

Chief Executive's Office

Chief Executive: N.M. Pringle

**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
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Your Ref:

Our Ref: NMP/CD

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19th January, 2005

Dear Councillor,

**MEETING OF CABINET
THURSDAY, 27TH JANUARY, 2005 AT 2.15 P.M.
COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (05/02)

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. REVENUE BUDGET 2005/06

To consider further the parameters for the preparation of the Revenue Budget 2005/06 in the light of recommendations from the Budget Panel. *(Pages 1 - 30)*

4. COMPREHENSIVE PERFORMANCE ASSESSMENT FROM 2005: RESPONSE TO CONSULTATION DOCUMENT

To agree the terms of the Council's response to the Audit Commission's consultation document "Proposals for Comprehensive Performance Assessment from 2005". *(Pages 31 - 36)*

5. CORPORATE HEALTH PERFORMANCE

To receive an update on the Council's corporate performance in relation to our National and Local Best Value Performance Indicators from 1st April, 2004 to 30th November, 2004. *(Pages 37 - 42)*

6. STRATEGIC MONITORING COMMITTEE

To note the report of the Strategic Monitoring Committee to Council. (Report to follow)

Yours sincerely,

A handwritten signature in black ink, appearing to read "Neil Pringle". The signature is written in a cursive style with a large, looped initial "P".

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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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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REVENUE BUDGET 2005/06

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

27TH JANUARY, 2005

Wards Affected

County-wide

Purpose

To consider further the parameters for the preparation of the Revenue Budget 2005/06 in the light of recommendations from the Budget Panel.

Key Decision

This is not a Key Decision. The final decision will not be taken by Cabinet but by Council at its meeting on 11th March, 2005.

Recommendation

That consideration be given to the recommendation of the Budget Panel and the formulation of initial Revenue Budget proposals for 2005/06.

Reasons

Consideration of the recommendations of the Budget Panel is required which, together with the views of Strategic Monitoring Committee, will assist in the formulation of Cabinet's final recommendations to Council on 11th March, 2005.

Introduction

1. Initial consideration of the budget for 2005/06 has been heavily influenced by the need to make significant budget reductions with the dual purpose of containing the rise in council tax and providing some limited headroom for investment in key priorities.
2. The initial planning target of £5,000,000 was based on data from the Government's spending plans as provided in the Comprehensive Spending Review (CSR 2004). Subsequently, as reported to Cabinet on 16th December, 2004, the provisional Revenue Support Grant (RSG) Settlement, has seen substantial changes to the level of funding for local government with both increases in the level of RSG and specific grants.
3. It is important to emphasise at this stage that a significant element of the additional funding, in the order of £2.3 million or so is, on the basis of the announcements made, for only one year. Therefore, whilst this does mitigate the scale of budget reductions required to achieve an acceptable rise in council tax, the position should

Further information on the subject of this report is available from Mr. N.M .Pringle, Chief Executive (01432 260044) and Mr. I. Hyson, County Treasurer on (01432 260235)

be viewed as providing a longer planning timetable to achieve reductions rather than long term relief from the requirement to secure budget reductions.

4. A key point to highlight arising from the settlement, illustrated by the additional funding emerging in the few weeks prior to the formal announcement on 2nd December, 2004, is the Government's intention to see relatively low rises in council tax. Recent pronouncements from Ministers have emphasised the very real possibility of capping powers being used to curb excessive increases. As in previous years, however, capping criteria will not be announced in advance but the Government's stated desire to see increases averaging less than 5% emphasises its intent.

Aligning the Medium Term Financial Plan to the Corporate Plan

5. Cabinet recently agreed the Council's Draft Corporate Plan ('the Plan') for the period 2005-08. The Plan clearly sets out the Council's priorities and its direction of travel over the next three years. The Medium Term Financial Plan (MTFP) performs a vital role in resourcing the Corporate Plan and, in particular identifies unavoidable spending pressures and the potential impact on council tax.
6. The savings figure in future years within the MTFP is based upon limiting council tax rises to broadly Government guidelines and provides a guide to the level of resources the Council has available to deliver its priorities within the Plan. There are a number of important factors to be highlighted. There is highly unlikely to be any significant headroom in the budget over the period of the MTFP given:
 - the restrictions in raising revenue locally through capping, particularly in 2005/06.
 - the requirement to identify cash efficiency savings following the Gershon Review.
 - the ongoing pressures in the funding of care for older people and waste disposal and, the continued support for Education in line with Government targets.
7. It is imperative, therefore, for the corporate savings initiative to continue through the Service Improvement Programme (SIP); corporate procurement and reducing base budgets in line with the priorities set out in the Corporate Plan. Appendix 1 summarises the budget reductions considered by the Budget Panel.
8. The constraints within the MTFP demonstrate the need for flexibility in how the priorities within the Plan are funded. Three specific ways of doing this are;
 - the LPSA Performance Reward Grant will be received over the next two years and this is shown as funding improvement in Herefordshire Partnership priority areas.
 - the use of capital investment through both prudential and supported borrowing and this needs to be reflected in the capital strategy.
 - the prudent use of reserves and the flexibility accorded by the one-off changes in the current year's settlement to manage base revenue budget fluctuations over the medium term.

9. A number of priorities emerged from last year's budget considerations with a number of principles being established in setting the current year's revenue budget and the MTFP. These are as follows:

- (a) The underlying principle of the medium-term financial strategy is that the Council would intend to maintain the real purchasing power of current revenue budgets throughout the life of the plan period.
- (b) An acceptance that the Education budget will largely be driven by a national agenda which has driven investment in Education above the level of inflation throughout the life of this Council. The emphasis within that investment is on passporting cash to schools. The Council wish to support that approach whilst recognising that that does create difficulties for funding central support for schools, particularly in a Council with Herefordshire's characteristics.
- (c) There will be a need to continue to strengthen the Social Care budget through the medium-term financial plan period if the Council is to maintain improvement in this key area of its performance. This is particularly true in the area of care for older people where the Council spends significantly below its FSS.
- (d) The Council has been postponing investment in Information and Communications Technology (ICT), partly because of its poor and inconsistent inheritance but also because of the difficulty of making judicious investment in those areas based on the occupation of existing accommodation. Investment cannot however be further postponed without the Council risking failure in the way it works and delivers services to the public.
- (e) The Council needs to address its performance in relation to highways, transport, planning and waste. This will require prudent investment and the generation of that investment may require the Council to support significant changes in the pattern of provision.
- (f) There is a need to continue to resource activity, which is of direct benefit to the community. Past inspections have led to criticism of levels of investment in adult learning and libraries. The Council needs to maintain resources for these services if it is to continue to offer them. If it is unable to maintain those minimum levels of service then it needs to consider in some cases whether to continue to maintain the services at all in some areas.
- (g) The Council needs to continue to strive for efficiency. It would be foolish to pretend with an organisation of the size of the Council, delivering the range and breadth of services that it does, it always maintains 100% efficiency. There is however a recognition that the amount which can be driven out by traditional approaches to improving efficiency are unlikely to be sufficiently significant to support the Council's medium-term financial plan. Cabinet has therefore agreed to look at two specific projects as an alternative to traditional approaches to economies and efficiencies. These approaches are now embodied in the work through the Service Improvement Programme and Procurement initiatives. That is not to say, however, that the traditional approaches would not continue.

The Service Improvement Programme (SIP) - this programme is intended to take a fundamental look at the way in which the Council operates. It will seek to address the prospects for savings by entirely changing operational process.

It is believed that there are significant opportunities for efficiency savings. Cabinet has agreed in principle to pursuing this approach, ensuring that savings generated are freed to support the Council's MTFP rather than individual Directorate and Departmental activity.

- (h) Accommodation - the Council's current occupation of accommodation is inefficient both in terms of the actual occupation of space but also in terms of maintenance and loss of staff time. Again Cabinet has approved in principle a process for managing the accommodation requirements of the Council in a way that will be at least cost neutral and hopefully over the planned period will make a modest revenue return for reinvestment.
 - (i) In addition, Cabinet considered the extent it wishes to resource any additional borrowing required as a consequence of the Prudential Guidelines. The MTFP reflects a provisional spend of £5,000,000 per annum. The position will be reviewed annually.
10. The 2004/05 Revenue Budget substantially reflected these principles despite capping. In the light of the funding constraints now faced, however, the above principles have been revisited in Budget Panels over the last two months with a realisation that levels of revenue investment anticipated (i.e. £7,000,000 in total less £1,800,000 invested in 2004/05) may not be able to be maintained in all areas. The following paragraphs highlight the key issues for Cabinet's consideration.

