

**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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11th May, 2005

Dear Councillor,

**MEETING OF CABINET  
THURSDAY, 19TH MAY, 2005 AT 2.15 P.M.  
COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

**AGENDA (05/09)**

**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. SOCIAL CARE BUDGET**

To advise Cabinet of the conclusions arising from the review undertaken into the causes of the increase in overspend of the Social Care Budget and the implications for 2005/06 and beyond. *(Pages 1 - 14)*

**4. CORPORATE PLANNING PROCESS**

To approve the corporate planning process for 2005-06. *(Pages 15 - 18)*



**5. LOCAL AREA AGREEMENTS: NEXT STEPS**

To consent to register interest in a Local Area Agreement by the closing date of 20th May, 2005. *(Pages 19 - 20)*

**6. RACE EQUALITY SCHEME 2005-2008**

To approve the Council's draft Race Equality Scheme and Action Plan 2005-2008. *(Pages 21 - 22)*

**Note: The Draft Race Equality Scheme is enclosed as a separate document. Please bring it to the meeting.**

**7. LOCAL PUBLIC SERVICE AGREEMENT**

To receive a progress report on LPSA2 and the latest monitoring on LPSA1. *(Report to follow)*

**8. CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS**

To note the Council's response to the DfES consultation paper (response deadline 13th May) and to determine whether Cabinet wishes to add any further comments in a supplementary letter. *(Pages 23 - 36)*

**9. CHANGE FOR CHILDREN IN HEREFORDSHIRE**

To note the progress in Herefordshire in relation to the Change for Children programme. *(Pages 37 - 42)*

**EXCLUSION OF THE PUBLIC AND PRESS**

**In the opinion of the Proper Officer, the next items will not be, or are likely not to be, open to the public and press at the time they are considered.**

**RECOMMENDATION:**

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

## **10. HOME IMPROVEMENT AGENCY SERVICE**

To consider the future provision of a Home Improvement Agency Service in Herefordshire.  
(Pages 43 - 92)

**This item discloses any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.**

## **11. HOMELESSNESS AND HOUSING ADVICE**

To note Herefordshire Housing Ltd's decision to withdraw from the Housing Agency Agreement in respect of Homelessness and Housing Advice Agency Services and to consider future options. (Pages 93 - 108)

**This item discloses any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.**

## **12. PROPERTY STRATEGY**

To recommend a strategy for the future management of Herefordshire Council's Property Portfolio. (Pages 109 - 150)

**This item discloses any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.**

**This item discloses the identity of the authority (as well as any other person, by virtue of paragraph 7 of Schedule 12A, Local Government Act 1972) as the person offering any particular tender for a contract for the supply of goods or services.**

### 13. OFFICE ACCOMMODATION

To recommend an office accommodation strategy and business case for centralising office accommodation and the options available. *(Pages 151 - 170)*

**This item discloses any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.**

Yours sincerely,

A handwritten signature in black ink that reads "Neil Pringle". The signature is written in a cursive style with a large, looped initial "N".

**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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## SOCIAL CARE BUDGET

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE SOCIAL CARE AND STRATEGIC HOUSING

CABINET

19TH MAY, 2005

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#### Wards Affected

County-wide.

#### Purpose

To advise Cabinet of the conclusions arising from the review undertaken into the causes of the increase in overspend of the Social Care Budget and the implications for 2005/06 and beyond.

#### Key Decision

This is a key decision as there is the potential to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000. It was not included in the Forward Plan. A Notice in accordance with Section 15 of the Local Authorities (Executive Arrangements)(Access to Information) Regulations 2000 was sent to the Chairman of the Social Care and Housing Scrutiny Committee.

#### Recommendations

That Cabinet give broad support to the actions taken to manage the over-commitment in the Social Care budget and determine the approach to be taken with regard to the overspend for 2004/05.

#### Reasons

An understanding of the reasons for the movement in projected overspend is critical to ensure that effective financial management procedures are in place and any implications in terms of the 2005/06 Budget are identified.

#### Considerations

1. Cabinet is aware of the increase in overspend reported in April, for the period to the end of February 2005 to £1,514,000 from the figure of £742,000 reported previously.
2. The Director of Social Care and Strategic Housing requested a review be undertaken, independent of the Directorate, to clearly establish the contributing factors to the position. Whilst the overspend, as detailed in Appendix 1, was predominantly in the area of Learning Disabilities, the review also encompassed the

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Further information on the subject of this report is available from  
Mr. I. Hyson, County Treasurer, on (01432) 260235 and Ms. S. Fiennes, Director of Social  
Care and Strategic Housing on (01432 260039)

budgetary control processes in place across all service areas. In view of the nature of the review, the County Treasurer commissioned David Keetch, Assistant County Treasurer, to undertake the task having particular regard to his previous experience in Social Care. The recommendations of Internal Audit following an audit of financial management in August 2004 were also taken into account.

3. The following paragraphs provide some background and context to the matter, conclusions from the internal reviews undertaken, the lessons learned and finally the measures in place to ensure that likely budget variances are identified at the earliest possible juncture and action determined accordingly.

## **Background**

4. Budget outturn for 2003/04 showed an overspend of £245,000 on a budget of £34,200,000, a reduction from the brought forward overspend of £582,000, i.e. a significant achievement. Additional resources of £1,000,000 were provided as part of the budget process for 2004/05, recognising the increasing demand placed on the Older People's budget.
5. At this juncture, it is important to acknowledge the fact that whilst additional resources of £1,000,000 were provided through the budget process, in recognition of the priority afforded to Older People's Services, other pressures of over £1,000,000 were reported through Budget Panel. The point here is that Social Care had identified the likelihood of budget pressures and the need for actions to manage resources accordingly.
6. It was for this reason that the Director of Social Care and Strategic Housing undertook detailed 'budget clinics' with a view of determining the actions required to realign available resources accordingly. That work was conducted during July and August and duly reflected in the first budget monitoring report to Cabinet in September. Budget clinics continued throughout the year maintaining a review of progress towards the required budget reductions.
7. Pooled budget management was in place with the Primary Care Trust (PCT) for both Mental Health and Learning Disabilities with the Council as lead authority for Learning Disabilities and the PCT for Mental Health. Protocols were in place regarding the management of these budgets and these are considered in more detail later in the report.
8. The initial budgetary control report to Cabinet in September showed a projected overspend of £700,000 with an underlying trend, if no action was taken, of an overspend of £1,450,000. Two subsequent reports, for months six and eight, saw the projected overspend maintained at broadly the same level, i.e. £742,000 with emphasis placed on the action being taken and the attendant risks. The full narrative from these reports, relating to Social Care, is attached at Appendix 2. The report for month 10, reported to Cabinet in April, saw the overspend increase to around £1,500,000.

## **Budget management arrangements**

9. Prior to considering the major factors contributing to the late increase in reported overspending, it is appropriate to consider the budget management arrangements in place. Subsequent to the identification of the potential budget difficulties through the Budget Clinic analysis, referred to earlier in the report, budget reports detailing current spend and progress against savings targets were prepared by Social Care

finance staff, in consultation with budget holders, and considered by Social Care Management Team on a monthly basis. These reports formed the basis of the Social Care element of the County Treasurer's budgetary control reports presented to Cabinet. The Social Care Finance Manager is responsible to the County Treasurer on professional accountancy matters and meets with him on a regular basis. The County Treasurer also meets periodically with the Director of Social Care and Strategic Housing and senior colleagues to discuss major financial issues.

