

Strategic Monitoring Committee

Date: **Monday, 16th February, 2009**

Time: **1.30 p.m.**

Place: **The Council Chamber, Brockington, 35
Hafod Road, Hereford**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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Herefordshire Council

AGENDA

for the Meeting of the Strategic Monitoring Committee

To: Councillor PJ Edwards (Chairman)
Councillor WLS Bowen (Vice-Chairman)

Councillors PA Andrews, WU Attfield, KG Grumbley, TM James, RI Matthews,
PM Morgan, AT Oliver, SJ Robertson and JK Swinburne

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on the Agenda.

GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

The Council's Members' Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.

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Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor's interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room.

3. MINUTES

To approve and sign the Minutes of the meeting held on 10 December 2008.

Pages

1 - 6

4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY	
To consider suggestions from members of the public on issues the Committee could scrutinise in the future.	
5. INTEGRATED CORPORATE PERFORMANCE REPORT	7 - 76
To report performance for the period April to December 2008 against the Corporate Plan 2008-11, the Local Area Agreement and the Herefordshire Community Strategy, and other key indicators where data is available against which a RAG rating or direction of travel judgement can be made, taking account of the separate but complementary financial performance report, and progress against the action plans produced following the Crookall review.	
6. BUDGET MONITORING 2008/09	77 - 102
To report to Strategic Monitoring Committee on the Council's performance against revenue and capital budgets as at 31 December 2008 and provide an indication of the estimated outturn for the 2008/09 financial year.	
7. DRAFT FINANCIAL STRATEGY 2009-12	103 - 168
To seek Strategic Monitoring Committee's views on the draft financial strategy for 2009 – 2012.	
8. DRAFT CAPITAL PROGRAMME 2009/10	169 - 184
To report to Strategic Monitoring Committee on the draft capital programme for 2009/10.	
9. 2009/10 DRAFT TREASURY MANAGEMENT STRATEGY	185 - 208
To report on the draft treasury management strategy and prudential indicators for 2009/10.	
10. WORK PROGRAMME	209 - 212
To consider the Committee's work programme,	

PUBLIC INFORMATION

HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES

The Council has established Scrutiny Committees for Adult Social Care and Strategic Housing, Childrens' Services, Community Services, Environment, and Health. A Strategic Monitoring Committee scrutinises corporate matters and co-ordinates the work of these Committees.

The purpose of the Committees is to ensure the accountability and transparency of the Council's decision making process.

The principal roles of Scrutiny Committees are to

- Help in developing Council policy
- Probe, investigate, test the options and ask the difficult questions before and after decisions are taken
- Look in more detail at areas of concern which may have been raised by the Cabinet itself, by other Councillors or by members of the public
- "call in" decisions - this is a statutory power which gives Scrutiny Committees the right to place a decision on hold pending further scrutiny.
- Review performance of the Council
- Conduct Best Value reviews
- Undertake external scrutiny work engaging partners and the public

Formal meetings of the Committees are held in public and information on your rights to attend meetings and access to information are set out overleaf

PUBLIC INFORMATION

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1. Identifying Areas for Scrutiny

At the meeting the Chairman will ask the members of the public present if they have any issues which they would like the Scrutiny Committee to investigate, however, there will be no discussion of the issue at the time when the matter is raised. Councillors will research the issue and consider whether it should form part of the Committee's work programme when compared with other competing priorities.

Please note that the Committees can only scrutinise items which fall within their specific remit (see below). If a matter is raised which falls within the remit of another Scrutiny Committee then it will be noted and passed on to the relevant Chairman for their consideration.

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Adult Social Care and Strategic Housing

Statutory functions for adult social services including:
Learning Disabilities
Strategic Housing
Supporting People
Public Health

Children's Services

Provision of services relating to the well-being of children including education, health and social care.

Community Services Scrutiny Committee

Libraries
Cultural Services including heritage and tourism
Leisure Services
Parks and Countryside
Community Safety
Economic Development
Youth Services

Health

Planning, provision and operation of health services affecting the area
Health Improvement
Services provided by the NHS

Environment

Environmental Issues
Highways and Transportation

Strategic Monitoring Committee

Corporate Strategy and Finance
Resources
Corporate and Customer Services
Human Resources

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- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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HEREFORDSHIRE COUNCIL

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Wednesday, 10 December 2008 at 9.30 a.m.

Present: Councillor WLS Bowen (Vice-Chairman)

Councillors: PA Andrews, KG Grumbley, TM James, PM Morgan,
AT Oliver and SJ Robertson

In attendance: Councillors H Bramer (Cabinet Member - Resources) , JP French (Cabinet Member - Corporate and Customer Services and Human Resources), JW Hope MBE and JB Williams

50. APOLOGIES FOR ABSENCE

Apologies were received from Councillors WU Attfield, PJ Edwards, RI Matthews and JK Swinburne.

Councillors Edwards and Matthews asked that it be recorded that they were absent because they had prejudicial interests because each had a relative who farmed one of the Smallholdings.

Apologies were also received from Councillor RJ Phillips – Leader of the Council who had also requested that it be recorded that he was absent because of a prejudicial interest.

51. DECLARATIONS OF INTEREST

There were no declarations of interest other than those notified in advance by Councillors Edwards and Matthews as referred to in Minute 50 above.

52. MINUTES

RESOLVED: That the Minutes of the meeting held on 17 November 2008 be confirmed as a correct record and signed by the Chairman.

53. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

There were no suggestions from members of the public.

54. SMALLHOLDINGS ESTATE STRATEGY REVIEW

The Committee considered the findings of a review of the smallholdings estate strategy.

The Committee had before it the report on the Smallholdings Estate Strategy Review, the Minutes and reports of its meetings of 19 November 2007 and 10 March 2008, when it had considered the policy and requested an overarching review, a report on the importance of the County Farms Service to the rural economy

produced by Sir Donald Curry, Chairman of the Sustainable Farming and Food Delivery Group in November 2008; and an example of a tenancy agreement.

The Cabinet Member (Resources) stated that the report before the Committee represented an overarching review of the Smallholdings Estate Strategy. He drew attention also to the appended report on the importance of the County Farms Service to the rural economy produced by Sir Donald Curry.

He explained that the review had comprised an examination of the rationale for holding the smallholdings estate as an asset. This had included an option appraisal, which had examined both value for money and the contribution to the rural economy. Given that there was no corporate need to realise a capital receipt by disposing of the estate it had been concluded that retention of the estate was the best option.

Having reached that conclusion, consideration had been given to the development and maintenance of the estate. The intention was to help as many people as possible embark on a career in farming. There would be disposals and acquisitions of land over time to support this objective.

The current policy objective of achieving capital receipts from the estate of £10m over a ten year period would be revoked. However, capital receipts would be generated as the estate developed. A development plan would be prepared.

The proposals for developing and managing the estate set out in the report did not generally represent a new direction but provided clarity. He highlighted that it was proposed that holdings would be let on fixed term business tenancies of up to six years for the initial letting with an option for a second six year term on a larger holding on the estate with progression then to the private sector.

He concluded by saying that the aim was to support sustainable farming and he would welcome the Committee's views to inform the proposed report to Cabinet in January.

The Director of Resources said the report was intended to address the Committee's previously expressed concerns and show how the smallholdings estate could support the Council's priorities for Herefordshire. One of the objectives was to ensure that management of the smallholdings estate was integrated into the overall asset management arrangements.

She presented the report in detail, commenting first on the following sections of the report, including the context of the review, the review methodology, the legislative framework and the appraisal of the key options involving both a financial and non-financial assessment.

This work had concluded that the financial assessment supported the view that the smallholdings estate should be retained and developed in the absence of a corporate policy driver for disposal. It was also clear that the smallholdings service made a contribution to a number of corporate plan themes.

She then commented on the strategic aim and strategic objectives and proposals for developing and managing the estate. She highlighted the removal of the policy of generating £10m of receipts because of concern that this was leading to decisions that would not support the overall policy. She reported that the proposed farm business tenancy term of up to six years was quite standard across smallholding authorities, noting that Gloucestershire CC set a term of five years. The proposal was to offer scope to extend the tenancy for a further 6 years. The intention was to support tenants in developing a business case, building up capital and experience, to

enable them to progress to a larger holding on the estate or move into the private sector. There was scope within the policy for tenants to hold over on their tenancy, a period of up to 9 months being envisaged.

Neighbouring smallholding authorities had been consulted, as had the Tenant Farmers Association (TFA) and the National Farmers Union (NFU). Overall she considered the proposals would bring the authority into line with other authorities. The TFA and NFU had supported the strategic direction which was consistent with the direction of Sir Donald Curry's report. Both the TFA and NFU had been represented on the Group that had produced that report.

In the ensuing discussion the following principal points were made:

- It was suggested that whilst the report contained many good elements and the objective of providing an entry into farming and encouraging progression was fine, there was a fundamental flaw in that there was a dearth of available farms to provide for progression. The cost of acquiring a farm would in any case be likely to be prohibitive, noting land was currently £10,000 per acre. The outcome of the proposed approach to setting a limit on the maximum length of a tenancy would therefore be that the Council would find itself evicting families who had made farming their living. Flexibility in the letting of the holdings needed to be retained. The real alternatives were to continue with that present flexible approach or to dispose of the estate.

That the term "rationalisation of the estate" was very broad. Concern was expressed that over time this would mean disposal of the estate by stealth. If that was the Council's intention that should be explicitly stated. It was suggested that the policy should contain a safeguard that the overall size of the estate and number of holdings should not be reduced.

That it was important to recognise the symbolic importance of the smallholdings estate to Herefordshire as a rural County and therefore to the Council and what it represented should not be overlooked.

- The Director of Resources replied that the proposed policy did not suggest disposal of the estate by stealth. The report recognised the contribution the smallholdings estate made to the Council's own priorities including the sustainability of the rural economy and rural communities. The proposed removal of the objective to realise £10m of capital receipts over 10 years was further evidence that disposal of the estate was not being proposed. It had been recognised that this objective might not be in the best interests of the estate. The policy did also provide for acquisition of land where a business case for this could be made.

She emphasised that the proposed strategy was in line with the approach being taken by leading smallholdings authorities such as Gloucestershire County Council and the principles in Sir Donald Curry's report.

She accepted that the proposed approach to progression was challenging. However, she considered it worthwhile to aspire to achieve best value for farmers and the community as a whole from the estate. It was intended to work with the private sector to explore opportunities for progression. This could include exploring the possibility to rent.

The Head of Asset Management agreed that facilitating progression would be difficult. It was not intended, however, to engage in a series of evictions. The plan was to work with tenants to explore opportunities and provide assistance

where possible.

- In reply a Member expressed the view that the structure of landholdings in the County differed to that in Gloucestershire. In the main in Herefordshire land was owner-occupied and estates as a rule tended to provide for succession for families of existing tenants.
- The flexibility in extending tenancies was questioned noting that this could in effect lead to permanent tenancies.
- It was suggested that if progression was to be encouraged additional land should be acquired. The Director replied that the Strategy did provide for acquisition as part of the Council's overall capital programme. A business case would need to be made and evaluated alongside other capital bids from within the Council.
- The ring fencing of capital receipts from the estate to provide for acquisitions was discussed. The Cabinet Member (Corporate and Customer Services and Human Resources) asserted the importance of assets being treated corporately and having a transparent process for agreeing a Capital Programme that met the Council's overall priorities.
- That whilst the aims of the proposed strategy were laudable there were clearly practical considerations to be addressed, in particular the scope for progression. The quality of the management of the estate was a key part of delivering the objectives set out in the report.
- It was suggested that the proposed ratio of three starter units for each larger unit should be reconsidered.
- It was suggested that consideration should be given to offering tenants two extensions of 6 years to the initial 6 year tenancy. The Director of Resources remarked that the proposed new policy had a presumption against reletting. It was considered important that tenants were able to demonstrate a clear plan for progression. However, there was no intention to throw people out of their homes. The intention was to support tenants in pursuing their careers.
- The importance of tenants demonstrating that they were farming their holdings effectively, deriving maximum benefit from them and keeping them in good order was emphasised. It was suggested that this should be a consideration in determining whether or not to extend a tenancy.
- A question was asked about demand for tenancies. The reply was that demand was very high. The last letting had been three years ago when there had been 30 expressions of interest and some 15 applications.
- That offering an opportunity to enter farming was a positive action. Progression might be difficult but tenants would enter into the tenancy knowing the position. Given the demand from new entrants, to allow tenants to remain on holdings indefinitely would be to deny opportunities to others.
- A question was asked about suggestions that consideration was being given to disposing of parts of the Nieuport Estate. The Director replied that the estate was being managed in accordance with the current policy and if there was a case for disposal that would be considered in line with that policy. The new policy also recognised that disposal would form part of the management of the estate.

- The issue of sub-letting was discussed. The Director noted that there were only two instances of this at the moment and the proposed policy was that the Council would consider requests from tenants to sublet, providing such disposals did not hinder the development of the estate development plan and the Council secured an appropriate share of any uplift in rental income.
- The Director commented on the process for issuing Notices to Quit. She assured the Committee that this situation was dealt with sensitively. The notice period was one year and officers sought to offer the opportunity for discussions and renegotiation. The process did, however, require corresponding engagement by the tenants. Members emphasised the importance of ensuring good communication.
- It was asked whether the financial analysis took account of the revenue costs to the Council of managing the estate. The Director of Resources replied that the analysis did not take account of the cost of the small team responsible for the operational management of the estate. This cost would have been common to all options and would not have affected the ranking of the options analysed. She noted that a wider review of the property estate and its management was being carried out that was due to be completed by the end of March 2009. The smallholdings review was seeking to establish strategic principles and officers would then develop the detailed procedures within that framework.
- It was noted that the Tenant Farmers Association and the National Farmers Union had been invited to comment on the report. It was suggested that a further communication should be sent to them specifically inviting comment on the issue of progression and how that might be achieved.
- The Cabinet Member (Resources) commented that, as referred to in the report, he had met representatives of the Tenant Farmers Association and the National Farmers Union. The proposed strategy reflected views expressed at that meeting.
- In response to a point suggesting the wording of the tenancy agreement, for example in relation to a tenant undertaking other occupations or business, did not encourage progression as desired, the Director said that operational documents would be reviewed as part of the management process if the proposed new strategy were approved.
- That the report provided evidence to support retention of the estate. However, it was not appropriate to hold some assets and disposal properly formed part of the proposed policy.
- That good environmental practice should be promoted on the estate.
- That the educational opportunities afforded by the estate and marketing opportunities for produce should also be fully explored.
- Clarification was sought on points of detail regarding the references to Hospital Farm on p9 and p56 of the agenda papers, and the current procedure for granting a further six year tenancy once the first six year term had come to an end. It was agreed that a written answer would be given.

The Chairman invited comments from members of the public present:

Two tenants on the estate spoke and generally expressed support for the policy.

The following principal issues were also raised:

- That there was scope to make the estate an exemplar.
- Concern was expressed about the difficulty of securing progression in a situation where farms seemed to be getting ever larger.
- It was suggested increasing the number of smaller farms might be one option to consider enabling part-time farming to be undertaken, rather than focusing on progression to ever larger holdings.
- Concern was expressed at the prospect of tenancies being restricted to 6 yrs. Attention was drawn to the fact that farming families would have children of school age. Implications for small rural schools were also mentioned.
- It would be helpful if tenant farmers seeking to progress and buy land from a private estate were enabled under the planning system to build a farm house.
- Holdings needed to be kept presentable and tenants held to account.
- The structure of holdings needed further consideration.
- That without the County smallholdings entry into farming would be extremely difficult.

RESOLVED;

That the following observations be recommended to Cabinet for consideration:

- That (a) the Committee agrees that the evidence provided in the report to the Committee on the Smallholdings Estate Strategy Review on 10 December 2008 supports the rationale for retaining the smallholdings estate in the absence of a corporate priority that requires disposal to be considered;**
- (b) the principle of encouraging career progression be supported, with tenants being offered an initial tenancy for a fixed term of six years with a further six year tenancy being available providing that the tenant can provide evidence of a good business plan and show that the holding has been well maintained. In exceptional circumstances a tenant could be offered the further opportunity to extend the tenancy for up to a maximum of six years subject to a good business plan;**
- (c) the proposal over time to establish a ratio of three starter units for each larger unit be reconsidered with consideration given to the possibility of creating more starter units and increasing the acreage of the estate if and when appropriate; and**
- (d) tenants be supported by agencies and the Council to address their individual need for training and development to enhance the prospects of progression.**

The meeting adjourned between 11.25 and 11.55 and ended at 12.10 pm.

CHAIRMAN

INTEGRATED CORPORATE PERFORMANCE REPORT

Report By: Deputy Chief Executive (Interim)

Wards Affected

County-wide

Purpose

1. To report performance for the period April to December 2008 against the Corporate Plan 2008-11, the Local Area Agreement and the Herefordshire Community Strategy, and other key indicators where data is available against which a RAG rating or direction of travel judgement can be made, taking account of the separate but complementary financial performance report, and progress against the action plans produced following the Crookall review.

Financial Implications

2. None.

Background

HIGHLIGHTS
<ul style="list-style-type: none"> - 62 key indicators now judged Green compared to 45 at the end of September. - 63% of indicators improving compared to 50% at the end of September. - 19 of 32 LAA indicators now on track to achieve target, compared to 11 at the end of September. - Improvement in the Use of Resources score, and expected improvement in the overall direction of travel when announced in March. - The complementary budget report now shows a projected underspend of £238k compared to a projected overspend of £1.292m at the end of September. - A number of important health and well-being indicators e.g. mortality from cancers, remain Red, with no evidence of action plans being in place. - A number of important indicators continue to be Red in Children and Young People, e.g. timely initial assessments and 16-18 year olds not in education, employment or training. - The new Frameworki system is not yet able to produce data for indicators connected with Adult and Children's Social Care until March. This means that the judgements are based either on forecasts or performance to the end of September. - Emerging challenges, including rising unemployment, as a result of the recession with an action plan being developed with partners to address them.

3. **Appendix 1A** shows an improvement in the number of indicators judged to be **green**, with a reduction in the number of indicators judged as **red**. The provision of more information about actions that should contribute to improved performance has enabled us to rate as **green** or **amber** a number of previously **red** rated indicators.
4. The details of performance are provided in **appendices 2-8**, including directors' commentaries in respect of each Corporate Plan theme.
5. Assessed in terms of the Council's priorities, as set out in the Corporate Plan, the highlights are:

Best possible life for every child

- Little change in indicator performance from the report to September.
- Improved performance in the Annual Performance Assessment regarding economic well-being and capacity to improve
- Exam results remain **Amber** until validated at the end of January.
- Improvement since September in NI 89 'number of schools in special measures' (**Green** from **Red**); 2052SC 'percentage of children looked after in residential accommodation', 2016SC 'percentage of referrals that are repeat referrals within 12 months, and 526SC 'percentage of children with disabilities aged 14+ who had a transition plan to support their move from Children's Services to Adult Services' all show slight improvements making progress towards target (**Amber** from **Red**).
- But a significant number of **Reds** remain e.g. timely initial assessments, foundation years achievement, timeliness of placements, absenteeism in secondary schools, 16-18 year olds not in education, employment or training, youth work outcomes and a number in respect of looked-after children.

Reshaped health and social care

- A positive picture in respect of a wide range of indicators relevant to Direction of Travel, although many of the judgements are based on forecasts made by Adult Social Care due to the lack of updated figures from Framework-i.
- No activity has been reported in respect of those indicators that were the subject of discussions with the PCT in the autumn, e.g. mortality from cancers, and these remain **Red**.
- 5 of 8 LAA indicators e.g. NI 121 'mortality rates from all circulatory diseases' are currently judged **Red**, either because activity has not been reported or latest / forecast data indicates that target will not be achieved.

Essential infrastructure for a successful economy

- Little change from the previous report to September, with little substantive performance information because the majority of indicators are part of the new National Indicator Set and have as their target this year the establishment of a baseline. On the basis of what is available, the position is slightly better overall, reflecting the improved assurance that actions are being delivered that will impact on performance, including in respect of those indicators where baselines are yet to be established. There are, however, emerging issues as a result of the recession,

including rising unemployment, albeit that this remains below national and regional levels.

- 3 indicators introduced to the report in September and judged **Red**, highlighting a possible failure to establish a baseline, are now judged **Green**, reflecting the commencement of survey work to establish baselines:

NI 182 'satisfaction of businesses with local authority regulation services';

NI 183 'impact of local authority regulatory services on the fair trading environment'; and,

NI 184 'food establishments in the area which are broadly compliant with food hygiene law'.

- The gap in earnings between Herefordshire and West Midlands, NI 166, is widening.

Affordable housing

- Reductions have been made in the number of households living in temporary accommodation (NI 156). Although indicators BVPI 183a 'the average length of stay in bed and breakfast accommodation of households that are unintentionally homeless and in priority need, and BVPI 183b 'the average length of stay in hostel accommodation of households that are unintentionally homeless and in priority need' remain Red, for the first time in 5 years, at the end of December there were no families in bed and breakfast accommodation and only 1 family in hostel accommodation.
- A number of other housing indicators remain red, reflecting the substantial increased demand being fuelled by the economic downturn:

BVPI 183a 'average length of stay in bed and breakfast accommodation of households that are unintentionally homeless and in priority need';

BVPI 183b 'The average length of stay in hostel accommodation of households that are unintentionally homeless and in priority need';

BVPI 202 'The number of people sleeping rough on a single night within the area of the Local Authority'; and,

BVPI 213 'The number of households who considered themselves as homeless, who approached the Local Housing Authority's housing advice service(s), and for whom housing advice casework intervention resolved their situation (per 1,000 households)'.

Better services, quality of life and value for money, particularly through partnership with the PCT and other organisations

- Continued improvements in a number of Revenues and Benefits indicators.
 - Improved performance in the Audit Commission's Use of Resources and expected improvement in Direction of Travel, which will be published in March.
 - Little change in the indicators within the area of Human Resources, although there has been an improvement in the percentage of leadership posts occupied by women.
6. Progress against the action plans put in place in the light of the **Crookall review** is at **Appendix 9**. Those actions previously reported as completed have been removed. Of the 13 remaining actions, none has been assessed as 'red', and a further 3 have now

been completed. The remaining 10 actions will now be monitored through service plans, making this the last occasion on which they will be included in this report.

7. Major risks and the actions being taken to mitigate them are included in the relevant appendices. They relate to ICT (including in support of benefits and planning applications), emergency planning, safeguarding children, customer services and project management capacity, and health and safety.

RECOMMENDATION

THAT

- i. **the Committee considers performance to the end of December 2008 and the measures being taken, where necessary, to improve it;**
- ii. **the Committee considers whether there are any issues that should be referred to individual scrutiny committees for further investigation; and**
- iii. **the Committee considers whether it wishes to make any comments to Cabinet**

APPENDICES

Appendix 1 - Key to the detailed reports against indicators by Corporate Plan theme

Appendix 1A - Summary of overall progress against indicators

Appendix 2 – Children and young people: headlines

Appendix 2A – Children and young people: details

Appendix 3 – Health and well-being: headlines

Appendix 3A – Health and well-being: details

Appendix 4 – Older people: headlines

Appendix 4A – Older people: details

Appendix 5 – Economic development and enterprise: headlines

Appendix 5A – Economic development and enterprise: details

Appendix 6 – Safer and stronger communities: headlines

Appendix 6A – Safer and stronger communities: details

Appendix 7 – Sustainable communities: headlines

Appendix 7A – Sustainable communities: details

Appendix 8 – Organisational improvement and greater efficiency: headlines

Appendix 8A – Organisational improvement and greater efficiency: details

Appendix 9 – Progress in implementing the Crookall review action plans

KEY Performance Indicator Reference: NIS = National Indicator Set CP = Corporate Plan LAA = Local Area Agreement HCS = Herefordshire Community Strategy BVPI = Best Value Performance Indicator (retained for this year only) PAF = Performance Assessment Framework									
Reference Number		Indicator	Lead Directorate	2007/2008 outturn	2008/2009 target	Quarter 1 outturn	Analysis	RAG rating	Direction of Travel
NIS	CP	LAA	HCS	BVPI	PAF				

Overall Performance

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	114 (114)	62 (45)	28 (43)	24 (26)
of which				
Local Area Agreement (LAA)	32 (32)	19 (11)	7 (16)	6 (5)
Herefordshire Community Strategy (HCS)	57 (57)	32 (24)	15 (20)	10 (13)
All reported indicators	222 (222)	115 (91)	60 (76)	47 (55)

Direction of Travel		
	September	December
Improving	53	70
No real change	12	8
Deteriorating	41	33
Total	106	111

Children and Young People

For comparison, September's figures are in brackets. Due to issues with SATS marking this year and the fact that many schools still have not had their scripts returned, all the examination indicators have been judged amber, recognising that the provisional outturns reported could alter when confirmed in January.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	15 (15)	4 (5)	7 (7)	4 (3)
of which				
Local Area Agreement (LAA)	3 (3)	1 (1)	1 (1)	1 (1)
Herefordshire Community Strategy (HCS)	6 (6)	2 (2)	2 (2)	2 (2)
All reported indicators	63 (63)	19 (19)	30 (27)	14 (17)

Direction of Travel		
	September	December
Improving	12	13
No real change	1	2
Deteriorating	21	19
Total	34	34

Headlines

- It should be noted that, the new Frameworki system is not able to produce data for indicators connected with Adult and Children's Social Care until March; judgements have been made for 6 indicators based on the previous quarter's performance.
- Changes since September 2008:

Green from Red

- NI 89 'number of schools in special measures'

Amber from Red

- 2052SC 'percentage of children looked after in residential accommodation'
- 2016SC 'percentage of referrals that are repeat referrals within 12 months'
- 526SC 'percentage of children with disabilities aged 14+ who had a transition plan to support their move from Children's Services to Adult Services'
- A significant number of **Reds** remain, e.g. foundation years achievement, timeliness of placements, absenteeism in secondary schools, 16-18 year olds not in education, employment or training, youth work outcomes and a number in respect of looked-after children.
- The projected budget outturn for Children and Young People's Services is an underspend of £136k. Although external placements have remained static recently, the number of future placements can vary and negotiations to obtain discounts for multiple placements with the same provider should help with future costs.

Children's and Young People's Director commentary

'Performance overall continues to be on track across the range of Local Area Agreement, Herefordshire Sustainable Community Strategy and Herefordshire Council Corporate Plan children and young people related indicators. Where performance is not on track, the directorate continues to focus on improving the services. However, the Children's Trust is very aware that the downturn in the economy is already having a knock-on effect on specific areas of work, including one of the Local Area Agreement targets (NI 117). Post 16 NEET provision will recommence in the county in February but it should be noted that businesses are cutting jobs, particularly casual and part time jobs, which have traditionally been filled by young people.'

The main area of work during the quarter was the Annual Performance Assessment inspection and feedback. The overall effectiveness of services in meeting the needs of children and young people maintained its rating of 2 (adequate). However, within that, improvements were made in the judgements for economic wellbeing and capacity to improve. Both improved from 2 (adequate) to 3 (good). The be healthy and enjoy and achieve outcomes maintained their rating of 3 (good) and the stay safe and positive contribution outcomes maintained their rating of 2 (adequate).

During the latter end of the quarter, an external consultant was commissioned to review the directorate's arrangements in respect of safeguarding, including the Herefordshire Safeguarding Children Board. The report was reported in January

2009 and the action plan will be approved in February but is likely to contain a number of actions to address key areas of performance, including timeliness of initial assessments. A subsequent audit of child protection arrangements, in the light of national events, has also been commissioned and will report at the end of February 2009 to the directorate leadership team.

The implementation of the new integrated social care system, Frameworki, from November 2008 has had an impact on performance as staff have adopted a new way of working and need to become familiar with a new system. Significant work is underway across children's and adult social care to refine the reporting capability of the system in anticipation of year end reporting and to ensure data quality.

The larger survey of children and young people, building on the previous Teenage Lifestyle Survey of 2006, will take place in February and March 2009 and this will provide outturns for a number of the Community Strategy indicators.

As reported in the previous Integrated Corporate Performance Report, results for Key Stages 1, 2, 3 and 4 will be validated by DCSF at the end of January 2009.'

NIS		LAA	HCS	Reference			Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	Reason for Judgements
51	Yes			CP	BVPI	PAF					APA	July	September		
							Effectiveness of child and adolescent mental health (CAMHS) services	Children & Young People	15	15	Outturn available March			There continues to be good progress towards a comprehensive CAMHS provision. A CAMHS Strategy is in place and an operational meeting monitors the service used by children and adolescents to ensure that it continues to meet clients' needs.	
							Initial assessments for children's social care carried out within 7 working days of referral	Children & Young People	57.4%	60%	55.0%	50.6% (130 / 257 assessments)	46.4% (195/420)	Difficulties in social care and in quarter 3 this has been exacerbated by the introduction of the new case management system, Framework1. The independent review of safeguarding has highlighted a number of areas where improvements can be made which should impact positively on performance	
59	Yes						2020 SC / DIS 1704								
							Core assessments for children's social care that were carried out within 35 working days of their commencement	Children & Young People	75%	75%	67%	74% (50 / 68 assessments)	71% (119/168)	Performance dipped slightly in Quarter 3 but there continues to be a focus on the timeliness and regular updating of core assessments for children and young people	
60							C64								
							Timeliness of placements of looked after children for adoption following an agency decision that the child should be placed for adoption	Children & Young People	90%	100%	80%	58.3% (7 / 12)	53.8% (7/13)	With such a small cohort, the delay in progressing an adoption order can be disproportionately distorted by a sibling group. There is no evidence to suggest this apparent drop in performance is the result of drift or capacity issues; more a reflection of the complexity of children placed	
61							2058 SC / DIS 1115								
							Stability of placements of looked after children: number of moves	Children & Young People	6.5%	8%	6%	9.1% (13 / 143)	No data	It has not been possible to extract data to accurately report performance against this indicator. The most challenging children, particularly teenagers, continue to test in house provision to the full. The focus is on reducing the amount of spot purchases of external placements and working more collaboratively on the commissioning of placements	
						49	A1								
62															
							Stability of placements of looked after children: length of placement	Children & Young People	71%	62%	71.7%	70.2% (40 / 57)	No data	It has not been possible to extract data to accurately report performance against this indicator. There is no evidence to suggest any issue with performance in this area.	
63							D78								
							Child protection plans lasting 2 years or more	Children & Young People	0%	0%	0.0%	0% (0 / 16)	1.3% (1/80)	One child has been subject to a child protection plan for 2 years or more	
64	Yes						C21								
							Children becoming the subject of a Child Protection Plan for a second or subsequent time	Children & Young People	14%	14%	13%	11% (12 / 109)	13.4% (17/127)	Robust Independent Reviewing Officer scrutiny of child protection planning appears to be ensuring that the exit from the child protection process increasingly results in a sustained outcome for supporting families without the need for a child protection plan	
65	26	Yes					A3								
							Looked after children cases which were reviewed within required timescales	Children & Young People	99%	100%	98%	98.5% (33 / 135)	No data	It has not been possible to extract this data from Framework1. There is no reason to believe that performance has slipped in any way from the previous quarter, which was 98.5%	
66	Yes						C68								
							Child protection cases which were reviewed within required timescales	Children & Young People	93%	100%	94.7%	100% (62 / 62)	100% (73/73)	Performance against this indicator has improved again from Quarter 2 but is still short of the target of 65%. Practice continues to be reviewed and revised to support good referral taking to enable effective decision-making about the need for assessment. This indicator is closely linked to the quality of referral information and ability to identify children needing	
67	Yes	162					C20								
							Referrals to children's social care going on to initial assessment	Children & Young People	52.1%	65%	40%	51.2% (257 / 502)	55.7% (420/754)	Positive improvement showing progress towards achieving target, below last year	
68	Yes														

NIS	LAA	HCS	Reference				Indicator	Lead Directorate	Latest Outturn			RAG rating			Direction of Travel			Reason for Judgements
			CP	BVPI	PAF	APA			July	September	December	July	September	December	July	September	December	
72							Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy	Children & Young People	43.4%	42.5%	42.0%	R	R	R	▽	▽	▽	Outturn worse than target and last year
73				40 41			Achievement at level 4 or above in both English and Maths at Key Stage 2	Children & Young People	No Data	74%	72%		A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
74				181a-b			Achievement at level 5 or above in both English and Maths at Key Stage 3	Children & Young People	No Data	64%	68%		A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
75		31					Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (Threshold)	Children & Young People	No Data	53%	53%	A	A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
83							Achievement at level 5 or above in Science at Key Stage 3	Children & Young People	No Data	78%	78%		A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
84							Achievement of 2 or more A*-C grades in Science GCSEs or equivalent	Children & Young People	No Data	64%	61%		A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
87							Secondary school persistent absence (PA) rate	Children & Young People	No Data	6.3%	6.3%		A	A				Outturn appears better than target but is currently unvalidated.
88							Number of Extended Schools	Children & Young People	73.7%	79%	79%	G	G	G				Outturn better than target

NJS LAA	Reference				Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	RAG rating			Direction of Travel			Reason for Judgements
	HCPS	CP	BVPI	PAF	APA			July	September	December		July	September	December	July	September	December	
89						Number of schools in special measures		1	1	0	No school in a negative category.	R	R	G				Outturn achieving target.
92						Narrowing the gap between the lowest achieving 20% in the Early Years Foundation Stage Profile and the rest	33%	37%	37%	37%	The increase in the number of summer born children and boys also contributes to the widening of the gap between the lowest 20% and the rest. Of the 20% lowest performers, 47.2% are summer-born children compared with 21% born in the autumn.	R	R	R	▽	▽	▽	Outturn worse than target and last year
93		Yes				Progression by 2 levels in English between Key Stage 1 and Key Stage 2	86%	No Data	89%	89%	Unvalidated results show that performance is ahead of target.	A	A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
94		Yes				Progression by 2 levels in Maths between Key Stage 1 and Key Stage 2	83%	No Data	77%	77%	Unvalidated results show that performance was below target.	A	A	A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
95						Progression by 2 levels in English between Key Stage 2 and Key Stage 3	28%	No Data	24%	20%	Unvalidated results with some results missing.			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
96						Progression by 2 levels in Maths between Key Stage 2 and Key Stage 3	62%	No Data	61%	51%	Unvalidated results with some results missing.			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
97						Progression by 2 levels in English between Key Stage 3 and Key Stage 4	54%	No Data	60%	60%	Unvalidated results.			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
98						Progression by 2 levels in Maths between Key Stage 3 and Key Stage 4	35%	No Data	28%	28%	Unvalidated results.			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
101						Children in care achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4 (including English and Maths)	16%	No Data	29%	29%	4 children out of the cohort of 14 achieved 5 A*-C GCSEs including English and Maths. This is an excellent result and continues Herefordshire's good performance in this area.			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
102						Achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stage 4	26%	No Data	33%	33%	Unvalidated results			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
103						Special Educational Needs – statements issued within 26 weeks	90%	100%	100%	100%	The number of Final Statements of SEN issued since the commencement of the reporting period April 2008 is 22 (correct as at 01/01/2009) including exception cases.	G	G	G				Outturn better than target
107						Key Stage 2 attainment for Black and minority ethnic groups	65%	No Data	68.5%	68.5%	Unvalidated results			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.
108						Key Stage 4 attainment for Black and minority ethnic groups	47%	No Data	57%	57%	Unvalidated results			A				Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results.

NIS	LAA	HCS	Reference			Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	Reason for judgements
			CP	BVPI	PAF					APA	July	September		
109						Number of Sure Start Children Centres	Children & Young People		100% (10 centres)	90% (9 centres)	90% (9 centres)	90% (9 centres)	Designation of first Phase III Children's Centre Hollybush Hereford, March 2009.	Although outturn is currently below target, there is clear evidence that the target will be achieved by year-end
110	Yes					Young people's participation in positive activities	Children & Young People	N/A	Establish baseline	No Data		86%	The method of calculation of this data has been changed following the announcement of the Tellus survey results, resulting in an outturn for Herefordshire which is considerably higher than for other authorities. The Youthzone website that promotes positive activities has been redeveloped to link with the 14-19 curriculum offer and will be launched next period. The NEET percentage is higher than this quarter last year. The reason is largely due to the economic situation. Young people leaving school and college have not been able to access employment and young people who were in jobs are being made redundant. In addition, there has not been any post-16 NEET provision (preparatory training aimed specifically at young people who are NEET and not ready for further employment or training options) because the Learning and Skills Council has had problems with contracting for this provision.	Baseline established
117	Yes	40				16 to 18 year olds who are not in education, training or employment (NEET)	Children & Young People	5.4%	5.2%	No Data	8.2%	5.90%		Outturn worse than target and last year
148		41		161	A4	Care leavers in employment, education or training	Children & Young People	94%	100%		Outturn available March			Although no outturn is available, positive activity suggests that the target will be achieved
				38		The percentage of 15 year old pupils in schools maintained by the Local Education Authority achieving 5 or more GCSEs at grades A*-C or equivalent	Children & Young People	62%	67%	No Data	68%	68%	Continued improvement over past 3 years.	Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
				39		The percentage of 15 year old pupils in schools maintained by the Local Education Authority achieving 5 or more GCSEs or equivalent at grades A*-G including English and Mathematics	Children & Young People	93.6%	95%	No Data	93%	93%	Unvalidated results	Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
		34		45		The percentage of half days missed due to total absence in secondary schools maintained by the Local Education Authority	Children & Young People	7.9%	5.5%	No Data	7.4%	7.4%	This outturn is awaiting validation by the DCSF but represents an improvement on the previous year of 0.5%.	Outturn worse than target but better than last year
		60a				Quality of Life - activities for teenagers	Children & Young People	-31pp	-22pp (2010 Target)	Outturn available March			This indicator measures adults' perception of activities for teenagers. It is measured through the residents' satisfaction survey. More work is needed to raise adult awareness of the work being done by the Youth Service. This will include promoting the Youth Zone website (www.myherfordshire.com/youthzone) to adults & young people alike. The provision of activities for teenagers is closely aligned with the provision of positive activities outlined under N110 above.	Activity showing progress towards target, but no outturn available
				221a		Youth Work - The percentage of young people aged 13-19 gaining a recorded outcome compared to the percentage of young people in the Local Authority area	Children & Young People	82.9%	60%	36.4%	37.90%	37.70%	We are currently not on track to achieve the target by end of year. Managers are addressing with staff and we now have a full complement of staff.	Outturn worse than target and last year
				221b		Youth Work - The percentage of young people aged 13-19 gaining an accredited outcome compared to the percentage of young people in the Local Authority area	Children & Young People	54%	30%	35.7%	27.40%	28.20%	We are on track to achieve this target.	Outturn below target and last year, but work is in hand to improve performance and service are confident that target will be achieved.

