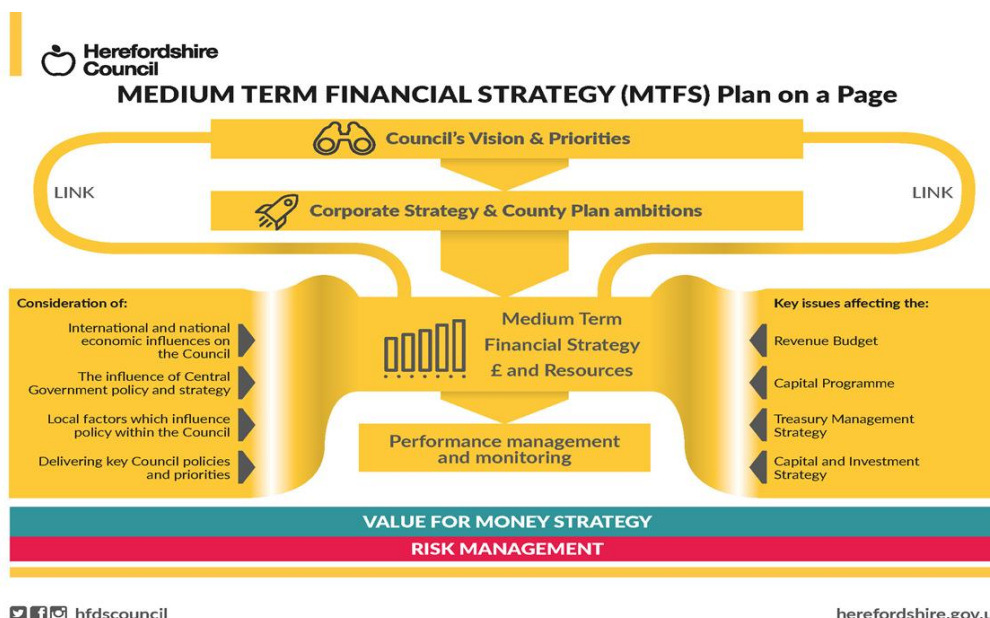


# Medium Term Financial Strategy

**2022/23 – 2024/25**



# Herefordshire Council's Medium Term Financial Strategy

## 1. Introduction

This Medium Term Financial Strategy (MTFS) covering the period 2022/23 to 2024/25 is being presented following the on-going impact of Covid-19. The MTFS balances the County Plan 2020-2024 ambitions with targeted available resources.

The MTFS provides the strategic framework for managing the council's finances and ensures that:

- Resources are aligned to achieve corporate objectives detailed in the County Plan over the medium/longer term, and;
- The Revenue Budget, Capital Investment Budget, Treasury Management Strategy and required Prudential Indicators are appropriately aligned.

The County Plan was adopted in February 2020 and shared a clear vision for the future of the county. The County Plan has three key themes - connectivity, wellbeing and sustainability, which sit at the core of policy making, planning and design for the future. These themes will form the basis of plans including the Delivery Plan and this MTFS.

Connectivity	Wellbeing	Sustainability
Connecting people digitally and physically across communities, in local neighbourhoods and to the wider world	Helping people feel safe, supported and valuing Herefordshire and their community	Pride in Herefordshire's unique and beautiful environment and rural heritage and tackling the climate challenge through new approaches to sustainability
<b>Our aims:</b> <ul style="list-style-type: none"><li>• Digital connectivity – supporting flexible working, connecting rural communities and businesses</li><li>• Connecting and supporting communities – especially deprived communities</li><li>• Connecting with partners – parish councils, businesses, public and community sector</li><li>• Connecting locally – supporting and promoting local, independent shops and businesses</li></ul>	<b>Our aims:</b> <ul style="list-style-type: none"><li>• Supporting vulnerable people and communities and developing the strong community networks that have grown and flourished</li><li>• Improving quality of life – appreciating what's special about the county as a place to live, work and visit</li><li>• Helping people most impacted by pandemic (jobs/business/young people)</li><li>• Being creative and encouraging innovation</li><li>• Recognising the value of art and culture as a contributor to wellbeing</li><li>• Welcoming visitors, promoting pride in the place and all it has to offer</li></ul>	<b>Our aims:</b> <ul style="list-style-type: none"><li>• Building to strong environmental standards</li><li>• Travel to work/school – encouraging more walking and cycling</li><li>• Public transport – safe, accessible and connecting communities</li><li>• Rural environment – supporting farming and rural communities</li><li>• Shopping/buying/doing business locally</li></ul>

## Background

The council has an annual revenue budget of around £380m, used to deliver services to over 187,000 residents. These services include maintenance of over 2,000 miles of roads, collection of over 85,000 residential bins, safeguarding around 1,000 children (including 354 who are in our care) and providing care and support to 2,500 vulnerable adults.

We employ approximately 1,300 staff (excluding staff in schools) and support many more local jobs through our contracts with local businesses.

Using our resources wisely is one of our core principles so we are always seeking new ways to provide efficiencies in service delivery and to maximise our purchasing power to ensure we deliver

value for money that benefits Herefordshire businesses and residents.

## **National Context**

Steps taken by central government supported local authorities in the COVID-19 pandemic response. This action has averted system-wide financial failure at a very challenging time. However, the financial position of local government nationally remains a cause for concern. Many authorities will be relying on reserves to balance their budgets. Despite continuing support into 2021-22 the longer term outlook is uncertain.