## Key factors

10. It is clear from the review work undertaken that there is no one single factor that has resulted in the untimely reporting of the overspend, rather a combination of factors. The following aspects have each had a bearing and feature in the conclusions presented later in the report.
  - The potential for a significant overspend had been identified early in the financial year.
  - Management actions were identified to mitigate the overspend.
  - Earlier determination of the risks associated with delivering the required savings would have improved the understanding.
  - It is now evident that elements of the required savings, particularly in the area of Learning Disabilities, were not able to be delivered. A more challenging approach to the monitoring of progress would have identified this earlier.
  - The lack of qualified, experienced finance staff below the level of Finance Manager had a bearing on the above.
  - The detailed budget monitoring reports considered by Social Care Management Team are forwarded to the County Treasurer, somewhat inevitably after the deadline for finalisation of the Cabinet report.
  - The scale of issues requiring consideration by senior management within the directorate has been unprecedented. It has clearly impacted upon capacity, particularly in the area of securing budget reductions within Learning Disabilities.
  - The arrangements in place with the PCT regarding management of overspend were not sufficiently robust so as to ensure the anticipated financial contribution and emphasises the importance of closing down negotiations at a sufficiently early stage.
11. During November and December, potential overspends of some £600,000 were identified in addition to the figure previously reported to Cabinet. Whilst the budget monitoring reports outlined by Social Care Management Team reflected the potential increase in overspend, the narrative provided for the report to Cabinet merely identified this risk rather than explicitly incorporating an increase in projected outturn. The County Treasurer and Director of Social Care and Strategic Housing should have taken a less optimistic viewpoint at this stage and reported accordingly.
12. During the early part of 2005, it became clear to Social Care management that the likely outturn would increase to just in excess of £1,000,000. The Chief Executive and the County Treasurer were advised accordingly. The Cabinet Member has been kept informed of the position and the Chief Executive and the County Treasurer

informed the Leader of the position.

13. Subsequently, the inability of the PCT to deliver the anticipated funding contribution was established, which, together with the non achievement of the Learning Disabilities target savings, increased the overspend to the reported position. The Chief Executive and County Treasurer advised the Leader of the position.

## Conclusions

14. Generally speaking, the budgetary control measures in place within the Directorate are sound and the recommendations of Internal Audit have been implemented. The late increase in overspend was, as previously stated, a combination of factors not least of which was the setting of challenging targets for budget reductions. The commitments arising from new placements are recorded and reflected in financial reports. The risks associated with each savings target need to be more rigorously assessed and progress monitored accordingly, incorporating a sufficient degree of challenge. The capacity of the finance team needs to be strengthened and proposals for this to be implemented are currently being considered and should shortly be concluded. The arrangements for the management of the learning disabilities budget require review to ensure better linkage between operational and financial management and are already underway. Arrangements with the PCT need to establish precise responsibility for managing potential overspends and again discussions are well progressed but await final agreement.
15. A decision is required regarding the extent, if any, of the carry-forward of the overspend into 2005/06. Financial regulations limit the carry-forward to 2% of budget, which in the case of Social Care is £714,000. The balance of £800,000 will, in any event, therefore have to be met from the Council's general reserves. The options open to Cabinet are to write off the overspend in full, to carry forward the maximum permitted within financial regulations or a position some way between the two.
16. In considering the position, Cabinet will need to have regard to the challenges involved in containing expenditure within budget as highlighted in the following paragraphs by the Director. More specifically, should the overspend be carried forward, there is clearly the potential to impact adversely on the Council's priorities for services to Older People. Cabinet will also be mindful of the potential message to other service areas should, exceptionally, the overspend be written off. In considering the matter Cabinet will wish to be assured that containing expenditure within budget is an absolute priority for the Directorate and will be pursued with the utmost rigour notwithstanding the issues set out below.

## Impact in 2005/06

17. The Directorate Management Team has reviewed the commitments on the 2005/06 budget. Managers have been sent an instruction from the Director advising that all spending decisions on all non-staffing budgets and care placements/service budgets must be on a emergency health and safety basis, and **emergency risk basis for users and carers** (not just critical assessments but immediate emergency decisions) until further notice.
18. A critical analysis of the budget for 2005/06 has taken place, highlighting an initial potential shortfall of £1,000,000 on a net budget of £39,070,000. This shortfall would increase to £1,800,000 if the overspend from 2004/05 was carried forward in

accordance with the maximum permitted within financial regulations (i.e. 2% of budget).

19. This was based on taking into account the following:
  - Existing community care commitments for residential and nursing placements.
  - Making use of all available grants in 2005/06.
  - Additional investment targeted and ring fenced to Older People's Services.
  - Effective use of the changed STARRS and Home Care service.
  
20. This shortfall has been reduced to £300,000, (or £1,100,000 if the sum of £800,000 is carried forward) as a result of the following action:
  - No new placements unless resources are made available from existing placements.
  - Savings through Learning Disabilities commissioning.
  - Savings through re-commissioning Children's Social Care.
  - Efficiency Savings targets through the management of sickness absence.
  - A reduction in the contingency level to £200,000.
  
21. To reduce the shortfall any further would require the budget to be set without any contingency, and to continue the instruction that only expenditure of the nature of absolute emergency takes place. This approach would carry severe risk to users and carers.

### **Position within the Learning Disabilities Service**

22. In February 2005, Cabinet received a report on developing services to people with Learning Disabilities. The report highlighted the budget pressures and financial risks to the service. Cabinet agreed to support the modernisation of the service, which will include the reconfiguration of the supported housing (residential housing) sector. However, these changes will take time and full savings of this approach will not be realised until 2006/7 and beyond. Therefore, it is necessary to consider alternatives which will realise more immediate savings within Learning Disability services.
  
23. This will be achieved by by developing/redesigning existing provision and re-commissioning accordingly. This will involve making difficult decisions on the needs of individual service users, including moving people wherever possible.
  
24. To achieve the required reconfiguration of Learning Disabilities Services, additional funding has been approved, outside the Social Care budget, for change management. Three change elements have been identified:
  - Assessment practice improvement.

- Accommodation and care review.
  - Modernisation of day opportunities.
25. The change project will be managed through internal management reorganisation and appointment of project officers on fixed term contracts.

### **Position with the Primary Care Trust**

26. The integrated services in Mental Health Services and Learning Disabilities both overspent in 2004/05. The negotiations with the PCT regarding risk sharing has now been agreed. The joint commitment is to move to full implementation of the host commissioner taking responsibility for the budget. This commitment is based on a review of investment in both services. The PCT has confirmed that it would move to a full transfer of risk in 2006/7 if agreed criteria are met and, in any event, by 2007/8.

## **Risk Management**

27. The current hold on expenditure to “emergency only” across Social Care is unsustainable over time both in terms of user and carer risk and legal challenge.
28. The service risks over time to re-commissioning Learning Disabilities Services are:
- Public support for saving potentials may be affected by the subsequent disruption to established care arrangements.
  - There may be limited capacity within the current available accommodation to respond to short and long-term needs.
  - Creating instability in the market, particularly in small homes where single vacancies may threaten overall financial viability thus further disrupting other service users.
  - The carry-forward of any element of the overspend from 2004/05 will adversely impact on the capacity to deliver a balanced budget in 2005/06 and future years.

## **Consultees**

Primary Care Trust.

## **Background Papers**

None identified.

**APPENDIX 1**

<b>Budget Area</b>	<b>Budget 2004/05</b>	<b>Projected Over (Under) Spend</b>	<b>Exceptional Items within Projection</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children's	8,789	543	48
Older People	8,237	0	36
Mental Health	3,871	284	156
Learning Disabilities	5,797	1,569	503
Other Adults	6,486	(388)	15
Business Services	1,983	(412)	0
Other Social Care	582	(82)	0
<b>TOTAL</b>	<b>35,745</b>	<b>1,514</b>	<b>758</b>





**BUDGET MONITORING REPORTS TO CABINET**

**NARRATIVE RELATING TO SOCIAL CARE**

**Cabinet 9th September 2004 (Period to end of July)**

**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 will be made to do so. The Social Care budget is under considerable pressure this year from rising demand and costs across both children and vulnerable adults services. Unusual trends are showing at the first quarter.
- 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) are experiencing increased demand.
  - Older People's Services have experienced the same number of requirements to pick up care home funding from people who previously funded themselves in the first quarter as for the whole of last year.
14. The risk assessment suggests a projection of £700,000 over-commitment (including the £245,000 debt carried forward). The underlying trend, if no action was taken, would be for a £1,450,000 over commitment at the end of the year, which is neither acceptable nor sustainable.
15. Robust management action is being taken to rectify the position. This will have an impact on the capacity to deliver services.

