

MEETING:	Health and social care overview and scrutiny committee
MEETING DATE:	17 November 2015
TITLE OF REPORT:	Budget and medium term financial strategy (MTFS) – draft prior to funding announcement
REPORT BY:	Director of resources

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To seek the views of the health and social care overview and scrutiny committee on the draft medium term financial strategy (MTFS) 2016-20 and the budget proposals for 2016-17. Specifically the impact of the proposals on health and social care, these are detailed in appendix 2.

Recommendation(s)

THAT:

- (a) the committee provides comments to the general overview and scrutiny committee on the draft MTFS (at appendix 1 to this report) and the 2016-17 budget proposals, specifically the impact on health and social care.**

Alternative Options

1. It is open to the committee to recommend alternative spending proposals or strategies; however given the legal requirement to set a balanced budget should additional expenditure be proposed compensatory savings proposals must also be identified.

Reasons for Recommendations

2. The council's budget and policy framework rules require that cabinet have regard to the views of overview and scrutiny in developing their recommendations to Council on budget and policy framework items.

Key Considerations

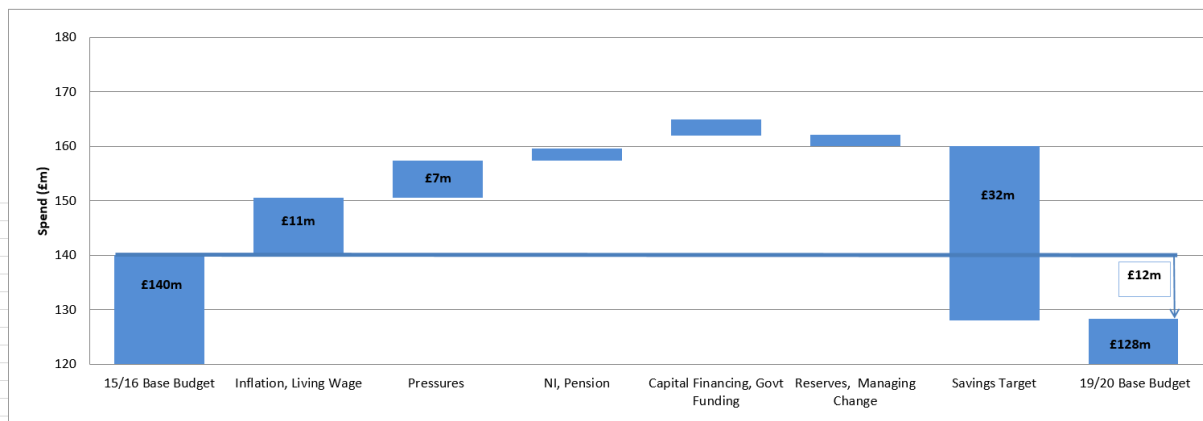
3. Herefordshire Council is addressing the most challenging financial conditions in living memory, 2015/16 being year six year of a ten year 'austerity period' in which the Council will make savings totalling £91m. The council is on schedule to have matched up to those challenges, delivering savings of £59m by the end of 2015/16.
4. Whilst focused on services to residents it has been important to reduce the size of the council, demonstrate efficiency and good use of resources by:
 - Reducing the workforce by 20%.
 - Rationalizing buildings we owned in order to centralize in fewer business centres.
 - Making stronger connections across public sector organization – making resources go further.
 - Reducing wasted expenditure on paper, and shifting as first choice to digital, in our offices.
 - Supporting the shift of staff to working mobile, rather than fixed locations.
5. The MTFS, attached at appendix 1, has been updated to reflect current spending, a review of savings plans, contingencies, demographic pressures and assumes a 1.9% increase in council tax. Central government funding for 2016-17 is expected to be announced in the week beginning 14 December following the publication of the comprehensive spending review on 25 November. This report is based on the anticipated funding settlements from information published as part of the July 2015 budget, subsequent announcements and discussions with the society of county treasurers.
6. On 5 October 2015 it was announced that local authorities would be able to retain 100% of business rates by the end of the parliament, 2019-20. Local authorities will also be able to reduce business rates or, for those areas with a devolution deal and an elected mayor, increase business rates with agreement from business members on their LEP.
7. As part of the changes further responsibilities and services will be devolved to local government. More detail on the types of powers which will be given to councils is expected to be announced in the spending review in November.
8. The chancellor also re-iterated the commitment to reduce the public sector spending deficit to zero in the same period so the same level of reductions in council spending

can be assumed. As a relatively low recipient of business rates this initiative could be disadvantageous to Herefordshire.

9. It won't be known until late December the central government funding for 2016-17 however prudent financial management means we must plan on the best known information and can review approved spending plans once the detail is known, if there are any significant changes.
10. Council will be asked to approve the 2016-17 budget on 5 February 2016. It will also approve the medium term financial strategy and the corporate plan to 2019-20.

Savings plan 2016-17 to 2019-20

11. The council delivered £49m of savings in the financial years 2010-11 to 2014-15, with an additional £10m required in the current financial year, 2015-16.
12. Looking forward an additional £32m of savings in the financial period 2016-17 to 2019-20 is needed. This gives total savings for the financial period 2010-11 to 2019-20 of £91m.



13. Savings have been reviewed as part of the budget process and revisions made, these are attached as appendix 2 and are summarised in the table below. The review has highlighted an overall gap of £4m shortfall against the target, all in 2019/20, outside of the CSR period. Some savings have now been removed from the plan and some savings having been replaced with new ones work continues on targeting the remaining gap in 2019/20 and providing contingency for slippage against plans.

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total 16-20 £000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

14. The implementation of individual savings proposals will be subject to specific consultation as necessary, prior to their implementation.

Base budget 2016-17

15. A draft of directorate base budgets for 2016-17 is set out below, this is detailed in appendix 3. This reflects increases in inflation and pensions, pressures, savings and other adjustments.

Draft revenue budget summary 2016-17 pending comprehensive spending review

Directorate	Base budget 2015/16 £000	Net changes £000	Draft budget 2016/17 £000
Adults and wellbeing	53,243	(1,466)	51,777
Children's wellbeing	22,137	244	22,381
Economies, communities and corporate (ECC)	50,635	(1,135)	49,500
Total Directorates	126,015	(2,356)	123,659
Capital financing - debt repayments			10,323
Capital financing - interest			6,773
Change management			728
Government grants			(6,741)
Other central budgets			2,019
Total net spend (budget requirement)			136,760
Financed by			
Council tax			87,611
Locally retained business rates			22,338
Business rates top up			6,950
Revenue support grant			19,242
Reserves			619
			136,760

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Financing

16. The 2016-17 net budget requirement assumes a 1.9% increase in council tax and a 2% inflationary increase in business rates business rates.
17. The formula grant funding assumption is based on an annual government funding reduction of 12% throughout the MTFS term as indicated in the summer budget. A 12% reduction was realised in 2015-16 and funds reduced by 14% in 2014-15.
18. Financing from reserves is used as one-off funding to pump prime spend to save initiatives.
19. Future year funding assumptions are based on a 12% per annum reduction in general central government funding. This excludes specific grant allocations. The impact is shown in the table below. This is line with indicative assessments of announcements made and reflects reductions continuing throughout the period at the same pace as seen in previous years.

Government funding	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m	£m
Revenue support grant	42.9	35.8	26.5	19.2	12.8	7.0	1.9
Business rates top up	6.6	6.7	6.8	7.0	7.1	7.2	7.4
New homes bonus	2.1	2.8	3.6	4.2	4.3	4.1	4.0
Business rates	22.0	22.4	23.3	23.5	24.0	24.5	25.0
Totals	73.4	67.7	60.2	53.9	48.2	42.8	38.2
Reduction %	10%	14%	12%	12%	12%	12%	12%
RSG grant reduction	7.0	9.4	7.2	6.5	5.8	5.1	4.6

Grants included in the net budget

20. Included in the proposed budget are the continuation of grants received in 2015/16 that are yet to be confirmed for 2016/17. These are:

Grant	2015/16 £000
Housing benefit admin subsidy	819
Council tax support – new burdens	32
Social care funding – new burdens	1,224
Public health grant	7,970
Business rates S31 grant	2,354
DoH social care funding	119

Lead flood grant	46
Extended rights to travel	106
Commons registration	4
Better care fund	11,694
TOTAL	24,368

21. The table below shows the contributions made by the council and the CCG to the Better Care Fund (BCF). The local authority expenditure is included within the AWB budget. The funding from the CCG includes the protection of social care (£4.5m) plus the Care Act funding (£0.5m).
22. The Care Market Management (scheme 2) relates to the additional pooled fund agreed by the council and the CCG. It relates to all in county residential and nursing placements for the local authority and in county residential continuing health care (CHC) placements and free nursing care (FNC) from the CCG.

