

To: All Members of Cabinet:
R.J. Phillips (Leader)
G.V. Hyde (Deputy Leader)
Mrs. L.O. Barnett
P.J. Edwards
Mrs. J.P. French
J.C. Mayson
D.W. Rule MBE
R.V. Stockton
D.B. Wilcox
R.M. Wilson

Chief Executive's Office
Chief Executive: N.M. Pringle
Your Ref:
Our Ref: NMP/CD
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16th November, 2004

Dear Councillor,

MEETING OF CABINET
THURSDAY, 25TH NOVEMBER, 2004 AT 2.15 P.M.
COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD

AGENDA (04/11)

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 this agenda.

3. BUDGET MONITORING 2004/05

To note the position with regard to revenue budget monitoring as at 30th September, 2004 for Programme Areas in 2004/05. *(Pages 1 - 8)*

4. CAPITAL PROGRAMME MONITORING 2004/05 TO 30TH SEPTEMBER, 2004

To note the current position of the Capital Programme forecast for 2004/05 including a review of Prudential Borrowing and the current position regarding Prudential Indicators following the introduction of the Prudential Code. *(Pages 9 - 24)*

5. AUDIT SERVICES ASSURANCE REPORT 2003/04

To receive the Mid-Year Assurance report which identifies the key internal control issues that the Principal Audit Manager has identified or continues to be concerned about, and to receive an update on the actions or current position on key issues identified during 2003/04 that required attention. *(Pages 25 - 28)*

6. PROPOSED REVISED APPROACH TO PROVIDE THE CENTRAL LIBRARY, HEREFORD

To receive a report on a revised approach to the development of the Central Library, Hereford and access to Council Services in Hereford City, and to formally approve the preferred site for a new Central Library, based in Hereford City. *(Pages 29 - 32)*

EXCLUSION OF THE PUBLIC AND PRESS

In the opinion of the Proper Officer, the next item will not be, or is likely not to be, open to the public and press at the time it is considered.

RECOMMENDATION:

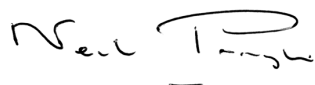
That the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below.

7. POST TRANSFER IMPROVEMENT PROGRAMME

To note the progress made in delivering improvements to housing stock transferred to Herefordshire Housing Limited. *(Pages 33 - 36)*

This item discloses information relating to the financial or business affairs of any particular person (other than the authority).

Yours sincerely,



N.M. PRINGLE
CHIEF EXECUTIVE

Copies to: Chairman of the Council
Chairman of Strategic Monitoring Committee
Vice-Chairman of Strategic Monitoring Committee
Chairmen of Scrutiny Committees
Group Leaders
Directors
County Secretary and Solicitor
County Treasurer

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- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of the Cabinet, of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
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- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

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If you have any questions about this Agenda, how the Council works or would like more information or wish to exercise your rights to access the information described above, you may do so either by telephoning Mrs Christine Dyer on 01432 260222 or by visiting in person during office hours (8.45 a.m. - 5.00 p.m. Monday - Thursday and 8.45 a.m. - 4.45 p.m. Friday) at the Council Offices, Brockington, 35 Hafod Road, Hereford.

COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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Do not delay your vacation of the building by stopping or returning to collect coats or other personal belongings.

BUDGET MONITORING 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To note the position with regard to revenue budget monitoring as at 30th September, 2004 for Programme Areas in 2004/05.

Key Decision

This is not a Key Decision

Recommendation

THAT the report be noted.

Reasons

Reports are presented to Cabinet as part of the Council's Performance Management arrangements. Cabinet Members will discuss the individual Programme Area figures with their Directors and Departmental Managers as appropriate.

Considerations

1. Appendix 1 shows the details of the spending as at 30th September, 2004 for each Programme Area, together with the projected outturn for 2004/05.
2. The budgets shown for 2004/05 include the final carry forwards from 2003/04 and the adjustments made following the Government's decision to limit the Council's budget for 2004/05.

Education

3. A very large proportion (80%) of Education budget is delegated to schools. Any under or over spending in school budgets will be automatically carried forward into the next financial year under the statutory arrangements for delegation to schools. Other budgets, such as Pupil Referral Units, Standards Fund, the Schools' sickness scheme and PFI balances are likewise carried forward at the year-end.

After such accounting adjustments, it is anticipated that there will be an overall net underspend of approximately £415,000. A budget review in the Autumn has confirmed underspends on transport (£500,000) (£200,000 is a one-off saving

Further information on the subject of this report is available from
David Keetch, Assistant County Treasurer on (01432) 260227

resulting from six fewer transport days in this financial year) and reduced take-up for early years provision for three and four year olds (£300,000), which together with other small underspends on staff vacancies and awards administration were reported to Education Scrutiny Committee in October.

Within the overall total, overspends are predicted for PFI set-up consultancy fees (£150,000), SEN banding delegated to schools (£150,000) and centrally funded SEN staffing costs (£75,000).