**Cabinet 25 November 2004 (period to end of September)**

**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.

### **Cabinet 13th January 2005 (period to end of November)**

#### **Social Care**

18. The projected year-end position for Social Care is an overspend of £740,000. The underlying trend, if no action were taken, would be for an over-commitment of over £1,000,000, which is neither acceptable nor sustainable. The latest budget projection does not show improvement on the previously reported position, despite applying harsh management action. The projection also includes certain assumptions about spending plans over the last four months of the financial year, which carry a potential risk of not being achieved.
19. The considerable pressures have emerged from rising demand and costs across both children and vulnerable adults.
20. The Directorate has held two budget "clinics" to examine each service area in more detail. There was consideration of longer-term financial strategies, and short-term measures necessary to reduce the projected overspend in the current financial year. Every service has been given a "savings plan" to achieve by the end of the financial year. This has led to additional actions being taken, which include:
- Further analysis of those children in residential placements, with specific targets to return some to local provision.
  - Making a risk assessment of those service users in need of care and supporting only those in emergency or critical need at this stage.
  - Reviewing care services provided to existing service users, and making adjustments to the level of care provided where possible to meet the Council's eligibility criteria.
  - Reviewing those service users receiving transport.

- Maximising occupancy levels against block contracts.
  - Reducing the choice for service users in accessing day care.
  - No use of agency staff to cover absence, which has led to cancellation of day care.
  - Reviewing service users potential entitlement to free nursing care (funded by health).
21. Further discussions are also taking place with colleagues across the Council and partner organisations about how the financial risks can be shared.
22. The main risks within the budget include assumptions on:
- Appropriate costs being covered by central Education funding.
  - Continuing Care contributions from the Primary Care Trust.
  - Sharing the financial risks within the pooled budgets with the PCT.
  - Funding of judicial reviews.
  - Interim costs as a result of the delay in the transfer of homes for Older people.
  - Loss of grants, in particular Supporting People grant for Learning Disability services.
23. The Directorate's aim to completely eradicate the "debt" brought forward on the Social Care budget has not proved possible. In addition, the projection makes assumptions about the achievement of targets, which is a risk. Savings targets are being reviewed with managers on a regular basis. Any achievement of savings is at a cost to service delivery.
24. The picture being managed at present is very concerning and the challenges will remain for the remainder of this financial year and 2005/06.

### **Cabinet 17th March 2005 (period to end of February)**

#### **Social Care and Strategic Housing**

##### 16. Older People's Services

The increased investment in Older Peoples Services has yielded a number of developments, including:

- The in-house home care service has been reshaped into the STARRS reablement service, with little disruption to service users;
- Secured the Nursing Home Sector being available with the increase in fees;
- Care packages have been reviewed, which has meant resources have focussed on those in highest need;
- Block contracts with independent home care providers have been set up, which has brought stability to the market;

- The numbers of people assessed as needing a service for whom funding is not available has been kept to a minimum.

The projections on Older Peoples Spend indicate a breakeven position.

### Children's Social Care

The budget management has secured a hold on expenditure, but given the complex needs and costs of placements, there remains a projected over-commitment of £585,000.

### Learning Disabilities

The budget management has not had the same impact as planned in relation to holding the expenditure or taking into account key pressures. The savings plan has not been realised in full and the Continuing Care funding from the Primary Care Trust has been less than assumed. There has been a separate change report to Cabinet which identified significant service challenges. However, given the size of the problem, it has been decided to conduct an external (to the directorate) review of the financial arrangements and spending decisions, in order to have secure budget planning for 2005/06.

### Exceptional Items

There have been exceptional items of expenditure, totalling £758,000 which relate to the risks identified, as follows:

- **PCT Contributions to Pooled Budgets** The ongoing negotiations with the PCT on the attributable risk have not reached total agreement. The financial risks on the pooled budgets are now projected as attributable to the partner whose service element the overspend relates to. The Mental Health overspend reported by Social Care, even though the PCT manages the service, is now included in the Social Care projections.

The projected overspend on the pooled budgets increases by £256,000 as a result. The PCT have now agreed to make a contribution of £100,000 towards the overspend on the Council's element of the Mental Health pooled budget. This methodology does not fit a Section 31 pooled budget agreement, in that there must be an agreed risk share in respect of over and underspends. There will be a more robust risk sharing and management accountability agreement for 2005/06.

Continuing Care Contributions for qualifying Learning Disability service users- current projections assume £250,000 contribution from the PCT. This is secure, although the costs attributable had been calculated at approximately £400,000. The PCT has acknowledged this and this will be budgeted for in 2005/06.

- **Statutory Obligations** The Council has needed to review its funding decisions for some individual cases as a result of legal challenge. This has created additional expenditure of £89,000.
- **Loss of Grant** The Directorate has suffered a loss of Supporting People Grant income of £175,000. It has been a challenge to manage commitments within budget.
- **Prior Year Adjustments** Invoices totalling £152,000 have been received, which relate to the 2003/04 financial year.
- **NHS Emergency Support** - Additional funding of £36,000, to enable discharges

from community hospitals to free beds at the Acute Trust, given the pressures in November 2004 and January 2005.

### Summary

The projected year-end position for Social Care, is an overspend of £1,514,000, (4.2% of the Social Care budget) with exceptional items of £758,000. This latest budget projection shows a deterioration on the previously reported position, despite applying harsh management action. All efforts possible are being made to sustain this position.



## CORPORATE PLANNING PROCESS 2005-06

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

19TH MAY 2005

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#### Wards Affected

County-wide.

#### Purpose

To approve the corporate planning process for 2005-06.

#### Key Decision

This is not a Key Decision.

#### Recommendation

**THAT the corporate planning process for 2005-06 should be along similar lines to that operated over the past year, subject to some modifications, with the following key products and milestones:**

- i. an audit in July 2005 to test whether directorate and service plans for 2005-06 are being used effectively to manage performance;**
- ii. the full integration of budgetary, risk and corporate/service planning processes;**
- iii. a long-term programme of work to test, challenge and improve performance indicators and targets;**
- iv. an away-day for Cabinet and the Chief Executive's Management Team, at an appropriate time following the Government's announcement of its three-year spending plans in July, to agree priorities and other elements of the framework for the Corporate Plan 2006-09;**
- v. Cabinet agreement to the Corporate Plan 2006-09 in autumn 2005 to provide the basis for the preparation of the draft Annual Operating, directorate and service plans for 2006-07;**
- vi. Council approval of the Corporate Plan 2006-09 in November 2005;**
- vii. bearing in mind that extensive consultation on strategic service and budget consultation is an integral and valued part of the Council's planning process but having regard to the clear results from the extensive consultation that took place as recently as autumn 2004, there should not be a further such exercise in 2005 unless financial or other material circumstances change significantly in the coming months;**

- viii. **consider in due course whether targeted consultation needs to take place on budget issues and Council Tax levels for 2006-07, with key service levels and issues as context;**
- ix. **continue to roll out the Community Involvement Strategy, together with consideration of annual public satisfaction and follow-up surveys, taking account of the needs and wishes of Council Tax-payers and customers that emerge before taking decisions on priorities and associated budget-setting;**
- x. **Cabinet approval of the Annual Operating in March 2006, including budgets;**
- xi. **directorate and service plans to be approved in March 2006.**

## **Reasons**

The Council has put in place a corporate planning process, linked directly to its performance management framework, that enables it to be clear about its priorities and how they will be achieved, including the management of risk and the deployment of financial and other resources. Significant progress has been made in 2004-05 but, to ensure that it is fully effective, there is a need to build on the experience of the first round and tailor the 2005-06 round to current and foreseeable circumstances.

## **Considerations**

1. The first annual round of the new corporate planning process has come to an end. In putting it in place, Cabinet agreed an annual cycle, to be reviewed and rolled forward annually. The first round was conducted under PRINCE project disciplines, with a Project Board of which the core members were the Leader and the Chief Executive. The Project Board has reviewed the lessons of the first round; the Board's conclusions and recommendations for the coming 2005-06 round are reflected in this paper.
2. To help ensure that the process is fully established for the long-term, it is proposed to continue to run it as a formal PRINCE project for a further year, with the Leader and Chief Executive remaining core members of the Project Board.
3. The planning process would count for little or nothing were it not followed through into the effective management of performance. A new suite of performance reports to the Chief Executive's Management Team, Cabinet and Strategic Monitoring Committee is being developed to be in place from June 2005. This will be based on the objectives, performance indicators, targets, milestones and actions in the Annual Operating Plan 2005-06, integrating reporting on revenue and capital expenditure and risk management.
4. Service plans are intended to set out in detail what is necessary to deliver the Annual Operating Plan. They will include all Best Value Performance Indicators, local indicators and associated targets. They will provide the basis for regular performance reports to the lead Cabinet Members and to the individual scrutiny committees. It is important that we test whether they are fulfilling this vital role in the performance management framework, and it is proposed to audit this initially in July 2005.
5. Further progress was made in 2004-05 to bring together explicitly corporate, operational and service planning with risk identification and management, and financial planning. It is proposed that we should complete this task in 2005-06. This



will have particular implications for the Budget Panel process, which will need to be considered in detail in the coming months.

