absolute duty to provide all special educational provision in children’s EHC plans and is committed to fulfilling that duty for every child with an EHC plan even if this leads to a deficit in the SEN budget.

16 Treasury Management Strategy

Alternative

We recognise the Council’s track record in Treasury Management and also welcome the update of the strategy. We propose to ensure that the council’s short, medium and longer term investments are made in future in sustainable and ethically based funds.

- 16.1 The council has reviewed and updated its treasury management strategy for the MTFS period. The intention is to continue to utilise short term borrowing if required due to the lower cost of carry, however interest rate forecasts will continue to be monitored and, if considered financially favourable, longer term fixed rated debt will be secured.
- 16.2 As at 30 September 2018 the council held investments of £36m attracting an average of 0.71% interest and outstanding long term debt of £240m at an average interest rate payable of 4.36%.
- 16.3 Savings achieved by a change in the minimum revenue provision calculation (the notional capital investment financed by debt annual revenue repayment cost) have been allocated to a financial resilience reserve that will fund invest to save proposals.

17 Reserves

Alternative

We propose to direct to Council Reserves all funds realised in 2019/20 as a consequence of additional income targets placed on services.

Definition of Earmarked reserves and provisions

- 17.1 **Provisions** are required for any liabilities where the timing of payments or the amount of the liability is uncertain. Provisions are required to be recognised when:
- The council has a present obligation (legal or constrictive) as a result of a past event.
 - It is probable that a transfer of economic benefit will be required to settle the obligations and;
 - A reliable estimate can be made of the obligation
 - Amounts set aside outside for purposes falling outside the definition of provisions are consider to be reserves.
- 17.2 **Earmarked reserves** are amounts set aside for specific policy purposes or for general contingencies and cash flow management. For each reserve established, the purpose, usage and the basis of transactions needs to be clearly defined.

Use of Reserves

- 17.3 Reserves enable the council to do three things:
- Create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This forms part of the general reserves.
 - Create a contingency to cushion against the impact of unexpected events or emergencies. This also forms part of general reserves.
 - Creates a means of building up funds, often referred to as ear marked reserves, as defined above to meet known or predicted liabilities.
- 17.4 There are other reserves that can only be used for specific statutory purposes. These include the usable capital receipts and pensions reserve. These are not considered as part of this policy.

Establishing a new reserve

- 17.5 When establishing reserves the council needs to ensure that it is complying with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions.
- 17.6 New reserves may be created at any time, but must be approved by the Cabinet when a reserve is established. The Cabinet needs to approve the following:
- Purpose - the reason for creating the reserve should be clearly stated.
 - Usage - there should be a clear statement of how and when the reserve can be used.
 - Basis of transactions - delegated authority for approval of expenditure from the reserve.

Reporting reserves

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

- 17.8 The overall level of reserves balances will be reported to Cabinet at least annually or when new reserves are proposed, the last report to Cabinet was in June 2018 (<http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=251&MId=6584&Ver=4>).
- 17.9 The annual budget report to Council will include:
- A statement of movements in reserves for the year ahead and the following two years;
 - A statement of the adequacy of general reserves and provisions in the forthcoming year and in the Medium Term Financial Strategy; and
 - A statement on the annual review of reserves.
- 17.10 The level of reserves for the next three years will be reviewed at least annually as part of the Annual budget setting cycle. The Chief Finance Officer will review the Councils earmarked reserves for relevance of propose and adequacy.
- 17.11 Any amendments to earmarked reserves will be reported to the Cabinet for approval.
- 17.12 Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another similar purpose earmarked reserve or surrendered to General Reserves.

18 Conclusion

Alternative

We propose amendments to capital spending priorities and new investment in key services which will improve resilience, sustainability, and community cohesion in Herefordshire.

This medium term financial strategy proposes delivering a balanced budget with tough savings required but a clear focus on continuing to improve outcomes. Herefordshire has an excellent track record of transforming services in difficult financial times and continuing to meet the needs of our customers.