Policy and Finance General

4. At this early stage in the year no significant overspendings or underspendings have been identified for Policy and Finance General. Based on the information at present, it would be reasonable to anticipate an underspending of approximately £486,000 across all services during 2004/05. This reflects the significant carry-forward from 2003/04 and the general spending pattern of the year to date.
5. It has been assumed that the ongoing costs of the job evaluation process, at present estimated at £100,000 for 2004/05, will be met from reserves.

Policy and Finance Property

6. The projected overspend for Property has increased to £546,000 including £433,000 brought forward from 2003/04. The two major problems are the Markets and Fairs deficit brought forward from previous years which has risen to £413,000 and the shortfall on Industrial Estates income, which by the year-end is expected to reach £360,000. The two overspendings are offset by savings on other services and additional retail income of £86,000.
7. The recovery plan to deal with this overspend situation is being reviewed.

Environment General

8. Spending on some areas, including road maintenance, looks low but this is largely owing to the timing of the payments to Herefordshire Jarvis Services. A net underspending of £650,000 is predicted for 2004/05 for Environment General as a whole.
9. The Waste Disposal PFI contract budget is expected to be underspent by at least £600,000 largely owing to the sums included for additional costs following renegotiation not being required until 2005/06 and 2006/07. In addition, the costs for the existing contract are anticipated as being lower than the budget assuming existing volumes are maintained. Any underspending will be transferred to the Council's General Reserves in line with current policy.
10. The income received so far this year for Cemeteries and Crematorium suggests an underspending of approximately £50,000 in 2004/05.

Environment Regulatory

11. Spending on Environment Regulatory is very much in line with the budget at present. Vacancies seem likely to produce modest savings of some £30,000 during the year.

Planning

12. During the first six months building control and development fee income is above budget by approximately £190,000. The income continues to be very buoyant although it should be assumed this will continue in the same way for the remainder of the year. Staff savings owing to vacancies have led to an underspending during the period of approximately £100,000. Unless the vacancies can be quickly filled, a net underspending of at least £350,000 can be anticipated during 2004/05. Any additional fee income during the remainder of the year will increase this figure.

Social Care

13. The Social Care objective remains that of budget balance. There is a high risk that this may not be achieved, even though every effort is being made to do so.
14. The Social Care budget continues to be under considerable pressure this year from rising demand and costs across both children and vulnerable adults services, including:
- Children's services are experiencing higher costs in both residential and foster placements, including transport.
 - Learning Disability Services have lost Supporting People Grant and have more complex user needs to meet.
 - Mental Health Services (integrated with the Primary Care Trust) is experiencing increased demand.
 - Older People's Services have experienced an exceptional increase in the number of requirements to pick up care home funding from people who previously funded themselves. This funding issue is causing delays in Community Hospitals
15. The risk assessment suggests a projection of £740,000 over-commitment (including the £245,000 debt carried forward).
16. Robust management action is being taken to rectify the position, which is beginning to have an impact on the capacity to deliver services. This includes:
- Making a risk assessment of clients in need of care and funding only those in emergency or critical need.
 - Reassessment of care services provided to individuals against existing criteria.
 - Rationalisation of transport provided to individuals against assessed needs.
 - Maximising occupancy levels against block contracts.
 - Identifying all potential areas where costs can be reduced in the short term.

The results of the action are expected to reflect in the monitoring for the next period.

Strategic Housing

17. A break even position is anticipated for 2004/05, after incorporating the 2003/04 underspend. The General Fund is currently underspending as a result of staff vacancies and associated costs, but there are plans in place that will increase the rate of spend. The risk area is spend on homelessness.

Economic Development

18. Spending on Economic Development is well within budget at present. A net underspending of approximately £320,000 is estimated for 2004/05. Staff vacancies are expected to generate savings during the year. In addition, £121,000 from the carry- forward from 2003/04 has been allocated to cover expected income shortfalls in future years.

Social Development

19. Overall a break even position is anticipated. Recruitment problems are likely to generate further underspendings for the Youth Service. The additional budget of £79,000 allocated for grounds maintenance is unlikely to be sufficient to fully absorb the adopted land and inflationary issues that have impacted on the outturn in previous years. An overspending of £120,000 is predicted. Some progress should be made in reducing the accumulated leisure deficit but it is unlikely that the position will be fully recovered in 2004/05.

Financing Transactions

20. A net underspending of £700,000 is expected during 2004/05 primarily as a result of debt rescheduling, a stabilisation of interest rates and significant slippage of the capital programme.

Conclusion

21. The projected 2003/04 outturn for the Programme Areas is an underspending of £1,665,000. The projected underspending has risen by £1,345,000 since the last report because of the underspendings now predicted for Education, the increased underspendings predicted for Financing Transactions, Policy and Finance, Planning and Economic Development and the allocation of the reductions following the Government's decision to limit the Council's budget.

Revenue Reserves Position as at 16th October 2004

22. The estimated value of general reserves as at this date total £4,425,000 incorporating the prudent reserve of £3,000,000. The £700,000 projected saving from Financing Transactions is included in this total. The expected underspending on Waste Management is in addition to the overall total.

Alternative Options

There are no alternative options.

Consultees

None identified.

Background Papers

None identified.