Key Deliverables	LA Contrib £000	CCG Contrib £000	Pooled Budget 2015/16 £000
Expenditure			
Minimum protection of Social Care (Scheme 1a)		4,520	4,520
Implementation of Care Act		458	458
Disabled Facilities Grant (capital)	866		866
Community Capacity/Social Care Capital	490		490
Community Health Redesign (Scheme 1b)		6,716	6,716
Care Market Management (Scheme 2)	18,363	8,365	26,728
Fund Management	27		27
Total BCF Expenditure	19,746	20,059	39,805

23. Under the section 75 agreement between the council and the CCG the pooled budget arrangements the financial contributions have to be jointly agreed. Work will commence shortly to review and agree the revised base budget for pool 2 for 2016/17. This work will include a review of the risk share arrangements which were put in place for the first year of the BCF only as both partners recognised that in year operational activity may result in the need for changes.

New pressures included in draft budget

24. Additional pressures have been identified that were not anticipated in the MTFS approved in February 2015, the living wage and pressures in adults demographic, these are set out below:

	2016-17	2017-18	2018-19	2019-20	Total
	£000's	£000's	£000's	£000's	£000's
National living wage	686	618	491	539	2,334
Adults demographic pressures	888	874	926	945	3,633
Other pressures	396	(24)			372
TOTAL	1,970	1,468	1,417	1,484	6,339

25. The national living wage pressure follows the government announcement in June of plans to introduce a national living wage from April 2016 of £7.20 per hour at age 25 and above, rising annually so that by 2020 it is 60% of median UK earnings per hour which, based on data available, is likely to be around £9.30 per hour. The pressures above are based on the anticipated effect on our supply chain as a result of this cost increase.

26. Adult demographic pressures are being faced from the increasingly older population in Herefordshire and are based on the office for national statistics data.

27. The approved medium term financial strategy (MTFS) assumed savings of £1m in children's safeguarding in 2016-17. However this budget is overspending by £1.7m in 2015-16, as such the budget has been re-based and savings reviewed with the safeguarding team up to 2019-20. Savings have been profiled over the period, giving a budget increase of £0.5m in 2016-17 with budget savings assumed 2017-18 to 2019-20.

28. The government have stated that they will give cash protection to schools based on pupil numbers in the plan period. This means that the pressures effecting the council, pay-awards, national insurance and pension increases and the living wage implementation will have to be within schools cash-limited budgets. This is estimated to result in savings of 16% in schools over the period, the majority of which will have to come from staffing reductions. These savings will also have an impact in children's wellbeing, not only having to provide support to schools in financial difficulties but the knock on impact where schools will have to reduce what services they purchase from the council. The directorate will also have to reduce spending proportionately for schools that become academies.

Reserves and balances

29. The projected general fund working balance is as follows being in excess of the policy requirement to retain a balance of 3% of the net budget (approximately £4.3m).

Year ending	£m
31.3.14	5.1
31.3.15	7.1
31.3.16	6.9

30. In addition the council has a number of revenue reserves which are earmarked for specific purposes, for example specific grant funding. The council cannot use schools balances. Including these reserves total reserves going forward are estimated to be as follows:

Balance as at:	General fund £m	Specific reserves		Total £m
		Schools	Other	
31.03.14	5.1	6.3	17.6	29.0
31.03.15	7.1	6.2	20.5	33.8
31.03.16 estimate	6.9	5.5	19.5	31.9

31. The level of general reserves retained have increased in 2014-15 in recognition of the possibility of increased difficulty in achieving the savings plans going forward and to fund one-off investment costs in 2015-16 in addition to providing a more prudent level of contingency for additional risks.

Pension deficit

32. The pension deficit on Herefordshire's fund as at 31 March 2015 totalled £211m, representing the shortfall between the estimated value of obligations and the assets held in the pension fund. This proportionate level of deficit, 42%, is normal for local authority pension funds and relates to falling returns on investments and employees living significantly longer than anticipated when the scheme was initially set-up.

33. The council ensures that funding is set aside by the time the benefits come to be paid with revised contribution rates bringing the fund into balance over a period of 21 years. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. In 2016/17 the council will pay £5m to repay the deficit as agreed with the pensions fund's actuaries. This amount will be reviewed after the next full valuation (due 31 March 2016) which is based on assumptions about mortality rates, salary levels, inflation and asset growth. It is currently estimated that the deficit will decrease to between £150m - £200m over the planning period.

Community Impact

34. The MTFs and budget demonstrate how the council is using its financial resources to deliver the priorities within the agreed corporate plan.

Equality and Human Rights

35. The Public Sector Equality Duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and

demonstrate that we are paying “due regard” in our decision making in the design of polices and in the delivery of services.

36. A number of service specific equality impact assessments are being completed for the service specific budget proposals to assess the impact on the protected characteristic as set out in the Equality Act 2010.

37. The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account when these assessments have been completed then we will consider mitigating against any adverse impact identified.

Financial Implications

38. As set out in the report.

Legal Implications

39. When setting the budget it is important that councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.

40. The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure. The act also covers the legal issues around council tax setting.

41. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.

42. Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by: making prudent allowance in the estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

43. Section 25 of the Local Government Act 2003 requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals (the statement is contained within the risk management section of this report). This is done so that members will have

authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the chief finance officer's statutory report. If they do not they must provide clear reasons for not following the professional advice put forward by the chief finance officer.

44. Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with its obligations under the Equalities Act 2010 - the public sector equality duty (PSED). This duty imposes a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the PSED when taking any decisions on service changes. However, the courts also recognise that local authorities have a legal duty to set a balanced budget and that council resources are being reduced by central government.
45. Where a decision is likely to result in detrimental impact on any group sharing a protected characteristic it must be justified objectively. This means that attempts to mitigate the harm need to be explored. If the harm cannot be avoided, the decision maker must balance this detrimental impact against the strength of legitimate public need to pursue the service remodelling to deliver savings. The more serious the residual detrimental impact, the greater the financial savings must be to justify the decision. The harm can only be justified if it is proportionate to the financial benefit and if there have been reasonable efforts to mitigate the harm.
46. The committee should give careful and reasoned consideration to the results of the consultation as set out in appendix 4 to this report.

Risk Management

47. Section 25 of the Local Government Act 2003 requires the chief finance officer to report to Council when it is setting the budget and precept (council tax). Council is required to take this report into account when making its budget and precept decision. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
48. The budget has been updated using the best available information, current spending, anticipated pressures and an assessment of the grant settlement. This draft will be updated following the comprehensive spending review.
49. The most substantial risks have been assessed as part of the budget process and reasonable mitigation has been made. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process.
50. There are additional risks to delivery of future budgets including government policy changes and unplanned pressures. A general fund reserve balance above the

minimum requirement, a risk mitigation reserve of £4.5m and an annual contingency budget of £0.7m have been set aside to manage these risks.

51. Demand management in social care continues to be a key issue, against a backdrop of a demographic of older people that is rising faster than the national average and some specific areas of inequalities amongst families and young people. Focusing public health commissioning and strategy on growth management through disease prevention and behaviour change in communities is critical for medium term change.
52. Difficulty in achieving reductions in children's safeguarding. The proposals include a saving of £1m on current spending however Herefordshire is high spending compared to statistical neighbours and the savings are felt to be deliverable.
53. Herefordshire CCG are projecting a £5m overspend in 2015/16 and are going to have to make savings in 2016/17 which may have an impact on council services.
54. The risk of on-going litigation claims which may result in one off costs falling due.

Care Act

55. The previously identified risks associated with the implementation of the Care Act (phase 2) have been significantly reduced as a result of the summer decision to delay the introduction of the care cap and other changes until 2020 but not eliminated completely. There remain financial risks for all local authorities arising from the requirement introduced in the Care Act for local authorities to pay a fair price for care.

Better Care Fund (BCF)