Aligning the Medium Term Financial Process to Budget Policy

11. In determining its budget policy, the Council will need to take into account immediate factors outside the MTFP. These include:
- (a) the need to protect the Council's financial reputation, managing and highlighting potential risks to the medium-term financial strategy both in terms of the forthcoming annual budget but also into future years.
 - (b) continuing to learn from the monitoring of the current year's financial performance translating that practical experience into amendments to the budget for the forthcoming year. This requires an examination of both overspends and underspends although clearly overspends represent a greater risk.
 - (c) assessing the Government's financial settlement for the forthcoming year but also seeking to anticipate trends over the medium-term financial plan period.
 - (d) the level of the Council's general reserves and balances.

National outlook

12. Prior to considering local priorities as reflected in the Corporate Plan and associated MTFP, it is important to give consideration to the national outlook. The CSR 2004 sets out the Government's resource forecasts for local government for the three-year period 2005/06 to 2007/08. A detailed report has been considered by Cabinet but the following aspects are worth reiterating:
- Continued direction of resources towards Education and Social Care.

- Expectation of cost effectiveness savings to redirect to other service pressures (Gershon).
- Real terms reduction in Highways funding.
- Possible three-year settlements from 2006/07.
- Direct funding of schools.
- Transfer of Preserved Rights Funding Social Care to Review to mainstream FSS. (This transfer into the national funding stream is likely to result in a significant loss of revenue to the Council).
- The Balance of Funding Review led by Sir Michael Lyons, is due to report in December 2005 although it is too early to speculate on changes to the way local authorities are funded

Status and risks

13. Clearly the need to avoid capping is critical in the determination of the level of council tax for 2005/06 and predictably also in future years. However, it is also vital that the Council has regard to the risks faced, both in terms of impact on service delivery and its status and reputation, in determining its MTFP. The following paragraphs highlight the major issues to be considered.
14. The Council has maintained its steady improvement with regard to the Audit Commission's Corporate Performance Assessment (CPA) and the recent CPA announcement sees the Council consolidate its position as a "Good" authority. The Council has made progress on its service score for Environment but fallen back in its score for Education and Social Care (Children and Young People). The Council currently enjoys the maximum score for the "Use of Resources" and for this to continue, particularly having regard to the new CPA methodology for 2005 onwards, resources will need to continue to be directed in support of the Council's priorities
15. The CPA methodology is changing from 2005 onwards and, whilst still subject to consultation, is almost certain to involve the attainment of higher standards to maintain the Council's current classification. The Auditor's judgement, as currently proposed, will offer stronger judgements on financial planning and management, internal controls and financial standing. The mechanisms the Council has used to consult on and determine the level of resources will also be considered. The current development of the Corporate Plan and associated MTFP will be critical factors in the CPA and the Council will, therefore, need to ensure that resources continue to be directed accordingly.
16. The Council does, however, face significant risks in the following areas over the medium term.
 - (a) The Social Care budget, which without ongoing investment would place the Council at risk with increased expectation, increasing number of clients and increased exposure to challenge. Continuing to press for the adoption of the 2001 census data is an important element of mitigating that challenge.
 - (b) The difficulty of estimating the escalating costs of waste disposal and collection. There are a number of actions such as the need to re-negotiate the Waste Disposal PFI contract and the pressure of ever-increasing volumes of waste, coupled with the annual increases in landfill tax. There is also the

cost of recycling, particularly in a scattered rural community. The standstill budget reflects the costs associated with anticipated increases in waste volumes and a provisional allowance for increased costs.

- (c) There is a need to address issues of levels of performance within Social Care (Children and Young People) which contribute to the annual star rating. This will now be reflected in the Joint Review of Children's Services.
 - (d) In relation to other service areas, national targets and standards, which are subject increasingly to a variety of inspection regimes, do have to be met, both in the short and medium-term. They require either a realistic budget provision or for the Council to formulate a strategy for dealing with the non-achievement of those targets.
 - (e) Regarding the late additional funding provided in this year's settlement, it is asserted that it is highly unlikely that they will be made available next year. If not, that would place a further significant pressure on council tax in 2006/2007 and beyond.
 - (f) The Council is embarking on a major budget reduction exercise including SIP and Procurement savings. Significant reductions in budgets reduces the capacity to manage unforeseen budget pressures in year.
 - (g) Lack of affordable housing is impacting on spending on homelessness and may continue to put pressure on limited resources.
 - (h) Revenue Support Grant Clawback - the issuing of annual amending reports by the Office of the Deputy Prime Minister (ODPM) creates the potential for retrospective clawback of RSG as a consequence of changes to other authorities data.
 - (i) The markets supplying residential care and public transport increasingly require increases in charges/subsidy beyond inflation or services are withdrawn.
 - (j) Significant reductions in the Supporting People Grant are anticipated over the period of the Medium Term Financial Plan.
17. As previously reported, the Local Government Act 2003 has a number of implications for local authorities. Section 25 requires the County Treasurer to report to the Council when it is determining the budget and council tax each year. The County Treasurer is required to give professional advice on those two elements which are inter-dependent and must be considered together. Decisions on the appropriate level of reserves must be considered in the context of risk and uncertainty, with decisions ultimately guided by advice based on an assessment of all the circumstances considered likely to affect the Council. The report to Cabinet on 24th February, 2005 will reflect this requirement.

Consultation results

18. These were considered as part of a detailed report to Budget Panel a summary of which is attached at Appendix 2.

Standstill budget

19. A key component of the Council's budgetary process in recent years, endorsed by Council last year in adopting the MTFP, has been the maintenance of the real terms purchasing power of current revenue budgets. In essence, this is the impact of inflation for pay and prices on current budgets over the life of the planned period.
20. The standstill budget takes account of this anticipated inflation together with unavoidable commitments, either known or anticipated, of a corporate i.e. council-wide nature. Account is also taken of changes to the budget required as a result of the transfer of funding between mainstream RSG funding and Specific Grants (e.g. Preserved Rights Grant). The position reached is the total cost of providing current levels of service before taking into account service pressures, budget reductions or any other policy decisions. Standstill budgets for 2005/06 to 2007/08 are reflected in Appendix 3.
21. Government funding through the Revenue Support Grant (RSG) mechanism is then taken into account to arrive at the council tax required to meet the approved level of spending.
22. The net standstill budget for 2005/06 is £184,800,000 which, after RSG and Collection Fund surplus of £117,700,000, leaves a sum of £67,100,000 to be funded by council tax. The figure is before taking into account development pressures, e.g. Social Care and ICT and before any budget reductions and generates an increase in council tax of 4.6%.

The current year's budget and accumulated reserves and balances

23. A key factor linking the Council's budget and risk is the level of the Council's general reserves. An estimate of the position on reserves as anticipated at 31st March, 2005 is set out in Appendix 4.
24. The main features arising from this year's revenue budget which are relevant both in terms of the MTFP and the 2005/06 Budget specifically are:
 - Demographic demand for older people's services.
 - Waste Management – increasing costs and volumes.
 - Reducing income – industrial estates and commercial property.
 - Pressures on the homelessness budget.
 - ICT Investment
 - Grounds maintenance – adopted land etc.
25. The estimated level of general reserves at 31st March, 2005 is £5,000,000, i.e. £2,000,000 in excess of the minimum level of £3,000,000 approved by Council. Whilst the position will need to be reassessed on the basis of any further emerging issues and the Council's final budget proposals, the County Treasurer advises that a figure of £3,000,000 represents a valid and prudent reserve to maintain. A sum of £2,000,000 is, therefore, available on a one-off basis to support the Council's overall budgetary position. Once again, previous advice is reiterated that such a sum should

not be used in support of ongoing revenue expenditure, not least having regard to the impact on future years' council tax rises.

26. In addition to the sums represented above, it is forecast that the Council will retain some £1,100,000 as a consequence of underspendings resulting from delays in implementing revised Waste Disposal PFI contractual arrangements come the end of the financial year. Current indications from negotiations point to significant increases in costs, at least over the next few years, which although consistent with projections reflected in the MTFP would adversely impact on council tax, potentially by up to 1.5% - 2% from 2006/07 onwards. It is, therefore, recommended that the accumulated underspend is utilised to even out the call on the budget for the three-year period 2005/06 to 2007/08.
27. The overspending predicted for Social Care and Property Services are two areas which give rise to some concern despite ongoing efforts to contain expenditure within budgetary limits.
28. With regard to Social Care the significant efforts made in 2003/04, which saw the overspend reduce to £253,000 have been confounded by emerging pressures during the current year. It seems likely that, despite the rigorous management action applied to mitigate the position, an overspend in excess of £750,000 will result.
29. The position regarding Property Services has developed over the last few years as rent reviews and other factors has seen income levels fall. Additional resources of £197,000 provided as part of the 2004/05 budget has stabilised the position but an accumulated deficit come the year end of some £450,000 is anticipated. The Director of Environment has proposed reducing property maintenance by £200,000 a year as a means of addressing the position over the medium term.
30. Managing down these overspends against the backdrop of tight budgetary constraints over the period of the MTFP present a significant challenge. Cabinet may therefore wish to give consideration to the proposition that, given the relatively healthy position reported, general reserves are utilised to reduce the overspend to be carried forward at least in part. Clearly such an approach must be viewed as exceptional given the Council's current policy of carrying forward both over and underspending as detailed in financial regulations.
31. A further issue requiring consideration in the context of the Council's available reserves is the implementation of the Children's Act 2004. The appointment of an interim Director of Children's Services paves the way for the realignment of service provision within the Social Care and Education directorates. The process will require dedicated resources additional to those currently available, to develop a clear rationale for likely change and to implement new systems, procedures and staffing structures. The Director is currently preparing a report for Cabinet consideration and at this stage additional one-off costs in the order of £250,000 are anticipated over the next two years. Cabinet may consider it appropriate for this one-off cost to be met from reserves.