NIS	LAA	HCS	Reference			Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		December	RAG rating			Direction of Travel		Reason for Judgements
			CP	BWP	PAF	APA			July	September		July	September	December	July	September	
							The percentage of proposed statements of Special Educational Need issued by the Local Authority in a financial year and prepared within 18 weeks excluding exceptions	Children & Young People	100%	100%	100%	G	G	G	Δ	Δ	Highest possible performance achieved
							The percentage of proposed statements of Special Educational Need issued by the Local Authority in a financial year and prepared within 18 weeks including exceptions	Children & Young People	100%	100%	100%	G	G	G	Δ	Δ	Highest possible performance achieved
							The number of children who ceased to be looked after during the year as a result of the granting of an adoption or special guardianship order, as a percentage of the number of children looked after at 31 March (excluding unaccompanied asylum seekers) who had been looked after for 6 months or more on that day.	Children & Young People	11.8%	8%	No data	G	G	G	Δ	Δ	Outturn better than target and last year
							The percentage of 14 year old pupils in schools maintained by the Local Education Authority achieving Level 5 or above in the Key Stage 3 test in ICT	Children & Young People	75.2%	84%	83%	A	A	A			Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
							The percentage of 11 year old pupils achieving Level 5 in Key Stage 2 test in English	Children & Young People	35%	34%	29%	A	A	A			Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
							The percentage of 11 year old pupils achieving Level 5 in Key Stage 2 test in Mathematics	Children & Young People	34%	35%	29%	A	A	A			Outturn for exam results is still provisional; issues with SATS marking this year are could result in significant changes to the provisional results
							The percentage of leaders of integrated early education and childcare settings funded or part-funded by the Local Authority which have input from staff with graduate or post graduate training in teaching or child development	Children & Young People	100%	100%	100%	G	G	G	Δ	Δ	Highest possible performance achieved
							Of children aged at least 10 and under 16 looked after at 31 March (excluding those placed with parents) the percentage who were in foster placements or placed for adoption.	Children & Young People	80%	80%	No data	G	G	G	Δ	Δ	Outturn better than target and last year
							Percentage of looked after children fostered by relatives or friends	Children & Young People	15.8%	16.0%	13%	R	R	R	▽	▽	Outturn worse than target and last year
							Percentage of looked after children with a named social worker who is qualified as a social worker	Children & Young People	98.7%	100%	100%	R	G	G	▽	Δ	Highest possible performance achieved

NHS LAA	HCS	Reference			Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		December	RAG rating			Direction of Travel		Reason for Judgements
		CP	BVPI	PAF	APA			July	September		July	September	December	July	September	
						Percentage of children and young people who are the subject of a child protection plan, or on the child protection register, who are not allocated to a social worker.	Children & Young People	14.28%	0%	0%	0%	G	G	G	Δ	Highest possible performance achieved
						Children whose child protection plans were discontinued, or were de-registered, per 10,000 population aged under 18	Children & Young People	18.8	17	21.8 (80/367)	G	G	G	Δ	Δ	Outturn better than target and last year
						Percentage of children looked after in residential accommodation	Children & Young People	12.3	13%	13.9% (18/137)	R	R	R	▽	▽	Outturn marginally than target and last year, but performance has improved during the year
						Percentage of referrals that are repeat referrals within 12 months	Children & Young People	22.1%	18%	23.1% (210/960)	R	R	A	▽	▽	Outturn marginally worse than target, but better than last year and improving during the year
						Percentage of children who were subject to 947 enquiries which led to initial child protection conferences which were held within 15 working days	Children & Young People	26.4%	50%	28.7% (18/82)	R	R	R	Δ	▽	Outturn worse than target and last year
						The percentage of children newly looked after in the year, and still looked after at 31 March, who were placed at 31 March more than 20 miles from their home address from which first placed	Children & Young People	12%	10%	No Data	R	R	R	▽	▽	Outturn worse than target and last year
						The number of children and young people who communicated their views specifically for each of their statutory reviews as a percentage of the number of children and young people who had been looked after at 31 March for more than four weeks	Children & Young People	97%	100%	No Data	R	R	R	▽	▽	Outturn worse than target and last year
						What percentage of children with disabilities aged 14+ had a transition plan to support their move from Children's Services to Adult Services?	Children & Young People	Up to 90%	>90%	Up to 90%	G	R	A	Δ	Δ	Outturn the same as last year
						Average gross weekly expenditure per looked after child in foster care or in a children's home	Children & Young People	£819	£760	£832	R	R	R	Δ	▽	Outturn worse than target and last year
						Gross expenditure on children in need but not looked after, as a percentage of gross expenditure on all children's services	Children & Young People	29%	33%	28%	A	R	R	Δ	▽	Outturn worse than target and last year
						Practice learning: The number of assessed social work practice learning days per whole time equivalent social worker for employees working in children's services	Children & Young People	18.3	15	16	G	G	G	▽	▽	Outturn better than target but worse than last year

Health and Well-being

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	26 (26)	8 (6)	7 (10)	11 (10)
of which				
Local Area Agreement (LAA)	7 (7)	2 (1)	0 (2)	5 (4)
Herefordshire Community Strategy (HCS)	16 (16)	3 (3)	6 (7)	7 (6)
All reported indicators	38 (38)	15 (10)	7 (16)	16 (12)

Direction of Travel		
	September	December
Improving	11	18
No real change	5	1
Deteriorating	2	0
Total	18	19

Headlines

- It should be noted that, the new Frameworki system is not able to produce data for indicators connected with Adult and Children's Social Care until March; judgements for 16 indicators have been based on forecast outturn.

- In respect of direction of travel, the forecast is for an improvement against all but one indicator compared to last year.
- Changes since September 2008 (based on forecast data):

Green from Amber

- NI 130 'social care clients receiving self directed support'
- C30 'number of adults with learning difficulties helped to live at home'
- D37 'percentage of single adults and older people going into permanent residential and nursing care who were allocated single rooms'
- D40 'adult and older clients receiving a review'
- E82 'assessments of adults and older people leading to provision of service'

Red from Amber

- NI 56 'obesity among primary school age children'
- NI 132 'timeliness of social care assessment'
- NI 133 'timeliness of social care packages'
- D39 'percentage of people receiving a statement of their needs and how they will be met'
- 5 indicators remain **Red** due to no activity being reported, despite the last report making reference to an arranged meeting between Adult Social Care and the PCT to develop delivery plans for the relevant indicators.
- 5 of the 7 LAA indicators within this theme are judged **Red**, 3 of which because no activity has been reported as evidence that progress is being made towards achieving target.

Adult Social Care Director Commentary

'Overall, good progress is being made against most adult social care indicators. The latest forecasting of the PAF set reports that all but one of the PIs are currently showing a positive Direction of Travel – the one downward DoT is based on an equal forecast to 2007 rather than a reduction (E47).

CSIP recently commented about the healthy position of the PAF set in Herefordshire, not least that none of the indicators fell within the two blob or lower rating. Good progress continues to be made particularly in respect of; people with mental health helped to live at home, support for carers, reductions in the levels of both adults and older people into permanent residential care and the number of reviews taking place – all of which are forecast to exceed target.

The number of assessments undertaken within time-scale and services put in place are both still slightly behind target. The use of Performance Champion Clinics and regular team performance appraisals should see an improvement by year-end. The two ethnicity PIs are now both on target.

Data for a range of the National Indicator Set are not yet routinely available from health colleagues, with some monitored on an infrequent basis. An initial meeting involving colleagues from health, adult social care and public health has now taken place and NIS owners have been affirmed. Each owner has committed to updating PI

proformas and providing update information to enable reporting and progress monitoring of the corporate priorities, although this has not properly bedded in yet.

Good progress is also being made in line with the corporate plan actions; a Continuing Health Care protocol is now in place and is helping to secure additional funding from the PCT, and an audit of safeguarding approaches is underway to tighten up practice. We are looking at establishing a 'smarthouse' to enable older people to try out aids and adaptations. The Rose Gardens and Leadon Bank are both now fully functional, Elmshurst has closed and Orchard House has been re-configured to provide support to older people with mental health problems. Frameworki went live on 10th November and has been well received.

The Employee Opinion Survey findings were disappointing and action to address the various short-comings will be included within the service plan. Good progress is being made towards the re-structuring of the new Integrated Commissioning Directorate and Provider Services.'

NIS	LAA	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel			Reason for judgements
		HCS	CP	BVPI	PAF					APA	July	September		December	July	September	December	July	September	
8			Yes			Adult participation in sport	Environment & Culture	22.02% (2006)	>22.02%	Outturn available March			Baseline from the Active People Survey (April-October 2008) has now been established – 22.2%. Detailed analysis of the data planned. Walking for health – British Heart Foundation accreditation received and first of the two walk leader courses completed with 6 new trained leaders now active. DVD to support further recruitment produced and now being used with groups and for presentations. Discussions underway to develop Herefordshire Youth Games for 2009, taking account of 2012 Olympic Games. As part of the proposed joint delivery plans for sport developed as part of a Trail blazer partnership – with schools, extended services, voluntary sector sport and external providers - a service level agreement has been agreed with Herefordshire Voluntary Action and there is progress on developing one with Halo. Planning is taking place with partners for 2009-10.	A	A	A				Activity showing progress towards target, but no outturn available
53		20				Prevalence of breastfeeding at 6-8 weeks from birth	Children & Young People	N/A	Establish baseline	51.10%	50.94%		Data is not available until 6 weeks after period end.	G	G	G				Outturn being reported to provide a baseline
56	Yes	22d				Obesity among primary school age children in Year 6	Children & Young People	16.7%	16%	No Data	No Data	16.20%	Annual figure: response rate to the annual weighing and measuring programme improved from 77.5% to 85.7%. Again only one school opted out of the programme.	A	A	R		Δ		Outturn is marginally worse than target, but an improvement on the previous year.
57	Yes	22b				Children and young people's participation in high-quality PE and sport	Children & Young People			Establish baseline by March			Annual Survey not yet available but local monitoring is being completed for both 2 hours in curriculum and 3 hours beyond the curriculum. This is the first year of the Sport Unlimited programme (3 hours OSHL) but participation rates are growing considerably and local targets should be achieved.	G	G	G				Activity reported that should impact on the baseline
113		23				Prevalence of Chlamydia in under 20 year olds	Children & Young People	N/A	3,350	173	179		This year, the indicator measures the number of young people accepting a test/screen for Chlamydia. Thus far there have been 12 instances recorded (6.7%), which is below the national prevalence rate of 10%.	A	R	R				Outturn worse than target
119		12a-d				Self-reported measure of people's overall health and wellbeing	Adult Social Care		Establish baseline	Outturn available March			To be collected through the Place Survey. Other indicators, such as NIS 8 above and the PAF indicators D55, D56, D54, C51, B11, D39 and D40 below are evidence of work taking place to impact on the baseline.	G	G	G				Activity reported that should impact on the baseline
120		11				All-age all cause mortality rate	Adult Social Care	603.4 per 100,000 (2004-06)	<603.4	Outturn available March			Rolling 3 year values to be provided by PCT on quarterly basis - first report due December.	A	R	R				Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
121	Yes	9				Mortality rate from all circulatory diseases at ages under 75 per 100,000 population	Adult Social Care	59.4	57.8	Outturn available March			Rolling 3 year values to be provided by PCT on quarterly basis - first report due December.	A	R	R				Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
122		8				Mortality from all cancers at ages under 75 per 100,000 population	Adult Social Care	103.2	<103.2	Outturn available March			Rolling 3 year values to be provided by PCT on quarterly basis - first report due December.	A	R	R				Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
123	Yes					16+ current smoking rate prevalence per 100,000 population aged 16+	Adult Social Care	780.6	808.1	Outturn available March			Rolling 3 year values to be provided by PCT on quarterly basis - first report due December.	A	R	R				Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
130	Yes		Yes			Social Care clients receiving Self Directed Support (Direct Payments and Individual Budgets) per 100,000 population aged 18+	Adult Social Care	97	107	101.4	101	>107 forecast		A	A	G		Δ		The service now forecasts that target will be achieved
132				195	D55	Timeliness of social care assessment	Adult Social Care	89.60%	92%	89.20%	90.00%	<92% forecast		R	A	R		▽	Δ	The service now forecasts that target will not be achieved

NHS LAA	Reference				Indicator	Lead Directorate	2007/08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel			Reason for judgements
	133	135	142	10					28	53	22a		22c	22e	22f	22g	July	September	
						Timeliness of social care packages	Adult Social Care	84.70%	90%	80.90%	84.00%	<90% forecast		R	A	R	▽	△	The service now forecasts that target will not be achieved
		Yes				Carers receiving needs assessment or review and a specific carer's service, or advice and information	Adult Social Care	12.90%	17.9%	13%	12.6%	17% forecast		A	R	R	▽	△	The service now forecasts that target will not be achieved
	Yes		Yes			Number of vulnerable people who are supported to maintain independent living	Adult Social Care	96.73	97.75 (2010-11)	Outturn available March				R	R	R			No outturn or activity reported
	10					Mortality rate from chronic diseases	Adult Social Care	150 (2004-06)	<150	Outturn available March			In-year data not currently available. In discussion with the Director of Public Health about links to plans.	A	R	R			Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
						Percentage of respondents who said they have been bullied in the previous 12 months	Children & Young People	24%	<24%	Outturn available January			Survey will be undertaken in October 2008 - results available in January 2009. A database is in place for schools to log all incidents of bullying and these are monitored by the Herefordshire Safeguarding Children Board. On 31st October, young people are organising a conference, the main theme of which will be bullying, in order to raise awareness of the issue and to identify ways of tackling it.	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
						Number of falls/accidents admissions to A&E	Adult Social Care		<22				Working with local acute hospital for provision of figures.	R	R	R			Despite reference to a planned meeting in the last report, this has not taken place. No activity has been reported.
	22a					Percentage of respondents who said they smoked at least 1 cigarette in the last 7 days	Children & Young People	7%	<7%	Outturn available January			Survey will be undertaken in February 2009 - results available in April 2009. The Stop Smoking service within the PCT delivers a range of interventions and works closely with professionals to identify referrals and deliver smoking cessation services. A Stop Smoking midwife specialist provides additional support to encourage pregnant women to stop smoking, which, in turn, reduces the risks of second hand smoke to other children in the home. In addition, there is effective enforcement of underage cigarette sales legislation.	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
						Percentage of respondents who said they ate at least 5 portions of fruit and vegetables the previous day	Children & Young People	24%	>24%	Outturn available January			Survey will be undertaken in February 2009 - results available in April 2009. Food in schools has a high priority and a schools Food Steering Group is chaired by the PCT, bringing together school food providers, schools colleagues and Healthy Schools to promote best practice and the implementation of the new food standards. New Service Level Agreements have been implemented with providers to ensure a focus on healthy food.	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
	22c					Percentage of pupils consuming 2 or more units of alcohol in the previous week	Children & Young People	18%	<18%	Outturn available January			This PT was previously measured through the Teenage Lifestyle Survey which is now being incorporated into the ECM Building Bridges Survey to be carried out in Spring 2009.	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
	22e					Percentage of respondents who said they had taken some form of illegal drug in the previous 12 months	Children & Young People	6%	<6%	Outturn available January			This PT was previously measured through the Teenage Lifestyle Survey which is now being incorporated into the ECM Building Bridges Survey to be carried out in Spring 2009.	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
	22f					Percentage of respondents who said they worry about one problem 'quite a lot' or 'a lot'	Children & Young People	71%	<71%	Outturn available January			Survey will be undertaken in February 2009 - results available in April 2009. The mental health needs of children and young people are being met through the implementation of the CAMHS strategy (see NI 51)	A	A	A			Activity showing progress towards target, but no outturn available until January 2009
	22g					The referral of juveniles manifesting mental health difficulties to Child and Adolescent Mental Health	Children & Young People	100%	100%	100%	100%			G	G	G	△	△	Quarter 2 outturn is now available and continues to show highest possible performance

NHS LAA	HCS	CP	BWP1	PAF	APA	Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		Activity Reported	RAG rating		Direction of Travel		Reason for Judgements
										July	September		July	September	December	December	
			Yes	56	D54	The percentage of items of equipment delivered and adaptations made within 7 working days	Adult Social Care	96.36%	97%	96.20%	97.00%		G	G	G	Δ	The service now forecasts that target will be achieved
						Adults and older people receiving direct payments at 31 March per 100,000 population aged 18 or over	Adult Social Care	97.6	115	95.8	97		R	R	R	▽	The service now forecasts that target will not be achieved
			Yes		C29	Number of adults with physical difficulties helped to live at home (per '000 of population aged 18 to 64)	Adult Social Care	4.8	5	3.4	3.5		G	G	G	Δ	The service now forecasts that target will be achieved
			Yes		C30	Number of adults with learning difficulties helped to live at home (per '000 of population aged 18 to 64)	Adult Social Care	2.9	3	2.9	2.9		A	A	G	◀Δ	The service now forecasts that target will be achieved
			Yes		C31	Number of adults with mental health difficulties helped to live at home (per '000 of population aged 18 to 64)	Adult Social Care	4.3	4.4	4.2	4.4		A	G	G	◀Δ	The service now forecasts that target will be achieved
			Yes			Local Indicator: (Safeguarding) Percentage of cases dealt with within 5 days from referral to date of strategy discussion	Adult Social Care		75%	Outturn available March			R	R	R		No outturn or activity reported
					B11	The number of households receiving intensive home help/care as a percentage of all adults and older people in residential and nursing care and households receiving intensive home care	Adult Social Care	19.75%	22%	20.50%	21.30%		A	G	G	Δ	The service now forecasts that target will be achieved
					B12	Expenditure per person on supporting adults and older people in residential and nursing care and providing intensive home care	Adult Social Care	£527.92	£500	£514	£514		A	R	R	Δ	Outturn similar to same period last year, but not on track to achieve target
					D37	Percentage of single adults and older people going into permanent residential and nursing care who were allocated single rooms	Adult Social Care	95.60%	96%	93.30%	90.50%		G	A	G	◀Δ	The service now forecasts that target will be achieved
					D39	Percentage of people receiving a statement of their needs and how they will be met	Adult Social Care	96.10%	100%	96.70%	96.30%		A	A	R	Δ	The service now forecasts that target will not be achieved
					D40	Adult and older clients receiving a review as a percentage of those receiving a service	Adult Social Care	78.06%	80%	34%	45.7%		G	A	G	◀Δ	The service now forecasts that target will be achieved
					E82	Assessments of adults and older people leading to provision of service	Adult Social Care	83.60%	78%	76.80%	80.20%		A	A	G	▽	The service now forecasts that target will be achieved
					C73	Adults aged 18-64 admitted on a permanent basis in the year to residential or nursing care	Adult Social Care	1.5	1.5	1.5 (forecast)	1.5 (forecast)		G	G	G	◀Δ	The service now forecasts that target will be achieved
					C62	The number of carers receiving a 'carer's break' or a specific carer's service as a percentage of clients receiving community based services	Adult Social Care	11.50%	12%	12.50%	12.00%		G	G	G	Δ	The service now forecasts that target will be achieved

Older People

N.B. This section covers performance in respect of indicators that relate wholly or mainly to older people. All-age indicators that are also relevant to performance in respect of older people feature elsewhere, notably under the Health and well-being theme in Appendix 3.

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	8 (8)	4 (3)	2 (4)	2 (1)
of which				
Local Area Agreement (LAA)	1 (1)	1 (0)	0 (1)	0 (0)
Herefordshire Community Strategy (HCS)	1 (1)	1 (1)	0 (0)	0 (0)
All reported indicators	9 (9)	5 (4)	2 (4)	2 (1)

Direction of Travel		
	September	December
Improving	4	4
No real change	0	0
Deteriorating	1	1
Total	5	5

Headlines

- It should be noted that, the new Frameworki system is not able to produce data for indicators connected with Adult and Children's Social Care until March; judgements for 3 indicators have been based on forecast outturn.
- Little change from the position at the end of September, other than:
 - C28 'the number of households receiving intensive homecare' is now rated **Red** (previously **Amber**), the final outturn having been reported in October; and
 - NI 136 'people supported to live independently through social services' is now rated **Green** (previously **Amber**) based on a forecast that the target will be achieved.
- The local indicator 'number of people using Telecare' is still judged **Red**.
- The projected budget outturn for Adult Services is an overspend of £509k. A recovery plan is on target to produce a balanced position, but continued efforts are needed to manage increased demand. A review of high cost out-of-county placements is being carried out to look at alternative patterns of care which would ease the budget pressures.

Adult Social Care Director commentary

'Overall, good progress is being made against most of the adult social care indicators. The latest forecasting of the PAF set reports that all but one of the PIs are currently showing a positive Direction of Travel.

CSIP recently commented about the healthy position of the PAF set in Herefordshire, not least that none of the indicators fell within the two blob or lower rating. Good progress continues to be made particularly in respect of; people with mental health helped to live at home, support for carers, reductions in the levels of both adults and older people into permanent residential care and the number of reviews taking place – all of which are forecast to exceed target.

One of the PAF set, intensive homecare (C28) has reported final outturn for the year – this did not meet target and is an area for improvement highlighted by CSCI in the Performance Assessment Notebook (PAN).

Good progress is also being made in line with the corporate plan actions; a Continuing Health Care protocol is now in place and is helping to secure additional funding from the PCT, and an audit of safeguarding approaches is underway to tighten up practice. We are looking at establishing a 'smarthouse' to enable older people to try out aids and adaptations. The Rose Gardens and Leadon Bank are both now fully functional, Elmhurst has closed and Orchard House has been re-configured to provide support to older people with mental health problems. The Directorate has made a national bid to become a pilot for ACAF (Adult Common Assessment Framework) – we have been short-listed down to 17 from which 12 will be selected. Frameworki went live on 10th November and has been well received.

The Employee Opinion Survey findings were disappointing and action to address the various short-comings will be included within the service plan. Good progress is being made towards the re-structuring of the new Integrated Commissioning Directorate and Provider Services.'

NIS	LAA	HCS	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target		Outturn		Activity Reported	RAG rating			Direction of Travel		Reason for Judgements
			CP	BVP1	PAF	APA						July	September		July	September	December	July	September	December
125			Yes				Achieving independence for older people through rehabilitation/ intermediate care	Adult Social Care		Establish baseline by March 2009				Joint team established under single line management to ensure consistent approach. Baseline being established in-year.	G	G	G			Activity reported that should impact on the baseline
131			Yes				Delayed transfers of care from hospitals per 100,000 population aged 18+	Adult Social Care		Establish baseline by March 2009				Access to DoH information now available - but queries over accuracy of data recorded leading to negotiations on changes to be made.	G	A	A			Unclear whether an accurate baseline will be established
136	Yes		Yes				People supported to live independently through social services (all ages) per 100,000 population	Adult Social Care	3095 (2006-07)	3,793	2,550	3,793 forecast			A	A	G	Δ	Δ	Higher outturn than last year forecast, which will meet target.
139	18a-c						The extent to which older people receive the support they need to live independently at home	Adult Social Care		Establish baseline by March 2009				Activity impacting on the baseline is reported through other indicators such as PAF indicators C28, C32 and C72 below. Being collected as part of the Place Survey.	G	G	G			Activity reported that should impact on the baseline
			Yes	53	C28		The number of households receiving intensive home care per 1,000 population aged 65 or over	Adult Social Care	7.5	9	7.5	7.5	8.02		A	A	R	Δ	Δ	Final outturn for the year is worse than target, although better than last year
				54	C32		Older people helped to live at home per 1,000 population aged 65 or over	Adult Social Care	81.3	83	58.5	57.8	83 forecast		G	G	G	Δ	Δ	Outturn better than same period last year and on course to achieve target
			Yes		C72		Reduction in the number of new admissions to residential care	Adult Social Care	53.2	55	12.4	20.4	<53.2 forecast		G	G	G	Δ	Δ	Outturn better than same period last year and on course to achieve target
			Yes				Local indicator: Number of people using Telecare	Adult Social Care	571	625	553	549			R	R	R	▽	▽	No update provided; previous outturn falling; below target and last year
							LPSA indicator: The gap between the percentage of people 65 and over using home care services provided through Social Care, and people 65 and over who directly purchased services using Direct Payments, who report being satisfied with the help they received from Herefordshire Social Care and perfection (100%)	Adult Social Care	58% (2006 survey)	66%				Action plan in place to maximise out-turn at point of final survey in February 2009. Includes Spotlight on Services newsletter and DVD: Putting People First	A	A	A			Activity showing progress towards target, but no outturn available

Economic Development and Enterprise

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	14 (14)	7 (7)	6 (7)	1 (0)
of which				
Local Area Agreement (LAA)	6 (6)	2 (2)	4 (4)	0 (0)
Herefordshire Community Strategy (HCS)	9 (9)	5 (5)	3 (4)	1 (0)
All reported indicators	18 (18)	11 (8)	6 (7)	1 (3)

Direction of Travel		
	September	December
Improving	1	1
No real change	0	0
Deteriorating	0	0
Total	1	1

Headlines

- There is little substantive performance information, since the majority of the indicators are part of the new National Indicator set and have as their target that baselines should be established by March 2009.

- Changes since September 2008:

Green from Red

- NI 182 'satisfaction of businesses with local authority regulation services'
- NI 183 'impact of local authority regulatory services on the fair trading environment'
- NI 184 'food establishments in the area which are broadly compliant with food hygiene law'

Red from Amber

- NI 166 'average earnings of employees in the area'

Regeneration Director Commentary

'Performance is on track to meet all but one of the identified targets for 2008/2009 across the range of Local Area Agreement, Herefordshire Community Strategy and Herefordshire Council Corporate Plan indicators for which the Directorate has the lead.

The introduction of the National Indicator Framework has meant that there are a number of indicators for which in year data is not presently available, as many rely on the new Place Survey; initial results are expected from this survey in February 2009, with final data available from the Government in March. In the meantime, work is continuing to influence the outcome of the Survey across the Directorate. The change to the National Indicator set has meant that greater reliance is placed in-year on monitoring services delivering agreed service plan actions and, this year, on establishing baseline data.

In addition there are a number of indicators in the new National Indicator Framework where the services are being delivered by other agencies. The Directorate continues to work in partnership with these agencies in order to influence and monitor the performance outturn.'

Environment and Culture Director commentary

'Within the themes of economic development and enterprise, safer and stronger communities and sustainable communities performance overall remains on track for all Local Area Agreement, Community Strategy and Corporate Plan indicators on which the Directorate leads or towards which it is making a significant contribution. There is a similar picture for other indicators, including those from the National Indicator set.

With the introduction of the National Indicator set there has been a significant increase in the proportion of performance indicators for which in-year data is not available, reflecting the number of perception indicators that rely on data from the new Place Survey and those where data is being provided annually by Government departments and agencies. For a number of other indicators 2008-09 is the year in which baseline data is being collected. All this has meant that a greater reliance is being placed this year on delivery of agreed actions.'

NIS	Reference				Indicator	Lead Directorate	2007-08		2008-09		Latest Outturn		December	RAG rating			Direction of Travel			Reason for Judgements
	LAA	HCS	CP	BVPI	PAF	APA	Outturn	Target	Target	July	September	December		July	September	December	July	September	December	
152	Yes						Working age people on out of work benefits	Regeneration	8.90%	0.5% reduction by 2010-11	8,880 claimants or 8.6% of working age population Figure for May 2008		European Social Funded activity contracted from January 2009 to engage 64 workless individuals Further activity to engage 200 workless individuals to be commissioned to commence April 2009 Exploration of appropriate approach to access Advantage West Midlands 'Connections to Opportunities' Fund and RRZ funding to engage those workless individuals furthest from the job market Worklessness Group convened to undertake actions to coordinate activity between key local agencies, and to extend this to a sub regional approach with other local authorities. Application made to Area Based Grant to minimise impact of economic downturn on individuals Support businesses to diversify through new grant schemes - Diversity and Rural Enterprise (DARE) Grant application to be sent to AWM by mid December. - Targeted towards pre-start businesses, women, people with disabilities, and hard to reach groups.	A	A	A				Activity reported that should impact on the baseline
161	5	Yes					Learners achieving a Level 1 qualification in literacy	Regeneration	58	32	Outturn available April		West Midlands Public Service Skills Challenge Skills Pledge has now been signed by Hereford Hospitals NHS Trust, Hereford PCT and Herefordshire Council(PST). Which includes: • Actively support recruitment opportunities for young people and help them work towards an apprenticeship (Level 2) or advanced apprenticeship (Level 3) in an area relevant to our organisation • Actively encourage and support our employees to gain the skills and qualifications that will support their future employability and meet the needs of our organisation • Actively encourage and support our employees to acquire basic literacy and numeracy skills, and with Government support work towards their first level 2 qualification in an area that is relevant to our business. • Demonstrably raise our employees' skills and competencies to improve our organisation's performance through investing in economically valuable training and development All contracts, FE, TIG, ESF and others, that includes this provision, are being monitored.	A	A	A				Activity showing progress towards target, but no outturn available
162	5	Yes					Learners achieving an Entry Level 3 qualification in numeracy	Regeneration	Establish baseline	Establish baseline	Outturn available April		See points for NI 161 immediately above.	G	G	G				Activity reported that should impact on the baseline
163	Yes						Working age population qualified to at least Level 2 or higher	Regeneration	Establish baseline	Establish baseline	Outturn available August 2009 for calendar year 2008		This is a new National Indicator, for which a baseline needs to be established, which will come from the Office of National Statistics. Initiatives, including the College of Technology and Train to Gain, are being developed to involve learners throughout the county in a range of learning activities which may lead to qualifications. 25% of those in disadvantaged wards are being targeted.	G	G	G				Activity reported that should impact on the baseline
164	4a						Working age population qualified to at least Level 3 or higher	Regeneration	Establish baseline	Establish baseline	Outturn available August 2009		See points for NI 163 immediately above.	G	G	G				Activity reported that should impact on the baseline

NIS	LAA	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		December	RAG rating			Direction of Travel		Reason for judgements
		HCS	CP	BVPI	PAF					APA	July		September	December	July	September	December	
165		4a				Working age population qualified to at least Level 4 or higher	Regeneration		Establish baseline	Outturn available August 2009		The Lifelong Learning Development Network has developed clear information for students about learning progression pathways and is targeting areas where inadequate progression does not occur. The Higher Education for Herefordshire Strategic Group are in the process of developing a bid to secure a university centre facility for Herefordshire.	G	G	G			Activity reported that should impact on the baseline
166		1				Average earnings of employees in the area	Regeneration	0.89:1	>0.89:1	0.87:1 £389.40 (plus or minus £49.61)		Progression on the ESG scheme - Rephrasing proposals submitted to AWM and HC. Promotion of Rothervas as key business location - Planning application for Phase 2 submitted - employment units on the Southern Magazine Establish Live/Work units on Model Farm - Ross-on-Wye - Masterplan for site to be completed in February 09. - Scoping of surveys needed for planning permission underway. Rural Enterprise Grants - New REG Scheme launched on 1st October 08. - Support to micro enterprises and farm households. - Over 300 enquiries in three months to Jan 09.	A	A	R			Although earnings have increased in Herefordshire, the gap between Herefordshire and the West Midlands has widened
167		7a-b				Congestion – average journey time per mile during the morning peak	Regeneration		Establish baseline	Outturn available April		Review of traffic control systems continues to develop a planned replacement programme. The new street works system has gone live. The Council's own notification systems are being reviewed and revised arrangements will be put in place as part of the service delivery review with Amey. New prioritisation mechanisms for traffic regulation orders have been agreed in principle with the Cabinet member and programme development is underway. Preliminary designs for motorway diversion routes have been produced and potential routes for Trunk Road diversions have been identified following a meeting with the Highways Agency.	A	G	G			Activity reported that should impact on the baseline
168	Yes	Yes	223			Principal roads where maintenance should be considered	Environment & Culture	6%	5%	Outturn available April		A detailed analysis of the 2007-08 survey has informed the development of the 2008-09 Joined Up Programme with Amey, which is now being delivered. Scanner surveys completed and analysis underway. Completion of the Transport Asset Management Plan and the consequent review of the Highways Maintenance Plan has been delayed. Reportedly the coldest start to December for 30 years. Number of gritting runs to date indicates that this is above average to severe winter.	A	A	A			Activity showing progress towards target, but no outturn available
169	Yes	Yes	224a			Non-principal roads where maintenance should be considered	Environment & Culture	11%	10%	Outturn available April		A detailed analysis of the 2007-08 survey has informed the development of the 2008-09 Joined Up Programme with Amey, which is now being delivered. Scanner surveys completed and analysis underway. Completion of the Transport Asset Management Plan and the consequent review of the Highways Maintenance Plan has been delayed. Reportedly the coldest start to December for 30 years. Number of gritting runs to date indicates that this is above average to severe winter.	A	A	A			Activity showing progress towards target, but no outturn available

NIS	LAA	HCS	CP	BVPI	PAF	APA	Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		December	RAG rating		Direction of Travel		Reason for Judgements
											July	September	December	July	September	July	September	December
171	Yes	2	Yes				New business registration rate per 100,000 resident population aged 16+	Regeneration		Establish Baseline	2007 59.2% Figures available annually basis, 2007 figures are the latest available.			G	G			Baseline established. A target will now be set as part of the LAA refresh.
172			Yes				% of small businesses in an area showing employment growth	Regeneration		Establish baseline	Outturn available April			G	G			Activity reported that should impact on the baseline
178	Yes	7a-b	Yes				Bus services running on time	Regeneration	67%	69%	Outturn available April			R	A			Activity showing progress towards target, but no outturn available
182							Satisfaction of businesses with local authority regulation services	Environment & Culture		Establish baseline	Due April			R	G			Since the last report a mechanism has been put in place to ensure that data is collected to establish a baseline for this indicator.
183							Impact of local authority regulatory services on the fair trading environment	Environment & Culture		Establish baseline	Due April			R	G			Since the last report a mechanism has been put in place to ensure that data is collected to establish a baseline for this indicator.
184							Food establishments in the area which are broadly compliant with food hygiene law	Environment & Culture		Establish baseline	Due April			R	G			Since the last report a mechanism has been put in place to ensure that data is collected to establish a baseline for this indicator.
							Number employed in knowledge and technology intensive industries	Regeneration	10,923	>10,923	Outturn available April			A	A			Activity showing progress towards target, but no outturn available

Reference				Indicator	Lead Directorate	2007-08		2008-09		Latest Outturn			RAG rating			Direction of Travel		Reason for Judgements
NIS	LAA	HCS	CP			2007-08 Outturn	Target	2008-09 Target	July	September	December	December	July	September	December	July	September	
				The number of days of temporary traffic controls, or road closure, on traffic sensitive roads, caused by roadworks, per km of traffic sensitive road	Environment & Culture	0	0	0	0	0	0		G	G	G	Δ	Δ	Highest possible performance
			100															

Safer and Stronger Communities

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	16 (16)	13 (11)	2 (4)	1 (1)
of which				
Local Area Agreement (LAA)	10 (10)	10 (8)	0 (2)	0 (0)
Herefordshire Community Strategy (HCS)	10 (10)	8 (8)	2 (2)	0 (0)
All reported indicators	38 (38)	26 (25)	7 (10)	5 (3)

1 additional indicator is now included in the direction of travel table below; NI 40 'drug users in effective treatment' which has a 3-month time lag in reporting, with data from quarter 1 now available.

Direction of Travel		
	September	December
Improving	15	17
No real change	6	4
Deteriorating	3	4
Total	24	25

Headlines

- Generally positive in respect of Direction of Travel.
- Changes since September 2008:

Green from Amber

- NI 30 're-offending rates of prolific and priority offenders'
- NI 40 'drug users in effective treatment'

Red from Amber

- BVPI 126 'domestic burglaries'
- BVPI 165 'percentage of pedestrian crossings with facilities for disabled people'
- Three indicators remain **Red**: civic participation, street lighting, and robbery.

Regeneration Director Commentary

'Performance is on track to meet all but one of the identified targets for 2008/2009 across the range of Local Area Agreement, Herefordshire Community Strategy and Herefordshire Council Corporate Plan indicators for which the Directorate has the lead.'

The introduction of the National Indicator Framework has meant that there are a number of indicators for which in year data is not presently available, as many rely on the new Place Survey; initial results are expected from this survey in February 2009, with final data available from the Government in March. In the meantime, work is continuing to influence the outcome of the Survey across the Directorate. The change to the National Indicator set has meant that greater reliance is placed in-year on monitoring services delivering agreed service plan actions and, this year, on establishing baseline data.

In addition there are a number of indicators in the new National Indicator Framework where the services are being delivered by other agencies. The Directorate continues to work in partnership with these agencies in order to influence and monitor the performance outcome. There are a number of crime-related indicators, which had not been identified by the Community Safety and Drugs Partnership as a priority, where performance has shown a slight deterioration; these are now being more closely monitored.'

Environment and Culture Director commentary

'Within the themes of economic development and enterprise, safer and stronger communities and sustainable communities performance overall remains on track for all Local Area Agreement, Community Strategy and Corporate Plan indicators on which the Directorate leads or towards which it is making a significant contribution. There is a similar picture for other indicators, including those from the National Indicator set.'

With the introduction of the National Indicator set there has been a significant increase in the proportion of performance indicators for which in-year data is not available, reflecting the number of perception indicators that rely on data from the new Place Survey and those where data is being provided annually by Government departments and agencies. For a number of other indicators 2008-09 is the year in which baseline data is being collected. All this has meant that a greater reliance is being placed this year on delivery of agreed actions. Place Survey data is expected in February and March, enabling targets to be set for anti-social behaviour-related indicators.

Road traffic casualties figures are encouraging: for the period January to November 2008 84 people were killed or seriously injured, compared with 128 for the same period last year; 6 children killed or seriously injured, compared with 11 for the same period last year; and, 572 people slightly injured, compared with 638 for the same period last year.'