Summary Budget Monitoring Report 2004/05 - 30th September 2004
Appendix 1

Programme Area	2004/05 Original budget	2003/04 Carry forwards	Budget 2004/05	Actuals to Period 6	Budgets to Period 6	Projected Outturn	Projected over or (under) spend
	£000	£000	£000	£000	£000	£000	£000
Education	81,153	(1,369)	82,522	38,225	40,516	82,107	-415
Social Care	35,990	245	35,745	19,950	17,358	36,485	740
Policy and Finance - General	14,999	(1,929)	16,928	20,177	21,980	16,442	-486
Policy and Finance - Property	2,094	433	1,661	505	658	2,087	546
Environment - General	17,657	97	17,560	7,932	8,780	16,910	-650
Environment - Regulatory	2,405	(31)	2,436	1,097	1,218	2,406	-30
Environment - Planning	2,226	(411)	2,637	1,064	1,331	2,287	-350
Social Development	8,056	(192)	8,248	4,549	4,921	8,248	0
Economic Development	2,162	(331)	2,493	821	1,147	2,173	-320
Housing	1,320	(56)	1,376	-220	688	1,376	0
	168,062	(3,544)	171,606	94,100	98,597	170,521	(965)
Financing adjustments etc	7,511	3,797	3,714	1,210	1,712	3,014	(700)
	175,573	253	175,320	95,310	100,309	173,535	(1,665)

CAPITAL PROGRAMME MONITORING 2004/05

TO 30TH SEPTEMBER, 2004

**PROGRAMME AREA RESPONSIBILITY:
CORPORATE STRATEGY AND FINANCE**

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To note the current position of the Capital Programme forecast for 2004/05, including a review of Prudential Borrowing and the current position regarding Prudential Indicators following the introduction of the Prudential Code.

Key Decision

This is not a Key Decision.

Recommendation

THAT the position be noted.

Reasons

Report for noting only.

Considerations

1. This report is broken down into two sections. The first section reports on the current position of the capital programme and prudential borrowing. The second section reports on the current position of Prudential Indicators.

Capital Programme Monitoring

2. This is the second round of the 2004/05 capital monitoring process. The purpose of this monitoring exercise is to update the capital budget position, as at 30th September, reporting new funding allocations and to manage any slippages or overspends.

Overview

3. The revised forecast for 2004/05 as at 30th September totals £33,003,000, an increase of £82,000 from the budget reported at the end of July. Explanations of these changes are detailed in the body of this report. The programme is funded as detailed in Appendix 1.

4. Cabinet allocated Prudential Borrowing of £4,741,000 to various capital schemes on the 22nd July. Due to the late allocation of funding at least £262,000 slippage on schemes has been identified; the current forecast for Prudential Borrowing for 2004/05 is therefore £4,479,000. It is expected that further amounts of the 2004/05 allocation may slip into 2005/06 but as this funding is unconditional no resources will be lost. Only 23% of the revised forecast of Prudential Borrowing has been spent to date, further details on specific schemes are given in the body of this report.
5. Each capital project has a spend profile, expected spend in the first six months was 37% of the revised forecast. Actual spend in the first six months at £10,920,000 was 33% of the revised forecast, 4% less than expected. Actual spend reported at this time last year was 27%. A summary of the expenditure for each service area is set out in Appendix 2.
6. Set out in Appendix 3 is a list of all capital schemes with a budget in excess of £500,000. The detailed capital programme listing all capital schemes can be found on the Intranet, on the Information Library, Treasurers, Financial Policy.
7. Set out in Appendix 4 is a list of capital receipts received and expected in 2004/05.

Capital Programme Areas

8. Education

The capital budget for this area has decreased in this round of capital monitoring by £374,000. The capital spend on the Kingstone High Sports Hall, funded by capital grant, has been re-profiled over three years and an additional borrowing approval (SCE(R)) allocation of £100,000 has been awarded towards the capital project at Whitecross High School. Capital spend is expected to accelerate towards the end of the financial year.

9. Social Care

The budget for this area has decreased by £19,000 due to the combination of the following factors. DfES has awarded a capital grant of £21,000 towards the implementation of the Integrated Children's System. Part of the ICT Development budget relates to Strategic Housing, this budget has therefore been moved.

10. Property

The budget for this area has increased by £24,000 due to an increase in the Lower Thorn Farm at Glewstone new building and slurry system capital scheme to be funded by a DEFRA grant. The provision of a Salt barn by utilisation of a long-term lease at Thorn Business Park requires credit cover as a requirement of accounting regulations and £390,000 has been set aside from the usable capital receipts reserve.

11. Policy and Finance

The budget for this area has risen by £55,000 due to funding being secured for the connection of Ledbury CCTV to the Herefordshire CCTV Control Room. The project is to be funded by contributions from West Mercia Constabulary, Advantage West Midlands and Ledbury Town Council.

12. **ICT Services**

The budget for this area has reported no changes in this round of capital monitoring. The Network Enhancement, Continuity and Disaster Recovery capital schemes should start spending in December.

13. **Environment General**

The budget for this area has decreased by £285,000. This is due to the Roman Road capital scheme not being eligible for Objective 2 grant funding. Other budget changes represent an additional capital grant of £30,000 being awarded for Cycle Network development at Marlbrook Road.

