

AGENDA

Cabinet

Date: **Thursday 21 January 2010**

Time: **2.00 pm**

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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Agenda for the Meeting of the Cabinet

Membership

Chairman

Councillor RJ Phillips

Councillor LO Barnett

Councillor AJM Blackshaw

Councillor H Bramer

Councillor JP French

Councillor JA Hyde

Councillor JG Jarvis

Councillor PD Price

Councillor DB Wilcox

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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. A Councillor who has declared a prejudicial interest at a meeting may nevertheless be able to address that meeting, but only in circumstances where an ordinary member of the public would be also allowed to speak. In such circumstances, the Councillor concerned will have the same opportunity to address the meeting and on the same terms. However, a Councillor exercising their ability to speak in these circumstances must leave the meeting immediately after they have spoken.

AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive any apologies for absence.	
2. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
3. MINUTES To approve and sign the minutes of the meetings held on 18 December 2009 and 7 January 2010.	1 - 10
4. ANNUAL AUDIT AND INSPECTION LETTER To note the Audit Commission's Annual Audit & Inspection Letter for 2009 and approve the response to each of the four action points raised.	11 - 34
5. MEDIUM TERM FINANCIAL STRATEGY To propose the three year draft financial strategy for 2010/13.	35 - 84
6. COUNCIL AND NHS HEREFORDSHIRE JOINT CORPORATE PLAN To invite Cabinet to commend for Council's approval the Council and NHS Herefordshire Joint Corporate Plan vision, objectives and long-term outcomes.	85 - 88
7. AMALGAMATION OF LEOMINSTER INFANT & JUNIOR SCHOOLS To receive a report on statutory consultation undertaken for the amalgamation of Leominster Infant and Junior Schools from September 2012, as proposed in the Council's Primary Strategy for Change.	89 - 94

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Cabinet held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday 18 December 2009 at 11.00 am

Present: Councillor RJ Phillips (Chairman)

Councillors: LO Barnett, AJM Blackshaw, H Bramer, JA Hyde, JG Jarvis, PD Price and DB Wilcox

In attendance: Councillors WLS Bowen, PJ Edwards, TM James, RI Matthews and PM Morgan

49. APOLOGIES FOR ABSENCE

Apologies were received from Councillor JP French, Cabinet Member Corporate and Customer Services and Human Resources.

The Chairman formally advised Cabinet of the resignation of Councillor ACR Chappell as the Labour Group Leader and stated that Councillor UA Attfield would take up the role. The Chairman, on behalf of those in attendance, expressed his appreciation for work and commitment given by Councillor ACR Chappell in his role as Labour Group Leader over a significant period of time.

50. DECLARATIONS OF INTEREST

There were none.

51. MINUTES

RESOLVED: That the Minutes of the meeting held on 26 November 2009 be approved as a correct record and signed by the Chairman.

Prior to consideration of the agenda, Cabinet received presentations on Herefordshire's Comprehensive Area Assessment (CAA) results 2009 and on the outcome of the Care Quality Commission's (CQC) assessment of the adult social care services which had been announced the previous week.

In relation to Herefordshire's CAA results, the Corporate Policy and Research Manager highlighted to Cabinet key references from the first round of the new area and organisational assessments. Herefordshire's area assessment (which gauged how effective public services were in working together and with partners in other sectors to meet needs across the county):

- acknowledged that the Council, NHS Herefordshire and partners had publicly provided a '*detailed and frank assessment of the county*' with '*real efforts being made .. to improve the way organisations talk to people and get their feedback*'.
- acknowledged the close working between the Council and NHS Herefordshire, and the associated improvements in services and better outcomes for people.
- did not give rise to any surprises because all the key issues had been identified in the self-evaluations and, where these had highlighted area for improvement, the inspectors had been satisfied that appropriate actions were being taken to deal with them; this was why there were no red flags (areas of concern not being addressed).
- did not award the county any green flags (awarded nationally for outstanding achievement from which other areas could learn)

- but did highlight many positive areas in terms of what was being done or achieved, including in relation to health, crime, housing, the environment and the economy.

The Council's organisational assessment was assessed as:

- performing well in Managing Performance (3 out of 4) (a significant improvement) with the Council having a good understanding of the needs of its citizens and sound plans to meet future challenges.
- performing adequately in its Use of Resources (2 out of 4). The Commission acknowledged improvements in the Use of Resources, but the test had been made much tougher than in previous years; the assessment did, however, say that the overall value for money was provided and that robust decision-making processes were in place.

In taking these two previous areas of assessment together, the Council was deemed to be performing adequately overall, with the explanation that the Commission would need to await the results of planned major improvements before a higher rating could be given. The Commission's summary was that the Council was on a springboard for improvement.

Compared with other local authorities in the region, Herefordshire Council:

- was one of six out of the 13 top-tier authorities to be rated 3 (performing well) for Managing Performance (the other authorities were rated 2);
- was one of the eight out of 13 to receive a rating of 2 (performing adequately) for Use of Resources (the other authorities were rated 3).

In terms of the Area Assessment, whereas Herefordshire had received neither red nor green flags, three of the 13 top-tier authorities in the region had received green and six red.

In discussion Cabinet noted that whilst Children's Services and Adult Social Care had improved it was acknowledged that improvement work was ongoing. The work undertaken by Herefordshire Housing was acknowledged and it was noted that the Chairman would write to the Chairman of Herefordshire Housing in recognition of the improvement made in delivering services to citizens. The role of scrutiny and its recommendations to Cabinet was noted.

The Associate Director of Integrated Commissioning (Acting DASS) drew Cabinet's attention to the assessment of the Care Quality Commission (CQC), the independent regulator of health and social care to the Council's Adult Social Care (ASC) services. The assessment:

- Stated that ASC service was performing well.
- Advised that of the outcomes measured, six were performing well with three noted as performing adequately.
- Highlighted the following issues as positive; the robust management of Putting People First and Safeguarding; the deep partnership with health and the potential to tackling issues collectively and the major improvement in market management and commissioning.
- Reflected nervousness about the limited track record. A self assessment to be carried out from May 2010 would provide an opportunity to evidence activity and build upon the existing solid foundations.

In referring to the current challenges to performance, the Cabinet was advised that; a safeguarding inspection could take place anytime from April 2010; it was recognised that there were variances in the Care Homes market which needed to be addressed; funding was stretched.

In discussion Cabinet acknowledged that increasingly difficult decisions would be made in the future about service delivery and improvement due to limited available budget. The importance of the hospitals, their use and effective bed management was emphasised.

Cabinet noted the content of both presentations.

52. PROVISIONAL 2010/11 LOCAL GOVERNMENT FINANCE SETTLEMENT

The Cabinet Member for Resources introduced the report which outlined the provisional 2010/11 Local Government Finance Settlement which provided for an increase of 4% in Formula Grant in the last year of the Comprehensive Spending Review to an overall position of £57.584million. The report additionally outlined the process leading to the setting of council tax at full Council on 5 March 2010. The Cabinet Member advised that confirmation of the 2010/11 Local Government Finance Settlement was expected after 6 January 2010.

The Director of Resources welcomed the provisional 4% increase but emphasised that this figure could be reviewed in light of the prospect of worsening public sector funding issues. He advised that the projected 3.9% increase in council tax accounted for within the Medium Term Financial Plan would not be achievable and that a probable lower level at which the council tax would be set would add to the Council's financial pressures. The Director highlighted to Cabinet the Personal Care at Home Bill currently under consultation, which would place additional pressures on the area based grant and on Adult Social Care, the possible impact of which was currently being scoped.

The Chairman drew Cabinet's attention to the potential added financial burden to local authorities' current budgets with the possible introduction of free personal care, and especially so to areas of maturing population such as Herefordshire. Representation was being made by local government Leaders to Government on the Personal Care at Home Bill. The need to be mindful of monies to and spend from the area based grant was also highlighted.

RESOLVED

THAT:

- (a) The 2010/22 settlement be noted; and**
- (b) The timetable for setting the Council Tax be agreed.**

53. JOINT STRATEGIC NEEDS ASSESSMENT 2009

The Chairman introduced the report which outlined the key findings from the latest Joint Strategic Needs Assessment (JSNA), a document produced jointly with NHS Herefordshire.

The Director of Public Health, the Corporate Policy and Research Manager and the Associate Director of Integrated Commissioning (Acting DSS) collectively presented the report. It was stated that the JSNA:

- provided a fuller understanding of the main health and social care needs of the people of Herefordshire and went beyond the current legal requirement for these assessments to identify health and social care needs.
- was a living document which would incorporate timely information (e.g more refined ward profiles) upon which informed judgements could be formed in relation to future decisions about plans, programmes and budget allocations.

- summary as well as the full document (both written in plain English) would be made available publicly and circulated widely; there would also be public access to technical appendices via electronic links on the web-site.
- provided a common starting point for dialogue and a common understanding of issues, the basis on which partner organisations and communities could work together to tackle the areas of greatest need and reduce inequalities.

Cabinet commented on the usefulness of the JSNA in informing decisions relating to the prioritisation of resources, as well as its value in raising awareness within communities and with voluntary and third sector partners (including parish and town councils) about needs and the choices that had to be made in trying to meet them .

Responding to a question relating to ambulance response rates, the Director of Public Health stated that work was being undertaken with colleagues to overcome operational problems and build in appropriate local solutions commensurate with the problem. The rurality of the county was acknowledged as a challenge to the ambulance service; however the deterioration in response rates was not, in the view of the Director of Public Health, due to the amalgamation of ambulance services. The Chief Executive commented that the Primary Care Trusts, as the commissioners of the ambulance services, were working collectively to consider realistic and affordable ambulance response times which needed to be co-ordinated with such initiatives as First Respondents. An assessment was required to define the best responses to differing situations and to ensure that the ambulance service was appropriately available. Cabinet requested that localised ambulance response rates continue to be made available.

Responding to a query relating to the high rates of young people who smoke, drink alcohol and get drunk, the Director of Public Health advised Cabinet that work was being undertaken in schools to encourage changes in behaviours.

RESOLVED

THAT:

- (a) the key findings form the latest Joint Strategic Needs Assessment by noted; and**
- (b) regard should be had to the key findings in future plans, commissioning of services and budget decisions.**

54. INTERIM REPORT ON SHARED SERVICES

The Assistant Chief Executive, Legal and Democratic presented the report and drew Cabinet's attention to substantial progress of both the Shared Services and Herefordshire Connects Programmes. Cabinet was advised that a multi-disciplinary, multi skilled transition team was being established, drawn from the three partners, to progress key activities. In delivering the Shared Services project potential savings of between £3.4million to £5.4million had been identified. It was acknowledged that there would be an impact on staffing, however it was hoped that this would be minimised and that the Council would remain an employer of choice. Cabinet was advised that a communications management plan had been developed to provide regular communications to staff and stakeholders.

During discussion Cabinet acknowledged that similar shared services arrangements were being developed across the public sector and that a planned approach to deliver savings would help protect public services and functions to the county's citizens. Cabinet stated that it was imperative that high quality services continued to be delivered

during a period of change. In response to a question raised, the Director of Resources confirmed that all Herefordshire Connects savings were projected to be made over the next three financial years.

RESOLVED:

THAT Cabinet

- (a) Note progress made on Shared Services; and**
- (b) Note that a further key decision report will be brought forward by the end of the financial year setting out options and timelines for the transition to shared services.**

55. HEREFORDSHIRE AND WORCESTERSHIRE WASTE ARRANGEMENTS

RESOLVED that the item be deferred to a Cabinet Meeting to be held on 7 January 2010.

56. INTENTIONS PAPER - BROADBAND IN HEREFORDSHIRE DEVELOPING A COUNTY APPROACH

The Cabinet Member for Economic Development and Community Services presented the report which sought Cabinet's approval to the approach for addressing the challenges of Broadband in the county as outlined in the report's accompanying intentions paper. Cabinet was advised of broadband importance to the county in enabling businesses to be competitive and communities to access services. The intentions paper outlined a target for improvement and the options for enhancing broadband coverage. This includes improved IT infrastructure and instigate a community based solution based on pilot areas in a number of geographic locations. Cabinet was advised that the vision for 2012 was for all homes and premises in the county to have affordable access to broadband at speeds of 2Mbps. The vision for 2015 and 2020 was for significantly higher broadband access and download speeds. The Head of Economic and Community Services acknowledged that the vision was ambitious however the focus on speeds would support the future delivery of Herefordshire's public services.

The Chairman stated that he had met with leaders from other rural authorities to discuss broadband in the context of rural areas, which had not in his opinion been addressed in the recent Government publication 'Digital Britain'. Rural authorities were collectively lobbying Government to address this issue which was crucial to the quality of life of citizens and the economic wellbeing of rural areas.

RESOLVED:

THAT:

- (a) the approach to be addressing the challenges of Broadband outlined in the Intentions Paper be agreed; and**
- (b) it be noted that the Intentions Paper forms the basis of a paper for wider circulations.**

57. JOINT CORPORATE PROPERTY STRATEGY

The Cabinet Member for Resources introduced the report on the Joint Corporate Property Strategy (2009-12) which had been discussed and agreed by the Board of NHS Herefordshire (NHS) on 17 December 2009. It was stated that the Joint Corporate Property Strategy supported the organisational improvement and greater efficiency requirements of the Council and NHS. The process, key components, aims, benefits and next steps were outlined in a presentation given by the Head of Asset Management and Property Services and it was stated that such a joint approach was believed to be the first in the country. The strategy's vision would be delivered through a hub and spoke model, the hub being the strong shared administrative centre based at Plough Lane, the spokes being a series of co-locality offices based around the Market Towns and Golden Valley. Other components would complement the property portfolio e.g Town Hall and Shire Hall.

In discussion Cabinet:

- welcomed the purchase of the Plough Lane site at such a competitive price.
- Acknowledged the future savings in CO2.
- Recognised the opportunity for surplus land to be considered for different uses in the future.
- Noted the maintenance costs and back log of work required on the existing property portfolio.

Responding to questions raised assurance was provided by the Director of Resources that the timing of the disposal of surplus property would be considered carefully in order to optimise the capital receipts. The Chief Executive additionally advised Cabinet that the funding for the various projects within the programme of works was not dependent on the monies raised through the disposal programme. The Head of Asset Management and Property Services advised that the authority maintained a register of Council properties containing asbestos.

RESOLVED

THAT: The Joint Corporate Property Strategy be approved.

EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED :

That the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below.

This item disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information)

58. COMMUNITY NETWORK UPDATE

This item sought the endorsement of Cabinet to the recommended supplier from the Community Network Procurement project.

Cabinet endorsed the results of the procurement exercise and approved the awarding of the contract for the supply of Telecoms (Infrastructure and Connectivity) to the supplier recommended in the report.

The meeting ended at 1.00 pm

CHAIRMAN

Document is Restricted

MINUTES of the meeting of Cabinet held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Thursday 7 January 2010 at 2.00 pm

Present: Councillor RJ Phillips (Chairman)

Councillors: AJM Blackshaw, H Bramer, JA Hyde, JG Jarvis and PD Price

In attendance: Councillors

11. APOLOGIES FOR ABSENCE

Apologies were received from Councillors LO Barnett, JP French and DB Wilcox.

12. DECLARATIONS OF INTEREST

Councillor PJ Edwards, Chairman of Overview and Scrutiny Committee declared a personal interest as a Board Member of the Herefordshire and Worcestershire Joint Members Waste Resource Management Forum.

13. HEREFORDSHIRE AND WORCESTERSHIRE WASTE DISPOSAL CONTRACT - FUTURE ARRANGEMENTS

The Chairman reminded Cabinet that the sole item on the agenda had been deferred from the Cabinet meeting of 18 December 2009. Prior to consideration of the item the Leader advised Cabinet of an amendment to recommendation (d) of the report, with the following additional words being added to the recommendation as previously published; '*... and that the Waste Advisory Steering Group received monthly reports to include a rigorous approach to risk management*'.

The Cabinet Member for Environment and Strategic Housing introduced the report which sought authorisation for Mercia Waste Management Ltd, the Council's Waste Disposal Contractor, to progress proposals for the development of an Energy from Waste Plant at Hartlebury Trading Estate near Kidderminster (the EFW Proposal). The Cabinet was advised that authorisation had been approved by the Cabinet of Worcestershire County Council to this proposal. The Cabinet Member stated that the additional wording for consideration at recommendation (d) was to provide assurance that there was overview of the financial spend and monitoring of risk. Cabinet was advised that authorisation was required to progress necessary contract negotiations in relation to potential variation with Mercia and to progress the Planning Application, together with a contribution of up to £650,000 towards an indemnity. Should the planning application be approved by the planning authority and a contract variation be agreed the indemnity would no longer be required.

In response to a question regarding the siting of the proposed EfW Plant Cabinet was advised that as it was close to the A449 and away from centres of population, the location was most favourable. The local parish council was currently seeking assurances on various aspects relating to the Plant. Cabinet was informed that planning consultants and QCs were satisfied that the proposed site was the best available for the proposed EfW Plant.

Assurance was sought and given that there was ongoing risk management to minimise the liability costs which would lie outside the remit of both Worcestershire County Council and Herefordshire Council.

Councillor PJ Edwards, as a Herefordshire Council representative of the Joint Members Waste Resource Management Forum welcomed the proposal and the fact that all was on target in line with the Joint Municipal Waste Management Strategy. Concern was however expressed by Councillor Edwards that Herefordshire would be wholly reliant on a Worcestershire based EfW Plant, though he acknowledged that the county's population (180,000) was not large enough to accommodate a EfW for sole use.