NIS	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	RAG rating			Direction of Travel			Reason for Judgements
	LAA	HCS	CP	BVPI	PAF	APA			July	September	December		July	September	December	July	September	December	
1	Yes	63	Yes				% of people who believe people from different backgrounds get on well together in their local area	Deputy Chief Executive	73% (2006)	77.8% (2010-11)	Outturn available March 2009	4 community associations supported: Mayalee, Polish, Lithuania and South Africa.	G	G	G				Activity is reporting progress against 2010-11 target
2							% of people who feel that they belong to their neighbourhood	Deputy Chief Executive			Establish baseline by March 2009	The baseline will be available shortly through the Place Survey. In the meantime the Herefordshire Equality Partnership are developing an action plan.	G	G	G				Activity reported that should impact on the baseline
3			Yes				Civic participation in the local area	Deputy Chief Executive			Establish baseline by March 2009	Parish plans: Community Led Planning Transition Group set up and working on the recommendations of the Review of Community led planning. Community Regeneration, HALC, Community First and Herefordshire Partnership continues to support start-ups and on-going plans. Parish Councils: Power of Well-being Order 2008 published that will help qualifying Parish Councils meet the identified needs of communities. PACT meetings: next round of meetings across the County (12 areas) in February 2009. Post offices: Despite considerable community effort supported by Herefordshire Council, Post Office Limited decided to close 20 post offices in county and introduce 9 outreach "services". Agreed that now the challenge is to find ways to support remaining post offices and their associated shops. However since the POL announcement, 3 more post offices have (temporarily) closed. Telephone boxes: 104 out of 110 telephone boxes "saved" from removal following recent consultation, carried out by Herefordshire Council. Issue now is to get BT payphones to maintain the boxes adequately. New Legislation: Herefordshire Council has agreed to participate in Sustainable Communities Act process, looking to submit proposals by July 31st 2009.	R	R	R				No activity reported
4	Yes	61	Yes				% of people who feel they can influence decisions in their locality	Regeneration			Establish baseline by March 2009	Post offices: Despite considerable community effort supported by Herefordshire Council, Post Office Limited decided to close 20 post offices in county and introduce 9 outreach "services". Agreed that now the challenge is to find ways to support remaining post offices and their associated shops. However since the POL announcement, 3 more post offices have (temporarily) closed. Telephone boxes: 104 out of 110 telephone boxes "saved" from removal following recent consultation, carried out by Herefordshire Council. Issue now is to get BT payphones to maintain the boxes adequately. New Legislation: Herefordshire Council has agreed to participate in Sustainable Communities Act process, looking to submit proposals by July 31st 2009.	G	G	G				Activity reported that should impact on the baseline
6	Yes	62					Participation in regular volunteering	Regeneration			Establish baseline by March 2009	The Household Survey will be used to set the baseline for this indicator with an agreed percentage improvement. The Community Regeneration Team is also working with GOWM to look at lessons learnt from previous delivery and priority actions for emerging action plan. The Volunteering Code of Good Practice has been agreed in draft form following the consultation period, with a supporting action plan now being developed. Third sector partners are in receipt of some ABG resources to assist in the development of an action plan to maintain and increase volunteering across the County, which will be implemented subject to further ABG resources being secured. HVA and CVA Ledbury receive strategic investment through SLAs to support Volunteer Centre activity.	G	G	G				Activity reported that should impact on the baseline
9	Yes	Yes					Use of public libraries	Environment & Culture			Establish baseline by March 2009 Target is 3% improvement by 2010-11	Baseline from the Active People Survey (April-October 2008) has now been established – 47.9%. Detailed analysis of the data planned. Project plan agreed for the refurbishment of Belmont Library. Work due to start 2 February 2009. Public consultation on the design for Ross library in June 2009. National Year of Reading Library card design competition – winning designs being printed for distribution end of January 2009. Success of summer Reading challenge currently being analysed.	A	G	G				Activity reported that should impact on the baseline

NIS	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	RAG rating			Direction of Travel			Reason for Judgements
	LAA	HCS	CP	BVPI	PAF	APA			July	September	December		July	September	December	July	September	December	
11	Yes						Engagement in the arts	Environment & Culture	Establish baseline by March 2009 Target is 3.1% improvement by 2010-11			Baseline from the Active People Survey (April-October 2008) has now been established – 46.4%. Detailed analysis of the data planned. Annual Arts Supermarket run at no cost to the Council. Further 2-years funding received for Creativity Bright spaces project. Successful Destination Japan project. Destination China project now being planned. Detailed planning stage of the Body Image project underway (due for delivery in 2009). Art of Life – pilot project in Canal Road Day centre is underway.	A	G	G				Activity reported that should impact on the baseline
17	Yes	43	Yes				Perceptions of anti-social behaviour	Environment & Culture	32% by 2010-11			Initial analysis of Place Survey expected by 9th February, with published results available by end March. A multi-agency tasking and coordination group has been established, which meets monthly to share intelligence information and uses its shared resources to target identified hotspots. An example of recent activity is the joint working between the police and the licensing team in Hereford for "Operation Christmas Presence". The police and relevant representatives of the Council attend each PACT meeting to identify and respond to local concerns. West Mercia Police data indicates that the number of reports of anti-social behaviour is falling.	A	G	G				Activity reported that should impact on the baseline
19	Yes	36					Rate of proven re-offending by young offenders	Children & Young People	Establish baseline by March 2009			The cohort for this indicator has now been confirmed as the January to March 2005 cohort. Targets against this baseline will be set as part of the refresh of the Local Area Agreement in February 2009. First data will be available in February 2009. Work is ongoing to focus on the small cohort of young people who re-offend, particularly those on community penalties.	G	G	G				Activity reported that should impact on the baseline
21			Yes				Dealing with local concerns about antisocial behaviour and crime by the local council and police	Environment & Culture	Establish baseline by March 2009			Initial analysis of Place Survey expected by 9th February, with published results available by end March. A multi-agency tasking and coordination group has been established and this meets monthly to share intelligence information and use its shared resources to target identified hotspots. An example of recent activity is the joint working between the police and the licensing team in Hereford for "Operation Christmas Presence". The police and relevant representatives of the Council attend each PACT meeting to identify and respond to local concerns. West Mercia Police data indicates that the number of reports of anti-social behaviour is falling.	G	G	G				Activity reported that should impact on the baseline

NIS	Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			December	RAG rating			Direction of Travel			Reason for judgements	
	LAA	HCS	CP	BVPI					PAF	APA	July		September	December	July	September	December			
30	Yes					Re-offending rate of prolific and priority offenders (PPO)	Regeneration	64	49	27	30	For the period April 2007 to March 2008 the total number of convictions was calculated locally as 64 (2 mean convictions per PPO where there were 10 PPO's in custody). However the home Office have confirmed that there were a total of 61 convictions and Herefordshire's target for 2008/09 is to reduce the total number of convictions to no more than 49. 15/01/09 - Latest data obtained from national J-Track system for Herefordshire PPO cohort for the current APACS period to date shows there are a total of 30 convictions (1 mean conviction per PPO) with 7 PPO's currently in custody. Based on these figures it is anticipated that the target for 2008/09 should be achieved. Herefordshire PPO scheme provided intensive supervision to all selected PPOs with the objective of reducing their reoffending and helping lead a purposeful life.	R	A	G	Δ	Δ	Δ	Latest outturn is on target and better than last year	
39	Yes (Local)					Alcohol-harm related hospital admission rates per 100,000	Regeneration	1199	1260	272.8 (@ June)	265.3	Quarterly data is available approx 8 weeks following quarter end. Draft Alcohol Strategy is currently out to consultation. New dedicated alcohol nurse based at A&E at Hereford County Hospital. Herefordshire Community Safety and Drugs Partnership Project Officers continue to promote alcohol harm reduction messages in the community eg Freshers Fair Hereford Six Form College, Hereford Health & Wellbeing Event.	R	G	G	Δ	Δ	Δ	Latest outturn is on target and better than last year	
40	Yes					Drug users in effective treatment	Regeneration	494	504	533	Due February	The targets have changed and the way this is reported through NDTMS is for the latest 12 month period that can fully be reported, there will always be a 3-month lag. Q1 data was reported in NDTMS Qtr 2 report in November 2008 where there were 533 PDU's recorded as being in effective treatment in the latest 12 month period 01/07/07 to 30/06/08. Pharmacy Needle Exchange Pilot Scheme was launched 1st September. This provides an additional means to engage problematic drug users. DASH currently carrying out an internal assessment matching current service to the Service Level Agreement. HCSDP Project officer working with Providers to develop Action Plan to engage hard to reach drug users. Specialist Hep C clinic has now been commissioned in Hereford (previously clients went to Birmingham).	R	A	G	Δ				Outturn for the first quarter has become available and shows that performance is on target and better than last year
43						Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody	Children & Young People	2%	<5%	1%	2-40%	No data	Data will be available 6 weeks after quarter end.	G	G	G	Δ	Δ	Δ	Latest outturn is better than last year and on track to achieve target
45						Young offenders' engagement in suitable education, employment or training	Children & Young People	74.1%	95%	89.60%	93.50%	No data	Data will be available 6 weeks after quarter end.	A	A	A	Δ	Δ	Δ	Latest outturn is better than last year but behind target
46						Young offenders access to suitable accommodation	Children & Young People	98%	95%	98%	94.40%	No data	Data will be available 6 weeks after quarter end.	G	G	A	Δ	Δ	Δ	Quarter 2 outturn is now available, and is marginally below target and lower than last year
47	Yes	52	Yes	99a		People killed or seriously injured in road traffic accidents	Regeneration	133 (2007)	129 (2008)	36 (January to June)	56 (January to August)	84 (January to November)	G	G	G	Δ	Δ	Δ	Latest outturn is better than 128 at the same period last year	
48						Children killed or seriously injured in road traffic accidents	Regeneration	11 (2007)	11 (2008)	4 (January to June)	4 (January to August)	6 (January to November)	G	G	G	Δ	Δ	Δ	Latest outturn is better than 11 at the same period last year	

NIS	LAA	Reference			Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		December	RAG rating			Direction of Travel			Reason for Judgements
		HCS	CP	BVPI	PAF	APA			July	September		July	September	December	July	September	December	
111							290	282	69	71		G	G	G	Δ	Δ	Δ	Quarter 2 outturn is now available, and proportionately is better than last year and on course to achieve target
		99c			The number of people slightly injured in road traffic collisions	Regeneration	713	<713	301 (January to June)	395 (January to August)	572 (January to November)	R	G	G	▽	Δ	Δ	Latest outturn is better than 638 at the same period last year
					Domestic burglaries per year, per 1,000 households in the Local Authority area	Regeneration	3.9	<3.9	0.8	2	3.1	A	A	R	◀▶	◀▶	▽	Latest outturn is worse than the same position last year, with the likelihood of achieving target challenging
		126																
		127a			Violent crime per year, per 1,000 population in the Local Authority area	Regeneration	15.6	<15.6	3.7	7.6	10.9	G	G	G	Δ	Δ	Δ	Latest outturn is better than last year and on track to achieve target
		127b			Robberies per year, per 1,000 population in the Local Authority area	Regeneration	0.2	<0.2	0.1	0.2 (29 robberies)	0.2	A	R	R	◀▶	Δ	▽	Latest outturn is worse than the same period last year
		128			The number of vehicle crimes per year, per 1,000 population in the Local Authority area	Regeneration	5	<5	1.2	2.5 (450 vehicle crimes)	3.6	G	A	A	Δ	Δ	◀▶	Latest outturn is similar to the same period last year
		225			Actions against domestic violence	Regeneration	81.8	>81.8	No data	81.8	81.8		A	A	A	◀▶	◀▶	Latest outturn shows no change from last year
		42c			Overall crime numbers	Regeneration	11,172	<11,172	3,850	5,662	8,103	A	A	A	◀▶	Δ	Δ	Proportionately, latest outturn is better than last year
		43a			Perception of speeding traffic as a problem in your local area	Regeneration			Establish baseline by March 2009			R	G	G				Activity reported that should impact on the baseline
		44			Fear of crime as measured through the new Place Survey	Regeneration			Establish baseline by March 2009			R	G	G				Activity reported that should impact on the baseline

NIS	LAA	HCS	CP	BVPI	PAF	APA	Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			RAG rating			Direction of Travel			Reason for Judgements
											July	September	December	July	September	December	July	September	December	
							Substance Misuse: the proportion of young people with identified substance misuse needs who receive specialist assessment within 5 working days and, following the assessment, access the early intervention and treatment services they require within 10 working days (Substance Misuse Assessment)	Regeneration	100%	To meet or exceed 95%	100%	100%	100%	G	G	G	Δ	Δ	Δ	Latest outturn is at the highest level achievable
							The percentage of pedestrian crossings with facilities for disabled people, as a proportion of all crossings in the Local Authority area	Environment & Culture	92%	100%	94%	94%	94%	A	A	R	Δ	Δ	Δ	Latest outturn is better than last year but marginally behind target
						215a	The average number of days taken to repair a street lighting fault, which is under the control of the Local Authority	Environment & Culture	6.61 days	6.61 days	2.45 days	2.45 days	2.2 days	G	G	G	Δ	Δ	Δ	Compared with 3.5 days to the same period last year
						215b	The average time taken to repair a street lighting fault, where response time is under the control of a Distribution Network Operator (DNO)	Environment & Culture	9.5 days	9.5 days	19.2 days	14.32 days	R	R	R	R	▽	▽	▽	Although improving, performance is some way behind target
						218a	The percentage of new reports of abandoned vehicles investigated within 24 hours of notification	Environment & Culture	94.74%	94.74%	100%	100%	100%	G	G	G	Δ	Δ	Δ	Latest outturn is at the highest level achievable
						218b	The percentage of abandoned vehicles removed within 24 hours from the point at which the Local Authority is legally entitled to remove the vehicle	Environment & Culture	97.83%	97.83%	100%	100%	100%	G	G	G	Δ	Δ	Δ	Latest outturn is at the highest level achievable
						2a	The level of the Equality Standard for local government to which the Local Authority conforms in respect of gender, race and disability	Deputy Chief Executive	3	3	3	3	3	G	G	G	◁▷	◁▷	◁▷	Subject to external verification, outturn has been maintained and target achieved
						2b	The quality of an Authority's Race Equality Scheme (RES) and the improvements resulting from its application	Deputy Chief Executive	79%	85%	79%	79%	79%	A	A	A	◁▷	◁▷	◁▷	Latest outturn is the same as last year, although achieving target remains challenging
						175	The percentage of racial incidents reported to the Local Authority that resulted in further action	Deputy Chief Executive	100%	100%	100%	100%	100%	G	G	G	Δ	Δ	Δ	Latest outturn is at the highest level achievable
						37	Percentage of young people undertaking some kind of volunteering after school	Children & Young People	35%	35%	Outturn available January 2009		Survey will be undertaken in October 2008 - results available in January 2009. The new teams based at HCYS and SHYPP are now fully in place and starting to deliver more volunteering opportunities for young people across Herefordshire. The Council is developing an application for additional funding to support full time placements in the Council.		A	A	A			Activity showing progress towards target, but no outturn available

Sustainable Communities

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	19 (19)	16 (8)	3 (6)	0 (5)
of which				
Local Area Agreement (LAA)	5 (5)	3 (0)	2 (5)	0 (0)
Herefordshire Community Strategy (HCS)	15 (15)	13 (6)	2 (4)	0 (5)
All reported indicators	29 (28)	21 (12)	4 (7)	4 (10)

Direction of Travel		
	September	December
Improving	5	6
No real change	0	0
Deteriorating	5	4
Total	10	10

Headlines

- An improving position overall, with an additional 8 indicators now judged **Green** compared to the end of September. In particular, the position against

NI 156 'number of households living in temporary accommodation' shows the benefit of focussed activity within strategic Housing over the last 18 months to address the issue of homelessness. Although BVPI 183a 'average length of stay in bed and breakfast accommodation of households that are unintentionally homeless and in priority need' remains **Red** and shows a worsening outturn, at the end of December, for the first time in 5 years, there were no families staying in bed and breakfast accommodation.

HCS 59a-e 'ease of access to services' now has activity reported as evidence of sustained work which should impact favourably on future outturn.

Street cleanliness and waste collection continues to perform well against targets.

Performance for BVPI 204 'planning appeal decisions allowed against the Local Authority's decision to refuse planning applications' has improved in the last quarter and is now on course to achieve target.

- 4 indicators remain **Red** in the area of housing. These are:
 - BVPI 183a 'average length of stay in bed and breakfast accommodation of households that are unintentionally homeless and in priority need'
 - BVPI 183b 'The average length of stay in hostel accommodation of households that are unintentionally homeless and in priority need'
 - BVPI 202 'The number of people sleeping rough on a single night within the area of the Local Authority'
 - BVPI 213 'The number of households who considered themselves as homeless, who approached the Local Housing Authority's housing advice service(s), and for whom housing advice casework intervention resolved their situation (per 1,000 households)'
- A positive improvement in the direction of travel, with BVPI 204 now showing improvement compared to last year.
- The projected budget outturn for Planning is an overspend of £291k, a deterioration since the September forecast. The levels of income generated from planning applications and building control charges are closely tied to the external economy and housing market.
- The projected budget outturn for Strategic Housing is an overspend of £160k, a significant improvement on the previous position.

Major risks and their mitigation

The following risks and their mitigations currently exist with the Regeneration Directorate:

- The Council will be operational with a planning system that is not supported by the supplier (Northgate). The contract with Northgate finishes in October 2008 *mitigated by* (a) request an additional extension until October 2009; (b) request the Chief Executive to write a letter to encourage Northgate to extend the support agreement for a final 6 months. This is to go to the Chief Executive at Northgate; and (c) ensure that data is extracted out of the legacy systems as quickly as possible so that the Civica planning system can be made operational.

Regeneration Director Commentary

'The overall performance is on track to meet the identified targets for 2008/2009 across the range of Local Area Agreement, Herefordshire Community Strategy and Herefordshire Council Corporate Plan indicators for which the Directorate has the lead.

The introduction of the National Indicator Framework has meant that there are a number of indicators for which in year data is not presently available, as many rely on the new Place Survey; initial results are expected from this survey in February 2009, with final data available from the Government in March. In the meantime, work is continuing to influence the outcome of the Survey across the Directorate. The change to the National Indicator set has meant that greater reliance is placed in-year on monitoring services delivering agreed service plan actions and, this year, on establishing baseline data.

Planning application determination is an area where recently falling performance has been halted and is now on target.

In addition there are a number of indicators in the new National Indicator Framework where the services are being delivered by other agencies. The Directorate continues to work in partnership with these agencies in order to influence and monitor the performance outturn.'

Environment and Culture Director commentary

'Within the themes of economic development and enterprise, safer and stronger communities and sustainable communities performance overall remains on track for all Local Area Agreement, Community Strategy and Corporate Plan indicators on which the Directorate leads or towards which it is making a significant contribution. There is a similar picture for other indicators, including those from the National Indicator set.

With the introduction of the National Indicator set there has been a significant increase in the proportion of performance indicators for which in-year data is not available, reflecting the number of perception indicators that rely on data from the new Place Survey and those where data is being provided annually by Government departments and agencies. For a number of other indicators 2008-09 is the year in which baseline data is being collected. All this has meant that a greater reliance is being placed this year on delivery of agreed actions. Baseline data has now been received from the Active People Survey, which will enable targets to be agreed for future years for relevant culture and leisure indicators. Place Survey data is expected in February and March, enabling targets to be set for anti-social behaviour-related indicators.

In the priority area of waste the proportion of waste recycled or composted continues to show an improvement. Compared with the same period last year (April to November) it has increased from 30.61% to 34.25% (the annual target is 32%).

In relation to the cleanliness of streets and other public places the areas assessed where the deposit of detritus has fallen below an acceptable level has increased from 10% (from the first 4-month survey) to 19% following the second 4-month survey; the target is 12%. Areas where deposits of litter, fly posting and graffiti fall below an acceptable level remain well within target.'

Reference				Indicator		Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel			Reason for judgements		
NIS	LAA	HCS	CP	BVPI	PAF				APA	July	September		December	July	September	December	July	September		December	
155	Yes		Yes				Number of affordable homes delivered (gross)	Regeneration	141	200	44	98	172	Target is still expected to be met by end of March 2009. Being monitored due to current financial market with RSLs and Developers reluctant to commit to schemes which has resulted in some schemes being delayed to future years.	A	A	G	Δ	Δ	Δ	Outturn at 9 months on track to be better than last year, although achieving target remains challenging
156	Yes	14	Yes				Number of households living in Temporary Accommodation	Regeneration	133	109	115 (end August)	111	109	The Council has been swift to respond to the changes in the market, and is remodelling supply to meet demand. At the end of this quarter the target has been reached. It will continue to be a challenge to ensure that performance is maintained in the current economic climate.	A	A	G	◄►	Δ	Δ	Latest performance is achieving target
157						109a-c	Processing of planning applications as measured against targets for (a) 'major', (b) 'minor' and (c) 'other' application types	Regeneration	(a) 68% (b) 80% (c) 89%	(a) 60% (b) 65% (c) 80%	(a) 63% (b) 73% (c) 85%	(a) 60% (b) 71% (c) 86%	(a) 69% (b) 72% (c) 86%	Target for major developments is getting increasingly difficult to meet due to the downturn in economic activity. There are few new major applications coming in and hence the proportion of "old" ones still in the system is increasing - making the (a) 60% target especially challenging. The new Planning Obligations policy is also slowing down minor developments as more of them need agreements.	G	G	G	▽	▽	▽	Outturn worse than last year, but should achieve target
175							Access to services and facilities by public transport, walking and cycling	Regeneration	91%	91%	Outturn known March 2009			The ability to support these services and meet target relies on close management of the route contracts and access to Council revenue funding (which remained static for the past 3 years) and the continued receipt of the Rural Bus Subsidy Grant. The Rural Bus Subsidy Grant is now included within Area Based Grant and hence removal of this funding or an element of it would result in a significant threat to meeting this target.	R	A	A				Activity showing progress towards target, but no outturn available
185			Yes				CO2 reduction from Local Authority operations	Environment & Culture			Establish baseline by March 2009			A full inventory of the Council's vehicle fleet is currently underway. Sustainability commitments are currently being updated. The Carbon Board has been allocated £50,000 of additional funding for a number of projects to reduce emissions in future years. Successful Eco Schools event held in November.	G	G	G				Activity reported that should impact on the baseline
186	Yes	58	Yes				Per capita reduction in CO2 emissions in the LA area	Environment & Culture		13.1% less by 2010 against 2005 baseline	Outturn known March 2009			Energy Saving Trust training grant of £25,000 secured.	A	A	A				Activity showing progress towards target, but no outturn available
187							Tackling fuel poverty – people receiving income based benefits living in homes with a low energy efficiency rating	Regeneration			Establish baseline by March 2009			It has been agreed that baseline and target setting can be delayed until Apr-09 as the data presently available to calculate the baseline is inaccurate. West Midlands energy consultant, HESTIA have prepared an energy efficiency survey form which they will send out on behalf of Herefordshire Council. This will be conducted in January 09 in Herefordshire, requiring a minimum of 400 responses. Survey results will be fed into SAP software provided by DEFRA and act as a baseline for target setting from Apr-09.	G	G	G				Activity reported that should impact on the baseline
191	Yes	56a	Yes				Residual household waste per head	Environment & Culture	851.85 kg (2006/07)	762 kg	197.6kg to June	312.59kg to August	470.63kg to November		A	A	G				Latest outturn on track to achieve target
192				82a -H 82b -H 82c -H 82d -H			Household waste recycled and composted	Environment & Culture	30.26%	32%	31.12% to June	32.68% to August	34.25% to November		G	G	G	Δ	Δ	Δ	Outturn better than 30.61% at same period last year

Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel		Reason for Judgements
NIS	LAA	HCS	CP	BVPI	PAF	APA		July	September	December		July	September	December	July	September	December
193								66.4% to June	64.37% to August	63.42% to November		A	G	G			Outturn better than target
195		54	Yes	199a-c	Environment & Culture		(a) 10% (b) 12% (c) 2% (d) 1%	(a) 2% (b) 10% (c) 1% (d) 0%	(a) 3% (b) 19% (c) 1% (d) 0%			A	G	G			Outturn better than target in 3 of the 4 areas
196				199d	Environment & Culture	Grading 3	Grading 2	Grading 3	Grading 2			R	G	G	< >	Δ	Outturn better than last year and currently achieving target
197	Yes	55	Yes	57	Regeneration	28.70%	3.5% increase (30 sites)	Outturn known March 2009			Positive conservation management is understood as including those sites with their management schemes under the Woodland Grant Scheme, English Woodland Grant Scheme, Countryside Stewardship Agreements, Environmental Stewardship Agreements; along with all of the designated Sites of Special Scientific Interest and Local Nature Reserves (currently 109 in Herefordshire); and local sites with other specific management plans, e.g. Community Commons Project, Pond Restoration and Celebration Project and Earth Heritage Trust.	A	A	A			Activity showing progress towards target, but no outturn available
					Regeneration	164	110	4	5	43	This Figure is no longer a BVPI. However, target is expected to be met, but difficult to estimate given the delay in receiving data from other teams which has an impact on the delivery.	A	A	A	▽	▽	Amber judgement applied based on the current outturn but taking into account the activity suggesting that the target will be achieved
					Regeneration	5.06 weeks	1.5 weeks	5.29 weeks	10.74 weeks	5.91	There has been a sharp contraction in the use of B&B. This has been as a result of the remodelling of the temporary accommodation supply to meet demand.	R	R	R	▽	▽	Latest outturn better than target and last year
					Regeneration	27.43 weeks	1 week	11 weeks	24.71 weeks	21 weeks	A marked reduction in the number of households in hostel accommodation. There is currently 1 household in hostel accommodation. By the end of the final quarter it is predicted that the hostel will no longer be used and the target will be reached.	R	R	R	Δ	Δ	Outturn worse than target but better than last year
					Regeneration		Fewer than 3	7	7	7	5 of the 7 were foreign nationals. A report is to be produced to discuss any further action to be taken.		R	R			Outturn worse than target
					Regeneration	4	4	0.8	1.14	0.98	Currently slightly below target, although target is still expected to be met as proactive work continues to be carried out by the Homelessness & Housing Advice Team to prevent households from becoming homeless.	R	R	R	▽	▽	Outturn is still behind target and last year
					Regeneration	36.40%	<36.4%	36.40%	40.00%	34.00%	There has been a significant improvement in the last quarter bringing the figure back below the national average.	A	R	G	< >	▽	Outturn better than target and last year

Reference					Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn		Activity Reported	RAG rating			Direction of Travel		Reason for Judgements
NIS	LAA	HCS	CP	BVPI	PAF	APA			July	September	December	July	September	December	July	September	December
		59a-e					Ease of access to services	Regeneration		Establish baseline by March 2009	Mapping survey of Parish Councils being undertaken in conjunction with Planning Department. This will help inform the database which is being developed to collate information on the 10 key services detailed in the Household Survey. Multi use centres in development in Ledbury, Leominster and Peterchurch. Peterchurch is an example of joint service provision - early years will provide an outreach children's centre; library service to be provided.	R x5	R x5	G x5			Activity has now been reported that wasn't available for previous reports
		60b-f					Quality of Life - % of people who feel certain aspects need improving: b. Affordable decent housing c. Job prospects d. Level of crime e. Level of traffic congestion f. Wage levels and local cost of living	Regeneration		Establish baseline by March 2009	The Place Survey results will be available in March. b) see NI 155 (number of affordable homes delivered). c&f) Positive public campaign to give confidence to business sector centred on enterprising Britain award; see NI 171/172 and NI 166 (economic development and enterprise) d) Partnership with Local Police on addressing fear of crime entitled 'Not in Herefordshire'; see HCS 42c (safer and stronger) e) see NI 167 (economic development & enterprise)	A x5	G x5	G x5			Activity reported that should impact on the baseline

Organisational Improvement and Greater Efficiency

For comparison, September's figures are in brackets.

	No. of indicators	On course to achieve target (or establish baseline)	Some progress, but data / lack of data or analysis suggests that the target may not be achieved, but should be capable of achievement if remedial action is taken	Not achieved / not expected to be achieved / no activity reported
Corporate Plan (including LAA and HCS)	16 (16)	10 (6)	1 (4)	5 (6)
of which				
Local Area Agreement (LAA)	0 (0)	0 (0)	0 (0)	0 (0)
Herefordshire Community Strategy (HCS)	0 (0)	0 (0)	0 (0)	0 (0)
All reported indicators	27 (27)	18 (13)	4 (6)	5 (8)

Direction of Travel		
	September	December
Improving	5	11
No real change	0	1
Deteriorating	9	5
Total	14	16

Headlines

- Improved performance in the Use of Resources.

- Improvement in the Direction of Travel and Data Quality is expected to be confirmed by the Audit Commission in early March.
- A further 4 key indicators judged **Green**, 2 of which relate to the improved Use of Resources score and the anticipated improved score in the council's direction of travel judgement, to be published in late February / early March.
- Performance against equality indicators in human resources generally remain behind target, although there has been a slight improvement in the percentage of leadership posts occupied by women.
- Continued good performance in most areas of Revenues and Benefits.

Major risks and their mitigation

The following risks and their mitigations currently exist with the directorate of the Deputy Chief Executive:

- Failure to deliver services and meet key objective of achieving performance targets due to poor performance of ICT servers and network supporting Academy / Idox *mitigated by* the Benefit and Exchequer Services team working with ICT services to isolate the cause of the problem which is most likely the way in which the council has chosen to deploy the service.
- Failure to provide a 24 hour emergency response, resulting in Herefordshire public services not providing timely support to partners during an emergency *mitigated by* Emergency Planning Duty Officer scheme in place.
- Both Data Centres are in non-Council owned properties, are near capacity, plus there are environment issues such as power and fire suppression that need to be addressed. Loss of data centres will affect delivery of all services *mitigated by* (a) Data Centre/MRU relocation project approved by Cabinet 16/10/2008. Expected completion April 2011; and, (b) server virtualisation project in progress to decrease power consumption and physical space constraints. Project will also decrease recovery timescales for systems supporting services. Expected completion May 2009.
- Inadequate corporate and service planning and prioritisation around ICT investments is having a significant detrimental impact on the ability of ICT to deliver to customers timescales and meet the value for money requirements of the organisation *mitigated by* (a) Client Account Managers (CAMs) attend Directorate DMTs and run workshops with services to advise on planning ICT investments; (b) Service Plan Guidance 2008, requests IT development to be identified; (c) Business Case process in place (IPG); (d) Corporate ICT Strategy prioritises infrastructural and supporting technologies; and, (e) Representation from ICT Services on Accommodation Board.
- The inability to provide critical services due to the failure of the ICT networks *mitigated by* substantial capital investment in ICT network and disaster recovery arrangements; extensive ICT specific service continuity plans have been developed and are exercised; workshops held for all directorates and service continuity plans have been prepared and due for testing during the year in business critical systems and services.
- Previous hardware and software procurement by services has resulted in ageing hardware and software platforms with no forward plan or budgets identified for maintenance, support and replacement *mitigated by* (a) Herefordshire Connects programme replacing Social Care System; (b) planned replacement of finance, HR and payroll systems; (c) Library Services

accepted risk on current system; (d) collation of register of systems and support coverage to identify gaps in key service areas; (e) Critical systems identified by business (first pass complete continuous updating); (f) server virtualisation project to replace ageing hardware and improving resilience of applications, and, (g) desktop standardisation.

- Lack of resource to carry out surveys, extend opening hours, take on further services as part of Phase II of the Customer Services Strategy and undergo necessary ongoing training whilst maintaining front line service *mitigated by* improved performance by use of monitoring and amending working patterns.
- Technically exceeding the number of CRM professional licences required to run the Info service (includes back office and complaints *mitigated by* clarifying with SAP the specific type of licences required – particularly in respect of part-time staff and flexible workers. This may reduce the number of required additional licences. The review of named users has confirmed that we have a significant shortfall.
- The current service budget includes a £500k fund (a two year special provision) that was made for the initial set-up and operation of customer services. This funding is due to end in March 2009. Should this funding not be secured then the closure of some services will be required. For example; Closure of market town info shops *mitigated by* review of funding arrangement being escalated through the performance improvement cycle and a service improvement plan being produced for consideration by JMT in November. A detailed paper has been submitted in December 2008 to the Deputy Chief Executive and Director of Resources.
- Breach of Information Security from IT platforms *mitigated by* (a) external supplier for external penetration testing for website/network; (b) internal penetration testing capability being improved; and (c) education and awareness sessions for all employees/roadshows. Policies and procedures in place.
- Insufficient internal resources to deliver the projects *mitigated by* project managers tasked with completing readiness reviews. Until resources are in place, projects will not start.
- Lack of any formalised health and safety training matrix and insufficient assurance that practice is consistent across all Directorates *mitigated by* action being taken urgently to develop a formalised matrix and consequences of implementation will be taken to JMT for consideration.

The following risks and their mitigations currently exist with the Resources Directorate:

- Agresso Payroll is not fit for purpose. Meetings between Payroll and Agresso have provided assurance that the functionality is in place *mitigated by* update note to be submitted to JMT; existing payroll system (Selima) to remain operational until testing is signed off by payroll.

Deputy Chief Executive (Interim) Commentary

‘Performance Indicators:

Overall, the performance shows little change from the previous return and performance is broadly as expected. However, there are some issues of note:

- *The areas which continue to have a red rating are related to equality and diversity, although the percentage of staff who consider themselves to have a*

disability is now improved on last year and better than target. The other area relates to the average working days per employee per year lost through sickness absence.

As reported previously, the current HR/Payroll system has not held sufficient categories in relation to ethnicity to report 'white – other' category, which is artificially reducing the percentage of staff recorded as being from an ethnic minority. This can be rectified by the introduction of the new Agresso HR/Payroll in the autumn of 2009. In the meantime, figures reported in the Employee Opinion Survey (based on a return of 50% of staff) are more favourable and should be seen as a more realistic view of our staffing profile. In the Survey 2% of our staff say they are from an ethnic minority, in the white – other category. This would exceed the target. It should also be noted that, although the BPVI 16 (staff with a disability) is already green, 6% of our staff in the Employee Opinion Survey say they have a disability, which significantly exceeds the target and the reported figures from the HR/Payroll system.

Turnover in the top 5% of our staff is low and therefore the two indicators based on this have remained largely unchanged; the percentages indicating a shortfall are also based on very small numbers. However, work continues to encourage staff who develop a disability whilst in our employment to declare this, as this would affect the indicator.

There is a concentrated programme of work on sickness absence, with all DMT's being given a detailed briefing on their figures, ways in which improvement can potentially be achieved, and being asked to set themselves specific targets for improvement for each quarter of the year. Additional briefing materials and briefing sessions have also been arranged for line managers.

- *The Place Survey was completed in the autumn, in accordance with the prescribed methodology. The data is currently with the Audit Commission and will be available in early March.*

Connects:

Following completion of the evaluation for the 'Back Office' and 'Performance Management and Risk' systems, recommendations were made to Cabinet in November 2008. Agresso has been approved as the preferred technology system for Integrated Support Services and Inphase approved for Performance Management and Risk.

Other Matters:

The external review process for compliance with the Equality Standard will take place in w/c 9th February 2009.'

Resources Director Commentary

'The Resources directorate continues to deliver its services within the framework of the overall service plan and the individual plans agreed for the directorate's services. These have been updated as part of the current service planning round. Our plans set out what we will do to focus our activity on supporting council priorities as set out in the Corporate Plan 2008 – 2011. The Resources directorate contributes most to the council's corporate priority on 'organisational improvement and efficiency'. Performance management arrangements are now in place across the directorate at a team, head of service and directorate management team level. Monthly performance review meetings are in place to monitor progress with implementation of action plans

and provide feedback to staff in the directorate each month via Team Talk. As an integral part of the process we review our financial position and risk register on a monthly basis. The Cabinet Member (Resources) is also provided with a monthly report on directorate performance.

Outturn performance at the end of December for the indicator basket relating to the Resources directorate is in line with expectations at this point in the year. The collection rate for council tax and business rates is holding up well despite the economic downturn. We are paying our suppliers on average 17.5 days after receipt of invoice. This is a good performance given the former best value performance indicator had a target of 30 days.

The Financial Services team has contributed £400k to an improved corporate position by exceeding this year's treasury management income targets but the much reduced base rate has started to affect the level of interest received and the position in 2009/10 will see a much reduced level of interest and this is being reflected in the budget.

The feedback from the external auditor on our Use of Resources assessment for 2008 has been very positive and we have moved to a score of '3' indicating good progress. All areas show improvement with Financial Reporting assessed as having a very good performance and being scored at a level of '4'.

Overall, the direction of travel for the Resources directorate remains positive.'

Reference			Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel			Reason for Judgements
NIS	LAA	HCS					CP	BVPI	PAF		APA	July	September	December	July	September	
14			Yes		Deputy Chief Executive		Establish baseline by March 2009			An implementation plan has now been produced. Work is underway with the Research Team to ensure data collection. Training of Customer Services team leads took place in December.	A	R	G				Activity reported that should impact on the baseline
					Resources							A	G	G			Target achieved
179			Yes		Resources							A	A	A			Proportionately, latest outturn is marginally worse than target
180					Resources							A	G	G			Latest outturn better than target
181					Resources							G	G	G			Latest outturn better than target
				8	Resources							A	G	G			Latest outturn better than same period last year
				9	Resources	98.62%					86.78% at same period last year.	A	G	G	▽	△	Latest outturn marginally worse than same period last year
				10	Resources	98.63%					88.24% at same period last year.	G	R	A	△	▽	
				78a	Resources	27.08 days					26.15 days at end of November last year	G	G	A	△	△	Latest outturn worse than target, but better than same period last year
				78b	Resources	13.26 days					13.34 days at end of November last year	R	G	G	▽	▽	Latest outturn better than target
				79b i	Resources	62.30%				53.44% at end of November last year	G	A	G	△	▽	Latest outturn better than target and same period last year	
				79b ii	Resources	48.90%				32.64% at end of November last year	G	G	G	△	△	Latest outturn only marginally worse than target, but significantly better than same period last year	
			Yes		Resources	2	3		3		A	A	G			Target has been achieved.	

Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating		Direction of Travel		Reason for Judgements
NIS	LAA	HCS	CP	BVPT	PAF	APA		July	September	December		July	September	July	September	December
			Yes	VFM PROC ST 5: Percentage of total non-pay channelled directly through collaborative procurement arrangements with other buying organisations	Resources		3%			2.74%	We continue to monitor compliance with the Council's policy on using West Mercia Supplies. The Strategic Procurement Manager advises on the use of framework contracts wherever possible. A rolling programme of financial management training for officers and councillors including procurement is scheduled with positive feedback on the sessions held to date. Resources continue to reinforce the message but all directorates need to ensure they adhere to Council policies and procedures.	A	A			Outturn is worse than target
			Yes	11b The percentage of the top-paid 5% of Local Authority staff who are from an ethnic minority	Deputy Chief Executive	2.36%	3%	2.26%	2.33% (3 / 129 staff)	2.29%	2.73% at end of September last year. Work continues to address this in line with our agreed approach to equality and diversity.	R	R	▽	▽	Latest outturn is worse than target and last year.
			Yes	11c The percentage of the top-paid 5% of staff who have a disability (excluding those in maintained schools)	Deputy Chief Executive	0.79%	1.40%	0%	0.00%	0.00%	This is a group with little turnover, e.g. there were no leavers or starters in the period covered. The group is small, some 130 staff, with a target of only 2 people, but it is also a factor that people do not always declare a disability and people who have been with us for some time may have developed a disability which we are not aware of. Work to be undertaken to address this issue.	R	R	▽	▽	Latest outturn is worse than target and last year.
			14	The percentage of employees retiring early (excluding ill-health retirements) as a percentage of the total work force	Deputy Chief Executive	0.28%	<0.28%	0.07%	0.41% (18 employees)	0.02%		G	R	△	▽	Latest outturn is better than target.
			15	The percentage of Local Authority employees retiring on grounds of ill health as a percentage of the total workforce	Deputy Chief Executive	0.16%	<0.16%	0.07%	0.07% (3 employees)	0.00%		G	G	△	△	Latest outturn is better than target.
			Yes	Direction of Travel assessment based on the rate of improvement	Deputy Chief Executive	Improving adequately	Improving well	Outturn to be published in February				A	A			Feedback from the Audit Commission suggests that the Council has achieved a higher score than last year, although this will not be confirmed until publication in February
			Yes	Investors in people accreditation	Deputy Chief Executive		Accreditation (2009-10)	Not known until Autumn 2009			Work is underway to develop a corporate action plan which will lead to accreditation in 2009/2010.	G	G			Activity showing progress towards target, but no outturn available
			Yes	Average days per full-time employee per year invested in learning and development	Deputy Chief Executive		Establish baseline by March 2009				Information has not been collated centrally to date. Work is underway to establish the current overall expenditure on learning and development within the council.	G	G			Activity reported that should impact on the baseline
			Yes	12 Average working days per employee (full time equivalent) per year lost through sickness absence	Deputy Chief Executive	8.58 days	8 days	9.21 days	9.16 days	8.52 days	7.99 days at end of October 2007. Following on from the implementation of the new policy, an action plan is being developed including more information at directorate level. This will be used to agree targets and actions in services.	R	R	▽	▽	Latest outturn is worse than target and last year
			Yes	11a Percentage of leadership posts occupied by women	Deputy Chief Executive	40.94%	42%	42.86%	40.31% (52 / 129 staff)	41.98%		G	R	△	▽	Latest outturn is only marginally below target but better than last year, and improving enough in the last quarter to suggest target will be achieved.
			Yes	16 Percentage of employees who consider themselves to have a disability	Deputy Chief Executive	0.86%	>0.86%	0.96%	0.88% (54 staff)	0.89%		G	G	△	△	Latest outturn is better than target and last year.

Reference				Indicator	Lead Directorate	2007-08 Outturn	2008-09 Target	Latest Outturn			Activity Reported	RAG rating			Direction of Travel		Reason for Judgements
NIS	LAA	HCS	CP	BVPT	PAF	APA		July	September	December		July	September	December	July	September	December
			Yes	17	Percentage of Black and Minority Ethnic (BME) employees in the workforce	Deputy Chief Executive	0.73%	>0.73%	0.68%	0.61% (37 staff)	0.63%	R	R	R	▽	▽	Latest outturn is worse than target and last year.
			Yes		Data quality measured in terms of the Audit Commission's four-point scale	Deputy Chief Executive	2	2	Outturn to be published in February		The Council is audited each year between June and August, mainly on its data quality improvement work in the previous financial year. The results are published in the following February (i.e. some 10 months after the end of the year to which they primarily relate. This is not a scored audit, rather the results are deduced from the auditor's feedback. Progress against the Council's data quality improvement plan is reported regularly as required by the Cabinet approved policy. The draft results of the 2008 audit are expected shortly.	G	G	G		◁▷	Activity showing progress towards target, but no outturn available although feedback is positive
			Yes		Commissioner and user satisfaction index – measuring the perceptions of service users and commissioners of the effectiveness of the service.	Deputy Chief Executive		Establish baseline by March 2009			A number of surveys have been completed, the results of which will be available at year-end.	G	G	G			Activity reported that should impact on the baseline
			Yes		Unavailability of ICT services to users	Deputy Chief Executive		Establish baseline by March 2009			This is the first time performance has been measured in relation to this indicator. Discussions are underway to establish appropriate targets. It should be noted, however that this figure can only be measured at present against internet and microsoft exchange. Additional resources will be required to broaden this analysis to all business critical systems.	G	A	A			Activity reported that should impact on the baseline, although activity suggests there may be issues with resources

Crookall Review

To provide members with assurance that work is being progressed on the issues identified in the action plans arising from the Special Report by the Director of Resources and the subsequent Independent Review of Herefordshire Council's ICT Financial and Contractual Governance Arrangements (Crookall Review), Cabinet agreed at its meeting on 27th March 2008 that progress be monitored within the overall performance and risk reporting framework provided by the Integrated Corporate Performance Report (ICPR).

The updated action plans are attached below. Those actions previously reported as completed have been removed to avoid unnecessary repetition. Of the 13 remaining actions a further 3 have been completed. The remainder are being progressed in line with the recommendations. As they are all continuing (for example organisational development, officer and member training, or a rolling programme of policy reviews) it is more appropriate for the actions to be taken forward as part of service plans and performance monitoring. This is therefore the final report in this format.

Crookall Review Action Plan

	Action	Lead	Progress
2.	Member Development Policy Group be asked to give consideration to the suggested actions in respect of member training, support and development, and bring forward an action plan to Cabinet.	Chief Executive/ ACE (L&D)	The Leadership Centre for Local Government is providing facilitation for this work liaising with the Member Development Policy Group and aligning with the overall organisational development programme.
3.	Consideration be given to the suggested actions in respect of: <ul style="list-style-type: none"> • The structure for management and effective deployment of the key corporate resources. • The development and team building of the senior management teams of the council. 	Chief Executive/ ACE(HR&OD)	The unified senior management structure is complete with interim arrangements in place in respect of the DCE post. Organisational development (OD) initiatives are now underway across the Council, including leadership, management and team development. This includes work with JMT facilitated by the Office for Public Management and member development activities facilitated by the Leadership Centre for Local Government. This OD activity is being aligned with other initiatives within the PCT, such as the OD Plan for World Class Commissioning and will feed into an overarching Organisational Development Strategy which will provide the framework for all future initiatives.
4	Consideration be given to how best to re-establish trust and confidence between members and officers, and between officers and officers, based on an approach which encourages appropriate challenge, resolves issues with a way forward that is supported by all, and creates the discipline to follow through and abide by decisions taken.	Chief Executive	To be progressed through organisational development and member development work mentioned above, ensuring both dovetail throughout the respective processes.
5	Consideration be given to the suggested actions in respect of: <ul style="list-style-type: none"> (a) The need for additional specialist audit ICT resource (b) Proposals for strengthening the strategic 	DoR(HC)	<ul style="list-style-type: none"> (a) Completed. The new Audit services structure has been implemented. All appointments will be taken up by December. Vacancies are currently being covered by temporary resource. (b) Completed. The final report on the council and

	Action	Lead	Progress
	<p>procurement function</p> <p>(c) Proposals for appropriate financing models for corporate services and bring forward an action plan to CMB.</p>		<p>PCT's procurement arrangements was received at the end of September. The RIEP has offered further funding to assist in taking this forward.</p> <p>(c) In early June 2008, the Chief Executive initiated a Shared Services Strategic Review. Integrated Shared Support Services is confirmed as one of the key strategic service improvement programmes. The shared service review will encompass consideration of appropriate funding models for each corporate support service, and will produce its full options appraisal in Spring 2009.</p>
6	<p>The relevant professional officers (Monitoring Officer, Section 151 Officer, Interim Head of Human Resources) be asked to lead reviews of the Council's procedures and protocols, and the corporate rules, standards and processes to ensure they are fit for purpose, proportionate and workable. Review programmes to be reported to CMB.</p>	Chief Executive	<ul style="list-style-type: none"> • A policy approval procedure has been put in place to support consistency in policy and procedure development, communication and embedding. • Over the past 12 months high risk policies have been reviewed and refreshed and a number of new policies have been developed with trades union colleagues across the Council and PCT. The new policy re processes for the engagement and payment of external contractors (i.e. interims) will be considered by JMT at its meeting on 24 February. Lower risk policies are now being reviewed and a rolling programme for future review established. • A register of policies now exists, including dates for when policies are to be reviewed. As existing lower risk policies are reviewed these are added to the register. • A fundamental review of the Council Constitution has been commenced, with a view to a refreshed constitution being available for adoption by Annual Council in May 2009.

	Action	Lead	Progress
7	Consideration be given to the suggested actions in respect of refreshing and embedding an effective performance management culture, and an action plan brought forward to CMB.	ACE(HR&OD)/DCE	Work is already underway on revisions to the performance appraisal system, which will have a significant impact on the performance management culture. Performance management systems and reporting mechanisms are currently being reviewed and further strengthened to give a renewed, sharper focus to performance management; actions arising from the review will be implemented in the first quarter of 2009.
11	Clear guidelines be established and embedded in respect of close personal line management relationships.	ACE(HR&OD)	Completed. New policy in place.
12	Consideration be given to the suggested actions in relation to officer training and development needs, and an action plan be brought to CMB.	ACE(HR&OD)	Requirements are being considered within the organisational development process. Training and awareness specifically in relation to policies is now built into the new policy approval process.

Special Report Action Plan					
	Issue to address	Agreed corporate response	Responsible officer(s)	Revised date	Progress
4.	Establish permanent managerial arrangements for ICT and Customer Services.	CMB to discuss and agree proposals from DC&CS.	DC&CS CMB	Subject to substantive DCE appointment	Interim managerial arrangements have been in place since April 2007. Permanent managerial arrangements will be established as part of the revised senior management structure.
9.	Improve the quality of working papers/files recording business activity.	Guidance on the standards of record keeping needs to be devised.	Information Manager Democratic Services Manager CIA	April 2009	Work is being undertaken by DCE and ACE (L&D) across the council & PCT re governance and reporting arrangements including quality of reports presented. Aligned to this, standards are being developed linked to the Data Quality Policy and information management requirements, for the maintenance of efficient and effective records, and to ensure consistency of approach.
11.	Improving financial governance in ICT and Customer Services.	DC&CS to implement agreed action plans for the FMS system in ICT, travel and expenses and use of contractors audit reviews.	DC&CS DoR	October 2008	Completed. Actions have been completed to time. Internal Audit were scheduled to complete an 'Audit of Audits' during the first quarter of 2008/09; this was rescheduled to the second quarter. The Chief Internal Auditor reported to the Audit & Corporate Governance Committee in November 2008 that he was very pleased with overall progress and was confident that this will be maintained.
16.	Enhance Key Manager's financial skills and knowledge of the Council's approved corporate governance framework, ensuring the message is constantly reinforced through effective training.	Make attendance on training courses a pre-requisite to getting a "licence to practise" as a manager. Attendance at refresher training courses will also be mandatory.	HoHR HoFS MO CIA	2009/10	Financial Management training (including procurement) has been revised to incorporate the new Financial and Contractual Procedure Regulations. A leadership framework has been developed as part of the organisational development work facilitated by OPM. During 2009/10 this will be further developed to include the identification of key skills for managers, and mandatory training requirements. Member training has also been implemented.

19.	Enhance strategic procurement capacity to ensure compliance with the Council's contracting policies and procedures.	CMB to agree additional resources to centralise monitoring of contract procedures within Resources. This can be met from the existing base budget for the Resources Directorate.	CMB DoR	December 2008	Completed. Council's Procurement Strategy was revised as reported to Cabinet in July. The West Midlands Centre for Excellence completed a review of the council and PCT procurement arrangements. The RIEP has offered further funding to assist in taking this work forward.
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BUDGET MONITORING 2008/09**Report By: Director of Resources****Wards Affected**

County-wide

Purpose

1. To report to Strategic Monitoring Committee on the council's performance against revenue and capital budgets as at 31 December 2008 and provide an indication of the estimated outturn for the 2008/09 financial year.

Financial Implications

2. As set out in the attached appendices.

Background

3. Details of the forecast of revenue and capital outturn for 2008/09 based on service and financial performance information as at 31 December are attached.
4. Appendix A includes the detailed revenue budget report. The revenue position is shown in summary and then further detail is given by directorate. The overall position shows a projected underspend of £238k, which represents approximately 0.2% of the Council's net budget.
5. The projected revenue position has improved by £1.53m since September which reflects the on-going work to deliver recovery plans, the application of non-recurring funding and underspends on treasury management activities.
6. The capital programme budget monitoring is at Appendix B. The overall position is a forecast expenditure of £65.7m. The increase from the original budget of £57.9m is fully funded and includes all sources of finance including grants.

RECOMMENDATION

THAT the report be noted, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

None

2008/09 REVENUE BUDGET MONITORING

Summary

1. The following table summarises the 2008/09 projected outturn as at the end of December 2008.

Area	2008/09 Budget £000	September 2008 Net over or (-) underspend £000	December 2008 Net over or (-) underspending £000	Movement Reduction (-) or increase(+) £000
Adult Services	40,305	300	509	209
Children & Young People	25,886	6	-136	-142
Deputy Chief Executive	12,072	220	0	-220
Environment and Culture	27,728	626	0	-626
Regeneration	10,432	340	206	-134
Central Services	2,824	0	0	0
Resources	8,356	0	0	0
<i>Directorate Position</i>	<i>127,603</i>	<i>1,492</i>	<i>579</i>	<i>-913</i>
Borrowing	12,322	0	-500	-500
Investments	-1,742	-200	-300	-100
Area Based Grant *	-3,580	0	0	0
Transfers to Reserves	217	0	0	0
WMS Profit Share	-536	0	-17	-17
Transfer from Reserves	-2,506	0	0	0
Net Position	<u>131,778</u>	<u>1,292</u>	<u>-238</u>	<u>-1,530</u>

*Area based grant is distributed to Directorates on the basis of actual spend.

2. The overall revenue budget position for 2008/09 shows a projected £0.238m underspend. This is approximately 0.2% of the council's £131.778m revenue budget (excluding Dedicated Schools Grant funding).
3. The position has improved by £1.53m since September 2008. The detailed movements are explained in the report and are largely assisted by identified non-recurring sources. The position for the Environment and Culture Directorate now includes the application of the Bellwin reserve (£464k) and £200k for the HALO job evaluation costs.

August 2007 Floods and the Restoration Fund

4. As indicated in previous reports a further allocation of central government funding for the 2007 floods was announced on 17 July 2008 that distributed the £30.6m Restoration Fund. A total of 62 local authorities received an allocation with Herefordshire's funding being £429k. The Government did not issue guidance on how the Restoration Fund should be spent because it feels that local authorities are best placed to decide what is best for their areas.
5. The allocation is a one-off source of funding and is to be allocated to the Environment & Culture Directorate to offset budget pressures in this financial year.

Recovery Plans

6. Following the initial budget outturn projections for 2008/09 that indicated a £1.671m overspend the Chief Executive gave clear instructions that directorates are to deliver balanced budgets. As a result, all directorates put together budget recovery plans with the support of Financial Services. The improved position since September reflects the impact of these plans as well as the identified non-recurring funding.

Revenue Reserves Position as at 31 December 2008

General Reserves

7. As at 1 April 2008 the balance on the general reserve was £6.7m. The council's Medium Term Financial Management Strategy (MTFMS) sets out the council's approach to managing general fund balances and specific reserves and ensuring a balanced budget. A key message is a move away from a higher level of general fund balances to specific reserves to deal with identified key corporate financial risks.
8. The MTFMS specified that from 2008/09 the recommended minimum level of general revenue balances would be £4.5m.
9. The projected balance on the general reserve for the end of 2008/09 financial year is as follows:

	£m
Balance brought forward	6.728
Transfer of the projected underspend	0.238
HALO JE	(0.200)
Projected year end balance	6.766

Earmarked Reserves

10. At 1 April 2008 the council held £16.572 million of earmarked reserves. This includes ring-fenced school balances reserves of £5.657m. The following table summarises the earmarked reserves held:

Reserve	£000
Community Buildings	64
Commuted sums	78
Schools balance in hand	5,657
Industrial Estates – maintenance	223
Support Services & Equipment renewals	276
Schools Balance of Risk	289
Winter maintenance	500
Planning	24
SRB Schemes	51
College Hill Community Centre	180
Waste Disposal	2,274
LSC	32
Herefordshire Connects Project	420
Wye Valley ANOB (AONB)	79
Invest to Save/Initiatives fund	1,115
Contingent liabilities	300
Social care contingency	677
Standards fund	92
Modernisation plans	300
2008/09 budget capacity	1,500
Edgar Street Grid	41
Whitecross School PFI	108
Bellwin Threshold	505
LPSA 2 reward grant	1,148
Herefordshire Safeguarding Children Board	48
Accommodation	591
Total	<u>16,572</u>

ADULT SERVICES DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget for 2008/09 £000	September 2008 Net over or (-) underspending £000	December 2008 Net over or (-) underspending £000
Adult Social Care	37,937	510	680
Supporting People	74	6	31
Modernisation	1,027	-55	-41
Commissioning and Improvement	1,267	-161	-161
TOTAL	40,305	300	509

11. The projected outturn for Adult Services is an overspend of £509k. The projection assumes the PCT will meet £850k of learning disability continuing healthcare clients.
12. The position is supported by £503k of eligible housing related support income from Supporting People. This has been allocated across all client groups within Social Care as follows; £303k Learning Disabilities, £83k Mental Health, £91k Older People and £26k Physical Disabilities.
13. There have been a number of budget transfers from the modernisation heading to learning disabilities and older people and these now form part of the base budget for these areas. This has led to an increase in the Learning Disabilities Pool Budget Contribution of £176k. The forecast underspend of £41k within modernisation is due to slippage of two schemes; carers network and additional brokerage budget which will no longer go ahead.
14. Within the learning disability service, the majority of the assessments for eligibility for continuing health care of the agreed group of 26 individuals have been completed. It is likely that the numbers deemed eligible are slightly lower than had been anticipated and the assumed budget impact has therefore been reduced from £942k as previously reported, to £850k. We await confirmation from the PCT of the final figure. Work is still on-going to transfer clients into supported accommodation which is expected to generate a further £15k of savings within the final quarter of the year. The service has also committed to pay some transition payments to aid clients into individual budgets, which has impacted on the December outturn.
15. There have been some cost increases in the provision of domiciliary care provided within physical disabilities due to a number of clients affected by recent weather conditions. The increased demand within the Community

Hospitals has led to early discharge and additional homecare packages put in place as a result.

16. There has been a reduction in the number of residential care packages within mental health. New clients, particular older people with dementia, are now benefiting from the modernisation services and the flexibility of the different spending within invest to save. The allocation of one-off supporting people grant within mental health, reductions in commitments since budgets were initially set and additional investment from modernisation has led to a forecast underspend position for mental health.
17. For older people services there is continuing pressure for payment of third party top-ups due to the lack of alternative residential care meeting the council's fixed rate.
18. The 2008/09 supporting people grant of £7.06m is now fully committed plus a further £1.4m of commitments, which have been set against the brought forward balance of £5.681m. There are a number of other pilot projects which may assist in the further utilisation of grant funding. The outturn prediction is subject to fluctuation due to the variable nature of the contracts with providers.

Recovery Plan

19. The Adults Service recovery plan is on target to produce a balanced position but continued efforts are needed to manage increased demand within the budget. Work is still on-going to transfer clients into supported living and assumptions are based on the continuation of packages to the end of the financial year.
20. Other funding sources are being explored to help fund the transformation programme and to assist the budget situation.
21. A review of high cost out-of-county placements is being carried out to look at alternative patterns of care which would ease the budget pressures.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget for 2008/09 £000	September 2008 Forecast Net over or(-) Underspending £'000	December 2008 Forecast Net over or(-) Underspending £'000
Inclusion & Improvement	5,672	-120	-240
Safeguarding and Assessment	10,982	-8	-30
Planning, Performance & Development	7,074	-118	-35
Locality Teams	100	0	-10
Central Directorate - budget savings to be agreed	599	252	179
Grants	1,459	0	0
Total	25,886	6	-136

22. The Directorate's financial position has improved by £142k since September 2008. There are a number of adjustments across all service areas which have contributed to the improved position.

Analysis of the movement in the forecasted outturn.

Inclusion & Improvement - £120k Improvement

	Improved £'000	Deteriorated £'000
Children with Disabilities		19
Joint Agency Management	- 105	
Early Years		99
Ed Welfare Officers		5
I&I Management	- 68	
SEN	- 9	
School Improvement Service	- 37	
Youth Service	- 37	
Youth Offending Team		13
	- 256	136

23. The Inclusion and Improvement Service budget position has improved since the end of September. The service is now expected to underspend by £240k, an

improvement of £120k. The Joint Agency Management budget is the main reason for this improvement within the Inclusion & Improvement Service with a forecasted underspend of £180k, an improvement of £105k.

24. The improved position also includes an estimated reduced match funding contribution towards Area Based Grant of £52k. This has contributed to the overall improvement of £68k.
25. The Early Years movement of £99k relates to the £100k contribution for Hollybush from the Early Years & Childcare Grant which has now been offset against Efficiency Savings within the Central Directorate.
26. The forecasts for the School Improvement Service and Youth Service have been reassessed and they have both improved by £37k but the School Improvement Service is still forecasted to overspend by £92k.
27. Other minor adjustments to the forecast have been made within the Inclusion & Improvement Service. The Vulnerable Children's budget is forecasted to under spend by £14k as advised by the budget holder, the forecast is inline with current levels of expenditure. The forecast for the Youth Offending Team has been adjusted to reflect the current agreements which have been agreed with Worcestershire CC. The Education Welfare budget has now transferred over from the Safeguarding and Assessment Service.

Safeguarding and Assessment - £22k Improvement

	Improved £'000	Deteriorated £'000
Assessment & Family Support	- 7	
Agency Placement		19
Looked After Children	- 2	
Staff Expenditure	- 32	
	- 41	<u>19</u>

28. Although external placements have reduced from last year's high point, the number of future placements can vary. Therefore, it is prudent to expect numbers to rise to an estimated 32 residential and fostering places during the remainder of the year. These placements can be expensive and typically each one costs in excess of £150k. Hence any additional placements will significantly impact on the forecast expenditure. Numbers have remained static this month and negotiations to obtain discounts for multiple placements with the same provider should help with future costs.
29. In-house fostering placements stood at 113 in February 2008 but numbers continue to drop and in November stood at 95. The main improvement is in the area of adoption services and is due to the reduction in the forecast on inter-agency adoption placements.

Planning, Performance & Development (PP&D) £83k Deterioration

	Improved £'000	Deteriorated £'000
Management PP&D	- 13	
Property		26
Transport		70
	<u>- 13</u>	<u>96</u>

30. Small adjustments have been made to reflect staffing and structural changes which have resulted in budgets transferring between Property and Management.
31. The forecasted underspend on the Transport budget has decreased by £70k since the end of September from £179k to £109k. Work is still ongoing to develop a robust monitoring and forecasting system for transport expenditure, so there is a degree of risk with the current forecasting figures.

Community Operations - £10k Improvement

	Improved £'000
Management CO	10
	<u>10</u>

32. The Head of Service cost centre is now forecasting to under spend by £10k due to the vacancy which existed during the summer of 2008.

Central Directorate - £73k Improvement

	Improved £'000
Efficiency Savings	- 70
Central Management	- 3
	<u>73</u>

33. The overall central directorate overspend has improved by £73k since September this is due to the £100k contribution for Hollybush from the Early Years & Childcare Grant which has now been offset against Efficiency Savings within the Central Directorate. The cost of advertising for new Heads of Service and interim management costs have also contributed to the projected overspend by £75k.

Dedicated Schools Grant 2008/09

34. An under spend in Dedicated Schools Grant (DSG) of £1.1m is currently forecast comprising backdated charitable rates relief for voluntary aided schools (£417K), further savings are expected as more VA schools complete and return the application forms, Joint Agency Management and other education only placements (£328k) and the additional grant (£112K). Spending on banded funding is now expected to be on budget. DSG is ring-fenced and any under or over spend must be carried forward to 2009/10. Director of Children's Services recommends the underspend is used to offset increasing costs in 2009/10

which are incurred centrally because of the impact of falling rolls in Herefordshire Schools and subsequent redundancies.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget 2008/09 £000	September 2008 Net projected over or (-) under spend £000	December 2008 Net over or (-) under spend £000
Herefordshire Connects	1,137	1,387	1,387
Less: Reserves (Herefordshire Connects)		-1,387	-1,387
	243	40	-10
Herefordshire Partnership	395	0	-10
Communications	283	0	-20
Director and Administration	157	0	0
Emergency Planning	2,609	180	180
Legal and Democratic	1,777	-50	-50
INFO	737	0	-10
Policy & Performance	363	0	0
Information Services	766	0	-50
Corporate ICT Projects	1,019	0	0
ICT Services	59	0	-20
Corporate Programmes	1,100	0	-10
Community Network Costs	1,427	50	0
Human Resources			
TOTAL	12,072	220	0

35. In November Cabinet considered the proposals for a refreshed Herefordshire Connects Programme, including costs over a 5 year period. The additional costs identified for 2008/09 were £1.4 m to be met by a combination of £420k Herefordshire Connects Reserve and £980k of the Invest to Save reserve.

36. The Legal and Democratic Services budget pressure is due to a reduction in income for Land Registry. Private sector companies are now competing for this income, and the current trend suggests income will be less than budget by £130k. Work is underway to look at the charges for land charges enquiries. The costs relating to the Coroner's Services is uncertain as the council is now required to pay for inquests for service personnel. Additionally costs of up to £50k will be incurred for an inquest in which there was a Coroner's error last year.
37. INFO has additional funding of £500k in 2008/09, at the current full establishment this would generate a £50k under spend. However the purchase of additional CRM licences and maintenance could cost £80k. The customer services strategy is currently being reviewed to assess how the service is taken forward.
38. The Corporate Programmes budget is funded from generating income through work on projects. Any change in the demand for corporate programmes involvement will affect the budget outturn.
39. ICT is operating to a balanced budget, assuming SLA income of £2.3m and recharges to directorates for project work of £500k. To help deliver the ICT strategy £247k has been allocated to Corporate ICT Projects as part of the 2008/09 budget.
40. For 2009/10 it is proposed that ICT and Corporate Programmes move to a base budget funded approach rather than rely on recharging for their services.

Human Resources

41. Human Resources is now included within the Deputy Chief Executive's Directorate. There are budget pressures in this area due to the need to fill interim vacancies using agency staff and the recruitment of a new CRB team without budget being identified. This pressure is addressed in 2009/10 with the allocation of £88k.
42. Savings have been identified to balance the budget in 2008/09. Within HR it is expected that careful budget management for the remainder of the year should enable a break-even position to be achieved.

ENVIRONMENT & CULTURE DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget 2008/09 £000	September 2008 Net over or (-) under spending £000	December 2008 Net over or (-) under spending £000
Highways	5,932	645	1,343
Environmental Health and Trading Standards	2,130	0	0
Waste Management	11,551	110	-450
Culture & Leisure	7,757	300	200
Directorate Management & Support	358	0	0
Less: Restoration Fund	0	-429	-429
Bellwin threshold reserve	0		-464
General reserve contribution to HALO Job Evaluation	0		-200
TOTAL	27,728	626	0

43. The position for the directorate is assisted by the non-recurring funding available in 2008/09 with the Council's £429k Restoration Fund allocation being applied to meet costs associated with the 2007 floods.
44. Following the floods in September and November 2008 Highways incurred total emergency repair work of £633k. The council was able to apply for funding for this work under the Bellwin scheme, although the first £433k and 15% of any further claim (currently £31k) has to be funded by the council. A specific reserve was set up to cover this threshold and the forecast assumes that this is applied to meet the costs incurred up to the threshold. However the final position will depend on the overall outturn.
45. Cabinet has agreed that the additional costs payable to HALO in relation to increased job evaluation costs will be funded from reserves on a one-off basis. In future additional budget provision will be included within the MTFMS to deal with these costs.
46. After taking account of the funding from general and specific reserves the revised forecast for Environment and Culture will be a break even position.
47. Agreement had previously been given that an additional £200k of costs to support the service delivery review will be met from increased corporate investment income.

Highways

48. The current budget projections include a forecast overspend on winter maintenance of £700k following a reported 'coldest December for 30 years' and on-going 'cold snap' into 2009. There is a £500k winter maintenance reserve available for one-off funding but this is for exceptional conditions. The current projection does not include drawing on this non-recurring source of funding. Its use will be a matter for decision making during the closedown of accounts.
49. Car parking fee income was expected to increase in 2008/09 following the introduction of parking fee increases on 1 June 2008. Despite the increase in charges, the overall income received to the end of December indicates a £240k reduction on the previous year. The assessment is that the economic slow down has affected the level of income.
50. The de-trunking of the A465 has seen a £140k grant allocated to the council for road maintenance. The Director's initial assessment was that this would be required in full in 2008/09, however £100k of the grant will now be used to fund additional winter maintenance costs.
51. There is pressure on the Highways' budgets in relation to contract inflation on Roads Maintenance and Street Cleansing. Whilst every effort is being made to manage these pressures within budget, Street Cleansing is likely to overspend by £90k.
52. A saving of £50k through staff vacancy management will be achieved due to the recruitment freeze pending the service delivery review. Overall there is a projected £1,343k overspend on highways before taking account of transfers from reserves.

Environmental Health & Trading Standards

53. The overall assessment is that this will balance to the budget although Markets and Fairs face continuing pressure.

Waste Management

54. It is projected that Waste Management will be under budget by £450k. This overall position includes contract inflation increases on the Waste Collection contract of £350k. This will be mitigated by an under-spend on Waste Disposal of £700k and forecast increased income of £100k for commercial waste.
55. Current estimates from Worcestershire County Council (WCC) of Waste Disposal contract costs project an expected underspend of £700k on Herefordshire's Waste Disposal budget for 2008/09 and this is included in the overall projection. This revised estimate reflects a reduction due to credits received for the Weee (Waste electrical and electronic equipment) expenditure following the agreement of the contract variation and a revised forecast for tonnages which in general have reduced. The total reduction in forecast costs due to these two factors is £200k.
56. The cost of the new waste disposal contract will be considerably higher than at present. In previous years any in-year underspend on the contract has been be

transferred to reserves to meet future waste management pressures. The MTFMS includes an increase of £500k per year to the Waste disposal budget.

57. There are risks that if waste growth/reduction between Herefordshire and Worcestershire varies by more than 1% to the detriment of Herefordshire then Herefordshire will need to increase its contract payments by £300k. Currently Worcestershire's waste tonnages are decreasing at a faster rate than Herefordshire's and there are risks that the trigger point could be hit. However, the latest analysis suggests this will not be an issue in 2008/09.

Culture & Leisure

58. An overspend of £200k is currently predicted for Culture & Leisure. This includes an expected overspend of £200k in relation to the HALO job evaluation payment issue. The council has a legal requirement to meet in full the financial impact of increases in pay of transferred posts affected by the single status agreement. The original central budget was set based on assumptions that were reasonable at the time about pay grades. Over time funding has become insufficient as staff have progressed through pay grades. For 2008/09 this will be met by transferring the sum from reserves at year end. From 2009/10 the amount is being built into the council's base budget.
59. The other main area of overspend is the cost of maintaining public access PCs within Libraries which resulted in an overspend of £88k in 2007/08. This year this is likely to £80k. One-off savings within the Library Service have been identified to mitigate this cost. Budgets will need to be reviewed in future to deal with this recurrent cost pressure.

Directorate Management and Support

60. The 'Big Conversation' consultation exercise is estimated to cost £78k with costs being met from vacancy management. The overall position is that the budget will balance for this area when vacancy factors are taken into account.

Recovery Plan

61. At this stage of the year there is an estimated break even financial position at year end but this will continue to be carefully monitored.

REGENERATION DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget for 2008/09	September 2008 Net over or (-) underspending	December 2008 Net over or (-) underspending
	£000	£000	£000
Planning	1,866	162	291
Transportation	3,928	0	0
Economic & Community	2,257	0	-53
Strategic Housing	1,919	273	160
Management & Admin	462	-95	-192
TOTAL	10,432	340	206

62. The latest position is a forecast overspend of £206k, an improvement of £134k since the September position. The pressure areas remain Planning and Strategic Housing.

Planning

63. The outturn forecast for Planning has deteriorated significantly since the September forecast. The levels of income generated from planning applications and building control charges are closely tied to the external economy and housing market. The position has fluctuated significantly over recent months, making projections particularly difficult. For November the income was approximately 50% less than the previous month, and this reduction did not match trends from previous years.
64. The annual budgeted income target for planning fees is £1.224m, requiring an average monthly income of £102k. At the end of December the average monthly income received was £81k. The worst case forecast income shortfall, taking all factors such as previous seasonal trends into account is £380k, however given the fluctuations experienced to date the final position could still vary considerably.
65. The forecast includes planning delivery grant of £198k which will be used to offset the position. There is also an assumption that the ESG project will pay for some pre-application planning advice. The forecast includes an estimate of expected vacancy savings.
66. A number of cost pressures remain. These include monthly costs for scanning

of plans that will continue until a new system is implemented. Legal and consultant costs of £63k have already been incurred due to planning appeals and more costs could arise. ICT service level agreement costs of £70k remain an unfunded pressure. A further pressure around storage costs at the Modern records Unit (MRU) has emerged due to a step increase in fixed costs at the MRU. The indicative increase is being reviewed against the statutory retention periods for planning documents.

67. Overall Planning Services is currently projected to overspend by £291k.

Strategic Housing

68. Based on the latest projections Strategic Housing is predicted to overspend by £160k by the end of the year, a significant improvement on the previous position.
69. The projected cost of Bed & Breakfast (B&B) accommodation is calculated on a number of scenarios. Taking a prudent view based on current levels of occupancy and assuming that the same percentage fluctuations occur in the remainder of this year (as happened last year) produces a forecast overspend of £125k.
70. Progress has been made in reducing the numbers in B&B accommodation. The position at the end of September was 15 families, 18 singles and one other. At the end of December this had reduced to just 11 singles.
71. Opportunities to provide cheaper accommodation throughout the county are being pursued. The council has been able to secure the use of four accommodation units in Ledbury on a company let basis enabling homeless families to be housed temporarily without the expense of B&B.
72. Applicants presenting themselves as homeless are often placed in B&B pending assessment. Assessment interviews are now taking place within three days of applications being received and a decision about eligibility is now made within a week of the interview. The homelessness team are taking a more robust line with applicants who fail to attend appointments for assessment. Any applicants who miss more than two appointments will now lose their entitlement to temporary accommodation. A group of officers headed by the Homelessness Manager meets each week to consider the more challenging applications. The Head of Service attends as required to support and agree approaches taken, particularly in complex cases.
73. Work is progressing on formulating a charging policy for those placed in temporary accommodation. Currently the only income received is via Housing Benefit. It is proposed that charges will be based on rents charged by registered social landlords for those in employment. Many clients will be able to claim housing benefit. Likely savings in 2008/09 would not be significant but may have a positive effect on further reducing homelessness costs.
74. Working in partnership with the Housing Needs and Development Team, progress is being made in expanding the use of private rented property as temporary accommodation through the expansion of the council's Private Sector Leasing Scheme. This is expected to impact positively on the use of Bed and Breakfast accommodation over coming months.

Economic & Community Services

75. The Government Office for the West Midlands (GOWM) has agreed in principle that there is likely to be a clawback of grant used for the ARCH project. The position will undergo evaluation by GOWM for a decision.
76. The Council is likely to have some indications of the outcome in mid February. The total grant claimed to date has been £871k and the clawback will be based on an unknown percentage of this sum.
77. A number of savings in staffing and operational costs have been identified across the service area totalling £53k.

Transportation

78. A potential overspend of £49k on rural bus subsidy contract increases has emerged, however it is assumed that the increases will be offset by a reduction in concessionary fares. The current evidence is that usage is reducing over the colder winter months.
79. Some bus companies increase their fares in January and February so there could potentially be an increase for some bus routes, although current fuel levels suggest this may not have as big an impact as previously anticipated. At this point an overall break even position is anticipated for Transportation.

Directorate Recovery Plan

80. There is £95k unallocated budget within the Management heading which will be retained as a contingency budget to offset the overspending in the current year.
81. The forecast of £206k overspend includes a number of savings identified since the last update. These include:
 - Vacancy savings of £130k based on freezing all vacancies till year end.
 - Operational savings in Economic Development of £53k.
 - Pre-application advice charge to ESG of £50k
82. Whilst there are no direct actions that can be taken to improve planning income, the forecast is a worst case estimate based on income to date and previous trends. It remains to be seen if central government action to boost the economy will have any impact on fee income in this financial year.
83. The homelessness position continues to improve and provided the actions already in place continue there is unlikely to be a further deterioration unless external economic factors impact.

CORPORATE BUDGETS

Summary as at 31 December 2008

	Total Budget 2008/09 £'000	September 2008 Net over or (-) underspending £000	December 2008 Net over or (-) underspending £000
Corporate Budgets	2,824	0	0

84. Expenditure is expected to remain within budget for Corporate Budgets. It includes the Organisational Development Fund that is ring fenced for future spend and the balance kept on a reserve.
85. The current assessment is that an additional £500k will be realised against the council's borrowing budget. This is due to slippage in the capital programme, delaying external borrowing by using internal reserves and the application of a new capital regulation allowing the delay of minimum revenue provision (MRP) until the year following that in which the asset is operational.
86. The anticipated out-turn for investment income is an under spend of £300k of which £200k will be used to support the service review project.

RESOURCES DIRECTORATE

Directorate Summary as at 31 December 2008

	Total Budget 2008/09 £'000	September 2008 Net over or (-) underspending £000	December 2008 Net over or (-) underspending £000
Asset Management & Property Services	3,611	0	0
Audit	418	0	20
Benefit and Exchequer	2,077	0	-60
Financial Services	2,072	0	0
Central	178	0	40
TOTAL	8,356	0	0

Asset Management & Property Services

87. At this stage of the year it is estimated the service will stay within its cash limited budget. However, additional expenses for office accommodation are creating pressure. These include the adaptation costs at Plough Lane, other associated costs and dual running costs while buildings are not vacated. Utility costs will be a pressure and whilst this is likely to be manageable this year the assessment is that this will be a significant cost pressure in 2009/10.
88. The Asset Management and Property Services is currently reviewing the recharges it makes for depot facilities used by AMEY.

Audit Services, Benefit and Exchequer Services and Financial Services

89. At this stage of the year there is an estimated break even financial position at year end.
90. The various resources teams continue to help deliver the £750k efficiency savings forming part of the council's 2008/09 budget.
91. The overspends identified against the Audit and Central headings are due to changes in staff costs which will be offset by one-off savings in Benefits and Exchequer.

