

Summary of recommendations to the executive and executive responses
Scrutiny Committee: Scrutiny Management Board
Date: 15 January 2025

Recommendation 1	That Herefordshire Council provide a report to Scrutiny Management Board on the planned improvements around adult social care, an assessment of the likely impact they will have on mitigating future budget pressures in the medium-term financial strategy, and any analysis of the future demands on the service.				
Executive Response	A report will be prepared as requested.				
Action –	Owner	By When	Target/Success Criteria	Progress	
A report to be presented to Scrutiny Management Board outlining planned activity in the Community Wellbeing Directorate to address demand and cost pressures in adult social care.	Corporate Director Community Wellbeing	TBC			

Recommendation 2	That the council’s capital programme be reprofiled over the lifetime of the programme.				
Executive Response	<p>For capital projects recommended for addition to the council’s approved Capital Programme, the profile of investment is based on estimated delivery as per the relevant Outline Strategic Business Case. Expenditure is profiled over the expected lifetime of each individual project and therefore no further action is required to progress this recommendation.</p> <p>Delivery of the approved Capital Programme is monitored through the financial year and reported quarterly to Cabinet. The quarterly reports include a forecast of planned spend, per project, against approved budget.</p> <p>In line with recommendations from the council’s external auditors, the reprofiling of capital budgets is carried out in Quarter 2 in each year and reported to Cabinet; this was last reported at Quarter 2 2024/25 at the meeting of Cabinet on 28 November 2024.</p>				
Action	Owner	By When	Target/Success Criteria	Progress	
No action required.	N/A	N/A	N/A	N/A	

Recommendation 3	That the council’s budget include a more realistic estimate of the interest likely to be received through treasury management.															
Response	<p>The council’s Treasury Management Strategy (TMS) 2025/26 notes that the objective of the council’s investment activity is to balance optimum performance of the council’s resources with effective management of risks, ensuring prudence is applied. To ensure responsible stewardship of the council’s financial resources, the approach is informed, above all, by consideration of security, liquidity and yield.</p> <p>The council employs external advisors to provide advice and guidance on treasury management activity, including interest rate forecasts. For 2025/26, the TMS highlights that the UK economy remains a fiscal challenge following a prolonged period of high interest rates and sticky inflation, caused by the global pandemic and the subsequent cost of living crisis, and notes that interest rates are expected to fall throughout 2025/26.</p> <p>A review of interest receivable earned in the financial years from 2020/21 to 2023/24 highlights the variability in levels of income from this source.</p> <table><tr><th>Financial Year</th><th>Budgeted interest receivable £’000</th><th>Actual interest receivable £’000</th></tr><tr><td>2020/21</td><td>200</td><td>165</td></tr><tr><td>2021/22</td><td>NIL</td><td>107</td></tr><tr><td>2022/23</td><td>NIL</td><td>1,795</td></tr><tr><td>2023/24</td><td>NIL</td><td>3,732</td></tr></table> <p>In 2020/21, an interest receivable budget of £200k was approved in the Revenue Budget. In 2020/21, actual interest earned was £165k, £35k less than the budgeted amount.</p> <p>From 2021/22 to 2023/24, the revenue budget did not include a budget for interest receivable and any interest receivable achieved in the year was used to manage the council’s overall financial position.</p>	Financial Year	Budgeted interest receivable £’000	Actual interest receivable £’000	2020/21	200	165	2021/22	NIL	107	2022/23	NIL	1,795	2023/24	NIL	3,732
Financial Year	Budgeted interest receivable £’000	Actual interest receivable £’000														
2020/21	200	165														
2021/22	NIL	107														
2022/23	NIL	1,795														
2023/24	NIL	3,732														

	<p>In each of the financial years noted, interest receivable income has been recognised as it is achieved and reported at the end of each quarter. In the 2024/25 financial year, interest receivable income of £1.6 million has been achieved to date against a budget of £0.5 million, as reported in the Quarter 2 2024/25 Budget Report.</p> <p>Accounting standard IAS 18 <i>Revenue Recognition</i> requires that income is recognised when it meets the following criteria:</p> <ul style="list-style-type: none">• it is probable that any future economic benefit will flow to the entity; and• the amount of revenue can be measured reliably. <p>Responsible and prudent management of the council’s resources requires that funds must be available to meet the council’s day to day cash flow obligations ahead of taking advantage of investment opportunities; available balances are identified as part of cash flow forecasting and daily treasury management activity.</p> <p>Ahead of each financial year, it is not possible to reliably estimate the council’s surplus funds with any degree of certainty to inform a forecast of interest receivable for the full financial year. If the actual interest received earned in a financial year is less than the budgeted amount, any shortfall would be required to be made up from reserves or other resources.</p> <p>A prudent estimate is assumed as part of budget setting for 2025/26 and income achieved above the budgeted value will be reported once the flow of economic benefit to the council is probable, i.e. at each quarter end, as in previous years.</p> <p>The council’s proposed Revenue Budget for 2025/26 includes a budget for interest receivable of £0.6 million. This is considered a prudent and realistic estimate of potential interest on treasury management activity for the year ending 31 March 2026.</p>			
Action	Owner	By When	Target/Success Criteria	Progress
No action required.	N/A	N/A	N/A	N/A

Recommendation 4	Restating the Scrutiny Management Board recommendation from 2024 future draft budgets should be accompanied by a draft delivery plan.
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Executive Response	<p>Cabinet notes that the Scrutiny Management Board (SMB) approved the terms of reference for the Herefordshire Council Plan Delivery Plan working group at its meeting on 16 December 2024. At this meeting, the Board agreed to review progress in producing the 2025/26 Delivery Plan. Cabinet welcomes this engagement and will consider the resulting recommendations when they are presented, as agreed, at the meeting of SMB in March 2025.</p> <p>Whilst the 2025/26 Delivery Plan has not been finalised, the development of the Revenue Budget and Capital Programme for 2025/26 has considered the priorities of the Council Plan to ensure that Directorate budgets and planned capital investments are sufficient to support Delivery Plan objectives.</p>			
Action	Owner	By When	Target/Success Criteria	Progress
SMB Delivery Plan working group to make recommendations re 2025/26 Delivery Plan	SMB	March 2025		
Cabinet to consider SMB recommendations in development of the 2025/26 Delivery Plan (to be approved by Cabinet in March 2025)	Cabinet	March 2025		

Recommendation 5	The capital strategy should be developed to show more clearly how the capital programme will deliver council plan priorities.			
Executive Response	<p>The Outline Strategic Business Cases included at Appendix E to the 2025/26 Capital Investment Budget and Capital Strategy Update item on this Agenda identify the Council Plan priority for each of the proposed additions to the Capital Programme.</p> <p>The Capital Programme is aligned to the priorities of the Council Plan at an individual project level. The Capital Strategy is supported by and aligned to the Strategic Asset Management Plan, Local Transport Plan, Schools' Capital Investment Strategy, Digital Strategy, Medium Term Financial Strategy and Treasury Management Strategy.</p>			
Action	Owner	By When	Target/Success Criteria	Progress

No action required.	N/A	N/A	N/A	N/A
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