The Herefordshire Independents Group Leader welcomed the report and the amendment to recommendation (d).

RESOLVED

THAT: subject to similar approvals being given by Worcestershire Council, in relation to (a), (b), (c) and (d) and having due regard to the technical assessment received from the technical advisers to the Councils in relation to the Energy from Waste proposal described in paragraph 8 of the report (the EfW proposal), and the Joint Municipal Waste Management Strategy, the Cabinet:

- (a) Supports in principle the concept contained in the EfW proposal and the progression of the proposal to planning stage;**
- (b) Authorises the Director of Environment and Culture, in consultation with the Director of Resources and the Assistant Chief Executive (Legal and Democratic), to enter into negotiations with Mercia Waste Management Ltd (Mercia) and to prepare a potential variation (the Variation) to the existing Private Finance Initiative (PFI) Contract (the Contract) to give effect to the EfW Proposal for subsequent consideration by the Cabinet should planning permission be granted in respect of it;**
- (c) Agree that the reasonable costs of Mercia in bringing forward and pursuing the EfW proposal be treated in the same way as other significant costs under the PFI contract in accordance with the current standstill arrangements should the costs prove abortive and no Variation agreed; and**
- (d) Receives a further report in due course to consider any recommended Variation to the Contract or at the earliest opportunity if it becomes apparent that Herefordshire's contribution towards the indemnity may exceed £650,000 and that the Waste Advisory Steering Group received monthly reports to include a rigorous approach to risk management.**

The meeting ended at 2.20 pm

CHAIRMAN

MEETING:	CABINET
DATE:	21 JANUARY 2010
TITLE OF REPORT:	ANNUAL AUDIT AND INSPECTION LETTER 2009
PORTFOLIO AREA:	CORPORATE STRATEGY AND FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To note the Audit Commission's Annual Audit & Inspection Letter for 2009 and approve the response to each of the four action points raised.

Key Decision

This is not a Key Decision.

Recommendations

THAT Cabinet note the Audit Commission's Annual Audit & Inspection Letter for 2009.

Key Points Summary

1. The assessment contained in the Annual Audit & Inspection Letter is positive noting the Council has improved the way it manages itself in many areas. However, more time is needed to see the full results. The joint working between the Council and NHS Herefordshire including planning improves ways of delivering and procuring services should place the Council in a good position for the future. The Council manages its finances well and is also aware of the difficulties that will be caused by future cost pressures such as an ageing local population and tighter public sector funding settlements. The planned changes to the asset base should also bring benefits.

Alternative Options

2. There are no alternative options.

Reasons for Recommendations

3. To ensure Cabinet are aware of the Audit Commission's assessment of the Council.

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 383519

Introduction and Background

4. The Annual Audit & Inspection Letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the Commission's audit, inspection and performance assessment work over the last year. Many of the comments will therefore be familiar as this report summarises the key points of previous Audit Commission reports.

Key Considerations

5. The Audit Commission has identified four issues that it feels need action. These are set out in paragraph 10 of the Letter as follows:
 - (a) Continue to actively pursue a satisfactory conclusion to waste management as soon as possible
 - (b) Continue to make progress in changing the way planning services are provided.
 - (c) Respond to recommendations in my follow up report on Adult Social Care in early 2010
 - (d) Ensure that the recommendations in the use of resources report are delivered.
6. Actions in response to the recommendations will be developed by the relevant Directors and progress overseen by the Joint Management Team within existing performance management arrangements

Value for Money

7. The Letter notes the progress made on planning services that should also save money. The setting up of the Integrated Commissioning Directorate between the Council and NHS Herefordshire is seen as a positive method to deliver improvements.
8. It is acknowledged that the future of waste disposal in Herefordshire is linked to finalising discussions with partners. The work to reduce waste amounts going to landfill is acknowledged along with the need to deal effectively with biodegradable waste.
9. The new Use of Resources assessment was used for the first time in 2009. The outcome is that the Council is performing adequately in managing and using its resources to deliver value for money and better and sustainable outcomes for the county. The letter confirms the new assessment is broader and more demanding than the previous regime but that the Council has continued to make progress. The Audit Commission notes the Council performs well managing its finances with a good medium term financial planning process. Budgets are closely monitored. The close link between priorities and financial planning means that the Audit Commission has seen many positive outcomes from this process. Needs analysis has driven policy making and resource allocation. An area for improvement is the annual reporting of reducing the Council's environmental footprint.
10. Given the Letter covers the period when some public bodies were affected by the collapse of Icelandic Banks it is useful to note that the Council's treasury management arrangements are robust and a risk based approach has allowed arrangements to be adapted to recent events.

Procurement Issues

11. The Council is making steady progress embedding good procurement practice and monitoring adherence to the procurement framework. The Council has put in place effective arrangements to manage and challenge the change in partnership arrangements with Amey.

Comprehensive Area Assessment

12. The Letter covers the new Comprehensive Area Assessment framework for the independent assessment of local public services. The main highlights are

- People are healthy overall – but work is ongoing to reduce deaths in road and other accidents, strokes amongst women and obesity in adults and children and to improve children’s dental health and ambulance response times.
 - Crime is low and reducing – public bodies work well together to prevent and reduce crime and anti social behaviour.
 - CO2 emissions are high due to reliance on cars and limited public transport.
 - Rural areas have been particularly affected by the recession but overall levels of unemployment are still relatively low.
13. The organisational assessment is 2 out of 4. The Council is viewed as being “on a springboard for future improvement”. Improvements to the way it manages itself are evident in many areas but more time is needed to see the full results. Major changes have been made to the way the Council and NHS Herefordshire work together.
 14. Managing performance is assessed as 3 out of 4 with good plans for the future of the county which will lead to radically changing the way that organisations work together. Changes to services have led to improvements for people.
 15. The overall assessment is a combination of the scores for Use of Resources and managing performance. The Council performs adequately rather than well because the changes to the way services are provided will be very challenging and it is too early to see all the results.
 16. Ofsted has rated the Council’s children services as performing well with A level exam results being amongst the best in the West Midlands. GCSE rates are showing improvements. The Council looks after the children in its care well.
 17. Services for adults are improving and people are being more involved in planning and deciding the care they get. Further improvements can be made by making the process more systematic and collecting views of these who use the Council’s services.
 18. The Council has a good understanding of the needs and view of the people in the county. People’s satisfaction with individual services is better than their satisfaction with the Council as a whole. Research is underway to understand this difference.
 19. Targets for processing new Housing and Council Tax benefit claims are ahead of target and being produced efficiently. This along with the creation of 80 apprenticeships for young people created in conjunction with NHS Herefordshire indicate the Council has responded well to the problems caused by the recession.

Financial Implications

20. None arising as a direct result of this report.

Risk Management

21. The response to the issues identified by the Audit Commission in their Annual Audit & Inspection Letter 2009 will underpin an improvement in the Council’s audit, inspection and performance assessments over the next 12 months.

Consultees

The Audit & Corporate Governance Committee will be consulted on the Annual Audit & Inspection Letter for 2009.

Appendices

Appendix 1 – The Annual Audit & Inspection Letter 2009.

Background Papers

None identified.

Annual Audit Letter

Herefordshire Council

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

This report summarises the findings from my 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources. It also provides a summary of Comprehensive Area Assessment Lead's review of how well public services are delivering results for local people.

Overview

- 1 The Council has improved the way it manages itself in many areas this year but it is too early to see the full results. Major changes have been made, and are continuing to be made, to the way the Council and NHS Herefordshire, in particular, are working together such as the establishment of the Joint Management Team. Significant work has taken place to plan much improved ways of delivering health and social care across the county and to jointly procure support services. It should place the Council in a good position for the future.
 - 2 The Council manages its finances well but is aware that future cost pressures such as an ageing local population and reductions in central government funding, will mean that the medium term financial position will be very difficult. This means that ways of reducing expenditure will need to be robustly pursued and the implementation closely monitored by Members. The Council plans to make major changes to its asset base which should not only save money and make buildings more appropriate for current purposes but will also reduce the Council's own carbon footprint.
-

Value for money

- 3 The Council has responded very well to my report on planning services in January 2009. A new constitution was approved in November which is leading to the introduction of a new single planning committee and new planning delegation arrangements to Officers. This should not only save money, but improve the quality and credibility of decisions made.
- 4 The Council has made progress in its adult social care service. We found in late 2008 that Herefordshire was addressing its charging arrangements and had acted to increase the income it received towards the cost of social care services. However, it did not have an effective commissioning strategy. The Council had a traditional commissioning process and the NHS focused mainly on making placements and block contracting. Herefordshire Council and NHS have, however, set up a new Integrated Commissioning Directorate. This appears to address the issues we had raised and now that it is fully in place, we plan to review in early 2010 see if it will deliver improvement.

- 5 The future of waste disposal within the County continues to be uncertain. Whilst the Council has been involved in lengthy discussions with potential partners to try and reach a solution which will reduce the amount of waste going to landfill, a solution is yet to be finalised. As a result there continues to be a risk that the contract in place to deal with waste disposal will have to terminate. The Council has worked to reduce the tonnage of waste collected, increase the amount of recyclable waste, and reduce the amounts going to landfill. However a waste treatment facility is needed to deal effectively with biodegradable waste and until this happens, the Council will incur financial penalties. Given the potentially long process to provide the new facility and the financial implications of delay, the Council needs to do everything it can to find a solution.
- 6 The new assessment of use of resources this year is broader and more demanding. Against the new criteria, I have assessed Herefordshire Council as performing adequately in managing and using its resources to deliver value for money and better and sustainable outcomes for the people of Herefordshire. In relation to those areas I have reviewed previously, I consider that the Council has continued to make progress.
- 7 I issued an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Financial statements

- 8 The audit of your financial statements went well. Good quality statement of accounts and supporting papers were produced and Officers gave priority to ensuring the audit went smoothly. I gave an unqualified opinion on these accounts in September 2009.
- 9 A new joint approach to the audit of some of the larger grant claims this year has saved the Council a significant sum of money but the Council can still improve its administration of smaller grant claims.

Comprehensive Area Assessment

- 10 The Council has responded very positively to the Comprehensive Area Assessment (CAA) process and has worked well with partners on evaluating successes and risks. This has been very helpful in the delivery of CAA.

Recommendations

- | | |
|-----------|--|
| R1 | Continue to actively pursue a satisfactory conclusion to waste management as soon as possible. |
| R2 | Continue to make progress in changing the way planning services are provided. |
| R3 | Respond to recommendations in my follow up report on Adult Social Care in early 2010. |
| R4 | Ensure that the recommendations in the use of resources report are delivered. |

Value for money and use of resources

I considered how well the Herefordshire Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Herefordshire Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 11 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 12 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 13 The Council's use of resources theme scores are shown in Table 1 below. The key findings and conclusions for the three themes, and the underlying KLOE, are summarised in our use of resources report.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	2

-
- 14 The assessment of use of resources this year is broader and more demanding. Against the new criteria, I have assessed Herefordshire Council as performing adequately in managing and using its resources to deliver value for money and better and sustainable outcomes for the people of Herefordshire. I think it is important to stress that I consider that the Council has continued to make progress on those areas I have reviewed previously.

Managing finances including treasury management

- 15 The Council performs well in managing its finances. It has good medium term financial planning and monitors its budgets closely. There is a good well integrated system for medium term financial planning linked to priorities and we have seen many positive outcomes from this process. It is improving its use of information on costs and performance in decision making and commissioning but this is not yet done consistently. Needs analysis in key areas such as social and community health care has driven policy making and resource allocation. The Council wants to integrate testing for value for money into its joint commissioning with partners such as the NHS. Debt collection is good. The process for the production and audit of financial statements is good. Annual reports are very accessible and understandable and the public appreciate this. There is no reporting of the Council's progress in reducing its environmental footprint in the report. Internal users view financial information positively.
- 16 Treasury management arrangements are robust and a risk based approach has meant arrangements have been adapted to recent events. The Council did not have any Icelandic investments at the time of their collapse. Given the risks prevalent now, consideration should be given to enhancing the scope of reporting to Members but this is clearly a matter for local determination. This should consider issues such as the audience, content and frequency of monitoring reports (including benchmarking of performance), training for Members and the content of the annual treasury management framework/policy approved by Members. Six monthly briefings on treasury management have started to be circulated to Members.
- 17 The last year has seen the country in a significant economic recession. The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position. Members will need to ensure that financial savings are actively pursued and monitor the implementation closely.
- 18 The impact of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

Governing the business including the National Fraud Initiative

- 19 The way that the Council monitor and manage its performance has improved. Data quality now has a high corporate profile and the Audit and Corporate Governance Committee has shown an effective interest in this issue. The Council had to do a lot of work to make sure that the data that it produces is accurate. This is starting to pay off as the information that it uses to make decisions is getting better although it is not complete yet. Councillors and senior managers actively challenge how services are being delivered and make sure that improvements are made where necessary. But some of the reports that Councillors get to help make decisions are not always clear and need to be improved.

Value for money and use of resources

- 20** There is a developing understanding of local needs. There is some emerging good practice in the involvement of users in the commissioning of services in some areas but the involvement of councillors in key commissioning decisions is under developed. A range of work is ongoing to restructure the way services are delivered in response to need but it is not yet resulting in consistently improved outcomes across key services. Although some joint procurement with the PCT has occurred its impact on services for the public is not yet clear. Comparative data to help gain a more rounded picture of the supply market has been collected and the Council has begun to use this to commission services. Different options for service procurement are being explored but this is not done comprehensively. Regular reviews of service competitiveness are becoming common although the process has not yet had a consistent impact. Procurement is increasingly aimed at delivering value for money although the Council does not always check that this has been subsequently achieved.
- 21** Internal control is generally good but weaknesses were found in some material systems. The Council has responded to these findings. The Audit and Corporate Governance Committee provides robust challenge. Risk management is adequate but the Council needs to review the effectiveness and impact of risk management e.g. in helping deliver innovative projects or reducing uninsured claims costs. There is proactive anti-fraud work achieving good outcomes in Benefits. The Audit Commission's National Fraud Initiative (NFI) involves comparing information held on many government systems to identify potential frauds and I assessed the Council's use of this is satisfactory.

Managing resources

- 22** The Council has a joint environmental policy with the NHS but as this is recent, it has not yet delivered outcomes. Targets are being set for improving the Council's use of natural resources but it does not yet have a full set of information that it can monitor progress against. The Council also has plans for major changes to its asset base to ensure that it is fit for its purpose, improves energy efficiency and access to services for the public but these are also at an early stage. The Council is keen to share buildings with other organisations like the Police and the health service so that costs can be reduced and the public get better access. Work on this is starting but the Council also knows that it has a lot of buildings that are not suitable and this will take time to change.

VFM conclusion

- 23** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission specifies each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 24** I issued an unqualified conclusion stating that the Herefordshire Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Delivering value for money in Older Person services

- 25 Demand for the services that support older people in Herefordshire is increasing. Council officers expect an extra 55 per cent of older people will need help by 2020.
- 26 The Council and NHS understand that meeting this increase in demand will have a major impact on the way it delivers services to older people in Herefordshire. They realise that to meet this demand they must make best use of their resources.
- 27 I agreed to work with Herefordshire to review how it has changed its services for older people to deliver better Value for Money.
- 28 I undertook the work in two parts.
- I completed phase one (which looked at how the Council charge for care services and how it managed the cost of its care services) in August 2008. In September 2008, I agreed my findings with the Council. I reported that the Council:
 - was addressing its charging arrangements and had acted to increase the income it received towards the cost of social care services;
 - had set up a ‘re-commissioning project’ designed to address issues we had identified in the way it managed the cost of its care services, including arrangements for analysing the local care market, making homecare pricing simpler and improving monitoring of homecare services: and
 - did not have an effective commissioning strategy.
 - I initially completed phase two (which looked at joint commissioning) in November 2008 and met with senior officers to discuss my findings in December 2008. I reported that the Council:
 - had started to develop a commissioning strategy, but it was still at an early stage in its development;
 - Herefordshire Council had a traditional commissioning process, with older people commissioning only developing in specific areas, such as day care. Social services commissioning lacked direction, with a limited focus on proactive commissioning;
 - NHS Herefordshire commissioning focused mainly on making placements and block contracting (for example acute services and specialist services). It gave little priority to managing local markets and achieving best price;
 - Joint Commissioning was managed through the IMPACT team and overseen by the Adult Commissioning Board, but the team's role had been eroded;
 - An Intermediate Care Strategy had been agreed by the Adult Commissioning Board and several developments were planned (for example, Telecare/ Assistive technology, Extra Care Sheltered Housing, and Reablement Beds);
 - Social Care was represented on the PCT's Professional and Commissioning Executive; and
 - Herefordshire had started to offer individual budgets.

Value for money and use of resources

- 29 The Council explained that it was developing plans to improve joint commissioning. I therefore agreed to review the Council's plans again in February 2009. At that time the Council and PCT told me they had agreed to set up a new 'Integrated Commissioning Directorate' and that the new Directorate would be in place by 31 March 2009. The new structure appeared to address the issues I raised at the end of phase 2, but until restructuring had been completed I could not say if it would deliver improvement. I therefore agreed to review what improvement had been delivered after allowing sufficient time for the changes to make a difference. I plan to do this early in 2010.