Conclusions

32. In reaching conclusions, it is important to refer to the outline strategy endorsed by the Budget Panel at the commencement of the process. Based on the information contained in the CSR 2004 in July, it was concluded that the Council faced the toughest local government finance settlement that it had seen in its relatively shortly life. On the figures then available, the Council faced a very significant funding gap

amounting to some £4 million in terms of maintaining a standstill budget and some £5 million if the Council was to make available £1 million for modest investments in the essential areas of older people and ICT.

33. It is important to emphasise that that preliminary work was based on a council tax level of 5.5% accepting that the Government's indication of levels of council tax increase were focused on "low single figures". That 5.5% council tax was itself below the level of council tax which could be anticipated from the CSR 2004 announcement.
34. As detailed earlier in this report, and reported to Cabinet on 16th December, 2004, the provisional local government finance settlement issued by the Office of the Deputy Prime Minister on 2nd December, 2004 was significantly better than that which could have been predicted from the CSR 2004 announcement in July. Those improvements, followed intensive negotiation between the Local Government Association (LGA) and Government over the intervening period. Whilst that relief is welcomed, as reported to Cabinet on 16th December, 2004, on the face of the announcement, there was the clearest possible indication that £3 million of the additional monies made available in support of the current year's settlement will not be repeated in 2006/07. There has been further opportunity to examine the detail and it is clear that applies both to the sum of £1.5 million addition made available through the late changes to the settlement and also to the proposal to postpone the technical adjustment in relation to the preserved rights expenditure (Social Care) which is currently funded by specific grants where the intention remains to transfer this into mainstream FSS funding, which may disadvantage Herefordshire to the tune of £0.8 million. There is, therefore, a total potential impact on the 2006/07 budget of £2.3 million.
35. There remains the possibility that as in the current year, there will be adjustments made to the underlying CSR 2004 announcement in relation to 2006/07 but the current very clear message is that similar adjustments next year are not in contemplation.
36. The other important factor to which to draw attention and which is easily overlooked as part of the Government's announcement, is that part of the additional monies made available is expected to be applied to drive down still further the levels of council tax which will need to be levied. The average national figure to which the Government is making reference in its announcements is 3.7% but employing exactly the same method of calculation for Herefordshire's own position then the predicted council tax increase in Herefordshire would be some 4.8%. Before the council tax is set in March, it will be important to look at the council tax rises being generated within the region, to look at those being generated by similar County authorities and to look at those being generated by similar Unitary authorities. Early indications are that council tax increases are more likely to be in 4% - 4.5% range and it clearly is a priority for the Council to avoid any risk of "capping" in the forthcoming financial year. At the same time, it is important particularly given the one off nature of much of the additional assistance in the current financial year, that the Council maintains the highest possible base because that will give the maximum flexibility in dealing with the challenges which are clearly set out in the supporting Appendix 3.
37. The other element to which it is necessary to draw attention is the approach to be taken to implementing the results of the triennial actuarial review of the Superannuation Fund. Provision had been made for the actuarial review on the basis of advice received from the Superannuation Authority and on the basis of the then advice from ODPM. That advice has more recently been amended and the

essence of the advice is that Superannuation Authorities may now adopt a longer-term approach in planning a recovery strategy for such funds nationally. In applying those new recommendations, stepped increases in contributions will now apply for the period 2005/06 to 2010/11. The consequence is that there is a reduction in the predicted provision in the current year's budget of £750,000 but the stepped approach to contributions mean that "saving" against the original budget will be eroded by some £200,000 per annum thereafter. In essence, therefore, the original estimates provided by the Superannuation Authority would have to be met as originally assessed but the revised advice allows those increases to be phased over a longer period.

38. The attention of Cabinet is drawn to the 2005/06 financial year where it would be possible, if the Council was to make no money available for growth, to maintain a standstill budget on the basis of the December settlement whilst generating a council tax increase of 4.6%.
39. However, it is important to draw attention to the consequences of such a strategy in terms of the 2006/07 budget. Based on the Government's current expressed intention and based on the information made available within the CSR 2004 announcement, then on the basis of the Government's plans there would be an anticipated council tax increase in 2006/07 of 5.5%, but if council tax was to be set at that level there would be an anticipated budget shortfall of £4.2 million. It is, therefore, important that the Council sets a strategy which does not lose the headroom in the recently announced settlement to support significant ongoing expenditure thus exacerbating the position which the Council would face in 2006/07 and beyond.
40. Cabinet need to formulate the principles which might underlie the Council's budget strategy for the forthcoming year. The following proposals are put forward for consideration.
 - That in line with the view expressed by Cabinet on 16th December, 2004, Cabinet supports the retention of the targeted service savings of £3 million, amending that target by reference to the schedules enclosed at Appendix 1 as they see appropriate. It is that sum of money that would provide the base budget provision for much needed investment in older care and ICT and that will enable any reduction in Council tax below the predicted level of 4.8% which the Council wishes to make.
 - The Council has to demonstrate the 2.5% efficiency review savings of which 1.25% must be cashable. In support of that, the Council has established the Service Improvement Programme and is commissioning further work on procurement. There is a targeted sum of £2 million attributed to those programmes. It was always seen as being difficult to achieve a full year's effect of those targeted savings in 2005/06. It is essential, however, to maintain the momentum of that programme. The target could be revised, however, to ensure that the full year effect of the proposed £2 million reductions could be secured for the financial year 2006/07. That should not be allowed to take the pressure off maximising the returns in 2005/06 (which will be necessary in part to meet the efficiency target) and this in turn could free up additional monies in year for further investment.
 - Such a strategy would produce a sum significantly in excess of the targeted investment of £1 million and Cabinet would need to consider carefully how much of that additional sum should go in support of the priorities identified in

the Council's MTFP and Corporate Plan. This is a difficult balance to strike. The currently identified gap for 2006/07 is over £4 million and it is anticipated that the Council would wish to avoid a situation where it invests in 2005/06 only to have to disinvest in 2006/07. The issue for Cabinet to address would be how far it wished to take the longer term view in terms of using those monies to even out the very significant burden that would otherwise be faced, particularly in 2006/07 but through to 2007/08. This needs to be specifically highlighted as part of the Council's budget strategy.

- This is a particularly difficult strategy for the Council to explain to the public. It depends on the Government holding to the three year projection contained in CSR 2004 for the full period. The uncertainties which surround CSR 2004 are as follows:
 - Will the Government maintain its current indicated stance of not replacing the one-off funding in the current year (estimated value £2.3 million) as part of the 2006/07 settlement?
 - At what stage with the Government eventually utilise fully the 2001 Census Data with the consequential gain to this Council? There is increasing pressure on the Government to do so, particularly as authorities like Herefordshire are compelled to contribute retrospectively from their budget towards the selective application of the 2001 Census Data which disadvantages Herefordshire. (paragraph 16(h))
 - What is the likely impact and timing of the Lyons Review on the funding of Council expenditure?
 - What is likely to be the impact of the recently announced approach to three year settlements?
41. Cabinet will wish to consider very carefully the balance between anticipating the formally announced Government's expenditure plans and the very significant uncertainties detailed in the previous paragraph. It might be seen as too cautious given the balance which needs to be struck between much needed investment and future financial stability.
42. The issue of the current levels of reserves held by the Council is detailed at paragraphs 23 - 31 and Appendix 4. The reserves currently held by the Council are at historically high levels set against the Council's established policy of maintaining a minimum prudent reserve of £3 million. Reserves could appropriately be used to assist in support of non-recurring expenditure.
43. There are a number of areas in which Cabinet may wish to consider the application of reserves.
44. Whilst maintaining the pressure on the in-year management of the Social Care budget, there would be the opportunity for the first time for many years to apply reserves to enable Social Care to start the financial year 2005/06 without any budget deficit. That would have to be coupled with a real commitment to new disciplines to ensure that the budget in 2005/06 was managed in a way that enabled it to meet the principles which have become established in other Directorates.
45. A similar approach might be pursued in relation to the Property Services budget. Once again, it would have to be firmly tied in to new approaches to budgetary control.