## **Transformation**

The council is embarking on a period of transformation. Improving our children's services is our top corporate priority. Our aim, working alongside our improvement advisor is to develop a well-led cohesive team that will define our vision for children's services, consistently deliver the highest levels of social care and safeguarding practice, and improve outcomes for the children, young people and families of Herefordshire. This MTFS shows the financial commitment we are making to achieve this.

## **Future Revenue Resources**

### **Core Government funding**

Austerity has seen the council have to make significant savings to deliver a balanced budget, £106m to date. We have achieved this by being more efficient, streamlining services and finding new and innovative ways of operating while still delivering the vital services residents rely on and value. We have and continue to expand the services of our subsidiary, Hoople Ltd, to maximise our efficiencies.



Planned local government finance reforms are expected, the review of relative needs and resources (also called the Fair Funding Review), the business rates reset and the parameters of the new homes bonus have been on hold. This places uncertainty over funding over this MTFS.

Anticipated core grants are shown below, some of these sit outside the councils net budget requirement but remain funding to be utilised on providing council services.

<b>Core Grants:</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
Revenue Support Grant	663	663	-
Improved Better Care Fund	6,682	6,682	6,816
New Homes Bonus	1,413	1,635	1,635
Rural Services Delivery Grant	5,353	5,353	5,460
Social Care Grant	7,691	7,691	7,691
2022/2023 Services Grant one-off monies	2,250	450	450
<b>TOTAL CORE FUNDING</b>	<b>24,052</b>	<b>22,474</b>	<b>21,052</b>

## **Council tax**

Council approved an enhanced council tax reduction scheme for 2021/22 in response to the challenges households were facing from the financial impact of Covid-19.

The adult social care precept will continue in 2022/23 due to the increasing pressures this budget is facing from an aging population and the cost pressures of supporting independent living that this can require.

This council has decided to adopt empty home council tax premium charges to encourage re-occupation and uses this funding to finance an empty property officer to assist this process.

## **2022/23 budget proposal**

The MTFS proposes a balanced 2022/23 budget achieved by proposing savings targets alongside an increase in council tax charge of 2.99% (inclusive of 1% adult social care precept).

<b>Detail</b>	<b>21/22 base budget £000</b>	<b>Pressures £000</b>	<b>Savings £000</b>	<b>22/23 proposed budget £000</b>
Community and Wellbeing	58,939	4,233	(718)	62,454
Children and Young People	36,911	4,415	-	41,326
Economy and Environment	26,328	3,902	(1,384)	28,846
Corporate	18,150	4,168	-	22,318
<b>Sub Total</b>	<b>140,328</b>	<b>16,718</b>	<b>(2,102)</b>	<b>154,944</b>

Central	20,668	-	(500)	20,168
<b>TOTALS</b>	<b>160,996</b>	<b>16,718</b>	<b>(2,602)</b>	<b>175,112</b>
Funded by:-				
Council tax	112,944			119,549
Business rates	36,753			37,488
Collection fund deficit	(200)			1,260
Revenue support grant	638			663
Rural sparsity delivery grant	5,353			5,353
Social care support grant	5,508			7,691
Market Sustainability & Fair Cost of Care	-			594
Lower Tier Services Grant	-			264
2022/23 Services Grant	-			2,250
<b>TOTALS</b>	<b>160,996</b>			<b>175,112</b>

### **Post 2022/23**

The Medium Term Financial Strategy (MTFS) outlines the financial strategy for the period up to 2024/25. The 2022/23 spending review was announced December 2021, this MTFS reflects that, however, future years are less certain.

### **Total funding**

The MTFS proposes a balanced 2022/23 budget achieved by increasing council tax charges by 2.99% (inclusive of 1% adult social care precept). Projections for future years assume an annual increase in council tax of 2%.

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>Net budget funding source</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Council Tax	119,549	122,538	125,601
Retained Business Rates	37,488	38,050	38,621
Collection Fund Surplus	1,260	-	-
Revenue Support Grant	663	663	-
Rural Sparsity Delivery Grant	5,353	5,353	5,353
Social Care Support Grant	7,691	7,691	7,691
Market Sustainability & Fair Cost of Care	594	3,000	4,000
Lower Tier Services Grant	264	-	-
2022/23 Services Grant	2,250	450	450

<b>Totals</b>	<b>175,112</b>	<b>177,745</b>	<b>181,715</b>
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The net budget funding assumptions above exclude grant funding received in addition to that which funds the gross budget. This grant funding includes the improved better care fund (£6.7m), public health (£9.5m) and dedicated schools grant funding.

## **Expenditure pressures**

### **Current expenditure profile**

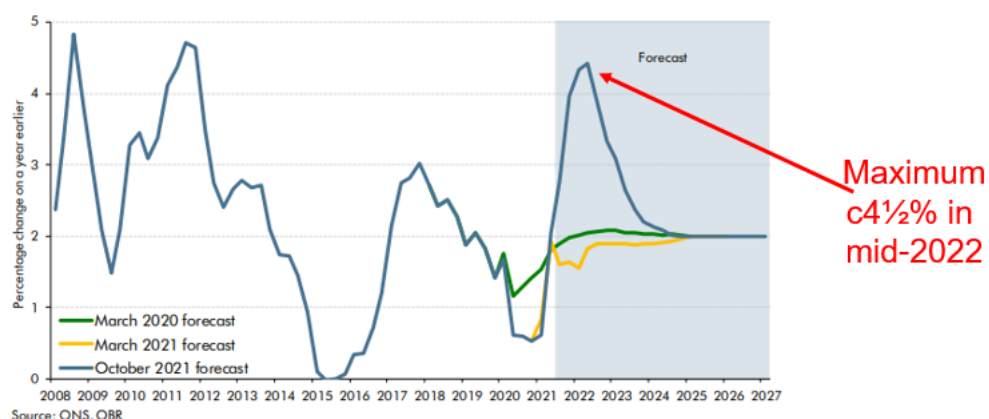
The pandemic caused extraordinary financial costs to Herefordshire including lost local tax income. Central government has supported councils financially, however the effects of Covid-19 will be felt through this MTFS period with costs and losses of income likely to continue. It is difficult to predict the uncertain nature of how the pandemic, and its legacy, will impact Herefordshire. If the Coronavirus mutates again, it will be extremely important for us to respond and step in as we have already done to protect our vulnerable communities, contain the virus, and keep our local economies going.

