

**Minutes of the meeting of Cabinet held at The Council Chamber -
The Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Friday
12 January 2018 at 10.00 am**

Present: Councillor AW Johnson (Chairman)
Councillor JG Lester (Vice-Chairman)

Councillors H Bramer, BA Durkin, DG Harlow, PD Price, P Rone and NE Shaw

Group leaders in attendance Councillors JM Bartlett, TM James, RI Matthews and AJW Powers

Scrutiny chairmen in attendance Councillors PA Andrews, WLS Bowen, J Stone and EJ Swinglehurst

Other councillors in attendance: Councillors E Chowns, PE Crockett, J Hardwick, D Summers and CR Butler, J Stone and EJ Swinglehurst

Officers in attendance: Alistair Neill, Geoff Hughes, Martin Samuels, Chris Baird, Claire Ward and Andrew Lovegrove

73. APOLOGIES FOR ABSENCE

There were no apologies from members of the cabinet.

74. DECLARATIONS OF INTEREST

None.

75. MINUTES

Following a query from the leader for It's Our County, the cabinet member for infrastructure confirmed that the South Wye transport package – active travel measures is a standalone package.

RESOLVED: That the Minutes of the meeting held on 14 December 2017 be approved as a correct record and signed by the Chairman.

76. QUESTIONS FROM MEMBERS OF THE PUBLIC

No questions were received from members of the public.

77. QUESTIONS FROM COUNCILLORS

No questions were received from councillors.

78. 2018/19 CAPITAL BIDS AND APPROVAL

The cabinet member for finance, housing and corporate services presented the report and highlighted:

- Appendix 1 shows the proposed capital programme
- Appendix 2 shows the current approved capital programme
- Appendix 3 provided an indication of the total programme, if approved.

- Each programme would need its own business case and appropriate approval before proceeding,

Following a request from the cabinet member for finance, housing and corporate services, the S151 officer agreed to amend appendix 3 to provide more clarity over the funding of schemes, bring forward of spend, any budget slippage and budget totals. This was proposed as an additional recommendation as set out in (b) below.

Following questions from the leader of It's Our County, it was confirmed:

Political support scores

The political point scores on page 27 represented an indicative score based on previous reports that have already received approval through the governance arrangements. For example if the proposal follows a previous report on service delivery changes approved by Cabinet then it scores a higher political support score than if there are no previous report approvals already in place.

Development partnership activities

The detail behind the benefits and returns to the council from the £20m request for 'Development Partnership activities' in 2018/19 on page 29 will be provided as the individual decision approval to incur spend is secured. The £40m total investment mentioned on page 33 is funded through £10m capital receipts, £10m corporately funded prudential borrowing and the previously approved £20m prudential borrowing where the borrowing cost is funded from anticipated returns on the investment. Any additional returns over and above this would therefore be available to fund other costs. With regard to whether this would represent poor value for a £40m, it was noted that the council would be looking for returns commensurate with good treasury management and there would also be some investments which will provide social value and long term economic value which would be difficult to measure at this stage.

Fastershire

The £7.248m on Fastershire broadband programme was in line with the Fastershire Broadband Strategy adopted by Cabinet in December 2015.

The total scheme budget of £32,603,000 represented the total current public contribution between 2013/14 and 2019/20 towards the delivery of the Fastershire Broadband Strategy. This figure includes just over £13m of Herefordshire Council funding.

The £7,248,000 budgeted for 2018/19 represented the contributions from both Herefordshire Council and external funding that will be spent on delivering 3 contracts; Lot 2/3c which covers south Herefordshire delivered by Gigaclear, Lot 4 the north of Herefordshire (also Gigaclear) and Lot 3b in the city delivered by BT.

The premises which will be enabled with this funding is available via Fastershire.com.

The cabinet member for economy and communications stated that the contract with Gigaclear would provide coverage for 94% of the county. The areas outside of this coverage were mainly rural.

