

MINUTES of the meeting of Council held at The Shirehall, St Peter's Square, Hereford. on Friday 4 February 2011 at 10.30 am

Present: Councillor J Stone (Chairman)
Councillor JB Williams (Vice Chairman)

Councillors: PA Andrews, WU Attfield, LO Barnett, CM Bartrum, PL Bettington, AJM Blackshaw, WLS Bowen, H Bramer, ACR Chappell, ME Cooper, PGH Cutter, SPA Daniels, GFM Dawe, BA Durkin, PJ Edwards, MJ Fishley, JP French, JHR Goodwin, AE Gray, DW Greenow, KG Grumbley, KS Guthrie, JW Hope MBE, MAF Hubbard, B Hunt, TW Hunt, JA Hyde, TM James, JG Jarvis, AW Johnson, Brig P Jones CBE, Lavender, MD Lloyd-Hayes, G Lucas, RI Matthews, PJ McCaull, PM Morgan, AT Oliver, JE Pemberton, RJ Phillips, PD Price, SJ Robertson, A Seldon, RH Smith, RV Stockton, DC Taylor, AM Toon, PJ Watts, DB Wilcox and JD Woodward

In attendance: Councillors

52. PRAYERS

The Very Reverend Michael Tavinor, Dean of Hereford, led the Council in prayer.

The Council stood in silent tribute to mark the death of the former Chairman and Councillor, Peter Harling.

The Chairman thanked all the services for their work during the snow which included the maintenance of roads by Amey, the collection of waste by Focsa. Local farmers were also thanked for clearing the more rural roads of snow.

53. APOLOGIES FOR ABSENCE

Apologies had been received from Councillors H Davies, RC Hunt, GA Powell, AP Taylor, WJ Walling and NL Vaughan

54. DECLARATIONS OF INTEREST

7. DRAFT FINANCIAL STRATEGY 2011/14.
Councillor ACR Chappell, Personal, Employment as a professional carer.

55. MINUTES

The minutes of the Council meeting held on 19 November 2010 were approved as a correct record.

56. QUESTIONS FROM MEMBERS OF THE PUBLIC

Copies of all public questions accepted and received by the deadline, with written answers, were distributed prior to the commencement of the meeting. A copy of the public questions accepted and written answers, together with the supplementary questions asked at the meeting and answers are attached to the minutes as Appendix 1.

57. FORMAL QUESTIONS FROM COUNCILLORS TO THE CABINET MEMBERS AND CHAIRMEN UNDER STANDING ORDERS

Copies of questions from Councillors to Cabinet Members and Chairman of Committees accepted and received by the deadline, with written answers, were distributed prior to the commencement of the meeting. A copy of these questions and written answers together with supplementary questions asked at the meeting and answers provided at the meeting, or a subsequent formal letter to a Member, are attached to the minutes as Appendix 2.

58. DRAFT FINANCIAL STRATEGY 2011/14

The Leader presented the report and proposed the three year draft financial strategy for 2011/14 which included the 2011/12 budget. The following points were highlighted to the Council:

- The budget was the toughest in the life of the authority. Recent years had seen high levels of public investment which had given rise to both a national and international situation which could not now continue. The coalition government had been established and was now tackling the deficit; Government was spending £1 in every £4 on borrowing and £43 billion was being spent annually on debt interest alone.
- It was stated that these were difficult times for the public sector as a whole and that local authorities had been preparing for reduced budgets for some time.
- Herefordshire Council had absorbed a cut in grant receipt of £1 million during 2010/11. Council was advised that when grants go, funding ends.
- In preparing for the necessity of reducing the number of employees, the authority had implemented a policy of temporary employment and agency contracts. 250 Full Time Equivalent (FTE) posts would go in the next two years out of a total of 1700; a quarter of all the Council's management posts would go.
- In preparing for the local government settlement, the authority had identified £8 million savings. On receipt of the final settlement on 13 December 2010 such savings would not be enough. The late publication of the settlement details together with changes in funding formulas put consequential pressures on drawing up the authority's budget. The formal consultation was undertaken within very tight timescales.
- The settlement outlined the following reductions needed in the budget over three years, 11/12 - 13.3%, 2012/13 - 8.6% and 2013/14 - 1.9%; the frontloading of the budget reductions had been challenging.
- The core principles by which savings would be identified within the Star Camber process had been agreed as: Valued Services, Cutting Red Tape, Supporting the Vulnerable, Cutting Costs, Local Delivery and Personal Responsibility. It was stated that it had been pleasing to note that the Overview and Scrutiny Committee had endorsed these principles as sound and appropriate.
- To deliver the 2011/12 budget, £10.3 million worth of cuts were required from a £150 million budget. It was emphasised that Members should be under no illusion as to the scale and depth of the cuts which were being replicated in local authorities across the country.
- The principal aim for Herefordshire Council would be to reduce the cost of delivering services whilst protecting front line services. Those Members who opposed such an approach would need to clearly outline where alternative cuts would be made.
- An additional difficulty to the budget setting process was the rural nature of Herefordshire as it cost more to deliver services due to its geography and the current high cost of energy. Members were advised that the Leader would be