2008/09 DECEMBER CAPITAL PROGRAMME BUDGET MONITORING

OVERALL SUMMARY POSITION

1. The capital programme forecast outturn for 2008/09 as at 31st December totals £65,754k, which is an increase of £5,059k from the last round of capital programme forecast monitoring reported in September.
2. This increase follows the inclusion of the following additional capital schemes;
 - Herefordshire Connects budgeted capital spend of £3,331k in this financial year (which includes capital team costs) as agreed in a separate report to Cabinet presented on the 20th November.
 - The repayment of the Right to Buy receipt share of £879k back to Herefordshire Housing for the completed redevelopment work at Woodedge and Archenfield.
 - Capital works commenced at Barrs Court school for the new hydrosense facility of £721k.
3. A summary of the overall capital programme expenditure forecast and funding thereof for 2008/09 is provided in table D1.
4. Detailed capital programmes for directorates are reported to the relevant scrutiny committee. Details of total capital scheme costs, funding, spend to date and any potential issues for capital schemes with a revised forecast spend for 2008/09 exceeding £500k are provided in table D2.
5. Actual total spend to date is £32,183k to the end of December, representing 49% of the total expenditure forecast. This low level of spend is partly due to the total expenditure forecast including the following items;
 - The late in year approval of spend on Herefordshire Connects;
 - No spend against the £3,250k corporate accommodation capital expenditure forecast;
 - A forecast spend of £3,056k on the new livestock market provision for which the Council is waiting external confirmation of total scheme cost following which approval will be sought to commence spend;
 - £2,527k of funding available is included as an expenditure forecast although this has not yet been allocated to a capital scheme.

The effect of this low spend impacts on the revenue account because any borrowing requirements are being delayed, which results in less revenue interest charges.
6. During the monitoring period a contractor directly involved in two capital construction schemes went into liquidation. The capital schemes involved are Riverside school and the extra care housing development. The new Riverside school has been constructed in phases with approximately two thirds of the works complete however there are a number of contractors interested in taking this contract through to

completion. Advertisement will be submitted shortly, followed by a selection process so work should start again on site before Easter. The new school should be ready for handover before the new term with all demolition works expected to be completed before the end of the calendar year. The extra care housing development in Hereford is lead by Elgar Housing Association because of this the scheme risks have been transferred to the association. This scheme is almost complete except for some snagging and landscaping works.

7. Approval of eligible grant funding towards the Ross flood alleviation scheme has now been received, with a revised financial position statement and profile being provided to the Environment Agency which will detail potential risks associated with the contract. The scheme is complete with an opening ceremony to be arranged in February.

Prudential Borrowing Position as at 31st December 2008

8. A summary of the Prudential Borrowing position for 2008/09 is set out below. The forecast use of prudential borrowing includes an amount of £2,527k yet to be allocated to a capital scheme (mentioned above).

2008/09 Original Prudential Borrowing		£11,320,000
Allocations		
Add: Slippage from 2007/08	£4,609,000	
Corporate accommodation funding	£3,250,000	
Herefordshire Connects funding	£3,262,000	
Gym Equipment purchase funding	£284,000	
Data Centre initial expenditure	£217,000	
		£11,622,000
Less: Slippage into future years	(£2,490,000)	
No longer required	(£1,884,000)	
		(£4,374,000)
Forecast use of Prudential Borrowing in 2008/09		£18,568,000

Capital Receipts Reserves Position as at 31st December 2008

9. The capital receipts reserve totalled £17,945k as at 1st April 2008. Capital receipts of £2,530k were received to the end of December from the sale of corporate property, smallholdings and sites on the Rotherwas estate. £11,016k is expected to be used to fund the 2008/09 capital programme. The remaining balance will be used to fund future year's capital programme including strategic housing, corporate accommodation and Rotherwas futures.

TABLE D1

FUNDING OF REVISED 2008/09 CAPITAL PROGRAMME

Capital Programme Area	2008/09 Revised Forecast 31/12/08	SCE(R)	Prudential Borrowing	Grant	Revenue Contribution	Capital Receipts Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	17,315	2,373	490	12,585	-	1,867
Resources	4,210	-	4,010	100	-	100
Deputy Chief Executive	5,564	-	5,313	51	-	200
Provider Services	905	-	138	449	-	318
Regeneration	11,424	-	162	2,882	-	8,380
Environment & Culture	23,809	10,378	5,928	7,352	-	151
To be allocated	2,527	-	2,527	-	-	-
Total Revised Forecast	65,754	12,751	18,568	23,419	-	11,016
<i>September Forecast</i>	<i>60,695</i>	<i>12,751</i>	<i>15,584</i>	<i>22,286</i>	<i>-</i>	<i>10,074</i>
<i>Change from September</i>	<i>5,059</i>	<i>-</i>	<i>2,984</i>	<i>1,133</i>	<i>-</i>	<i>942</i>

<u>Reported to date</u>						
<i>Original Budget</i>	<i>57,896</i>	<i>12,750</i>	<i>14,911</i>	<i>19,961</i>	<i>170</i>	<i>10,104</i>
<i>August Forecast</i>	<i>64,306</i>	<i>12,762</i>	<i>15,646</i>	<i>25,797</i>	<i>-</i>	<i>10,101</i>
<i>September Forecast</i>	<i>60,695</i>	<i>12,751</i>	<i>15,584</i>	<i>22,286</i>	<i>-</i>	<i>10,074</i>
<i>December Forecast</i>	<i>65,754</i>	<i>12,751</i>	<i>18,568</i>	<i>23,419</i>	<i>-</i>	<i>11,016</i>

TABLE D2

Schemes with a forecast spend exceeding £500k in 2008-09

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2008-09 Expenditure forecast £'000	Actual spend to 31-12-08	Most relevant Corporate Theme	Comments
<i>Children's Services</i>						
Minster Replacement School	20,642	DCSF Grant	3,881	1,390	Children and Young People	Contract let and work progressing ahead of schedule
Devolved Capital Programme	n/a	DCSF Grant	4,088	3,285	Children and Young People	Devolved allocation of capital funding to schools, individual capital plans to be reviewed in 2009-10
Riverside Amalgamation	8,505	Grant & receipts	2,743	1,608	Children and Young People	Appointed contractor in liquidation, new contractor to be appointed to complete scheme
Condition property works	n/a	SCE®	1,012	683	Children and Young People	Annual programme of works at various sites committed on a highest need first basis
Hereford City North Children's Centre	923	Grant	893	215	Children and Young People	Widemarsh workshop conversion proceeding
Childcare Grant	n/a	Grant	834	-	Children and Young People	Expected to be devolved to nurseries
Hydrosense Facility	874	School	721	241	Children and Young People	Provision proceeding as planned
<i>Resources</i>						
Corporate Accommodation	17,097	Prudential Borrowing & receipts	3,250	-	Organisational improvement & greater efficiency	Preferred option hoped to be commenced in the near future with bulk of expenditure expected to be incurred next summer
<i>Deputy Chief Executive</i>						
Social Care ICT Solution	1,583	Prudential Borrowing & receipts	1,291	1,007	Health & well-being	Framework system now in use, final financial completion due soon
Herefordshire Connects	6,683	Prudential Borrowing & receipts	3,331	1,008	Organisational improvement & greater efficiency	Cabinet approval to proceed with Agresso, Microsoft, Inphase and third phase of the new Social Care system recently issued

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2008-09 Expenditure forecast £'000	Actual spend to 31-12-08	Most relevant Corporate Theme	Comments
Environment & Culture						
Road & Footway Maintenance	n/a	LTP allocation	7,269	4,028	Sustainable communities	Programmed works, delayed through prioritised flood works
Ross on Wye Flood Alleviation	10,331	Grant	4,955	4,979	Sustainable communities	Scheme complete, additional funding approved
Rotherwas Access Road	12,830	Grant, receipts, LTP & prudential borrowing	2,305	2,090	Economic development & enterprise	Road complete and in use, final financial completion outstanding
Crematorium	3,150	Prudential borrowing	1,807	1,652	Economic development & enterprise	Work on site completed however snagging issues yet to be resolved
Bridgeworks	n/a	LTP allocation	900	635	Sustainable communities	Annual programme of works
Ross Library	1,187	Prudential borrowing	593	16	Economic development & enterprise	Project in design stage, expected progress to date running behind schedule
Regeneration						
Cattle Market	5,000	Capital receipts	3,056	82	Economic development & enterprise	Total scheme cost and approval to proceed to be reported to Cabinet in February
Affordable Housing Grants	n/a	Capital receipts	2,000	1,397	Safer & stronger communities	Annual allocation of grants to various schemes
Rotherwas Futures Estate Development Work	4,358	Grant & capital receipts	1,387	552	Economic development & enterprise	Total scope of scheme to be finalised - part of this budget will be used to meet any additional access road costs
Extra Care Housing Development	6,602	Grant & capital receipts	1,322	19	Older people	Final payment will become due following agreed completion of the scheme
Woodedge and Archenfield	879	Capital receipts	879	704	Health & well-being	Payment released following successful redevelopment of homes
Mandatory Disabled Facilities Grant	n/a	Grant & capital receipts	837	590	Health & well-being	This budget is under huge demand, a system is being devised to prioritise applications

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	2008-09 Expenditure forecast £'000	Actual spend to 31-12-08	Most relevant Corporate Theme	Comments
Private Sector Housing	n/a	Grant & capital receipts	818	383	Health & well-being	This budget has been reduced to increase the mandatory disabled facilities grant budget
<i>To be allocated</i>	<i>n/a</i>	<i>Prudential borrowing</i>	<i>2,527</i>	<i>-</i>		<i>This funding is available to be allocated to fund either accommodation, Edgar Street Grid or the cattle market</i>
Total			52,699	26,564		
Schemes with a forecast spend in 2008/09 of less than £500,000			13,055	5,619		
Total			65,754	32,183		

DRAFT FINANCIAL STRATEGY 2009 - 2012

Report By: Director of Resources

Wards Affected

County-wide

Purpose

1. To seek Strategic Monitoring Committee's views on the draft financial strategy for 2009 – 2012.
2. The Committee's views will be considered by the Cabinet on 19th February, 2009, when it will make a recommendation to Council on 6th March on the budget, level of Council Tax for 2008/09 and the financial strategy for 2009-2012.

Financial Implications

3. As outlined in the draft Medium Term Financial Management Strategy 2009-2012 appended to this report.

Background

4. Since 2006, the council has operated within the discipline of a Medium-Term Financial Strategy (MTFMS). The MTFMS is the framework within which cash resources follow corporate priorities. The MTFMS is attached at Appendix A.
5. The MTFMS also allows longer term financial planning to reflect the various changes that emerge from central government. Local government is an important partner for central government, as it often uses local government to deliver new services as well as changes to existing services.
6. The overall approach to financial management, especially at a time of financial pressure, must be supported by clarity and transparency around financial policy and resources. The necessary financial discipline includes cash limited budgets, supported by appropriate reserves that need to be managed as part of the overall financial management strategy.
7. The overall level of central government funding for local government has relative stability as a result of Comprehensive Spending Review 2007 (CSR07). The overall increase in Formula Grant for Herefordshire, based on a year-on-year increase, is 4% and this must fund all inflation, service development and increased demand across the council. The efficiency agenda is ongoing, with 3% cashable efficiency savings needed in 2009/10.
8. The latest MTFMS now includes financial year 2011/12. This means that we are already estimating the likely impact of the next Comprehensive Spending Review, due to be announced in 2010. The current economic position is such that the council's new MTFMS assumes nil growth in funding for Herefordshire from 2011.

Further information on the subject of this report is available from
Mr David Powell, Director of Resources on Tel: 01432 383519

9. During the Autumn of 2008, the council and PCT jointly commissioned a survey of a representative sample of households across the county to gauge the population's views on the balance we should strike between different priorities and between those and the level of council tax. This was supplemented with workshops for older people in a rural area, disabled people and carers and teenagers. The results for council-led services showed a close correlation between the public's choices and the council's top priorities. The results of the consultation will be considered as part of future planning, along with the findings of the new national Place survey done in March, 2009.

Considerations

Economic Downturn

10. The national financial position has changed dramatically since the current MTFMS was agreed by Council on 7 March, 2008. The 'credit crunch' has had a significant impact on the local economy and people of Herefordshire and, as a result, the council's financial planning assumptions have been revisited as the position unfolded.
11. It is clear that assumed levels of income that make a significant contribution to our overall funding will be less in 2009/10. This is based on the evidence already available in this financial year that sees directorate based income falling and investment income declining. It is the job of the MTFMS to bring all these financial elements together to present an overall position.
12. In 2009/10, the loss of income is estimated to be £500k and there is already clear evidence that car parking and planning related income is below anticipated levels built into the revenue budget. As a result, an additional £500k is built into the 2009/10 revenue budget to meet this shortfall.
13. The council produces a Treasury Management Strategy that covers borrowing and investment activities. In 2008, many councils were affected by the banking crisis and lost money invested with Icelandic Banks. Herefordshire Council did not have funds with these banks at the time of their collapse, but it has responded by further tightening investment practices and moving to an even more cautious approach. As a result, we lend balances over a shorter period of time and also find that we have fewer institutions we can deal with, because banks no longer meet our very tight assessment requirements. This has had a significant impact on this year's investment income and the council's treasury management advisor (Sector) is predicting the bank rate will reduce to 0.5% in 2009/10. The consequent reduction in investment interest rates means that we must plan for £1.5m less income in 2009/10. This is reflected in the MTFMS.
14. The pressures faced by directorates as a result of the downturn are wider than just a loss of income. An increased level of homelessness is already evident and likely to worsen in 2009/10. The Regeneration Directorate see this key pressure as unavoidable and has already taken steps to put the budget on a sustainable footing. Even so, they estimate a £78k requirement for additional services in 2009/10. The same directorate also notes an additional requirement for support to sustain their activity and meet demands, due to the downturn in the economy.

Herefordshire Connects

15. The Herefordshire Connects programme received formal agreement to proceed to its next phase on 31 July 2008. The decision to move to concluding the programme was supported by a review of the financing of the project and this has been built into the MTFMS. The overall approach is to view all corporate efficiency activity as part of the Herefordshire Connects Programme, so that maximum efficiencies are realised. In the 2009/10 budget, the programme is to realise £700k of savings, with an additional £600k in 2010/11 and a further £2m in 2011/12. This indicates the key role the programme will make to the council's overall financial position.

Financial Resource Model 2009/10-2011/12:

16. The Financial Resource Model (FRM) is the heart of the MTFMS, as it contains a series of assumptions and assessments that shape the financial plan. These are:

a) Future Council Tax Increases: The current MTFMS agreed in March 2008 assumes Council Tax increases of 4.7%. The government has been clear that it expects to see Council Tax increases "substantially" below 5%, but has been unwilling to define what this translates to in terms of level of increase and the situation will need to be carefully monitored.

As a result, it is recommended that a 3.9% council tax increase assumption is now included for budget and the two remaining years of the MTFMS up to 2011/12.

b) Inflation Uplifts: The current FRM includes 2.5% for pay inflation. Clearly, future pay awards can only be estimates but there will be downward pressure on pay settlements. For 2009/10, the uplift is therefore 2.0%.

The current FRM does not include inflationary uplifts on non pay budgets. This does not mean that any external providers cannot expect an inflationary uplift, but it does indicate that the council will continue to use this policy as an efficiency measure, with directorates providing increases from value for money activity. This is a challenging policy, but it does ensure that:

- i) Robust contracts for provision of services are negotiated;
- ii) Contracts are performance managed effectively;
- iii) Value for money arrangements are more likely to be integrated with service delivery arrangements.

The policy creates financial pressure on core services, with one such area being the annual increase in elements of the contract with Amey Wye Valley. This will be covered by the service delivery review that will see anticipated cost reduction of £900k in 2009/10.

The current FRM assumes inflation on client and customer receipts budgets of 2.5% unless the fee is dictated by a statutory arrangement. This approach will continue in the draft MTFMS.

c) Income Shortfall: The budget includes £500k to offset loss of income resulting from the economic downturn. The proposed allocation is as follows:

- Deputy Chief Executive's Directorate: The current target for land charges is likely to suffer a £150k shortfall in 2009/10.
- Regeneration Directorate: The recession has impacted upon planning income and the current estimate for 2009/10 is for a shortfall of £175k. However, the Director of Regeneration indicates the directorate could suffer a higher shortfall, depending on the severity of the downturn and the current assessment will be reviewed in 2009/10.
- Resources Directorate: A reduction in income for business units is likely and £50k is to be used to support the position.
- Environment Directorate: An additional £125k is to be used to support the reduction in car park fee income.

The £500k support will not be permanent and will be reviewed at the next budget cycle and thereafter at each budget setting, until the economic position improves and income budgets can be adjusted to their 2008/09 levels.

- d) Base Budget Adjustments: As in previous years, the FRM is continually reviewed to refine the budget so that the most up-to-date information is used. It is inevitable that some items will be presented as pressures and require adjustment. The following are the recommended adjustments for 2009/10:
- a) An additional £88k to support Criminal Records Bureau (CRB) checks.
 - b) Adding £300k to meet the council's liability for job evaluation costs of staff transferred to external organisations, such as HALO.
 - c) Establish a £140k budget for grounds maintenance costs previously met from the general fund reserve.
 - d) Build in an extra £275k to meet the commitment given in the 2008/9 budget to provide further funding for Mental Health and Physical Disabilities Services, as a result of the needs analysis work.
 - e) Adjust the Local Development Framework funding to a level of £375k in 2009/10.
 - f) Remove the assumption that the Customer Service Division would have been self-funded by 2009/10 and replace with a phased target over the remainder of the MTFMS. This measure is temporary and will be reviewed in the forthcoming financial year.
 - g) Include the commitment given in 2008/09 to provide £400k to support the ICT Strategy.
 - h) Reduce the income from investments to reflect an estimated £1.493m loss of income because of lower interest rates; however, some of this is assessed as recovering by the end of 2011/12.
 - i) The FRM includes the updated capital financing costs reflecting slippage and a prudent level of borrowing for new capital investment.

Further information on the subject of this report is available from
Mr David Powell, Director of Resources on Tel: 01432 383519

Directorate Position

17. The 2009/10 financial year presents directorates with a series of financial challenges and also a requirement that they support the council's overall budget position to deliver a balanced budget. The process going forward has seen extensive involvement of the Joint Management Team (JMT), commencing with the Performance Improvement Cycle (PIC) in Autumn 2008. The proposals brought forward were subject to a process that saw Directors challenged about spend and saving proposals by the Director of Resources and the Policy and Performance team. A second phase was introduced later, when the scale of the impact of the downturn was evident. This second phase saw Directors work together to further challenge the financial assumptions in directorate proposals and also to bring forward further savings. This was concluded at the end of January 2009 with the outcome reported to the Director of Resources. The detail of expenditure requirements and savings proposals is contained at Appendix B. Overall, the process has made a net contribution to balancing the budget.

Use of Reserves

18. The clear message in this report is that the scale of the economic downturn has affected the council's assumptions about its budget. This change is significant, meaning that the current MTFMS cannot be delivered, given the revised financial position. After adding up all the pressures faced by directorates and loss of investment and other income, a 'gap' of £3m would be evident without remedial action. The economic position means the worsened position has arisen quickly and therefore the most appropriate response is to manage the finances in such a way that we continue to deliver our essential services and also transformational programmes such as Herefordshire Connects.
19. Delivering a balanced budget in 2009/10 can be achieved by a combination of financial discipline in day-to-day budget management, coupled with appropriate financial planning, including the use of reserves. As a result, In 2009/10, the proposal is to use £1m of general fund reserve to assist meeting pressures. This is a one-off measure and it is essential that it is understood that we cannot use this source in the longer term. Therefore, following consultation with the Joint Management Team, the Chief Executive and Director of Resources recommend this capacity is not only "back-filled" in the revenue budget from 2010/11, but that we also top up the general fund reserve by £1m so that it returns to its 2008/09 level. The MTFMS reflects this approach.
20. The audited accounts for the 2007/08 financial year confirmed an opening general fund revenue balance of £6.728m. This will reduce by £200k reflecting the funding of job evaluation costs in partner organisations. The MTFMS assumes use of £1m in 2009/10 with this being replaced in 2010/11.

If the overall position is that Directorates achieve a balanced budget in 2008/09, as instructed by the Chief Executive, the likely position will be as follows:

	£m
2009/10 estimated opening balance:	6.728
Use of £1m	-1.000
2009/10 Closing balance	5.728
Add back £1m in 2010/11	<u>1.000</u>
2010/11 balance	<u>6.728</u>

21. At a level of £5.728m in 2009/10, the general reserve is in excess of the council's policy of having a minimum general fund reserve balance of £4.5m to provide adequate cover for demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set.
22. A further area of proposed support is using an element of the £1.2m LPSA revenue reward grant that relates to areas delivered by the council. This would give £712k of support and it is proposed that this is used in 2009/10. In 2010/11, its use would be 'back-filled' as part of the overall budget process. The MTFMS reflects this approach.

Financial Capacity

23. If Cabinet agrees the approach contained in this report, the update FRM for 2009-2012 indicates capacity figures as follows:
 - a) 2009/10 - No capacity after meeting all the above pressures
 - b) 2010/11 - Financial capacity of £766k
 - c) 2011/12 - Financial capacity of £4,636k

The position is therefore one of no additional capacity in 2009/10, a small amount of capacity (£766k) in 2010/11 and then a further £4.64m in 2011/12.

24. This tightening of the financial position for the next two years means there is little cash to allocate to corporate priorities until 2011/12 unless further efficiencies are delivered above and beyond those to be produced by Herefordshire Connects.

Risk Management

25. The report has highlighted that the economic downturn has impacted upon the council's existing MTFMS. The report has indicated how risks such as reduced income are to be managed.
26. Clearly, there is the potential risk that the economy will be in worse shape than assumed for the purpose of budget setting. The appropriate management would be via cost reduction and a review of levels of general and specific reserves.
27. The additional risk that may occur is if the services currently supported through former specific grants are no longer funded because of a change in priorities. This would need to be managed over time.

RECOMMENDATION

THAT Strategic Monitoring Committee comments on the contents of the report so that the Cabinet is informed of its views.

BACKGROUND PAPERS

- None

Medium Term Financial Management Strategy 2009 – 12

Foreword by the Leader & Cabinet Member (Resources)

The Medium Term Financial Management Strategy (MTFMS) is an important document because it reflects our strategic and operational intentions over a three-year time frame. The strategy continues to have a significant influence on our financial culture, helping to shift thinking and financial behaviour away from short-term budget setting to a more appropriate, longer-term approach that brings stability to our support for service improvement.

When the current MTFMS was agreed by council in March 2008, few people could have accurately assessed the scale of the impact of the economic downturn that has affected the world economy. Herefordshire has not been immune from these effects and we have adapted our medium term plans to address the implications of the dramatic change in the economy. With interest rates at their lowest ever level, we will see less interest received from our cash holdings, but, at the same time, the reduced cost of borrowing means that we will take the opportunity to reschedule debt if appropriate, so that we reduce the cost of existing borrowing for future generations. It is because we have a flexible MTFMS that we can make decisions as and when it is appropriate to do so.

We will shortly see our performance measured within the new Comprehensive Area Assessment (CAA) framework as we move away from a focus on individual organisations to an area-based review of performance. The change to our inspection and assessment framework is allied to the funding received by Herefordshire, which sees the Area Based Grant (ABG) putting previously separate funding streams into a single 'pot' to deliver area-based improvements. The MTFMS reflects these developments.

In 2008, the council has seen continued improvements in its financial performance and procedures that underpin our activity. This performance has been acknowledged by the Audit commission with an improved Use of Resources score that assesses the council to be a "good" performer in this important area.

The following year will be challenging as a result of the economic downturn and, as a result, it is important that we continue to deepen our partnership with the primary care trust. This deep partnership is already paying dividends and, over the next 12 months, there will be stronger evidence of its impact, including the delivery of a Joint Medium Term Financial Management Strategy that helps support the service improvement of both organisations.

Cllr. Roger Phillips
Leader of the Council
(Resources)

Cllr. Harry Bramer
Cabinet Member

Foreword by the Chief Executive and Director of Resources

Planning the use of public money is a special accountability for Herefordshire and, as a result, it is important we continue to ensure Herefordshire has financial stability and also deploys resources to support agreed priorities. This cannot be achieved if we limit our planning horizon to a single year. The Medium Term Financial Management Strategy (MTFMS) helps the council plan over a longer time framework and demonstrate how it will use its resources in the future.

The MTFMS is now a key part of the way we deliver our services. It is an appropriate way to plan our expenditure and has played a part in helping the council's Use of Resources score improve in 2008. However, we have continued to review and, where appropriate, improve the strategy. This latest MTFMS is a shorter document, reflecting that we now have less explaining to do around some of the basic assumptions. As a result, it should be a more accessible document for the public, as well as our partners

The MTFMS has helped change Herefordshire's financial management culture. It also includes a requirement that responsibility for managing individual budgets rests with our budget managers who operate within our financial policies and procedures. The MTFMS helps explain the overall position, so that we all know that financial management is part of our day-to-day activity and that we must demonstrate we provide value for money at a time when the economic downturn is having a widespread effect.

Chris Bull
Chief Executive

David Powell
Director of Resources

Contents

	Page
1. Introduction	5
2. Economic Background	6
2.1 Introduction	6
2.2 The Credit Crunch and Banking Crisis	6
2.3 Treasury Management Strategy	7
2.4 Summary of Current Situation in Herefordshire	7
2.5 Council Response to the Economic Downturn	7
3. The National Financial Context	10
3.1 Introduction	10
3.2 Comprehensive Spending Review (CSR 07)	10
3.3 Local Area Agreements and Area Based Grants	10
3.4 Pre Budget Report 2008	10
3.5 Local Government	12
3.6 Local Government Settlement 2008/09 – 2010/11	12
3.7 Efficiency Agenda	13
3.8 Outlook for Local Government	13
4. Herefordshire's Financial Context	14
4.1 Introduction	14
4.2 Formula Grant	14
4.3 Specific Grants	14
4.4 Area Based Grant	15
4.5 Comparative Funding Position	17
4.6 Council Tax	19
4.7 Reserves	20
4.8 Summary	21
5. Herefordshire's Policy Context	22
5.1 Introduction	22
5.2 Herefordshire Sustainable Community Strategy	22
5.3 Corporate Plan and Annual Operating Plan	22
5.4 The Council's Top Priorities	22
5.5 Public Consultation	23
5.6 Directorate and Service Plans	23
5.7 Herefordshire Partnership	23
5.8 The Performance Improvement Cycle (PIC)	24
6. Financial Management Strategy	25
6.1 Introduction	25
6.2 Corporate Financial Objectives	25
6.3 Managing Partnership Resources	25
6.4 Managing External Funding	26
6.5 Managing Developer Contributions	26
6.6 Managing Fees and Charges	26

6.7	Managing General Fund Balance & Specific Reserves	27
6.8	Managing Financial Performance	27
6.9	Efficiency Review	27
6.10	Value for Money (VfM)	28
6.11	Financial Management Strategy for Capital Investment	31
6.12	Treasury Management Strategy	31
6.13	Key Corporate and Financial Risks	32
7.	Medium Term Financial Resource Model	33
7.1	Background	33
7.2	Assumptions	33
7.3	Corporate Priorities	34
7.4	Directorate Budgets	35
7.5	Herefordshire Connects	35
7.6	Financial Capacity	36
7.7	Sensitivity Analysis	36
8.	Statutory Statement by the Chief Finance Officer	37
	Appendices	38

1. Introduction

- 1.1 This Medium-Term Financial Management Strategy (MTFMS) for Herefordshire covers the financial years 2008/09 to 2011/12 and it sets out how the council intends to maintain financial stability, support investment in priority services, deliver improved value for money and manage risk as we face up to very challenging times for local government.
- 1.2 The MTFMS forms part of Herefordshire'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.
- 1.3 The outcome of the Comprehensive Spending Review 2007 (CSR07) set the financial context for the three financial years 2008/09 to 2010/11. The stability brought to local government finance by a three year settlement was confirmed by the 2009 financial settlement that remained unchanged from the original allocations outlined in CSR07.
- 1.4 A major development since the last MTFMS has been the downturn in the economy and the "credit crunch", which has impacted across the world. This has had a direct impact on income earned from investing council reserves and also on the demand for the council's services. This significant change in circumstances is reflected in the revised Financial Resource Model (FRM) included in the strategy.
- 1.5 It is important to stress that whilst the Director of Resources is responsible for leading and advising on financial issues, budget managers are responsible for delivering their services within the budget made available to them and in line with the council's financial policies and procedures. This financial discipline must remain in place if the council is to maintain its reputation for good financial management confirmed in the latest Use of Resources assessment.

2. Economic Background

2.1 Introduction

- 2.1.1 This section outlines the current economic climate. The economic landscape changed dramatically in 2008 because of the 'credit crunch', the subsequent banking crisis and the change in economic outlook from slow growth to recession.

2.2 The Credit Crunch and Banking Crisis

- 2.2.1 August 2007 saw the beginning of what has become known as the 'credit crunch' that affected the markets and the global economy. The credit crunch originated in the United States through lending to the sub-prime housing market. World wide investors, particularly banks, had invested in packages of sub-prime loans, attracted by the higher yields offered. The inter connection of the financial system meant that when these loans defaulted the impact was global.
- 2.2.2 At the start of 2008, the sub-prime loans crisis and the major downturn in the housing market in the United States, prompted fears around the world of the potential impact on world banking systems and on world growth. At the same time the Bank of England's Monetary Policy Committee (MPC) was very concerned at the build up of inflationary pressures, especially the rise in the oil prices and the knock on effects on general prices. Consequently, the MPC was cautious about cutting interest rates at that time.
- 2.2.3 The position shifted significantly in the Autumn of 2008 when the world banking system came near to collapse and governments around the world were forced to recapitalise and rescue their major banks. In the UK the Government and the Bank of England intervened by supplying liquidity to the banking market.
- 2.2.4 Late 2008 also saw oil and commodity prices start to fall sharply and inflationary fears were replaced by fears of recession. The housing market also came to a virtual standstill.
- 2.2.5 It was clear by October 2008, after the collapse of a number of financial institutions, including the Icelandic banks, that the financial crisis had precipitated an economic crisis. The extent of the banking crisis and recognition that the economic downturn would be more severe than previously predicted prompted swift reductions in the bank interest rate. On 8th October 2008 there was a co-ordinated global interest cut of 0.5%, followed in the UK by 1.5% on 6th November, 1% on 4th December and 0.5% on 8th January 2009.
- 2.2.6 On 19th January 2009 Gordon Brown announced a further range of initiatives, designed to get the banks lending to consumers and businesses.
- 2.2.7 It was evident that to try to tackle the financial position the Government abandoned its 'golden rule' to borrow only to invest over the economic cycle. The pre Budget Report on 24th November 2008 revealed the Government's plans for a significant increase in Government borrowing over coming years. This is designed to help stimulate economic growth to counter the recession.

2.3 Treasury Management Strategy

- 2.3.1 The council produces an annual Treasury Management Strategy for borrowing and investment activities. The importance of the strategy is heightened by the effect of the credit crunch and banking crisis. The recent circumstances have resulted in a further tightening of investment practices and a more cautious approach.
- 2.3.2 As interest rates and the number of institutions the council invests with reduced this has had a significant impact on investment income to support the council's budget. The council has appointed Sector Treasury Services as treasury adviser to the council and part of their service is to assist the council to formulate a view on interest rates. Sector are currently predicting that the bank rate will reduce to 0.5% by 2009/10 because of the intensifying global recession. As a result the Financial Resource Model (FRM) includes a reduction in the investment income budget of £1.5m.

2.4 Summary of Current Situation in Herefordshire

- 2.4.1 The latest report "Impact of the credit crunch on the Herefordshire economy" produced by Herefordshire Council Research Team uses facts and figures to give an overview of the effects of the down turn in the economy. In summary the findings suggest:
- An upward trend in unemployment, although levels are still low compared to other areas
 - An increase in number of empty business properties
 - A decline in the number of people visiting retail outlets
 - A decline in activity in the housing market
 - An increase in numbers of people experiencing debt
- 2.4.2 The impact on the council and council support services is as follows;
- Increase in people presenting as homeless
 - Increased requirement for debt advice
 - Decline in income covering planning services for Development Control and Building Control.
 - Decrease in building activity
 - Parking charges decrease
 - Licensing decreases
 - Property income reduces
 - Grant-giving charities receive less return on their investment that can be passed to public and voluntary sector schemes
- 2.4.3 The current economic down turn is therefore affecting individuals, businesses, voluntary and public sectors. Much of the impact is down to the non-availability of credit and its consequences.

2.5 Council Response to the Economic Downturn

- 2.5.1 The council is intervening in a number of areas to address the negative effects of the down turn in the economy including;

- a) **Rural Enterprise Grants (REG)** – The new REG programme will provide access to finance for small scale diversification and business development projects for the benefit of rural businesses. Herefordshire Council administer this grant on behalf of AWM for the whole of the West Midlands region. The programme was launched in October 2008 and the team have experienced a high level of enquiries.
- b) **Broadband at Rotherwas** – Exploring an improved broadband service at Rotherwas that could reduce costs for some users that currently need leased lines, and help persuade others to make more use of e-business, with improved productivity and wider market opportunities.
- c) **Herefordshire Industrial Association (HIA) portal for local businesses** - This site gives signed-up businesses details of procurement/contract opportunities tendered by Herefordshire Council. The Economic Development Service is also in discussion with Business Link about delivering tailored contracting training to businesses to improve their knowledge of the procurement process and increase the quality of their responses. This approach should improve opportunities for local business to tender successfully for council contracts.
- d) **Retail Support** – A strong element of The Hereford City Centre Regeneration Strategy is to reinvigorate the retail element of the city centre. Rural shops are also under pressure due to the withdrawal of Post Offices. An approach has been made to AWM to support rural shops, and a new Market Town programme could support retail/services if implemented in 2009/10 financial year.
- e) **Housing Financial Support Packages** - The Homelessness and Housing Advice Team offer a range of preventative interventions aimed at reducing the risk of homelessness.
- f) **Affordable Housing** - Strategic Housing are supporting applications for grant support to the Homes and Communities Agency (HCA) for the funding of additional affordable homes. Private sector landlords are also being offered the opportunity to lease their empty property to the council for the purpose of offering a home to homeless households on the waiting list.
- g) **Energy Efficiency grants** – These are promoted to support households to improve energy efficiency in their homes and tackle fuel poverty in support of the Affordable Warmth Strategy.
- h) **Communication regarding benefit entitlement** - An advertising campaign began in December 2008 at Morrison Supermarket, followed by promotional material on the local buses and future advertising is planned at local hospitals in Bromyard and Leominster.
- i) **Access to benefit information** – The Benefit Service is increasing training for front line staff at the Info Shops around the County to give improved benefits advice to customers. Claim forms are being improved and increased publicity leaflets are being produced to provide easier access to help and more useful information to customers.
- j) **Maximise Benefit Database** – There is joint working across the Benefit Service and Children and Young Peoples Directorate to use the council's

benefit database to provide access to free school meals to children who are entitled.

- k) **Benefits for older people** - Recent activity includes an advertising campaign about welfare benefits entitlement and the availability of energy efficiency grants.

2.5.2 The potential loss of income to the council as a result of the economic downturn has been addressed in the financial strategy. The FRM includes £500k reduced income in 2009/10, which is expected to recover to £400k in 2010/11 and £300k in 2011/12.

2.5.3 The proposed allocation of the £500k for 2009/10 is as follows;

- Deputy Chief Executive's Directorate: The current target for land charges is likely to suffer a £150k shortfall in 2009/10.
- Regeneration Directorate: The recession has impacted upon planning income and the current estimate for 2009/10 is for a shortfall of £175k.
- Resources Directorate: A reduction in income for business units is likely and £50k is to be used to support this position.
- Environment Directorate: An additional £125k is to be used to support the reduction in car park fee income.

2.5.4 The 2009/10 capital bids in Section 6.11.8 largely reflect initiatives to mitigate the impact of the economic downturn.

3. The National Financial Context

3.1 Introduction

- 3.1.1 This section of the MTFMS sets out the financial context at national level for local government.

3.2 Comprehensive Spending Review 2007 (CSR07)

- 3.2.1 CSR07 set Departmental Expenditure Limits (DEL) for all government departments, including local government, taking account of spending plans and priorities for 2008/09 to 2010/11. CSR07 was prepared in the context of projected lower economic growth and was tighter than the previous spending review. However it still assumed underlying economic growth and as a result CSR07 provided local government with a real increase in funding of 1% a year, with the Chancellor stating that annual increases in council tax would be capped at 5%.
- 3.2.2 Ring-fencing of a number of grants was removed and switched to revenue support grant or area based grant. This change was in line with a commitment to increase flexibility.
- 3.2.3 Within CSR 07 the key challenges identified for local government were;
- Adult Social Care – rising demands due to long-term demographic changes
 - Education – including capital investment
 - Waste – pressure to reduce household landfill
 - Communities – increasing place-shaping role for councils
 - Services – rising expectation for modern and personalised services
- 3.2.4 Local authorities were expected to develop services within this funding regime by a rigorous pursuit of the efficiency agenda. Public services were set a target of achieving at least 3% per annum net cash releasing gains over the CSR07 period. Cashable efficiency savings of £4.9bn were expected from local government, mainly from better procurement and business processes.
- 3.2.5 As part of the CSR07 framework announcements around the performance framework for local government included;
- A single set of local government priorities in Public Service Agreements
 - 198 national performance indicators
 - A maximum of 35 national targets negotiated through Local Area Agreements (LAA)

3.3 Local Area Agreements (LAA) and Area Based Grants

- 3.3.1 LAAs are three year agreements between central and local government, designed to meet national targets as well as local priorities. They are intended to devolve more power to local communities combining area based funding streams into an area based grant to give local authorities and their partners more flexibility to make funding decisions in response to local needs and priorities.

3.4 Pre Budget Report 2008

- 3.4.1 The Chancellor of the Exchequer's 2008 Pre-Budget statement to the House of Commons on 24th November 2008 informed Parliament about what has been achieved to date, updated Parliament on the state of the economy and public

finances, and set out the direction of Government policy in the run up to the spring Budget. At the same time the chancellor indicated that the Government's immediate priority was to support the economy through the current downturn. The Treasury reduced its forecasts for economic growth for 2008 and predicted that the economy would shrink in real terms in 2009. The expectation is that economic growth will recovery from 2010/11 onwards.