There are pressures in homecare due to staff shortages in the provider market, this reflects the national picture. There is a local and national backlog, waiting lists and delayed discharges from care homes and hospitals leading to ongoing financial implications.

There are in house operational workforce issues with difficulties in recruiting permanent social workers with the impact that the use of locums and/or agency staff costing double that of permanent staff.

Inflation pressures are expected however these are expected to be temporary, if high inflation persists then considerable expenditure pressures could be seen especially in the council's capital investment budget.

## **Inflation (CPI)**



## **High needs deficit**

The number of children and young people with Education, Health and Care Plans (EHCPs) has risen year on year for the past decade. The costs of Special Educational Needs and Disabilities (SEND) are funded through the dedicated school grant however many councils are in a deficit position, meaning the cost exceeds the funding provided.

It is illegal for councils to contribute to the high needs budget without the secretary of state's approval. The Department for Education has put in place a regulation override however this expires imminently and a number of councils are highlighting this as a major risk. Herefordshire is not currently in a deficit position and a funding increase in 2022/23 is expected to mitigate the risk of Herefordshire entering a deficit position.

## **Pay policy**

The latest pay policy was approved by the council's employment panel on 17 January 2022.

## **Expenditure Pressures**

A number of budget pressures have been identified in 2022/23, these are listed below and are funded within the directorate expenditure limit.

<b>Detail</b>	<b>Pressures £000</b>	<b>Budget bid £000</b>
<b>Community and Wellbeing</b>		
Inflation and other contractual increases	2,500	
ILS (Independent Living Service)		115
All ages commissioning (bolstering of Children's Quality Assurance)		118
Loss of discharge to assess funding	1,500	
<b>Children and Young People</b>		
Inflation and other contractual increases	1,355	
High needs pressure	160	
Voice of the Child		200
Special Education Needs (SEN) Transport	200	
Placements	2,500	
<b>Economy and Environment</b>		
Inflation and other contractual increases	2,557	
Car parking		400
CCTV Monitoring		120



Planning income		400
Archaeology income		65
Public Realm: Impact of red diesel legislation changes		60
revenue impact of HCCI projects		100
Unresolved Savings 2021/2022		200
<b>Corporate</b>		
Inflation and other contractual increases	1,056	
Procurement resources: responding to the pipeline of projects	80	
Canvassers income : end to central government funding	60	
Additional PMO support for projects	300	
Legal external fees	200	
Democratic Services: additional revenue pressures expected in regard to re-thinking governance recommendations	87	
Legal services		1,005
Additional HR support re Childrens and Young People		60
Additional Health and Safety resource		60
Property Services, one year pressure to resolve structural issues	1,260	
<b>TOTALS</b>	<b>13,815</b>	<b>2,903</b>

### **Saving plans**

To propose a balance budget savings are required as follows.

<b>Directorate</b>	<b>Savings Required 2022/2023 £000</b>
Community Wellbeing	718
Children and Young People	-
Economy and Environment	1,384
<b>Corporate</b>	-



Sub total	2,102
Central	500
Total	2,602

### Central Savings Proposal

Ref	Proposal	Summary	Saving Year 1	Saving Year 2	Saving Year 3
			2022/2023	2023/2024	2024/2025
1	Efficiencies	Efficiencies in treasury management and pensions	£500,000	0	0

### Community Wellbeing Savings Proposals

Ref	Proposal	Summary	Saving Year 1	Saving Year 2	Saving Year 3
			2022/2023	2023/2024	2024/2025
1	Recommissioning Supported Living Service	We will redesign, refresh and then go to retender for our arrangements for supported living services for people with complex needs	£123,000	0	0
2	CHC/S117 – Continuation of the 'Fair and Consistent Care & Funding Pathway'	We will work with our NHS colleagues, individuals and families to continue to ensure that all people which should receive Continuing Healthcare funding will do so	£250,000	0	0
3	Demand management	We will work with people who require a Care Act assessment, family carers, voluntary sector agencies, community organisations, NHS & care providers and colleagues to ensure that people receive the right care at the right	£345,000	0	0

		time to maximise their independence			
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## Economy & Environment Savings Proposals