Following a statement from the group leader for the Herefordshire Independents, the cabinet member for economy and communications stated that the contracts had been well managed given the geography of the county. BT had found it very difficult due to the rural nature of Herefordshire and that the move to Gigaclear would provide faster broadband as they would be putting in new technology but this would take time to install.

Capital receipts for 2018/19 showing as £12.495m and why receipts from the farm smallholdings sales are not shown in full anywhere in report or in the medium terms financial strategy

Appendix 3 shows the capital receipt funding to be used to fund capital spend, within the previous budget setting papers, the 2017/18 treasury management strategy included £33.6m of anticipated capital receipt funding to reduce our borrowing requirement, which is capital receipt funding earmarked for debt reduction.

Following a question from the group leader for the Green party, it was confirmed each scheme would have detailed risk management information included within the detailed business cases.

That:

- (a) the proposed capital programme for 2018/19 attached at appendix 3 be recommended to Council for approval; and**
- (b) authority be delegated to the chief finance officer, in consultation with the cabinet member finance and the leader to make technical amendments (grammatical, formatting, and consistency) as necessary to finalise the appendix 3 for publication for council.**

79. SETTING THE 2018/19 BUDGET AND UPDATING THE MEDIUM TERM FINANCIAL STRATEGY

The cabinet member for finance, housing and corporate services presented the report and highlighted:

- The report seeks to put forward a balanced budget for recommendation for full council on 26 January 2018.
- There had been a provisional settlement announced in the middle of December 2017 which has provided certain options to be considered, in particular the government had changed the basis on which a referendum was required by increasing council tax from 2% to 3% due to the effect of inflation and other clarifications in the settlement.
- The 20% increase in planning fees had been approved.

Due to the provisional settlement announcement, the cabinet member for finance, housing and corporate services was now proposing an amendment to the recommendation ii and iii so that the core council tax was increased to 2.9% (instead of the 1.9% stated in recommendation ii of the report) and the adult social care costs be reduced to 2% (instead of 3% as stated in recommendation iii of the report). This would provide the council the same amount of revenue but would allow greater flexibility in how the money could be spent. The adult social care precept was one off funding which may not be available the following financial year and the increase in the core council tax would be added to the base budget and therefore available the following year.

It was proposed that an additional recommendation as set out in vii below was required to make technical, grammatical and typographical amendments to appendices 1 and 5. Following a query from the group leader for the Green party, it was confirmed that these amendments were not material and would not need to go back to General Scrutiny Committee. The S151 officer agreed to circulate to scrutiny committee members' details of the changes which would be made to the documentation.

Following a query from the cabinet member for infrastructure, the S151 officer confirmed a base budget review had taken place and where necessary adjustments to base budgets had taken place. Details of the changes in the directorate base budgets were contained within the table at paragraph 17 of the report.

The S151 officer confirmed that there would be no impact on the budget if the changes proposed were agreed as there would still be a 4.9% increase in council tax.

It was noted that Local Government Association had reported that the majority of other local authorities were adding increases to the core council tax rather than the precept for adult social care due to the uncertainty over whether the adult social care funding would still be available the next year.

The group leader for It's Our County indicated that it would be a good idea to raise the base budget provided it did not impact on the adult social care budget. The cabinet member for health and wellbeing confirmed that it would have no impact on his portfolio area.

Following a question from the group leader for It's Our County, it was confirmed that the option to increase council tax by 5.9% (and therefore increase the base budget by 2%) had been discussed. The reasons for not increasing further had been due to the average wage for Herefordshire which was £20k and the national average was £27k which would make it financially more difficult for residents.

The group leader for It's Our County noted that if it was explained to residents that the level of council tax needed to be raised by 5.9% they would understand, especially if the additional 1% was ring fenced to services which residents valued. This was an opportunity to maximise the opportunity to increase the base budget.

The group leader for Herefordshire Independents strongly objected to the council tax being raised by 4.9%. Due to the level of poverty in the county, there needed to be careful consideration of residents, especially those in rural areas

The scrutiny chairman for adult and wellbeing noted that due to the demographic of Herefordshire, there would be more and more older residents who living on their own, which would lead to increasing demand on adult social care support.