19 Appendices

Appendix 1 - Net Revenue budget

Appendix 2 - Approved Capital Investment Programme

Appendix 3 - Reserves Policy

Appendix 4 - Risk Assessment

Appendix 1

Net Revenue budget and Directorate Spending Limits 2019/20

	2018/19 revised base	Funded pressures	Savings	Other adjust	2019/20 draft base budget
	£'000	£'000	£'000	£'000	£'000
Adults and communities	52,087	5,288	(700)	(325) + 510	56,860
Children's and families	23,958	3,427	(200)	590	27,775
Economy and place	29,169	1,371	(2,473)	(453) + 900	28,514
Corporate services	14,301	192	(359)	932	15,066
Sub Total	119,515	10,278	(3,732)	2,154	128,215
Centrally held budgets	24,609	-	(200)	(1,637)	22,772
Provisional settlement (one off) to spend on rural matters	-	-	-		
Total	144,124	10,278	(3,932)	517	150,987
Financed by					
Revenue support grant	5,370				624
Business rates	33,256				35,950
Council tax	98,445				104,251
New homes bonus	2,540				2,176
Rural sparsity delivery grant	4,093				5,101
Collection fund surplus (one off)	420				500
Adult social care grant (one off)					2,385
Total	144,124				150,987

Alternative Budget amendments are highlighted

Appendix 2

Approved capital programme

	Prior Years £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	Total Capital Programme Budgets £000s
Adults and Wellbeing						
Disabled facilities grant	-	1,853	1,853	1,853	1,853	7,412
Hillside	-	250	1,250	-	-	1,500
Single Capital Pot	19	523	73	-	-	615
Private sector housing improvements	14	242	-	-	-	256
Total Adults & Wellbeing	33	2,868	3,176	1,853	1,853	9,783
Children's Wellbeing						
Colwall Primary School	6,430	320	-	-	-	6,750
Schools Capital Maintenance Grant	797	1,217	1,700	1,200	1,200	6,114
Peterchurch Primary School	7	-	493	5,000	-	5,500
Expansion for Marlbrook school	153	450	5,538	-	-	6,141
SEN & DDA school improvements	-	-	710	-	-	710
Brookfield School Improvements	6	-	1,298	-	-	1,304
CYPD's S106	313	392	605	-	-	1,310
Special Provision Capital Fund	-	-	333	167	-	500
Healthy Pupils	-	-	99	-	-	99
Individual Pupil Needs	-	151	120	-	-	271
Short Breaks Capital	-	-	118	-	-	118
Blackmarston SEN	30	55	-	-	-	85
Replacement Leominster Primary	3	39	-	-	-	42
Basic Needs Funding	-	-	2,058	6,833	-	8,891
2 Year Old Capital Funding	4	101	-	-	-	105
Preliminary works to inform key investment	-	200	1,815	-	-	2,015
Temporary school accommodation replacement	-	450	-	-	-	450
Total Children's Wellbeing	7,743	3,375	14,887	13,200	1,200	40,405
Corporate						
Fastershire Broadband	16,855	5,000	11,420	2,463	-	35,738
IT Network Upgrade	209	291	-	-	-	500
PC Replacement	70	290	-	-	-	360
Data Centre Consolidation	124	106	-	-	-	230
Children Centre Changes	-	370	-	-	-	370
Total Corporate	17,258	6,057	11,420	2,463	-	37,198