6. Good further progress has also been made in the selection of strategic performance indicators and the setting of associated targets in the Corporate Plan and the Annual Operating Plan. Nonetheless, in the time available it was necessary to make the selection of strategic performance indicators from those that already existed, including BVPIs, local indicators and those used by *The Herefordshire Partnership in The State of Herefordshire Report*. As a result, we still do not have, for many areas, genuinely high-level indicators that would give the Council the best means to drive its priorities and test whether they are being secured. This cannot be achieved quickly, and we will continue to need to take into account Government requirements. It is therefore proposed that a longer-term programme of work should be put in hand to develop and select indicators, aligned with the outcomes of LPSA2G, the review of *The Herefordshire Plan* and the potential Local Area Agreement. The latter should offer greater freedom to devise high-level performance indicators and targets to suit Herefordshire's distinctive needs and circumstances.
7. In parallel, we would need to continue to strengthen the rigour and challenge of indicators and targets through both the planning process and the performance management framework.
8. Time constraints in 2004-05 also meant that there was little time between the finalisation of the three-year Corporate Plan and the preparation of the Annual Operating Plan and directorate and service plans to begin to give effect to it in 2005-06. As the Corporate Plan is a strategic document, we could avoid this difficulty in future were Cabinet to agree the draft Corporate Plan as soon as possible in the autumn, taking into account the Government's three-year budget announcement in July, with Council approval being sought at its meeting in November. This would mean that the preparation of the Annual Operating Plan and directorate and service plans could begin during the autumn. They would then be finalised in the light of the Government's finalised budget announcement for the forthcoming year in December and the Council's budget decisions.
9. To set the framework for the Corporate Plan 2006-09, it is proposed that there should again be a meeting of Cabinet and CXMT members. To enable the draft Corporate Plan to be agreed as early as possible in the autumn, this would need to take place as soon as practicable following the Government's July spending announcement.
10. As part of its commitment to understanding the needs and wishes of Council Tax-payers and customers, the Council undertook extensive and multi-faceted public consultation about service and budget priorities in the autumn of 2004. This included a representative household survey. The results were clear and broadly consistent across the different means of consultation. The Council found the results very helpful and took them fully into account in agreeing the Corporate Plan and Annual Operating Plan, and in taking budget decisions for 2005-06. Unless there is a fundamental change in the financial context or other material circumstances in the coming months, there would seem to be no justification for incurring substantial cost and further troubling the general public this year.
11. Over the longer-term, however, there will be a need to conduct such strategic consultation from time to time to ensure that the Council has an up-to-date grasp of the public's views about priorities.
12. In addition, the Council can expect in the future to receive regular and more refined information about the needs and wishes of Council Tax-payers and customers from

the implementation of its updated Community Involvement Strategy, and also from proposed annual surveys of customer satisfaction, with the possibility of follow-up surveys to enable us to target service improvements.

13. Cabinet will wish to consider, in due course and in the circumstances at the time, whether there should be targeted public consultation on budget issues and Council Tax levels for 2006-07, with key service levels and associated budget issues as context. Here too, however, Cabinet will be able to take into account the clear message about the balance between Council Tax levels and services that came from the autumn 2004 household survey. It will also have regard to the commitment in the present Corporate Plan to there being only moderate increases in Council Tax in the period to 2008.

## **Financial Implications**

Were there not to be a further major public consultation on service and budget priorities, there would be savings compared with the corporate planning process in 2004-05.

## **Alternative Options**

Having put in place a comprehensive corporate planning process, possible options are about the details of how it should operate. The proposals in this paper are based on a thorough evaluation of how to maximise its efficiency and effectiveness. No alternative options are therefore proposed.

## **Risk Management**

The principal risks to the success of the corporate planning process are that the Council's priorities will not be sufficiently clear or that they will not be carried into effect in decisions about budgets and other resources, in directorate and service plans, or through there being inadequate links with effective performance management. The proposals in this paper are designed to mitigate those risks.

## **Consultees**

There are no immediate consultees. Cabinet's decisions about the recommendations in this paper and subsequently will determine the nature and extent of public consultation. It would be the intention, as hitherto, to consult partner organisations in the preparation of plans

## **Background Papers**

None identified.

## LOCAL AREA AGREEMENTS: NEXT STEPS

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

19TH MAY, 2005

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#### Wards Affected

No Wards are affected

#### Purpose

To consent to register interest in a Local Area Agreement by the closing date of the 20th May, 2005.

#### Key Decision

This is not a Key Decision.

#### Recommendation

**THAT consent be given for interest to be registered with Government Office West Midlands in obtaining a Local Area Agreement.**

#### Reasons

Local Area Agreements are a key element in the Government's long term strategy for local government. Herefordshire Council registered interest in being one of the twenty pilot authorities but was not successful. In the West Midlands Telford and Wrekin, Coventry and Wolverhampton are now concluding their LAAs.

#### Considerations

1. A 'prospectus' outlining initial thoughts on LAAs was published in August 2004. The Government wants to develop both LAAs and the overarching strategy on "The Future of Local Government" together with local authorities and their partners.
2. A Local Area Agreement would enable Herefordshire Council to develop further the Herefordshire Partnership; strengthen the Council's Community Leadership role; gain additional freedoms from Government bureaucracy and control of individual funding pots.
3. The Government's clear intention is that every authority will conclude an LAA over the next few years.
4. The first stage of the process is to register interest with Government Office West Midlands by the 20th May, 2005. Submission of an expression of interest will not impede progress on concluding the LPSA 2.

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

5. An initial meeting was held on 9th May with Government Office for West Midlands. It is clear that the majority of local authorities in the West Midlands will bid this time. By the middle of June GOWM will decide those submissions it intends to forward for national consideration. These will be notified during the summer. If successful the detailed proposals, including funding arrangements would be worked up during the Autumn for commencement in April 2006. This would also coincide with the re-launch of the Herefordshire Plan and provide further focus for the work of the Herefordshire Partnership. A letter of in principle support has already been secured from a number of partners.
6. The LAA would need to place emphasis on one of three priority blocks – Children and Young People, Safer and Stronger Communities or Healthier Communities and Older People. It would be possible to link these themes into an ambitious project picking up some of the major priorities for the Council – Rotherwas, and its access issues, continued regeneration of South Wye, learning and skills, City centre regeneration and Edgar Street Grid. Work will continue on an outline submission to be tabled at the Cabinet meeting.

## **Alternative Options**

We do not register interest.

## **Risk Management**

The Council would need to provide match funding for any European bids. There will undoubtedly be capacity issues the Council would need to address at peak times during the negotiations and implementation.

## **Consultees**

GOWM, AWM, Partners in the Herefordshire Partnership

## **Background Papers**

None identified.



## RACE EQUALITY SCHEME 2005-2008.

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

**CABINET**

**19TH MAY 2005**

#### **Wards affected**

County-wide

#### **Purpose**

To approve the Council's draft Race Equality Scheme and Action Plan 2005-2008.

#### **Key decision**

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

#### **Recommendations**

- THAT**
- (a) **the Race Equality Scheme and action plan 2005-2008 be approved;**
  - (b) **Nominated officers be accountable for the carrying out of the actions contained within the action plan; and**
  - (c) **The Steering Group be nominated to implement and monitor the Scheme in its entirety.**

#### **Reasons**

The Race Relations Amendment Act 2000 (the Act) came into force in April 2001. The subsequent statutory Code of Practice, the Duty to Promote Race Equality, was issued by the Commission for Racial Equality (CRE) to help public authorities meet the general and specific duties under the Act. One of the specific duties required public authorities to assess their policies and function and publish a Race Equality Scheme and Action Plan (RES) by May 2002 and review it least once every three years.