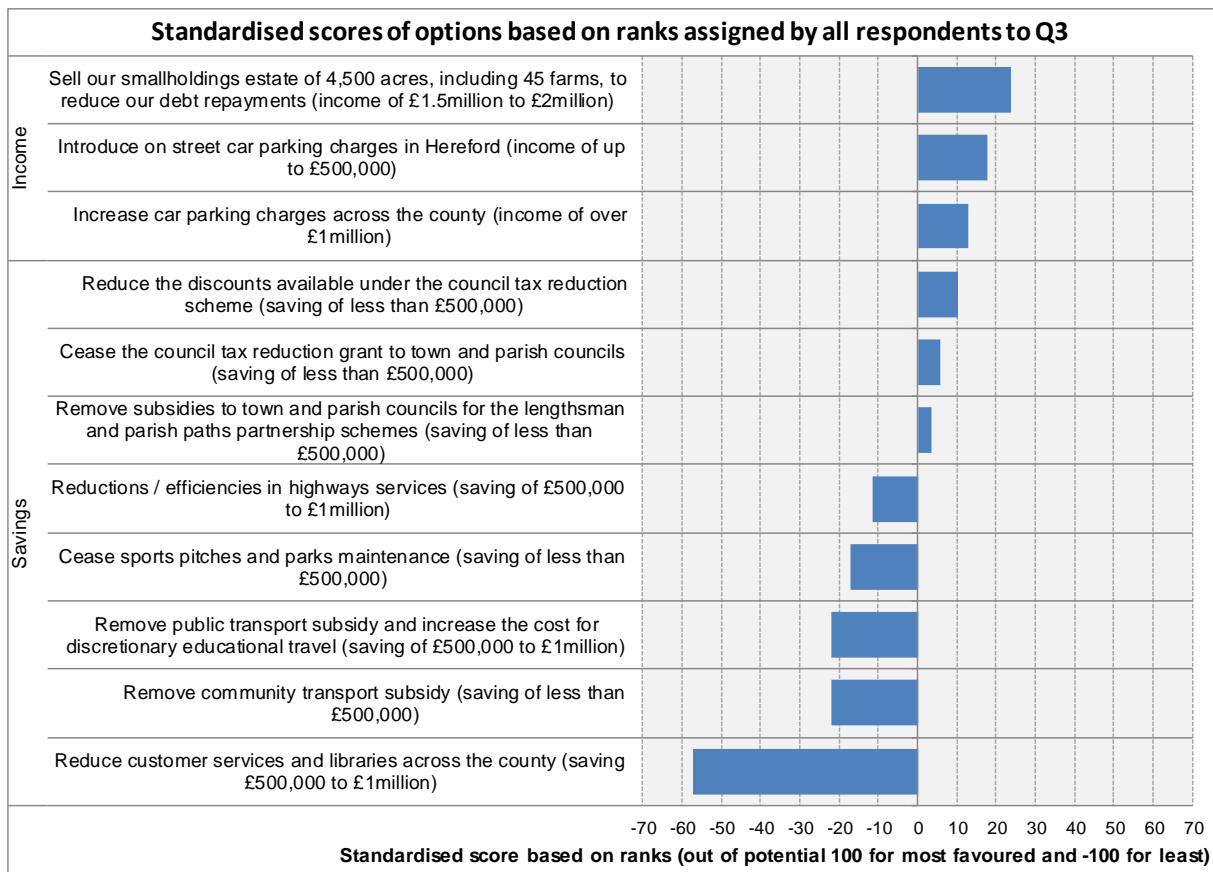
56. The local authority and CCG pooled more than the minimum requirement for the BCF for 2015-16. The additional pooled funds relate to residential and nursing placements including residential based continuing health care (CHC) placements in the county. The CCG has notified the council of pressures arising from a sharp increase in CHC placements in year. Actions are underway to mitigate and reduce this pressure and re-base the pooled budget in 2016-17.

Independent Living Fund (ILF)

57. Central government closed the ILF and transferred funding on a non-recurrent basis for current service users (less 5% attrition factor) in July 2015. Local authorities have been advised that ongoing funding will be considered as part of the CSR. The annual cost of services transferred is circa £1.3m. The local authority is reviewing client needs to ensure the correct level of financial support is offered and assessing financial contributions made by clients which is likely to reduce the total cost of the service provision but there remains a material financial pressure if funding is not identified for councils to maintain this support as part of the CSR.

Consultation

58. Consultation on the budget proposals commenced on 23 July and completed on 9 October. The consultation sought views on priorities, savings and income proposals and included how we could do things differently. The outcome of the consultation, attached in appendix 4 will be used to guide decisions within a balanced budget.
59. The ranking below is based on responses received and analysed. There were a total of 1,979 standard responses to the consultation, of which 784 submitted online and 1,195 completed paper copies. 61% of responses supported a council tax increase above 2% to protect services and defer savings.
60. The draft responses show some clear messages, as shown in the diagram below. There was a general preference for savings that would generate income:
- 37 per cent of respondents ranked 'selling our smallholdings estate' as their first or second preference
 - 'Increase car parking charges across the county' received the next highest number of first choices (22 per cent) and was the second choice of a further 10 per cent; but 'introduce on street car parking charges in Hereford' received more first and second choices combined (35 per cent)
 - Altogether, these three options were ranked as most preferred by 70 per cent of respondents and no other option received more first choices than any of them individually.
61. There was less preference for the other savings options, with 'reduce customer services and libraries across the county' being by far the least preferred option, ranked as least preferred by over half (52 per cent) of respondents.
62. Initial proposals have been reviewed and re-phased following the consultation feedback, particularly areas seen as a higher priority by the public, libraries, community and public transport. The updated proposals are detailed in appendix 2.



Appendices

Appendix 1 – draft MTFs pending CSR

Appendix 2 - breakdown of savings plans by directorate

Appendix 3 – detailed of draft 2016/17 budget

Appendix 4 - summary of budget consultation

Background Papers

- None identified.

**Herefordshire Council
Medium Term Financial Strategy
2016/17 – 2019/20**



1. Introduction

- 1.1. The MTFs covers the financial years 2016/17 – 2019/20 and demonstrates how the council will maintain financial stability, deliver efficiencies, support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 1.2. The MTFs is a key part of the council's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities set out in the Corporate Plan. Herefordshire's key priority areas are to keep children and young people safe and give them a great start in life, enable residents to live safe, healthy and independent lives, invest in projects to improve roads, create jobs and build more homes.
- 1.3. All local authorities are reducing services as the Government continues to significantly reduce the funding it provides to local government across England. We are at the six year point of a 10 year 'austerity period' in which the Council needs to make savings totaling £91m. The council is on schedule to have matched up to those challenges, delivering savings of £59m by the end of 2015/16.
- 1.4. The Comprehensive Spending Review is expected to be announced on 25th November 2015. This will set out the funding assessment for local authorities. The draft MTFs has been prepared on the expected impact modelling further reductions in funding. Herefordshire's Revenue Support Grant (RSG) totaled £26.5m in 2015/16, providing 18% of the councils £142m 2015/16 net budget requirement. This is projected to reduce to £2.5m in 2019/20. Recent announcements have stated that this funding will be reduced to £nil in 2019/20 however the Council will retain all business rate income which would result in an increase in overall funding alongside additional responsibilities.
- 1.5. In addition, the demand for services continue to grow with the council providing care for more people, particularly in essential areas such as children's safeguarding and adult social care.
- 1.6. The anticipated reduction in funding compounded by additional service pressures have resulted in a funding gap of £42m for the period 2015/16 to 2019/20 with savings of £10.5m needed in 2016/17, £32m 2016/17 to 2019/20.



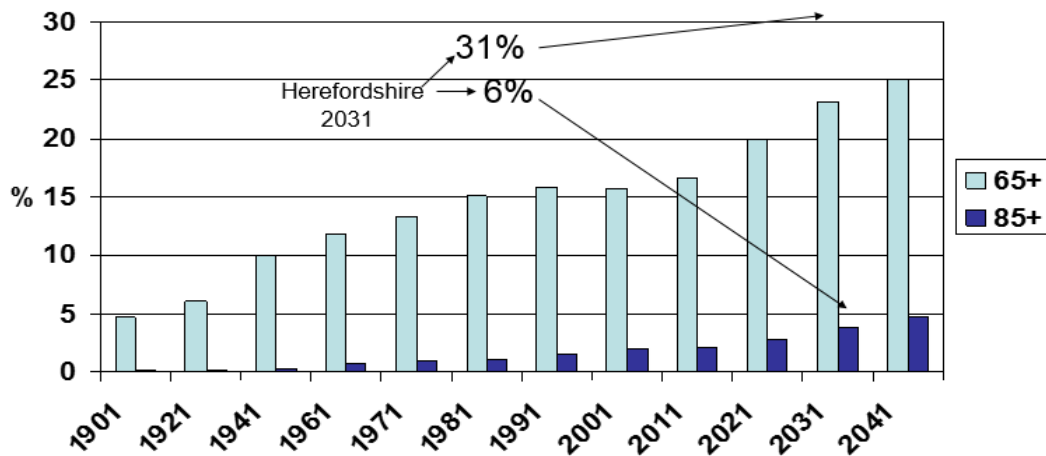
2. Herefordshire's Characteristics

2.1 Rural Pressures

- 2.1.1 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately funded through the current national formula. Herefordshire is the most sparsely populated county in England– with residents dispersed across its 842 square miles. Areas of poverty and deprivation exist in Herefordshire and there are crucial economic, geographic and demographic factors, relating to distance, population sparsity, ageing, social inclusion and market structure.
- 2.1.2 Social isolation is a growing concern, not least because of the disproportionately increasing number of older people living in Herefordshire – but also due to poverty and deprivation. The cost of living in rural areas, for example transport and domestic fuel costs, can be higher than in urban areas. There is also recognition that it is often the most vulnerable members of the community, such as frail elderly people and deprived families, who suffer most from the loss of local services and the high cost of living.
- 2.1.3 54% of Herefordshire's population live in rural areas; 42% in the most rural locations. Providing services to a dispersed population across a large geographic area is a challenge and additional resources are required for professionals that need to visit clients across the county. Some health services - such as a dentist and GP - are difficult to access for some of Herefordshire's residents, along with other services such as public transport or having a local post office.
- 2.1.4 The historic under funding of rural areas means that the range and level of services provided in rural areas was much lower than in urban areas before the introduction of the austerity measures. The impact of the austerity measures has therefore been much greater in rural areas.