Ref	Proposal	Summary	Saving Year 1	Saving Year 2	Saving Year 3
			2022/2023	2023/2024	2024/2025
1	Energy Charges	Stop free electric vehicle charging and increase charges for solar energy	£5,250	£750	0
2	Introduce charges for non-domestic waste at the Household Recycling Centres	Introduce charges for soil, DIY waste, tyres and plasterboard at Household Recycling Centres	£0	£0	£345,000
3	Waste collection charges increases	Increase charges for commercial and bulky waste services	£25,000	£25,000	£25,000
4	Introduce Parking Charges in Kington	Introduce Pay and Display parking in off street car parks in Kington	£21,500	0	0
5	General Parking Charge Increase	10p per hour increase across all tariffs in 2022/23, no increase in 2023/24, then 10p per hour increase across all tariffs in 2024/25	£170,000	£30,000	£200,000
6	On Street Parking charges expansion in Hereford	Introduction of additional on street pay and display charging in Hereford City Centre	£29,000	£12,500	0
7	Moving Traffic Enforcement by Camera	Introduction of Camera enforcement for a variety of moving traffic offences at locations across Herefordshire.	£33,500	£25,000	0
8	Review of Resident Parking Permit Fees	A phased increase in residents parking permit fees in 23/24 and 24/25	£0	£30,000	£30,000
9	Review of Parking Enforcement	An external review of parking enforcement to maximise the effectiveness of the service	£0	£50,000	0

10	<b>Increase Roads and Streetworks income</b>	<b>New and Act</b> Additional income from increased inspection and enforcement of 3rd Party works on the public highway	<b>£85,000</b>	<b>£15,000</b>	<b>0</b>
11	<b>Review Capital Revenue splits in line with activity</b>	Staff time spent on capital projects is appropriately recharged to capital budgets	<b>£100,000</b>	<b>0</b>	<b>0</b>
12	<b>Plant Utilisation</b>	Contractor plant and equipment is shared between services to minimise hire costs	<b>£10,000</b>	<b>0</b>	<b>0</b>
13	<b>Invest to Save – purchasing plant items</b>	Purchase of construction plant to reduce ongoing hire charges	<b>£34,265</b>	<b>£11,421</b>	<b>0</b>
14	<b>Review of skips, scaffolds and drop kerbs' charges</b>	Increased licence charges for skips, scaffolds and drop kerbs	<b>£5,000</b>	<b>£1,500</b>	<b>£1,500</b>
15	<b>Home To School/ College Transport</b>	Review and retendering of school and college transport routes to maximise efficiency	<b>£40,000</b>	<b>£5,000</b>	<b>0</b>

## **Capital investment**

Detailed in appendix M2 is the proposed capital programme, detailing each project and the budget profile over the current and future years. The capital programme has a budget of £303.612m currently and a number of areas to be invested in are housing, a care home, new school build at Peterchurch and integrated wetlands. Along with continued investment in the councils estate, IT, highways, broadband, energy projects, continued development of the enterprise zone and other potential employment land. A number of annual grants for highways, schools maintenance and disabled facilities grant continue each year.

The £303.612m is funded from using £30.608m of the £44.6m capital receipts reserve, £152.938m grants of which £37.1m have yet to be secured and confirmation of the final Stronger Town Funds grant allocations, £2.462m use of revenue reserves and £117.604m borrowing.

There are a number of projects that will be developed in the next financial year for waste management changes, development of the Hereford Town Investment Plans projects such as a new Museum, development of the Maylords site, which were part of a £25m funding bid. The third council project was for greening the city and business cases for all continue to be developed as the Towns Board progress towards deciding which projects to move forward. The council is the accountable body for the £22.4m funding but a number of projects will be run by other organisations.

Other projects being developed include the improvement works at the Shirehall and a costed plan is likely to form part of next year's budget setting but could be in the region of an additional £5.5m to what is already in the capital programme. Currently options for expanding the Westfield school site are being developed for the current site or other land owned by the Council. Once the best option is agreed the full costs of the project will be developed and funding sought to deliver the project, expected in the region of £14m, although additional costs will be incurred if third party land is purchased.

### **Town Investment Plan - Hereford Museum and Art Gallery Redevelopment**

In response to the Hereford Town Investment Plan submission to government, on the 8th June 2021 the government awarded the city £22.4m of Towns Funding. This included initial support for the council's proposed redevelopment of the Hereford Museum and Art Gallery, to establish a significantly enhanced cultural asset and tourism attraction at the heart of the City Centre. The proposed £15m project is based on seeking a £5m contribution from the Towns Fund, £5m million through making an application to the Heritage Lottery Fund, and through seeking a £5m contribution from the council. Subject to the development of a full business case, and securing the Towns Funding and Heritage Lottery Fund grants, the council contribution would be funded through borrowing, to be repaid through income generated from the redeveloped museum.

### **Capital Strategy and Revenue Implications of the Capital Strategy**

Any requirement to make capital repayments from revenue budgets (for example, for an invest-to-save prudential borrowing project) will be explicit in the Resource Implications of the relevant decision report. It is important the implications on the future revenue budget is understood so that the budget is in place for when these repayment deductions are taken. These are referred to as projects generating a return on investment which therefore funds the capital costs incurred through either reduced costs or increased income.

Where a capital budget (with either internal or external funding) is approved within the council's capital programme, service areas will also be asked to commit to funding any abortive costs from their revenue budgets when seeking approval to spend the capital budget provision, should a capital project initially begin delivery but is unable to complete for any reason. In the event that a capital asset has been enhanced / purchased / created by the incomplete capital investment this would remain as capital expenditure, although there may be implications if an external funding source (e.g. capital grant) is lost due to the project being incomplete. Careful consideration needs to be taken to ensure the council are not over exposed for projects where the risk is high that they may not be delivered and abortive costs are high.

### **Value for Money**

The council spends public money and it is vital that it ensures value for money is delivered; this is within the context that the demands for services is increasing in conjunction with decreases in income.

Herefordshire Council, seeks to ensure that money is spent as carefully, wisely and efficiently as possible. This means constantly reviewing and adjusting the way that the council works in order to continue to deliver value for money for the residents and businesses of Herefordshire.