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Further information on the subject of this report is available from Yulia Tarbath, Corporate Policy Assistant on (01432) 383635

RES 2005-2008

## **Considerations**

1. In line with the CRE requirement, Herefordshire Council had undertaken the assessment of its policies and functions and published its first RES in May 2002. In 2005 the Race Equality Scheme was fully reviewed.
2. The review of the Scheme, including policies and functions took place between January and April 2005. The new draft Race Equality Scheme is aimed to identify changes that have taken place since the first Scheme was developed. The reviewed document highlights our achievements and introduces a strategic action plan for 2005-2008.
3. The public consultation on the draft RES was conducted between February and April 2005. Externally, we consulted with the relevant voluntary organisations, Community Against Racism Group, Trade Unions, Herefordshire Race Equality Group, Herefordshire Equality Partnership and Race Equality West Midlands.
4. The response rate was very low and we received only two responses to the consultation. This may be partly due to the fact that some organisations are small and may not be sufficiently resourced to consider and offer comments on such consultations. This may also in part be due to overload on the public authorities to produce the RES at this particular time.
5. The draft RES was amended in light of consultation. The new draft document represents a comprehensive Scheme with a clear and structured strategic action plan, including nominated officers responsible for every action. The draft RES is attached in Appendix 1.
6. Herefordshire Council's Race Equality Steering Group will continue to oversee the day-to-day implementation and monitoring of the Scheme.

## **Risk Management**

Herefordshire Council has a legal obligation to meet its statutory duties under the Act and agree the new Scheme by 31st May 2005. Failure to meet the deadline may result in compliance action being taken against the authority.

## **Consultees**

Voluntary organisations, Community Against Racism Group, Trade Union, Herefordshire Race Equality Group, Herefordshire Equality Partnership and Race Equality West Midlands.

## **Background papers**

None identified.

# CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS

## PROGRAMME AREA RESPONSIBILITY CHILDREN'S SERVICES

CABINET

19TH MAY, 2005

### Wards Affected

County-wide

### Purpose

To note the Council's response to the DfES consultation paper (response deadline 13th May) and to determine whether Cabinet wishes to add any further comments in a supplementary letter.

### Key Decision

This is not a Key Decision of the Council, however there is an opportunity to influence government policy on the mechanics of school funding which will affect all schools for many years to come.

### Recommendation

**THAT (a) the technical response be noted; and**

**(b) to consider whether a further letter should be sent based upon the Local Government Association leaflet "don't fence us in!" on behalf of Herefordshire Council.**

### Reasons

The Council's response has focused primarily upon the technicalities of school funding as set out in the consultation paper and specifically drawing attention to concerns about the reliability of forecasting pupil numbers over a three year period and the proposal to base school budgets on forecasted numbers with the likelihood of a year end clawback. Herefordshire schools have consistently wanted certainty of funding and this is reflected in the LMS formula.

It is for Cabinet to determine whether further comment is necessary on implications for local government and local democracy.

### Considerations

Local Democracy

1. The LGA have produced a leaflet setting out why the LGA believes that ring-fencing school funding (which includes the funding passed to individual schools (£66m) and that spent centrally on services for schools and includes early years and SEN provision (£14m)) will make it harder for government to deliver its wider agenda for education and for children's services. There is a noticeable absence throughout the

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Further information on the subject of this report is available from  
Malcolm Green, LMS and Planning Manager on 01432 260818

DfES consultation paper of any reference to the integration of education funding (the so-called LEA budget (£14m) with Social Care children's and family services and the broader investment in the area based on "Every Child Matters". The attached LGA leaflet could be adapted to form the basis of a supplementary letter. (Annex A).

#### Technical Response

2. The DfES have issued a 2 page summary, attached for information, (Annex B) a short 32 page summary of the proposals and a full 72 page consultation paper together with a 27 page response form. Copies of the 32 page summary version and the response form were sent to all schools on the 10th March so that schools would have plenty of time to consider the proposals and respond directly.
3. The key issues identified for schools to consider were
  - (a) Three year budgets for schools – is it helpful to have indicative, estimated, firm and final budgets over a three year period as an aid to school planning?
  - (b) Academic year budgets – should the academic year budget be based on pupil numbers fixed at the previous January pupil census or should the budgets be based on forecast pupil numbers and adjusted retrospectively at the year end?
  - (c) Minimum funding guarantee – is it helpful that the guarantee continues albeit at a lower fixed percentage or does it distort local decisions regarding Herefordshire's own funding formula?
4. A copy of the technical response to the 35 consultation questions is attached (Annex C). This has been submitted to the DfES to comply with their 13th May deadline.

#### Alternative Options

The alternative options are either to withdraw the technical response submitted by the deadline or amend it.

#### Risk Management

Government will introduce revised arrangements for school funding from April 2006. If the DfES are not aware of the Council's concerns, there is a risk that the revised arrangements will produce significant administrative problems for local authorities and schools.

#### Consultees

The technical response has been approved by the Director of Children's Services, the County Treasurer and the Chair of the School Forum. The proposals have been circulated to schools so that they can reply directly to the DfES. The Council's response is to be considered by the Schools Forum on the 9th June 2005.

#### Background Papers

DfES Consultation paper launched on 17th February 2005 and letter to schools dated 10th March 2005.





# don't fence us in!

why ring-fencing schools' money will undermine choice and quality

**Councils - as locally accountable, democratically elected bodies - have a key role in delivering education. The council supports school improvement and challenges schools' performance, it ensures that the local education system meets the needs of all children, provides value for money 'back office' services and joins up schools with other services - childcare, health, transport, social care - to ensure children are ready and able to learn.**

Councils consistently choose to spend more than they are given in government grant on education, using local council tax. Last year alone they spent nearly £200 million more.

Despite this, the Education Bill seeks to make a fundamental change to the way schools are funded - ring-fencing 100 per cent of the schools budget to provide certainty three years ahead. Greater certainty matters, but this could be achieved through three-year grant settlements for councils, including the education spend.

Ring-fencing will make it harder for the government to deliver its wider agenda for education and for children's services:

- proposals on schools' funding and schools' autonomy will reduce the flexibility, choice, quality and responsiveness of services in schools personalised to the specific needs of children and their families;
- it will make it easier for schools to opt out of the government's Every Child Matters agenda aimed at improving the life chances of all children; and proposals on 14-19 education rely on individual schools and other education providers collaborating;
- in 2001 the government committed to reducing the level of ring-fencing for all council services. This bill will tie up more council money than ever in ring-fenced grants increasing the financial pressure on other services.

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education

education



### Why ring-fencing won't work for local communities

With central government determining funding for schools, the local democratic accountability of educational provision in communities will be weakened and local people will have less influence over the education provided in their area.

Greater autonomy for schools, afforded by ring-fenced funding, could result in less, rather than more, collaboration between local schools and other education providers. This cuts down choices for all local learners.

Reduced financial flexibility will put already stretched council tax budgets, which fund other local services such as home care for older people and street cleaning, under further pressure. This means that either council tax bills will rise, or services will suffer.

### Why ring-fencing undermines the government's own agenda

The government has set out a clear role for local government in providing strategic leadership to ensure services are shaped around the needs of children and young people. This is the case in both the integration of all children's services to improve the well-being of children and the collaboration of all education providers to offer education responsive to the needs of all 14-19 year olds. The ring-fencing proposals in this bill will undermine this by setting schools apart from the mosaic of other local services as well as removing councils' ability to galvanise these services around a shared agenda. The lack of flexibility in ring-fenced funding will undermine the government's own drive for efficiency and will mean that councils will have to strive even harder to maintain their track record of providing effective, efficient services. And finally the ring-fencing of schools budget runs counter to the government's own commitment in 2001 to reduce the level of ring-fenced funding to councils.

The LGA is calling on MPs to ensure that ring-fencing does not undermine the choice and quality of local services for children, parents and the wider community.

### Why ring-fencing won't work for children and parents

Children and their parents rightly expect and deserve high quality, responsive services. Ring-fencing will reduce councils' ability to support a whole range of educational activity. This risks undermining their ability to both provide strategic leadership for planning and co-ordinating services for children and learners in a locality, and impacting on existing services, such as tackling truancy, attendance, behavioural problems and poor performance, as well as supporting schools to improve.

### Why ring-fencing won't work for headteachers and their schools

The transition to ring-fencing will leave headteachers and their schools with a shortfall in funding unless the government commits to putting the additional £200 million that councils currently contribute into the education system. Alongside this the increased financial autonomy of all local institutions could risk the effectiveness and economy of scale of services traditionally provided by the council as outlined above, leaving schools without the support they currently rely on.