Following a query from the group leader for Herefordshire Independent, the S151 officer explained the financial impact to the council if Hoople were to close. The pension liability currently showing in the Hoople accounts would transfer to the council. The pension deficit was in relation to those council staff who had transferred (TUPE) to Hoople and had been agreed when the company had been set up. The valuation method to be used by the actuary of the pension scheme was set out in statute and was influenced by the fact that Hoople was not a precepting authority. Worcestershire who administer the pension scheme were reporting that the whole fund was in surplus and at the next valuation in 2019 there was an expectation that the fund as a whole would not be in deficit. It was noted that Hoople had made a significant amount of savings over the last few years and had agreed to do the same for the next financial year. It was reported that the council were expecting a £100k dividend from Hoople.

The leader of the Green party commented that taking the opportunity to increase the base budget is sensible. However, the re-jigging adult social care precept was a lost opportunity as the council needed to replace central government funding. It was acknowledged that it was not an easy situation to manage but the opportunity should have been taken to put more money in the budget.

The leader for the Liberal Democrats commented that regardless of the increase, members of the public will be angry and that it would be difficult for the public to sustain a 4.9% increase.

The cabinet member for finance, housing and corporate services confirmed that he would provide written answers to the questions which the leader of It's Our County had submitted prior to the meeting. However, it was confirmed:

- That the £7m savings in 2017/18 mentioned on page 42, paragraph 14 was achievable and there was sufficient funding in reserves.
- That the identified savings were continually RAG rated to ensure that they remained achievable.
- The “business rate smoothing” earmarked reserve is maintained to fund the potential cost of successful business rate appeals. This is used for lodged appeals and an estimate of un-lodged appeals to provided this estimate.
- That a review of all earmarked reserves had been requested to ensure that they were all necessary and prudent.
- The council received £20k for each completed NDP which goes towards the cost of a referendum and that the last opportunity for funding was in April 2018 which meant that reserves would be required to fund future referendums.
- That the £500k savings identified in connection with the looked after children budget was a realistic figure and was based on:
 - £162k full year savings in independent fostering agency (IFA) arrangements
 - £132k full year savings on in house placements
 - £90k full year savings in “step downs” in special guardianship orders (SGO).
 - £116k part year savings in “step down” in SGO.

That:

the following be recommended to Full Council:

- i. the council tax base of 68,177.57 Band D equivalents;**
- ii. an increase in core council tax in 2018/19 of 2.9%;**
- iii. an additional precept in respect of adult social care costs of 2% applied to council tax in 2018/19 resulting in a total council tax increase of 4.9%; increasing the band D charge from £1,376.50 to £1,443.95 for Herefordshire Council in 2018/19;**
- iv. the balanced 2018/19 revenue budget proposal of £144.1m subject to any amendments approved at the meeting specifically.**
 - a. The net spending limits for each directorate as at Appendix 3**
 - b. The gross revenue budget of £241.2m**
 - c. Delegates to the section 151 officer the power to make necessary changes to the budget arising from any variations in central government funding allocations via general reserves;**
- v. the treasury management strategy at appendix 5 be approved;**
- vi. the medium term financial strategy (MTFS) at appendix 1 be approved;**
- vii. authority be delegated to the chief finance officer, in consultation with the cabinet member finance and the leader to make technical amendments (grammatical, formatting, and consistency) as necessary to finalise the appendix 1 and 3 for publication for council.**

80. COUNCIL TAX REDUCTION SCHEME 2018/19

The cabinet member for finance, housing and corporate services presented the report and highlighted:

- The scheme was reviewed on an annual basis;
- The scheme had been agreed at full council in December 2015; and
- the recommendation was for the scheme to continue with no changes.

Following a query from the leader of the liberal democrats, it was confirmed that the scheme would be kept under review in case amendments were needed in future years.

That:

- (a) it be recommended to Council that the existing council tax reduction scheme, attached at appendix 2, be retained for 2018/19.**

The meeting ended at 11.58 am

Chairman