writing to the local MPs to make them aware of the impact of high energy and fuel costs to the public and private sector as well as to individuals.

- The shared services project was crucial to delivering efficiencies; it would be effective from 1 April 2011.
- There was a wider organisation re-design currently taking place within the Council which would have personal consequences on individual employees.
- A commercial strategy was being developed and the SMARTer delivery of functions both of which would contribute to the efficiencies needed to deliver on the budget.
- Government grants had been reduced from 77 to 6, with some disappearing altogether whilst others being absorbed into the formula; pages 125 and 126 of the agenda pack listed those grants which had ceased, those which had been rolled into formula grant, and those still to be announced.
- It was emphasised to Councillors that if no grant was to be received, there would be no service. Should grant funded services be reinstated and supported from the main Council budget there would be a consequential need to cut the budget elsewhere.
- Herefordshire's pupil premium grant of £4,000 had historically been one of the lowest in the country. The pupil premium for 2011/12 would be £4,700, however this amount was made up of the previous pupil premium and all other appropriate grants; no additional grants would be available.
- Herefordshire concessionary fare grant had been reduced by 20% (Oxfordshire's similar grant had been reduced by 51%).
- The budget had made several general assumptions which included:
 - (a) taking advantage of government funding of up to 2.5% of Council tax.
 - (b) pay would not be increased (however a small increase to cover the outcome of the actuary's revaluation of the pension fund was included).
 - (c) the application of inflation at 2% to budgets and discretionary fees and charges
- Additional funding would be received by Adult Social Care; this included the allocation of monies from NHH. Due to the deep partnership with health, agreement for the transfer of monies had been swift; other local authorities had not yet reached such agreement.
- With over 4,500 clients, the demand on social care provision had increased by 7% in the previous 12 months. Whilst the additional funding was welcomed, it was stated that ongoing additional investment would be required for local authorities, not solely for the NHS. Whilst recognising these additional funds for adult social care, this did not exclude the service from delivering efficiencies through re-assessment of care packages, remodelling of contracts etc.
- Within the Children and Young People's Directorate significant staff reductions had been delivered, a redesign of the youth service provision would be undertaken, and further work would be done to align the service with the localities initiative.
- The number of Child Protection Plans has increased by 210% in the last 12 months. The cost of caring for looked after children equated to approximately £400 per week 'in county' and approximately £1,000 per week 'out of county'.
- It was important to place vulnerable citizens at the core of any budget.
- It was proposed that there would be a reduction of 15% over two years to the Council's contribution to both the Courtyard Theatre and Halo. The importance of the need to establish a Cultural Trust was emphasised.
- In relation to libraries, it was stated that whilst static provision would remain the mobile service would be reviewed, which would bear in mind the needs of the housebound.
- Government had reduced funding for highways maintenance; a letter would be sent to all parish councils advising them that whilst the lengthman scheme would continue highways maintenance and repairs must be of priority. Government

would be lobbied to ensure that, following two successive severe winters which damaged the road network, that appropriate investment was placed in the road infrastructure from motorways to unclassified roads.