This case study provides an illustration of the important role councils play in education. Solihull Council is providing a borough wide behaviour and improvement programme. It carries out a needs audit to direct resources to schools for different types of support. Its work contributes to an integrated, children's agenda, and activities include:

- identifying at risk pupils and ensuring they have a key worker;
- lacking school attendance and truancy;
- supporting sibling groups of children displaying difficult behaviour by providing a multi-agency support team working outside of school hours;
- behaviour and attendance audits for both primary and secondary schools.

## **CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS**

The government's proposals for new school funding arrangements to be introduced from April 2006 were first announced in the Five Year Strategy for Children and Learners, published in July 2004. The Strategy proposed:

- A new ring-fenced grant for school funding from DfES to local authorities.
- Three year budgets for all maintained schools, geared to pupil numbers and with a guaranteed minimum increase each year for every school.
- A new single standards grant, simplifying and streamlining current standards-related funding streams.

Since July the Department has been working with national partners, including representatives of headteachers, school governors and local authorities, on detailed proposals for delivering these commitments. These proposals are now set out in the school funding consultation document which was launched on 17 February 2005.

### **Summary of Proposals**

The proposals contained in the consultation document include three broad changes to the current school funding system to be introduced from April 2006.

#### ***A change to the way central government provides funding for schools to local authorities***

From 2006-07, funding for schools will be provided through a new grant (the Dedicated Schools Grant, or DSG) from the Department for Education and Skills to each local authority, instead of through general local government funding. Grant allocations will cover a three year period (or two years in the years between Spending Reviews), will be provided on both a financial and academic year basis, and will be updated as pupil numbers change. For schools the benefits will include the possibility of three-year budgeting and the guarantee of receiving nationally planned increases in school funding. The key features of the DSG will be:

- It will cover the same funding as the current Schools Formula Spending Shares (SFSS) and will be distributed according to essentially the same formula, though with some minor technical changes. It will include funding delegated to individual schools and funding for other pupil provision which is retained centrally by the local authority.
- Transitional arrangements will be put in place to ensure that no authority receives less than its current spending on schools, and every authority receives a reasonable increase in grant each year.
- The grant cannot be used for any purpose other than school funding.

The existing “passporting” regime will no longer be needed.

- It will not change local authorities’ responsibilities for distributing funding to schools according to local needs and priorities.

***Three year budgets for schools aligned to the academic year, to support effective long-term planning***

With three year budgets, schools will have greater certainty and predictability in their funding, and this will enable more effective, longer term financial planning and management which can be integrated with school improvement planning.

We are proposing that three year budgets for schools will be updated as pupil numbers change so that funding reflects the number of pupils actually in school in the year in question. The consultation paper asks for views on whether other data used to calculate schools’ budgets should also be updated from year to year.

***Streamlining of current standards-related grants from DfES to schools***

A new Single Standards Grant will bring together current Standards Fund and other grants to schools. Schools will be free to spend the grant on their own improvement priorities, as discussed with their School Improvement Partner. This will give schools more discretion over the use of the new grant with fewer conditions and reporting requirements so that they can focus on pupil level outcomes.

The Single Standards Grant will be distributed through a new formula introduced in two stages and with protection to ensure a stable transition to the new arrangements for all schools.

We propose to retain some separate targeted and ring-fenced grants to schools such as Targeted Improvement Grant and Ethnic Minorities Achievement Grant. The consultation document asks for views on whether the existing School Standards Grant should be merged into the new Single Standards Grant.

**About the consultation:**

The consultation period will run for 12 weeks until 13 May 2005.

If you would like a copy of either of the main consultation document or of the summary which is available, they can be downloaded shortly from [www.dfes.gov.uk/consultations](http://www.dfes.gov.uk/consultations). Alternatively, hard copies can be requested by e-mail from [SchoolFunding.Consultation@dfes.gsi.gov.uk](mailto:SchoolFunding.Consultation@dfes.gsi.gov.uk), or by telephone to 0845 602 2260.

## CONSULTATION QUESTIONS

### HEREFORDSHIRE COUNCIL CONSULTATION ON NEW SCHOOL FUNDING ARRANGEMENTS 2006/7

There are 35 specific questions, which are reproduced below, together with the comment DfES requests responses to these specific questions, although no doubt comments on other issues relevant to the consultation will be considered.

#### Chapter 2 in the full consultation document

1. Do you agree that it would be helpful to schools to receive forward budget information for at least two academic years as well as at least two financial years to aid forward planning?

**We agree it would be helpful for schools to receive forward budget information. However, the information is only as good as the three year projection of pupil numbers. For large secondary schools this should be possible within a reasonable tolerance given the known pupil numbers in in take primary schools. However, it is likely that for small primary schools in a rural authority such as Herefordshire pupil forecasts will be significantly inaccurate such that three year forward budgets will have relatively little value and at worst could be positively misleading.**

2. Are there other ways in which either DfES or local authorities could help to extend schools' ability to plan ahead effectively?

**Grant funding such as Standards Fund or Childcare Grants distort the true base budget for schools and their associated spending plans by introducing significant uncertainties as to what happens at the end of the grant if funding is not renewed. The transfer of short term grant funding to core base budget for LEA's to distribute would be a welcome improvement.**

3. Which funding year would be the most helpful for giving schools funding information for the academic year: August to July or September to August?

**Herefordshire has 102 schools and only four of which have sixth forms. Given that teacher contracts currently run from September to the end of August we feel it would have a disproportionate impact on 98% of our schools to change the funding year so that it would run from August to July. Any such change would require teachers contracts to run also from August to July so that a termination of the contract fits in with the termination of the budget year. We can see a innumerable disputes as to whether the terminating school or the new school should pay for August's salary costs in the event of teachers transferring between schools. A change to August to July cannot have any significant benefit compared to the disproportionate impact and disruption to the vast majority of schools.**

4. Do you agree that the approach of having funding increases in September, with funding allocations aligned to the academic year, is sensible?

**This is sensible. However, is there an implied requirement for support staff to have September pay increases and fixed for a three-year period?**

5. Do you think that the benefits of accounting on an academic year as well as a financial year basis outweigh the extra costs involved?

**We do not consider the benefits of accounting on an academic year is worthwhile and further do not see how it would be possible to account on a financial and an academic year on a practical basis. For example it will not be practical to put creditors, debtors and accruals through the Council's accounts at the end of August in addition to the end of March. . There has been no assessment on how this might impact upon schools if at all. If the close down is on a simplistic basis such as the current declaration for standards fund that all grant has been spent by the end of August then there would be little cost. However, significant confusion is likely to arise by having a financial close and an academic close for example which set of school balances would be the official figures, those at the end of March or those at the end of August? The potential for confusion abounds.**

6. Do you have any further comments on the proposals to give schools three-year budgets aligned to the academic year?

**No comment.**

Chapter 3 in the full consultation document

7. Do you agree that allocations of DSG should be adjusted in response to changes in pupil numbers, rather than being based on the initial pupil numbers used, without updates?

**The use of forecast pupil numbers for determining the allocation of the Dedicated Schools Grant will introduce further uncertainty into the system. At the request of schools, - Herefordshire has moved to fixed funding for the financial year based on January PLASC pupil numbers without adjustment in year. This has been at the specific request of schools that welcome the greater certainty for planning that such fixed budgets provide. Retrospective year-end budget adjustments due to changes in pupil numbers would seem to be a retrograde step and will detract significantly from the stated aim of introducing greater certainty into school budgets through three year planning. We agreed with the proposal that pupil numbers should move to up to date pupil numbers based on January pupil accounts. However, we have real concern regarding retrospective budget adjustments should the actual pupil numbers differ significantly from those forecast. Schools, and in particular small rural schools, could be put in difficult situations regarding the claw back of forecasted budget when such funds have already been spent on teachers. For small rural primary schools with an average of 60 pupils, a pupil forecast error of up to six pupils, whilst not many in absolute terms could have a wholly disproportionate impact on the schools budget and certainly introduce greater uncertainty rather than stability.**

8. Should allocations of DSG continue to use lagged pupil numbers or move to up-to-date actual pupil numbers?

**See below.**

9. If allocations of DSG use up-to-date actual pupil numbers, should we continue to use lagged pupil numbers for authorities with falling rolls?