To that end, the council has worked closely with our auditors to develop a new Value for Money Strategy as shown in Appendix M5 and also a more comprehensive internal Value for Money Policy.

As a custodian of public funds, the council strives to achieve value for money in the delivery of services and acquisition of assets. It seeks to achieve, and where possible improve, value for money, for example through the council's corporate procurement and commissioning strategy, by ensuring that:

- Contract procedure policies are regularly reviewed in line with national policy and incorporate social value and local needs.
- Procurements translate the desired outcomes into the right contracts and select the supplier or suppliers that will deliver these in the way that offers best value for money thus enabling the optimal whole-life blend of economy, efficiency and effectiveness that achieves the intended outcome of the business case.

The council will ensure that although it can be difficult to measure value for money in qualitative areas, value for money activity will not be focused simply on the quantitative aspects of service delivery, and that where a wider social value can be achieved, these opportunities are explored in full.

The council recognises that social value should take into account what is important to the local community, local environment and local economy, through considering different ways of delivering services to positively impact the community, considering how current local challenges can be resolved by working with our communities and considering how local businesses can be supported.

Details of the new draft Value for Money Strategy can be found in Appendix M5.

## **Risks**

There are a number of external risks that could affect the delivery of the MTFS, appendix M4 sets out more detail on the key risk areas which are:

- The government settlement for 2022/23 is a one year settlement meaning that the MTFS is based on assumptions for future years that cannot be confirmed.
- The looked after children population is higher than our statistical neighbours and continues to require significant resources to support. The requirement for complex needs funding and supported accommodation up to the age of 25 are growing pressures. The council has started a well-resourced transformation journey expected to address some issues in this area.
- The high needs budgets are funded by the dedicated schools grant, but any overspend becomes a council liability, this is currently being maintained within budget however the national trend is for a growing pressure.

## **Treasury Management Strategy (TMS)**

The TMS sets out how daily cash-flow activities will be managed to balance cash requirements whilst achieving the council's strategic outcomes. The TMS includes investment and borrowing strategies with consideration to security, liquidity and interest rate risks with the aim to maximise return on investments and minimise interest rate costs. The council's policy remains to borrow

when funds are required. This policy minimises the cost of borrowing, and is supported by the Councils external treasury management advisors, who estimate that this approach saves the council in excess of £1m of borrowing costs per annum.

Currently interest rates are low, this means it is sensible to borrow over the longer term to mitigate the potential higher interest costs in future years however due to holding large cash balances there is no urgent need to borrow. The low interest rate market means that interest cannot be earned on cash balances invested therefore to borrow now would include additional interest costs due to lower interest rate earned on cash balances held. It would also increase the exposure to investment counterparty risk although this risk is mitigated as described in the TMS.

## **Reserves**

The council holds both general and earmarked reserves as appropriate. The reserves policy is attached at M3. The general reserve currently totals £9.1m.

**Earmarked reserves** are amounts set aside for specific policy purposes or for general contingencies and cash flow management. For each reserve established, the purpose, usage and basis of transactions needs to be clearly defined. Cabinet reviews earmarked reserves on an annual basis.

### **Use of earmarked reserves**

Reserves enable the council to do three things:

- Create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This forms part of the general reserves.
- Create a contingency to cushion against the impact of unexpected events or emergencies. This also forms part of general reserves.
- Create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.
- Enables the smooth transition when moving to doing things differently

The overall level of reserves balances will be reported to Cabinet at least annually, the last report to Cabinet was in October 2021. A forecast of the earmarked reserve position is shown below:-

Reserves	Balance as at 31/03/2021 £m	Expected Movements £m	Balance as at 31/03/2022 £m	Expected Movements £m	Expected balance 31/03/2023 £m
<b>Unallocated Reserve</b>	9.1	(0.3)	8.8	0.0	8.8
<b>Earmarked Reserves</b>					
<b>County Plan</b>					
Planned future revenue spending	4.9	0.2	5.1	0.2	5.3
Planned future capital spending	2.6	1.5	4.1	(3.0)	1.1
<b>Business Risk</b>					
Identified Operational Risks	10.8	(0.1)	10.7	0.0	10.7
Resilience & Risk Mitigation	17.3	2.3	19.6	(5.0)	14.6
<b>Children &amp; Families</b>					
Childrens Services	5.7	(3.7)	2.0	(2.0)	0.0
School balances	10.4	(1.6)	8.8	0.0	8.8
<b>Adults Services</b>	4.6	(0.3)	4.3	(0.3)	4.0
<b>Economy and Place</b>					
Non-Covid grants and receipts carried forward	8.4	(0.1)	8.3	2.0	10.3
Covid government grants carried forward	23.8	(23.8)	0.0	0.0	0.0
<b>Corporate and Central</b>					
PFI Contractual commitments	10.0	3.0	13.0	3.0	16.0
Contractual commitments	2.7	2.3	5.0	0.0	5.0
Digital Infrastructure	0.5	(0.1)	0.4	0.0	0.4
Reactive & Transitional Reserves	3.9	(0.4)	3.5	0.0	3.5
<b>Total unallocated and earmarked reserves</b>	<b>114.7</b>	<b>(21.1)</b>	<b>93.6</b>	<b>(5.1)</b>	<b>88.5</b>

The financial resilience reserve was established to manage risks present in the base budget, for example additional placement costs from unexpected demands. This reserve will also fund the two year transformation programme the council has embarked upon to improve the journey of the children in our care and services to the local community in line with the corporate plan.

Once a reserve has fulfilled the purpose for which it was established, any remaining balance should be reallocated to another earmarked reserve with a similar purpose or surrendered to General Reserves.