3.4.2 Headlines from the Pre-budget report are;

a) Economy

- Growth forecast for the UK is expected to fall to -0.75% to -1.25% in 2009
- Inflation is expected to continue to fall
- A £20bn fiscal 'boost' between now and 2010
- Borrowing will be significantly higher than forecast (£78bn in 2008, £118bn in 2009)
- The Government will find £5bn extra efficiency savings by 2010/11.
- £3bn of capital spending will be brought forward from 2010/11.

b) VAT

- Temporarily reducing VAT by 2.5 % (17.5% to 15%) until the end of 2009 providing £12.5bn to stimulate the economy

c) Income Tax

- The temporary £120 allowance for people who lost out as a result of ending the 10% income tax rate will be made permanent, with the amount rising to £145
- A new 45% income tax rate on earnings over £150k from April 2011 (if Labour wins the next election)

d) National Insurance

- National Insurance to go up by 0.5 per cent from April 2011

e) Alcohol, Tobacco and Petrol

- Increased duty on alcohol, tobacco and fuel to compensate for the fall in VAT

f) Car Tax

- Car tax increases to be less than announced in the April Budget

g) Businesses

- Temporary extension of empty property reliefs
- £1bn for a temporary Small Business Finance Scheme
- 1p rise in small business corporation tax postponed

h) Mortgages

- Measures to help mortgage payers to be announced
- £15m funding for debt advice
- Help for people with mortgages up to £200k who have lost their jobs

i) Environment

- £100m to help households insulate homes
- £530m to be spent on energy efficiency, rail and environmental protection
- Air passenger duty to be rated on distance travelled

j) Social Housing and Regeneration

- An additional £775m to invest in social homes and regeneration

k) Children and the Elderly

- Child Benefit to increase from £18.80 to £20 in January 2009
- Pension Credit will increase from £124 to £139 a week for single people
- State Pension for single people increasing from £90.70 to £95.25 a week from April 2009
- Pensioner one-off payment of £60 in January 2009

3.5 Local Government

3.5.1 The Chancellor's only real mention of local services was his promise to continue "improving" public services and ensuring "value for money".

3.5.2 Those announcements of particular interest to local authorities were:

- Bringing forward of £3bn of capital spending from 2010/11 into 2009/10 and 2008/09 for housing, education, transport and other construction projects
- Local government will achieve £4.9bn of annual net cash-releasing efficiency savings by 2010/11.

3.6 Local Government Settlement 2008/09 to 2010/11

3.6.1 The Provisional 2009/10 Settlement was originally announced on 6 December 2007 as part of the first three-year settlement along with Provisional 2008/09 and 2010/11 allocations. The final Local Government Settlement for 2008/09 and provisional settlements for 2009/10 to 2010/11 were laid before the House of Commons in January 2008.

3.6.2 On 26th November 2008 the Minister for Local Government, John Healey MP, presented the Provisional Settlement for 2009/10 and confirmed that;

- a) Formula grant, which includes Revenue Support Grant, redistributed business rates and Police Grant, would be the same as announced in January 2008.
- b) Formula grant will total £28.3bn in 2009/10 and £29bn in 2010/11, increases of 2.8% and 2.6% respectively.
- c) Total funding for councils, including specific grants, would be £73.1bn in 2009/10, an increase of 4.2%, and £76.4bn in 2010/11, an increase of 4.4%.
- d) Specific grants, including PFI and Area Based Grant increased by 4.9%

3.6.3 At the same time the Government published figures for specific grants, including Area Based Grant of £49.1bn in 2009/10 and £51.7bn in 2010/11.

3.6.4 The Minister stressed the importance of the annual efficiency improvements and announced that councils need to be finding more than £1.5bn new savings every year. In order to ensure that local residents have information about their council's efficiency performance the Minister confirmed that councils will be required to set out efficiency figures on council tax bills and in accompanying leaflets from 2009/10.

- 3.6.5 The Government made it clear that they expect council tax increases for 2009/10 to be substantially less than 5% overall and that they would not hesitate to use capping powers if necessary.
- 3.6.6 John Healey MP presented the Final Local Government Finance Report in a written statement to the House of Commons on 21st January 2009 and confirmed that the final figures remained unchanged from those published in November 2008.

3.7 Efficiency Agenda

- 3.7.1 The national efficiency agenda was initiated by the 2004 Gershon Review, which promoted savings from shared back office services and joint procurement arrangements. The aim was to make the best use of resources available for the provision of public services and to release more resources to the front line.
- 3.7.2 The 2004 Spending Review incorporated these objectives. All councils had to deliver 2.5% efficiency savings per year, with at least half of these to be cash releasing. The target was a total of £3bn by the third year (2007/08).
- 3.7.3 The 2007 Comprehensive Spending Review (CSR 07) required councils collectively to deliver 3% cash releasing savings per year. The target is £4.9bn by the third year (2010/11).
- 3.7.4 In the 2008 Pre Budget Report the Government announced that departments were making good progress towards the CSR 07 value for money target and announced an additional £5bn target for 2010/11. The details of how the £5bn will be distributed will be published in the Spring Budget.

3.8 Outlook for Local Government

- 3.8.1 The indication for local government is that there will be increasing pressure on services. Demand for services including housing, social services and economic development will increase. Regeneration will be a key priority. Pension costs too are increasing and the concept of public sector pensions is under challenge.
- 3.8.2 The indication is that funding settlements from 2011/12 are likely to include slower growth rates than CSR07. As the council's MTFMS now includes the first year of the next CSR cycle it is taking a cautious assessment of the financial position in 2011/12. As a result nil growth in central government funding is factored into our planning from that year.

4. Herefordshire's Financial Context

4.1 Introduction

- 4.1.1 This section of the MTFMS describes Herefordshire's financial position. It is important to set the scene locally before considering the best approach to the high-level management of the council's financial resources to ensure cash follows priorities.

4.2 Formula Grant

- 4.2.1 The three year settlement under CSR07 was confirmed in January 2009. Over the CSR07 period Herefordshire Council's Formula Grant allocation, including Revenue Support Grant and Non-distributed rates is:

	2008/09 Final	2009/10 Final	2010/11 Provisional
Formula Grant	£53.3m	£55.4m	£57.6m
Increase on like-for-like basis	4.8%	4.0%	4.0%

- 4.2.2 These figures remain unchanged from those announced in January 2008. We do not have any indicative figures for 2011/12 and the Financial Resource Model includes an assumption that the grant will remain unchanged from 2010/11.

4.3 Specific Grants

- 4.3.1 The allocation of specific grants was confirmed in January 2009 including Dedicated Schools Grant. The figures for Herefordshire are as follows;

	2009/10 £000	2010/11 £000	Change £000
REVENUE GRANTS			
Education and Children's Personal Social Services			
Dedicated Schools Grant	84,291	87,411	+3,120
Schools Standards Grant (including Personalisation)	5,129	5,236	+107
Ethnic Minority Achievement	47	47	0
Music Services	293	293	0
Extended Schools	513	723	+210
School Development Grant	7,666	7,782	+116
School Meals	239	239	0
Free Entitlement for 3-4 Year Olds	351	1,165	+814
Sure Start, Early Years and Childcare	3,770	4,422	+652
Youth Opportunity Fund	90	90	0
Short Breaks (Aiming High for Disabled Children)	167	537	+370
			0
Adults' Personal Social Services			0
Social Care Reform	712	886	+174
Stroke Strategy	89	89	0
			0
Other			0
Concessionary Fares	555	571	+16
Homelessness Basic Revenue	60	60	0

* Supporting People	5,887		-5,887
Growth Areas - Revenue	171	171	0
			0
CAPITAL GRANTS			0
Department for Children, Schools and Families			0
Devolved Formula Grant	2,745	2,745	0
Extended Schools	321	166	-155
Harnessing Technology Grant	1,225	1,091	-134
Modernisation Grant		1,457	+1,457
Intervention Centre	850	850	0
Sure Start, Early Years & Childcare Capital Grant	1,257	1,010	-247
TCF 14-19 diplomas & SEN projects	2,000	6,000	-4,000
Youth Capital Fund	76	76	0
Building Schools for the Future	7,882	8,644	+762
Academy Funding	9,146	8,662	-484
			0
DEFRA			0
Waste Infrastructure	312	115	-197
			0
Dept of Health			0
Mental Health Grant	96	96	0
Social Care	96	96	0
Improving Management Information	59	64	+5
			0
Dept for Transport			0
Local Transport Plan Highways Maintenance	100	125	+25
Local Transport Plan Integrated Transport (Part)	748	714	-34
Road Safety	74	72	-2
			0
Home Office Capital Grants			0
Safer Stronger Community Fund	44	44	0
			0
DCLG			0
Disabled Facilities Grant	468	tbc	-468
Housing Market Renewal	734	734	0
Growth Areas – Capital	1,460		-1,460
			0
TOTAL	139,723	142,483	+2,760

*From 2010/11 Supporting People grant will be included in the Area Based Grant. In 2009/10 it will not be ringfenced.

4.4 Area Based Grant

- 4.4.1 As part of the 2007 Comprehensive Spending Review, the Government announced the creation of Area Based Grants (ABG), a non-ringfenced general grant, made up of a wide range of former specific grants.
- 4.4.2 The area based grant for Herefordshire Council for 2009/10 is £9.5m, which is made up of the following grant streams;

	£000
Cohesion	49
Supporting People Administration	119
Climate Change (Planning Policy Statement)	22
School Development Grant	82
Extended Schools Start-Up Grants	813
Primary National Strategy - Central Co-ordination	115
Secondary National Strategy - Central Co-ordination	141
Secondary National Strategy - Behaviour and Attendance	68
School Improvement Partners	108
Education Health Partnerships	55
School Travel Advisers	32
Choice Advisers	20
School Intervention Grant	70
14 - 19 Flexible Funding Pot	48
Sustainable Travel - General Duty	16
Extended Rights to Free Transport	257
Connexions	1,470
Children's Fund	357
Child Trust Fund	2
Positive Activities for Young People	86
Teenage Pregnancy	99
Children's Social Care Workforce	40
Care Matters White Paper	115
Child Death Review Processes	16
Young Peoples Substance Misuse	27
Adult Social Care Workforce	504
Carers	834
Child & Adolescent Mental Health	217
Learning & Disability Development Fund	132
Local Involvement Networks	119
Mental Capacity Act & Independent Mental Capacity	107
Mental Health	444
Preserved Rights	1,471
Stronger Safer Communities	182
Young People Substance Misuse Partnership	31
Road Safety Grant	331
Rural Bus Subsidy	921
TOTAL	9,520

4.4.3 The ABG represented a significant shift in the Government's approach to funding when it was introduced in 2008/09. It is important to stress this is not 'new' money.

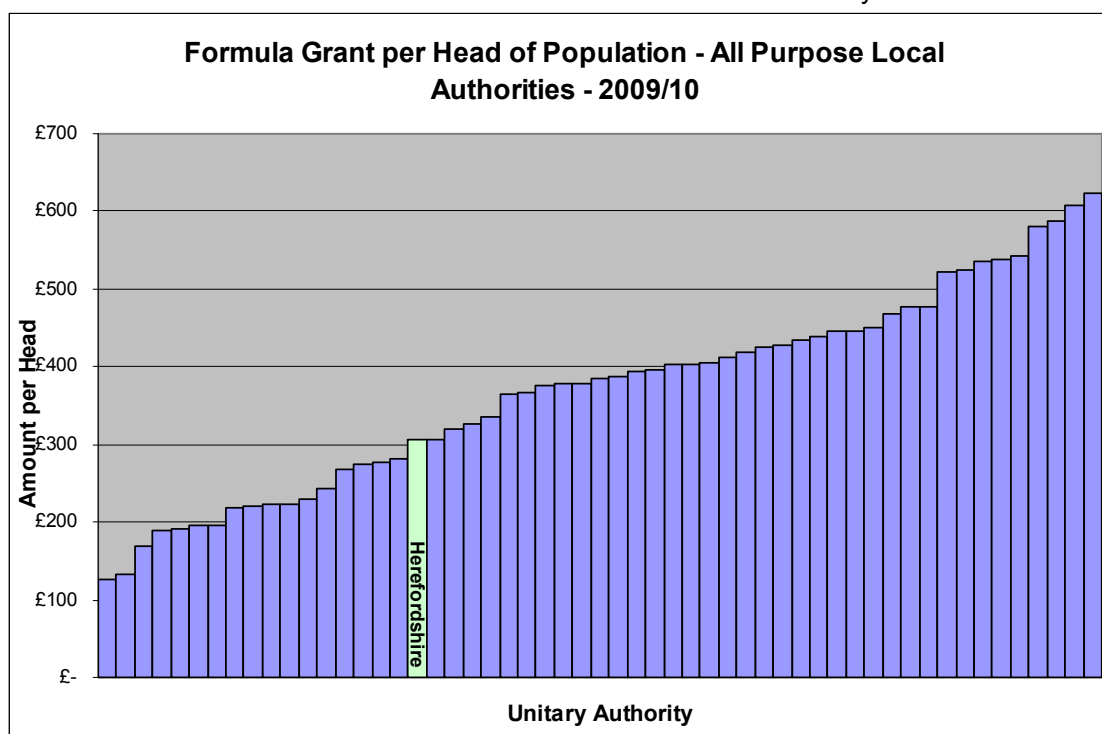
It is a change to the way existing grant schemes are presented and can be used. The challenge faced by all local authorities is one of transition from funding existing services using specific grants that become part of ABG. To help the transition Herefordshire's approach is that all grants automatically stay within existing service areas for the year immediately following their inclusion in ABG. Thereafter the funding decisions are part of the governance arrangements of the Herefordshire Partnership.

4.5 Comparative Funding Position

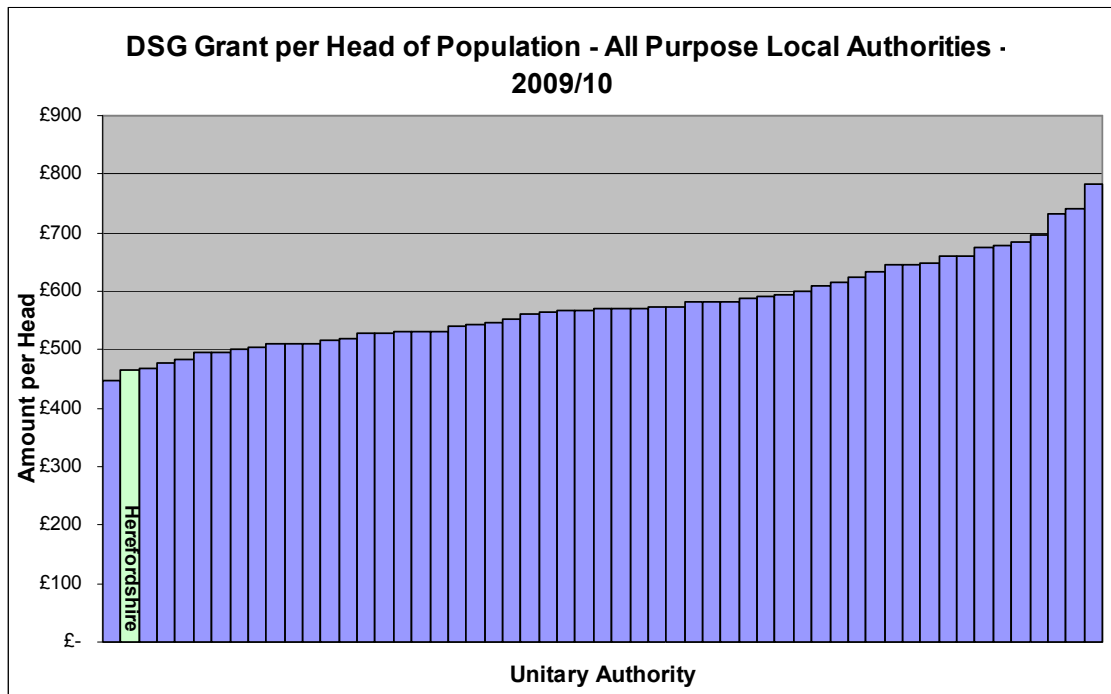
4.5.1 Herefordshire does not get a fair share of central Government funding and this continues to be the case. The 2009/10 settlement figures show that:

- a) Formula Grant per head of population is £306 – 17% below the unitary authority average of £369.
- b) Indicative Dedicated Schools (DSG) Grant per head of population is £466 – 19% below the unitary authority average of £576.
- c) Formula Grant plus indicative DSG per head of population is £771 – 18% below the unitary authority average of £945.

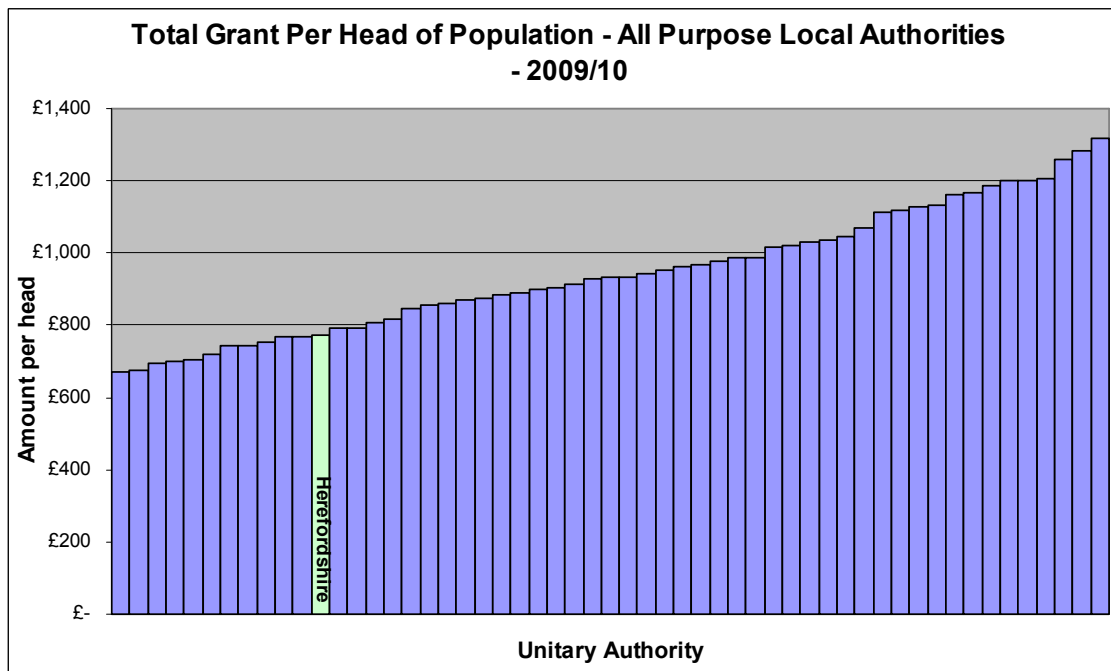
4.5.2 The graph below shows Formula Grant per head of population for all unitary councils for 2009/10. It shows that Herefordshire is 38th out of 55 unitary authorities.



4.5.3 The graph below shows DSG per head of population for all unitary authorities for 2009/10. It shows that Herefordshire is 54th out of 55 unitary authorities.



4.5.4 The graph below shows grant per head of population, including both Formula Grant and DSG for all unitary authorities for 2009/10. It shows that Herefordshire is 44th out of 55 unitary authorities.



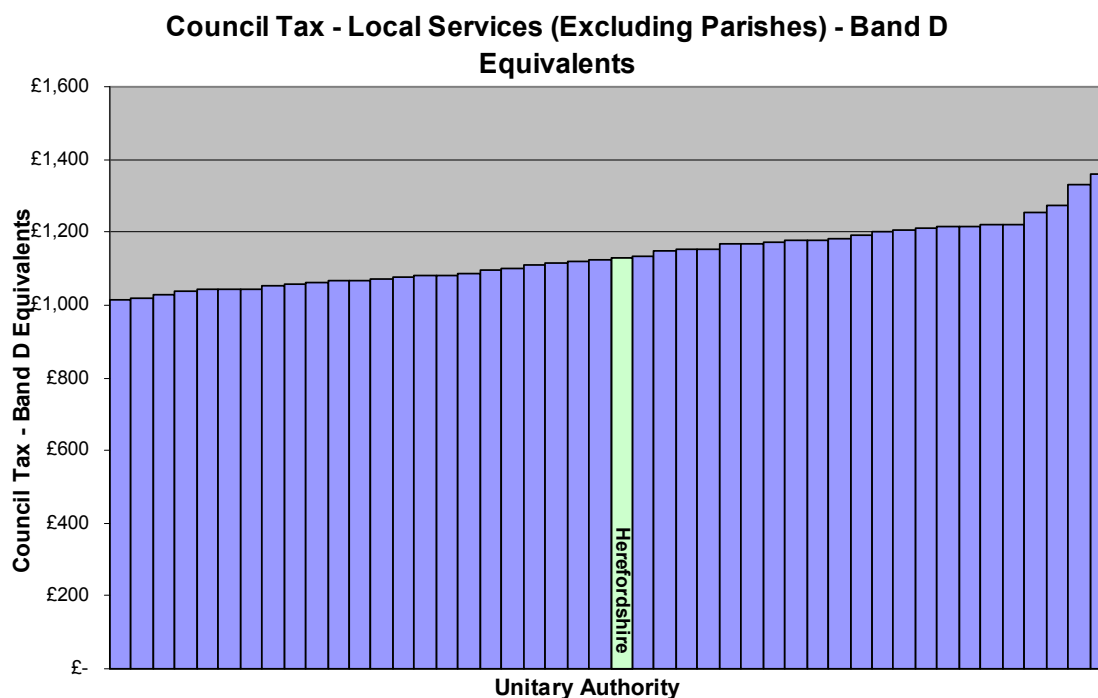
4.6 Council Tax

4.6.1 The Government has stated that councils are expected to agree council tax increases of substantially less than 5% overall.

4.6.2 The previous section clearly demonstrated that Herefordshire does not get a fair share of central government funding. This lack of funding is not at the expense of above average levels of council tax. In fact Herefordshire Council's council tax for 2008/09 is below average as shown below;

	Average Council Tax excl. Parish Payments (Band D)	Difference	% Difference
Herefordshire	£1,131.13	-	-
Unitary authorities	£1,132.52	£1.39	0.1%
West Midlands	£1,330.63	£199.50	17.6%
England	£1,355.24	£224.11	19.8%

4.6.3 The following graph shows Herefordshire's Council council tax position in relation to other unitary councils;



4.7 Reserves

4.7.1 Revenue Reserves

4.7.2 Herefordshire has 2 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.

4.7.3 The following table shows the balance on the General Fund and the level of Specific Reserves at the end of the last 4 financial years plus an indicative forecast of the position at the end of 2008/09.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31st March 2005	14,491	8,919	2,325	25,735
31st March 2006	14,525	8,739	5,203	28,467
31st March 2007	8,023	8,137	11,637	27,797
31st March 2008	6,728	5,657	10,915	23,300
31st March 2009 (estimated)	6,766	5,200	6,684	18,650

4.7.4 A significant proportion of the Specific Reserves belong to our schools and cannot be used to help pay for non-schools services.

4.7.5 From 1st April, 2008, the council's policy has been to maintain the General Reserve at £4.5m (approximately 3.5% of the net revenue budget). This level of General Reserve balance is in line with recommended best practice and is consistent with the approach other similar authorities take. The Director of Resources is content to make his statutory declaration that this level of General Reserves is prudent as it provides adequate cover for:

- Demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set and that are not covered by an earmarked reserve.
- The contingent liabilities at the end of the 2007/08 financial year as set out in the annual Statement of Accounts.
- An adverse change in the key variables within the Financial Resource Model (FRM) as identified in section 7.7 of the MTFMS 2009 – 2012.
- Daily cash flow needs.

4.7.6 Capital Reserves

4.7.7 There is one capital reserve that represents cash available to support spending on the creation or enhancement of assets that is recorded in the capital account. It is known as the Usable Capital Receipts Reserve.

4.7.8 The following table shows the level of usable capital receipts for the last 4 financial years and an estimate for 2008/09;

Balance as at:	£000
31st March 2005	18,291
31st March 2006	20,070
31st March 2007	22,426
31st March 2008	17,945
31st March 2009 (estimated)	9,459

4.7.9 The estimated position at 31st March 2009 includes additional receipts of £2.53m in 2008/09 and the anticipated use of £11.02m to fund the capital programme.

4.7.10 The council has a strategy for disposing of surplus assets. Capital receipts will be generated over the medium-term as these assets are vacated and sold but they will be used to support future capital expenditure requirements.

4.7.11 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.

4.8 Summary

4.8.1 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 area but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the area.

5. Herefordshire's Policy Context

5.1 Introduction

5.1.1 This section of the MTFMS describes the local policy context for Herefordshire.

5.2 Herefordshire Sustainable Community Strategy

5.2.1 *The Herefordshire Sustainable Community Strategy 2006 to 2020* sets out what the council and its partners aim to achieve to make the county an even better place to live and work. Our priorities are closely aligned with central government priorities for public services. *The Local Area Agreement* (LAA) between the council, its partners and the Government is at the heart of delivering the strategy.

5.3 Corporate Plan and Annual Operating Statement

5.3.1 The current Corporate Plan sets out what the council aims to achieve over the years 2008 to 2011, including what it will do to make a reality of the *Herefordshire Sustainable Community Strategy (HSCS)*. A revised plan for 2010 to 2013 is scheduled to be approved by September 2009.

5.3.2 The Corporate Plan contains the current overall targets, milestones and actions, together with the current budgets and other resources to achieve them, over the coming years. In March 2009 the council will publish a one-year Annual Operating Statement, which will report progress in delivering the Corporate Plan targets and key actions in 2008/09 and set out targets and timetabled key actions in 2009/10.

5.3.3 The council's Corporate Plan themes are:

- a) Children and Young People
- b) Health and Well Being
- c) Older People
- d) Economic development and enterprise
- e) Safer and stronger communities
- f) Sustainable communities
- g) Organisational improvement and greater efficiency

5.4 The Council's Top Priorities

5.4.1 The council's top priorities are:

- The best possible life for every child, safeguarding vulnerable children and improving educational attainment
- Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives
- The essential infrastructure for a successful economy, enabling sustainable prosperity for all
- Affordable housing to meet the needs of local people
- Better services, quality of life and value for money, particularly by working in partnership with the Herefordshire Primary Care Trust and other local organisations
- to the HSCS and the Local Area Agreement.

5.4.2 The table in Appendix A illustrates how the council's themes and top priorities relate

5.5 Public Consultation

5.5.1 During the Autumn of 2008, the council and PCT jointly commissioned a survey of a representative sample of households across the county to gauge the population's views on the balance we should strike between different priorities and between those and the level of council tax. This was supplemented with workshops for older people in a rural area, disabled people and carers, and teenagers.

5.5.2 The results for council-led services showed a close correlation between the public's choices and the council's top priorities as shown in its Corporate Plan. In particular, the public wanted to see improvements to tackle traffic congestion, the provision of more support for families to protect vulnerable children and an increase in provision to meet increasing demand for adult social care. The public didn't want any reductions in youth services or in the provision of short-term re-ablement therapy in people's homes. They also didn't want reductions in the amount of support given to carers, nor in services for people with dementia or other mental health problems. Additionally, they didn't want there to be any deterioration in the condition of minor roads and footways.

5.5.3 To help pay for their desired improvements, the public indicated that they would be prepared to see reductions in other services, as well as more being charged for car parking and non-residential social care.

5.5.4 The council and the PCT are considering the outcomes from the consultation as they draw up plans together for coming years. They will also take account of the findings of the new national *Place Survey*, the results of which are expected in March 2009. This measures people's perceptions of the quality of their lives and what they think most needs to be improved.

5.6 Directorate and Service Plans

5.6.1 Plans for individual directorates and services set out what each directorate and service will do to contribute to the corporate plan and achieve relevant targets. These feed into the plans of individual teams and the objectives and targets set annually for individual managers and their staff.

5.7 Herefordshire Partnership

5.7.1 To achieve the vision, organisations, groups and service providers work together in the Herefordshire Partnership. This is a non-statutory, voluntary partnership, known as the Local Strategic Partnership (LSP). Partners include:

- a) Chamber of Commerce Herefordshire and Worcestershire, and Business Link West Mercia.
- b) Herefordshire Association of Local Councils.
- c) Herefordshire Council.
- d) NHS Herefordshire.
- e) Learning & Skills Council, Herefordshire and Worcestershire.

- f) Third Sector Organisations.
- g) West Mercia Constabulary.
- h) Fire Rescue Service

5.7.2 A significant factor that will improve the partnership's effectiveness is that over the last year the council has entered into a 'deep partnership' with the primary care trust – Herefordshire Public Services (HPS) – to provide a more effective and efficient service that will improve outcomes for local people, a better experience of services and improved value for money.

5.7.3 The overarching vision and priorities for Herefordshire are embodied in the Sustainable Community Strategy (Herefordshire Community Strategy) and the associated Local Area Agreement. The Community Strategy is due to be refreshed in 2009 to ensure that it is aligned with other existing and emerging plans and strategies. The Local Area Agreement was signed off by ministers in June 2008 and is due to be refreshed, in line with central government guidance, in March 2009.

5.8 The Performance Improvement Cycle (PIC)

5.8.1 The council's links its financial planning and monitoring with corporate and LAA priorities through the annual Performance Improvement Cycle (PIC) process. The purpose of the PIC is to enable the council to:

- a) link directly, at all stages of planning and performance management, the allocation of resources with the delivery of the council's priorities in terms of measurable outputs and outcomes
- b) make informed choices about the trade-offs between investment in different services
- c) achieve the best possible value for money, overall and in respect of individual services
- d) make cash-releasing and non-cash-releasing savings to meet Government requirements and deliver service improvements in priority areas
- e) drive continuous performance improvement for better customer services across the council
- f) take account of what it needs to contribute to the Herefordshire Community Strategy and the Local Area Agreement
- g) maximise the benefit of the developing public service arrangements with the PCT.

5.8.2 To these ends, the processes for corporate, service and financial planning are fully integrated into the cycle.

5.8.3 The timetable for key elements of the performance improvement cycle for 2008/09 is attached at Appendix B. The PIC will be reviewed and rolled forward shortly for 2009/10.

6. Financial Management Strategy

6.1 Introduction

6.1.1 This section of the MTFMS describes Herefordshire's corporate financial objectives given the national and local context. It also covers Herefordshire's financial management proposals to achieve these objectives. This section also describes the financial management strategies for:

- a) Revenue spending.
- b) Capital investment.
- c) Efficiency review and improving Value for Money.
- d) Treasury management.

6.1.2 Active risk management is a key component of the council's corporate governance arrangements. This section of the MTFMS therefore sets out the key corporate and financial risks the council will be monitoring to ensure it stays on course to deliver its overall objectives.

6.2 Corporate Financial Objectives

6.2.1 Herefordshire's corporate financial management objectives are to:

- a) Ensure budget plans are realistic, balanced and support corporate priorities.
- b) Maintain an affordable council tax – the Financial Resource Model (FRM) in the MTFMS assumes a sub-5% increase. This is in line with the 2009/10 Local Government Settlement announcement.
- c) Manage spending within budgets – Directorates are required as a 'non-negotiable' to manage outturn expenditure for each financial year within budget.
- d) Ensure sustainable balances, reserves and provisions – within a reasonable limit consistent with the corporate financial risks without tying up public resources unnecessarily.
- e) Create the financial capacity for strategic priorities for service improvement.
- f) Support a prudent level of capital investment to meet the council's strategic requirements.
- g) Maintain a strong balance sheet position.
- h) Deliver year on year efficiency and Value for Money improvements.
- i) Ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders.
- j) Ensure a whole-life costing approach is taken to both revenue and capital spending decisions.

6.3 Managing partnership resources

6.3.1 Herefordshire welcomes the opportunity to work with strategic partners to improve outcomes. However, to achieve its corporate financial management objectives, we will always seek to ensure:

- a) The financial viability of partners before committing to an agreement.

- b) Clarity of respective responsibilities and liabilities.
- c) Accounting arrangements are established in advance of operation.
- d) Implications of terms and conditions on any associated funding are considered in advance of operation.

6.3.2 From 2008/09 the new Area Based Grant (ABG) has been introduced, which develops the integration of partnership funding to achieve shared objectives. As an interim arrangement it was agreed by the Herefordshire Partnership (HP) Chief Executive's Group (CEG) that 2008/09 would be a transition year, with ABG allocated back to the areas where the base grants originated, giving each partner the autonomy to allocate the funding to their areas of activity. At the same time it was recognised that there was a need to move from this position with resources targeted at areas of most need and linked to the priorities of the Local Area Agreement (LAA).

6.3.3 The need to address the distribution of ABG has become even more apparent as the requirements of Comprehensive Area Assessment emerge with the targeting and use of resources being a key success indicator. A mechanism for achieving this is currently being developed.

6.4 Managing external funding

6.4.1 External funding provides another opportunity to increase financial capacity. The MTFMS will be to pursue actively such opportunities, providing that:

- a) Match funding requirements are considered in advance.
- b) They support corporate priorities.
- c) They do not conflict or distract from corporate priorities.
- d) They have no ongoing commitment that cannot be met by base budget savings.
- e) They do not put undue pressure on existing resources.
- f) The net cost overall is not excessive

6.5 Managing Developer Contributions

6.5.1 This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support the cost of day-to-day services (e.g. commuted sums for maintenance of public open spaces). Support for capital infrastructure can also be achieved in this way (e.g. developer contributing to cost of new access roads).

6.5.2 The MTFMS is to maximise the potential for increasing financial capacity and / or managing growth in volumes through s106 agreements where possible.

6.6 Managing Fees and Charges

6.6.1 The council is currently developing a corporate charging strategy with the aim of implementing a corporate charging policy.

6.6.2 The MTFMS is to recognise the potential for discretionary charges to fund services and influence behaviour in line with corporate priorities.

6.7 Managing the General Fund Balance & Specific Reserves

6.7.1 Herefordshire's General Fund balance at the start of 2008/09 was healthy at a level of £6.728m. This is in excess of the current policy in place to maintain a minimum balance of £4.5m.

6.7.2 The impact on General Fund balances in 2008/09 is illustrated in the following table:

	£000	£000
General Fund balance on 1st April 2008		6,728
Plus		
Potential 2008/09 underspend (month 9 monitoring)	238	
Less		
HALO Job evaluation funding	-200	
		38
General Fund Balance on 31st March 2009		6,766

6.7.3 The above table makes a number of assumptions but shows the likely position on General Fund balances at the end of 2008/09.

6.7.4 Herefordshire's financial management strategy is to maintain specific reserves to deal with the key corporate financial risks reducing the need for a higher level of General Fund balances. This strategy ensures there is complete transparency about what is resourced for corporate financial risks that, if realised, would affect the council's financial standing. It represents an 'open-book' approach to accounting.

6.7.5 All Directorates are expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget.

6.7.6 The need for the range and level of specific reserves and the policy for minimum General Fund balances is continually reviewed as part of the financial planning, monitoring and outturn processes. The strategy described here provides cover for the key corporate financial risks.

6.8 Managing financial performance

6.8.1 Maintaining strong financial control is a prerequisite to achieving the council's corporate priorities and the integrity of the MTFMS. Good systems and procedures are in place for regularly reporting on financial performance to Cabinet and Strategic Monitoring Committee as part of the integrated performance framework.

6.9 Efficiency Review

6.9.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources – people, land & property, ICT and cash.

6.9.2 Herefordshire has had a good track record delivering on 2.5% overall efficiency gains targets.

6.9.3 The government indicated a 3% "cashable" target over the term of the CSR07. This is on target for 2008/09 and will be published for the first time on council tax bills in 2009.

- 6.9.4 The Director of Environment is in the process of implementing a plan to achieve significant efficiencies and improvements in service delivery within the limits of the cash allocations for his area of responsibility.

6.10 Value for Money (VfM)

- 6.10.1 Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the new Performance Improvement Cycle.

- 6.10.2 We support the drive for VfM through the following mechanisms:

- a) Ensuring service managers deliver the outputs and outcomes agreed for their service area within budget – managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures.
- b) Support from the Procurement & Efficiency Review section and reviewing the level of corporate resource for this critical function.
- c) Integrating corporate, service and financial planning processes.
- d) Planning over the medium-term as well as the short-term.
- e) Developing our routine financial performance monitoring reports for Cabinet to include VfM data over the coming year.
- f) Benchmarking our costs and activities with other authorities.
- g) Through internal and external audit reviews.
- h) Through scrutiny reviews.

6.11 Financial Management Strategy for Capital Investment

- 6.11.1 The council has received indicative funding notifications from central government for 2009/10 and future years. Supported Capital Expenditure allocations (borrowing supported by Revenue Support Grant) for 2009/10 total £13.57m, split £2.37m towards children's services and £11.20m towards environment and culture.

- 6.11.2 In addition the council can borrow to the extent it considers it is affordable and prudent to do so (Prudential borrowing).

- 6.11.3 The FRM for the revenue account reflects the new borrowing requirement implied by the Treasury Management Strategy (see section 6.12) to support the capital programme.

- 6.11.4 The capital receipts reserve totalled £17.94m as at 1st April, 2008. Receipts of £2.53m have been received to date in 2008/09. Expected capital receipt reserve spending in 2008/09 totals 11.02m leaving a balance of £9.45m to be carried forward into 2009/10. This may change if additional receipts arise before 31st March 2009 and depending on final funding decisions for capital spending in 2008/09 when the annual accounts are prepared.

- 6.11.5 Capital receipts reserve funding of £2.77m has been committed to fund the 2009/10 capital programme. However additional capital receipts from the sale of smallholdings are expected.

6.11.6 The financial management strategy for increasing capital investment capacity centres on:

- a) Maximising developers' contributions as outlined in the financial management strategy for the revenue account.
- b) Effective project management of capital schemes to ensure they stay within budget.
- c) Creating the capacity to implement the property review arrangements set out in the Asset Management Plan to see what further opportunities there are for rationalising property assets and releasing resources (capital and revenue).
- d) Maintaining our successful track record for innovative capital investment schemes – e.g. the Whitecross PFI project.
- e) Attracting external funding such as the grant allocation under the government's Building Schools for the Future programme.

6.11.7 The financial management strategy for capital investment also focuses on making sure the available resources are allocated in line with corporate priorities. To achieve this we will:

- a) Treat property assets as a corporate resource
- b) Ensure that corporate assets (including property assets and ICT infrastructure) are not neglected.
- c) Develop a corporate approach to maintaining and developing corporate assets.