**Falling Rolls is indeed a significant problem and leads to schools building up significant revenue balances in order to cope with a perceived problem. It would seem sensible to give authorities with significant falling rolls some breathing and planning space by using lagged pupil numbers. However, if most LEAs' are in the position of falling rolls does this not imply that DSG would automatically be based on lagged pupil numbers for the vast majority of authorities and makes the answer to question 8 above somewhat irrelevant?**

10. Given that pupil numbers will be updated, will it be helpful to fix the unit of resource for the funding distributed to local authorities for the three-year period?

**If the level of DSG is set and pupil numbers fixed then fixing absolutely the unit of resource will not automatically balance back to the DSG total. Mathematically some small degree of flexibility for the unit of resource maybe essential in order to set a balanced budget.**

11. Do you agree that the non-pupil data indicators should be frozen for the three-year period based on an average of the latest actuals?

**It will be essential that non-pupil data indicators be changed within the three-year period. For example, the building of a new school or a significant extension or changes to the school playing field may require changes to the school budget. The essential connection is that changes to the budget should be in line with changes in cost. A significant example is rates, which most authorities fund at actual and the effect of rates revaluations should not be frozen.**

12. How do you think the floor increase should be funded: solely through a ceiling, or through a damping block as well?

**A floor arrangement is essential and should be funded through a combination of a ceiling and damping block so that all authorities contribute to the cost of the floor.**

13. Should there be a cash floor, as well as one on a per pupil basis, built into the system to protect authorities with rapidly falling rolls?

**It is essential that authorities with falling rolls are given sufficient time to reduce costs. I have no particular views on the cash floor. However, a degree of fairness is essential across all LEA's.**

14. Do you have views on what transitional arrangements are needed to ensure that there is no adverse impact on the rest of the local government finance system when DSG is introduced in 2006-07?

**Stability for schools must not be to the detriment of the rest of local government funding.**

15. Do you have any further comments on the proposals for the DSG?

**No comment.**

Chapter 4 in the full consultation document

16. Do you agree that the split in the Schools Budget between the Individual Schools Budget and the central items set at the beginning of a three year funding period could subsequently be varied with the agreement of the Schools Forum if circumstances changed?

**It is essential that some variation of the split between the individual schools budget and centrally retained items is available over the three-year period. For example budgets such as statementing and placements to independent special schools are notoriously difficult to forecast and must be reviewed. These variations should be agreed with the Schools Forum as part of the budget setting process.**

17. Would you prefer a Minimum Funding Guarantee that continues to be set at or above cost pressures, or a lower value that would allow changes in a local authority's formula to flow through more rapidly?

**The operation of the Minimum Funding Guarantee at a level set above cost pressures constrains the ability to make the amendments in the LMS formula, which have been agreed in consultation with schools and the schools forum. A compromise that could be quite effective would be to set a national minimum funding guarantee at a minimum level of cost pressures and allow a further range of 1% or 2%, which, with the agreement of the Schools Forum, could either be imposed or set aside if there are local variations to the formula that schools wish to implement.**

18. Do you agree that local authorities should be allowed to change their formulae once three-year budgets have been set, under exceptional circumstances and with the agreement of their Schools Forum?

**The consultation paper proposes a two-year delay from the preparation of formula changes in say 2006 to the implementation of these changes in the academic year 2008/9. It is virtually inevitable that circumstances will change and demand reconsideration of some of these budget issues in the two-year period before implementation. We agree that budget and formula may need to be re-considered during this period. The difficulty will arise if exceptional circumstances are claimed every year so that instead of fixed three year budgets we move as now to annual budgets responsive to circumstances. Is there any intention to categorise the list of exceptional circumstances under which local authorities would be allowed to change their formula?**

19. Which do you think is more important: a system which allows schools to predict their future budget with more certainty, but is less responsive to changes in circumstances; or a system which allows all relevant data to be updated in the final budget?

**We consider it far more important to have a responsive budgeting system which allows all relevant data to be included in the final budget determination. The alternative suggestion about fixing future budgets with certainty is fine in principle, however, over the three year budgeting cycle it will be impossible to fix the level of many external costs and we consider it preferable that budgets should change in relation to cost pressures. In this way no schools will be under funded or over funded and the level spent on pupils should be more certain.**



20. Do you agree that it would be sensible to have more predictable arrangements for updating the budget for the forthcoming year, and less predictable but more responsive arrangements for the years further away?

**It is far more preferable to have predictable budgets for the forthcoming budget year and broad indications with less certainty and more response for future years.**

21. Which of the following three options do you think local authorities should use to update the indicative budget?

**We strongly prefer option 2 updating non pupil data as well as pupil numbers with the proviso as set out that there is the option to marginally adjust formula values to ensure a balanced budget within the DSG available.**

22. Do you agree that funding for named SEN pupils should not be included in school budget forecasts for future years?

**Strongly agree that funding for named SEN pupils should not be included in school budget forecasts for future years – this would be impossible to achieve since funding can vary significantly from year to year and as and when pupils leave.**

23. Which is the best approach to avoiding turbulence when Teachers' Pay Grants are included in mainstream funding?

**We prefer the option of agreeing some flexibility with Schools Forum so that we can move over a period of years from the current mechanism which is allocating the pay grant on the number of full time eligible teachers to a medium term position of allowing the funding to flow through pupil numbers in the LEA's formula. Requiring Schools Forum to agree the best approach allows local decision-making on what is a sensitive funding issue for schools.**

24. Do you have any general comments on the approach local authorities might take to giving schools three-year budgets?

**In general the approach that Herefordshire will take is that whatever funding smoothing and lagging arrangements are used by DfES to pass the budget to local authorities, Herefordshire will use similar mechanisms in order to pass the funding through to schools. For example, if end of year clawback of DSG used by DfES then we shall pass the clawback directly on to schools.**

**Additionally there is likely to arise a significant additional level of complexity regarding the management of under and overspends on the dedicated schools budget. This is likely to add more complexity and make explanations to schools less straightforward than the current end of year delegation of unspent contingencies.**

Chapter 5 in the full consultation document

25. Do you agree that we should retain a small number of grants to offer targeted support and for activities that require support on a continuing basis?

**Yes, this would seem a sensible approach on the proviso that it remains a small number of grants and DfES does not permit the gradual expansion of**

**the number of grants targeted over the medium term that simply eventually restores the current plethora of standards fund grants.**

26. Could any more of the existing targeted grants be made part of the amalgamated grant?

**The balance in the consultation paper would seem broadly correct although we note with some concern that the national grid for learning ICT grants are excluded and would welcome clarification as to how these grants continued to be offered to schools.**

27. Do you agree that we should opt for stability in the first two years of the amalgamated grant, by aggregating current Standards Fund grants without formula changes for that period?

**This would seem sensible.**

28. Do you agree that we should move the existing School Standards Grant to a lump sum and per pupil basis during the transitional phase, with suitable damping arrangements to ensure stability?

**Agreed this would seem a sensible approach.**

29. Do you agree that the Standards Fund and the School Standards Grant should be brought together into a Single Standards Grant from 2008, using a formula that is pupil led and has a per school element to protect small schools and a deprivation measure?

**Agreed but DfES must ensure that small rural schools are protected.**

30. Do you agree that we should allow schools to agree, through their Schools Forum, to local authorities increasing the level of holdback for coordination and collaboration purposes by top-slicing the new Single Standards Grant?

**Agreed that Schools Forum should be able to agree an increase in the level of holdback. However, as a general principle we would be against top slicing any grants allocated to schools.**

31. Do you have any further comments on the proposals for the new Single Standards Grant?

**No further comment.**

Chapter 6 of the full consultation document

32. Do you think that the Financial Management Standard should become compulsory?

**The Financial Management Standard should become compulsory for secondary schools. Secondary schools are generally responsible for significant budgets which approximately account for half the Individual Schools Budget and have qualified bursars to manage the finance function. It is reasonable to expect that finance should be managed to a high standard. Primary schools are much more numerous and are significantly smaller in budget size and management capability. Much more of their budget is spent directly on staff and as such there is less to go seriously wrong. In any case it is much easier to correct a primary school deficit than a secondary school deficit. The experience of making**

**the Financial Management Standard compulsory in high schools should be reviewed after a period of five to seven years and a separate decision taken on whether it is valuable to extend to primary schools and special schools.**

33. How could the Financial Management Standard and Toolkit and Schools Financial Benchmarking website be improved for users?