46. There is a clear case already identified for funding the Change Team required to introduce the required measures into the new Children's Services Directorate from within reserves. This would quite possibly be over more than a single financial year.
47. Again reserves could be used to support the Service Improvement Programme and Procurement Programme through an invest to save approach.
48. Finally, with the pressures of job evaluation and the need for Human Resources support for major change programmes, there would be the opportunity to provide temporary financial support for the Human Resources Division prior to the Cabinet considering final proposals for the structuring of that Division.

Council Tax

49. The final decision on council tax is clearly a matter for Cabinet to recommend to full Council at its March meeting. There are very important service and local political considerations to be taken into account. As previously outlined in the report, the balance to be struck is between maintaining the Council's spending base in the current financial year, providing prudently for the major challenge which on the basis of the Government's announcements would be faced in 2006/07, making judgements about the Government's approach to council tax capping in the forthcoming year and a prudent consideration of the council tax payer. It is for Budget Panel to make an initial recommendation to Cabinet and it may wish to do so by expressing a view on a specific figure or by indicating a range of likely council tax levels.
50. In terms of the Council's 2004/05 budget when the Council was both designated and capped, then the Chief Executive and County Treasurer would clearly advise that the council tax increase should not exceed that arrived at by the Government's own calculation, namely 4.8%. There is a cogent argument for "playing safe" given the circumstances which were encountered in 2004/05. It will be important to continue to monitor likely council tax levels in comparator authorities.
51. On the basis of current information, the Chief Executive and County Treasurer would commend a guideline of between 4% and 4.5%. Conscious of the importance of maintaining the council tax base, the current recommendation would centre around the higher end of that range.
52. That recommendation is made not because of the pressures on expenditure in the financial year 2005/06 but to protect as far as possible the budget position for 2006/07.

Recommendations of Budget Panel

53. Having met on a number of occasions during late 2004, Budget Panel considered the foregoing report on 17th January and has made the following recommendations for Cabinet's consideration:-
 - That the securing of targeted service savings, as set out in paragraph 40 above, be endorsed, particularly having regard to the need to achieve 'Gershon' efficiency targets.
 - That Cabinet note the outcome of the Public Consultation exercise.
 - That work continues to secure Service Improvement Programme and Procurement savings.

- That the RSG Settlement be noted but with concern that on the basis of the accompanying advice from government the significant additional resources provided for 2005/06 are unlikely to be repeated in future years.
- That the potential clawback of grant, referred to in paragraph 16 (h), be noted with concern.
- That the application of reserves referred to in the report be supported.
- That, having regard to the potential capping position, Cabinet refers its budget proposals to Strategic Monitoring Committee indicating that at its final meeting on 24th February, 2005 it would intend to recommend to Council a Council Tax increase of between 4% and 4.5%.

SUMMARY OF PROPOSED BUDGET REDUCTIONS

	Proposed Reductions		
	2005/06 £000	2006/07 £000	2007/08 £000
1 Environment			
Environment General			
- Road Maintenance	730	830	830
- Other	340	440	540
Environment Regulatory	30	30	30
Environment Planning	400	200	100
Total	1500	1500	1500
2 Policy & Finance General			
Policy and Community	214	214	214
Support Services (Human Resources)	30	30	30
Support Services (County Secretary & Solicitors)	136	136	136
Support Services (County Treasurers)	334	393	393
ICT (For reinvestment)	120	314	308
Total	834	1087	1081
3 Policy & Finance Property	205	205	205
4 Community & Economic Development			
Social Development			
Efficiency Savings	301	301	301
Strategic Options and further reductions	401	506	506
Rural Regeneration and smallholdings			
Efficiency Savings	66	66	66
Strategic Options and further reductions	50	50	50
Economic Development Markets & Property			
Efficiency Savings	26	26	26
Strategic Options & further reductions	60	60	60
Total	904	1009	1009
5 Education			
Schools Budget (For reinvestment)	405	405	405
Outside Schools (For reinvestment)	270	270	270
Outside Schools (Corporate contribution)	300	300	300
Total	975	975	975

	Proposed Reductions		
	2005/06 £000	2006/07 £000	2007/08 £000
6 Social Care & Strategic Housing			
<i>Social Care</i>			
Childrens Services			
Best Value bids for Resources	-306	-306	-306
Efficiency & other Savings	204	407	522
Adult Services			
Best Value bids for Resources	-1452	-2629	-3606
Efficiency & other savings	301	694	1170
<i>Other Social Care</i>			
Efficiency and other Savings	329	650	961
Total	-924	-1184	-1259
<i>Strategic Housing</i>			
Efficiency & other Savings	23	46	69
Total	23	46	69

SUMMARY

Proposed Reductions	Proposed Reductions		
	2005/06 £000	2006/07 £000	2007/08 £000
Environment	1500	1500	1500
Policy & Finance – General			
Support Services	500	559	559
Policy & Community	214	214	214
	714	773	773
Community and Economic Development	904	1009	1009
Strategic Housing	23	46	69
Education	300	300	300
Total Proposed Reductions	3441	3628	3651
Contributions towards developments			
ICT	120	314	308
Social Care	-924	-1184	-1259
Education	675	675	675
Property (Reducing overspend b/f)	205	205	205

BUDGET OPTIONS: REPORT ON THE 2004 PUBLIC CONSULTATION
REPORT BY DIRECTOR OF POLICY AND COMMUNITY
AND COUNTY TREASURER

BUDGET PANEL

17 JANUARY 2005

Purpose

1. From October to December 2004, the Council carried out public consultation on future budget options. This paper summarises the various methods used to consult and the results. It invites the Budget Panel to have regard to the results as it considers its advice to Cabinet.

THE BASIS OF THE CONSULTATION

2. The consultation was based on the prudent broad assumption for 2005-06 that taking into account:
 - inescapable service and other spending commitments
 - the then likely ceiling on acceptable Council Tax increases
 - the then estimated level of Government grants
 - £1 million of growth in services, particularly to respond to the needs of increasing numbers of older people
 - £2 million of efficiency savings

The Council would need to reduce service levels to save associated expenditure of £3 million.

CONSULTATION METHODS AND RESULTS

3. ***The Research for Today household survey.*** The centrepiece of the consultation, and the starting point for all the consultation methods, was a survey of 504 households throughout the county undertaken by *Research for Today*. Conducted face-to-face, this required households to choose between types and levels of 24 services so as to produce the required net savings of some £3 million. It therefore replicated the process by which the Council has to prioritise services within a finite total budget.
4. The full service options presented for the consultation are at were available to Budget Panel and are available on request.
5. This household survey was the only method that, as it turned out, provided a statistically reliable and representative sample of the whole adult population. It was also the only method that generated systematic and reliable information about the public's preferred trade-off between levels of service and levels of Council Tax.

6. Overall, 55 per cent were predicted to favour a package of services that would produce the required net savings of £3 million and restrict the increase in Council Tax for a Band D house to £52. Amongst the over 60s, 62 per cent were predicted to favour this package. Although only 48 per cent of under 40s did so, this was the package predicted to be favoured by the greatest number in this group too.
7. A summary of the results in terms of preferred service levels is in the first three columns of Annex 1.
8. ***The Herefordshire Voice Citizen's Panel.*** A questionnaire, based on the *Research for Today* household survey service level options, was sent to the 1,000 members of the Citizen's Panel. There were 156 responses, of which 76 were completed correctly so as to give total net savings of £3 million.
9. This was a low response rate compared with previous surveys of the Citizen's Panel. This was, however, a challenging task for members of the public to undertake without the face-to-face assistance provided as part of the *Research for Today* household survey. Moreover, there is evidence that some Citizen's Panel members chose instead to complete the much simplified version of the questionnaire (see below). The future arrangements for the Panel are under consideration as part of a wider review of community consultation.
10. The results are summarised in columns four and five of Annex 1.
11. In view of the low response rate, this cannot be considered a reliable or representative sample of the whole population. It is noteworthy, however, that in most respects the results reflect the preferences indicated by the *Research for Today* household survey.
12. ***The Council's web-site.*** In essence the same questionnaire as issued to the Citizen's Panel was placed on the Council's web-site. 64 responses were received: 39 completed on-line, and 25 downloaded and returned by FREEPOST.
13. The results are summarised in columns six and seven of Annex 1.
14. Once more, this cannot be considered to be a representative or reliable sample of the whole population, but it does give results that generally correspond closely with those of the *Research for Today* household survey and the Citizen's Panel.
15. ***The simplified questionnaire.*** A greatly simplified version of the questionnaire was published in *The Hereford Times* and *Herefordshire Matters*, made available at the Council's Info. Shops and libraries, and downloadable from the Council's web-site.
16. This did no more than list the 24 areas of service that had been included in the full questionnaires for the *Research for Today* household survey, the Citizen's Panel and on the web-site, without specifying different levels of services and associated spending. It asked respondents simply to tick each service area to show whether they wished to see expenditure on it reduced, maintained or increased. Choices were not therefore constrained by a net savings target.
17. 1,695 responses were received. Of these, 502 came in two batches – from users of the Bridge Street, Leominster leisure centre and from *the Herefordshire Citizen's Advice Bureau* - where respondents had indicated their views in respect of only one service option.
18. Of those that were submitted individually, almost half were from *Herefordshire*

Matters, fewer than 10 per cent from *The Hereford Times*, over 24 per cent downloaded from the Council's web-site, and over 18 per cent from Info. centres and libraries.