## **Conclusion**

This medium term financial strategy proposes delivering a balanced budget with a clear focus on aligning resources to deliver the revised county plan ambitions.

## **Appendices**

Appendix M1 - Net Revenue budget

Appendix M2 - Proposed Capital Investment Budget

Appendix M3 - Reserves Policy

Appendix M4 - Risk Assessment

Appendix M5 – Draft Value for Money Strategy



## Net Revenue budget and Directorate Spending Limits 2022/23

Detail	21/22 base budget £000	Pressures £000	Savings £000	22/23 proposed budget £000
Community and Wellbeing	58,939	4,233	(718)	62,454
Children and Young People	36,911	4,415	-	41,326
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Lower Tier Services Grant	-			264
2022/23 Services Grant	-			2,250
<b>TOTALS</b>	<b>160,996</b>			<b>175,112</b>

## Appendix M2

### Proposed capital investment budget

Scheme Name	Spend in Prior Years £000	2021/22 Total Budget £000	2022/23 Total Budget £000	2023/24 Total Budget £000	2024/25 onwards Total Budget £000	Total scheme budget £000
Hereford City Centre Transport Package	34,042	1,789	1,880	2,940	0	40,651
Hereford City Centre Improvements (HCCI)	178	1,925	2,947	950	0	6,000
Hereford ATMs and Super Cycle Highway		1,000	0	0	0	1,000
Emergency Active travel Fund	19	119	0	0	0	137
Passenger Transport Fleet (Electric)		0	7,800	15,600	15,600	39,000
<b>Transport &amp; Place Making Delivery Board</b>	<b>34,239</b>	<b>4,832</b>	<b>12,627</b>	<b>19,490</b>	<b>15,600</b>	<b>86,788</b>
Local Transport Plan (LTP)		15,466	12,272	12,272	12,272	52,282
Pothole & Challenge Fund 20/21	5,311	2,363	0	0	0	7,674
Priority Flood Repair Works	1,547	853	1,627	0	0	4,027
E & P's S106		784	0	0	0	784
Extra Ordinary Highways Maintenance & Biodiversity Net Gain		1,369	930	0	0	2,299
Public Realm Maintenance - Mitigating Risk on the Network			3,685	1,265	0	4,950
Winter Resilience			532	145	725	1,402
Highways Equipment			548	0	0	548
Investment in Infrastructure Assets	943	1,057	0	0	0	2,000
Highway asset management		1,868	0	0	0	1,868
<b>Highways Maintenance Delivery Board</b>	<b>7,802</b>	<b>23,759</b>	<b>19,594</b>	<b>13,682</b>	<b>12,997</b>	<b>77,835</b>
Integrated Wetlands	66	775	1,159	0	0	2,000
Marches Renewable Energy Grant	159	261	0	0	0	420
Solar Photovoltaic Panels	642	350	1,142	0	0	2,134
SEPUBU Grant	76	101	255	0	0	432
Warm Homes Fund	491	469	0	0	0	960
Schools Transport Route Planning	74	16	0	0	0	90

Air Quality Monitoring Station Resource Improvements		192	0	0	0	192
Green Homes Grant - Local Authority Delivery		1,820	0	0	0	1,820
Sustainable Landscape Sustainable Places	163	31	0	0	0	195
<b>Environment &amp; Sustainability Delivery Board</b>	<b>1,671</b>	<b>4,016</b>	<b>2,556</b>	<b>0</b>	<b>0</b>	<b>8,243</b>
Hereford Enterprise Zone	12,111	2,336	500	0	0	14,947
Hereford Enterprise Zone - Further funded dev	5,297	135	0	0	0	5,432
Hereford Enterprise Zone - Infrastructure Works		675	0	0	0	675
Herefordshire Enterprise Zone Shell Store	6,923	393	0	0	0	7,316
Marches Business Investment Programme	701	1,250	1,273	205	0	3,428
Employment Land & Incubation Space in Market Towns	341	0	9,265	10,350	745	20,701
Leominster Heritage Action Zone		1,009	2,217	374	0	3,600
Safer Streets / CCTV		278	0	0	0	278
Stronger Towns Fund - Hereford Museum & Art Gallery Redevelopment		250	750	6,700	7,300	15,000
Stronger Towns Fund - Greening the City			230	180	0	410
Stronger Towns Fund - Maylord Orchard Redevelopment and Learning Resource Centre		150	620	2,230	0	3,000
Herefordshire Hoard			1,500	0	0	1,500
Development Partnership activities	10,415	346	4,422	5,418	0	20,600
<b>Economic Development Delivery Board</b>	<b>35,788</b>	<b>6,822</b>	<b>20,777</b>	<b>25,456</b>	<b>8,045</b>	<b>96,888</b>
Fastershire Broadband	21,460	7,259	7,020	0	0	35,738
PC Replacement	819	349	349	0	0	1,516
Electronic Document Management Storage	24	356	0	0	0	380
Capital Development Fund		250	750	0	0	1,000
Technology Enabled Communities	38	462	1,000	0	0	1,500
Key Network Infrastructure (Core Data Centre Switches & Corporate Wi-Fi)			490	0	0	490