**The financial benchmarking website could be improved by schools being able to benchmark against their Ofsted family neighbours. This would allow schools to compare themselves against comparator schools who may adopt very different practices. The difficulty at present is that for schools to get a true comparison on similar funding levels they compare within an LEA and usually schools within an LEA all adopt similar practices. If schools compare against a wide cross section of schools then varying funding levels distort the expenditure patterns. An easy to use "comparison against family neighbours" would be ideal.**

34. What sort of procurement deals and arrangements would be most suitable for schools?

**Ideally schools require good value and efficiently organised procurement deals from responsive regionally based procurement organizations that offer schools value for money, choice and good customer service. However, care must be taken to ensure the overheads of such purchasing organizations do not exceed the cost of supply and services bought in an efficient open market. Care needs to be taken so that local circumstances regarding school meals, grounds maintenance, supply teachers and many other locally purchased decisions are retained and that centrally purchasing arrangements do not adopt a one size fits all mentality.**

35. In what other ways can schools become more productive and efficient in the use of their resources?

**The efficient production of schools curriculum materials and especially on line planning tools would be desirable. Partnership working between schools and LEAs generally lead to the most efficient use of resources that are designed to meet individual schools needs.**



# CHANGE FOR CHILDREN IN HEREFORDSHIRE

## PROGRAMME AREA RESPONSIBILITY: CHILDREN'S SERVICES

CABINET

19TH MAY, 2005

### Wards Affected

County-wide

### Purpose

To note the progress in Herefordshire in relation to the Change for Children programme.

### Key Decision

This is not a Key Decision

### Recommendation

**THAT Cabinet are asked:-**

- (a) to note the progress so far;
- (b) to agree the proposed neighbourhoods of South Wye, Golden Valley and Leominster and preference for Golden Valley to reflect the rural agenda for Herefordshire; and
- (c) to ask for a further report on the strategy for Children's Centres and sustaining the extended school programme.

### Reasons

To ensure routine reporting on the national change requirements delivered locally.

### Considerations

1. The previous report of 17th February, 2005 indicated revised priorities and the significant new documentation to be taken into account.
2. There have been regular newsletters to staff, members, schools and partners to build further communication of key themes.

### Progress

3. The Children's and Young People's Partnership Board has been set up and is ready to set out on a programme of work to achieve a Children's and Young People's Plan for Herefordshire by April 2006.

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Further information on the subject of this report is available from  
Sue Fiennes, Director of Children's Services on 01432 260039

4. The first Children's Centre in Herefordshire has been officially opened by Tom Jeffrey, Director - General, Children and Young People and Families.
5. Extended Schools development continues:-
  - April 2005 – March 2006 is the third and final year for Extended Schools Cluster funding. Half of the schools in the County are already extending their provision.
  - By September 2005 there will be one full-service extended school operating in Weobley. Excellence Cluster funding will enable at least one more to develop within the Haywood/Kingstone partnerships.
  - The Young Person's Fund (Big Lottery Fund) is supporting the Extended Schools Programme – a 3-year grant to support children and young people in the villages of Clehonger, Sutton and Withington is expected to be successful.
  - An Extended Schools Community Development Worker post has been funded by the EYDCP – to facilitate development of childcare provision across the County.
  - National monitoring guidance has emphasised the need to focus on developing sustainable provision during 2005-06. The 14 school partnerships in the County have been invited to agree the area for their extended provision to enable a countywide strategy to be agreed by June 2005 – ideally linked with the expansion of children's centres.
  - Collaboration with Herefordshire Primary Care Trust, West Mercia Police, Herefordshire Learning Partnership, the Courtyard and the EYDCP have enabled a variety of community projects involving schools to be successful.
6. The Cabinet Member for Children's Services has taken part in the IDeA leadership programme for portfolio holders.
7. The Children's Safeguarding Board is taking shape, with recommendations on structure and arrangements linking to the Partnership Board, going forward via the current Area Child Protection Committee to the Partnership Board in May 2005.
8. Invitations to talk to multi-professional groups are now routinely coming in, and the Every Child Matters agenda is being more broadly understood. There is practitioner enthusiasm and schools are beginning to see their role in service change and development. So far 5 sessions have been held.
9. The Director of Children's Services has now visited:-
  - 18 primary schools
  - 6 secondary schools
  - 1 special school

This is a commitment to engage positively with each school's Head Teacher and Chair of Governors.
10. An assessment of performance on key indicators and a review of improvement plans are being undertaken as part of the self-assessment for the Joint Area Review of Children's Services. The contribution of staff and partners to completing the templates and attending "surgeries" has been excellent.

## Challenges

### Children's Centres

11. The Sure Start funding and the ten-year strategy for Child Care bring the second phase to Herefordshire. The allocation of capital and revenue funding is for 2005-06 and 2006-07.
12. Details of targets and funding are set out below:-

<b>Local Authority : County of Herefordshire</b>	<b>Total</b>
Total number of under 5s LA to reach by 2010 (Based on April 2003 LEA Data)	9,438
Total number of under 5s expected to reach in 20% Ward by March 2006 (Based on the 1999 IMD)	1,044
Total number of new under 5s for LA to reach during 2006-08	5,013
Number of new children's centres to be created during April 2006 - March 2008	6
Total indicative Capital funding for 2006-2008	£940,360
Total Revenue funding for 2006 - 2008	£1,027,314

13. The funding allocated means it will be challenging to deliver the targets and numbers of centres.
14. The priority is now to do further development work, including the links to extended schools, including rural models, before making recommendations.
15. Actions Local Authorities should be taking in 2005-06 are set out below:-
  - Develop with parents and partners an early years and childcare vision for your locality including integrated early education and childcare, health, advice and support to parents, adult learning and support for employment, and outreach to all parts of the community.
  - With parents, partners and childcare providers, review the supply and demand of childcare in your locality.
  - Expand and roll out children's centres and extended schools.
  - Develop local plans and programmes with parents and partners, based on "Sure Start Guidance 2006-2008" (to be issued in the autumn), to increase capacity, sustainability and quality of services.
  - Ensure plans and service provision reflect the needs of the local population, including disabled children and those from black and minority ethnic communities.
  - Ensure these plans are an integral part of the local authority's wider Children and Young People's Plan.
  - Develop a programme to grow the local childcare workforce and improve their

qualifications and training to meet the commitments in "Choice for parents: the best start for children".

- Develop a programme to improve the skills of strategic and operational managers to deliver the integrated early years and childcare services.
  - Review current arrangements for provision of advice and information to parents, including services delivered by Children's Information Services.
16. This will form our change priority work which will need to be done in parallel with the work on the Joint Area Review (JAR).

### **Joint Area Review (JAR)**

17. The challenge is to produce an excellent self-assessment which demonstrates impact, areas for improvement and tells the right story for Herefordshire.
18. The data-set for Herefordshire has now been received and much of it will need to be challenged given improvements over 2004-05. The self-assessment will come to Cabinet on 9th June and will be returned to the Lead Inspector on 13th June.
19. There are many other ingredients to the JAR including a neighbourhood study and 100 cases to enable a selection of 10 to be followed up in detail as part of the fieldwork. In addition, there is an enhanced assessment of the youth service, largely done by observation in the fieldwork.
20. The three neighbourhood areas to be proposed by Herefordshire are South Wye, Golden Valley and Leominster.
21. It is hoped a picture of a rural area can be given to reflect better the Herefordshire Community.

### **Consultation/Involvement of Children and Young People**

22. There is much current activity in many service areas. This is being captured for the JAR. The concern is that we should plan to build on this in a managed way for the future and not seek to develop arrangements fast which cannot be effective.

### **Alternative Options**

There are no alternative options

### **Risk Management**

The continued focus on the priorities agreed by Cabinet on 17th February, 2005 will ensure that the leadership energy and grasp is demonstrated and sustained.

The delivery on those priorities will be linked to the annual operating plan targets and routine monitoring of both will ensure appropriate action is taken where necessary.

### **Financial Assessment**

Children's Services resources and budgets will need to be aligned during 2005-06 and careful approaches to commissioning and capacity will need to be developed.



## **Consultees**

Staff and Stakeholders.

## **Background Papers**

None identified



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