2.2 Adult Social Care

- 2.2.1 Adult Social Care faces significant future pressures due to increased life expectancy and future demand due to an aging population. Currently 23% of Herefordshire residents are over 65 compared to 19% nationally. This is expected to increase to 31% by 2031, compared to 23% nationally.



Source: ONS Population Trends and Population Projections (selected volumes).

2.2.2 In Herefordshire many people over 65 years old are active and well. However, there is a sizeable and growing group of over 65s living with chronic health conditions; dementia and increasing frailty, and it has been reported that Herefordshire has one of the lowest rates for diagnosis of dementia in England. The full extent of the implications of managing the increase in dementia is therefore likely to be underestimated.

2.2.3 The creation of the pooled Better Care Fund budget in 2015/16 aims to improve the integration of health and care services. Funding was allocated from within NHS budgets pooled with social care capital grants. This has significant implications for the future design and development of services across Herefordshire. The council and the Clinical Commissioning Group have published plans on how this funding will be spent and continue to actively work on the implications for the county.

2.3 Children

2.3.1 Based on provisional October 2015 pupil numbers, primary school numbers (including nursery classes) are predicted to increase in 2015/16 to 13,361, 2.2%. Secondary school numbers are predicted to be 9,434. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 869 from a high of 14,230 in 1998, a reduction equivalent to 6.1%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,434 a reduction of 1,077, 10.2%, and are expected to continue to fall until 2017. School Funding is based upon pupil numbers in October each year and the Dedicated Schools Grant in 2016/17 will be funded on 13,018 primary pupils and 8,642 secondary pupils (excluding sixth form pupils) at £4,447.12 per pupil.

2.3.2 The new schools funding formula distributes the same amount of funding to Herefordshire Schools but on a different basis as Herefordshire continues to move towards the expected national school funding formula, creating winners and losers. The Minimum Funding Guarantee (MFG) limits the budget losses to 1.5% per pupil and those schools gaining budget will be capped by a similar percentage in order to fund

the cost of the MFG protection. The additional fairer funding increase of £2.7m in 2015/16 will be consolidated into Herefordshire's funding in 2016/17. Whilst school funding is protected in cash terms by government, schools in Herefordshire will face increasing cost pressures arising from increased pension contributions, national insurance rises and unfunded pay awards which will add at least 15% to school costs over the next five years. Financial viability, particularly for smaller schools, will become increasingly more significant.

- 2.3.3 The numbers of looked after children increased during 2015/16, and stands at 298 as at 31 October 15, an increase of 9% compared with 31.10.13. The Care Placement Strategy includes action to reduce the costs of meeting the needs of children in our care.
- 2.3.4 The number of children on Child Protection Plans is 244 as at 31 October 2015, the numbers of referrals and Children in need remain at very high levels. This combined with the council's commitment to lower caseloads for social workers, and the ongoing cost of agency staff, mean that the cost of the safeguarding workforce remains high. The planned reduction of the use of agency staff is based on the ongoing positive impact of the social work academy on the recruitment and retention of newly qualified social workers, and a robust recruitment strategy for recruiting and retaining experienced social workers. In addition, the new West Midlands agency social work protocol came into effect on 1 January 2015, which is addressing the significant cost increase in this area over the past two years.
- 2.3.5 The number of children with Complex Needs cases continues to rise and indications show an increase in average cost per placement.

2.4 Value for Money

- 2.4.1 Using cost benchmarking data we are able to focus on areas where spend varies from other authorities with similar characteristics and challenges such as providing adult social care services to a sparsely dispersed aging population. National benchmarking data is currently available to 2013/14. This shows that overall Herefordshire Council is ranked 3rd against its thirteen statistical comparator neighbours, an improvement of three places compared to the 6th position reported in 2012/13. The relative performance by service is summarised below.

	Net spend (£m)	2012/13 Ranking	2013/14 Ranking	
Adult Social Care	54.7	13	11	↑
Children's services	38.8	7	10	↓
Education		4	3	↑
Waste & Regulatory Services	20.4	10	11	↓
Cultural & related services	6.7	5	2	↑
Highways & Transportation services	17.9	9	7	↑
Housing services	7.6	6	6	▬
Total / Overall	162.8	6	3	↑

- 2.4.2 Indicative benchmarking for 2014/15 shows that the ranking for Adult Social Care is likely to improve by at least 2 places whereas the ranking for Children's services will drop to 12th. The overall position of 3rd is positively skewed for Herefordshire due to our lower than average DSG settlement and therefore relatively low average cost of Education provision within the County.
- 2.4.3 The savings set out in the MTFS to 2019/20 are intended to bring relative spend down comparatively with statistical neighbours. Particularly in Children's Safeguarding and Adult Social Care.
- 2.4.4 Waste disposal costs are comparatively high due being in a PFI arrangement until 2023. This attracts waste infrastructure grant funding which, when included, reduces the spend to a comparable level.
- 2.4.4 Herefordshire's external auditors, Grant Thornton annually review the financial resilience, value for money and statement of accounts of the council. They do this by looking at key indicators of financial performance, its approach to strategic financial planning, its approach to financial governance and its approach to financial control. Their overall conclusion gave the council a clean bill of health, assessing all areas as green in 2014/15.

3 National Financial Context

3.1 2015 Comprehensive Spending Review

- 3.1.1 The 2015 Comprehensive Spending Review will set out the overall spending for the public sector and will set out the Government's proposals for tackling Britain's deficit, including significant reductions in public spending.
- 3.1.2 These are challenging times, but the Council is continuing to meet those challenges whilst building bold and ambitious plans for the future.

4 Herefordshire Council's Financial Context

4.1 Introduction

4.1.1 This section of the MTFS describes the council's financial position and approach for:

- Revenue spending
- Capital investment
- Treasury management

4.2 Comparative Funding Position

4.2.1 Herefordshire is not a well-resourced council. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in a sparsely populated areas but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the county.

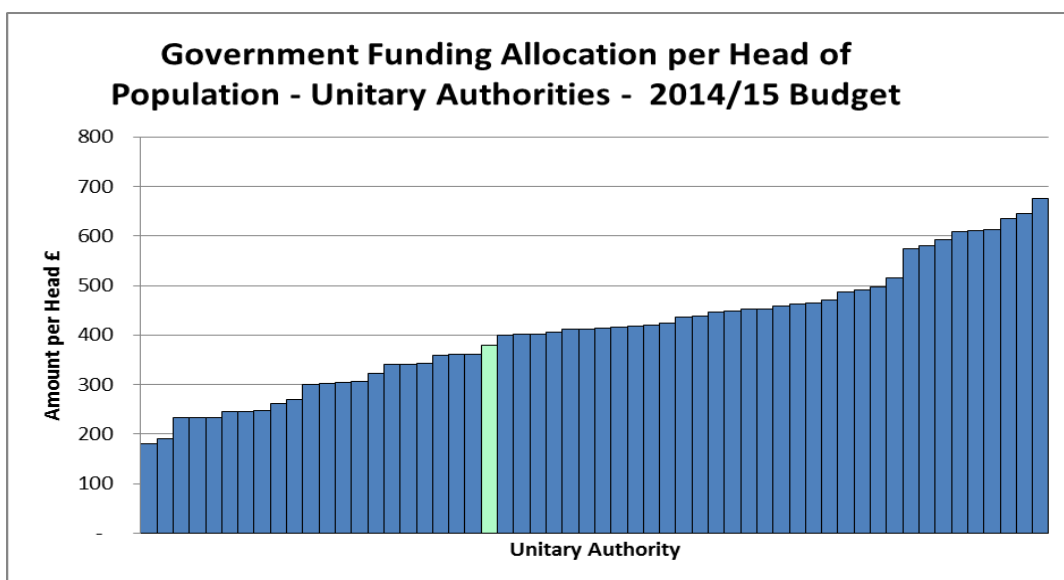
4.2.2 Herefordshire Council has consistently argued that the costs associated with delivering services in rural areas are not adequately reflected in the current formulae. The Rural Services Network (SPARSE), a body representing rural councils in England, established that an urban area on average receives 50% greater central government assistance than a rural area.

4.2.3 The Government has accepted that rural areas have been comparatively underfunded. This was reflected in an Efficiency Support for Sparse areas grant added into the financial settlement, £976k in 2015/16, however this is not enough to bridge the gap in funding requirement.