14. **Social Development**

A Cabinet Member report was submitted on 5th October detailing the current position on the North Herefordshire swimming pool capital budget. Delays have been encountered which will result in expected additional costs being incurred. Costs are being kept under constant scrutiny and the build programme is being kept under review. The budget has not been changed in this round of capital monitoring.

15. **Economic Development**

The budget for this area has increased by £516,000 due to additional costs being identified relating to the Leominster Industrial Estate Access Road capital scheme. A further report detailing the position and associated funding will be presented to Cabinet in due course.

16. **Strategic Housing**

The forecast spend for this area has increased due to the inclusion of the ICT Development budget mentioned earlier and the completion of an option to purchase Barton Yard land which is being funded through the Corporate Capital Receipts Reserve.

Prudential Indicators

17. As Cabinet will recall from previous reports the Prudential Code applies from 2004/05 onwards. The key objectives of the Code are to ensure that capital investment plans and treasury management decisions are made in a manner that supports prudence, affordability and sustainability.
18. Cabinet endorsed a range of Prudential Indicators (PIs) on 19 February 2004 and these are required to be monitored on a regular basis. This will be achieved by enhancing the existing Capital Programme monitoring process to include specific PI information. Any significant deviations from expectations are to be highlighted and reported accordingly.
19. The Prudential Code recommends the PIs set out below. The framework of PIs covers Capital Expenditure and Treasury Management and include the following:
1. Actual and estimated capital expenditure for the current and future years (Appendix 5)
 2. Ratio of financing costs to net revenue stream (Appendix 6)
 3. Capital Financing Requirement (Appendix 7)

4. Authorised limit for External Debt (Appendix 8)
 5. Operational boundary for External Debt (Appendix 9)
 6. Council Tax implications of the incremental effect of capital decisions (Appendix 10)
 7. Treasury Management Indicators (Appendix 11)
20. No issues of concern are emerging.

Conclusion

Capital programme actual spend to date, although an improvement on the position reported at this time last year, is slower than expected. The monitoring arrangements in place continue to identify improvements in the overall management of the capital programme. Additional costs are emerging on a number of schemes. Prudential Indicators are being monitored as required by the Prudential Code and are currently being maintained within the original parameters set by Council. The position for 2005/06 onwards will be subject to further consideration as part of the revenue budget setting process.

Alternative Options

There are no alternative options.

Consultees

Not applicable.

Risk Management

Capital Programme and Prudential Indicator monitoring is an integral part of risk management. Potential over and under spends are highlighted at the earliest opportunity so adjustments can be made accordingly.

Background Papers

None identified.

APPENDIX 1

FUNDING OF REVISED 2004/05 CAPITAL PROGRAMME

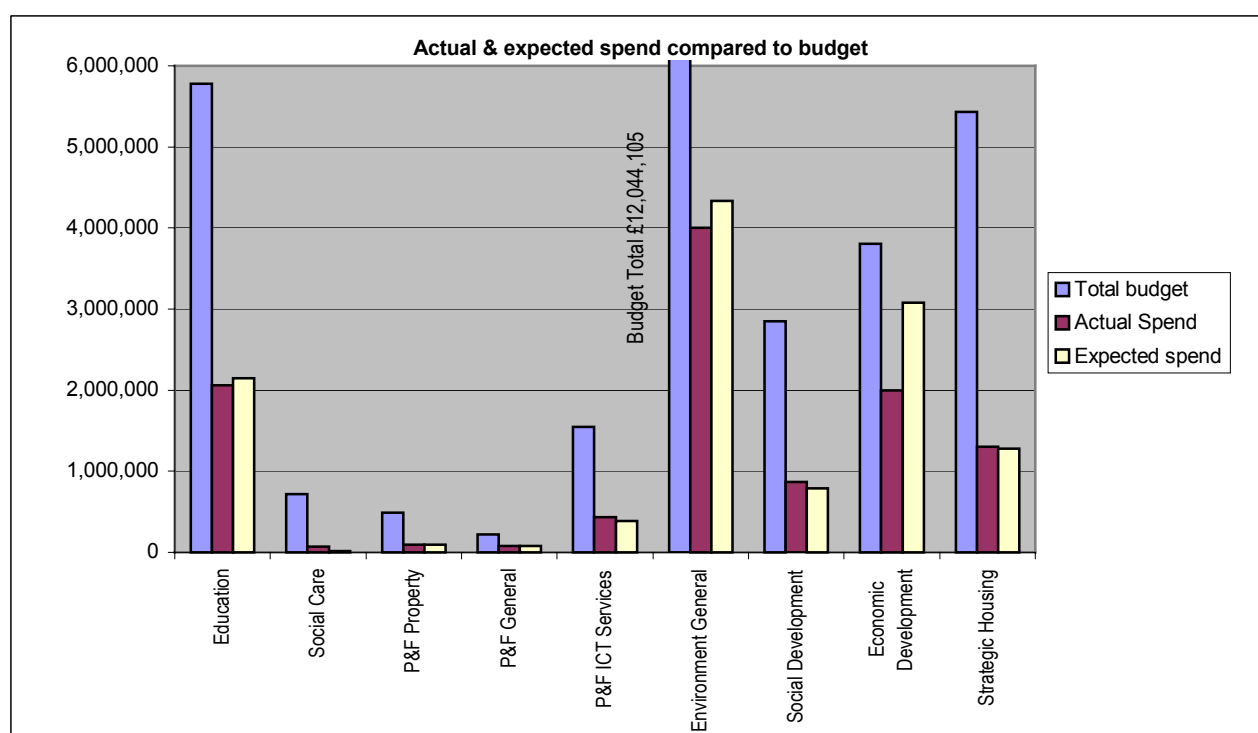
Capital Programme Area	2004/05 Revised Forecast 30/09/04	SCE(R)	Prudential Borrowing	LPSA UCA	Grants	Revenue Contribution	Capital Receipts Reserves	Unfunded
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education	5,814	3,311	-	-	2,145	152	206	-
Social Care	720	91	200	-	118	-	311	-
P&F – Property	503	-	300	-	25	6	172	-
P&F – General	265	-	4	-	60	100	90	11
P&F – ICT Services	1,550	-	1,020	126	288	-	116	-
Environment General	12,044	11,072	395	-	577	-	-	-
Social Development	2,867	-	2,050	-	667	-	150	-
Economic Development	3,805	-	310	-	1,638	-	1,647	210
Strategic Housing	5,435	2,055	200	-	585	-	2,595	-
Total Revised Forecast	33,003	16,529	4,479	126	6,103	258	5,287	211
Original Budget	34,938	16,483	5,000	-	8,585	-	4,870	-
Change from original budget	(1,935)	46	(521)	126	(2,482)	258	417	221