- The budget was tough, but was realistic. It had been planned and would require continual monitoring. It was clear that the public sector must take its share of the national problem.
- It would be important that the public understood the situation that the Council was in and the importance for the Council to work with other partnerships and voluntary organisations, with town and parish councils, with the wider community and others to deliver on priorities.
- The Big Society concept as outlined by Government has been embedded within Herefordshire for generations.
- Projects which had been successfully supported from funding in the Capital Programme had included Hereford Leisure Pool, broadband, Ledbury Library.
- A meeting between the Leader, Chief Executive and the Trade Unions would take place on Monday 7 February.
- It was acknowledged that delivering a budget had not been easy and whilst it may be difficult for all Members to agree it, no alternative options had been received.

In debate the following principal points were made:

- The Director of Resources and his team were congratulated for their work on the budget.
- It was commented that the front loading of the budget reductions could be seen as a political manoeuvre from Government.
- Spend on agency and consultancy staff was considered excessive at £5.125million. It was stated that the strategy did not refer to how these costs would be reduced; this was an omission which would need to be tackled.
- Other unknowns in the budget included the funding for the New Homes Bonus of £660,000 as the current economic climate did not encourage development and house buying. Some of the agreed planning developments in the county were currently undeliverable.
- 2013 would see the abolition of the PCT. The costs of setting up the GP consortia was not in the MFTS.
- Amey had recently estimated that it would take £40 million to repair the existing network; it was essential to lobby to get more funding.
- Several Members stated that they would abstain in the vote, reasons given included, (i) lack of detail in some areas of the budget, (ii) no alternative budget, (iii) lack of clarifications on where savings would be met.
- There had been a commitment in the previous meeting that those most vulnerable in the community would not be affected, however it was disappointing that some employees in adult social care were 'at risk' and that there was an expectation for the directorate to find savings of £2.6million.

It was moved and seconded that the two recommendations in the report be taken separately.

The following comments were made during debate on the amendment.

- Some Members stated that whilst they had reservations about the detail contained in the Medium Term Financial Strategy, the approval to freeze the council tax would be acceptable.
- It was necessary to agree the MFTS and to approve the council tax together.

The amendment was moved and put to the vote. The amendment was lost 21 votes to 30, with one abstention.

The following were additional comments raised in the continuation of the original debate:

- Members were informed that the Overview and Scrutiny Committee; had supported the core budget setting principles; recommended that more detail be provided about the budget reductions in order to better understand the impact on the community and recommended that greater information be given about capital programmes.
- With so many uncertainties in the budget it would be difficult for ward members to explain it to their communities. There was a need to better explain the impact of the budget on residents.
- Many elderly and vulnerable residents in wards were reliant on buses; if town and parish councils were to be asked to support with the continuation of bus services when would such discussion take place so that town and parish councils could budget for the future.
- It was stated that the report expressed the programme of rationalisation, financial stringency and the boundaries within which the budget had to be delivered. The MTFS and budget was coherent and sound.
- As some grant funding and cuts had been announced the previous day, and others were awaited, the financial picture had not been fully revealed.
- Concerns were expressed that many rural villages would end up with no bus services.
- Many buses were owned by the council or by schools it was suggested that consideration be given to organisations such as parish councils to use such vehicles (and be provided a subsidy) for the benefit of their communities.
- Concerns were expressed about the new arrangements for the Coroner's Service as there was the potential to increase travel costs for funeral directors. In response the Cabinet Member Corporate and Customer Services and Human Resources stated that a coroner for Herefordshire would remain, however the services would be aligned with that of Worcestershire; this matter had been considered by the Group Leaders. The review of the Coroner's Service would deliver savings and a more resilient service.
- The development of a cultural trust was to be welcomed.
- The partnership with the NHS was delivering dividends, however concerns were raised regarding the arrangements in place for the progression of placements of vulnerable individuals from the children and young people directorate to that of adult social care.
- In respect of Disabled Facilities Grant it was noted on page 91 of the agenda pack that the allocation would be circa £0.6million, however in response to a formal written question from a Councillor (agenda item 6), the figure given was £1.08million; such discrepancy meant that the budget would be difficult to support.
- Those Members considering not supporting the budget were challenged to state what services would be cut in order to deliver a balanced budget. No alternative budget had been produced or suggestions put forward for consideration.
- A seminar had been held for all members on the budget, it had been considered by Overview and Scrutiny Committee, Officers and Cabinet Members had made themselves available to any Member seeking information in the budget.
- All Members were urged to work together to solve the authority's pressing problems and to make the difficult decisions that the settlement had necessitated.
- The Cabinet Member for Environment and Strategic Housing stated that no libraries would be shut nor would rural bus services be withdrawn in Herefordshire. Such services were being cut in other parts of the country. Collectively the Cabinet with the support of officers had worked hard to deliver a balanced budget by making difficult decisions on efficiencies and in increasing income generation (such as planning fees). Members were urged to support the proposition.