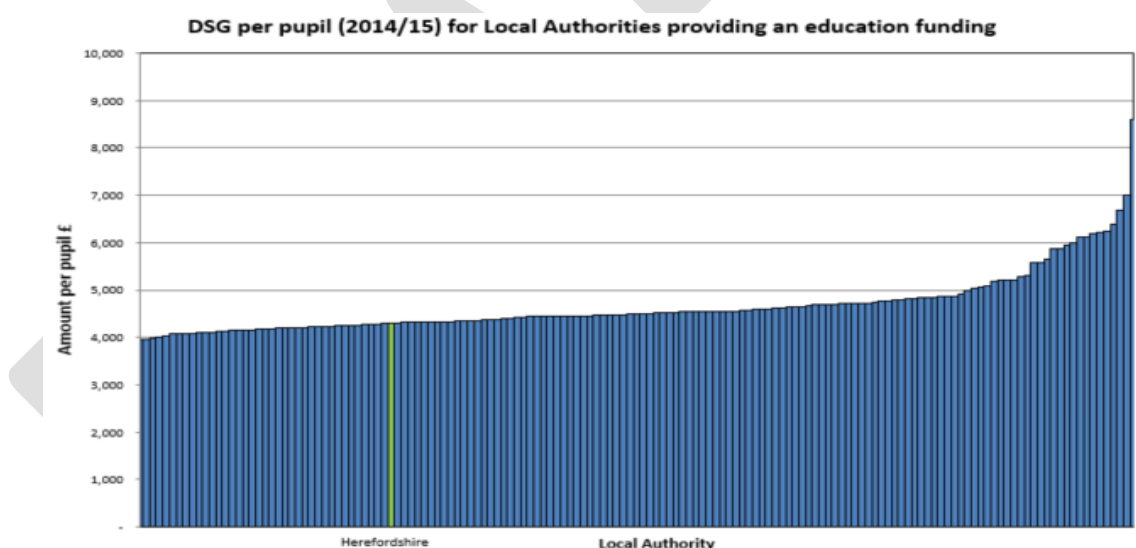
4.2.4 The 2015/16 budget figures show that:

- a) The Government Funding Allocation per dwelling is £675, 24% below the national average of £885; and
- b) Indicative Dedicated Schools (DSG) Grant per pupil is £4,435.87, 4% below the average for education authorities of £4,612.11.

4.2.5 The graph below shows Formula Grant per head of population for all unitary authorities 2014/15. It shows that Herefordshire receives less on average than the others, the 35th out of 55 unitary authorities, despite its sparsity and demographic profile.

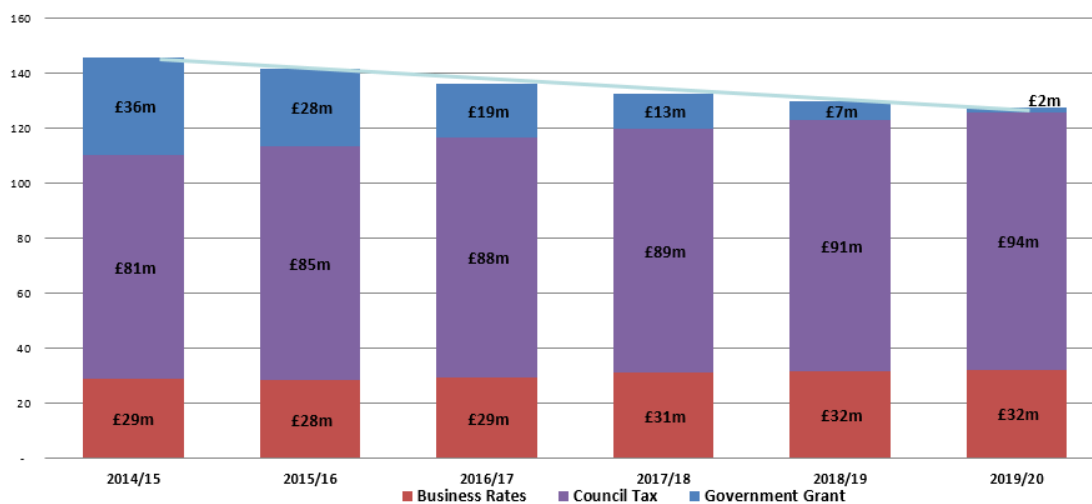


4.2.6 The graph below shows DSG per pupil for local authorities providing education functions (before deductions for academies recoupment and direct funding of academy High Needs). Herefordshire is placed 113 out of 151 authorities.



4.3 Funding

4.3.1 The chart below shows the projected breakdown of the council's funding, showing less and less funding being provided by central government and increased self-financing from council tax and business rates.



4.4 Local Government Settlement 2016/17

4.4.1 The local government settlement is expected to be announced in the week beginning 14th December 2015. This draft MTFs for Herefordshire has been prepared in line with budget assumptions of continued funding reductions in support of the government's aim to reduce the budget deficit to zero by 2019/20 whilst protecting health budgets.

4.5 New Homes Bonus

4.5.1 The New Homes Bonus grant funding commenced in April 2011. This grant match funds the additional council tax raised for new homes and empty properties brought back into use for the following six years. The continuation of this funding is uncertain, current MTFs assumptions presume a continuation based on the delivery of 2,000 new homes in the period 2016/17 to 2019/20.

4.5.2 Herefordshire has been awarded the following since 2011/12 with the first six years funding of £591k per annum ceasing in 2017/18;

	Annual allocation	Cumulative receivable
	£000	£000
2011/12	591	591
2012/13	824	1,415
2013/14	655	2,070
2014/15	738	2,808
2015/16	783	3,591

4.6 Specific Grants

4.6.1 The table below will be updated to include the 2016/17 specific grants for Herefordshire when announced in December, in the meantime 2015/16 amounts are shown.

Grant	2015/16 £000
Housing benefit admin subsidy	819
Council Tax support – new burdens	32
Social care funding – new burdens	1,224
Public health grant	7,970
S31 grant	2,354
DoH social care funding	119
Lead flood	46
Extended rights to travel	106
Commons registration	4
Better care fund	11,694
TOTAL	24,368

4.7 Dedicated Schools Grant

- 4.7.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and funds the Schools Budget. DSG is split into three distinct blocks as follows:
- Schools Block - funding delegated to schools as determined by national funding formula
 - High Needs Block – all funding for special educational needs including post-16
 - Early Years Block – funding for private, voluntary, independent nursery providers and central early year's services.
- 4.7.2 DSG is the main source of income for schools. Each block within DSG, although not ring-fenced, is funded separately. The schools block will be based upon a per pupil formula using the actual pupil numbers from the October school census data. The Early Years block will be calculated on a rolling basis through the year based on three termly pupil census dates.
- 4.7.3 A national review of the distribution formula for DSG based around the introduction of a national schools funding formula resulted in additional fairer funding for many low funded authorities, including an extra £2.7m for Herefordshire from April 2015. As a high delegator of funding to schools early indications from the Institute of Fiscal Studies suggested that Herefordshire schools will lose funding in the move to a national funding formula however this has not been as significant as initially thought.
- 4.7.4 Apart from the additional fairer funding allocation of £129.43 per pupil within the Schools Block, there was no inflationary uplift in DSG funding rates for the early years and high needs blocks in 2015/16.
- 4.7.5 The total schools block funding for 2016/17 is estimated to total £96m based on forecast pupil numbers. Early Years and High Needs budgets will be finalised in early 2016 following the DSG allocation for 2016/17.

- 4.7.6 Academies are publicly funded independent local schools. Academies are independent of the council and responsible directly to and funded directly by government. They are freed from national restrictions such as the teachers' pay and conditions documents and the national curriculum. Many Herefordshire schools have embraced the change and approximately 40% of pupils will be educated in Academies from April 2015.
- 4.7.7 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.
- 4.7.8 Academies receive additional top-up funding from a share of the Education Services Grant to reflect their extra responsibilities which are no longer provided by the local authority. Academies can choose to buy these services from the local authority.

4.8 Council Tax

- 4.8.1 The MTFS includes a council tax increase of 1.9% per annum. The council has had to deal with very significant reductions in government funding coupled with increases in demand. Over the past four years Herefordshire has delivered budget reductions of over £50m with another £10m in 2015/16 on a net budget of £142m.
- 4.8.2 As a direct result of how the government grant allocation system works Herefordshire, and other rural authorities, do not receive the same level of grant as some other councils, particularly London boroughs, despite the fact that in many instances our geography means some services, such as road maintenance and social care cost more to deliver. Rural authorities also have less ability to benefit from additional incentives offered by government such as business rate localisation.
- 4.8.3 Herefordshire Council has managed the challenge facing the public sector through focusing its resources on the services most essential to ensure the health and wellbeing of the county's residents, in particular the most vulnerable, and to promote economic growth. We have increased council tax and intend to do so again to continue this work, having already significantly reduced 'back office' operating costs and non-essential service delivery.
- 4.8.4 It is also important to note that the council tax collected includes levies not only for Herefordshire Council and the police but the fire authority and the parish councils – all of which face similar challenges in meeting the needs of the local community with increasingly scarce resource, although not all face the same capping limits as local authorities on the levy they can raise. The more we can do to increase the economic prosperity of the county the more financially sustainable these essential public services become.
- 4.8.5 The council chose to freeze council tax and took the Government's council tax freeze grant in 2011/12 and 2012/13. However, when the Government offered a further council tax freeze grant for 2013/14, 2014/15 and 2015/16 the council did not accept this and approved a 1.9% increase.