<u>Reported to date</u>								
<i>Original Budget</i>	34,938	16,483	5,000	-	8,585	-	4,870	-
<i>July Forecast</i>	32,921	16,430	4,511	126	6,479	247	5,055	73
<i>September Forecast</i>	33,003	16,529	4,479	126	6,103	258	5,287	211

APPENDIX 2

CAPITAL EXPENDITURE BY PROGRAMME AREA

	Outturn	Original Budget	Revised 2004/05 Forecast as at 30/09/04	Change from previous forecast as at 31/07/04	Actual spend at 30/09/04	Actual spend as a % of the revised forecast	Expected spend as a % of the revised forecast
Programme area	2003/04	2004/05	2004/05	2004/05	2004/05	2004/05	2004/05
	£'000	£'000	£'000	£'000	£'000	%	%
Education	8,248	7,014	5,814	(374)	2,062	36%	37%
Social Care	413	132	720	(19)	72	10%	2%
P&F – Property	2,142	402	503	24	97	19%	19%
P&F – General	924	25	265	55	82	31%	37%
P&F – ICT Services	882	127	1,550	1	435	28%	25%
Environment General	10,879	11,846	12,044	(285)	3,771	31%	36%
Social Development	460	2,467	2,867	(26)	868	30%	28%
Economic Development	4,157	4,092	3,805	516	2,229	59%	81%
Strategic Housing	4,929	5,633	5,435	190	1,304	24%	24%
Prudential Borrowing to be allocated	-	3,200	-	-	-	-	-
Total	33,034	34,938	33,003	82	10,920	33%	37%



APPENDIX 3

MAIN CAPITAL SCHEMES OF REVISED 2004/05 CAPITAL PROGRAMME

Capital Programme Area	Schemes with a Revised Forecast >£500,000
	£'000
Education schemes:	
Site Acquisitions	680
John Kyrle High – Sixth Form Extension	506
New Deal for Schools Condition Improvement Works	1,200
ICT Services schemes:	
ICT The Golden Thread Network Enhancement	770
Environment General schemes:	
Roman Road Improvements	3,270
Rural low floor bus project	500
Capitalised maintenance of principal roads	1,200
Capitalised maintenance of non-principal roads	3,272
Footways	550
Capitalised assessment & strength of bridges	500
Social Development schemes:	
Replacement Swimming Pool for North Herefordshire	1,709
Friar Street Museum Resource and Learning Centre	555
Economic Development schemes:	
Leominster Industrial Estate Access Road	3,049
Strategic Housing schemes:	
Social Housing Grants	3,100
<i>Other schemes with a revised forecast of less than £500,000</i>	<i>12,142</i>
Revised Forecast	33,003

APPENDIX 4

CAPITAL RECEIPTS FOR 2004/05

Sale Detail	Directorate Share	Directorate Share	Corporate Share	Total receipt
		£'000	£'000	£'000
<i>Received</i>				
The Old Goods Shed, Ross on Wye	50% Property	154	154	308
Right to Buy Clawbacks, Discounts and Improvement Grant Repayments to date	100% Housing	105	-	105
Sub Total		259	154	413
<i>Anticipated</i>				
Various	100% Housing	1,660	-	1,660
Various	100% Education	120	-	120
Various	50% Property	25	25	50
Various	50% Social Development	8	7	15
Various	100% Corporate	-	800	800
Sub Total		1,813	832	2,645
Total		2,072	986	3,058

APPENDIX 5

ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

Capital Monitoring information is set out in the first part of this report. A forecast of future years capital budgets and funding will be provided with future monitoring reports. Such forecasts will be heavily dependant upon the results of the Financial Settlement and level of any Prudential Borrowing considered affordable. A separate Cabinet report discussing strategic capital issues is being produced.