19. Despite the large of responses, this cannot be considered a representative or reliable sample of the whole population, but it does again show priorities that are, for the most part, consistent with those from respondents to the full questionnaire.
20. It is also noteworthy that a much smaller number of respondents indicated a wish to see increased spending on particular services than wanted to maintain or reduce it: in the case of only four service areas did more than 20 per cent of respondents want to increase spending.
21. **Youth Times.** As part of *Local Democracy Week*, six councillors were interviewed by young people. Twelve 13 to 25 year-olds took part, with others contributing by e-mail. This was the only method of consultation that tested the opinions of people under 18.
22. The results are summarised at Annex 2. Although they cannot be regarded as statistically reliable or representative of all young people in the county, they do show that this group, at least, has very different priorities from the majority of the adult population.
23. **Written comments from partners and other organisations, and from individuals.** 22 partner and other organisations, and 54 individuals, sent written comments.
24. The comments from organisations concern the services of direct relevance to them. Typical examples are the plea from local NHS trusts for the increased investment in support for older people that would end the blocking of hospital beds; and the assertion by the voluntary and community sector of the value of their contribution, coupled with urging comparison of the cost-effectiveness of the services they provide with those provided directly by the Council.
25. Most individuals press the case of one service area, such as Tourist Information Centres or the Courtyard Theatre.
26. **Local Area Forums.** Special meetings of the six Local Area Forums were held. 172 members of the public attended, with numbers ranging from 13 at the Central Herefordshire LAF to 50 at the Hereford City LAF.
27. There was no dominant theme as to which services should be reduced, maintained or increased. Indeed, the most frequent points raised were not about service levels as such but were instead requests for more information about the relative costs of different services; testing of whether the Council was doing enough to reduce expenditure by means of increased efficiency rather than cutting services; and, more generally, to probe as to whether the Council was addressing the right issues.

SUMMARY

28. The only statistically robust and representative reflection of the views of the whole adult population of the county is that produced by the *Research for Today* survey of 504 households. The results are summarised in the first three columns of Annex 1.
29. That said, a broadly similar set of priorities emerged from the other methods of

consultation that used either the full or greatly simplified questionnaires based on the service area choices in the *Research for Today* household survey.

30. The *Research for Today* survey also indicates that the majority of adults would be likely to favour a package that combines a relatively modest increase in Council Tax with, if necessary, targeted service reductions of up to £3 million.

Summary of preferred choices from the Research for Today, Herefordshire Voice and web-site long questionnaires

Service	Research for Today options	Cost / Saving £	Herefordshire Voice options	Cost / Saving £	Web-site long questionnaire options	Cost / Saving £
Providing transport to Social Care service users	Reduce from 83,000 to 66,500 journeys	- 250K	Reduce from 83,000 to 66,500 journeys	- 250K	Reduce from 83,000 to 66,500 journeys	-250K
Providing home to school transport for those who choose a denominational school	Withdraw transport to denominational schools	- 250K	Withdraw transport to denominational schools	-250K	Withdraw transport to denominational schools	-250K
Merging home to school / college transport routes	Merge routes – 360 pupils have longer journeys	- 200K	Merge routes – 360 pupils have longer journeys	- 200K	Merge routes – 360 pupils have longer journeys	- 200K
Providing car parks	Increase charges, end concessionary parking and end season tickets	- 300K	Increase charges, end concessionary parking and end season tickets	- 300K	Increase charges, end concessionary parking and end season tickets	- 300K
Supporting public transport	Stop funding voluntary sector run community transport and reduce bus subsidies by 20% Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 300K	Stop funding voluntary sector run community transport and reduce bus subsidies by 20% Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 300K	Stop funding voluntary sector run community transport and reduce bus subsidies by 20% Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 300K
Providing a parks and countryside service	Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 200K	Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 200K	Further reduce financial support for parks and open spaces, withdraw support for Areas of Outstanding Natural Beauty and withdraw from Britain in Bloom and introduce modest car parking charges at Queenswood	- 200K

Service	Research for Today options	Cost / Saving £	Herefordshire Voice options	Cost / Saving £	Web-site long questionnaire options	Cost / Saving £
Providing support, funding and grants for voluntary and community organisations	Discontinue financial support for small projects of voluntary and community organisations. And <i>further</i> reduce longer term funding for advice organisations	- 500K	Discontinue financial support for small projects of voluntary and community organisations. And <i>further</i> reduce longer term funding for advice organisations	- 500K	Discontinue financial support for small projects of voluntary and community organisations. And <i>further</i> reduce longer term funding for advice organisations	- 500K
Making charges for vulnerable people receiving Social Care services	Increase charges by 20%	- 100K	No other option chosen	0	Increase charges by 10%	- 50K
Helping vulnerable people choose their own long term care	<i>Further</i> limit choice for people to choose their own long term care	- 400K	Limit choice for people to choose their own long term care	- 200K	<i>Further</i> limit choice for people to choose their own long term care	- 400K
Providing nursery places for three year olds	Reduce provision from 1,500 places to 1,300 places	- 200K	Reduce provision from 1,500 places to 1,300 places	- 200K	Reduce provision from 1,500 places to 1,300 places	- 200K
Providing environmental conservation services	Discontinue historic building grants, the making of tree preservation orders, and <i>reduce</i> community based project work	- 50K	No other option chosen	0	Discontinue historic building grants, the making of tree preservation orders, and <i>reduce</i> community based project work	- 50K
Providing grants for arts organisations and the Courtyard Theatre	Stop grants to the arts and some reduction in support for the Courtyard	- 100K	50% reduction in grants to the arts and some reduction in support for the Courtyard	- 50K	Stop grants to the arts and some reduction in support for the Courtyard	- 100K
Change the way care is provided to vulnerable adults	200 fewer day care places	- 50K	Reduce day care by 400 places a year	- 100K	No other option chosen	0

Service	Research for Today Consultation Options	Cost / Saving Implications	Herefordshire Voice Consultation Options	Cost / Saving Implications	Long Questionnaire Consultation Options	Cost / Saving Implications
Providing museums	Close all except Hereford Museum and Art Gallery	- 50K	No other option chosen	0	No other option chosen	0
Providing information for tourists	Close Ross Ledbury, Queenswood and Leominster TICs.	- 100K	No other option chosen	0	No other option chosen	0
Providing leisure facilities	No other option chosen	0	Increase charges for leisure facilities	- 50K	Increase charges for leisure facilities	- 50K
Helping older people to leave hospital	No other option chosen	0	Increase number delayed from 20 to 25	- 100K	No other option chosen	0
Providing children looked after by the Council with Herefordshire foster carers	No other option chosen	0	No other option chosen	0	No other option chosen	0
Providing Youth Services	No other option chosen	0	No other option chosen	0	No other option chosen	0
Providing a community library service	No other option chosen	0	No other option chosen	0	No other option chosen	0
Improving the street scene	No other option chosen	0	No other option chosen	0	No other option chosen	0
Maintaining roads and footways	No other option chosen	0	22% Reduction	- 300K	No other option chosen	0
Providing public conveniences	No other option chosen	0	No other option chosen	0	Close 6	- 150K
Helping older people to live at home rather than in care homes	Increase from 200 to 250 the number of older people helped to live at home rather than in care homes	+250K	No other option chosen	0	No other option chosen	0
TOTALS		- 2800K		- 3000K		- 3000K

SUMMARY OF “YOUTH TIMES” CONSULTATION

Increase expenditure on:

- leisure services for young people, including music venues; internet café; new cinema and entertainment complex; the proposed new skate-park
- youth services
- public transport
- environmental conservation
- grants for arts organisations, including the Courtyard Theatre

Reduce expenditure on:

- roads and footway maintenance

A general plea to give young people a larger input into what happens in the county.