Primary Data Storage Area Network (Plough Lane)			335	0	0	335
My Account			313	130	0	443
Flexible Futures	22	260	568	0	0	850
<b>Corporate &amp; Digital Delivery Board</b>	<b>22,363</b>	<b>8,935</b>	<b>10,824</b>	<b>130</b>	<b>0</b>	<b>42,252</b>
Colwall Primary School		66	0	0	0	66
Schools Capital Maintenance Grant		2,410	1,195	1,195	1,195	5,995
Peterchurch Area School Investment	10	300	3,193	7,350	0	10,853
Expansion for Marlbrook school	5,642	499	0	0	0	6,141
Brookfield School Improvements	141	283	3,520	0	0	3,945
High Needs Grant		648	0	0	0	648
C & F's S106		554	0	0	0	554
Healthy Pupils	91	8	0	0	0	99
Short Breaks Capital	19	99	0	0	0	118
Basic Needs Funding		2,080	3,426	3,385	0	8,891
Preliminary works to inform key investment need throughout the county	35	481	0	0	0	516
School Accessibility Works		240	0	0	0	240
Property Estate Enhancement Works		110	0	0	0	110
Leisure Centres	221	147	0	0	0	368
Leisure Pool	317	244	0	0	0	561
Estates Capital Programme 2019/22	1,439	3,835	1,628	0	0	6,902
Residual property works identified in the 2019 condition reports			1,292	100	0	1,392
Estates Building Improvement Programme 22-25			1,454	1,289	264	3,007
Car Parking Strategy	151	95	0	0	0	246
Upgrade of Herefordshire CCTV	156	28	0	0	0	184
Grange Court Loan		359	0	0	0	359
Hereford Library	142	203	0	0	0	345
Temporary school accommodation replacement		450	0	0	0	450
<b>Schools &amp; Corporate Property Assets Delivery Board</b>	<b>8,365</b>	<b>13,141</b>	<b>15,708</b>	<b>13,319</b>	<b>1,459</b>	<b>51,992</b>
Disabled facilities grant		2,538	2,000	2,000	2,000	8,538

Hillside	559	1,841	150	0	0	2,550
Carehome & Extra Care Development		0	1,050	8,150	4,800	14,000
Super Hubs		0	2,000	0	0	2,000
Homelessness Hub & Property Investment	60	44	0	0	0	104
Empty Property Investment & Development		810	1,088	0	0	1,898
Gypsy & Traveller Pitch development	694	608	575	0	0	1,877
Strategic Housing Development	7	1,674	10,000	8,319	0	20,000
Private sector housing improvements	2	51	146	0	0	199
<b>Housing Delivery Board</b>	<b>1,322</b>	<b>7,565</b>	<b>17,009</b>	<b>18,469</b>	<b>6,800</b>	<b>51,165</b>

<b>Total Capital Programme</b>	<b>111,550</b>	<b>69,070</b>	<b>99,095</b>	<b>90,546</b>	<b>44,901</b>	<b>415,162</b>
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## **Reserves**

### **1. Review of Reserves**

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

- Relevant,
- Appropriate, and
- Prudent.

- 1.2. The Chief Finance Officer will ensure that the council has in place well established, robust and regular budget monitoring processes. These take account of the current level of reserves and the latest budget requirements calling on reserves to meet current commitments and to make contributions to reserves to meet future commitments.
- 1.3. The Chief Finance Officer must consider strategic, operational and financial risks in assessing the adequacy of the council's reserves position.

### **2. Use of Reserves**

- 2.1. Approval to use or make contributions to reserves is provided by the Chief Finance Officer as part of the regular budgetary process, in discussion with the Chief Executive and Leader of the Cabinet
- 2.2. Movements in reserves will be reported to Council as part of the financial outturn at the end of the financial year.

### **3. Conclusion**

- 3.1. The Chief Finance Officer is satisfied that the Council's ongoing approach to its reserves and provisions is robust. The council's strategic reserve is maintained between 3% - 5% of the net budget requirement.
- 3.2. At the end of March 2020 the balance was £9.1m (5.7% of net budget). This is sufficient to ensure that the council has adequate resources to fund unforeseen financial liabilities, and that the council's approach to general balances is deemed appropriate. The level of reserves and expected movement in reserves are set out in the MTFS as part of the annual budget setting process.

## Key Risk Assessment

Key Financial Risks	Likelihood	Impact	Mitigating Actions
<b>Not delivering required improvements</b> The council must address its non-statutory improvement notice	Low	Medium	An improvement board is in place and working with the Department for Education advisor is underway Dedicated resources have been allocated to support this
<b>Unexpected events or emergencies</b> By its nature, the financial risk is uncertain	Low	High	Council maintains a Strategic Reserve at a level of between 3% and 5% of its revenue budget for emergency purposes Level of reserve is currently £9.1m (5.7% of budget) Additionally national resources have historically been provided
<b>Increasing demand for Social Care for adults and children</b> Demand for children's services continue and demand for adult services increase as the population gets older	High	Medium	Demand led pressures provided for within our spending plans Directorates monitor their performance and it's trends regularly and are able to identify changes in demand. Talk Community and strength Based Assessment have evidenced managing demand Investing in Early Help will also assist at an earlier stage.
<b>Potential overspend and council does not deliver required level of savings to balance spending plans</b>	Medium	Medium	High risk budget areas have been identified and financial support is targeted towards these areas Regular monitoring reports to Management Board and Cabinet
<b>Volatility in Government funding streams</b> The government settlement for 2022/23 is a one year settlement meaning that the MTFS is based on assumptions for future years that cannot be confirmed.	High	Medium	Prudent assumptions made in budget proposals
<b>EU exit</b> Impact of EU exit may lead to increased volatility in economic stability, increasing supply chain costs and reduced access to funds	Medium	Medium	Allowance included for potential availability and cost escalation impacts



<b>Interest/Inflation</b> Forecasts indicate these could temporarily increase significantly	Medium	Medium	The treasury management strategy uses latest forecasts and increases in borrowing rates will be offset by increases in investment returns
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## Draft Value for Money Strategy

## VALUE FOR MONEY STRATEGY

### 1 Introduction and our Vision for Herefordshire

This document sets out Herefordshire Council's strategy for assuring ourselves of Value for Money (VfM) in the planning and delivery of all of its services.