APPENDIX 6

RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs. The Ratio has reduced in 2005/06 and 2006/07 mainly due to a reduction in the expected capital financing costs due to a revision of expected interest rates.

Ratio of financing costs to net revenue stream	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Net Revenue Stream	169,444	175,320	184,239	194,241
Capital Financing Requirement	5,557	6,020	8,245	9,718
Revised 30/9/04	3.28%	3.43%	4.48%	5.00%
Original Indicator	3.28%	4.12%	4.71%	5.35%

APPENDIX 7

CAPITAL FINANCING REQUIREMENT

This indicator represents the Authorities underlying need to borrow for a capital purpose. The indicator has changed due to a reduced forecast Prudential Borrowing requirement in 2004/05. Future years requirements includes a potential £5 million Prudential Borrowing per year.

Capital Financing Requirement	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Revised 30/9/04	78,090	94,292	110,463	125,938
Original Indicator	78,090	94,892	111,063	126,538

APPENDIX 8

AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances. There is no change to this indicator and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Borrowing	105,000	119,000	142,000	163,000
Other Long Term Liabilities	1,500	3,000	3,000	3,000
Total	106,500	122,000	145,000	166,000

APPENDIX 9

OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt. There is no change to this indicator and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
Borrowing	63,000	73,500	94,500	115,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
Total	64,500	75,000	96,000	117,000

APPENDIX 10

COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing. Separate indicators were stated originally based on different levels of potential borrowing. The revised indicators below are based on the actual level of Prudential Borrowing allocations made by Cabinet on 22 July 2004.

Increase in council tax (Band D, per annum):	2003/04	2004/05	2005/06	2006/07
	£ p	£ p	£ p	£ p
Original				
Position if £5,000,000 Prudential Borrowing is taken for 2004/05.	N/A	3.75	7.06	7.34
Position if £5,000,000 Prudential Borrowing is taken for 2004/05 and subsequent years.	N/A	3.75	10.52	17.28
Revised 30/09/04				
£4,741,000 Prudential Borrowing allocated for 2004/05, and assuming Prudential Borrowing only taken for the future years commitments already approved (£2,455,000 for 2005/06 and £813,000 for 2006/07)	N/A	3.56	8.26	10.34
£4,741,000 Prudential Borrowing allocated for 2004/05, and assuming £5,000,000 Prudential Borrowing is taken for 2005/06 and subsequent years.	N/A	3.56	10.17	16.93

APPENDIX 11

TREASURY MANAGEMENT INDICATORS

These are specific indicators, which relate to the management of the Treasury Management process. There is no change to these indicators and the limits have not been exceeded.

	2003/04	2004/05	2005/06	2006/07
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	25%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2004/05	Upper Limit	Lower Limit		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
Upper Limit for total principal sums invested for over 364 days	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
(per maturity date)	7,000	10,000	10,000	10,000

INTERIM AUDIT ASSURANCE REPORT 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To receive the Mid-Year Assurance report which identifies the key internal control issues that the Principal Audit Manager has identified or continues to be concerned about. In addition, the report updates Members on the actions or the current position on key issues identified during 2003/04 that required attention.

Key Decision

This is not a key decision.

Recommendations

THAT the Assurance Report be considered for approval and referred to Strategic Monitoring Committee for comment.

Reasons

Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Considerations

1. The Annual Assurance Report for the year ending 31st March 2004 was considered by Cabinet in September. Six key issues were identified and the current position can be summarised as follows.

- **Improvement in IT security arrangements to comply with BS 7799**

The need to provide a secure environment to support the main servers and communications equipment at Rotherwas, on which the majority of the Council's systems operate, has been recognised. The Audit review of physical security at Rotherwas identified that suitable steps were being taken to provide a high standard of protection, based upon effective physical controls and sound disciplines.

Full protection will not be in place until the refurbishment of the server room is complete and controls relating to certain threats, such as fire detection and fighting have been fully implemented. This work is in progress.

Further information on the subject of this report is available from Tony Ford Principal Audit Manager on 01432 260425

The position at the end of the financial year will be reported on following the completion of planned audits such as Physical Security Remote Sites, Back Up and Recovery and Disaster Recovery.

- **Improved data collection procedures for performance indicators**

On 12th October, 2004 the Chief Executive's Management Team approved the Performance Indicator action plan and PI handbook pro-forma with the expected outcomes of:

- Improved Leadership and Ownership.
- Improved understanding.
- Improved accuracy of BVPI Information.
- Improved consistency of calculation.

Recommendations for improved data capture and monitoring have been provided to staff responsible for the compilation of the BVPIs.

It is too early to comment on whether these have been met. However, the Chief Executive's Management Team will be monitoring the action plan to ensure compliance.

- **Risk Management continues to be embedded across the Council**

Directorate and Department risks have been identified and Directors and Heads of Departments are now responsible for their risk logs. They also have to ensure that all risks, both new and inherent, are regularly recorded and monitored so that they can be effectively managed.