Planning services

- 30 The planning system plays an important role in people's lives. Effective land use is vital for the well being of the country. Planning is about delivering what people want: jobs, homes, lively city centres, better transport, and sensitive care for our historic buildings and the countryside.
- 31 An effective, progressive service will enable local community, regional and national priorities to be realised, and do so efficiently, and in a manner which enhances public satisfaction and confidence with both the process and the outcome of the planning decisions the Council makes.
- 32 My work in Herefordshire focused on a narrow range of issues which I had previously identified as potential areas of risk for the Council. I found a number of issues that needed addressing to ensure that in the future more serious problems are avoided.
- 33 I considered that existing planning decision-making arrangements at committee were cumbersome. Key characteristics included a system where all Councillors play a part in decision making through area committees, a two-tier committee structure, and complex referral and delegation mechanisms. Furthermore, I felt the way Councillors participated in planning decision making within these arrangements was having a negative impact on the efficiency and effectiveness of the service.
- 34 The Council was not effectively using the judgements of external bodies, such as the Local Government Ombudsman, the courts, or the Planning Inspectorate to improve the soundness of its planning decision making and its service delivery, and thereby reduce potential risks. The service had overspent by more than £400,000 in legal costs alone in the last four years in defending appeals, yet the Council had so far not accepted the findings of external bodies and initiated appropriate action to minimise future reoccurrence. The Council was also missing the chance to use existing contact with stakeholders, such as the Agent's Forum, as a means of gaining users' views on service quality. There were no mechanisms in place to seek such feedback which could be used to gain external views about the planning service to improve future delivery.

- 35 The existing decision-making procedures for determining planning applications were complex and unlikely to be readily understood by the public. As a consequence, the perception was that they were not consistent, fair or transparent despite the fact that the procedures were formally set out in the constitution. Planning files and reports to committee provided a clear account of how applications have been handled, but on occasions Members were perceived to be voting and making decisions in the absence of established reasons. The call in and referral processes lacked transparency and added delay and uncertainty to the decision-making process. This also led to a lack of accountability for the final decision. The delegation agreement identified what decisions were delegated to officers but its wording was confusing and the number of applications referred to committee remained high. This adversely impacted on the capacity of the planning service.
- 36 Councillors were not effectively balancing their different responsibilities. Councillors took their local representational role very seriously: they had a deep-seated belief that this is the purpose for which they have been elected. However this local advocacy carried over into planning decision-making which was then unduly influenced by the local perspective. This meant decision-making could be overly parochial although it did not routinely raise significant probity issues. This bias was amplified by the existing committee and decision-making arrangements and by the way debate was conducted.
- 37 The quality of training was generally good and it was well received by those members who attended. However, there was no clear structure to training and development opportunities to ensure learning and experience was consolidated, and training was not mandatory or needs based.
- 38 The Council has responded very well to my report to date. A detailed action plan was agreed in July to bring about the delivery of all the recommendations in my report and the recommendations made by the Council's own Environmental Scrutiny Committee Review Group. A new constitution was approved in November which is leading to the introduction of a new single planning committee, new planning delegation arrangements to Officers, a new code of practice on planning matters for officers and members and detailed advisory notes on the operation of the new system.

Follow up of procurement

- 39 In Autumn 2008, I carried out an audit of the Council's developing approach to procurement and of the process for developing the partnership arrangement with Amey Wye Valley and Amey Owen Williams (Amey). I made seven recommendations for improvement and agreed that I would follow up the Council's progress in implementing them.
- 40 I recommended that the Council embeds good procurement practice across the organisation and monitors adherence to the framework: The Council is making steady progress. A revised procurement strategy has been in place since June 2009 and the importance of corporate procurement guidance is being reinforced through a series of training courses.

Value for money and use of resources

- 41 The recommendations I made regarding the change in partnership arrangements with Amey were made whilst the process was on-going to ensure that they were taken on board in good time. These recommendations ranged from performance monitoring, the transfer of risk to the contractor and clarity about the expected savings to be gained from the new approach.
- 42 The Council has responded positively to the recommendations regarding the Amey partnership in our report. It has worked with Amey to develop a performance management framework for the contract. This involves regular reporting on service performance and allows for the contract's contribution towards sustainable community strategy and other Council corporate outcomes to be defined and tracked. Arrangements for the client team include a defined challenge role. In addition to regular internal monitoring and reports to the Strategic Board, progress reports will be provided for Cabinet, Scrutiny and Audit Committee Members. Mechanisms to monitor and report on the delivery of value for money are being put in place. Definitions of the services within the contract identify the key risks and define which partner is responsible for managing the risk. The Council engaged external advice to clarify the expected source and level of savings to be achieved by the revised contract and the findings were built into the performance management framework.

Waste disposal

- 43 The Council is seeking with its partner Worcestershire County Council to vary its privately funded (PFI) contract for waste management which will allow both parties to meet new national targets for recycling and reduce the amount of waste which ends up in landfill sites.
- 44 The Government has set Councils exacting targets for recycling which are above those agreed for the current contract. Targets for reducing the amount of waste which ends up in landfill sites have also been set. The tax on waste going to landfill sites is set to increase year on year providing a major incentive for councils to divert waste from landfill. The consequence of not reducing landfill tonnages will be increased costs and increasing pressure on the medium term financial strategy.
- 45 Targets for the amount of biodegradable waste which can be sent to landfill sites without financial penalty first impact in 2010 when waste going to landfill needs to fall to 75 per cent of that produced in 1995. Subsequent targets become increasingly hard to meet and failure to meet such targets will result in significant extra costs.
- 46 The Council has worked to reduce the tonnage of waste collected, increase the amount of recyclable waste, and reduce the amounts going to landfill. However, a waste treatment facility is needed to deal effectively with biodegradable waste and until this happens, the Council is at risk of financial penalty.
- 47 Given the potentially long process to achieve a contract variation, the Council needs to be aware of the financial implications of delay.

- 48 Until the discussions with the contractor are finally concluded, there remains a risk that the contract could terminate. Contract termination could have a significant impact on the finances of both Councils because termination clauses in the contract require the Council to make severance payments for bringing waste management assets and facilities back in-house. In such a situation the Councils are also likely to have to enter into a new contract in order to achieve the objectives of the Waste Management Strategy. Re-procurement costs are likely to be significant and the Councils would be unlikely to secure the level of government funding that would be necessary to meet the additional costs.
- 49 I will shortly be carrying out a detailed review of waste collection and disposal arrangements in Herefordshire and Worcestershire as part of my 2009/10 audit.

Financial statements and annual governance statement

Herefordshire Council's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Significant issues arising from the audit

- 50** The audit of your financial statements was completed efficiently with the help of good working papers and officers being very responsive to requests for additional information. I reported my findings from this audit to the Audit and Governance Committee in September 2009 and gave an unqualified opinion on these accounts in the same month.
- 51** Our main recommendation in this report was for the Council to include in the balance sheet in future years an estimate of the non-material liabilities in relation to added years of pension awarded to teachers by the former Hereford and Worcester County Council. I also recommended a review of the level of the Council's insurance provision and that the Council brings forward the implementation of a new integrated capital accounting system to replace existing spreadsheets. This will be particularly important with the imminent introduction of International Financial Reporting Standards in Local Government.
- 52** I did not identify any material weaknesses in your internal control arrangements although three material financial systems were considered 'inadequate' by Internal Audit. It is particularly important that the Council continues to address the authorisation control weaknesses such as in the creditors system because of the opportunity they present for fraud.

Grant claims

- 53** I also audit around twelve grant claims on behalf of sponsoring government departments. We made no amendments to any of three largest claims and the audits went well. The audit of the largest claim, Housing and Council Tax Benefit, went particularly well. I applied a different approach this year, relying more on testing carried out by your own Benefits quality checkers. Due to the excellent co-operation and quality of your staff doing this work, the audit of this claim was carried out in a smoother and quicker way. Relatively few errors were found compared to previous years and other councils. This approach has saved the Council a significant sum of money. The Council can improve its administration of smaller grant claims so I am made aware of claims to be audited and they arrive with me in good time to meet deadlines. The working papers for some of these claims could be further improved which would help reduce audit costs further.

Comprehensive Area Assessment

The Comprehensive Area Assessment Lead considered how well public services in Herefordshire are delivering results for local people, focusing on their agreed priorities and how likely it is that services will improve in the future.

She also assessed how well Council is delivering its priority services and outcomes, as well as the Council's capacity to improve.

-
- 54** Comprehensive Area Assessment (CAA) is the new framework for the independent assessment of local public services in England. It has two main elements which inform each other.
- 55** The area assessment looks at how well local public services are delivering better results for local people across the whole area. It focuses on their agreed priorities, and how likely they are to improve in the future and Organisational Assessments for councils, combining the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of council service performance which is referred to as the managing performance assessment.
- 56** The key findings of the area assessment for Herefordshire are summarised below but more detailed information is on the Audit Commission's OnePlace website www.oneplace.direct.gov.uk/Pages/default.aspx.
- 57** Flags are used to highlight our judgements if, and only if, our assessment shows that the following special circumstances are met in relation to a major issue. A green flag is used to highlight where others can learn from outstanding achievements or improvements or an innovation that has very promising prospects of success. A red flag is used to highlight where we have significant concerns about results and future prospects that are not being tackled adequately. This means that local partners need to do something more or different to improve these prospects. No red or green flags have been identified for Herefordshire. The main highlights of the area assessment were as follows.
- People are healthy overall – but work is ongoing to reduce deaths in road and other accidents, strokes amongst women and obesity in adults and children and to improve children's dental health and ambulance response times.
 - Crime is low and reducing – public bodies work well together to prevent and reduce crime and anti social behaviour.
 - CO2 emissions are high due to reliance on cars and limited public transport.
 - Rural areas have been particularly affected by the recession but overall levels of unemployment are still relatively low.

Organisational assessment

- 58** The Council's organisational assessment score is 2 out of 4. This means that the Council performs adequately. It is on a springboard for future improvement. It has improved the way it manages itself in many areas this year but it is too early to see the full results. It is recognised that very major changes have been made, and are continuing to be made, to the way the Council and NHS Herefordshire, in particular, are working together. Significant work has taken place to plan much improved ways of delivering health and social care across the county. It places the Council in a good position for the future. There is a difference between the scores for use of resources and managing performance. The CAA Lead and I decided that the score should be that overall Herefordshire Council performs adequately rather than well because although the Council are doing well in changing the way services are provided, these changes will be very challenging and it is too early to see all the results.
- 59** The Council scores 3 out of 4 for managing its performance. It has good plans for the future of the county which means radically changing the way that organisations work together. These plans are clearly based on the needs and views of a wide range of local people. It has made changes to services that have led to improvements for people. For example, more affordable housing is being provided, homelessness is being prevented more effectively, Telecare and extra care housing means older people are able to live more independently.
- 60** Ofsted has rated the Council's children's services as performing well. A level exam results are amongst the best in the West Midlands and GCSE rates are improving. The Council knows it needs to improve results up to Year 6. It looks after the children in its care well.
- 61** Services for adults are improving and people are being more involved in planning and deciding the care they get although this needs to be done more systematically. The Care Quality Commission has rated the Council's adult social care services as performing well. The Council is helping more people to live independent lives and is making major changes to how services are provided so that the numbers can increase in the future. However, the Council does need to get better at collecting the views of people who use services and make changes as a result. Improvements are also needed to ensure that people continue to get the support they need when being discharged from hospital and that older people get assessed quickly.
- 62** The Council understands the needs and views of people in Herefordshire very well. It carries out annual surveys to find out what people want and need from the Council and collects information through a range of other methods. And it uses this information to change the way it does things. Its new Herefordshire 100 programme is helping it improve understanding of the full range of communities in the area and it is working well to provide information and support for the migrant workers in the area. It is beginning to use its information on peoples needs to commission services from organisations who can provide specialist care and help but this is not happening consistently yet.

- 63 A recent survey shows that 87 per cent of people in Herefordshire are satisfied with their immediate local area as a place to live. This is broadly the same as the average for similar areas and higher than the national average of 81 per cent. The Council is carrying out research to find out why people's satisfaction with its individual services is better than their satisfaction with the Council as a whole.
- 64 The Council has responded well to the problems caused by the recession. It is ahead of its targets for processing new Housing and Council Tax benefit claims and has worked with NHS Herefordshire to create 80 apprenticeships for young people. Housing and Council tax benefits are being provided efficiently.
- 65 As part of their new closer working, the Council and NHS Herefordshire are taking a very detailed look at services that they and other organisations could provide together.
- 66 The Council suffered a high profile set back in 2007 as a result of the publication of a report into its purchase of IT systems and the expenses claimed by some IT staff. The Council has addressed the issues in the report well and is now better placed to manage the improvement of its IT systems.

Closing remarks

- 67 I have agreed this letter with the Chief Executive and the Director of Resources. I will present this letter at the January Cabinet meeting and will provide copies to all Members.
- 68 Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Herefordshire Council during the year.

Table 2

Report	Date issued
Audit plan	March 2008
Planning Services Review	January 2009
Procurement review	May 2009
Adult Social Care	November 2008
Annual Governance Report	June 2009
Final Accounts Memorandum	October 2009
Use of Resources	November 2009

- 69 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence. The actual audit fee for 2008/09 was reported to the Audit and Governance Committee in September 2009.
- 70 Herefordshire Council has taken a very positive and constructive approach to our audit. I wish to thank the staff for their excellent support and co-operation during the audit.

Elizabeth Cave
District Auditor
December 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Annual Audit Letter 2008/09 Recommendations					
4	R1 Continue to actively pursue a satisfactory conclusion to waste management as soon as possible.	3	Director of Environment and Culture	Yes		August 2010
4	R2 Ensure that the recommendations in the detailed use of resources report are delivered.	3	Director of Resources	Yes		April 2010
4	R3 Continue to make progress in changing the way planning services are provided.	3	Director of Regeneration	Yes		May 2010
4	R4 Respond to recommendations in my follow up report on Adult Social Care in early 2010.	3	Director of Integrated Commissioning	Yes		June 2010

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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MEETING:	CABINET
DATE:	21 JANUARY 2010
TITLE OF REPORT:	DRAFT FINANCIAL STRATEGY 2010-2013
PORTFOLIO AREA:	CORPORATE STRATEGY & FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To propose the three year draft financial strategy for 2010/13.

Key Decision

This is not a key decision.

Recommendation(s)

THAT Cabinet recommend to Council the approval of:

- a) **the Medium Term Financial Strategy (MTFS) shown in Appendix A, which includes both the revenue overview summarised in the Finance Resource Model (FRM); and**
- b) **a proposed council tax increase of 2.9%**

Alternative Options

- 1 Joint Management Team (JMT) have approved a balanced budget for 2010/11 and this is summarised in the FRM in the attached MTFS. It incorporates inflation, service pressures and other spending requirements, the financing of which has been identified from within the Formula Grant, service efficiencies and council tax.
- 2 Any changes to the budget that increase revenue expenditure will either need to be met by equivalent reductions in revenue expenditure elsewhere in the budget or by an increase in the level of council tax set.

Reasons for Recommendations

- 3 The proposed MTFS, shown in Appendix A provides a financial planning framework for the next three years.

Further information on the subject of this report is available from
Anne Phillips, Head of Financial Services on (01432) 383173

- 4 A proposed council tax increase of 2.9% facilitates budget setting for 2010/11.

Introduction and Background

- 5 Cabinet are requested to consider the budget proposals set out in the MTFs, in order to make a recommendation to Council for setting the 2010/11 revenue budget and set a level of council tax increase.
- 6 The provisional local government settlement was announced on 26th November 2009. It confirmed the final year of the three-year Comprehensive Spending Review 2007 (CSR07), the key components were:
- The Formula Grant, which includes Revenue Support Grant and Redistributed Business Rates, is set at £57.584m, an increase of 4%, equating to £2.232m. It is unlikely there will be changes to this figure when the final settlement is published in late January 2010.
 - Area Based Grant is set at £10.128m. This now includes the Supporting People Grant and from October 2010 will have additional funding to mitigate the income loss from the implementation of the proposals in the Personal Care at Home bill.
 - The baseline budget has not been adjusted for Adult Learning Disability budgets that have been transferred from health to social care; the Primary Care Trust will continue to receive the funding in 2010/11 and transfer it through to the council.
 - Indicative figures have not been provided on government department spending limits after 2010/11. At the same time it was announced front-line schools, hospitals and policing would receive real-terms increases, whilst overall public spending growth would shrink to 0.8% by 2013/14. This suggests a much tighter financial picture for local government. Headline changes that will affect future budgets include:
 - Public sector pay settlement increases will be capped at 1% from 2011.
 - 5% increase in National Insurance contributions for employers from April 2011
 - Free school meal provision will be extended to 500,000 school children not previously eligible
- 7 Dedicated Schools Grant (DSG) is estimated (as at 21st December) at £88.237m, based on pupil numbers of 22,703. This figure will be revised for the January pupil census, although the outcome will not be published until June 2010. Schools are currently budget planning using September 2009 pupil numbers of 22,517.