4.9 Reserves

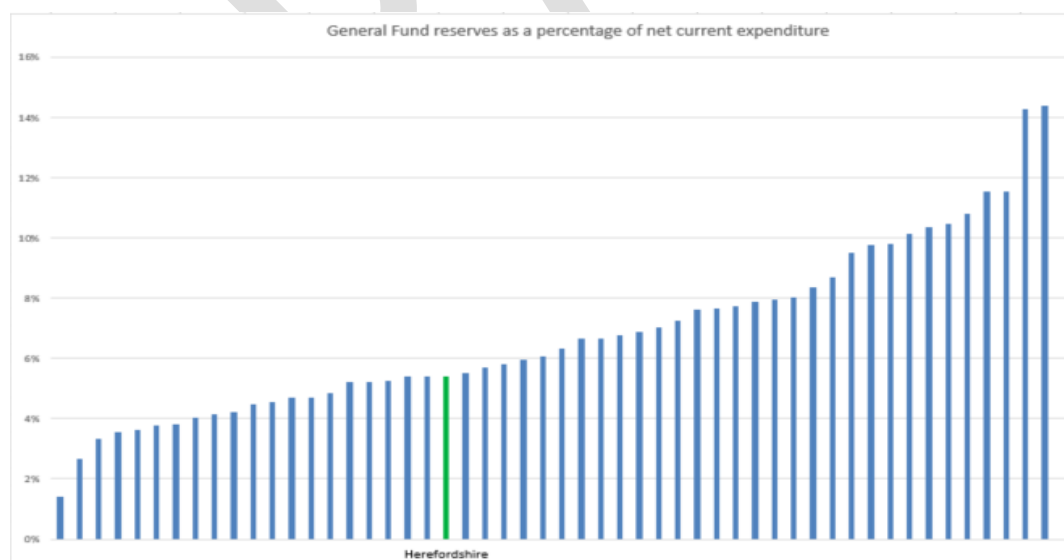
4.10.1 Herefordshire has two main sources of reserve funding to support the day to day spending that is recorded in the revenue account, the General Fund balance and Specific Reserves. As the titles suggest, the latter are held for a specific purpose whilst the former could be considered a general contingency.

4.10.2 The following table shows the year-end balance on the General Fund for the last three financial years and the estimated position at 31 March 2016.

Balance as at:	General Fund £m	Specific Reserves		Total £m
		Schools	Other	
31.03.13	4.7	5.5	8.4	18.6
31.03.14	5.1	6.3	17.6	29.0
31.03.15	7.1	6.2	20.5	33.8
31.03.16 estimate	6.9	5.5	19.5	31.9

4.10.3 £5.5m of the specific reserves belong to schools and cannot be used to help pay for non-schools services and other reserves include unspent government grants carried forward to be spent in future years.

4.10.4 During 2014-15 local authorities increased their reserves by £1bn in total, a significantly lower increase than in 2013-14 when authorities increased their reserves by £2bn. Herefordshire maintains a general fund reserve balance above its minimum requirement but does not hold an excessive amount in reserves. The chart below shows how Herefordshire reserves are slightly less proportionally to those held by other unitary authorities.



4.11 Capital Receipts Reserve

4.11.1 There is one capital receipts reserve that represents cash available to support spending on the creation or enhancement of assets, the usable capital receipts reserve. The

following table shows the level of usable capital receipts reserve for the last 3 financial years and the estimated position at 31 March 2015.

Balance as at:	Opening Balance £m	Receipts £m	Spend £m	Closing Balance £m
31 March 2013	2.8	2.9	(2.9)	2.7
31 March 2014	2.7	5.3	(2.0)	6.0
31 March 2015	6.0	2.0	(3.6)	4.4
31 March 2016 (est)	4.4	4.1	(2.7)	5.8

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

4.11.3 The Council transferred its housing stock to Herefordshire Housing in November 2002, since then it has received a share of right to buy receipts under its preserved rights agreement on transfer. £10m of capital receipts have been received since transfer from the sale of 370 homes. This sharing agreement continues until 2032.

4.12 Funding Arrangements for Capital Investment

4.12.1 Capital expenditure can be funded from capital receipts, borrowing, grants and revenue contributions.

4.12.2 Government support for capital investment is through the allocation of grants, known grant funding allocations for 2016/17 are listed below, a number are yet to be announced:

- **Local Highways Maintenance Funding** - £10.564m
- **Integrated Transport Block** - £1.069m
- **Basic Need** - £0.666m

4.12.3 **Council Borrowing** - This medium-term strategy reflects the borrowing funding requirement implied by the Treasury Management Strategy to support the capital programme.

4.12.4 **Capital Receipts Reserve** – as shown in paragraph 4.11.1 the capital receipts reserve totalled £4.4m as at 1 April 2015. This is likely to rise to around £5.8m by the end of this financial year. This will be used to fund the capital programme avoiding the need to borrow.

4.12.5 **Other Funding opportunities** - The financial management strategy for increasing capital investment capacity centres on:

- **Maximising Capital Receipts** – by disposing of assets
- **Maximising Developers' Contributions** – through planning gains and the adoption of a Community Infrastructure Levy
- **Challenge Funding** – an application will be submitted to the Department for Transport for highway maintenance
- **LEP Major Scheme Grant Funding** – applications will be made for infrastructure schemes

- **External Funding Bodies** – to distribute funding for projects that satisfy their key criteria and objectives; bids are submitted where appropriate.
- **New Homes bonus and Retained Business Rate Income Growth** – these revenue funding streams will be linked, where appropriate, to support the cost of financing capital expenditure.

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

4.13 Capital Programme 2016/17

4.13.1 The 2016/17 capital programme represents funding allocations received to date, commitments from previous years and will be updated for new capital schemes following Council approval. The council's capital programme is funded by grants, borrowing and capital receipts. All schemes funded by borrowing are included in the Treasury Management Strategy and Prudential Borrowing Indicators within this MTF5.

4.13.2 The following table summarises the re-profiled approved capital investment programme.

Scheme	Spend in prior years £000	15/16 £000	16/17 £000	17/18 £000	Future years £000	Total £000
Existing Schemes						
Road infrastructure	14,613	5,387	-	-	-	20,000
Hereford city link road	10,658	9,513	3,324	3,505	-	27,000
Fastershire broadband	8,395	6,200	5,605	-	-	20,200
Energy from waste plant	6,009	16,000	17,991	-	-	40,000
Leisure centres	4,013	3,187	1,800	-	-	9,000
Electronic document and management system	400	400	-	-	-	800
Highways Maintenance	-	11,523	10,564	10,244	27,816	60,147
Hereford enterprise zone	-	2,500	7,100	6,400	-	16,000
South wye transport package	-	1,000	1,000	12,300	12,700	27,000
Integrated transport plan	-	1,069	1,069	1,069	3,207	6,414
LED street lighting	766	4,889	-	-	-	5,655
Three elms trading estate	-	2,100	400	350	-	2,850
Solar photovoltaic panels	35	1,599	500	-	-	2,134
Marches and Worcestershire redundant building grant	-	1,500	-	-	-	1,500
Better care fund	-	1,356	-	-	-	1,356
Schools capital maintenance grant	-	1,215	-	-	-	1,215

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Relocation of Broadlands school	-	1,137	120	-	-	1,257
Schools basic need	-	634	666	-	-	1,300
Brookfield improvements	-	200	300	-	-	500
Colwall primary school	-	-	4,800	1,700	-	6,500
Peterchurch primary school	-	-	1,000	-	-	1,000
Purchase of gritters	-	-	375	125	-	500
TOTAL	44,889	71,409	56,614	35,693	43,723	252,328

4.14 Treasury Management Strategy

4.14.1 The council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2015/16 complies with the detailed regulations that have to be followed and sets out the council's strategy for making borrowing and investment decisions during the year in the light of its view of future interest rates. It identifies the types of investment the council will use. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities. The strategy also includes the Minimum Revenue Provision (MRP) policy. This will be updated following approval of additions to the capital programme by Council in December.

Investments

4.14.2 During 2015/16 interest rates have remained low. In the year to date the average daily rate achieved on the council's investments has ranged from 0.5% to 1.0% and averaged 0.7%. The first increase in the Bank Base Rate is not expected until later in 2016. The budget for 2016/17 has been set on a prudent basis assuming low investment balances and low interest rates.

4.14.3 The council's primary objective in relation to the investment of public funds remains the security of capital. As a result of new banking regulations which, in the absence of government support, put the council's deposits at risk when banks get into difficulty, the council will maintain lower investment balances during the year (a policy only possible with short-term loans which can be matched to the council's cash-flow profile) and invest these mainly in Money Market Funds.

Borrowing

4.14.4 Total gross outstanding debt was £165m as at 31 March 2015 of which £19m were short term loans and £146m fixed rate long term loans which are being repaid at approximately £10m per annum.

4.14.5 The strategy for borrowing, based on the capital programme, includes an estimated additional requirement of £15m for 2015/16 (increasing from a total of £145m at 31.03.15 to £160m at 31.03.16) however this need has not been secured to date. This is the net figure after taking account of estimated capital spend, the refinancing of existing loans, MRP and available reserves.