APPENDIX 3

FRM	2005/2006			2006/2007			2007/2008			2008/2009		
	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000	Total £'000	Education £'000	Other Services £'000
Base Budget	175,320	84,008	91,312	184,788	87,986	96,802	195,118	93,970	101,148	205,090	99,608	105,482
Inflation	5,404	2,527	2,877	5,253	2,647	2,606	5,684	2,837	2,847	5,958	3,007	2,951
	180,724	86,535	94,189	190,041	90,633	99,408	200,802	96,807	103,995	211,048	102,615	108,433
Other Items	911		911	825		825	580		580	580		580
- Waste management - PFI Contract	(323)		(323)	0		0	0		0	0		0
- Transfer of Magistrates Budget	774		774	1,995		1,995	0		0	0		0
- Part transfer of Preserved Rights grant into FSS	620		620	764		764	0		0	0		0
- Incorporation of Residential Allowances into FSS	0		0	187		187	0		0	0		0
- Transfer of Children's Quality Protects Grant into FSS	161		161	0		0	0		0	0		0
- Transfer of Training Support Programme Grant into FSS	50		50	0		0	0		0	0		0
- Other PSS FSS Transfers	72		72	0		0	0		0	0		0
- Civil Defence Grant into FSS	125		125	0		0	0		0	0		0
- Edgar Street Delivery Vehicle	(1,503)		(1,503)	0		0	0		0	0		0
- Direct Funding of Env Agency Levy (Wales)	(30)		(30)	0		0	0		0	0		0
- LPSA expenditure (Youth Offending - one-off expend 2004/05)	(750)		(750)	(750)		(750)	0		0	0		0
- LPSA 1 Performance Reward Grant	750		750	750		750	0		0	0		0
- Pump Priming of LPSA 2	100		100	0		0	0		0	0		0
- Corporate (Increased insurance premiums)	805		805	300		300	0		0	0		0
- Job Evaluation	176		176	1,135		1,135	1,033		1,033	781		781
- Changes in Capital Financing Costs	0		0	0		0	0		0	(453)		(453)
- Repayment of LGR SCA	540		540	775		775	863		863	756		756
- Prudential Code - Capital Implications	135		135	(3)		(3)	(3)		(3)	(3)		(3)
- Purchase of land at Plough Lane via Prudential Borrowing	0		0	300		300	1		1	144		144
- Whitecross School - PFI Contract	2,613	0	2,613	6,278	300	5,978	2,474	1	2,473	1,805	144	1,661
Additional Funding/(Savings)	0		0	(4,238)		(4,238)	(986)		(986)	689		689
Savings Required to keep Council Tax at potential cap	0	0	0	(4,238)	0	(4,238)	(986)	0	(986)	689	0	689
	2,613	0	2,613	2,040	300	1,740	1,488	1	1,487	2,494	144	2,350
Reinstated Education budget at FSS	183,337	86,535	96,802	192,081	90,933	101,148	202,290	96,808	105,482	213,542	102,759	110,783
TOTAL STANDSTILL BUDGET	1,451	1,451	0	3,037	3,037	0	2,800	2,800	0	833	833	0
	184,788	87,986	96,802	195,118	93,970	101,148	205,090	99,608	105,482	214,375	103,592	110,783
Assumed FSS	182,373			192,586			202,444			210,817		
Council Tax at 'Standstill'	4.6%			5.5%			5.1%			5.1%		
Council Tax increase - Government "Guideline"	4.8%			5.5%			5.1%			5.1% ?		
Assumptions												
Assumed Pay and Price Increase	Employees - 2.95%			Employees - 2.95%			Employees - 3%			Employees - 3%		
	Teachers - 2.95%			Teachers - 3%			Teachers - 3%			Teachers - 3%		
	Employers pension contributions - additional 0.7% on basic pay			Employers pension contributions - additional 0.5% on basic pay			Employers pension contributions - additional 0.6% on basic pay			Employers pension contributions - additional 0.6% on basic pay		
	Other Expenditure - 2.5%			Other Expenditure - 2.5%			Other Expenditure - 2.5%			Other Expenditure - 2.5%		
	Income - 2.5%			Income - 2.5%			Income - 2.5%			Income - 2.5%		
Assumed FSS increase (as per FSS/Spending Review)	5.4%			5.6%			5.1%			4.1%		
Assumed Formula Grant increase	5.4%			5.7%			5.1%			4.2%		
Assumed Collection Fund Surplus	£ 300			£ 300			£ 300			£ 300		

STATEMENT OF RESERVES AND BALANCES

	£000
General Reserves (estimated March 2005)	5,000
Other Provisions and Reserves at 31st March 2004	
Schools delegated budgets	6,845
Retained at discretion of governing bodies	
Winter Maintenance Reserve (gritting)	
Retained to even out year on year fluctuations	108
Insurance	
Set to meet future insurance excesses and uninsured loss (self insurance)	1,088
Schools Balance of Risk	
Internal insurance for schools	253
Bad debts	
Former Hereford and Worcester liabilities	82
Maintenance of Open Spaces	
Commuted lump sums utilised to meet additional maintenance liabilities	162
Planning	
Section 106 Agreements	78
Initiatives Fund	
To fund projects	227
Miscellaneous	
Other minor provisions retaining funds held for specific purposes	662

REVENUE BUDGET 2005/06

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

SUPPLEMENTARY REPORT FROM THE LEADER OF THE COUNCIL

CABINET

27TH JANUARY, 2005

This report is supplementary to the report at Item 3 on the Revenue Budget 2005/06 which forms part of the papers for the Cabinet meeting on 27th January, 2005.

1. The purpose of the paper is to give further detail in relation to paragraph 40 of the Budget Panel report to Cabinet. The report recommends that Cabinet supports the retention of the targeted service savings of £3 million, amending that target by reference to the schedules enclosed at Appendix 1 as they see appropriate. Whilst Budget Panel did not specifically recommend amendments to that total they were aware of the broad areas which were under consideration, which areas themselves were the subject of scrutiny reports which had either yet to be considered by the relevant scrutiny committee and/or the issues raised by those reports had remained to be addressed by the Executive.
2. The reports in question are the report of the Environment Scrutiny Committee on Car Parking Strategy which was considered by the Environment Scrutiny Committee on Monday, 24th January, 2005 and the report of the Strategic Monitoring Committee on the Voluntary Sector Review which was considered at a special meeting of the Strategic Monitoring Committee on Wednesday, 12th January, 2005.
3. The Leader will propose that the summary of proposed reductions set out at Appendix 1 be amended:

£000's

(a) Under the Environment General heading, to delete the savings in 2005/06 in respect of:

Concessionary Parking - delete the proposal to end concessionary parking fares to 65 year olds along with season tickets	125
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Car Parking income - delete the proposal in 2005/06 for an additional 3% increase in income to 5.5% overall	75
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The reason for this deletion is to reflect the fact that the improved settlement for the financial year 2005/06 enables the Council to give further consideration to such a proposal in the context of the Environment Scrutiny report on Car Parking Strategy.

Further information on the subject of this report is available from Councillor R.J. Phillips, Leader of the Council, on 01432 260046

£000's

(b) Under the Social and Economic Development heading

Voluntary Sector - to delete part of the proposed saving of £180,000 which included the suspension of one-off grants to the voluntary sector and which carried the caveat that it need to be considered in the light of service improvement review findings, previously referred to in this report. circa 100 - 150

Leisure - delete the proposal to introduce car parking charges at the Hereford Leisure Centre 35

335 - 385

The reason for the first part of the proposal is to allow further consideration to be given to the part withdrawal of funding from the voluntary sector. The Voluntary Sector Review established that the Council in comparative terms makes significant investment in the voluntary sector but this revised proposal would allow Cabinet greater flexibility in giving consideration to the implementation of the Voluntary Sector Review and in particular to mitigate the impact of ceasing to make "one-off" grants recognising that in a number of instances such "one-off" grants had been awarded over successive years

The reason for the deferral of the introduction of car parking charges at the Hereford Leisure Centre is to enable that proposal to be considered in the broader context of the Car Parking Strategy and is consistent with a decision to defer similar proposals in relation to concessionary parking for the over 65 year olds and increasing car parking charges above the rate of inflation which it is also proposed be considered in the context of that wider strategy.

4. The Leader will formally propose these amendments at the meeting of Cabinet.

COMPREHENSIVE PERFORMANCE ASSESSMENT FROM 2005: RESPONSE TO CONSULTATION DOCUMENT

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

27TH JANUARY, 2005

Wards Affected

None

Purpose

To agree the terms of the Council's response to the Audit Commission's consultation document, "Proposals for Comprehensive Performance Assessment from 2005".

Key Decision

This is not a Key Decision.

Recommendation

THAT the Chief Executive should reply on behalf of the Council in the terms of the draft letter at Appendix 1.

Reasons

Like all local authorities, the Council will be subject to the proposed new framework for Comprehensive Performance Assessment (CPA). Particular issues arise because the Council is provisionally scheduled to be included in the first round of assessments under the new framework this autumn. It is important that the Council should respond.

Considerations

1. Cabinet considered the proposed new framework at its meeting on 13th January, 2005. It agreed that the Council should respond to the consultation document.

Financial Implications

None

Alternative Options

Alternative Option 1

None. The Council has already decided that it is in the Council's interests to respond.

Further information on the subject of this report is available from
N.M. Pringle, Chief Executive on 01432 260044

Risk Management

There are inherent risks to all local authorities in the CPA process. These would increase under the proposed new process because the nature, extent and standards of the assessment would be more demanding. By responding to the consultation, the Council can seek to influence the framework.