Economy, Communities and Corporate

Hereford City Centre Transport Package	32,321	1,342	1,550	5,438	-	40,651
Local Transport Plan (LTP)	-	13,539	12,272	12,272	-	38,083
Hereford Enterprise Zone	8,318	4,758	2,924	-	-	16,000
Leisure Centres	9,639	413	-	-	-	10,052
Solar Photovoltaic Panels	503	120	1,511	-	-	2,134
Corporate Accommodation	2,362	509	-	-	-	2,871
ECC's S106	-	756	-	-	-	756
South Wye Transport Package	4,978	4,508	17,067	8,250	197	35,000
Marches business improvement grants	415	1,297	788	-	-	2,500
SEPUBU Grant	-	381	354	-	-	735
Property Estate Enhancement Works	826	1,414	500	-	-	2,740
LED street lighting	5,478	177	-	-	-	5,655
Herefordshire Enterprise Zone Shell Store	-	1,500	5,816	-	-	7,316
Cyber Security Centre Project	-	3,500	-	-	-	3,500
Development Partnership activities	300	5,300	35,000	-	-	40,600
Highway asset management	-	9,790	3,108	-	-	12,898
Hereford Transport Package	-	2,960	-	-	-	2,960
Ross Enterprise Park (Model Farm)	-	800	6,270	-	-	7,070
Three Elms Trading Estate	(8)	125	358	-	-	475
Stretton Sugwas Closed Landfill	93	2	-	-	-	95
Customer Services and Library	10	123	-	-	-	133
Energy Efficiency	-	35	65	-	-	100
Warm Homes Fund	1	-	397	397	165	960
Strangford closed landfill site	20	11	-	-	-	31
Gypsy & Traveller Pitch development	29	331	-	-	-	360
Leominster cemetery extension	21	172	-	-	-	193
Tarsmill Court, Rotherwas	-	400	-	-	-	400
Car Parking Strategy	58	188	-	-	-	246
Car Park Re-Surfacing	-	116	-	-	-	116
Office and Car Park Lighting Replacement	-	135	165	-	-	300
Affordable Housing Grant	-	800	800	800	-	2,400
Community Housing Fund	-	150	-	-	-	150
Revolving Loans	99	101	-	-	-	200
Hereford Library	(6)	351	-	-	-	345
Total Economy and Place	65,457	56,104	88,945	27,157	362	238,025
Total	90,491	68,404	118,428	44,673	3,415	325,411

Appendix 3

Reserves

1. Review of Reserves

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

- 1.1.1. Relevant,
- 1.1.2. Appropriate, and
- 1.1.3. Prudent.

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

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

2. Use of Reserves

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

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

3. Conclusion

3.1. The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement, at the end of March 2018 the balance was £7.9m (5% of net budget).

3.2. This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances is deemed appropriate. The level of reserves and expected movement in reserves are set out in the MTFS as part of the annual budget setting process.

Appendix 4

Key Risk Assessment

	Key Financial Risks	Likelihood	Impact	Mitigating Actions
1	Unexpected events or emergencies By its nature, the financial risk is uncertain	Low	High	<ul style="list-style-type: none"> Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes Level of reserve is currently £7.9m (5% of budget)
2	Increasing demand for Adult Social Care Demand for services continue to increase as the population gets older	High	Medium	<ul style="list-style-type: none"> Demand led pressures provided for within our spending plans Activity indicators have been developed and will be reported quarterly alongside budget monitoring
3	Potential Overspend and Council does not deliver required level of savings to balance spending plans Challenging savings have been identified within our spending plans.	Medium	Medium	<ul style="list-style-type: none"> High risk budget areas have been identified and financial support is targeted towards these areas Regular progress reports on delivery of savings to Management Board and Cabinet Budget monitoring arrangements for forecasting year end position in place and forecast balanced Plan to review level of cover available from General reserves in place
4	Potential overspend on Special Education Needs The duty to secure provision identified in Education, Health and Care plans means an overspend may occur	Medium	Medium	<ul style="list-style-type: none"> This is a national issue with lobbying to increase central government funding A review of the application of the matrix is underway
5	Increase in Pension Liabilities Our contributions are influenced by market investment returns and increasing life expectancy.	Medium	Low	<ul style="list-style-type: none"> Spending plans reflect the level of pension contribution required as identified by the Pension Fund's Actuary in 2016 for the next three years
6	Failure to fund sufficient school places and sufficient support There is an increasing requirement to provide sufficient school places There is a rising number of children requiring specific support	Medium	High	<ul style="list-style-type: none"> Provision has been made in the capital programme to increase school places Directorate plans in place to manage and mitigate demand Ongoing reviews of children already under care of council
7	Volatility in future funding streams in Government funding streams and Business Rates Retention	High	Medium	<ul style="list-style-type: none"> Prudent assumptions made in budget Ongoing review of developing business rate changes Business case to support future investment decisions
8	Brexit Impact of EU exit may lead to increased volatility in economic stability and reduced access to funds	Medium	Medium	<ul style="list-style-type: none"> Reduced reliance on grant funding in all directorates Increased local economic and social investment to increase core income