Capital Programme 2009/10

6.11.8 The 2009/10 bids recommended for funding as summarised below. They mainly represent funding required to help mitigate the effects of the current economic climate.

a) Mortgage Rescue

This funding will assist families experiencing financial difficulties to remain in their own home by providing grant funding in partnership with a housing association which would buy the property and lease back to the household.

b) Disabled Facilities Grant

The disabled facilities grant adaptations within client homes are made in order to facilitate independent living and assist in early hospital discharge. This is a statutory grant the council is mandatorily obliged to provide and currently there is a backlog of grant applications.

c) Hereford Cathedral Close

The regeneration of the Cathedral Close will significantly improve the quality of the principal public green space at the heart of the mediaeval city. This bid is recommended or funding subject to confirmation of the grant funding available from the Heritage Lottery fund towards this scheme.

d) Low Cost Home Ownership

The scheme assists those in housing need to gain a foot on the housing ladder who would otherwise have no alternative but to seek rented accommodation through Home Point. All those assisted will be registered with Home Point as being in housing need.

e) Maintenance for Halo Leased Properties

This bid will fund backlog maintenance works to properties occupied by Halo in Hereford and Leominster. These works are the council's responsibility as landlord.

f) Replacement Leominster Youth Centre

This bid is to provide a new youth centre in Leominster through the refurbishment of a former design and technology block on the Minster college site. There is a possible S106 receipt that could be used to partly fund this. However, this funding may not be received so is excluded from the bid. The bid sets out an initial sum to provide further scope of the possible options and solutions. The release of further monies that may be required would be dependent upon an assessment of the viability of each option.

g) Hereford City Shop Front Grants

The grants would assist independent businesses in the current economic climate by providing £5k or 80% of the total project costs, whichever is the lesser.

h) Relocation of Hereford Retail Open Market

This bid is to relocate the Hereford Open Retail Market (held weekly on a Saturday and Wednesday) to the recommended site of Commercial Street where St Peters Street meets with High Town. This funding will be used to purchase thirty pop up stalls and a vehicle for the transporting and storing of the stalls.

i) Hereford Academy

The Department for Children Schools and Families (DCSF) expect local authorities to determine and fund post contract award project management costs of the new Hereford Academy scheme, to provide assurance to the council that the Framework agreement is working as it should be.

j) Self Service PC Booking System

The purchase of a new self-service PC booking and print management system for libraries and Info shops would enable service users to book items themselves.

k) Rotherwas futures

This bid is for Rotherwas estate development work, including infrastructure, re-roofing, land payments and road works to provide new jobs, part funded by AWM.

l) Buttermarket Project

This bid will cover feasibility costs to determine the total project and cost of capital scheme required following deterioration of structure of the building possibly leading to closure of the outlet.

m) Maintenance for Schools – Legionella works

This bid will fund backlog maintenance works to prevent legionella in schools within the county that are the council's responsibility.

n) Essential Maintenance to Corporate Buildings – Legionella works

This bid will fund maintenance works to building fabric, mechanical and electrical installations in corporate buildings to prevent legionella.

o) Empty Property Activity

This scheme is delivered in partnership with registered social landlord partners to bring empty properties back into use primarily through leasing the property from the owner for a six year period.

6.11.9 The following table summaries the existing capital investment programme updated for slippage. The table sets out the updated position.

	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000
Investment by directorate:-				
Children's Services	17,315	29,668	30,097	3,655
Resources	4,210	2,910	8,600	-
Deputy Chief Executive	5,564	4,570	10	39
Adult Services	905	551	255	-
Regeneration	11,424	5,904	2,945	-
Environment & Culture	23,809	19,542	13,735	1,554
Available funding not yet allocated	-	3,821	646	646
	63,227	66,966	56,288	5,894
Which is funded by:				
Supported Capital Expenditure (Revenue)	12,751	13,567	13,210	1,200
Prudential Borrowing	16,041	16,477	9,650	1,039
Capital Receipts Reserve	11,016	2,768	1,264	-
Government Grants & Contributions	23,419	34,154	32,164	3,655
	63,227	66,966	56,288	5,894

6.11.10 The FRM does not assume any council funding towards the Edgar Street Grid.

6.12 Treasury Management Strategy

6.12.1 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 2009/10 complies with the detailed regulations that have to be followed.

6.12.2 The Treasury Management Strategy is a key element of the overall financial management strategy. It supports achievement of several corporate financial objectives, including creating financial capacity within the revenue account as it aims to optimise investment and borrowing decisions.

6.12.3 In summary, the Treasury Management Strategy sets out the council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the types of investment the council will use and the limits for non-specified investments. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities.

6.12.4 The Treasury Management Strategy also sets the Prudential Code limits for the year. These limits define the framework within which the council self-regulates its borrowing based on long-term affordability. These link back to the overall size of the capital investment programme and the FRM.

6.12.5 The current forecast for interest rates as suggested by Sector Treasury Services Limited, who are the councils external Treasury Management advisors, is that the bank base rate will:

- Fall to 0.5% in the first quarter of 2009.
- Remain at 0.5% until the second quarter of 2010.
- Rise to 4% by in the first quarter of 2012.

6.12.6 These forecasts form part of our Treasury Management Strategy helping us to plan our borrowing and investment activity. Crucially the assessments inform decisions about changing any existing investments activity to increase the level of interest we receive.

6.13 Key Corporate & Financial Risks

6.13.1 Herefordshire sees risk management as an essential element of the corporate governance framework. All formal reports include a risk management assessment. The Cabinet receives regular updates on the corporate risk register as part of our Performance Reporting arrangements.

6.13.2 The most recent update of the Corporate Risk Register is provided for information at Appendix C.

7. Medium-Term Financial Resource Model (FRM)

7.1 Background

- 7.1.1 The FRM shown in Appendix D takes into account the corporate financial objectives and MTFMS proposed 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 the corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2009/10 to 2011/12.

7.2 Assumptions

- 7.2.1 The FRM includes the following assumptions;

a) Council Tax

The Government's expectation for council tax increases is substantially below 5%. The actual increase for 2008/09 was in line with that at 4.4%. The proposed council tax level for 2009/10 is a 3.9% increase.

- b) Formula Grant** – the FRM reflects the final local government finance settlement for 2009/10 and indicative figures provided by the government for 2010/11. The assumption for 2011/12 is that the level of grant remains static, which represents a cautious and prudent approach.

c) Inflation

The 2008/09 base budget included an assumption of a 2% pay award and a restated 2007/08 base of 0.475%, to take account of the 2007/08 pay award. The national employers have offered 2.45 per cent for the 2008 pay award, which was rejected by the trade unions and the dispute has now been referred to arbitration. The current FRM includes an estimated pay award of 2.0% per annum, plus a reinstatement of 0.5% for 2008/09.

The current FRM includes an inflationary uplift on non pay expenditure to be met by Directorate efficiency savings. This challenging policy ensures that managers:

- Negotiate appropriate contracts for the provision of services.
- Manage contracts and contractor performance effectively.
- Continually review service delivery arrangements to ensure improvements in efficiency and value for money.

- d) Employers' superannuation costs** – the FRM includes increases in employers' contributions rates in line with latest actuarial advice.

- e) National Taxation** – the FRM assumes there will be an increase in national insurance contributions in 2011/12 in line with the Pre-budget report.

- f) Interest Rates** – the FRM reflects interest rate assumptions for investment income and new borrowing costs in line with the Treasury Management Strategy for 2009/10.

7.3 Corporate Priorities

7.3.1 The FRM includes the following growth items and budget pressures identified as corporate priorities.

7.3.2 **Waste Management PFI contract** – the FRM includes additional base budget of £500k per annum pending the finalisation of the renegotiated contract. In the interim period any budget under spend will be transferred to a specific reserve to offset future increased costs.

7.3.3 **Local Development Plan** - £375k allowed in 2009/10 and £275k in 2010/11 for implementing the new planning framework.

7.3.4 **Office Accommodation Strategy** – the FRM reflects the potential financial consequences of rationalising council office accommodation. Funding totalling £17m is currently earmarked in the council's capital programme for a back office accommodation project as follows:

Source of funding	£m
Capital reserves as at 1 April 2008	2.3
Prudential borrowing in 2008/09	3.2
Prudential borrowing in 2009/10	2.9
Prudential borrowing in 2010/11	8.6
Total	17.0

7.3.5 **Capital Investment** – the FRM reflects the revenue implications of the approved capital programme (see Section 6.11)

7.3.6 **ICT Strategy** - £400k is included in 2009/10 for the retendering of the community network, server virtualisation and the new data centre.

7.3.7 **Job Evaluation** - £300k is included in the FRM to deal with the increased impact of Job Evaluation on external partners staff budgets. The council has an obligation to meet the impact of increased pay on transferred posts affected by the single status agreement. Over time this has increased as staff have progressed through pay grades.

7.3.8 **Social Care modernisation** – Funding of £275k in 2008/09 rising to £550k in 2009/10 is included in the FRM as approved in the previous MTFMS. The additional budget was included as the result of a needs analysis exercise for mental health and physical disabilities services.

7.3.9 **Income** - £500k to cover loss of income as a result of the 'credit crunch'.

7.3.10 **Hereford City Council** - £140k is included to correct the base budget position for services previously recharged to the Parish Council.

7.3.11 **CRB** - £88k is included to cover the cost of a new central CRB team within Human Resources

7.4 Directorate Budgets

- 7.4.1 2009/10 presents Directorates with a series of financial challenges and also a requirement that they support the council's overall budget position to deliver a balanced budget.
- 7.4.2 The Performance Improvement Cycle (PIC) as described in Section 5.8, has seen extensive involvement of the Joint Management Team (JMT). Directors have been involved in a rigorous challenge process around spending and savings proposals.
- 7.4.3 The final proposals by Directors is summarised in the table below;

Directorate	Spending requirement £000	Estimated savings £000
Adult Services	275	455
Children's and Young People	150	300
Chief Executive	0	50
Deputy Chief Executive	25	42
Environment and Culture	1,100	900
Regeneration	97	333
Resources	85	135
	1,732	2,215

- 7.4.4 The overall position is a net contribution of £483k, which is included in the FRM.

7.4.5 Funding of ICT Services

For 2009/10 ICT Services will be moving to a base budget funded approach rather than relying on recharging for their services. This will involve transferring budgets from Directorates and therefore there is no impact on the budget overall.

7.5 Herefordshire Connects

- 7.5.1 Herefordshire Connects is the council's transformation programme to modernise the way in which day-to-day business is transacted to deliver improved value for money and better services for the community.
- 7.5.2 The FRM includes the costs and benefits of the refreshed programme, including a Social Care system, Integrated Support Services, an Environment and Planning system, a Performance Management system, and electronic document records management.
- 7.5.3 At the core of the business plan for Herefordshire Connects is the requirement to make cashable efficiency savings to support the council's Medium Term Financial Management Strategy. The efficiency savings included in the FRM are as follows;

	2009/10 £000	2010/11 £000	2011/12 £000
Herefordshire Connects savings	700	1,300	3,300

The Benefits Realisation Board will closely monitor progress against efficiency targets.

7.6 Financial capacity

- 7.6.1 The FRM sets the overall financial context for corporate and service planning and the detailed budget work prior to setting the council tax. Given the assumptions outlined above, the following table summarises the potential financial capacity in the revenue account:

	2009/10 £000	2010/11 £000	2011/12 £000
Potential financial capacity in the base budget.	0	766	4,636

- 7.6.2 The table shows that there is little cash to allocate to corporate priorities until 2011/12 unless further efficiencies are delivered in addition to those produced by Herefordshire Connects.

7.7 Sensitivity Analysis

- 7.7.1 The projected budgets make assumptions about likely levels of funding. The variable nature of these factors could impact on the budget and the following gives an indication of the extent of the possible changes:
- a) An increase or decrease of 0.5% in the council tax base impacts the budget by £412k in 2009/10.
 - b) 1% variance in council tax inflation impacts the budget by £792k for 2009/10.
 - c) £100k increase in budget increases council tax by up to 0.13%.
 - d) The Treasury Management Strategy for 2009/10 assumes that external borrowing for the capital programme for that year will be delayed into future years and will be funded by borrowing from internal reserves until the economic situation improves. In the current climate long term borrowing would be at considerably higher rates than investment income can generate and the number of counter parties has reduced due to poor credit ratings. Therefore any movement in borrowing rates will not affect the borrowing costs for 2009/10.
 - e) A 0.5% variance on investment interest rates equates to £203k in 2009/10.
 - f) If the pay settlement varies by 1% from the FRM's assumption this has an impact of approximately £560k

8. Statutory Statement by the Chief Finance Officer

The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the council's case the Director of Resources must report on the:

- a) Robustness of the estimates made for the purposes of the budget calculations.
- b) Adequacy of the proposed financial reserves.

Section 25 of the Local Government Act 2003 requires the Director of Resources to report to the council when it is setting the budget and precept (council tax). The council is required to take this report into account when making its budget and precept decision. The Director of Resources' report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.

The Director of Resources states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:

- The council's corporate plans and strategies;
- The council's budget strategy;
- The need to protect the council's financial standing and manage corporate financial risks;
- This year's financial performance;
- The Government's financial policies;
- The council's medium-term financial planning framework;
- Capital programme obligations;
- Treasury Management best practice;
- The strengths of the council's financial control procedures;
- The extent of the council's balances and reserves; and
- Prevailing economic climate and future prospects.

David Powell
Director of Resources

APPENDIX A

How the council's themes and priorities relate to the Herefordshire Sustainable Community Strategy and the Local Area Agreement.

HSCS themes	The Corporate Plan themes	The Council's top priorities	LAA priorities
Children and young People	Children & young people	The best possible life for every child, safeguarding vulnerable children and improving educational attainment	<ul style="list-style-type: none"> • Encourage and enable children and young people in Herefordshire to achieve their potential and participate in positive activities • To improve participation in, and achievement for, young people in education, employment and training post 14
Healthier communities and older people	Health and well-being Older People	Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives	<ul style="list-style-type: none"> • Encourage and promote a healthy lifestyle with particular attention to: reducing smoking, levels of obesity and excessive consumption of alcohol • Help vulnerable people to live safely and independently in their own homes
Economic development and enterprise	Economic development and enterprise	The essential infrastructure for a successful economy, enabling sustainable prosperity for all	<ul style="list-style-type: none"> • Improve access to integrated public and community transport, reduce traffic congestion and encourage alternatives to car use • Increase the economic potential of the county with a particular regard to higher skilled and better paid jobs • Increase access to learning and development at all levels, and increase participation, in order to raise achievement, address worklessness and improve workforce skills
Safer and stronger communities	Safer & Stronger communities Sustainable communities	Affordable housing to meet the needs of local people	<ul style="list-style-type: none"> • Further reduce the low levels of crime, disorder and anti-social behaviour in the county and reduce any disproportionate fear of such • Increase safety for road users in the county • Increase the availability of appropriate and affordable housing • Improve the availability of sustainable services and facilities and access to them • Encourage thriving communities where people are able to influence change and take action to improve their area, regardless of their background • Minimise domestic and commercial waste and improve recycling • Lead a local contribution to climate change reduction • Enhance the recovery from events that have significant and potentially long-term impacts upon the community through proactive and effective inter-agency collaboration and coordination
	Organisational improvement and greater efficiency	Better services, quality of life and value for money, particularly by working in partnership with the Herefordshire Primary Care Trust and other local organisations	

APPENDIX B

	The Performance Improvement Cycle – Timetable
17 October	Completed pro formas, approved by directors, submitted by improvement managers
31 October	Analysis and briefing to the Dir. of Resources and Deputy CX
November	<i>Updated Medium-Term Financial Management Strategy (MTFMS)</i>
November	<i>Confirmation of local government settlement</i>
November	<i>LAA Review started</i>
4 November & 6 November & 13 November	Challenge meetings: Dir. of Resources and Director of Public Health with directors
12 November	Draft Operating Statement issued to PIMs for comment and update
18 November	Identification of major issues and strategic options
24 November	JMT discussion of the major issues and strategic options
5 December	Report on public consultation on strategic options submitted by Research for Today
10 December	PIMs to submit revisions to draft Operating Statement
15 December	JMT to receive report on findings from public consultation on strategic options
<i>December</i>	<i>Budget advice to directorates and services</i>
18 December	Joint informal presentation to Cabinet & PCT Board members of the major issues and strategic options, including the results of the public consultation
End December	LAA review completed
<i>January</i>	LAA refresh started
<i>January</i>	Formal presentation of results of the public consultation results to Cabinet
<i>w/c 5 January</i>	<i>Draft 2009-10 operating statement and initial budget proposals</i>
9 January	First drafts of directorate and service plans to be submitted
13 January	JMT considers the draft operating statement/initial budget proposals
13 January	All member briefing on results of public consultation
19 January	Informal briefing/discussion with Strategic Monitoring Committee of the major issues and strategic options, including the results of the public consultation
February	<i>Updated MTFMS</i>
16 February a.m	All member briefing on results of public consultation, MTFMS and budget proposals
16 February p.m.	Strategic Monitoring Committee: results of public consultation, MTFMS and budget proposals
19 February	Cabinet: approval of MTFMS and budget proposals
End February	LAA negotiations completed and refreshed LAA submitted for sign off
Early March	Headline results of the <i>Place Survey</i>
6 March	Council approves the budget and Council Tax
13 March	Directorate and service plans finalised
End March	LAA refresh completed and signed off
End March	Full results of the <i>Place Survey</i>
End March	Draft of HPS Strategy (TBC)
April	Briefing/reports on the results of the Place Survey: JMT, then Leader's briefing, then SMC, then Cabinet
June	Refreshed Herefordshire Community Strategy approved by Partnership Board
June	HPS Strategy finalised and approved (TBC)
June/July	Draft Corporate Plan 2010-13: JMT, then Leader's briefing, then SMC, then Cabinet
September	Council approves the Corporate Plan 2010-13

CORPORATE RISK REGISTER

APPENDIX C

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR4	Organisational improvement and greater efficiency	Failure to prepare adequately for CAA and raise our DoT score from improving adequately.	4	2	8	The key mitigation actions for the next 12 months are: 1) sustaining our current rate of improvement in key performance indicators through the introduction of the NIS, 2) action to fundamentally improve data quality, 3) preparing adequately for audits / inspections	3	2	6	ALL/CB	
CR5	Organisational improvement and greater efficiency	The inability to provide critical services due to the failure of the ICT networks	4	5	20	Substantial capital investment has been made in ICT network and disaster recovery arrangements. Extensive ICT specific service continuity plans have been developed and are exercised. Workshops held for all directorates and service continuity plans have been prepared and due for testing during the year in business critical systems and services.	3	5	15	AF	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR11		Failure to recruit and retain staff where there are national skills shortages and including the impact of Job Evaluation. Ensuring consistent treatment of Equal Pay Claims.	3	3	9	Succession planning as part of management development provision. Utilise SRDs / implement career development posts and conclude job evaluation. HR to support Directorates deliver to identified training needs, to work to Investor in People standard.	2	3	6	ALL/AC	
CR17	Organisational improvement and greater efficiency	Reputational and organisational risk of failing to improve Use of Resources assessments to 4 by the end of the Corporate Plan period - 2011.	3	4	12	Use of Resources 2007/08 improvement plan has been implemented and reflects in a robust self assessment submitted in September 2008. A positive Annual Governance Report 2008 is a further reassurance of improvement over the last 12 months.	2	3	6	JMT	
CR27		CRB process not carried out to an appropriate and reliable level which could lead to inappropriate persons working with vulnerable people	4	4	16	Officers agreed areas of concern and an action plan to be drawn up to redress the issues as quickly as possible.	3	4	12	AMc	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR28		Deliverable benefits from Herefordshire Connects not realised	4	3	12	MTFS updated for 08/09 to include modernisation fund to allow for review of Herefordshire Connects programme to be integrated with accommodation strategy for future organisation arrangements between Herefordshire Council and the PCT.	3	3	9	DP	
CR29	To ensure that its essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long term cost-effective delivery of services, and ensure business continuity in the face of emergencies.	Both Data Centres are in non-Council owned properties with lease-time constraints; are near capacity, plus there are environment issues such as lack of sufficient power and fire suppression that need to be addressed. Loss of data centres will affect delivery of all services.	4	5	20	1) Data Centre/MRU relocation project approved by Cabinet 16/10/2008. Expected completion April 2011. 2) Server virtualisation Project in progress to decrease power consumption and physical space constraints. Project will also decrease recovery timescales for systems supporting services. Expected completion May 2009.	4	5	20	AF	£2.7m (budgets identified)

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR30	To ensure that its essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long term cost-effective delivery of services, and ensure business continuity in the face of emergencies.	Previous hardware and software procurement by services has resulted in ageing hardware and software platforms with no forward plan or budgets identified for maintenance, support and replacement.	5	4	20	1) Herefordshire Connects programme replacing Social Care System. 2) Planned replacement of finance, HR and payroll systems. 3) Library Services accepted risk on current system. 4) Collation of register of systems and support coverage to identify gaps in key service areas. 5) Critical systems identified by business (first pass complete continuous updating). 6) Server Virtualisation project to replace ageing hardware and improving resilience of applications. 7) Desktop standardisation.	5	4	20	AF	
CR35	Organisational improvement and greater efficiency - data quality	Inadequate attention to data quality governance and leadership, policies, systems and processes, people and skills as well as poor data use and reporting I.e failure to adopt the voluntary national standards promoted by the audit commission	5	3	15	Include internal and external audits, directorate held proforma's for each indicator, limited checks on source systems, limited staff training, limited data sharing protocols	3	3	9	AF	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR36	Organisational improvement & greater efficiency	Failure to deliver services and meet key objective of achieving performance targets due to lack of Data Base Administrator support and sufficient server capacity for housing benefit and local tax systems (risk BES1 from the Benefit & Exchequer Services ri	3	3	9	Remote support is provided by Academy and ICT are attempting to recruit additional Data Base Administrators. Working with the suppliers and ICT to identify options for resolving the server capacity issue.	3	3	9	DP	
CR37	Organisational improvement & greater efficiency	Failure to deliver services and meet key objective of achieving improvements needed in benefit services to meet the requirements of the new benefit inspection regime due to customer services performance (risk BES2 from the Benefit & Exchequer Services ris	4	4	16	An improvement plan has been developed with the Department for Work & Pensions for benefit and customer services. Input is being provided to the Customer Services Strategy Review.	3	4	12	DP	
CR38	Organisational improvement & greater efficiency	Failure to deliver services and meet key objective of achieving performance targets due to poor performance of ICT servers and network supporting Academy / Idox (risk BES2 from the Benefit & Exchequer Services risk register refers).	5	4	20	System performance has deteriorated significantly leading to poor benefit processing performance. The BES team is working with ICT services to isolate the cause of the problem which is most likely the way in which the council has chosen to deploy the service	4	4	16	DP	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR39	Organisational improvement & greater efficiency	Failure to deliver the agreed benefits of the Herefordshire Connects programme required to justify the investment in the programme and release cash for reinvestment in priority outcomes for the Herefordshire community (risk FS1 from the Financial Services risk register refers).	4	4	16	Work with Capita and Deloitte to verify the cashable benefits of the Herefordshire Connects programme is complete. The Benefits Group will monitor and report on progress made by the benefit owners to the Herefordshire Connects Board.	3	3	9	DP	
CR40	To ensure that its essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long term cost-effective delivery of services, and ensure business continuity in the face of emergencies.	Inadequate of corporate and service planning and prioritisation around ICT investments is having a significant detrimental impact on the ability of ICT to deliver to customers timescales and meet the value for money requirements of the organisation.	5	4	20	1) Client Account Managers (CAMs) attend Directorate DMTs and run workshops with services to advise on planning ICT investments. 2) Service Plan Guidance 2008, requests IT development to be identified. 3) Business Case process in place (IPG). 4) Corporate ICT Strategy prioritises infrastructural and supporting technologies. 5) Representation from ICT Services on Accommodation Board.	5	4	20		

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR41	Organisational improvement and greater efficiency; improving reputation of and public satisfaction with the council; manage resources efficiently and effectively thus developing the directorate + increasing service quality within the authority	People/Finance/Premises – Lack of resource to carry out surveys, extend opening hours, take on further services as part of Phase II of the Customer Services Strategy and undergo necessary ongoing training whilst maintaining front line service	5	4	20	Improved performance by use of monitoring and amending working patterns	4	4	16	AF	Funding identified to top slice directorate budgets to enable further resource to be taken on to improve capacity and resources

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR42	Corporate critical service	Failure to provide a 24 hour emergency response, resulting in Herefordshire public services not providing timely support to partners during an emergency. <i>Weaknesses: People - not enough EPO's to ensure continuity - Resilient Comms - Finance - on call payments inadequate for level of responsibility.</i>	4	5	20	Emergency Planning Duty Officer scheme in place	3	5	15	TG	
CR43	Corporate critical service	We are currently technically exceeding the number of CRM professional licences required to run the Info service (includes back office and complaints). A financial contingency of £65k has been put in the budget, however based on currently .user numbers the fancial exposure could be as much £178k	5	5	25	We are clarifying with SAP the specific type of licences required – particularly in respect of part-time staff and flexible workers, This may reduce the number of required additional licences The review of named users has confirmed that we have a significant shortfall .	5	5	25	MT	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR44	Ongoing Customer Service Provision (including Info Centre and Inf Shops)	The current service budget includes a £500k fund (a two year special provision) that was made for the initial set-up and operation of the service. This funding is due to end in March 2009. Should this funding not be secured that the closure of some services will be required. For example; Closure of market town info shops.	5	5	25	Review of funding arrangement has been escalated through the performance improvement cycle and a service improvement plan has been produced for consideration by JMT in November. A detailed paper has been submitted in December 2008 to the Deputy Chief Executive and Director of Resources	5	4	20	AW / MT	
CR45	To ensure that its essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long term cost-effective delivery of services, and ensure business continuity in the face of emergencies.	Breach of Information Security from IT platforms	4	5	20	1) ISO27001 achieved for ICT and MRU. 2) External supplier for external penetration testing for website/network. 3) Internal penetration testing capability being improved. 4) Education and awareness sessions for all employees / roadshows. Policies and procedures in place.	3	5	15		

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR46	Successful delivery of the Connects Programme	<p>The Council will be operational with a planning system that is not supported by the supplier (Northgate). The contract with Northgate finishes in October 2008. Comment – The selection of Civica as the new system for Planning has compounded this problem. Agreement reached with Head of planning that risk is acceptable providing Connects can ensure that:</p> <ul style="list-style-type: none"> - the system (Civica) is made operational by August 2009; - the Council can continue to use Northgate (albeit unsupported) between April and August 2009. 	5	5	25	<p>1. Request an additional extension until October 2009.</p> <p>2. Request the CE to write a letter to encourage Northgate to extend the support agreement for a final 6 months. This is to go to the CE at Northgate.</p> <p>3. To ensure that data is extracted out of the legacy systems as quickly as possible so that the Civica planning system can be made operational</p>	5	3	15	AK	Budgeted for
CR47		<p>Agresso Payroll is not fit for purpose; Update Dec 2008 AK – Meetings between Payroll and Agresso have provided assurance that the functionality is in place.</p>	4	5	20	<p>Update note to be submitted to JMT on this; existing payroll system (Selima) to remain operational until testing is signed off by payroll</p>	3	5	15	AK	Budgeted for

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood	Potential Consequences (Severity)	Risk Score	Controls In place	Likelihood	Consequences (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR48		Project resourcing is insufficient - there are not sufficient internal resources to deliver the projects	4	5	20	Project managers tasked with completing readiness reviews. Until resources are in place, projects will not start.	3	5	15	AK	Budgeted for
CR49		In adequate procedures in place to ensure safeguarding of children which could lead to closer scrutiny and in extreme cases a 'Baby P' case in Herefordshire	5	5	25	External review within CYPD has been commissioned to include a review of all cases of children subject to a child protection plan and the overall multi-agency child protection system.	3	5	15	SM	

MTFRM	APPENDIX D		
	2009/2010 Budget £'000	2010/2011 Budget £'000	2011/2012 Budget £'000
Base Budget	131,778	137,718	143,563
Inflation - Staff	1,675	1,480	1,761
Inflation - Gas & electric	217	0	0
Inflation - contract	2,273	2,294	2,304
Inflation - Other costs	1,308	1,380	1,394
Inflation - Income	(295)	(303)	(310)
Inflation	5,178	4,851	5,149
	136,956	142,569	148,712
Deliverable Efficiency Gains			
- Inflation efficiency savings	(3,580)	(3,674)	(3,698)
- Directorate savings identified	(483)	0	0
- Corporate budgets	(7)	0	0
Transfers to/from RSG			
- Student Finance	(71)	(27)	0
MTFMS changes			
- Waste management - PFI Contract	500	500	500
- Whitecross PFI requirement	0	200	0
- Local Development Framework	375	(100)	(275)
Herefordshire Connects			
- Revenue Costs	1,806	(1,292)	(204)
- Capital Financing	256	1,088	(47)
- Herefordshire Connects Savings	(700)	(600)	(2,000)
- Core team costs (rev)	(225)	245	9
- Core team costs (capital financing)	65	90	(6)
- Social Care System (rev)	(533)	0	0
- Social Care System (capital financing)	94	(13)	(13)
Capital Financing Costs			
Cost of borrowing	508	1,305	1,744
Investment income	1,493	(64)	(697)
Emerging Pressures			
- Student Finance	53	(42)	(47)
- ICT Strategy	400	0	0
- Modernisation	(300)	0	0
- Hereford City Council	140	0	0
- Unison	20	0	0
- HR CRB	88	0	0
- External partners JE	300	0	0
- Needs Analysis Mental Health/Physical Disabilities	275	0	0
- Income shortfall	500	(100)	(100)
Use of 2008/09 capacity reserve	1,500	0	0
General reserves	(1,000)	2,000	(1,000)
LPSA reserve	(712)	712	0
Capacity to achieve desired Tax increase	0	766	4,636
TOTAL BUDGET	137,718	143,563	147,514

Appendix B

Directorate Expenditure Requirements and Savings Proposals

Directorate	Expenditure Requirement	Savings Proposals	Estimated Cost £000	Estimated Saving £000
Adult Services	Telecare to support people at home		75	
	Implement personalisation by expanding brokerage and advocacy		200	
		Reduction in management costs resulting from integration with the PCT Reduction in numbers in residential and nursing care		50 405
Total			275	455
Children & Young People's Services	Strengthen the Council's approach to safeguarding, addressing specific recommendations from the recent review of Safeguarding, Assessment and Child Protection		150	
		A reduction in external placements once special fostering placements are available. Redirection of CYPD		100

Directorate	Expenditure Requirement	Savings Proposals	Estimated Cost £000	Estimated Saving £000
		budget to fund Directorate developments. Reduction in school travel costs.		100 100
Total			150	300
Chief Executive		Reduction in development fund		50
Total				50
Deputy Chief Executive	Electoral Registration – software upgrade and support	Reducing the use of consultants for recruitment to senior posts General efficiency savings	25	12 30
Total			25	42
Environment & Culture	Implementation of free swimming for children and over 60's (already committed) Implementation of a new waste collection contract Increase in Landfill Tax		100 500 500	

Directorate	Expenditure Requirement	Savings Proposals	Estimated Cost £000	Estimated Saving £000
		Review the Council's Strategic Partnership Agreement with Amey		900
Total			1,100	900
Regeneration Directorate	Additional funding to support a sustainable temp. accommodation budget and prevention budget. Additional support for CAB to sustain their activity and meet demands due to downturn of economy		77.5	
		Review of Service Level Agreements	20	103
		Introduction of document scanning		25
		Redeployment of staff to fill vacant posts		125
		Reduction in numbers of subsidised bus services or a reduction in frequency of existing services		80
Total			97.5	333

Directorate	Expenditure Requirement	Savings Proposals	Estimated Cost £000	Estimated Saving £000
Resources Directorate	New statutory work to comply with the Commons Act 2006 Additional Support for Children & Young People's Directorate Additional central procurement support		20	
			35	
			30	
		Reduce staffing levels		50
		Additional benefit subsidy to reflect increased caseload		25
		Additional Court Cost income		15
		Property serviced savings due to redundant and surplus properties		20
		Reduction in external support		15
		Increased savings from procurement efficiencies		10
Total			85	135

DRAFT CAPITAL PROGRAMME 2009/10**Report By: Director of Resources****Wards Affected**

County-wide

Purpose

1. To report to Strategic Monitoring Committee on the draft capital programme for 2009/10.

Financial Implications

2. As set out in the attached appendices.

Background

3. The Committee's comments will be reported to Cabinet who will confirm its capital budget recommendations to council on 6th March 2009 at its meeting on 19th February 2009.

RECOMMENDATION**THAT Committee comments on the attached draft Capital programme.****BACKGROUND PAPERS**

Financial Resource Model

Medium Term Financial Management Strategy

DRAFT CAPITAL PROGRAMME 2009/10

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

19 FEBRUARY 2009

Wards Affected

County-wide

Purpose

To propose the draft capital programme for 2009/10.

Key Decision

This is a Key Decision. Cabinet will confirm its capital budget recommendations to council on 6th March 2009 at its meeting on 19th February 2009.

Recommendation(s)

- THAT (a) the funding available be noted;**
- (b) the funding allocations to capital bids be endorsed;**
- (c) the impact of capital spend be noted; and**
- (d) the position on the capital receipts reserve be noted.**

Reasons

To bring the council's capital spending plans up to date, noting the available funding and capital bid funding recommendations.

Considerations

OVERALL

1. The council has received indicative funding notifications from central government for 2009/10 and future years. A table showing the anticipated position for the next three years' (taking into account 2008/09 slippage) is detailed in Appendix 1. The financing costs of existing allocations, including allocations previously committed to for future years, is included in the Financial Resource Model (FRM).
2. Supported Capital Expenditure (Revenue) allocations for 2009/10 receiving Revenue Support Grant (RSG) support, totals £13.57m, split £2.37m towards children's services and £11.20m towards environment and culture.

3. The council faces a number of uncertainties around future capital projects with the financial commitment not known at this stage. These projects include corporate accommodation, Edgar Street Grid and the Livestock Market. It is for this reason that the council needs to exercise caution when releasing funding to the capital programme.

CAPITAL BIDS

4. Prudential borrowing funded commitments already allocated following the submission of successful capital bids in prior years' totals £12.66m in 2009/10. This includes £3.09m of funding allocated to Herefordshire Connects. The financing cost of existing commitments is included in the FRM along with the capacity to fund an additional £3.82m in 2009/10. Additional capacity in the FRM is also generated by slippage in capital projects however caution must be applied when using this funding source.
5. Bids have been requested from all directorates as part of the annual capital strategy process. The details of bids received are set out in Appendix 2. It was decided to recommend bids that commence in 2009/10 only, future years' funding requests will be considered in future year bidding rounds.
6. In total 31 bids were received and of these 15 are recommended for funding at a cost of £3.68m in 2009/10. One bid to be financed from future revenue savings is also recommended for funding, relating to leisure centre plant and equipment. The majority of bids that are not recommended for funding failed because their ranked score fell below the funding available. In addition one bid was for a revenue scheme so cannot be funded and three bids were not able to be costed so are also not recommended for funding. The bids received were reviewed by the Capital Strategy and Monitoring Group. The assessment process covered;-
 - Links to existing corporate plans – strong links equals a higher score,
 - Costing certainty for capital and revenue costs – greater certainty equals higher score,
 - Service Delivery Improvements – more improvements equals higher score,
 - Alternative funding sources from outside bodies and revenue savings – contributions and savings identified equals higher score,
 - Carbon Footprint implications – a separate questionnaire was drafted and reviewed by the Sustainability Manager, a higher score was given where the carbon footprint was reduced. This was the first year this element was included,
 - VAT implications – where the scheme would impact on the council's VAT partial exemption position a low score was recorded,
 - Legal requirements – where the bid was made under a legal requirement a higher score was given.

Each bid was given a total score and ranked as detailed in Appendix 2. The scores were not weighted.

7. Bids recommended for funding are summarised below. Several bids help mitigate the effects of the current economic climate.

7.1 Mortgage Rescue

This funding will assist families experiencing financial difficulties to remain in their own home by providing grant funding in partnership with a housing association who would buy the property and lease back to the household.

7.2 Disabled Facilities Grant

The disabled facilities grant adaptations within client homes are made in order to facilitate independent living and assist in early hospital discharge. This is a statutory grant the council is mandatorily obliged to provide and currently there is a backlog of grant applications.

7.3 Hereford Cathedral Close

The regeneration of the Cathedral Close will significantly improve the quality of the principal public green space at the heart of the mediaeval city. This bid is recommended for funding subject to confirmation of the grant funding available from the Heritage Lottery fund towards this scheme.

7.4 Low Cost Home Ownership

The scheme assists those in housing need to gain a foot on the housing ladder. In the absence of such a scheme they would have no alternative but to seek rented accommodation through Home Point. All those assisted will be registered with Home Point as being in housing need.

7.5 Maintenance for Halo Leased Properties

This bid will fund backlog maintenance works to properties occupied by Halo in Hereford and Leominster. These works are the council's responsibility as landlord.

7.6 Replacement Leominster Youth Centre

This bid is to provide a new youth centre in Leominster through the refurbishment of a former design and technology block on the Minster college site. There is a possible S106 receipt that could be used to partly fund this, however, this funding may not be received so is excluded from the bid. The bid covers an initial sum to provide further scope of the possible options and solutions. The release of further monies that may be required would be dependent upon an assessment of the viability of each option.

7.7 Hereford City Shop Front Grants

This bid will assist independent businesses in the current economic climate by providing grants of either £5k or 80% of the total project costs - whichever is the lesser.

7.8 Relocation of Hereford Retail Open Market

This bid is to relocate the Hereford Open Retail Market (held weekly on a Saturday and Wednesday) to the recommended site of Commercial Street where St Peters Street meets with High Town. This funding will be used to purchase thirty pop up stalls and a vehicle for the transporting and storing of the stalls.

7.9 Hereford Academy

The DCSF expect local authorities to determine and fund as necessary the level of post contract award project management costs of the new Hereford Academy scheme. This will provide assurance to the Council that the Framework agreement is working as it should be.

7.10 Self Service PC Booking System

This bid is for the purchase of a new self-service PC booking and print management system for libraries and Info shops which will be used to enable service users to book items themselves.

7.11 Rotherwas futures

This bid is for Rotherwas estate development work, including infrastructure, re-roofing, land payments and road works to provide new jobs and is part funded by AWM.

7.12 Buttermarket Project

This bid will cover feasibility costs which will determine the total capital project and cost required following the deterioration of the structure of the building which could possibly lead to the closure of the outlet.

7.13 Maintenance for Schools – Legionella works

This bid will fund backlog maintenance works to schools within the county that are the council's responsibility to prevent legionella.

7.14 Essential Maintenance to Corporate Buildings – Legionella works

This bid will fund maintenance works to building fabric, mechanical and electrical installations in corporate buildings to prevent legionella.