Key Considerations

- 8 The Council operates within the discipline of a MTFs. It is the framework within which cash resources follow corporate priorities, supporting the achievement of the council's overall objectives and delivery of services.
- 9 The financial model (FRM) at the heart of the MTFs has been updated and includes the following:
- a. Directorate pressures;
 - b. Directorate savings;

- c. A change management reserve of £915k;
 - d. A spend to save contingency of £150k;
 - e. A revenue contingency of £300k;
 - f. Updated capital financing costs;
 - g. Shared services savings of £1m in 2010/11 rising to £4.8m by 2012/13.
- 10 The MTFS facilitates longer term financial planning to reflect the changes that emerge from central government as well as changing local priorities and emerging service pressures. The changing nature of central government's priorities needs to be incorporated as local government is an important partner for central government, and is often used to deliver new services as well as delivering changes to existing services.
 - 11 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 directorate budgets, supported by appropriate reserves that need to be managed as part of the overall financial management strategy.
 - 12 Over the last three years the level of local government funding by central government has remained stable as a result of CSR07. The overall increase in 2010/11 Formula Grant for Herefordshire, based on a year-on-year increase, has been 4%, however this must fund inflation, service development, and increased demand for services across the council. There is also a requirement to deliver ongoing efficiency targets, with 4% cashable efficiency savings needed in 2010/11. This equates to £6.7m.
 - 13 JMT also confirmed that in recommending the MTFS to cabinet it will enable the delivery of the targets and key projects that JMT members have proposed for the joint corporate plan 2010/13.
 - 14 The proposed MTFS builds on last year's significant review of the strategy's content by putting in place an approach to support the move towards a joint financial strategy with NHS Herefordshire. The joint MTFS will be the key financial document for both organisations reflecting the Total Place agenda; the drive to deliver greater efficiencies across the public sector and the impact of World Class Commissioning on the integrated commissioning of services. It will be available for Council when setting the Council Tax, having been agreed by the PCT Board and considered by Cabinet. However, as already indicated, the relevant council elements contained in the attached document will be clearly identifiable to support council tax setting.
 - 15 The government has signalled a significant reduction in capital expenditure because of the tightening of public expenditure over forthcoming years. This is likely to see reduced capital grants for major projects and other capital funding support. This means it is appropriate to carry out a fundamental review the existing capital programme to provide assurance that the existing programme supports future priorities and models of service delivery. Therefore indicative funding for the capital programme is included but decision making on expenditure will follow the review to assess whether our existing programme is suitable for the new joint corporate plan and that previous decisions meet new service delivery models.

Economic Downturn

- 16 Since the last MTFS there has been the continuation of the downturn in the economy and

clarity of how the “credit crunch”, has impacted across the world. In order to mitigate the effects of the downturn the UK Monetary Policy Committee has been injecting money into the UK economy since March 2009. This policy, known as “quantitative easing”, has seen £200 billion injected from purchasing gilts and other assets, but the Bank of England has now signalled this will end.

- 17 To reduce the UK’s deficit the Treasury is proposing cuts to public sector spending over the coming years. Public spending may need to reduce by up to 15% and tax rises are also possible. The outcome of the 2010 General Election may see this position change further.
- 18 The economic downturn has affected the assumptions in the Treasury Management Strategy that covers borrowing and investment activities. Since the collapse of the Icelandic Banks we have implemented a more risk averse strategy resulting in tightening investment practices and only lending balances (over a shorter period of time) to highly credit rated establishments. This has had a significant impact on investment income and is not set to improve until 2011/12, when interest rates are predicted to rise.

Shared Services / Herefordshire Connects

- 19 The Shared Services initiative has subsumed the Connects project into the wider Transformation Project. The overall approach is to view all corporate efficiency activity as part of the programme, so that maximum efficiencies are realised. In the 2010/11 budget the programme is to realise £1m of savings, with an additional £1.6m in 2011/12. This confirms the key role the programme will make to the council’s overall financial position at a time when central government is likely to reduce.
- 20 As was explained in the Cabinet report on 18th December, further financial savings are likely to be delivered from Shared Services and improved procurement processes, but additional costs may also be incurred. A further report providing greater detail will be presented in March 2010.

Financial Resource Model 2010/13:

- 21 The FRM is central to the MTFS, as it contains a series of assumptions and assessments that shape the financial plan. These are:
 - a) Future Council Tax Increases: The government has been clear that it expects to see Council Tax increases “substantially” below 3%, but as in previous years has been unwilling to define a precise figure below which councils will not face capping.

As a result, it is recommended that a 2.9% council tax increase assumption is now included for the 2010/11 budget and the two remaining years of the MTFS up to 2012/13.
 - b) Inflation Uplifts: The Government’s Pre Budget report on the 9th December specified all public sector pay settlement increases will be capped at 1% (except for members of the armed forces) from 2011. As a result the council has now moved to a general approach to inflation to allow greater flexibility and therefore an overall cash limited sum covering all inflation is now included.
- 22 The current FRM assumes inflation on client and customer receipts budgets of 2.0%. A review of the policy for income is underway, identifying where more appropriate charges for services can be considered ensuring, where possible, tariffs are set at levels that fully recover costs and ensuring that subsidies for service provision do not occur. A policy will be presented to

Cabinet in Spring 2010.

- a. Base Budget Adjustments: As in previous years, the FRM is continually reviewed to refine the budget using up-to-date information. The approach taken this year is to allow directorates to present pressures that require adjustment. The following are the recommended adjustments for 2010/11:

	£'000
Legislative changes	807
Inflation uplifts to key contracts	1,024
Economic downturn	180
Demographic changes	591
Frontline service pressures	1,572
Service modernisation pump priming	566
Other service changes	489
	5,249

- b. To help balance the budget the following efficiencies have been identified:

	£'000
Vacancy Management	762
Impact of full cost recovery for charging	225
Rationalisation of Property Services	180
Business process improvements	227
Implementation of new commissioning plan	450
Implementation of care brokerage	84
Reduction in unit costs for in-house services	159
Directorate reductions	2,528
	4,615

Use of Reserves

- 23 For the 2009/10 budget the council temporarily used general fund balances to ease financial pressure over more than one year. This helped demonstrate the value of financial planning over more than one year. In line with the decision taken for the 2009/10 budget the FRM reimburses reserves used to set the previous year's budget:
- £1m was used to fund service pressures, which is now backfilled and an additional £1m is used to top up the reserve to its 2008/09 level
 - LPSA reward grant support of £712k is back filled and covers its use in 2009/10
- 24 At a forecast level of £5.9m as at 31st March 2010, the general reserve is in excess of the council's policy of having a minimum general fund reserve balance of £4.5m (3.5% of net revenue budget) to provide adequate cover for demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set. Given the likely pressures from 2011/12 when central government funding will reduce it is appropriate to hold a higher level of balances.
- 25 There are expected to be specific reserves of £15.3m, a significant proportion belong to schools and cannot be used to pay for non-schools services.

Virements

- 26 As part of the annual budget setting process the scheme of Virement and its thresholds must be assessed. The current limits are defined in the Constitution, and their levels will not change for 2010-11. The thresholds are summarised below:
- All virements over £140k must be approved by the Director of Resources and reported to Cabinet
 - All virements below £140k must be approved by the Head of Financial Services
 - Cabinet must approve virements over £25k for budgets vired between different portfolio Cabinet Members and/or different Corporate Directors

Treasury Management

- 27 The Treasury Management Strategy will be presented to Cabinet, in readiness for a recommendation to Council in March on the Council's policy for investments and borrowing for 2010-11.

Community Impact

- 28 The budget proposals continue to support front line service delivery, partnership working and sustaining economic growth.

Financial Implications

- 29 If Cabinet agrees the approach contained in this report, the updated FRM for 2010/13 indicates capacity figures as follows:-
- | | | | |
|----|---------|---|-------------------------------|
| a) | 2010/11 | - | Balanced position |
| b) | 2011/12 | - | £13k deficit |
| c) | 2012/13 | - | Financial capacity of £1.485m |

These figures assume a 5% reduction in central government Formula Grant from 2011/12.

Legal Implications

- 30 Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:
- making prudent allowance in the estimates for services; and
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 31 Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so members will have authoritative advice available to them when they make their

decisions.

Risk Management

- 32 The report has highlighted that the economic downturn has impacted upon the council's existing MTFS. The report has indicated how risks such as reduced income are to be managed.
- 33 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.
- 34 An additional risk that may occur is that services currently supported through former specific grants are no longer funded by this source because of a change in priorities. This would need to be managed over time.
- 35 It is appropriate to indicate that this year's general election may impact on the assumptions made in the MTFS. As the MTFS is under regular review to allow for emerging pressures and legislative changes any consequences of a change in central government policy will be modelled and reported to cabinet along with advice on whether any remedial action is required.

Consultees

- 36 The Joint Management Team approved this report and attachments on 5th January 2010.
- 37 Overview & Scrutiny Committee will be consulted on 18th January 2010; a verbal update will be given.
- 38 An update from the consultation with Business Rate Payers will be provided.

Appendices

Appendix A – Medium Term Financial Strategy

Background Papers

- Provisional Local Government Financial Settlement 2010/11
- Treasury Management Strategy 2009/10

Medium Term Financial Management Strategy 2010 – 13

Foreword by the Council Leader & Cabinet Member (Resources)

The Medium Term Financial Management Strategy (MTFS) is an important document because it reflects our strategic and operational intentions over a three-year time frame for Council. 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.

The MTFS reflects on the scale of the impact of the economic downturn that has affected the world economy and how it impacts on Herefordshire. We have adapted our medium term plans to address the implications of the dramatic change in the economy. Income collection from car parking, planning fees etc has dropped and with interest rates at their lowest ever level, we continue to see less interest received from cash holdings. But, at the same time, the reduced cost of borrowing means that we 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 MTFS that we can make decisions as and when it is appropriate to do so.

In 2009, the council has maintained performance of its financial delivery and procedures that underpin our activity. This performance has been acknowledged by the Audit Commission with a Use of Resources score of three for “Managing Finances” that assesses the council to be “performing well” in this important area.

2010 will be challenging as a result of the economic downturn and, it is important that we continue to strengthen the partnership between the Council, PCT and the hospital trust. This deep partnership is already paying dividends and, over the next 12 months, there will be stronger evidence of its impact, with the implementation of a shared back office service and systems.

Cllr. Roger Phillips
Leader of the Council

Cllr. Harry Bramer
Cabinet Member (Resources)

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 (MTFS) helps the council plan over a longer time framework and demonstrate how it will use its resources in the future.

The MTFS 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 maintain the council's Use of Resources score in 2009. However, we have continued to review and, where appropriate, improve the strategy.

The MTFS 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 MTFS 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 (Council)

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1. Introduction

- 1.1 The Medium-Term Financial Strategy (MTFS) covers the financial years 2010 to 2013 and intends to maintain financial stability, deliver annual efficiencies, support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 1.2 The MTFS is a key 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 A major development since the last MTFS has been the continuation of the downturn in the economy and the clarity of how the "credit crunch", has impacted across the world. This has had a direct effect on the income earned from investing council balances and income collected from the provision of council services.

2. Economic Background

2.1 Introduction

- 2.1.1 This section outlines the global and national economic climate. 2009 has seen the continuation of the economic downturn, although there are signs that the worst of the recession has passed.

2.2 Overall Picture

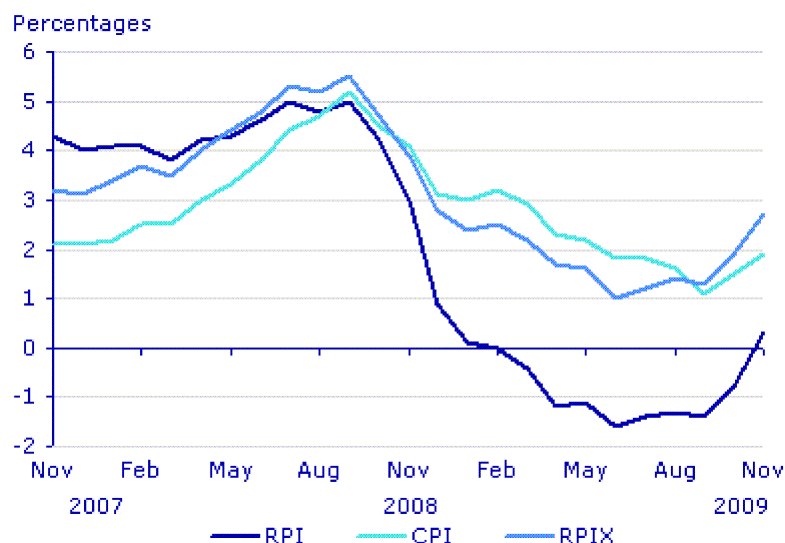
- 2.2.1 The global recession provoked an immediate liquidation of investments and loss in worldwide wealth, resulting in a tightening of lending conditions, and a widespread increase in uncertainty.
- 2.2.2 By May 2009, oil prices were down 60% and non-oil commodity prices, including internationally traded food commodities, were down 35%.
- 2.2.3 Lower food and fuel prices have cushioned the impact and helped to reduce the pressure on the current accounts of oil-importing developing countries. Policy reactions to the crisis have been swift and, although not always well coordinated, have so far succeeded in preventing a broader failure among financial institutions, and thereby avoided a much more severe collapse in production.
- 2.2.4 These policy measures have come at a cost. Fiscal balances in 2009 are expected to deteriorate by about 3 percent of GDP in high-income countries, and by about 4.4 percent of GDP in developing countries. The drop in economic activity, combined with much weaker capital flows to developing countries, is placing a large number of low and middle-income countries under serious financial strain. Many countries are having difficulty generating sufficient foreign currency from exports or borrowing to cover import demand.
- 2.2.5 Despite the rapid decline in GDP in high-income countries during the first quarter of 2009, a number of indicators point to the beginnings of an economic recovery. Stabilising and even recovering stock markets, modest improvements in exports in some countries, a recovery in consumer demand and the still-to-come demand-boosting effects of discretionary fiscal stimulus measures are among the factors pointing to the beginning of recovery.

2.2.6 Indicators vary by country at the moment; however, the United States and China are enjoying an economic revival compared with Western Europe and other developing regions. Moreover, several factors point to continued weakness. Unemployment continues to rise throughout the world, housing prices in many countries are still falling and bank balance sheets are fragile. As a result, the timing and strength of the eventual recovery in the global economy remain highly uncertain. Indeed, many countries are facing growing pressure on their currencies and banking sectors. Already several high-and middle-income developing countries have entered into special borrowing agreements with the International Monetary Fund (IMF) to prevent deteriorating external and fiscal positions from getting out of hand.

2.3 UK Outlook

- 2.3.1 Following one of the deepest recessions the country has experienced there may be evidence the worst has passed.
- 2.3.2 The Monetary Policy Committee has been injecting money into the economy since March 2009. Quantitative easing has seen £200billion from purchasing gilts and other assets.
- 2.3.3 To reduce the UK's deficit the Treasury is proposing cuts to public sector spending, although a return to the 40% ceiling of government debt to GDP is likely to take until 2035. Public spending is expected to fall by 15% and tax rises are possible, VAT returned 17.5% in January and further rises are forecast.
- 2.3.4 The ratings agencies responded to the increasing government debt, Standard and Poors changed its UK ratings outlook from stable to negative based on concerns about the governments abilities to deal with the required fiscal consolidation
- 2.3.5 Bank base rate is at the lowest level since the Bank of England was founded, and set to continue through into 2011, finally rising as the economy recovers.
- 2.3.6 The Consumer Price Indices fell from 1.6% to 1.1% in September, its lowest level since 2004, it is likely to level out at an annual rate of 1.8%. The Retail Price Index currently stands at -1.4%, although in early 2010 it will move back into positive figures.

Annual inflation rates - 12 month percentage change



- 2.3.7 In contrast to the continued low interest rate, share prices reached a 14 month high in November 2009. The FTSE 100 index rose by more than 50% since its low point in March 2009.

- 2.3.8 Unemployment increased to 2.47million in the three months to August, with the jobless rate rising from 7.6% to 7.9%, the highest since 1995. Average earnings had the lowest increase on record of just 1.9%.
- 2.3.9 Households are focused on repaying debt and saving rather than spending, this is set to continue. A 0.5% drop in consumer spending is forecast for 2010, and modest increases there after.

2.4 Summary of Current Situation in Herefordshire

2.4.1 The latest report “Impact of the Economic Downturn on Herefordshire” 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:

- The **unemployment** claimant count has been fairly stable since March, although medium and long term claimants and younger claimants seeing large increases.
- The **employment rate** for Herefordshire remains significantly higher than for the West Midland and England.
- Ongoing **redundancy** exercises are likely to lead to further unemployment, although the rate of redundancy seems to be decreasing.
- There has been an increase in numbers claiming **out of work benefits**, but this is largely a result of more jobseekers.
- A decrease in the number of claims received for **housing benefits and/or council tax benefits**, since June 09, although numbers for the over 60s remain high.
- A slight increase in the percentage of **16-18 year olds not engaged in education, employment of training** in 2008.
- No clear evidence of the impact that the recession is having (or might have) on **migrant labour** or the impact that any changes in migration flows will have on local economies.
- Local businesses reported an increase in **trading (UK markets), business confidence and employment prospects** on previous quarters.
- An improvement for **trading in Hereford City**, with fewer empty shops.
- A decrease in the number of **empty business properties** over recent months, although there are still many more than prior to the credit crunch.
- A decrease in both the number of **business rates accounts** written off due to bankruptcy, but an increase in the amount of money involved.
- Mixed picture for **tourism**, an increase in the number of visitors to attractions in Herefordshire compared to 2008.
- Positive signs in the **housing market** with a slight increase in property sales and house prices.
- Levels of **homelessness** are still high (compared with 2006).
- Increase in numbers experiencing problems with **debts** needing advice/support.
- Mixed picture for impact on **community and voluntary organisations** – evidence of increased demand for services for some organisations but still able to cope with existing resources at present.
- Decline in overall levels of **crime**, but increases in burglary, violent and anti-social crimes.