The Chartered Institute of Public Finance & Accountancy Financial Management Code states that in making decisions, allocating resources and planning the delivery of services, the authority should seek to ensure that its services are economical, efficient, effective and equitable and break the concept of value for money down into four 'pillars' which are more readily measurable:

- Economy
- Efficiency
- Effectiveness
- Equity

This Strategy has been developed as we want to improve the way we manage our approach to Value for Money to ensure we provide financial, social, economic and environmental value and are able to show the real impact that we have on our residents and our communities.

Our ambition for Herefordshire is set out in the County Plan 2020-2024 and sets the strategic priorities of which value for money is central to its delivery:

*"Respecting our past, shaping our future - we will improve the sustainability, connectivity and wellbeing of our county by strengthening our communities, creating a thriving local economy and protecting and enhancing our environment".*

A new Delivering Value for Money Policy is in place and value for money will be incorporated into the performance review process to ensure that services and the council as a whole are constantly reviewing and improving the use of our resources and the quality of services that are offered.

### 2 Key Drivers

In seeking to fulfil its vision of delivering services that perform well and outcomes that improve our residents' quality of life, at a cost that compares favourably with other similar councils, the council has identified four key drivers:

- Ensure that Value for Money remains a clear and sustained focus for the council and is integral to its key decision making processes
- Promote a shared understanding across the council of what Value for Money means in practice and a culture of continuous improvement
- Deliver savings that will provide resources for improving services
- Demonstrate to residents and other stakeholders that the council achieves good Value for Money

### **3 Approach to Value for money at Herefordshire Council**

Value for Money at Herefordshire Council is:

*“Achieving our business priorities economically, efficiently, effectively and equitably whilst maximising social and environmental value”*

Value for money is about achievement of the 4E's:

- Economy - doing things at the best price
- Efficiency - delivering with the least waste of time and effort
- Effectiveness - delivering what we said we would deliver
- Equity – spending fairly

Achieving VfM is not simply about one-off reviews, it is a process of continuous service review and improvement.

### **4 Our Value for Money priorities**

- Integrate VfM and Social Value as part of the Herefordshire Council culture
- Manage our assets to optimise our return on investment
- Gain best possible value out of procurement
- Understand and be able to report on social and environmental value

- Fully understand our costs their impacts across Herefordshire Council and how they link to performance and how we compare with others
- Increase service efficiency and effectiveness – understanding our residents and community needs (performance and continuous improvement)
- Further involve our Staff and Stakeholders in gaining value for money
- Be transparent, accountable and have accessible communication

## 5 Framework for Delivering Value for Money

To support delivery of these opportunities, a structure has been put in place around which the plan can be developed and success achieved:

### VfM Delivery Framework



## 6 Who is involved?

Value for Money needs to be embedded across the council and involves all our governance structures, customers, staff and contractors.

The council's executive, Management Board, are ultimately responsible for ensuring the delivery of value for money, monitoring progress and ensuring that it is embedded into the council's policies and procedures.

However, the responsibility for increasing value for money lies with all Members and officers at all levels of the council. It is not restricted to those with resource or financial management responsibilities, or to the directors of service.

Managers have the executive responsibility to maintain an awareness of good practices in their own area of operation and to ensure that these are followed appropriately. Value for money must be delivered in all of the budgets that they manage. Managers also have the responsibility to keep up to date with developments in good practice in their own service areas. They should actively attempt to identify and review new and developing good practices and apply them to Herefordshire where appropriate.

Every member of staff at Herefordshire Council has a responsibility for delivering value for money on a day to day basis for our customers and working with contractors to get value for money from contracts. All members of staff should attempt to seek and achieve value for money in all of their activities and to bring to management's attention any possible areas for improvement.

The responsibilities of Members are set out in the terms of reference for both the offices they hold and the committees and panels of which they are Members. This information is contained within the Constitution.

## **7 Measuring and monitoring how well we are doing**

We will use a variety of ways to assess if we are delivering value for money:

- High level financial, operational and satisfaction measures will be reviewed regularly
- Management accounts are reviewed monthly
- Key performance measures identified in the council's Delivery Plan are reviewed quarterly
- We will compare our costs and performance with our peers through internal benchmarking
- Internal audit carry out reviews as agreed in the internal audit work planning process?
- Our external auditors will conduct an annual review and provide findings and suggestions for improvement, where appropriate

## **Related Council Documents**

- 1 Herefordshire Council County Plan 2020-2024
- 2 Herefordshire Council Delivery Plan 2020-2022, Respecting our Past Shaping our Future
- 3 Herefordshire Council Medium Term Financial Strategy 2021/22 – 2023/24
- 4 Herefordshire Council Treasury Management Strategy
- 5 Herefordshire Council Social Value Statement
- 6 Herefordshire Council Contract procedure rules
- 7 Herefordshire Council Procurement and Commissioning Strategy
- 8 Herefordshire Council Annual Report
- 9 Herefordshire Council Risk Management Policy
- 10 Herefordshire Council Digital Strategy
- 11 Herefordshire Council Performance Management Framework
- 12 Herefordshire Council Customer Service Standards
- 13 Herefordshire Council Workforce Strategy