The main cross cutting and corporate issues emanating from the current risk logs have been identified. The County Treasurer and the Head of Performance Management have presented a report to the Chief Executive's Management Team highlighting these risks and the measures in place to address them. The Chief Executive's Management Team has identified measures to further improve the report process.

Audit Services will be carrying out a review of the Council's Risk Management procedures during the 4th quarter. The Performance Leads Group will be playing a vital role here in ensuring consistent and best practice in all directorates and departments is adopted.

- **Improvements in relation to the Jarvis contract**

Many of the recommendations made in the Audit report had to be completed by the end of October 2004; the follow up review is due to commence mid-November. The scope of the review has been agreed with the Director of Environment and can be summarised as follows:

- Follow up the recommendations from the previous audit report.
- Compare current performance against expected level of performance.

- Review the timeliness, relevance, reliability and accuracy of management information.

The findings from this review will be included in the Annual Assurance Report to members.

Following discussions with the Director of Environment, it is clear that progress has been made, particularly in providing clear guidelines to staff regarding the contract. The recent decline, however, in the Jarvis Plc share price has raised concerns on the company's longer-term viability and the possible impact on service provision. The Director of Environment is currently drawing up contingency plans to manage this situation.

- **The publication of up to date Accounting Guidelines**

The Assistant County Treasurer (Accountancy and Exchequer Services) has drafted the key Accounting Guidelines, for circulating across the Department for review and comment. These are important in ensuring a consistent and controlled application of financial practice across the Council including schools.

It is intended that these will be finalised and issued by 31st December 2004. A further review of Standing Orders and Financial Regulations is also planned.

- **Improvements are needed to arrangements for the prevention and detection of fraud**

Audit Services has developed a specific programme of work as part of the annual operational plan for 2004/5. This programme includes audit reviews of car mileage, travel and subsistence, contracts and contract monitoring, and Renovation Grants. In addition, Audit Services will be reviewing the Council's corporate anti- fraud arrangements.

Anti-fraud and Corruption returns have been sent to all Directors and Heads of Departments for them to report any incidents of fraud identified. All returns relating to the six months to 30th September 2004 have been returned stating that none had been identified for the period. Financial Regulations require the County Treasurer to be informed of any suspected or actual fraud within the Council.

Once again it is important to emphasise minimal experience of fraud and the significant faith the Council has in its staff. The Council has a comprehensive Whistleblowing Policy which has been communicated to staff and will be the subject of regular reminders.

2. Areas of Concern in the current period

Action on issues raised relating to 2003/4 is progressing well and at the present time there are no concerns other than the urgent need for contingency plans relating to the Jarvis contract. Once all reviews have been completed, details will be included in the End of Year Assurance Report to Members.

3. Future Audit Work

At the current time there is a vacancy within the service, which is unlikely to be filled owing to the corporate requirement to make budget savings. In addition, an Audit Manager has been on sick leave since late September 2004 to date, and this is likely to continue until the end of December 2004. These issues will have an impact on the completion of the Audit Plan for 2004/5. A revised plan has been drafted to reflect these shortfalls in resources.

Risk Management

The four-year strategic plan is based upon a 'Traffic Lights' Methodology, with Red being high risk, Amber being medium risk and Green being low risk. Within each risk area consideration is also given to residual risk for specific functions or establishments based upon their last Audit opinion and current knowledge.

Consultees

None.

Background Papers

None identified.

PROPOSED REVISED APPROACH TO PROVIDE THE CENTRAL LIBRARY, HEREFORD

PROGRAMME AREA RESPONSIBILITY: COMMUNITY AND SOCIAL DEVELOPMENT

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To receive a report on a revised approach to the development of The Central Library, Hereford and access to Council Services in Hereford City.

To formally approve the preferred site for a new Central Library, based in Hereford City.

Key Decision

This is a key decision because it is significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards. It was included in the Forward Plan.

Recommendation

- THAT (a) approval be given to develop an outline design for a new Central Library and associated services on the Edgar Street Grid Hereford; and**
- (b) further more detailed work be advised as part of the Edgar Street Development Implementation Plan.**

Reasons

The Council's current formal position for a new Hereford Central library supports the development of a new library on the Kemble House site, Broad Street, Hereford (28th September, 2000). This approach cannot be realised without significant capital investment from Council funding. This position is regarded as no longer sustainable and an alternative approach is needed.

The Council has committed itself to a major redevelopment on the Edgar Street grid Hereford. This can potentially include a new Library and One Stop Shop (INFO in Herefordshire). Significant work will be required to ensure any plan is co-terminus with the overall Edgar Street development.