Consultees

None

Background Papers

None

DRAFT LETTER

Dear Sirs,

PROPOSALS FOR COMPREHENSIVE PERFORMANCE ASSESSMENT FROM 2005

Herefordshire Council welcomes the opportunity to comment on the Commission's proposals for the new CPA framework. The Council has previously responded to consultation indicating its support for the principle that there is value in the system of Comprehensive Performance Assessment which enables the performance of individual local authorities and their constituent services to be measured. The Council recognises that there is an inherent tension between representations that any such system of evaluation should be intellectually robust and transparent; that the system should be capable of being easily understood by both the authority and the public who it serves who need to be able to interpret them; and that it should recognise the existing burden of inspection and seek to relieve authorities from that burden rather than add to it. Within that context, the Council has felt it inappropriate to submit a detailed critique of every aspect of the proposed framework but has sought instead to set out what it sees as the strengths of the revised framework whilst drawing attention to areas of potential concern.

Against that background, the Council welcomes particularly:-

- the concentration on outcomes for local people and on value for money, clearly against the background that the basis for such judgements are demonstrably fair and balanced and are based on the most up to date information available.
- the greater emphasis that is to be placed on the context of service delivery. This is not the place to rehearse the characteristics of individual authorities but the point is illustrated by reference to Herefordshire. Herefordshire is not a typical Unitary Authority. It has a population of 176,500 and covers a geographical area of 217,000 hectares, an area more typical of rural County Councils. It is the most sparsely populated Unitary Authority and despite appearances nor is it economically prosperous. The average gross weekly earnings in Herefordshire are the lowest in the West Midlands and stand at 78% of the national average. Those points are made not in a domestic context, simply in the context of registering the importance of taking into account the local context.
- reduction in the burden of inspection by making better use of other available information about the performance of services.
- the move to a model that does not rely simply on the assessments of plans or inspection scores but that pays particular attention to appropriate performance indicators whilst taking into account other available supporting information provided to the Commission. Where that information informs judgements on service performance, it is important that both the nature and source of the information and the weight it is given is explicit in the judgement.
- the alignment of the substance and timing of the Corporate Performance Assessment and the Joint Review of Children's Services despite recognising the significant burden of inspection that will be placed upon authorities over the relatively short period of the two inspections.
- the greater emphasis placed on pre-inspection activity and self-assessment which should help in establishing the local context previously referred to. Again, it is important that there should be clarity about the sources of information being utilised and the weight being placed upon them as part of that activity.

- the principle of using rules rather than scores to determine the overall CPA categorisation.
- the extension of the existing approach to Direction of Travel with the publication of explicit Direction of Travel statements. It is felt that particular weight should be given to both past and future Direction of Travel statements in the application of the rules for producing overall CPA categorisations. (This point is developed in the concerns which are outlined below.)

Within the context of the Council's broad support for the revised framework, the Council would like the Commission to take account of the following points:-

- The Council has offered support for greater weight being given to the local context within which an authority operates and has illustrated that very briefly by reference to the particular local characteristics of Herefordshire. There are, however, some potential tensions between those statements and the indication that amongst the main changes proposed are greater emphasis on assessing how well the Council contributes to the achievement of shared priorities between local and central government while understanding and meeting the needs of its local communities.

It is important not to exaggerate the tension because the priorities for central government will often have a close alignment with the needs of local communities but the Council would have welcomed clear statements on the approach within inspection to circumstances where there was a clearer and well-reasoned explanation of a local political choice which was less well aligned with such priorities. Some of the key lines of enquiry would appear potentially to unnecessarily fetter the discretion of inspection teams.

- The Council is also anxious that the rule based approach should not operate in a way that inhibits innovation. It is accepted that this is not the intention of the framework and examination of the rules based approach and the key lines of enquiry do illustrate how that could arise. There is a tension between the desire to create a system which creates a national consistency whilst at the same time recognising the value of innovation within the context of local service provision. It is hoped there is some way in which inspection teams can be encouraged to give weight to that issue within the rule based framework.
- The Council does have concern about the parallel running of the existing system of CPA alongside CPA 2005 for the period 2005 - 2008. Clearly, at least in part, the Council's concerns are based on the fact that it is provisionally listed for inspection in the period September - December 2005 and will therefore have to handle the dual announcements in each year of the whole of the three year period. The Council recognises that if change, which is broadly supported, is to be made then that period of double running is unavoidable but does want to reinforce the need for the Commission to give prominence to that issue alongside the making of the national annual announcements. The Council has no strong views about the decrease in number of overall classifications and will be inclined to support the reduction of number of categories that might assist the drawing of a distinction between the two systems in the period 2005 - 2008.
- Finally, the Council believes that it will be appropriate to give significant weight to the Direction of Travel statements to avoid the situation where year on year there were changes to the overall categorisation as a result of the changes in the rule based scores. It is felt that there is an opportunity for the consistency of Direction of Travel to be more fully reflected in reaching those conclusions.

In summary therefore the Council is broadly supportive of the revised framework. It is hoped that the concerns which it has expressed will be considered. For the most part, those

concerns are probably insufficiently significant to require consideration of changes to the framework itself at this stage but could probably best be considered as part of the practical roll out of the framework and as part of the learning process from the pilot and first round inspections.

Yours faithfully

CORPORATE HEALTH PERFORMANCE

PROGRAMME AREA RESPONSIBILITY: AUDIT AND PERFORMANCE MANAGEMENT

CABINET

27TH JANUARY 2005

Wards Affected

County-wide

Purpose

To receive an update on the Council's corporate performance in relation to our National and Local Best Value Performance Indicators from 1 April 2004 to 30 November 2004.

Key Decision

This is not a key decision.

Recommendation

THAT performance in relation to the Council's National and Local Corporate Best Value Indicators, from 1 April to 30 November 2004 be noted.

Reasons

The Council has developed revised performance monitoring arrangements as outlined in the Comprehensive Performance Self-assessment document submitted to the Audit Commission. The revised arrangements ensure that the Chief Executive's Management Team, the Strategic Monitoring Committee, Scrutiny Committees, and Cabinet are all involved in the performance monitoring process.

Considerations

1. During 2004/2005 corporate performance is being reported to Cabinet at 4, 6, 8, 10 and 12 monthly intervals, in line with the Council's Performance Management Framework.
2. Corporate performance for the 8 month period 1 April 2004 to 30 November 2004 has been reported on an exception basis and only those indicators where there is a variation on the target of at least + or – 10% are highlighted.
3. Cabinet last received a performance update against Corporate Health Performance Indicators in December. Appendix 1 contains the latest update and shows:
 - Comparative performance against target, previous performance to September 2004 and against top quartile performance for unitary authorities in 2003/04; and
 - Narrative explaining variances from target where applicable.

Further information on the subject of this report is available from
Kevin Lloyd, Policy Assistant, on (01432) 383401

Risk Management

Failure to review performance and improvement activity would undermine the implementation of the Council's Performance Management Framework.

Background Papers

- Herefordshire Council's Performance Management Framework
- Best Value Performance Indicators 2003/2004

APPENDIX 1

Above Target Performance

NATIONAL PERFORMANCE INDICATORS									
BV ref	Indicator	Top Quartile for 2003/04	Actual outturn for 2003/04	Target for 2004/05	Actual Performance				Aim
					April – July	April – September	April – November	April - January	
BV 76b	Housing benefit security – number of fraud investigators employed per 1,000 caseload	0.38	0.34	0.33	0.39	0.37	0.37		High
BV 76c	Housing benefit security – the number of fraud investigations per 1,000 caseload	43.89	40.37	38	63	53	55		High
<p>Since April 2004 the Benefit Investigation unit has increased its resources by moving 2 benefit assessment officers into the unit to deal with initial fraud referrals, including those that have been identified through the new interventions regime.</p>									
BV 76d	Housing benefit security – the number of prosecutions and sanctions per 1,000 caseload	4.35	5.64	7	9	8	8		High
<p>Since April 2004 the Benefit Investigation unit has increased its resources by moving 2 benefit assessment officers into the unit to deal with initial fraud referrals including those that have been identified through the new interventions regime. This has resulted in investigating officers being able to put more resources into prosecutions and sanctions</p>									

Below Target Performance

NATIONAL PERFORMANCE INDICATORS									
BV ref	Indicator	Top Quartile for 2003/04	Actual outturn for 2003/04	Target for 2004/05	Actual Performance				Aim
					April – July	April – September	April – November	April - January	
BV 11a	The percentage of top 5% of earners that are women	46.19%	42.4%	45%	42.2%	42.4%	42.4%		High
BV 11b	The percentage of top 5% of earners that are from black and minority ethnic communities	3.59%	2.4%	2.75%	2.4%	2.4%	2.4%		High
BV 12	The number of working days/shifts lost to sickness absence per full time equivalent employees	9.48 FTE	7.16 FTE	7 FTE	6.9 FTE	7.8 FTE	8.36 FTE		Low
BV 157	The number of types of interactions that are enabled for electronic delivery as a percentage of the types of interactions that are legally permissible for electronic delivery	75%	75%	100%	Not Monitored			82.46%	High