2.5 Council's Response to the Economic Downturn

2.5.1 The council is intervening in a number of areas to address the negative effects of the downturn in the economy.

2.5.2 The council is using its resources to stimulate the economy by:

- Reducing the payment time of invoices (target of all payments to be made within 20 days on non-disputed invoices with an aspiration for ten days)
- Revising the procurement strategy to enable local firms to be fit for purpose to win tenders
- Awareness and training seminars on tips on tendering for local firms
- Using the Herefordshire Business Portal which will publicise all council tenders above £5k to enable local firms to bid
- Support for the Citizens Advice Bureau to enable extra advice on employment and housing
- Enabling volunteering for people to develop new skills and networks when looking for new employment
- Support for sustainability of rural shops

2.5.3 The activity to address the effects of the downturn does not just support businesses, but takes a wider view of the effect of the financial climate on communities and individuals. Therefore intervention also includes additional projects and schemes to support businesses and communities:

- a) **Mortgage Rescue Schemes** – national and local scheme operate in the county, with the latter aimed at supporting those with dependent children, pregnant or, the vulnerable and caters those who do not fit the national criteria.
- b) **Grant programmes** – newly introduced Business Booster Grant and Training Voucher compliments other grant schemes including Rural Enterprise Grants that provides access to finance for small scale diversification and business development projects for the benefit of rural businesses.
- c) **Broadband improvements** - instigating an improved broadband service that will aid competitive advantage for local companies and access to service for local people.
- d) **Housing Financial Support Packages** - The Homelessness and Housing Advice Team offer a range of preventative interventions aimed at reducing the risk of homelessness.
- e) **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.
- f) **Benefit entitlement** – awareness campaign to ensure people are aware of their benefit entitlement. The Benefit Service is increasing training for front line staff at the Info Shops around the County to give improved benefits advice to customers, and using the council's benefit database to provide access to free school meals to children who are entitled.

2.5.4 NHS Herefordshire and Herefordshire Council are together creating 80 apprenticeships to give local people valuable experience and training and help them to gain work-based qualifications. Apprenticeships and advanced apprenticeships are aimed at people under 24 - but adult apprenticeships are available for people with more workplace experience. The scheme covers a range of occupational areas including health and social care,

business administration, customer service, IT, finance and dental nursing, and covers qualifications including NVQs at levels 2 & 3, key skills at levels 1 & 2 plus a related technical certificate. School careers and connexions advisors are publicising the scheme alongside attendance at career events by PCT and Council representatives.

- 2.5.5 For 2009/10 the council allocated £346k as a reserve to address the economic downturn. Schemes have been initiated and will continue in 2010 /11 with a focus on supporting recovery.
- 2.5.6 The potential loss of income to the council as a result of the economic downturn has been addressed in the FRM. 2010 continues to see reduced income from planning and development control fees, car park and land charges. Services are investigating new approaches to negate the shortfall, implementing new charging regimes for pre planning advice, ensuring fees are set at full cost recovery levels where possible and barrier car parking is extended.

3. The National Financial Context

3.1 Introduction

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

3.2 Pre Budget Report 2009

- 3.2.1 The Chancellor of the Exchequer's 2009 presented the Pre-Budget statement to the House of Commons on 9th December 2009. The Chancellor said the Pre-Budget Report 'takes place at a critical time for our country and the world'. The task he said was 'to ensure recovery and promote growth', he continued, the Government needs 'to maintain support until the recovery is secured'. No announcement was made on government department spending limits after 2010/11, although the report indicated front-line schools, hospitals and policing would receive real-terms increases, whilst overall public spending growth would shrink to 0.8% by 2013/14.
- 3.2.2 Headlines from the Pre-budget report are;

The Economy

- The UK economy will shrink by 4.75% this year, a worsening of 1.25% since April's Budget, but it is predicted to grow by 1% to 1.5% in 2010.
- Economic growth is expected to increase by 3.5% in 2011 and 2012.

Public Services

- Total public spending in 2010/11 will rise by £31bn (2.2% in real terms).
- No Departmental Expenditure Limits were set beyond 2010/11. However, current spending growth will fall to an average of 0.8% a year between 2011/12 and 2014/15.
- From 2011 there will be guaranteed minimum real terms increases in spending on 'front-line NHS and schools' for two years.
- Sufficient funding to maintain the number of police and community support officers will also be provided.
- Free school meal provision will be extended to 500,000 school children not previously eligible.

Tax

- Return of VAT rate to 17.5% on 1 January 2010 confirmed. No other changes in VAT announced.
- Corporation Tax rise of 1% for small businesses postponed for a further year.

- Inheritance Tax threshold will not be raised from £325k to £350k as originally planned; however, couples will be allowed to pool their total to £650k.
- 0.5% increase in National Insurance contributions for employers, employees and self-employed from April 2011, there will be an increase in personal allowances for those earning under £20k to offset this rise.
- Monthly duty of 50p on landlines to extend super-fast broadband provision.

Borrowing

- Net debt is expected to rise to a peak of 78% of GDP in 2013/14, before decreasing.
- Public sector net borrowing will be decreased year-on-year and more than halved by 2013/14.
- Forecast borrowing will be £178bn in 2009, £3bn higher than predicted in April.
- Borrowing is estimated to be £176bn in 2010 and £140bn in 2011, falling to £96bn in 2013.
- The potential Government losses from interventions in the financial sector have been revised downwards from £50bn to £10bn.

Public Sector Pay and Pensions

- From 2011 all public sector pay settlement increases will be capped at 1%, except for members of the armed forces.
- By 2012 public sector employer contributions for teachers, local government workers, NHS and the civil service employees will be capped.
- Public sector workers earning over £100k will face higher employee pension contributions.

Business and Employment

- Empty commercial properties with a rateable value below £18k will continue to be exempt from business rates.
- 18-24 year olds claiming Jobseekers Allowance for six months will be guaranteed a job, work placement or work-related skills training.
- Enterprise Finance Guarantee Scheme, under which Government offers 75% loan guarantee to small businesses, will be extended to September 2010.

3.3 Local Government

3.3.1 On 9th December 2009 the Government published the paper [*Putting the Frontline First: smarter government*](#) which contained the following measures that could affect local government finance:

- By Budget 2010 the Government will publish specific proposals to reduce ring-fencing of funding for local authorities and publish guidance on aligning and pooling local level budgets.
- The timing and co-ordination of grant payments from departments to local authorities will be aligned from 2011/12.
- Consideration will be given to single area-based capital funding, 'Total Capital', with recommendations by Budget 2010.
- The number of national indicators for local areas will be reduced by April 2010, and further reductions will be made from 2011 and, by Budget 2010, setting out plans to further align sector-specific performance frameworks across key local agencies;
- By 2010/11 the timings of all assessments, inspections and reporting arrangements which focus on similar outcomes will be coordinated; consideration will also be given to a new cross-government data gateway.
- The number of inspectorates and their work will be reviewed by Budget 2010, in order to save at least £100m.

3.4 Comprehensive Spending Review 2007 (CSR07)

- 3.4.1 CSR07 set Departmental Expenditure Limits (DEL) for all government departments, including local government, taking account of spending plans and priorities 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 4% for 2010–11, the third and final year of the review.
- 3.4.2 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
- 3.4.3 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 (and 4% for 2010-11), 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.
- 3.4.4 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 Agreement.

3.5 Local Area Agreements (LAA) and Area Based Grants

- 3.5.1 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. This funding is used alongside mainstream budgets to support the achievement of specific 'improvement targets' identified in LAAs. Each LAA includes up to 35 of such targets, negotiated through the Government Office and subsequently designated by the Secretary of State

3.6 Local Government Settlement 2010/11

- 3.6.1 The Provisional 2010/11 Local Government Finance Settlement was presented to the House of Commons on 26th November 2009.
- 3.6.2 The settlement was previously announced in January 2009 as the final year of the three-year settlement.
- 3.6.3 In summary the headline changes between the two Provisional 2010/11 Settlements are
- No change for **any** authority in Formula Grant allocations, between the 2010/11 settlement announced in January and today;
 - No increase in the total amount of Formula Grant allocated;
 - No change to the relative block sizes;
 - No change to the damping mechanism;
 - No further transfers in/out of the 2009/10 baseline; *and*

- No Amending Report issues.

3.6.4 The headline changes **between the Provisional 2010/11 and the Final 2009/10** are:

- a) Average 2.65% increase in Formula Grant across England;
- 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 £73.4bn in 2009/10, and £76.3bn in 2010/11, an increase of 4.0%.
- d) Specific grants including Area Based Grant and PFI increased by 4.7%, from £49.4bn in 2009/10 to £51.6bn in 2010/11.

3.6.5 There have been a number of changes in specific and general grants subjects to legislation being passed. Local authorities will receive funding to implement free personal care for elderly people with the highest needs from 1 October 2010.

3.6.6 The Government noted that the average Band D Council Tax increase was 3.0% in 2009/10 and said the Government 'expects to see it fall further next year while authorities protect and improve front line services. It was stated we expect the average Band D Council Tax increase in England to fall to a 16 year low in 2010/11'.

3.7 Efficiency Agenda

3.7.1 The local government settlement has been accompanied by a strong focus on value for money, improving efficiency and cutting down on waste. Over the 2004 Spending Review period, departments over-delivered on the Government's value for money target by 20 per cent, achieving savings of £26.5 billion.

3.7.2 Over the 2007 Comprehensive Spending Review (CSR) period the Government has committed to a cash-releasing value for money target worth £35 billion by the end of 2010-11. Departments are making good progress towards their 2007 CSR targets and the 2009 Pre-Budget Report announces that £8.5 billion of efficiencies have been delivered so far. This includes savings reported in 2008-09 departmental annual reports and, where available, departmental savings reported in the first half of 2009-10.

3.7.3 Budget 2008 announced the next stage of the Government's programme of value for money reforms, setting up the Operational Efficiency Programme (OEP) and the Public Value Programme (PVP) to capitalise on best practice and leading thinking in the private and public sectors. Budget 2009 accepted the recommendations of the OEP reviewers that the Government could achieve £15 billion of additional efficiency savings a year by 2013-14 compared to 2007-08, in back office and IT, collaborative procurement, asset management, property and local incentives and empowerment. Budget 2009 also set out details of the early savings from the PVP and announced that the programme would be expanded to ensure demanding value for money reviews are conducted across a minimum of 50 per cent of each department's budget. Initial savings options identified by the PVP are set out later in this chapter.

3.8 Economic Outlook

- 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.
- 3.8.2 The next pension fund valuation takes place in 2010. Most local authority pensions schemes will have suffered a reduction in their book value since the collapse of the stock market. A recent rally in the stock market may negate some of the loss, but most will still have significant shortfalls and it is likely that Pension contributions will rise from April 2011.

4. Herefordshire Council's Financial Context

4.1 Introduction

- 4.1.1 This section of the MTFS 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 final year of the three year settlement under CSR07 was confirmed in November 2009 with the Formula Grant uplift remaining at 4%. It is likely that future years will see a grant reduction, and the FRM assumes a reduction of 5% per annum from 2011.

	2010-11	2011-12	2012-13
Formula Grant	£57.6m	£54.7m	£52.m
Increase on like-for-like basis	+4%	-5% (assumed)	-5% (assumed)

4.3 Specific Grants

- 4.3.1 The allocation of specific grants was confirmed in December 2009 including Dedicated Schools Grant. The figures for Herefordshire are shown in Appendix A.

4.4 Dedicated Schools Grant

- 4.4.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and must be used in support of the Schools Budget. It is the main source of income for the Schools Budget and can be used for no other purpose. The Schools Budget is made up of the Individual Schools Budget and a number of central services for pupils. DSG is based upon a per pupil formula using the actual pupil numbers from the January School Census data each year. Government sets a fixed amount per pupil for Herefordshire which is multiplied by the total pupil numbers to determine the final grant. There are specific grant certification and audit requirements to ensure appropriate use of the grant and any under or overspends must be carried forward to the next financial year. DSG cannot be used to fund general council expenditure. Funding is delegated to schools through a funding formula that is agreed with Schools Forum.
- 4.4.2 National funding reflects factors such as deprivation, sparsity and area cost adjustments which affect urban and rural areas in different ways. Herefordshire has one of the lowest funding levels of the nationally distributed DSG at an overall ranking of 147 out of 149 authorities receiving the grant. Herefordshire will receive £4,002 per pupil in 2010/11 compared to the England national average of £4,398 and the £4,027 received by Worcestershire.
- 4.4.3 The current grant methodology ("Spend Plus") underlying the allocation of DSG to individual authorities is determined by central government and has been used for the three years. A national review of the distribution formula for DSG is currently being undertaken and is expected to be in place from 2011-12. Authorities will be consulted on the proposed changes in DSG during Spring 2010. No information on the amounts per pupil for 2011-12 onwards has been published by government pending the outcome of the DSG review although all the evidence suggest that there could be a reduced settlement for schools.

- 4.4.4 The council has always sought to maintain the relative budgets of schools in Herefordshire. The most recent comparative data from the Department for Children, Schools and Families for 2008-09 shows that within our family group of 11 comparable authorities Herefordshire passport the third highest amount per pupil to schools whilst retaining the third lowest amount per pupil for central DSG services.

4.5 Area Based Grant

Area Based Grant (ABG) is a general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

- 4.5.1 Area Based Grant has increased for 2010-11, a large proportion of the increase is due to the implications of the Personal Care at Home bill. A consultation published in December confirms that subject to legislation being passed before the end of Parliament, LAs will receive funding via ABG to implement free personal care for elderly people with the highest needs from 1 October 2010. Other transfers include the anticipated move of the Supporting People grant into ABG from 2010/11. Details are shown in the table below:

ABG 2010-2011 as per Nov 2009

£

DEFRA

Environmental Damage Regulations

319

Total DEFRA

319

Home Office

Community Call for Action/Overview Scrutiny Committee

2,000

Stronger Safer Communities

182,283

Young People Substance Misuse Partnership

30,568

Total Home Office

214,851

Department for Transport

Detrunking

526,486

Road Safety Grant

325,645

Rural Bus Subsidy

944,776

Total DfT

1,796,907

DCSF

School Development Grant

82,000

Extended Schools Start-Up Grants

334,158

Primary National Strategy - Central

115,250

Secondary National Strategy - Central co-ordination

140,930

Secondary National Strategy - Behaviour and Attendance

68,300

School Improvement Partners

108,240

Education Health Partnerships

54,796

School Travel Advisers

32,000

Choice Advisers

20,140

School Intervention Grant

69,900

14 - 19 Flexible Funding Pot

47,577

Sustainable Travel - General Duty

15,516

Extended Rights to Free Transport

330,411

Connexions

1,394,246

Children's Fund

357,170

Child Trust Fund

2,807

Positive Activities for Young People

111,608

Teenage Pregnancy

99,000

Children's Social Care Workforce	39,901
Care Matters White Paper	130,821
Child Death Review Processes	16,897
Young Peoples Substance Misuse	27,293
Designated Teacher Funding	14,891
Total DCSF	3,613,852

Department of Health

Adult Social Care Workforce	523,344
Carers	895,610
Child & Adolescent Mental Health	225,230
Learning & Disability Development Fund	131,888
Local Involvement Networks	119,134
Mental Capacity Act & Independent Mental Capacity	103,916
Mental Health	464,768
Preserved Rights	1,409,312
Total DH	3,873,202

CLG

Cohesion	75,000
Economic Assessment Duty	65,000
Supporting People Administration	101,811
Supporting People	5,592,972
Total CLG	5,857,283

Total ABG **15,356,414**

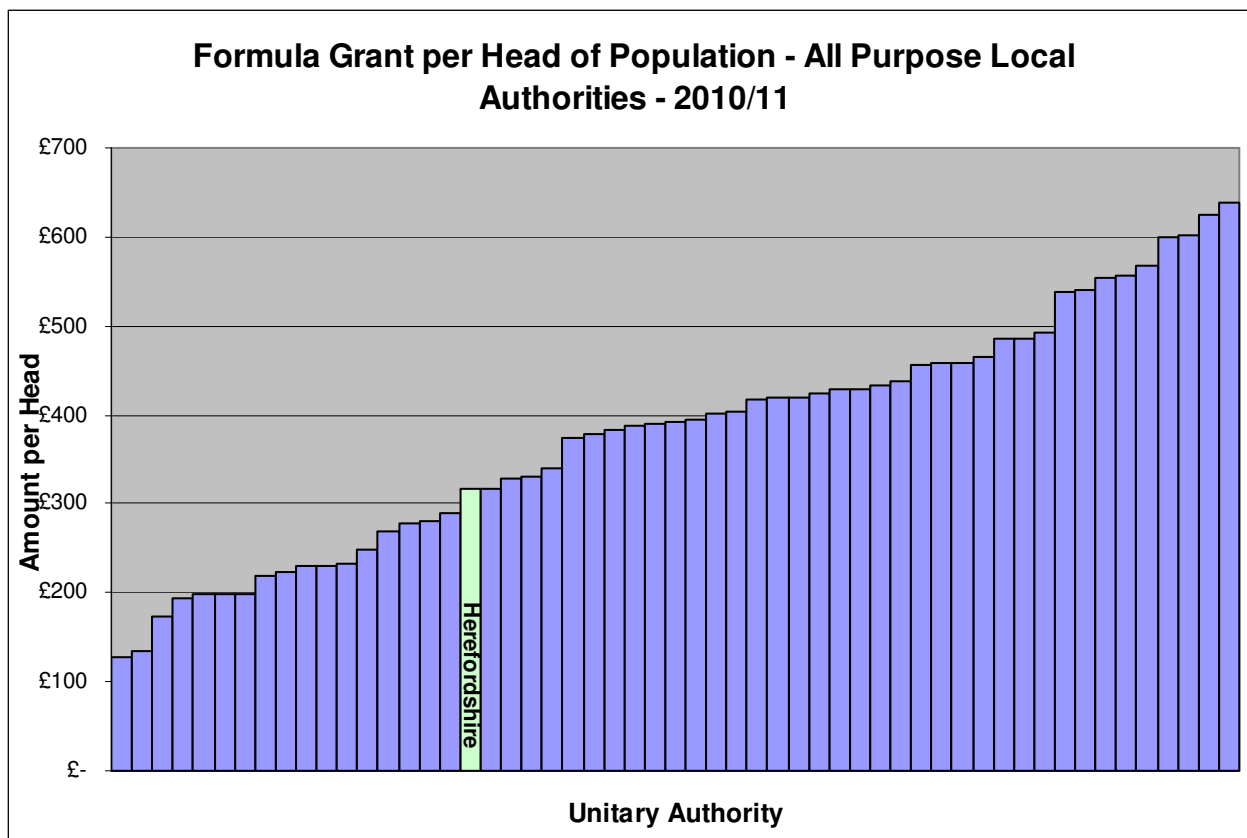
- 4.5.2 ABG represented a significant shift in the Government's approach to funding when it was introduced in 2008/09. It is important to stress this is not 'new' money. It is a change to the way existing grant schemes are presented and can be used. The challenge faced by all local authorities is one 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.