4.14.6 The borrowing requirement is calculated by reference to the capital financing requirement which is set according to capital spend and other long term liabilities including PFIs. Projections will be updated following the approval of new capital investment by Council in December.

4.14.7 The forecast is for interest rates to stay low for the foreseeable future.

5. Medium-Term Financial Resource Model (FRM)

5.1. Background

5.1.1 The FRM shown takes into account the corporate financial objectives and approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It will be published following the CSR and will cover the period from 2016/17 to 2019/20, although it will be refreshed annually.

5.2 Assumptions

5.2.1 The FRM includes a number of key assumptions on which the financial strategy is based. Current planning includes the following:

- a) Council Tax - a 1.9% increase per annum
- b) Government funding – the FRM reflects a 12% reduction per annum
- c) New Homes Bonus – is assumed to continue based on 500 new homes per annum
- d) Inflation - 2% uplift per annum on income and contract inflation indices on non-pay expenditure.
- e) Pay – increased at 1% per annum
- f) Employers' National Insurance – increases in employers' contributions following the ending of contracting out in 2016/17
- g) Interest Rates – investment income and borrowing costs in line with the Treasury Management Strategy

5.3 Pensions

5.3.1 The pension fund's Actuaries will undertake a their triennial review of the pension fund assets and liabilities and the estimated revised the contribution rates required to bring the fund into balance over a period of 21 years are reflected.

5.3.2 The current pension deficit on the fund for Herefordshire is £211.4m, split between assets and liabilities as shown below:

Pension fund	31.03.15 £m
Present value of obligations	500.0
Fair value of assets	(288.6)
Deficit	211.4
Deficit %	42%

5.3.3 The council are repaying this deficit over 21 years, £7m in 2016/17 (£2m of this relates to schools which is financed from school funds). This proportion of deficit, 42%, is normal for Local Authority pension funds and relates to falling returns on investments

and employees living significantly longer than anticipated when the scheme was initially set-up. The fund is due to be revalued at the end of 2015/16 with the deficit expected to fall.

5.4 Funding assumptions included in the FRM

5.4.1 The following funding assumptions are included in the FRM.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Council tax	87,611	88,833	91,264	93,578
Retained business rates	22,338	24,009	24,489	24,979
Business rates top-up	6,950	7,089	7,231	7,375
Revenue support grant	19,242	12,773	6,993	1,852
Reserves	619	(66)	-	-
Funding for net budget requirement	136,760	132,638	129,977	127,784

5.4.2 The settlement also set out the specific grants for Herefordshire, as detailed in Section 4.7. These grants are used to fund specific functions within Directorates.

5.5 Directorate pressures

5.5.1 The total of Directorate pressures which are included in the FRM are:

	2016-17 £000's	2017-18 £000's	2018-19 £000's	2019-20 £000's	Total £000's
Living wage	686	618	491	539	2,334
Adults demographic pressures	888	874	926	945	3,633
Other pressures	396	(24)			372
TOTAL	1,970	1,468	1,417	1,484	6,339

5.5.2 Any new pressures will have to be self-funded through savings within directorates.

5.6 Savings Targets

5.6.1 The council delivered £49m of savings in the financial years 2010/11 - 2014/15, with an additional £10m required in the current financial year, 2015/16. Looking forward an additional £32m of savings in the financial period 2016/17 - 2019/20 is needed. This gives total savings for the financial period 2010/11- 2019/20 of £91m.

5.6.2 Savings have been reviewed as part of the budget process and revisions made, these are summarised in the table below. The review has highlighted an overall gap of £4m shortfall against the target in 2019/20. Some savings have now been removed from the plan and some savings having been replaced with new ones. Work continues on targeting the remaining gap.

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Total 16-20 £'000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

- 5.6.3 For Children's Wellbeing the savings plans cover the following areas;
- Care Placement Strategy – reduction in residential placement costs
 - Recruitment and retention of permanent staff
 - Adoptions initiatives
 - Service re-design in safeguarding
- 5.6.4 For Adults Wellbeing the savings plans cover the following areas;
- Remove funding people who are not eligible for adult social care
 - Maximising income through charging for services
 - Shifting to providing enablement focused and time limited support
 - Re-commissioning and reductions in care packages
 - Contract Changes, improved value for money
 - Reductions in accommodation based support
 - Service redesign
 - Maximisation of Continuing Health Care
 - Population wellbeing interventions
- 5.6.5 For ECC the savings plans cover the following areas;
- Waste & Sustainability
 - Public transport
 - Back-office
 - Asset Review
 - Withdrawal of subsidies to Cultural Services partners
 - Co-location of customer and library services
 - Car Parking
 - Council tax reduction scheme
 - Removal of discretionary rate relief to some voluntary organisations

5.7 Budget proposal 2016/17

5.7.1 The draft budget for 2016/17 is as follows:

Directorate	Base budget 2015/16 £000	Net changes £000	Draft budget 2016/17 £000
Adults and wellbeing	53,243	(1,466)	51,777
Children's wellbeing	22,137	244	22,381
Economies, communities and corporate (ECC)	50,635	(1,135)	49,500
Total Directorates	126,015	(2,356)	123,659
Capital financing - debt repayments			10,323
Capital financing - interest			6,773
Change management			728
Government grants			(6,741)
Other central budgets			2,019
Total net spend (budget requirement)			136,760

5.8 Budget risks

- 5.8.1 This MTFS will be updated when the comprehensive spending review is published in November. The most substantial risks have been assessed in the budget process and reasonable mitigation has been made. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process. The proposed budget includes contingency and reserves that, if required, can be used to manage realised risks in addition to the normal budget virement risk management process.
- 5.8.2 Demand management in social care continues to be a key issue, against a backdrop of a demographic of older people that is rising faster than the national average, and some specific areas of inequalities amongst families and young people. Focusing public health commissioning and strategy on growth management through disease prevention and behaviour change in communities is critical for medium term change.
- 5.8.3 Key areas of focus include, sustaining the current focus on a new relationship with citizens and communities, changing the models of care to more family based provision, managing the price paid where the council is the commissioner and/or where this is taking place with partners with a specific reference to health, improvements in commercial interface including contract management, using technology to enable new ways of working including significant channel shift around self-service and automated business process improvement and a subsequent headcount reduction

Savings Proposals Summary 2016/17 to 2019/20

Directorate	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Total 16-20 £'000
Adults and wellbeing	4.0	2.3	1.8	1.7	9.8
Children's wellbeing	1.0	1.3	1.4	1.1	4.7
Economy, communities and corporate	4.9	3.1	3.2	1.1	12.3
Organisational redesign savings	0.6	0.3	0.1	0.2	1.2
Total	10.5	7.0	6.5	4.0	28.0

Adults Wellbeing Directorate

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Re-commissioning care contracts and supported living agreements, implementation of policy and pricing changes for nursing placements, carers respite and transport services.	Removal or reduction in transport funding to individuals and the carers respite provision, whilst still meeting all eligible needs	1,650	1,045	800	750	4,245
Introduction of outcomes based assessments and reviews, focussing on high cost care packages and reductions in domiciliary care hours.	Will lead to more equitable service provision that still meets all eligible needs but is provided at a reduced average cost. Care packages will be removed from non-eligible carers	1,850	500	400	350	3,100
Increased income from applying the new guidance in the Care Act, including joint assessments and minimum earnings guarantees. In addition, a small flat rate charge will be applied to service users who are in receipt of telecare.	The impact of these changes will be affordable as all services will only be charged following individual financial assessment in line with Care Act requirements. Telecare users, subject to financial affordability will be charged £2.85 per week, £148 pa	380	150	100	100	730
Reduction in staffing will be delivered through a review of the commissioning and contracts team and minor changes to the staffing structures within operational locality teams.	There will be no direct impact on service users.	150	600	450	500	1,700
Total		4,030	2,295	1,750	1,700	9,775

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Children's Wellbeing Directorate

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Manage contract inflation and secure contract efficiencies.	No impact - efficiency savings from service providers	200	250	250	250	950
Re-unifying children with their families or an alternative family based permanent home including adoption where appropriate. 2016/17 increase reflects spending in 2015/16 as well as reductions in spending.	Will provide better long term outcomes for children who are in care which are more cost effective.	(500)	316	572	200	588
Developing appropriate housing arrangements and options for 17 year olds to promote independent living which removes the need for young people to be in the care of the local authority.	Providing young people better access to housing tenancies and other options to support them to become independent adults.	300	250	250	250	1,050
Review of allowances paid to families providing homes for other peoples children on a permanent basis, including special guardianship, adoption and child arrangements.	The revised policy will provide a fairer and more transparent approach. This will result in some families receiving less and others receiving more, however service users will still have their eligible needs met.	200				200
Accessing government grant to focus early help on the most vulnerable families to reduce the need for higher cost services.	Improved school attendance, educational achievement, reduced anti-social behaviour and youth offending and increased employment.	270	100	150	150	670