- It was stated that a reason why no alternative budget had been forwarded was that full budgetary figures were not available.
- Council was reminded that the Overview and Scrutiny Committee did not have membership from all the political groups.
- Clarification was sought as to the amount to be taken from reserves as the report implied a total of £2million (two separate drawing down of £1million). This being the case, with the reduction in the formula grant of £5.7 and the additional need to repay up to £2million into reserves, the starting point for additional savings for 2012/13 would surely be £7.7million.
- Clarification was sought as to the future role of parish councils and community groups in delivering services, and what, if any funding would be provided.
- The report outlined that some pockets of deprivation in Herefordshire had got worse since 2004. As the economic climate was now vastly changed what chance had these areas of improving in future years?
- It was questioned whether the budget setting principle of including net inflation of 2% was sufficient as the current Bank of England base rate was 3.7%. On a point of order, the Leader stated that whilst accepting that there were differing measures for inflation rates, emphasised that the budget needed now to take account of inflation which had been included at an assumed rate of 2%.
- The view was expressed that Members had been told little or nothing on the budget setting process and that confusion was rife due to the worrying lack of detail. It was necessary to have clarity on the Council's priorities
- It was suggested that Herefordshire Matters be discontinued and that communications be disseminated via the town and parish councils.
- Concern was expressed that if fees were increased, the public would suffer.
- The reduction in management costs was welcomed.
- Members were reminded that the Council had a legal obligation to produce and agree a budget. Given the information provided to the authority, the budget under consideration was excellent. It was re-emphasised that no alternative budget had been proposed.
- The complex partnership between the NHS and the Council was paying huge dividends; this was welcomed and the Chief Executive commended for his work in aligning these two organisations.
- Concern was expressed that the administration was not transparent in its strategy. Added to this were concerns that the capital reserves during the life of the administration had gone from £18million to £4.5million whilst borrowing had increased by over 100% with the council spending £17.5m servicing the debt. Such an approach was neither prudential nor strategic.
- Whilst the principles of the budget setting process were supported, it was commented that it was important to reduce the number of staff on high salaries. It was stated that between 2005 and April 2010 the number of council employees earning £50,000 or above rose from 51 to 117 (from £3.4million to £7.6million) – an increase of 154%.
- It was stated that the Courtyard Centre for the Arts attracted people and business into Hereford. Concerns were expressed that no impact assessment had been undertaken prior to the reduction of the grant.
- Assurance was sought that the Council would not make staff redundant only for them to be re-employed via outsourcing at a higher cost.
- Clarity was sought on the budget and the detail of the front line cuts.
- It was stated that the public were angry about the high level of public sector salaries.
- Members were advised that in 2003 a press release was issued accusing the then administration of putting a burden of debt on the county as borrowing approached £50million. The current situation was that borrowing had risen by three times as much and included a further £50-60million off book in pfi schemes

(indirectly from the public). In total the county was carrying a debt burden of over £200million.

- Concerns were expressed that the county had one of the lowest satisfaction ratings in the region and had dropped from being the best performing in the region to the lowest.

Responding to points raised in debate, Cabinet Members made the following comments:

- The Cabinet Member Corporate and Customer Services and Human Resources advised the Council that all group leaders were entitled to attend Overview and Scrutiny Committee as ex-officio members. All Members had been invited to attend a seminar on the budget process and had access to officers and cabinet members. It was acknowledged that putting together an alternative budget was hard work; however it had been undertaken in the past. The Council should be rightly proud of the partnership with the NHS and others; it would be necessary to increase our working with others in order to sweat the public pound. Members were urged to focus on the wider picture and not on the minutiae as it was stated that monies could be vired across to budgets during the year. It was recognised that there were big challenges ahead and that there was a need to work together for the benefit of Herefordshire's residents. All directorates were working hard to deliver efficiencies and to work in different ways; investment had been made to IT and systems to support this. In relation to salary levels, the Council was reminded that the National Employers Organisation had responsibility for the setting of salaries for the majority of local authorities. Consideration and respect needed to be given to all those staff affected by the reduction in posts, all of whom had provided valued contributions to the Council. A greater focus would be given to procurement in order to achieve better efficiencies by reducing the number of suppliers whilst also ensuring opportunities for local businesses and suppliers. Council Members were encouraged to support the budget.
- The Cabinet Member for Highways and Transportation emphasised that Herefordshire was at the top of the agenda whilst recognising that the grant reductions would have an effect on the county. Several hundred letters and some petitions had been received in relation to the reduction in bus subsidy for the county. Assurance was given that the issue would be dealt with in a responsible manner and that the authority would be using reserves, consulting with partners and communities as well as undertaking a retendering process on half the bus contracts during the autumn. It was acknowledged that bus services were important and any changes would be done in a structured and measured way. It was additionally stated that the highways budget had been cut by 12% from £13million to £10.3million. £2.4 million had been budgeted for winter maintenance. Road safety and maintenance must remain a key priority.
- The Cabinet Member for Economic Development and Community Services complimented the Resources Directorate for their excellent treasury management and loan book management and reminded Members that the council had a triple A rating. The authority had taken advantage of the current low interest rates in order to benefit in the longer term. In relation to the Courtyard Centre for the Arts, its management commercial aspects were complimented; the Board had been made aware of the grant reductions, however it was noted that Arts Council support remained buoyant. The Council was also made aware that the county's regeneration scheme was one of the few remaining projects continuing in the country.
- The Cabinet Member for Resources emphasised to Members the economic climate and the consequential impact of the CSR and the settlement. Council was reminded that the budget sought to reduce the cost of delivering services, and to retain the service delivery. The temporary use of reserves would ensure the funding for concessionary fares for the year ahead despite the reduction in the grant funding. Members were advised that £16million must be cut from the budget over the next two years.

- The Leader advised Council that the joint draft MTFs had been signed off by the Board of the PCT. It was clear that there was a need to take account of the Localities Bill and the expectation that town and parish councils would take on various work; the full details were awaited. It had been the choice of the Council to use supported borrowing from Government to build and repair roads and schools. Prudential borrowing had been used to build Leominster swimming pool, a new crematorium and Riverside School as the Government did not provide supported borrowing. The budget sought to deliver minimum impact to the front line. Other public sector organisations were known to be using reserves and not paying it back – this would not be the case in Herefordshire. It was important for Herefordshire to deliver the vision with NHS and other partners through the landscape of change and defend the county values such as health services and the city and community hospitals. Locality working would form a key part of Herefordshire's future strategy and would deliver early intervention for problems and issues. The Council was reminded that a £10million budget cut was substantial and that the budget had been the most difficult in recent memory due to its scale and timescale.

The recommendations were put to the vote and carried 30 to 22

RESOLVED THAT Council:

- (a) **approve the Medium Term Financial Strategy (MTFS) shown in Appendix A (of the report), which includes the 2011/12 budget, and Treasury Management Strategy and Policy Statement; and**
- (b) **approve a freeze of Council Tax for 2011/12 at 2010/11 levels;**

59. JOINT CORPORATE PLAN

The Leader presented the report on the joint Corporate Plan 2011-2014 and advised Council that reference should also be made in the Plan to broadband.

RESOLVED THAT:

Council approve, with amendments, the Herefordshire Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes at Appendix 1 to the report

60. REVIEW OF POLLING DISTRICTS, POLLING PLACES AND POLLING STATIONS

Council considered a report on the outcome of the recent review of polling districts, polling places and polling stations following the direction by the Electoral Commission to review any polling station with an electorate of between 2000 and 2500. Council's approval was sought to the proposed changes to polling districts within the Ledbury ward.

Members were advised that any matters relating to polling places and stations be directed to the Returning Officer as they were not matters for determination by Council.

RESOLVED That Council:

- (a) **Notes the outcome of the review (summarised at Appendix A to the report); and**

- (b) **Approves the creation of a new polling district within Ledbury ward (based on the New Mills estate) to facilitate a reduction of the electorate in polling districts N-UC and N-UE.**

The meeting ended at 1.10 pm

CHAIRMAN