4.6 Comparative Funding Position

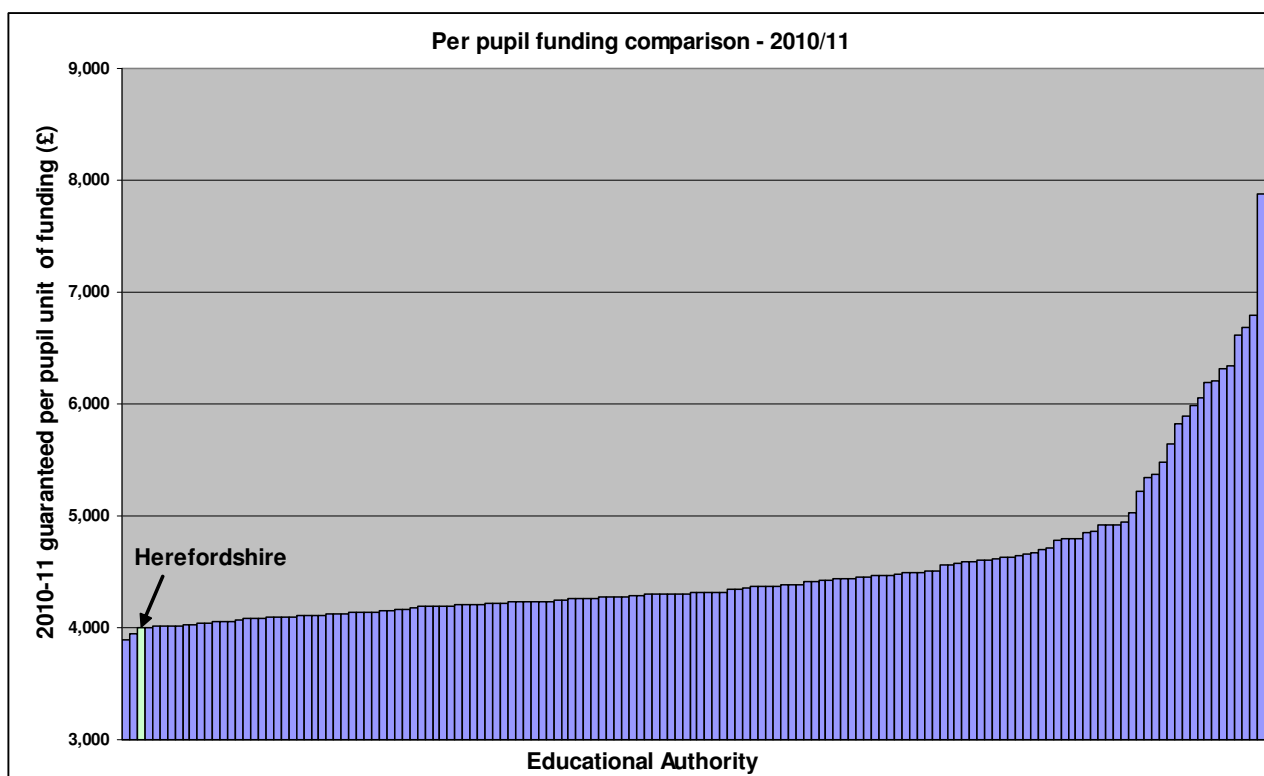
- 4.6.1 Herefordshire does not get a fair share of central Government funding and this continues to be the case. The 2010/11 settlement figures show that:

- Formula Grant per head of population is £317 – 17% below the unitary authority average of £378
- Dedicated Schools Grant per head of pupil is £4002 – 9% or £396 below the average of £4,398 for all English
- Formula Grant plus indicative DSG per head of population is £802 – 16% below the unitary authority average of £972.

- 4.6.2 The graph below shows Formula Grant per head of population for all unitary councils for 2010/11. It shows that Herefordshire is 38th out of 55 unitary authorities.



4.6.3 The graph below shows DSG per pupil. Herefordshire is 147th out of 149 authorities, £68 per pupil less than the average of comparable education authorities including our neighbours Shropshire and Gloucestershire.



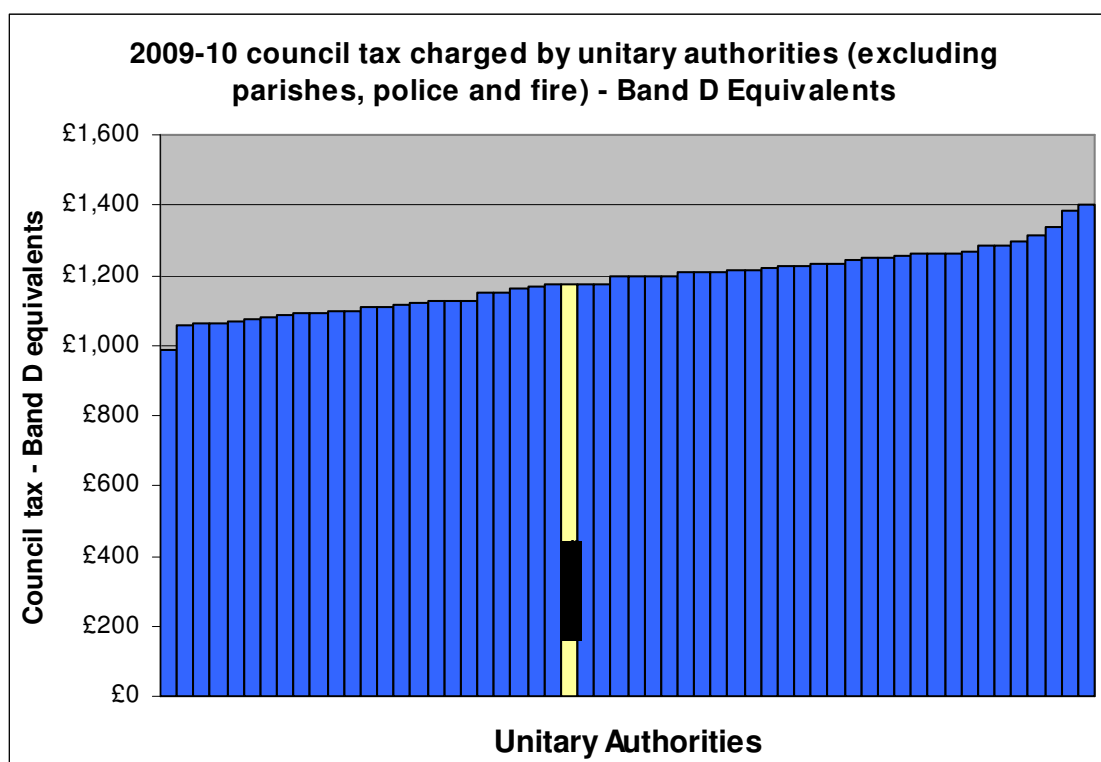
4.7 Council Tax

4.7.1 In December the Government stated that councils are expected to agree council tax increases of substantially less than 3% in 2010-11.

4.7.2 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 2010/11 is below average as shown below;

	Average Council Tax excl. Parish Payments (Band D)	Difference	% Difference	Including parishes, police & fire
Herefordshire	£1,175.24	-	-	£1,454.53
Unitary authorities	£1,191.01	£15.77	1.3%	£1,428.99

4.7.3 The following graph shows Herefordshire's council tax position in relation to other unitary authorities;



4.8 Reserves

4.8.1 Revenue Reserves

4.8.2 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.

- 4.8.3 The following table shows the year end balance on the General Fund and the level of Specific Reserves for the last 4 financial years plus an indicative forecast of the position at the end of 2009/10.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
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	6,390	5,476	10,588	22,454
31 st March 2010 (forecast)	5,890	5,200	10,100	21,190

- 4.8.4 A significant proportion of the Specific Reserves belong to our schools and cannot be used to help pay for non-schools services.
- 4.8.5 The council's policy is to maintain the General Reserve at a minimum of £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.

4.8.6 Capital Reserves

- 4.8.7 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.
- 4.8.8 The following table shows the level of usable capital receipts for the last 4 financial years and an estimate for 2009-10;

Balance as at:	£000
31st March 2006	20,070
31st March 2007	22,,426
31st March 2008	17,945
31st March 2009	17,558
31st March 2010	7,204

- 4.8.9 The council has an asset management plan which has recently seen the purchase of Plough Lane, to house up to 1,600 Council and NHS employees. A dozen older buildings will be sold, releasing revenue savings and generating any capital receipts to repay the prudential borrowing.
- 4.8.10 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.

5. Herefordshire's Policy Context

5.1 Introduction

5.1.1 This section of the MTFS 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. 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)* and how the aims will be delivered through the LAA.

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.

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

5.3.4 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

5.3.5 The table in Appendix B illustrates the interrelationship between the council's themes and top priorities.

5.3.6 Annual plans for individual directorates set out how their services will contribute to the corporate plan and achieve relevant targets. These flow into the plans of individual teams, with objectives and targets set annually for individual managers and their staff.

5.4 Public Consultation

- 5.4.1 In September 2008 the “Place Survey” was posted out to 4,200 households in Herefordshire. The “Place Survey”, known locally as the “Herefordshire quality of life survey”.
- 5.4.2 The aim of the survey is to find out what people think of the quality of life in Herefordshire, to monitor the performance of local public services, and to gather data for the new National Indicator (NI) set.
- 5.4.3 Of the 4,150 which were successfully delivered, 1,907 were complete and returned, giving a response rate of 46%. This is an improvement from the 40% seen in 2007.
- 5.4.4 From a list of 20 items, the things most frequently seen as important in **making somewhere a good place to live** were the level of crime, health services and affordable decent housing.
- 5.4.5 The things most often seen as being **in need of improvement** in the local area were road and pavement repairs, activities for teenagers and the level of traffic congestion.
- 5.4.6 The items seen as **priorities for local people** (i.e. those seen as both important and in need of improvement) were affordable decent housing, clean streets and public transport.
- 5.4.7 There has been a significant improvement in satisfaction with the **local area as a place to live** (87% satisfied, up from 69% in 2007), putting Herefordshire in the best quartile nationally (the “best quartile” means the top quarter of all authorities’ scores). There was also an improvement in satisfaction with the local community as a place to live (79% to 86% satisfied), and 92% were satisfied with their home as a place to live. 89% of over 65s were **satisfied with both their home and their neighbourhood**, which puts Herefordshire in the best quartile nationally.
- 5.4.8 66% of respondents felt they **belonged to their immediate neighbourhood** either fairly or very strongly, which puts Herefordshire in the best national quartile.
- 5.4.9 76% agreed that people from **different backgrounds got on well together** in the local area, which has seen no change since 2007, though a slight drop in national scores means Herefordshire has moved from the worst to the 3rd quartile.

5.5 LAA and the Herefordshire Partnership

- 5.5.1 To achieve the LAA vision, the Herefordshire Local Strategic Partnership was established, membership includes local organisations, groups and service providers, specifically:
 - 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

5.5.2 Five important principles have been embraced by the Herefordshire Partnership they are:

- Ensure an equal and inclusive society
- Integrate sustainability into all our actions
- Realise the potential of Herefordshire, its people and communities
- Build on the achievements of partnership working and ensure continual improvement
- Protect and improve Herefordshire's distinctive environment

5.6 The Performance Improvement Cycle (PIC)

5.6.1 The council 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
- g) maximise the benefit of the developing public service arrangements with the PCT.

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

6. Financial Management Strategy

6.1 Introduction

6.1.1 This section of the MTFS 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 MTFS 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 MTFS assumes a 2.9% increase.
- c) Manage spending within budgets – Directorates have a 'non- negotiable' pact 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 and 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 and capture 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 Area Based Grant brings together a number of existing grants and is part of a three year financial strategy designed to take the ringfencing off funding from government departments. Decision making is devolved down to the local area; in the case of Herefordshire to the six Policy and Delivery Groups which make up the Herefordshire Partnership Structure.

6.4 Managing external funding

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

- a) Match funding requirements are considered in advance.
- b) They support, or do not conflict or distract from, corporate priorities.
- c) They have no ongoing commitment that cannot be met by base budget savings.
- d) They do not put undue pressure on existing resources.
- e) 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 MTFS aims to maximise the potential for increasing financial capacity and managing growth in volumes through s106 agreements, where possible.

6.6 Managing Fees and Charges

- 6.6.1 The council is currently developing a charging strategy with the aim of implementing a corporate charging policy.
- 6.6.2 The policy will recognise the potential for discretionary charges to fund services and ensure full cost recovery where feasible and minimise the subsidy from council budgets

6.7 Managing the General Fund Balance and Specific Reserves

- 6.7.1 Herefordshire's General Fund opening balance for 2009/10 was £6.39m. This is in excess of the current policy in place to maintain a minimum balance of £4.5m.
- 6.7.2 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.
- 6.7.3 All Directorates are expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget. Any in-year budget pressures must be managed by use of a recovery plan, which is approved at Joint Management Team.
- 6.7.4 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 MTFS. Good systems and procedures are in place for regularly reporting on financial performance to Cabinet, Strategic Monitoring Committee and Scrutiny Committees 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, including people, land, property, ICT and cash.

6.9.2 Herefordshire has had a good track record delivering to the government's efficiency targets. For 2010/11 this rises to 4%. £6.7m.

6.9.3 Efficiencies identified in the FRM for 2010-11 include:

	£'000
Vacancy Management	762
Impact of full cost recovery for charging	225
Rationalisation of Property Services	180
Business process improvements	227
Implementation of new commissioning plan	450
Implementation of care brokerage	84
Reduction in unit costs for in-house services	159
Directorate reductions	2,528
	4,615

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 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 through efficient tender and other procurement processes that ensure robust quality and price.
- 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, year on year and with other authorities.
- g) Through internal and external audit reviews.
- h) Through scrutiny reviews.

6.11 Financial Management Strategy for Capital Investment

National Picture

6.11.1 The council has received indicative funding notifications from central government for 2010/11. Supported Capital Expenditure allocations (borrowing supported by Revenue Support Grant) for 2010/11 totals £13.21m, split £0.89m towards children's services and £12.31m towards environment and culture.

6.11.2 Funding announcements for 2011-12 onwards are still awaited. Indications from central

government are that, following the much publicised credit crunch, planned capital funding allocations are set to be halved by 2013-14 with the majority of central government available capital funding already being allocated to the Building Schools for the Future capital programme. Councils are therefore under increasing financial pressure to find financial savings to shore up the funding gap.

- 6.11.3 Over the longer term authorities are expected to generate income from selling surplus assets and reduce the costs of running their property portfolios by providing efficiencies including reducing carbon emissions from their capital stock. At the same time there is increasing pressure to provide cross-cutting co-located services to provide a one-stop service provision to the public which is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, voluntary sector and community organisations. For local authorities to deliver their priorities within the financial constraints officers must demonstrate creativity using greater innovation and ideas, to deliver services differently.

Herefordshire Capital Funding

- 6.11.4 The FRM for the revenue account reflects the new borrowing requirement implied by the Treasury Management Strategy to support the capital programme.
- 6.11.5 The capital receipts reserve totalled £17.56m as at 1st April, 2009, this is likely to fall to just over £7.2m by the end of the financial year. Capital receipts reserve funding of £5.82m has been committed to fund the 2010/11 capital programme.
- 6.11.6 In addition the council can fund additional borrowing to the extent it considers it is affordable and prudent to do so (Prudential borrowing).
- 6.11.7 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) Attracting external funding such as the grant allocation under the government's Building Schools for the Future programme.
- 6.11.8 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 2010/11

- 6.11.9 The 2010/11 capital programme represents funding indications received to date. This is subject to change following allocation of resources including additional capital grant funding announcements.