7.15 Empty Property Activity

This scheme is delivered in partnership with registered social landlord partners to bring empty properties back into use primarily through leasing the property from the owner for a six year period.

8. A bid was also received for funding towards the Building Schools for the Future capital scheme. The council has submitted an expression of interest to bring forward the Building Schools for the Future initiative. If successful the first project will see approximately £80m capital spend on new build and the significant refurbishment of six schools. However, the DCSF expects Local Authorities to provide funding to implement these capital schemes at approximately 3% of the cost, representing £2.4m. The funding required would be approximately £800k per annum over the next three years and is expected to fund project management, consultants, survey, technical and site investigation costs. However, a greater part of this funding may be required in the earlier stages of the programmes with less later on. Not all of these costs would be capital so sources of revenue funding would need to be explored, for example through school contributions, Dedicated Schools Grant, Devolved Formula Capital and council reserves. A decision on when Herefordshire will join the BSF programme is expected from the DCSF in late February.

9. The council will receive a capital reward grant for targets reached under the Local Public Service Agreement 2 (LPSA2). This funding may be drawn upon to fund capital bids but it is not included in the available resources for 2009/10.
10. There are a number of developers' contributions towards capital schemes that may be realised over the coming year. These include contributions towards youth facilities in Leominster, highway improvements in North Hereford and a replacement playing pitch at Aylestone Park. However, the current economic climate suggests that these are likely to be delayed or even lost should planning permission expire.

CAPITAL RECEIPTS RESERVE POSITION

11. The capital receipts reserve totalled £17.94m as at 1st April 2008. In 2008/09 receipts of £2.53m have been received to date with expected capital receipt reserve spending in 2008/09 of £11.02m leaving an expected balance of £9.45m to be carried forward into 2009/10. This may change if schemes slip and additional receipts are received before the end of March. The remaining balance is committed to strategic housing, corporate accommodation and the livestock market.
12. Capital receipts reserve funding of £2.77m has been committed to fund the 2009/10 capital programme so far.

Financial Implications

13. The financial implication of funding the recommended bids is detailed in Appendix 2. As a related issue it should be noted that revised Prudential Indicators will need to be considered and approved by full Council before the new financial year as part of the draft Treasury Management Strategy

Risk Management

14. The risks associated with individual bids are often unique to that scheme and therefore will need to be considered on an individual basis.

The risk of committing funding needs to be considered as part of the Medium Term Financial Management Strategy and the revised Prudential Indicators. These can be mitigated through careful financial management and monitoring of the programme's funding against the relevant Prudential Indicators.

Alternative Options

The alternative options centre on funding fewer schemes or increasing the pressure on the revenue budget by funding more schemes.

Consultees

Capital Strategy and Monitoring Group.

Appendices

Appendix 1 Medium Term Capital Plan

Appendix 2 Summary of 2009/10 Prudential Borrowing bids

Background Papers

Financial Resource Model

Medium Term Financial Management Strategy

APPENDIX 1

MEDIUM TERM CAPITAL PLAN

	2008/09	2009/10	2010/11	2011/12
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children's Services	17,315	29,668	30,097	3,655
Resources	4,210	2,910	8,600	-
Deputy Chief Executive	5,564	4,570	10	39
Adult Social Services	905	551	255	-
Regeneration	11,424	5,904	2,945	-
Environment & Culture	23,809	19,542	13,735	1,554
Available funding not yet allocated	-	3,821	646	646
	63,227	66,966	56,288	5,894
Funded by:				
Supported Capital Expenditure (Revenue)	12,751	13,567	13,210	1,200
Prudential Borrowing	16,041	16,477	9,650	1,039
Capital Receipts Reserve	11,016	2,768	1,264	-
Government Grants & Contributions	23,419	34,154	32,164	3,655
	63,227	66,966	56,288	5,894

APPENDIX 2

2009/10 CAPITAL BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2009/10	2010/11	2011/12	2012/13		2009/10	2010/11	2011/12	2012/13	FUTURE YRS
	£	£	£	£		£	£	£	£	£
<u>Recommended for funding</u>										
Mortgage Rescue	600,000				25	4,500	35,520	51,048	49,872	799,656
Mortgage Rescue assists families experiencing financial difficulties to remain in their own home/support network										
Disabled Facilities Grant	232,000				25	1,740	13,734	19,739	19,284	309,200
The disabled facilities grant adaptations within client homes are made in order to facilitate independent living and assist in early hospital discharge.										
Hereford Cathedral Close	75,000	75,000			25	563	5,940	12,909	12,615	206,148
The regeneration of the Cathedral Close will significantly improve the quality of the principal public green space at the heart of the mediaeval city.										

2009/10 DRAFT TREASURY MANAGEMENT STRATEGY**Report By: Acting Head of Financial Services****Wards Affected**

County-wide

Purpose

1. To report on the draft treasury management strategy and prudential indicators for 2009/10.

Financial Implications

2. As set out in the attached appendices.

Background

3. SMC comments will be reported to Cabinet who will confirm its treasury management strategy recommendations to council on 6th March 2009 at its meeting on 19th February 2009.
4. The setting of Prudential Indicators and the reporting of the council's Treasury Management Strategy for the coming financial year is required by the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.
5. The primary requirement of the Code of Practice on Treasury Management in the Public Services (2001) is the approval by full council of a policy statement that sets out the council's overall approach to treasury management operations.

Prudential Indicators

6. The key objectives of the Prudential Code are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
7. The code requires the Council to set a range of Prudential Indicators (PIs) for 2009/10 and where appropriate for at least the subsequent two years, in order to support such local decision making in a manner that is publicly accountable. The PIs must be set before the beginning of each financial year by Council in line with the budget setting process.
8. Regular in-year monitoring of the PIs will take place and any significant deviations from expectations are to be reported accordingly.
9. The framework of PIs has to cover Capital Expenditure plans and Treasury Management and these are set out on **Appendix 1**. These indicators include:

- Actual and estimated capital expenditure for the current and future years
- Ratio of financing costs to net revenue stream
- Capital Financing Requirement
- Authorised limit for External Debt
- Operational boundary for External Debt
- Council Tax implications of the incremental effect of capital decisions
- Treasury Management Indicators

Treasury Management Policy Statement and Treasury Management Strategy

10. The Council has adopted and is currently working within CIPFA's Code of Practice on Treasury Management in the Public Services (2001).
11. A Treasury Management Strategy for 2009/10 has been prepared that conforms to the CIPFA Code of Practice 2001. This strategy includes a number of PIs specifically relating to Treasury Management and is set out in **Appendix 2**. The Treasury Management PIs are reproduced from the list of PIs contained in **Appendix 1**. The Strategy has been prepared in line with the Treasury Management Policy Statement adopted by Council in March 2006, a copy of which is attached for reference at **Appendix 3**.
12. The CIPFA Code of Practice 2001 requires chief financial officers to prepare Treasury Management Practice Statements (TMPs). TMPs outline how the Council's strategic policy objectives for treasury management will be achieved and are supported by schedules that describe the specific procedures to be used by the Council's staff involved in treasury management activities. The Director of Resources has prepared TMPs that conform to the CIPFA Code of Practice 2001. The Council is currently investing within the UK and these investments are being carefully monitored as detailed in the strategy.

Minimum Revenue Provision Policy

13. Local authorities are required to charge to revenue a minimum revenue provision (MRP) to account for the cost of their debt and to approve a statement on its policy for making MRP before the start of the financial year. The Statement on Minimum Revenue Provision for 2009/10 is attached as Appendix 4.

RECOMMENDATIONS

THAT the report be noted, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

None

APPENDIX 1

HEREFORDSHIRE COUNCIL

PRUDENTIAL INDICATORS 2009/10

1. INTRODUCTION

The PIs set out below are recommended by the Prudential Code. However members may prefer additional or alternative indicators that will help with the decision making process.

2. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing.

Certain allocations of Government capital funding are not expected until March or April 2009. Such allocations of funding will be added to the Capital Programme and reported as part of the Capital Monitoring process.

	Forecast Outturn 2008/09 £'000	Estimated 2009/10 £'000	Estimated 2010/11 £'000	Estimated 2011/12 £'000
Directorate: -				
Children's Services	17,315	29,668	30,097	3,655
Resources	4,210	2,910	8,600	-
Deputy Chief Executive	5,564	4,570	10	39
Adult Services	905	551	255	-
Regeneration	11,424	5,904	2,945	-
Environment & Culture	23,809	19,542	13,735	1,554
To be allocated	-	3,821	646	646
	63,227	66,966	56,288	5,894
By funding				
Capital Receipts Reserve	11,016	2,768	1,264	-
Grants and Contributions	23,419	34,154	32,164	3,655
Supported Capital Expenditure (Revenue)	12,751	13,567	13,210	1,200
Prudential Borrowing – allocated	16,041	12,656	9,004	393
Prudential Borrowing – to be allocated	-	3,821	646	646
	63,227	66,966	56,288	5,894

3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Net Revenue Stream	131,778	137,718	143,563	147,514
Capital Financing Costs (less contributions)	10,434	13,176	15,100	15,877
Ratio of financing costs to net revenue stream	7.92%	9.57%	10.52%	10.76%

4. CAPITAL FINANCING REQUIREMENT

This indicator represents the underlying need to borrow for a capital purpose. The use of combined anticipated capital receipts and reduction in cash balances may result in actual future debt levels beginning to reduce.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Capital Financing Requirement (as at 31/3)	158,249	180,697	194,123	186,138

5. AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Borrowing	175,000	190,000	210,000	230,000
Other Long Term Liabilities	10,000	10,000	10,000	10,000
Total	185,000	200,000	220,000	240,000

6. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000
Borrowing	152,000	174,000	189,000	189,000
Other Long Term Liabilities	6,000	6,000	6,000	6,000
Total	158,000	180,000	195,000	195,000

7. COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing decisions taken by Council.

Increase in council tax (Band D, per annum) for the Capital Financing costs of the following:	2009/10	2010/11	2011/12
	£ p	£ p	£ p
Existing Prudential Borrowing allocations	38.18	69.79	96.30
New Prudential Borrowing bids	0.20	3.03	4.70
Total	38.38	72.82	101.00
Existing Prudential Borrowing allocations	(14.70)	(6.58)	(3.64)
New Prudential Borrowing bids	-	-	-
Net Band D Impact	23.68	66.24	97.36

8. TREASURY MANAGEMENT INDICATORS

These are specific indicators which relate to the management of the Treasury Management process.

	2007/08	2008/09	2009/10	2010/11
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2007/08	Upper Limit	Lower Limit		
Under 12 Months	50%	0%		
12 months and within 24 months	50%	0%		
24 months and within 5 years	100%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	0%		
Upper Limit for total principal sums invested for over 364 days	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
(per maturity date)	10,000	10,000	10,000	10,000

HEREFORDSHIRE COUNCIL

TREASURY MANAGEMENT STRATEGY 2009/10

1. INTRODUCTION

- 1.1 The Financial Services Technical Accounting Team is responsible, under the direction of the Director of Resources for the day-to-day management of the Council's treasury management activities. The Treasury Management Strategy for borrowing and Annual Investment Strategy for 2009/10 details the expected activities for the Team in the coming financial year and has been produced in accordance with the Council's approved Treasury Management Policy Statement.
- 1.2 The 2003 Prudential Code for Capital Finance in local authorities introduced new requirements for the manner in which capital spending plans are to be considered and approved, and in conjunction with this, the development of this integrated Treasury Management Strategy.
- 1.3 The Treasury Management Strategy covers the:
- current treasury portfolio position;
 - treasury limits for 2009/10;
 - prudential indicators for 2009/10 – 2011/12;
 - prospects for the economy and interest rates;
 - borrowing strategy;
 - debt rescheduling opportunities;
 - specified and non-specified investments;
 - investment objectives;
 - security of capital: the use of credit ratings;
 - investment strategy;
 - externally managed funds; and
 - end of year report.

It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. A local authority is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

1. increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
2. any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2. CURRENT TREASURY PORTFOLIO POSITION

- 2.1 The Council's treasury portfolio position as at 31st December 2008 is as follows: -

(a) DEBT POSITION	Principal (£)	Borrowing Rate (%)
Public Works Loan Board	103,595,378	4.47
Market Debt *	12,000,000	4.50
Total Debt	115,595,378	4.48

Estimated Borrowing Requirement 2009/10 – supported borrowing approvals of approximately £13.57 million, plus £16.48 million unsupported borrowing under the Prudential Code (which includes slippage from previous year). In addition refinancing of maturing debt of £255,361 in the year will be required, plus there is the potential for the market debt of £12,000,000 to be recalled and require refinancing.

The Council may, however, decide not to go to the market for loans but use internal balances to fund this requirement in the short term (due to the current credit crunch). This would result in no new external borrowing until 2010/11 and current debts may be settled early where considered prudent, affordable and sustainable to do so.

* The Market debt refers to two LOBO (Lender Option Borrower Option) loans that were taken out at low interest rates fixed for 2 years with the remaining 48 years of the loans currently running at an interest rate of 4.50%

(b) INVESTMENT POSITION	Principal (£)	Rate of Return (%)
Total Investments (Internally Managed)	50,760,000	4.22

3. TREASURY LIMITS FOR 2009/10

- 3.1 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. The authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003.
- 3.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.
- 3.3 Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

4. PRUDENTIAL INDICATORS FOR 2009/10 – 2011/12

- 4.1 The following prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy.

PRUDENTIAL INDICATOR	2008/09	2009/10	2010/11	2011/12
(1). Budget Setting Indicators				
	£'000	£'000	£'000	£'000
Capital Expenditure	63,227	66,966	56,288	5,894
Ratio of financing costs to net revenue stream				
Net Revenue Stream	131,778	137,718	143,563	147,514
Financing Costs	10,434	13,176	15,100	15,877
Ratio of financing costs to net revenue stream	7.92%	9.57%	10.52%	10.76%
		2009/10	2010/11	2011/12
Incremental effect of Prudential Borrowing		£ p	£ p	£ p
Existing Prudential Borrowing allocations		38.18	69.79	96.30
New Prudential Borrowing bids		0.20	3.03	4.70
Total		38.38	72.82	101.00
Contributions from existing revenue budgets		(14.70)	(6.58)	(3.64)
Net Band D Impact		23.68	66.24	97.36
Capital Financing Requirement (as at 31/3)	£'000	£'000	£'000	£'000
Total	158,249	180,697	194,123	186,138
PRUDENTIAL INDICATOR				
(2). Treasury Management Prudential Indicators				
Authorised Limit for External Debt	£'000	£'000	£'000	£'000
Borrowing	175,000	190,000	210,000	230,000
Other Long Term Liabilities	10,000	10,000	10,000	10,000
Total	185,000	200,000	220,000	240,000
Operational Boundary	£'000	£'000	£'000	£'000
Borrowing	152,000	174,000	189,000	189,000
Other Long Term Liabilities	6,000	6,000	6,000	6,000
Total	158,000	180,000	195,000	195,000
Upper Limit for Fixed Interest Rate Exposure	£ or %	£ or %	£ or %	£ or %
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	£ or %	£ or %	£ or %	£ or %
Net principal re variable rate borrowing / investments	50%	50%	50%	50%

investments

Maturity Structure of new fixed rate borrowing during 2009/10	Upper Limit	Lower Limit		
Under 12 Months	50%	0%		
12 months and within 24 months	50%	0%		
24 months and within 5 years	100%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	0%		
Upper Limit for total principal sums invested for over 364 days	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
	10,000	10,000	10,000	10,000

5. PROSPECTS FOR THE ECONOMY & INTEREST RATES

- 5.1 The Council currently has Sector Treasury Services Limited as its treasury advisers and part of their service is to assist in forming a view on economic trends and the effect on interest rates. This section of the strategy outlines the Council's view of the economy and interest rates based on the advice of its treasury advisers.

Economic Background

- 5.2 The sub prime crisis of early 2008 was followed by the banking crisis of autumn 2008. The world banking system came near to collapse and governments were forced to recapitalise and rescue their major banks. Lending from banks has fallen, with banks anxious to preserve capital, leading to economic forecasts being sharply reduced and recession being priced into markets. This in turn led to sharp falls in oil and other commodity prices. Inflation, which was running at over 5% in September 2008, is decreasing and recession fears are driving interest rate policies. A co-ordinated global interest rate cut of 0.5% took place on 8th October 2008 followed by further sharp cuts.

5.2.1 UK

- Gross Domestic Product (GDP) growth was already slowing in 2008 before the full impact of the credit crunch was felt. In early 2008 GDP was 2.3%, whereas in the autumn the figure fell back to -0.3% and was then expected to continue to be negative going into 2009.
- Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.
- Growth slowed across the economy and unemployment rose throughout the year with forecasts of two million unemployed by the end of the financial year and continuing increases thereafter throughout 2010.
- Notwithstanding the pressures on household finances, consumer spending still continued at a reasonable pace, although the trend was slowing as the year progressed.
- Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.

- The UK Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer inter-bank lending.
- The Government took action in September to either supply finance to recapitalise some of the major clearing banks itself; or to require the others to strengthen their capital ratios by their own capital raising efforts. This was done to ensure that banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans.
- The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.
- Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.
- U.K. equity prices declined sharply in the 3rd and 4th quarters as the impending recession was priced into the markets. Prices hit five year lows and volatility was extremely high.
- The story of 2008 has been the credit crunch, the banking crisis and the change in economic outlook from slow growth to recession. After the initial concerns about the impact of the credit crunch in the earlier part of 2008 it appeared that the storm had been weathered. The Monetary Policy Committee (MPC) had been very concerned about Consumer Price Index inflation, which had been rising sharply on the back of higher commodity and food prices. Bank Rate reached a peak of 5.75% in July 2007 after which cuts of 0.25% occurred in December 2007 and February and April 2008 before the major cuts in the autumn. The economic data had been indicating a slowing economy for some while but it was not sufficiently weak to force the MPC into cuts. It was the strength of the banking crisis, pre-empted by the collapse of Lehman's in New York that eventually drove the MPC to cut interest rates by 0.5% on October 8th in concert with the Federal Reserve (Fed), the European Central Bank (ECB) and other central banks. It was then appreciated that the economic downturn would be much more severe than previously thought and interest rates were subsequently slashed by 1.5% on 6th November, by 1% on 4th December and 0.5% on 8th January to reach 1.5%.
- The London Interbank Bank Offer Rate (LIBOR) spread over Bank Rate has also been a feature, and a concern, of 2008/09. Because of the credit fears and the reluctance of lenders to place cash for long periods, 3-month LIBOR (this is the rate at which banks will lend to one another) has been substantially higher than Bank Rate. This has meant that the MPC's power over monetary policy has been eroded by the widening of this spread between LIBOR and Bank Rate and it has therefore had a limited ability to bring relief to hard pressed borrowers through lower interest rates. However, the power of the Government over the semi nationalised clearing banks had considerable impact in enforcing pro rata reductions to the 1.5% Bank Rate cut in November on some borrowing rates.
- The Government has abandoned its 'golden rule'. The pre Budget Report on 24 November revealed the Government's plans for a huge increase in Government borrowing over coming years as a result of falling tax revenues and also due to tax cuts and increases in Government expenditure in the short term designed to help stimulate economic growth to counter the recession.

5.2.2 International

- Early in 2008 the US economy was being badly affected by the housing market slump. Interest rates were at 2% and inflation was being dragged higher by the rise in commodity prices.

- The second quarter of 2008/09 was torn between inflation worries on the one hand, with oil rising towards \$150 per barrel, and the deteriorating economic outlook on the other.
- In the second and third quarters of the year the financial crisis erupted and escalated as the world became aware of the extent of the sub-prime problem and the impact it was having on institutions that had invested in these issues.
- In September Fannie Mae/Freddie Mac (the mortgage banks) and AIG, the insurance giant, had to be bailed out by the US Federal Government.
- Then in mid September, Lehman Bros., the investment bank, was allowed to fail. This triggered a domino effect with other banks and financial institutions having to be rescued or supported by governments around the world.
- After the collapse into receivership of the Icelandic banks in early October, other countries then started to feel the strain and a number had to approach the International Monetary Fund for support.
- Eventually even the Asian economies were affected, including India and China, and it became clear that the crisis had become a global one and no country was insulated from it.
- The financial crisis had therefore precipitated an economic crisis and there was a co-ordinated global interest rate cut with the Fed, ECB and MPC all cutting rates by 0.5% on 8th October. The Fed subsequently cut rates again by 0.5% to 1% on 29th October and again on 16th December to a band of 0.0% to 0.25% in an attempt to stave off the oncoming recession. Inflation was no longer the problem.
- The ECB reduced rates again on 6th November by 0.5% and by its biggest ever cut of 0.75% on 4 December to reach 2.5%.

Interest rate forecast

Base Rate:

5.3 Sector's current interest rate view is that the Bank (base) Rate: -

- Will fall from current levels because of the intensifying global recession;
- Starting 2009 at 2.00%, Bank Rate is forecast to fall to 0.5% in Q1 2009;
- It is then expected to remain there until starting to rise gently up from Q2 2010 until it reaches 4.0% in Q1 2012;
- There is downside risk to these forecasts if the recession proves to be deeper and more prolonged than currently expected.

Long Term Rates:

- The 50 year Public Works Loan Board (PWLB) rate is expected to remain around current levels of about 3.80% - 3.90% until Q2 2010 when it is forecast to rise to 4.00%. The rate then edges up gradually to reach 5.00% at the end of Q1 2012;
- The 25 year PWLB rate is expected to drop to 3.95% in Q1 2009 and stay around there until starting to rise in Q1 2010 and then to eventually reach 5.05% at the end of Q1 2012;
- The 10 year PWLB rate is expected to drop to 2.55% in Q3 2009 but then to start rising again in Q2 2010 to eventually reach 4.85% at the end of Q1 2012;
- The 5 year PWLB rate is expected to fall to a floor of 2.15% during Q3 2009. The rate then starts rising in Q2 2010 to eventually reach 4.60% at the end of Q1 2012.

5.4 Having set the scene in economic terms, the likely impact for interest rates can be assessed and is illustrated in the following tables.

Table 1 Sector Treasury - Interest Rate Forecast

(This table represents the view of the Council's Treasury advisors as at December 2008)

%	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Base Rate	0.50	0.50	0.50	0.50	0.50
5 Year PWLB	2.50	2.25	2.15	2.15	2.15
10 Year PWLB	3.10	2.75	2.55	2.55	2.55
25 Year PWLB	4.00	3.95	3.95	3.95	4.00
50 Year PWLB	3.85	3.80	3.80	3.80	3.85

Table 2 Summary of Independent Forecasts of Base Rate

(This table represents the views of independent forecasters' views of base rate as at December 2008)

%	2009 Q4	2010 average	2011 average	2012 average
Median	1.00	3.11	3.97	4.49
Highest	4.00	4.70	5.00	5.25
Lowest	0.50	1.00	2.25	3.00

6. BORROWING STRATEGY

6.1 Based upon the prospects for interest rates, there is a range of options available for the borrowing strategy for 2009/10. Variable rate borrowing is expected to be cheaper than long term borrowing and will therefore be attractive throughout the financial year compared to simply taking long term fixed rate borrowing. Under 10 year PWLB rates are expected to be substantially lower than longer term PWLB rates so this will open up a range of choices for new borrowing for authorities that want to spread their debt maturities away from a concentration in long dated debt. Rates are expected to be slightly lower at the middle to end of the year than earlier on so it may be advantageous to borrow later in the year.

6.2 In order to minimise debt interest costs, the main strategy is therefore as follows:

- The under 10 year rates will provide significantly cheaper rates than longer-term borrowing. Under 5 year rates are also expected to be significantly lower than 5-10 year rates. Rates are expected to be slightly lower at the middle to end of the year than earlier on so it may be advantageous to borrow later in the year.
- There is expected to be little difference between 25 year and 50 year rates. However, despite the minimally more expensive new borrowing rates expected in the 25 – 30 year period later in the year, these could be seen as being much more attractive than 50 year borrowing as the spread between the PWLB new borrowing and early repayment rates is considerably less. This then maximises the potential for debt rescheduling at a later time by minimising the spread between these two rates.
- This strategy would also mean that after some years of focusing on usually borrowing at or near the 50 year period, the council would be able to undertake borrowing in a markedly different period and so achieve a better spread in their debt maturity profile.

- When long term PWLB rates fall back to the central forecast rates of 3.95%, borrowing may be taken at any time in the financial year. A suitable trigger point for considering new fixed rate long term borrowing, therefore, would be 3.95%. The central forecast rate will be reviewed in the light of movements in the slope of the yield curve, spreads between PWLB new borrowing and early payment rates, and any further changes that the PWLB may introduce to their lending policy and operations.
- Consideration will also be given to borrowing fixed rate market loans at 25 – 50 basis points below the PWLB target rate if they become available again.

External versus internal borrowing

6.3 The next financial year is expected to be a time of historically low Bank Rate. This opens up an opportunity for the Council to fundamentally review the strategy of undertaking external borrowing.

6.4 Herefordshire Council has investments that it can use to finance the borrowing requirement over the next year so consideration will be given to the potential merits of internal borrowing. As long term borrowing rates are expected to be higher than investment rates and look likely to be so for the next couple of years or so, Herefordshire may prefer to avoid all new external borrowing in the next financial year in order to maximise savings in the short term.

6.5 The running down of investments also has benefits of reducing exposure to interest rate and credit risk.

6.6 Against this background caution will be adopted with the 2009/10 treasury operations. The Director of Resources will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.

6.7 Sensitivity of the forecast – In normal times the main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to any changes:

- ***if it were felt that there was a significant risk of a sharp rise in long and short term rates***, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
- ***if it were felt that there was a significant risk of a sharp fall in long and short term rates***, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

7. DEBT RESCHEDULING OPPORTUNITIES

7.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates (of about 40 – 50 basis points for the longest period loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt

restructuring is now much less attractive than before that date because of the small savings compared to premium charges. However, significant interest savings may still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans if these become available after the drying up of their supply during autumn 2008.

- 7.2 Due to short term borrowing rates being expected to be considerably cheaper than longer term rates, there are likely to be significant opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a rebalancing of an authority's debt maturities towards a flattening of the maturity profile as in recent years there has been a skew towards longer dated PWLB.
- 7.3 Consideration will also be given to the potential for making savings by running down investment balances by repaying debt prematurely as short term rates on investments are likely to be lower than rates paid on currently held debt. However, this will need careful consideration in the light of premiums that may be incurred by such a course of action and other financial considerations.
- 7.4 The Director of Resources will actively give consideration during the year to undertaking rescheduling in line with the strategy set out in paragraph 6 above.
- 7.5 The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
 - help fulfil the strategy outlined in paragraph 6 above; and
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

8. SPECIFIED AND NON-SPECIFIED INVESTMENTS

- 8.1 Under CIPFA's Treasury Management Code of Practice and the DCLG's Guidance on Local Government Investments (issued in March 2004) the Council is required to formulate a strategy each year regarding its investments.
- 8.2 This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non-Specified Investments** as detailed in **Annex A**.
- 8.3 This Annex sets out:
- The procedures for determining the use of each category of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments."
 - The maximum periods for which funds may be prudently committed in each category.
 - If non-specified investments are to be used, whether prior professional advice is to be sought from the Council's treasury advisors (Sector Treasury Services Ltd).

- 8.4 With regard to the Council's Joint Ownership of West Mercia Supplies and the level of balances held by this organisation; the Council may, if deemed in the best interest of prudent management of the West Mercia business undertake transactions pertaining to foreign currencies, such as foreign exchange deals and investments. Such dealings must have **relevance to the course of business of West Mercia Supplies**. These dealings will be classified as **non-specified** as they are not sterling denominated.

9. INVESTMENT OBJECTIVES

- 9.1 The general policy objective for Herefordshire Council is the prudent investment of its treasury balances. The Council's investment priorities are:

- (a) the **security** of capital; and
- (b) **liquidity** of its investments.

The Council will aim to achieve the optimum return on its investments in accordance with proper levels of security and liquidity.

- 9.2 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

10. SECURITY OF CAPITAL: THE USE OF CREDIT RATINGS

- 10.1 The Council uses credit ratings published by *Fitch Ratings* and *Moody's Investors Service* to establish the credit quality of counterparties and investment schemes. The Council has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment in conjunction with its Treasury Management advisor.

Monitoring of credit ratings:

- 10.2 All credit ratings will be monitored monthly: The Council has access to Fitch and Moody's Investors Service credit ratings and is alerted to changes from its Treasury Management advisor.
- 10.3 If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately. Any intra-month credit rating downgrade, which the Council has identified, that affects the Council's pre-set criteria will also be similarly dealt with.

11. INVESTMENT STRATEGY

- 11.1 The Director of Resources manages the Council's investment portfolio. Investments managed by the in-house team are generally temporary in nature and short-term. All decisions are made in the light of the Council's forecast cash flow requirements.
- 11.2 Bank Rate started on a downward trend from 5.75% in December 2007 with further cuts of 0.25% in February and April 2008, then 0.5% in October, 1.5% in November, 1% in December and 0.5% in January 2009 with further cuts expected during Q1 2009. It is then expected to stabilise at 0.50% until starting to rise gradually with the first increase in Q2 2010 and then to be back up to 4.00% during Q1 2012. The Council will therefore avoid locking into longer term deals while investment rates are down at historically low levels.

12. END OF YEAR REPORT

- 12.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report.

SPECIFIED INVESTMENTS

All specified investments will be sterling-denominated with maturities up to a maximum of 1 year.

Investment	Security / Credit Rating	Circumstance of use
Debt Management Agency Deposit Facility (DMADF)	Govt-backed	In-house
Term deposits with the UK government or with UK local authorities (<i>i.e. deposits with local authorities as defined under Section 23 of the 2003 Act</i>)	High security although LAs not credit rated.	In-house
Term deposits with credit-rated deposit takers <i>i.e. deposits with banks and building societies, (including callable deposits), with maturities up to 1 year</i>	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house
Certificates of Deposit issued by credit-rated deposit takers (<i>i.e. a certificate issued for deposits made with a bank or building society, who agree to pay a fixed rate of interest for the specified period of time and repay the principal at maturity</i>) up to 1 year. <i>Custodial arrangement required prior to purchase</i>	Yes-varied <i>Minimum rating "F1+" Short-term (or equivalent)</i>	External fund manager
Gilts: up to 1 year (<i>a fixed interest security issued or secured by the British Government</i>) <i>Custodial arrangement required prior to purchase</i>	Govt-backed	Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor
Money Market Funds (<i>a AAA credit rated collective investment scheme such as a mutual fund or a unit trust, as defined in Statutory Instrument 2004 No. 534, that invests exclusively in money market securities</i>)	Yes-varied <i>Minimum AAA credit rated</i>	In-house after consultation with Treasury Management advisor
Forward deals with credit rated banks and building societies < 1 year (<i>i.e. a deal negotiated before the deposit is paid, with the negotiated deal period plus period of deposit < 1 year</i>)	Yes-varied <i>Minimum rating "A" Long-term and "F1" Short-term (or equivalent)</i>	In-house

NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house	25%	5 years
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	YES-varied <i>Minimum rating "AA-" Long-term and "F1+" Short-term (or equivalent)</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Callable deposits with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years in aggregate
Range trade deposits with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Snowballs with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Gilt Funds and other Bond Funds*** . <i>[These are open-end mutual funds investing predominantly in UK govt gilts and corporate bonds. These funds do not have any maturity date. These funds hold highly liquid instruments and the Council's investments in these funds can be sold at any time.]</i>	<i>Minimum rating "AA-"</i>	External fund manager only subject to guidelines and parameters agreed with them	20%	10 years

ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
UK government gilts <i>Custodial arrangement required prior to purchase</i>	Govt backed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years (but also including the 10 year benchmark gilt)
Treasury bills [Government debt security] <i>Custodial arrangement required prior to purchase</i>	Govt backed	In-house after consultation with Treasury Management advisor	20%	5 years
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	Yes-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution: any maturity	Not rated in their own right, but parent must be rated. <i>Minimum rating for parent "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house	20%	1 year
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in Statutory Instrument 2004 No. 534) <i>Custodial arrangement required prior to purchase</i>	AAA / Govt guaranteed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years
Bonds issued by multilateral development banks (as defined in Statutory Instrument 2004 No. 534) <i>Custodial arrangement required prior to purchase</i>	AAA / Govt guaranteed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years

HEREFORDSHIRE COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

Statement of Purpose

1. Herefordshire Council adopts the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice* and: -
 - will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities
 - will make effective management and control of risk the prime objectives of its treasury management activities
 - acknowledge that the pursuit of best value in treasury management, and the use of suitable measures of performance measures, are valid and important tools to employ in support of business and service objectives;
 - that, within the context of effective risk management, will ensure that its treasury management policies and practices reflect the pursuit of best value;
 - formally adopts the four clauses listed in Section 5 of the Code, being the recommendations of the Code in relation to effective treasury management as described in this report.
 - will adopt a treasury management policy statement as recommended in Section 6 of the Code
 - will follow the recommendations in Section 7 of the Code concerning treasury management practice statements.

Definition of Treasury Management

2. Herefordshire Council defines its treasury management activities as: -

'The management of the organisations cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Policy Objectives

3. Herefordshire Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
4. Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

Delegation & Reporting

5. Herefordshire Council retains responsibility for approving the Council's Treasury Management Policy and will consider amendments to it on the advice of Cabinet.
6. Herefordshire Council delegates responsibility for approving an annual Treasury Management Strategy to Cabinet as the mechanism for implementing the Treasury Management Policy.
7. Herefordshire Council delegate's responsibility for monitoring that treasury management activity is in accordance with the approved policies, strategies and practices to Cabinet.
8. Herefordshire Council delegates responsibility for the development and maintenance of suitable Treasury Management Practice Statements to the Director of Resources.
9. Herefordshire Council delegates responsibility for the administration of treasury management decisions to the Director of Resources who will act in accordance with the approved Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practice Statements. If the Director of Resources is a member of CIPFA, he/she shall also comply with CIPFA's Standard of Professional Practice on Treasury Management.
10. Herefordshire Council will receive reports from the Director of Resources on its treasury management policies, strategy, practices and activities, including, as a minimum, an annual strategy in advance of the year and an annual report after its close, in the form prescribed in the Council's Treasury Management Practice Statements.

HEREFORDSHIRE COUNCIL

STATEMENT ON MINIMUM REVENUE PROVISION 2009/10

1. Introduction

Local Authorities are required to charge to their revenue account for each financial year Minimum Revenue Provision (MRP) to account for the cost of their debt in that year. Under the **The Local Authorities (Capital Finance and accounting) (England) (Amendment) Regulations 2003 (the 2003 Regulations)** set out the method council's had to follow in calculating MRP. **The Local Authorities (Capital Finance and accounting) (England) (Amendment) Regulations 2008** replaces these detailed rules for calculating MRP with a requirement to calculate an amount of MRP which they consider to be prudent.

2. Annual MRP Statement

The Secretary of State recommends that before the start of each financial year that a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council.

3. Options for making 'Prudent Provision'

3.1 There are four options for Prudent Provision set out in the guidance;

Option 1 - Regulatory

For debt which is supported by the Government through Revenue Support Grant (RSG), authorities may continue to use the formulae under the 2003 Regulations, as RSG debt support is calculated in that way. This includes applying an adjustment (the Item A adjustment), which reduces the charge back to the former credit ceiling accounting methodology.

Option 2 - CFR method

This is similar to option 1, but just uses the CFR and doesn't apply the full formula, including the Item A adjustment. Under this option the annual repayment would be higher.

Option 3 - Asset Life Method

For new borrowing under the prudential system there are 2 options in the guidance. The first is to make provision over the estimated life of the asset for which the borrowing is undertaken. This is a simpler alternative to the use of depreciation accounting (Option 4) and the council has already been applying to do this on a voluntary basis. This can either be on an equal instalment method or an annuity basis.

Option 4 - Depreciation method

An alternative to Option 3 is to make provision in line with depreciation accounting. Although this would follow standard rules for depreciation accounting there would have to be some exceptions, for example, that MRP would continue until the provision is equal to the original debt and then cease.

3.2 MRP normally commences in the year following the one in which expenditure was incurred. However, the guidance allows for an exception to this for options 3 and 4 when a new asset is provided, in which case the MRP would not have to be charged until the year following the year in which the asset first becomes operational.

4 MRP Policy 2009-10

4.1 In line with the guidance produced by the Secretary of State the proposed policy for the 2009-10 calculation of MRP is as follows;

4.2 Borrowing supported through the RSG grant system will be repaid in accordance with the 2003 Regulations.

4.3 Prudential borrowing will be repaid over the life of the asset on an equal instalment basis commencing in the year following the year in which the asset first becomes operational.

4.4 For expenditure under Regulation 25(1)(b), loans and grants towards capital expenditure by third parties, prudential borrowing will be repaid over the life of the asset in relation to which the third party expenditure is incurred.

WORK PROGRAMME

Report By: Assistant Chief Executive – Legal and Democratic

Wards Affected

County-wide

Purpose

1. To consider the Committee's work programme.

Background

2. A report on the Scrutiny Committees' current work programmes will be made to this Scrutiny Committee quarterly. A copy of this Committee's own work programme will be made to each of its scheduled meetings. A copy of this Committee's current work programme is therefore attached for this meeting.
3. Should Members become aware of any issues they consider may be added to the scrutiny programme they should contact the Chairman to log the issue so that it may be taken into consideration when planning future agendas or when revising the work programme.

RECOMMENDATION

THAT the current work programme serves as a basis for further development, subject to any comment the Committee wishes to make.

BACKGROUND PAPERS

- None

Strategic Monitoring Committee – work programme 2008/09

	March 2009
	<ul style="list-style-type: none"> • 2008 Comprehensive Performance Assessment assessments including Direction of Travel Judgment • Report on the Scrutiny Function • Executive Response to Scrutiny Review of ICT Services
	TBC
	Outcome of officer review of asset management and property
	April 2009
	<ul style="list-style-type: none"> • Strategic Options and Challenge • Report on place survey
Other issues <ul style="list-style-type: none"> • User Satisfaction Surveys. • Gender Equality Scheme Monitoring (reported March 2007 6 month/annual). • Comprehensive Equality Scheme Action Plan monitoring. • Scrutiny of Police/Crime and Disorder Reduction Partnership. • Communications Strategy Monitoring • Comprehensive Equality Policy • Rose Bank Garden Scheme - reviewing its value for money and whether there were any lessons to be learned for future schemes. • Analysis of Complaints • Pay and Workforce Development Strategy (Replacement) • Herefordshire Public Services – possible consideration of effectiveness of working arrangements – (9 months on) 	

Further additions to the work programme will be made as required