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Continuing the social worker recruitment and retention strategy (grow our own, cap agency rates, specific recruitment, overseas recruitment and alternative contracts) to increase the number of permanent social workers and reduce agency staff.	Ensuring families benefit from a consistent and established service through a stable and capable social worker workforce.	300	250	100	100	750
Reduce numbers of managers, overheads and a reduction in contribution to the Youth Offending Service (YOS) contract.	No impact - efficiency saving.	230	100	100	100	530
		1,000	1,266	1,422	1,050	4,738

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Economy, Communities & Corporate

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Efficiency savings Initiatives include: Management savings, Staff restructures, capitalisation of staff costs, reduction of grants to third party organisations, saving on printing cost, Elections service design review, increased income from the translation service, reduction in storage costs at the Modern Records Unit and Planning fee income.	No impact - efficiency savings	565	295	100	180	1,140
Back Office Services and Corporate Accommodation efficiencies	No impact - efficiency saving	550	500	450	250	1,750
Increase Crematorium Fees	Benchmarking and aligning fees against neighbouring authorities	150				150
Car Parking charges increase	Increase in fees to support the Council's sustainable transport policies and manage available spaces to support local economy. Potential adverse impact on trade if charges deter visitors. Structure of charges will aim to address local circumstances and encourage visitors and shoppers to visit Hereford and the market towns. Income will be targeted to support transport services in accordance with the Council's Local Transport Plan. Increase income by 20% in 2016/17 5% Increase 2017/18 5% increase 2018/19	750	225	235		1,210

Further information on the subject of this report is available from
 Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
On-Street Car parking Project	Introduction of on street charges in central Hereford and potential extension of residents parking in surrounding areas which will provide ongoing revenue to support transport services. Proposals will improve traffic circulation, increase turnover and availability of short term parking for shoppers, ensure provision for loading and unloading and improve parking for residents living close to the city centre.	58	172			230
Reduced cost of Public and School / College Transport and moving public transport information to online only	Reduction in public transport services, increased income from parental contributions and Post 16 SEN transport users. Further savings from contract efficiencies. A transport funding review is underway which will explore a range of opportunities to reduce costs across all local passenger transport services and alternative sources of funding to support such service, including Public Health funding. Savings are likely to be achievable through the integration of passenger transport contracts, service efficiencies, moving more users onto commercial and supported bus services and review of eligibility for services. If this approach does not achieve the full savings target, it may be necessary to further reduce public transport subsidy.	150	250	180	150	730

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Phased removal of subsidy for Community Transport organisations	The phased reduction in the support to Community Transport providers commenced in 2015/16 and the exploration of alternative funding sources to support such services, including from Public Health funding. To continue this to full reduction by 2019/20 will have provided a five year transition period for providers to seek opportunities to increase their independent financial viability. Support has been made available for providers to take on more contracted work and also to assist them to increase their capacity. Grants have been available for new fleet and could be made available in future subject to funding being available.			60	75	135
Change the Highway Maintenance Plan to allow higher quality planned repairs to be undertaken for significant safety related pothole defects rather than the current temporary fixes required to meet reactive timescales. This will reduce the overall cost and reduce the need for repeat treatments.	There are approximately 50 potholes a month that are currently filled temporarily in this way and this change will allow them to form part of a programme of works on the basis of a risk assessment based on location, road type and traffic flow, as occurs with other defects. The new method will be more cost effective.	150	150			300
Phased removal of subsidies to parish councils for the Lengthsman and Parish Paths .	The condition of minor roads in Parish areas will be dependent upon whether Parish Councils choose to replace the subsidy form their own resources.		100	100	100	300
Community asset transfer of parks and open spaces	Sports pitch and parks maintenance cost saving through a programme to transfer responsibility for assets to community groups, town and parish councils and others. Impact of this proposal could see communities taking greater care and ownership of their local environment.	60	100	90		250

Further information on the subject of this report is available from Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Increased income and efficiency within Public Realm Services	Increase income from increased enforcement in relation to works carried out by Utility companies on the highway (NRSWA) - reduction in Highway defects. Investment in fleet and plant to reduce ongoing revenue cost and maintenance. No adverse impact upon service. Environmental service redesign Review of service to streamline and reduce cost of cleansing and monitoring of waste/litter related issues. Improved environment through better coordination.	250	230	25	25	530
Waste & Sustainability Full year effect of introducing alternate weekly collection of waste and limited collection to the contents of a refuse wheelie bin, implemented in November 2014. Plus additional Waste Management savings. Proposals include increased income from commercial waste collections, as well as waste treatment savings.	No further impact - non-recyclable waste is now collected every fortnight rather than weekly, the saving is the full-year effect of the changes	755	30	30	30	845
Income from Solar Panels and Street Lighting Energy Efficiency Savings Capital investment in solar panels to reduce energy costs and attract Government renewable energy subsidies Expiry of repayments for energy efficiency loan supporting Street Lighting investment	No impact - energy efficiency saving	60	145			205

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Council Tax reduction Scheme - in 2016/17 reducing the level of subsidy from 84% to 80% but also increase restrictions and protect certain claimants at 84% for certain claimants or reduce the level of CTR from 84% to 80% with no other scheme changes. Further changes would need to be made to the scheme in 2017/18 to deliver additional savings.	The lowest earners in Herefordshire, approximately 4,500 individuals, currently pay 16% of their total Council Tax bill. By reducing the level of discount available, the Council is able to limit the impact upon services which benefit the wider community. There is a risk that some claimants may not be able to pay the increased level of and place their household into financial hardship. This is to be mitigated through revisions to the hardship scheme. Pensioners will continue to receive additional discounts and the vulnerable will continue to have access to welfare support to mitigate these changes.	200	150			350
Removal of the Council Tax Reduction subsidy to parishes	This saving has no impact on parish percept requirements. Removal of the grant will be phased, limiting the effect on the tax payers bill to 0.4% in any one year. The average overall increase will be 0.3%.	247	42			289
Asset Review Capital receipts from sale of assets will be used to offset debt costs or increased revenue opportunities.	This may effect some tenants of council owned property		250	1,400		1,650
Facilities Management Service	Shire Hall and Town Hall to become appointment based centres e.g. custodians not permanently onsite. Increased income from charging for Council Civic Buildings.	90	30			120
Withdrawal of Subsidies to Cultural Services partners Phased withdrawal of subsidies to: HALO; Courtyard; Visit Herefordshire; Brightstripe	Cultural partners to innovate and create sustainable self-financing delivery models	863				863

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Withdrawal of Museum and Heritage Services subsidy	Phased withdrawal of subsidies to Museum and Heritage Services, and create sustainable self-financing delivery models		100	150	250	500
Savings in Customer and Library Services	That a new way of operating libraries and customer services is explored. This involves retaining the services important to residents and acknowledges the health, well being and economic value of libraries. Any future approach will reflect the value placed upon customer services and libraries by ensuring greater community involvement in the service. This will encompass looking at different options for funding the service including fundraising, joint funding by partners and income generation as well as looking at cost savings.		380	380		760
		4,898	3,149	3,200	1,060	12,307

Corporate

Savings Proposal	Impact	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	Total £000
Organisational redesign savings	Efficiency savings	550	300	100	200	1,150

Further information on the subject of this report is available from
Peter Robinson, director of resources on tel (01432) 383519

DRAFT REVENUE BUDGET 2016/17
APPENDIX 3

Service	Base Budget 2015/16	Pensions, pay and Inflation	Pressures	Savings	Other Adjusts	2016/17 Draft Budget
	£000	£000	£000	£000	£000	£000
Adults Wellbeing						
Adults Commissioned Care	43,896	14	1,788	(3,080)	477	43,095
Adult Social Care Staffing	8,176	421	0	(720)	(141)	7,735
Adult Social Care Contracts	4,306	0	0	(100)	477	4,683
Housing Services	680	45	0	0	0	725
Public Health	119	8	0	0	1	128
Directorate Management and Grant Income	(3,933)	235	0	(130)	(761)	(4,589)
Total Adults Wellbeing	53,243	723	1,788	(4,030)	53	51,777
Children's Wellbeing						
Children's Safeguarding & Early Help	17,139	557	76	(620)	144	17,296
Statutory Education Services	5,582	158	0	(50)	0	5,690
Directorate Management and Grant Income	(584)	309	0	(330)	0	(605)
Total Children's Wellbeing	22,137	1,024	76	(1,000)	144	22,381
Economy, Communities & Corporate						
Highways, Planning, Waste, and Parking	27,907	1,221	30	(2,178)	134	27,114
Customer, Cultural and Legal Services	7,026	408	0	(883)	334	6,885
Economic Development and Housing Growth	1,999	69	0	0	119	2,187
Directorate Management	2,103	233	0	(700)	(729)	907
Corporate Resources (Finance, IT, Property and HR)	11,600	74	76	(690)	1,347	12,407
Total Economy, Community and Culture	50,635	2,005	106	(4,451)	1,205	49,500
Consolidated Revenue Account	15,758	354	0	(997)	(2,012)	13,103
Total Herefordshire Council	141,773	4,106	1,970	(10,478)	(610)	136,760