6.11.10 The following table summaries the existing capital investment programme updated for slippage, utilising in full Supported Borrowing allocated for 2010-11.

	2010/11	2011/12
Investment by directorate:-	£'000	£'000
Children's Services	39,089	5,667
Resources	10,100	2,872
Deputy Chief Executive	10	39
Adult Social Care	539	-
Regeneration	8,570	1,719
Environment & Culture	18,452	2,003
	76,760	12,300
Which is funded by:		
Supported Capital Expenditure (Revenue)	13,210	1,200
Prudential Borrowing	13,675	2,813
Revenue Contribution	-	-
Capital Receipts Reserve	5,820	500
Government Grants & Contributions	44,055	7,787
	76,760	12,300

6.11.11 The current revenue budget allows for additional prudential borrowing of £2,741k to be allocated to capital schemes in 2010-11, this is not reflected within the above table. If this funding wasn't allocated it would improve the revenue budget position by approximately £250k per annum.

6.11.12 The prudential borrowing could be utilised to fund capital budget pressures identified below:

- **Current backlog:** Backlog maintenance – a high level indication of funding requirement across all service areas totals £17,750k, of these £95k represent urgent works and £500k is required for urgent works on Halo properties. This list would need to be reviewed further to ensure the expenditure meets the definition of capital expenditure before any capital funding could be allocated.
- **Legionella works** – last years funding allocation has proved to be insufficient to fund all works required so an additional funding request of £150k is requested.
- **Landfill sites** – there are increased liabilities at Stretton Sugwas and Leominster closed landfill sites representing replacing defective gas extraction systems, methane stripping and increased costs relating to a leachate drain at Leominster. £83k is required in 2010-11.
- **Rotherwas Futures** – an additional £1,680k borrowing requirement has been identified to meet expected costs, this amount should be repaid from expected future capital receipts which should total £4m however £2.4m of this amount would be repaid to AWM under the original funding investment agreement.
- **Disabled Facilities Grant** – this statutory grant is currently under enormous pressure. A bid was submitted last year for funding of £672k to be required in 2010-11 however this could be reduced to reflect slippage of funds from this financial year due to the late notification of budget and delays due to the approval of applications process.

6.11.13 Potential new funding requirements for 2011-12 have been identified, but at this stage no funding is requested:

- **Edgar Street Grid** – there is no capital budget for this scheme, current forecasts suggest that a possible funding (mainly in relation to infrastructure works) may be required over the next 3 years however this is dependant on a number of factors that cannot be confirmed at this time.
- **Model Farm, Ross on Wye** – funding has been allocated to enable feasibility works up to planning permission. Following this the scheme recommended will require capital funding which has not been awarded to date.
- **Hereford Centre** – a new Hereford centre is required to accommodate front office staff for the Council, PCT and police.
- **Butter market** – this site requires refurbishment works, partly due to backlog maintenance issues mentioned earlier, initial indications are that the cost of these will be in excess of £3m and no funding has been identified for this. The Councils VAT partial exemption limit must be reviewed before any capital funding is awarded to this scheme.

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 2010/11 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 Since the 'credit crunch' a more cautious approach to investment has been implemented. This has resulted in reduced interest on investments used to support council budgets.

6.12.5 The council's treasury adviser assists the council in formulating views on interest rates. They are predicting that the bank rate will remain at 0.50% until autumn 2010 when it will gradually rise to reach 4% by the end of 2011. These predictions are reflected in the Financial Resource Model (FRM), which includes a continued reduction in the investment income budget for 2010-11, improving by £0.6m in 2011-12.

6.12.6 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.

6.12.7 The Treasury Management Strategy assumes that, as far as possible, external borrowing for the capital programme will be delayed 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.

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 Service Plans for each directorate provide a section on both short and long term risk, assessing the feasibility of delivering their objectives against barriers for delivery.
- 6.13.3 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 MTFS approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. It sets the financial context for the corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2010 to 2013.

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 3%. The actual increase for 2009-10 was 3.9%. Currently 2.9% is assumed for 2010-11, and the following two years.

- b) Formula Grant** – the FRM reflects the final year of the three year local government finance settlement, providing 4% for 2010-11. Currently no indication of levels beyond 2010/11 is available. Given the likely reduction in our funding a reduction of 5% per annum is included and -5% then on.

c) Inflation

The 2010/11 base budget included an assumption of a 0.75% pay award, the trade unions are demanding 2.45%, which will be negotiated over the coming months. The following two years assumes a pay award of 1%.

The current FRM includes no inflationary uplift on non pay expenditure. 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. The next three year valuation commences in 2010 and based on current stock market valuations a significant increase in employer contributions may be necessary, but at this time are not included in the FRM.

The last valuation was completed in 2007. At that time the Fund was 72% funded (compared to 64% in 2004). The valuation provides for the Council, as an employer, to make pension contributions at a rate sufficient to eliminate the deficit on the fund over 22 years. It is also possible that a future review of the scheme will impact on the contribution level.

- 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 and forecasts for 2010-11.

7.3 Corporate Priorities

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

Cost Pressure	£'000
Legislative changes	807
Inflation uplifts to key contracts	1,024
Economic downturn – impact on impact	180
Demographic changes	591
Frontline service pressures	1,572
Service modernisation pump priming	566
Other service changes	489
	5,249

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

7.4 Directorate Budgets

- 7.4.1 2010/11 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
--------------------	--------------------------------------	-----------------------------------

Integrated Commissioning	2,097	827
Children's and Young People	1,555	540
Deputy Chief Executive	444	983
Environment and Culture	503	1,369
Regeneration	200	502
Resources	450	394
	5,249	4,615

7.4.4 The overall position is a net contribution of £634k, which is included in the FRM.

7.5 Shared Services/Herefordshire Connects

7.5.1 The Shared Services initiative has subsumed the Connects project into the wider Transformation Project. 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 2010-11 budget the programme is to realise £1m of savings, with an additional £1.6m in 2011-12. This indicates the key role the programme will make to the council's overall financial position.

7.6 Sensitivity Analysis

7.6.1 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 £427k in 2010/11.
- b) 1% variance in council tax inflation impacts the budget by £830k for 2010/11.
- c) £100k increase in budget increases council tax by up to 0.12%.
- d) A 0.5% variance on investment interest rates equates to £83k in 2010/11.
- e) If the pay settlement varies by 1% from the FRM's assumption this has an impact of approximately £553k.

8. Statutory Statement by the Council's 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

Specific Grants

Specific Grants	REVISED as at Dec 09	REVISED as at Dec 09
	2009-10	2010-11
	£	£
Dedicated Schools Grant	84,292,000	88,079,000
Schools Standards Grant (including Personalisation)	5,078,000	5,175,000
Ethnic Minority Achievement	47,000	47,000
Music Services	293,000	292,000
Extended Schools	513,000	723,000
Extended Schools Subsidy Grant	91,000	492,000
School Development Grant	7,148,000	7,244,000
School Meals	239,000	230,000
1-2-1 Tuition	383,000	729,000
Targeted Support for Primary & Secondary Strategy	1,184,000	1,032,000
Free Entitlement for 3-4 Year Olds	370,000	1,183,000
Sure Start, Early Years and Childcare	3,770,000	4,422,000
Youth Opportunity Fund	90,000	90,000
Short Breaks (Aiming High for Disabled Children)	177,000	537,000
Targeted Mental Health in Schools	220,000	150,000
Think Family Grant	349,000	349,000
Two Year Old Offer - Early Learning and Childcare	133,000	167,000
Adult's Personal Social Services		
Social Care Reform	712,000	886,000
Stroke Strategy	89,000	89,000
Aids Support Grant	160,000	
Others		
Concessionary Fares	555,000	
Supporting People	5,887,000	
Homelessness Basic Revenue	81,000	60,000
Growth Areas : Revenue	171,000	<i>not available</i>
Capital Grants		
Devolved Formula Grant	2,745,000	2,143,833
Extended Schools	321,000	166,130
Harnessing Technology Grant	1,225,000	1,091,000

Modernisation Grant		608,576
Intervention Centre	850,000	<i>not available</i>
Sure Start, Early Years & Childcare Capital Grant	1,257,000	1,010,347
TCF 14-19 diplomas & SEN projects	2,000,000	6,000,000
Youth Capital Fund	76,000	75,900
Building Schools for the Future	7,882,000	<i>not available</i>
Academy funding	9,146,000	<i>not available</i>
Aiming High		166,300
Fairplay - Playbuilders		593,177
LA Basic needs		458,156
Locally co-ordinated VA programme		435,233
Schools access initiative		285,904
DEFRA		
Waste Infrastructure	312,000	115,000
Dept of Health		
Mental Health Grant	96,000	95,000
Social Care	96,000	96,000
Improving Management Information	59,000	63,545
Dept for Transport		
Local Transport Plan Highways Maintenance (part -PRN bridges & Exceptional Schemes)	100,000	125,000
Local Transport Plan Integrated Transport (Part)	748,000	714,333
Road Safety	74,000	72,000
Home Office Capital Grants		
Safer Stronger Community Fund	44,000	44,000
CLG		
Disabled Facilities Grant	468,000	<i>not available</i>
Housing Market Renewal	734,000	<i>not available</i>

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	Maximise the health, safety, education, economic well-being, achievements and contribution of every child	<ul style="list-style-type: none"> Children and young people are healthy and have healthy life-styles, with less obesity and substance mis-use, and better dental and sexual health Children and young people are safe, secure and have stability Children and young people achieve educational, personal, social and physical standards Children and young people engage in further education, employment or training on leaving school Children and young people engage in positive behaviour inside and out of school Improved services for children, young people and their families through the work of Herefordshire's Children's Trust
Healthier communities and older people	Health and well-being Older People	Improve people's health and well-being, and reduce health inequalities, enabling people to be independent and active and to contribute to their local communities	<ul style="list-style-type: none"> People have longer, healthier lives, with reduced inequalities between different groups and localities Older people living fulfilled lives as active members of their communities Vulnerable people able to live safely and independently in their own homes Enhanced emotional well-being, with fewer suicides Personalised health and social care services, which offer people much greater choice and influence over their care Improved dental health
Economic development and enterprise	Economic development and enterprise	Improve infrastructure and learning and employment opportunities, enabling business growth and sustainable prosperity for all	<ul style="list-style-type: none"> Higher quality, better paid jobs and reduced unemployment Increased participation in learning and higher levels of skills and achievement More and higher-spending visitors to the county Improved quality & availability of business accommodation and employment land Better roads, reduced traffic congestion, with more people walking, cycling or using public transport Improved dental health
Safer and stronger communities	Safer & Stronger communities	Make Herefordshire an even safer place to live, work and visit	<ul style="list-style-type: none"> Reduced levels of crime Reduced levels of anti-social behaviour Reduced harm from drugs and alcohol Communities to have enhanced resilience and recovery from emergencies through effective partnership planning and co-ordination Fewer accidents and injuries People feel as safe as they would like to be

	Sustainable communities		
Organisational improvement and greater efficiency		Being recognised as top-performing organisations that deliver value for money and ensure excellent services	<ul style="list-style-type: none"> • The highest standards of leadership, governance and integrity • Demonstrable value for money • Streamlined, efficient operations, including the integrated delivery of services across the boundaries of different organisations • High levels of customer and citizen satisfaction • A highly skilled, highly motivated workforce that works in effective partnership with other organisations • Highly rated under Comprehensive Area Assessment and World Class Commissioning, and recognised as exemplars regionally and nationally •
Stronger Communities		Stronger, vibrant, more inclusive communities in which people enjoy a good quality of life and feel they have influence over their lives and decisions that affect them	<ul style="list-style-type: none"> • Cohesive communities in which people feel accepted, confident and empowered, regardless of race, disability, gender, sexual orientation, age, religion or belief • Communities and individuals participating in local decisions and influencing them • Affordable housing appropriate to people's needs and less homelessness, with support for vulnerable people to live independently • Fair access to the services residents need, including high quality sporting, cultural and recreational facilities and activities • People are able to participate in, the life of their communities • People feel as safe as they would like to be •
The Environment		The protection and enhancement of Herefordshire's distinctive environment, and tackling climate change	<ul style="list-style-type: none"> • Reduced waste and increased recycling • Reduced CO² emissions and successful adaptation to unavoidable impacts of climate change • Increased biodiversity • Natural resources are conserved and landscape character maintained, with sustainable land management • Investment in high quality streets, public spaces and the built environment •

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
CR49	The best possible life for every child, safeguarding vulnerable children and improving educational attainment	Inadequate procedures in place to ensure safeguarding of children which could lead to closer scrutiny and in extreme cases a 'Baby P' case in Herefordshire. (Related NI 65 % of children becoming subject of a Child Protection Plan for a second or subsequent time)	5	5	25	External review within CYPD undertaken in 2008, reported in January 2009. Clear, robust action plan now in place monitored through the Herefordshire Safeguarding Children Board. Revised governance arrangements for the HSCB and quality assurance framework in place, including regular quality audits of cases. Multi agency procedures in place and regularly reviewed through HSCB. Programme of case audits in place and rolling out for children subject to child protection plans.	2	5	10	SM	2
CR50	The best possible life for every child, safeguarding vulnerable children and improving educational attainment	Reduction in central funding unless we address surplus places, resulting in lack of resources and subsequent decline in quality of lessons delivered	4	5	20	Herefordshire Schools Task Group has been created to explore the options taking into consideration cluster working, school leadership, sustainable schools, finance and national strategies. Paper for Cabinet consideration expected in November 2009.	3	5	15	SM	

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
CR51	Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives	Significant budgetary pressures particularly in Learning Disabilities and Older People. Risk of reduced or poorer services thus inability to reach the Council's top priorities for health & well being. (Related NI's are 136, 142 and 125)	4	5	20	Additional funding from the MTFS, outcome of the PIC process allocated additional funding, efficiency savings of £300k arising from Hereford Connects are expected, increase in the Social Care Reform Grant. Other measures are in place, for full details see the report to Adult Social Care and Strategic Housing Scrutiny Committee dated 22 June 2009.	3	5	15	IW	
CR52	Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives	Failure to make improvements in the key areas as identified by the CQC and as reported in the Performance Assessment Notebook, thus leading to the Council not meeting its absolute duty in safeguarding adults. (Related NI's are 125, 130, 132, 133, 136 and 142)	3	5	15	Implementation of the joint health and social care commissioning plans; ensure self-directed care and personalised services are offered to the majority of service users; increase range and availability of support to carers; integrate health and social care across front line services; develop and implement Older People's Strategy.	2	5	10	IW	

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
CR53	Organisational improvement and greater efficiency	Local Government settlements will become more severe. 2010-11 is the last year of the current three-year settlement but it cannot be guaranteed that it will not be re-opened. It is clear that the position for 2011-12 will be restricted within a range from standstill (at best) to a series of year-on-year reductions. The challenge will be to improve services whilst managing funding reductions.	5	5	25	The shared services project will help release savings and address some of the predicted shortfall. The current Value for Money training project will contribute to greater awareness of VfM issues in the organisation. The Council is working with the PCT on scenario modelling to calculate the scale of financial risk.	3	3	9	DP	
CR54	Economic Development & Enterprise	ESG Project. This is a complex project with a range of risks associated with it which have been exacerbated by the economic downturn. These risks include reputational, funding and delivery.	4	4	16	The ESG board has risk management arrangements in place in order to address each aspect of risk. Advantage West Midlands and Herefordshire Councils senior officer group are also in place to ensure progress.	4	3	12	NS/AA/RG	
CR55	Organisational improvement and greater efficiency	Inadequate procedures in place to ensure data quality which could lead to prolonged scrutiny from regulators / inspectorates (lower UoR and organisational assessments), poorer quality decisions and reduced public accountability.	4	4	16	Data quality action plan, internal audit work plan, Information management training programme, UoR annual (self) assessment and the Performance Improvement Network in place.	3	3	9	AF	

Medium Term Financial Strategy 2010-13

MTFRM	2010/2011 Budget £'000	2011/2012 Budget £'000	2012/2013 Budget £'000
Base Budget	137,718	142,980	143,017
Total Inflation	2,194	3,303	2,898
	139,912	146,283	145,915
Deliverable Efficiency Gains			
- Inflation efficiency savings	(2,370)	0	0
Transfers to/from RSG			
- Student Finance	(27)	0	0
MTFMS Changes			
- Waste management - PFI Contract	0	500	500
- Whitecross PFI requirement (net of schools contribution)	200	0	0
- Local Development Framework	(100)	(275)	0
Herefordshire Connects/Shared Services			
- Revenue Costs	(1,292)	(204)	56
- Capital Financing	725	290	(48)
- Herefordshire Connects Savings	(1,000)	(1,600)	(2,200)
- Core team costs (rev)	245	9	(479)
- Core team costs (capital financing)	90	(6)	(6)
- System maintenance	166	64	0
- System staffing	124	144	0
Capital Financing Costs			
- Cost of borrowing	1,664	1,905	1,755
- Cashflow management	0	0	1,000
Emerging Pressures			
- Student Finance	(68)	(70)	(15)
- Income shortfall	0	(200)	(300)
- Carbon emissions	0	180	0
- Management change reserve	500	0	0
- Spend to save reserve	150	0	0
- Contingency	300	0	0
- Statutory changes creating pressures	1,581	1,064	569
- Base budget funding issues	1,771	856	907
- Other service pressures	1,897	1,490	885
Efficiencies & Savings			
- Disinvestment in services	(60)	(200)	0
- Directorate reductions	(4,555)	(7,200)	(6,727)
General reserves	2,000	0	0
LPSA reserve	712	0	0
Capacity to achieve desired Tax increase	415	(13)	1,485
TOTAL BUDGET	142,980	143,017	143,297
Council Tax increase	2.90%	2.90%	2.90%

MEETING:	CABINET
DATE:	21 JANUARY 2010
TITLE OF REPORT:	COUNCIL AND NHS HEREFORDSHIRE JOINT CORPORATE PLAN
PORTFOLIO AREA:	CORPORATE STRATEGY AND FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To invite Cabinet to commend for Council's approval the Council and NHS Herefordshire Joint Corporate Plan vision, objectives and long-term outcomes.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet recommends to Council the approval of the Council and NHS Herefordshire Joint Corporate Plan vision, objectives and long-term outcomes as set out at Appendix 1.