ROBUSTNESS OF THE ALTERNATIVE BUDGET STRATEGY PROPOSED BY THE IT'S OUR COUNTY GROUP FOR 2019/20.

The Council is required to set a balanced budget and under section 25 of the Local Government Act 2003, the Council's Chief Financial Officer, S151 officer, is required to give a view on the robustness of the Council's financial strategy including the use of balances and of the financial planning process.

The alternative budget put forward by the It's Our County Group will be considered by full Council and it is therefore appropriate that a view on the robustness of the alternative budget proposals is provided.

The proposals put forward by the It's Our County Group are substantially similar as those put forward by the administration including the same assumptions on:-

Income generated from council tax, including council tax increases, and from implementing the social care precept. Investments, pressures and the delivery of the 2019/20 savings are generally the same as the administration's.

The main area of difference is the treatment of the additional one off revenue funding allocated to Herefordshire Council via the draft settlement announcement made in December 18. Along with the additional recurring Council Tax revenue arising from the slightly larger than expected growth in the Council Tax base.

The alternative budget seeks to increase some service income targets. The proposal makes it clear that this is an increase in targets, and to mitigate any delivery risks, the proposal does not seek to commit these increases to fund expenditure, by stating all additional income is added to reserves.

Chief Financial Officers Statement

As Chief Financial Officer, I consider the budget strategy adopted by the administration to be sound and entirely reasonable. Clearly, there are risks in delivering services in a demand driven environment, especially as many of these demands are outside of the council's direct control. There are ongoing financial risks in managing many aspects of the Council's Budget. The issue is to ensure on-going effective management of these risks across the organisation and the record of accomplishment of the Council to date of robust financial management, in an extremely volatile period of major reductions in Government funding, is very strong. Despite very significant financial challenges the administration have consistently delivered financial outturn within the overall budget for many consecutive years and the Council's accounts continue to receive an unqualified external audit opinions as well as unqualified value for money opinions. All reports considered by Cabinet include details of financial implications and major projects are effectively managed – including the management of risks.

There is considerable uncertainty around longer term funding streams from Government and both the administration and the alternative budget's make prudent and reasonable

assumptions in respect of funding streams from Government. The main difference between the administration and alternative budget is the deployment of the one off additional sums of money allocated as part of the draft settlement in December 2018. A number of the proposals in the alternative budget are to fund pilots or investigations into business cases, further decisions would be required in due course to respond to the outcomes of the pilots and investigations, however the alternative budget strategy is clear that the budget allocations are not made on the assumption that the funding will be recurring.

Turning to the capital budget the administration's capital budget is aligned to previous medium term financial strategies and they include reasonable assumptions about the activities of the Council's two development partners. The alternative budget does not seek to amend the overall capital program proposed by the administration therefore this does not impact on the costs of servicing the capital budget included in the revenue budget. The alternative budget seeks to change the priorities of individual elements within the administration's capital program and therefore does not require any amendments to the capital program.

I am content that the alternative budget proposals for 2019/20 are very likely to balance and can therefore be considered as robust.

Andrew Lovegrove,
Chief Finance Officer.