Further information on the subject of this report is available from
Mark Warren, Head of Customer Services and Libraries on 01432 260617

Considerations

1. The Council continues to hold to its approach to achieve modern customer facing services, and improvement to its accommodation for office based staff. It has yet to decide on its approach for Hereford City. The consideration of this report should be viewed as part of the whole accommodation review and efficiency gains debate.
2. The Council has a commitment to roll out the provision of INFO shops across the County (Council's Customer Service Strategy 2003-2007). These are now being planned in a way that links with improved library provision (Bromyard, Kington, Ledbury, Ross). At the present time the largest catchment for library and INFO services is the city area, where there is the poorest and most restricted provision. In line with the roll out of the INFO model, new provision could provide for a significant presence in Hereford City. There are continuous changes in customer expectations of Council services and the present fragmented customer service receptions in the Hereford city area could be improved significantly.
3. Considerable advantage could be gained by a model of co-location with a new Central Library for the 21st Century and emphasise the importance of a sustainable flexible provision. The possibilities for establishing a civic living and learning space in a modern city centre have been demonstrated in a number of examples (Building Better Libraries).
4. The relative merits of the previously identified sites were outlined in the Cabinet Report (28th September, 2000). Kemble House emerged as the preferred site, above that of:

Town Hall adjoining car park and buildings;
Gaol Street Car Park;
Buttermarket.

The Council has subsequently further developed its support to the regeneration of Hereford City and the Edgar Street grid in particular.

Therefore the Kemble House option is not regarded as sustainable. The Kemble House location was for a library only, provides limited street frontage for customers, and will not resolve difficulties with car parking.

Libraries of the future are being set with a new local strategic framework ("Eye on the Future") and co-located with partner organisations. Modern library environments at the heart of retail is a key consideration for a new Central Library.

5. At a local level the opportunities for achieving the level of funding required on any of the existing sites (Cabinet Report 28th September, 2000) are regarded as negligible. These sites (Kemble House, Goal Street, Buttermarket) are restricted in their scope to make flexible changes to layout. They also present less opportunities for any longer changes in demand for library services. (Framework for Future). In addition the sites offer no opportunity for planning gain, that would act as a significant contribution to the current estimated cost of £6 million plus.

The major opportunity that now exists is for the development to be located to the Edgar Street Grid site, Hereford. These are a number of factors which would now support this recommendation.

6. Since the previous site search work was completed the Council and Advantage West Midlands have commissioned a detailed Master planning exercise for the 100 acre

Edgar Street Grid site to the north of the existing City Centre. The resultant Master plan was adopted by the Council in December 2003 and subsequently incorporated into the second deposit draft of the Herefordshire Unitary Development Plan.

7. The Master plan includes provision for a Civic Quarter adjacent to Blueschool Street and a new food retail development on the Cattle Market site. The Council is currently considering an appropriate delivery vehicle to take forward the implementation of the Master plan.
8. The redevelopment of the Edgar Street Grid therefore provides the opportunity to develop a new Library as part of the wider development of this part of the City. In order to inform the Council's negotiations with potential developers it would be useful at this stage if there was further clarity about the actual space and design requirements associated with a new Library for the City.
9. The new Library will clearly have a significant capital cost, in the order of millions. Further feasibility work is required to clarify how much it would cost to provide an appropriate facility on the Edgar Street Grid site. Officers will need to explore a range of funding options for the new Library in more detail.
10. In the present financial climate it is highly unlikely that there will be the scope to fund the development of a new Library solely through the Council's Capital Programme. Neither is there any scope to secure external government funding for the provision of a statutory service such as a new Library. It may be possible to secure some external funding to assist with the fitting out of the building for associated uses but not for the main capital cost. Private sector sponsorship is a possibility but it is unlikely that sufficient funds could be secured through this route. In the medium term the only viable funding route would be through planning gain as part of the redevelopment of the Edgar Street Grid site. The Council and its partners on the Edgar Street Grid site will however have to weigh up various competing demands on the value generated from the redevelopment. In order to inform this decision it would be helpful to quantify the cost of the new Library in more detail and to be clear about its preferred location and design on the Edgar Street Grid.
11. A new Library on the Edgar Street Grid site should be an asset to the City Centre and should generate additional footfall which should benefit retailers and other services. There is also an opportunity to significantly increase the attractiveness of the current Hereford Museum by relocating the Library from Broad Street and freeing up space for expanded exhibition facilities for the Museum in the existing building.
12. To move forward on the Edgar Street grid considerable work needs to take place. The scope of a new provision needs to be agreed in broad terms over the coming weeks. This will involve seeking to establish:
 - ~ type/scope of services
 - ~ preferred location within Edgar Street grid
 - ~ funding package potential
 - ~ floor space requirements
 - ~ design brief
 - ~ the feasibility brief can be drawn up by Council officers with a range of professional inputs. However the production of the feasibility study will require investment or work in hand with external bodies and appropriate consultancy input.

Alternative Options

1. Maintain existing provision at Broad Street. This is not sustainable and retention of the current service in the long term will have a significant detrimental effect. The Council's public assessment is likely to be significantly affected in respect of its Cultural Services provision. The existing library is general regarding as one third of the required provision.
2. Pursue Kemble House as original preferred option. This matter is regarded as not sustainable for reasons of capital funding and long term investment.

Risk Management

The current Hereford Library is significantly below requirements and was a major highlight in the Audit Commission Report on the service in June 2002. Putting in place a clear strategy for improvement was recommended.

The financial package for the realisation of a New Hereford Library cannot be realised with existing formal proposals (Cabinet 28th September, 2000)

The successful realisation of improvements to the Broad Street Museum site cannot be achieved without an exit strategy for the library services to a new site.

Consultees

Hereford Library User Group.

Forward Plan

Background Papers

None identified

Document is Restricted