NATIONAL PERFORMANCE INDICATORS								
BV ref	Indicator	Top Quartile for 2003/04	Actual outturn for 2003/04	Target for 2004/05	Actual Performance			Aim
					April – July	April – September	April – November	
BV 76a	Housing benefit security – number of claimants visited per 1,000 caseload	331.06	174.25	255	203	104	122	High
As mentioned in the monitoring report for April-September, a change to the visiting function with interventions has resulted in visits taking longer than previously.								
BV 78a	Speed of processing – average time for processing new claims	35.8 days	52.34 days	32 days	49.6 days	38.5 days	37.4 days	Low
Although the average performance for the period April to November is missing target it is anticipated that, based on more recent performance, final outturn will be better than target.								
BV 78b	Speed of processing – average time for processing notifications of changes of circumstance	8.6 days	9.77 days	8 days	11.2 days	14.1 days	10.6 days	Low
As mentioned in the monitoring report for April-September, the target for this indicator was set based on Department of Work and Pensions (DWP) guidelines, however the definition for the measurement of number of days has changed since April 2004. The increase in the number of days to process a change under this new definition is to be expected. It was hoped that data would now be available from the DWP to make comparison with how we are currently performing against the new definition. However, a recent Newsletter from the DWP indicates that there is uncertainty as to whether local authorities are measuring performance against the definition accurately making it difficult to gauge performance and review target.								

LOCAL PERFORMANCE INDICATORS							
Indicator	Actual outturn for 2003/04	Target for 2004/05	Actual Performance				Aim
			April – July	April – September	April – November	April – January	
Number of recorded complaints, both formal and informal	434	440	85 (147 interim target)	119 (220 interim target)	207 (293 interim target)	(367 interim target)	High

REPORT OF THE STRATEGIC MONITORING COMMITTEE

Meetings Held on 12 and 14 January, 2005

Membership:

Councillors: T.M. James (Chairman), Mrs. P.A. Andrews (Vice-Chairman), B.F. Ashton, W.L.S. Bowen, A.C.R. Chappell, J.H.R. Goodwin, Mrs M.D. Lloyd-Hayes, J. Stone, J.P. Thomas, W.J.S. Thomas.

HUMAN RESOURCES STRATEGY PROGRESS

1. The Committee has noted a report on progress against the Council's Human Resources (HR) Strategy including the main findings from the 2004 Staff Opinion Survey and 2003-04 Exit Surveys.
2. Although at the top end of response rates for surveys of this type the Committee was concerned that, at 38%, the response rate was too low. It was noted that the survey had been issued shortly after the Job Evaluation and Single Status results had been announced to staff and it was thought this had influenced both the response rate and the survey responses generally. It was also acknowledged that work was underway to seek to encourage a higher response rate.

DRAFT CORPORATE PLAN

3. The Committee has noted the position in relation to the development of the Corporate Plan.

COMPREHENSIVE PERFORMANCE ASSESSMENT

4. The Committee has been informed of the provisional timetable for joint area review of services for children and a corporate assessment and the challenge this presents for the Council as a whole.

LOCAL PUBLIC SERVICE AGREEMENT

5. Progress towards developing the second Local Public Service Agreement with the Government has been noted.

RACE EQUALITY SCHEME

6. The Committee has noted progress against the action plan which accompanies the Council's Race Equality Scheme, key initiatives to promote Race Equality and progress in delivering diversity training.

DEVELOPING THE CHILDREN'S AGENDA IN HEREFORDSHIRE – CHANGE FOR CHILDREN

7. The Committee has noted the arrangements made by Cabinet to respond to the Change for Children and Local Performance Improvement Agenda.
8. Assurances were given to the Committee that all parties affected by the changes would be kept fully informed of developments. It was also noted that there was an opportunity for Councillors in their role as School Governors to provide reassurance to schools about the changes.

BEST VALUE REVIEW OF SERVICES FOR PEOPLE WITH A PHYSICAL DISABILITY – STAGE 3 REPORT

9. The Committee has approved the Stage 3 report of the Best Value Review of social care services for people with a physical disability.

PERFORMANCE MONITORING – CORPORATE HEALTH

10. In noting the report on corporate performance in relation to Best Value Indicators the Committee has remarked upon the continued importance of performance, currently below target, against the targets for processing new benefit claims and claims where there has been a notification of a change in circumstance. It has been reminded of the recent independent inspection report on the Benefits Service by the Benefit Fraud Agency, which had highlighted that the Service was demonstrating good practice in many areas. The County Treasurer informed the Committee that the imminent implementation of a new processing system might have an adverse impact in the short-term but performance should then improve.

REVENUE AND CAPITAL BUDGET MONITORING

11. The Committee has noted the revenue and capital budget monitoring reports.

INTERIM AUDIT ASSURANCE REPORT 2004/2005

12. The Committee has noted the key internal control issues identified during audit work and advised of the action taken to address them.

ISSUES CONSIDERED BY THE INDIVIDUAL SCRUTINY COMMITTEES

13. The work of the Committees is analysed below as far as practicable under the following five roles for overview and scrutiny: holding the executive to account, best value reviews, policy development and review, external scrutiny, and improvement (performance management and review), the first four of which are identified as key roles in report on “The Development of Overview and Scrutiny in Local Government published by the Office of the Deputy Prime Minister”. Issues considered by the Strategic Monitoring Committee not all of which are dealt with above because they arise from its role in fulfilling its remit to scrutinise the Policy and Finance Programme area, rather than being of Council-wide significance, are listed for completeness.

Education

14. The Education Scrutiny Committee met on 14th December, 2004 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	Update on Reviews Conducted Special Educational Needs Provision and Support Services Improvement Plan
Policy Development and Review	Education Welfare Service – Policy and procedures on Schools Attendance Supporting pupils Learning English as a foreign language Security in Schools Primary School Provision in Hereford City
External Scrutiny	
Improvement (Performance Management and Review)	Progress of Major Capital Schemes and Targeted Capital Fund Revenue Budget Monitoring Local Public Service Agreement
Other	

15. The Environment Scrutiny Committee met on 8th December, 2004 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	Implementation of Improvement Plans
Policy Development and Review	Supporting Local Bus Services Parking Strategy - update
External Scrutiny	A49 Trunk Road – Road Safety Issues
Improvement (Performance Management and Review)	Capital Budget Monitoring Revenue Budget Monitoring Good Environmental Management Performance Herefordshire Plan Ambitions Human Resources Performance Indicators
Other	-

16. The Health Scrutiny Committee met on 9th December, 2004 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Emergency Care Access Communication and Morale Future Support for Patient and Public Involvement in Health
External Scrutiny	Primary Care Trust Briefing
Improvement (Performance Management and Review)	
Other	-

18. The Social Care and Housing Scrutiny Committee met on 13th December 2004 and considered the following issues:

Theme	Reports
Holding the Executive to Account	-
Best Value Reviews	Services for People with a Physical Disability
Policy Development and Review	Home Care Supported Housing for People with Mental Health Problems
External Scrutiny	
Improvement (Performance Management and Review)	Supporting People Programme Performance Indicators Revenue Budget Monitoring
Other	Annual Social Services Conference

18. The Social and Economic Development Scrutiny Committee met on 3rd December 2004 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	Tourism Services
Policy Development and Review	Future use of Libraries Courtyard Review - update
External Scrutiny	
Improvement (Performance Management and Review)	Performance Indicators Youth Service Indicators Revenue Budget Monitoring Staffing Numbers Herefordshire Plan Ambition Groups
Other	

19. The Committee was also informed of a review meeting on 26 January, 2005, commissioned by the Social and Economic Development Scrutiny Committee to consider pedestrianisation of part of Hereford City Centre and an additional meeting of the Committee on 31st January to discuss the findings of the review of the Courtyard Centre for the Arts.

20. The business conducted by the Strategic Monitoring Committee at its meetings on 12 and 14 January 2005 is summarised below.

Theme	Reports
Holding the Executive to Account	-
Best Value Reviews	Services for People with a Physical Disability – Stage 3
Policy Development and Review	Review of Support to the Voluntary Sector Corporate Plan Developing the Children's Agenda In Herefordshire – Change for Children
External Scrutiny	
Improvement (Performance Management and Review)	Human Resources Strategy Performance Monitoring Comprehensive Performance Assessment Race Equality Scheme Local Public Service Agreement Budget Monitoring 2004/2005 Capital Programme Monitoring 2004/2005 Interim Audit Assurance Report
Other	

T.M. JAMES
CHAIRMAN
STRATEGIC MONITORING COMMITTEE

BACKGROUND PAPERS

- Agenda Papers of the Meeting of the Strategic Monitoring Committee held on 12 and 14 January 2005.