Key Points Summary

- The Council's current corporate plan is out-of-date and a new one is required for 2010-13.
- A joint corporate plan between the Council and NHS Herefordshire is needed to specify what their close partnership is intended to achieve over this period.
- The Plan has been prepared to be affordable within the medium term financial strategies of the two organisations.

Alternative Options

- 1 The Council's constitution requires there to be an up-to-date Corporate Plan. This could, as in the past, be for the Council alone. However, the uniquely close partnership established with NHS Herefordshire requires a sound basis for the specification and performance management of their joint vision, objectives and desired long-term outcomes. The Joint Corporate Plan will provide this, and forms part of the Council's Budget and Policy Framework.

Further information on the subject of this report is available from
Steve Martin, Corporate Policy and Research Manager, on (01432) 261877

Reasons for Recommendations

- 2 As for Alternative Options.

Introduction and Background

- 3 The Council's existing corporate plan is out-of-date. To provide a sound basis for the close partnership with NHS Herefordshire a joint plan is needed.
- 4 As a Policy Framework item, the Corporate Plan needs to be approved by Council. It will be invited to do so at its meeting on 5th February 2010.
- 5 The draft Joint Corporate Plan 2010-13, comprising the vision, objectives and long-term outcomes, is at Appendix 1.
- 6 Under the Constitution, it is for the Executive to ensure that the Plan is implemented. Appendix 2 is the present draft of the performance indicators and associated targets, key projects and milestones that would be used to achieve this and provide the basis for strategic performance management.
- 7 The PCT Board will be invited to approve the Plan at its meeting on 28th January 2010.

Key Considerations

- 8 The draft Plan has been considered and commended by the Herefordshire Public Services Steering Group. It has also been considered and commended by the Joint Management Team, in the context of the proposed Medium Term Financial Strategy. It will be considered by the Overview and Scrutiny Committee at its meeting on 18 January 2010. The Committee's comments will be reported at the meeting of Cabinet.

Community Impact

- 9 The Joint Corporate Plan sets out what the Council and HNS Herefordshire intend to achieve over the coming three years to improve services and the quality of life for the people of Herefordshire.

Financial Implications

- 10 None. The plan is designed to be deliverable within the medium term financial strategies.

Legal Implications

- 11 None.

Risk Management

- 12 The major risk is that future levels of Government funding and controls of local authority and NHS expenditure could make the Plan unaffordable. The Joint Corporate Plan has been prepared so as to be affordable within the cautious assumptions about future funding in the medium term financial strategies of the Council and NHS Herefordshire. The Chief Executive will keep under review the potential organisational impact of changes in the financial and operational context, including as regards national and local requirements for efficiency savings. If the assumptions made in the medium term financial strategies were to prove

unfounded, the Joint Corporate Plan may need to be reviewed.

Consultees

- 13 The Herefordshire Public Services Steering Group, the Joint Management Team. The views of Overview and Scrutiny Committee will be sought on 18th January; a verbal update will be provided.

Appendices

Appendix 1: Proposed Joint Corporate Plan vision, objectives and long-term outcomes

Appendix 2: Present draft of the performance indicators and associated targets, key projects and milestones

Background Papers

None.

MEETING:	CABINET
DATE:	21 JANUARY 2010
TITLE OF REPORT:	AMALGAMATION OF LEOMINSTER INFANT AND JUNIOR SCHOOLS
PORTFOLIO AREA:	ICT, EDUCATION AND ACHIEVEMENT

CLASSIFICATION: Open

Wards Affected

Leominster North

Leominster South

Purpose

To receive a report on statutory consultation undertaken for the amalgamation of Leominster Infant and Junior Schools from September 2012, as proposed in the Council's Primary Strategy for Change.

Key Decision

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the County.

It was included in the Forward Plan.

Recommendation(s)

THAT Cabinet:

- (a) **Agree to continue the statutory process for the amalgamation of Leominster Infant and Leominster Junior Schools to form a new primary school with 630 places for children aged 4 to 11 and 26 full time equivalent places for 3 year olds. If agreed, to then;**
- (b) **seek the approval of the Secretary of State to establish the new primary school as a Community (Local Authority run) school, and;**
- (c) **agree to the publication of the required statutory notices, as necessary.**

Alternative Options

- 1 (a) Not pursue the statutory process for the amalgamation of Leominster Infant and Junior Schools. However, amalgamation of these schools to form an all through primary

Further information on the subject of this report is available from
Rob Reid, Head of Access & Capital Commissioning on (01432) 260920

school is part of the Council's approved Primary Strategy for Change which identifies the amalgamation of these schools as the Council's highest priority for capital investment. If the schools are not amalgamated, the Council's approved investment priorities will need to be reconsidered and revised. The availability of the Government's grant funding is time limited and it is probable that an alternative capital investment scheme could not be developed in time to meet the grant expenditure deadline. There would therefore be a serious risk of losing the £7.8 million grant that has been prioritised to this scheme by the Council.

- (b) The alternative to seeking the approval of the Secretary of State to establish the new primary school as a Community (Local Authority run) school is for the Local Authority to establish and run a competitive process open to other organisations that may be interested in running the new primary school. There is a presumption by Government that all new schools should be subject to the competition process. However, Ministers have also indicated a presumption that exception to competition will be given if the new school is to be created by a straightforward amalgamation of an infant and junior school. The response to the consultation is firmly in favour of the Council seeking the approval of the Secretary of State to establish the new primary school as a Community school.

Reasons for Recommendations

- 2 All three recommendations support the Council's approved Primary Strategy for Change and reflect the positive response to the consultation undertaken on the proposed amalgamation of Leominster Infant and Junior Schools to create a new community primary school.

Introduction and Background

- 3 To help inform the Primary Strategy for Change, the Council undertook a public consultation in the summer of 2008 which included a number of options for capital investment in primary schools. The favoured option incorporated into the Primary Strategy for Change is to invest in a new primary school for Leominster through the amalgamation of the current infant and junior schools. Further consultation has been conducted with stakeholders between 28th September 2009 and 9th November 2009 as a requirement of the statutory process for school reorganisation.

Key Considerations

- 1. Following public consultation in the summer of 2008, Herefordshire Council's Primary Strategy for Change proposes that the Council invest £7.8 million in an amalgamation of the current Infant and Junior schools to create a modern new 630 place, plus 26 full time equivalent nursery place community primary school for children from ages 3 to 11, subject to further consultation with the existing schools' governing bodies and other stakeholders as part of the statutory process for amalgamation. The capacity of the proposed new school is equivalent to the capacity of the current infant and junior schools and matches the current and forecast demand for places in the town.
- 2. Further consultation with governors, staff, pupils, parents, carers and the wider community took place between 28th September and 9th November 2009. The follow key considerations were shared with consultees:
- 3. The Government is giving Herefordshire Council a limited amount of money over the next 14 years to replace around 5% of its primary schools and refurbish another 45%. It is funding this through the Government's Primary Capital Programme. Herefordshire Council wants to

ensure that it gets the best possible value from this funding. The creation of an all through (ages 3 to 11) primary school will provide the most cost effective use of the available funds and offers the opportunity to build on the strengths of both schools. A new primary school will build on the existing linkages between the schools. Herefordshire Council and the governing bodies of both schools feel that the proposal is in the best long-term interest of the children and their families. A primary school catering for all ages from 3 to 11 would also provide the following benefits:

- Consistency of policy, planning and procedures throughout the school.
 - Parents would only have to communicate with one school.
 - Opportunities for more effective use of resources.
 - Greater sharing of teacher expertise across Key Stages and broader opportunities for teachers' continuing professional development.
 - Easier to 'track' children's progress and attainment in one school.
4. The new school would be located either on, or adjacent to, the existing site and would be funded by Herefordshire Council's Primary Capital Programme. The proposal will allow Herefordshire Council to carry out its wish to replace the existing schools' buildings, some of which are in poor condition and expensive to maintain. A new building will provide more energy efficient, lower maintenance, modern teaching and learning facilities, fit for the 21st Century. It will help teachers, other school staff and governors to continue improving the good standards already being achieved by pupils at the existing schools. It is an opportunity to build upon the current successes and strengths of both schools to ensure the young people of Leominster can benefit from the best facilities and opportunities.
 5. The amalgamation would be achieved by the formal closure of the Infant and Junior Schools and the opening of a brand new, purpose built, primary school on or adjacent to the existing school sites in September 2012.
 6. The Government wants to see more schools run by bodies other than local authorities, such as businesses, charities, universities, parents groups or perhaps a consortium of any two or more of these. It expects the local authority to run a competition between bodies which are interested in running new schools and then, through a competition process, to select the most appropriate body to run the new school. However, where the new school will be the result of a straightforward amalgamation of an infant and junior school, Ministers have said that they will consider an exemption to this competition process.
 7. The result of the consultation with stakeholders supports the view that Herefordshire Council should ask the Secretary of State for an exemption from competition, so that the new school will be a local authority run Community School, like the current infant and junior schools. If approved by Cabinet, officers will seek this exemption on the grounds that it is a straightforward amalgamation of an infant school and a junior school; the standards at the current schools are judged 'good' by Ofsted; and there is already a good diversity of schools in the Leominster schools' cluster.
 8. All pupils who would be attending either Leominster Infant School or Leominster Junior School in September 2012 would automatically be enrolled within the new primary school. After September 2012, pupils would not need to transfer between schools at age seven as they currently do. A single primary school would provide for easier continuity of education between Key Stage 1 and Key Stage 2; it would operate under a single set of policies and procedures with a single Headteacher accountable for children's progress and development.

9. There will be staffing implications. Legally, the existing Infant and Junior Schools would close and a new primary school would open. The Transfer of Undertakings (Protection of Employment) Regulations (TUPE) would apply and Herefordshire Council would support staff collectively and individually through the process and involve and work with trades unions and professional representatives as part of this process. The closure of the existing schools would give rise to a potential redundancy situation for staff, although it is anticipated that the majority of staff would be appointed to the staffing structure of the new school under the TUPE regulations. However, this cannot be guaranteed. In the event that staff are displaced, every option would be explored to secure suitable alternative employment for such staff and to mitigate the circumstances of redundancy. As this proposal to amalgamate has arisen as a result of an initiative of Herefordshire Council, legislation requires that any statutory costs arising from any potential redundancy and consequent early retirement would be met by Herefordshire Council. Payment would be made in accordance with Council policy.
10. There would also be implications for governance of a new school, which will be subject to the statutory regulations and guidance on school governance. A Temporary Governing Body would be established, consisting of governors from each of the existing schools. The timetable identified by the Local Authority would see a Temporary Governing Body established from September 2011, 12 months before the new primary school is scheduled to open. The role of the Temporary Governing Body is to establish the ethos and policies for the new school and to appoint a Headteacher. The Temporary Governing Body remains in place until the end of the first school term after the new school opens, at which point the substantive Governing Body for the school is established.
11. The results from this second round of consultation show significant support for the proposal to amalgamate the schools to form a new Community primary school:
12. There were 103 responses including a comprehensive survey of opinion that was researched and compiled by the Leominster Junior School Council on behalf of their fellow Junior school pupils and verbal feedback, on behalf of their fellow pupils, which was recorded from the Leominster Infant School Council. Officers wish to take this opportunity to thank the pupils and councils of both schools, and the staff who supported them, for their enthusiasm, hard work and quality of their well considered and reasoned responses.
13. 73 (71%) of respondents support the proposal to amalgamate the schools to form a new purpose built primary school. 20 (19%) are not in favour of the proposal and 8 (8%) are undecided.
14. 66 respondents expressed a view about the proposal for the new primary school to be a Community (Local Authority run) school. Of these, 49 (74%) are in favour of the new school being a Community school, 4 (6%) are against the proposal and 13 (20%) are undecided.

Community Impact

15. The amalgamation of Leominster Infant and Junior schools will allow the provision of a new purpose built primary school to through the amalgamation of the current infant and junior schools. It will help teachers, other school staff and governors to continue improving the good standards already being achieved by pupils at the existing schools. It is an opportunity to build upon the current successes and strengths of both schools to ensure the young people of Leominster can benefit from the best possible facilities and opportunities.
16. The design and specific location of a new built school, either on or adjacent to the existing schools sites, will require further consideration and will be subject to consultation with stakeholders, including the local community, as part of the design and planning processes.

Financial Implications

17. The Council's approved Primary Strategy for Change allocates £7.8 million from the Government grant funded Primary Capital Programme to deliver a new build primary school.

Legal Implications

18. The establishment of a new school, including a new school that is established through the amalgamation of two or more exiting schools, is permitted by and subject to the procedures established by The Education and Inspections Act 2006 (EIA 2006) and The School Organisation (Establishment and Discontinuance of Schools) (England) Regulations 2007 (as amended by The School Organisation and Governance (Amendment) (England) Regulations 2007 which came into force on 21 January 2008 and The School Organisation and Governance (Amendment) (England) Regulations 2009 which came into force on 1 September 2009).

Risk Management

19. There are no risks to Herefordshire Council if the recommendations are approved. If Cabinet agree to continue the statutory process for amalgamation there is a further representation stage following the publication of a statutory notice. At the end of the representation stage, the Local Authority must provide the Schools Adjudicator with a report on its proposal to amalgamate, together with details of representations made in response to the statutory notice and the Local Authority's comments on those representations. As the Local Authority will be proposing the new school, the final decision on the closure of the existing schools to form a new primary school will rest with the Schools Adjudicator.
20. Seeking the approval of the Secretary of State to exemption from the competition process to establish a new Community primary school does not in itself pose a risk. Indeed Government guidance quotes that "there is 'presumption for approval' for infant/junior amalgamations....., because Ministers have indicated, during debates in Parliament, that they may be prepared to give consent in these cases, for publication of proposals without holding a competition." However, approval is not guaranteed and so there is a risk that the Secretary of State could refuse exemption from competition.
21. If exemption from competition is refused, then a further round of consultation will be necessary on a proposal to either establish a new school through a competitive process or to close one of the schools and extend the age range of the other school. By extending the age range of one of the schools to cover the full age range from 3 to 11, the Local Authority would not be establishing a new school. The Children & Young People's Directorate would need to resource this further round of consultation and if a new school is to be established through the competition process, the Directorate would also have to fund the administration of the competition process. The Department for Children Schools and Families is able to provide some consultancy support for the competition process, but it would demand the investment of a significant amount of officer time at all levels.
22. The competition process takes a minimum of 8 months to complete. To mitigate against a refusal for exemption to competition, the local authority is working in close partnership with the current schools and can, from the consultation it has undertaken, evidence support for the new school to be a Community school. It is a straightforward amalgamation of the current Community Infant school and Community Junior school; the standards at the current schools are judged 'good' by Ofsted; and there is already a good diversity of schools in the Leominster schools' cluster.

23. If Cabinet does not agree to continue with the statutory process for amalgamation, or if at the end of the process the Schools Adjudicator rejects the proposal to amalgamate, then the Council's approved investment priorities will need to be reconsidered and revised. The availability of the Government's grant funding is time limited and it is probable that an alternative capital investment scheme could not be developed in time to meet the grant expenditure deadline. There would therefore be a serious risk of losing the £7.8 million Government grant that has been prioritised to this scheme.

Consultees

24. The first round of public consultation took place in the summer of 2008 to help establish the priorities for capital investment through Herefordshire's Primary Strategy for Change. The consultation sought views on a number of options for capital investment in primary schools.
25. Following that consultation the favoured option incorporated into Herefordshire's Primary Strategy for Change is to invest in a new primary school for Leominster through the amalgamation of the current infant and junior schools. Between 28th September 2009 and 9th November 2009, further consultation has been conducted, as a requirement of the statutory process for school reorganisation, with staff and governors of the infant and junior schools and also parents/carers and children at the current schools.
26. Consultees were provided with an information leaflet and response form. Officers held meetings with staff and governors and with the Infant and Junior Schools' Councils, attended school open days and parents evenings and made themselves available at the current schools to help inform parents/carers about the proposal and to answer questions and address concerns. In addition, officers set up and attended displays in two supermarkets in Leominster to provide information and again answer questions and address concerns.
27. Although the consultation has been about seeking stakeholder views on amalgamation, neighbours of the school have expressed interest in and concern about what a new school may look like and the location of a new school building. If Cabinet agrees to continue with the statutory amalgamation process, then all stakeholders, including neighbours of the schools and the wider community will be invited to further consultation events on the siting and design of a new school building and of course the final design will be subject to the usual planning processes.

Appendices

None

Background Papers

- Herefordshire Primary Strategy for Change