

**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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7th September, 2005

Dear Councillor,

**MEETING OF CABINET
THURSDAY, 15TH SEPTEMBER, 2005 AT 2.15 P.M.
THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (05/14)

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. TREASURY MANAGEMENT ACTIVITIES 2004/2005

To receive a report on the Council's Treasury activities for the period 1st April, 2004 to 31st March, 2005 and the outturn of Prudential Indicators for the year 2004/05. *(Pages 1 - 14)*

4. ASSET MANAGEMENT PLAN

To approve the 2005 edition of the Council's Asset management Plan (AMP). *(Pages 15 - 16)*



5. SMALL BUSINESS FRIENDLY CONCORDAT

To consider signing up to the principles set out in the Small Business Friendly Concordat. (Pages 17 - 24)

6. OLDER PEOPLE'S STRATEGY

To approve the production of a county-wide strategy for older people in Herefordshire through engagement with the Local Strategic Partnership and key stakeholder organisations. (Pages 25 - 32)

EXCLUSION OF THE PUBLIC AND PRESS

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

RECOMMENDATION:

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

7. NATIONAL HEALTH SERVICE ORGANISATIONAL CHANGE

To receive information on proposed organisational changes to the local health Service as a result of a Department of Health paper on "Commissioning a Patient-led NHS" and to respond to the Strategic Health Authority Consultation. (Pages 33 - 54)

This item discloses information relating to the financial or business affairs of any particular person (other than the authority) and information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office-holders under, the authority.

Yours sincerely,



**N.M. PRINGLE
CHIEF EXECUTIVE**

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

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

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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

TREASURY MANAGEMENT ACTIVITIES 2004/2005

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

15TH SEPTEMBER, 2005

Wards Affected

Countywide.

Purpose

To receive a report on the Council's Treasury activities for the period 1st April 2004 to 31st March 2005 and the outturn of Prudential Indicators for the year 2004/05.

Key Decision

This is not a key decision.

Recommendation

THAT the report detailed in Appendix 1 be noted.

Reasons

The reporting of the past financial year's performance is a requirement of the Council's Treasury Management Policy.

Considerations

1. A detailed report is attached at Appendix 1 with the following key points specifically drawn to the attention of Cabinet:
 - With regard to the transactions for the financial year 2004/05, the cost of borrowing was below the budget and the investment income was above the budget (Section 2 and 3 of the report refers).
 - The return on internally managed investments exceeded the index benchmark for 2004/05 (Section 3 of the report refers).
 - The net return on externally managed funds was in line with the index benchmark for 2004/05 (Section 3 of the report refers).
 - The treasury limits and prudential indicators were complied with during 2004/05 (Section 6 of the report refers).

Risk Management

Risk is managed in accordance with the Treasury Management Policy Statement approved by Cabinet in February 2002.

Consultees

None identified.

Background Papers

None identified.

TREASURY MANAGEMENT REPORT 2004/05**PURPOSE**

The purpose of this report is to advise Cabinet of the Council's Treasury Activities for 2004/05.

1. INTRODUCTION AND BACKGROUND

1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management 2001 was adopted by this Council in February 2002 and this Council fully complies with its requirements. The primary requirements of the Code are the:-

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the Cabinet of an annual strategy report for the year ahead and an annual review report of the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.2 Treasury management in this context is defined as:

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

1.3 An Internal Audit Review in February 2005 noted that the treasury management system has a satisfactory system of control.

1.4 This annual treasury report covers:

- the Council's Borrowing Transactions 2004/05;
- the Council's Investment Transactions 2004/05;
- the strategy for 2004/05;
- the economy in 2004/05;
- borrowing and investment rates in 2004/05;
- compliance with treasury limits and Prudential Indicators;

2. THE COUNCIL'S BORROWING TRANSACTIONS 2004/05

2.1 The following summary gives information relating to the Council's long-term borrowing transactions in 2004/05.

| Long-term Borrowing | £ |
|---|-------------------|
| As at 1 st April 2004 | 52,854,951 |
| New Borrowing (see paragraph 2.3) | 26,000,000 |
| Less: Repayments | (11,135,249) |
| As at 31st March 2005 | 67,719,702 |

2.2 The Public Works Loan Board (PWLB) remains the main source of long-term borrowing for the Council. In addition to PWLB loans the Council have also borrowed from the money market in the form of LOBO loans. LOBO loans have recently become an attractive source of long-term borrowing and therefore it was decided to take advantage of this in order to generate interest savings.

2.3 After careful consideration of interest rate forecasts, expected capital spending, repayment profile and having regard to the existing debt, loans were taken during 2004/05 as follows:

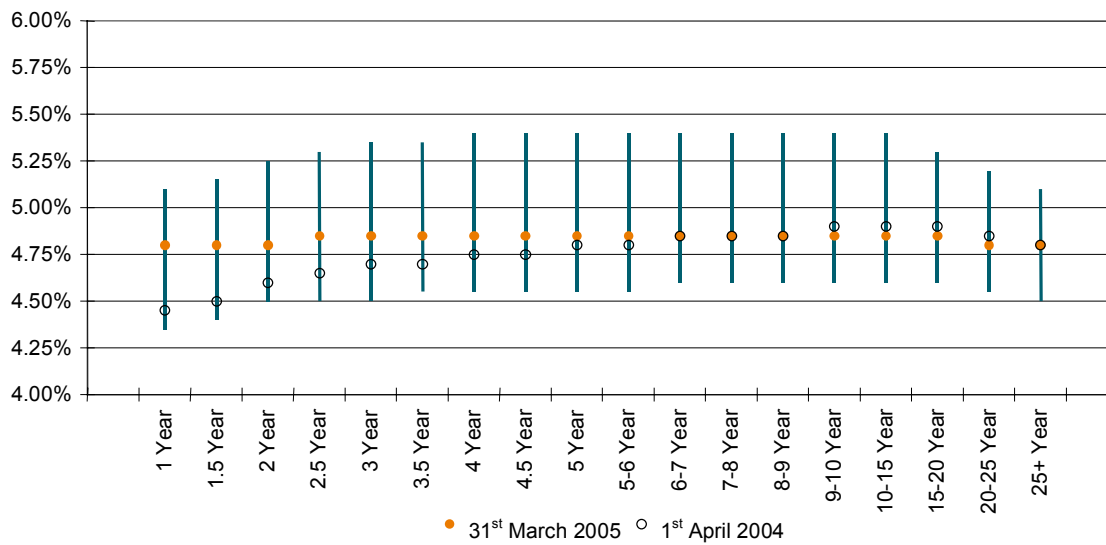
| Date | Loan Type | Lender | Amount £ | Period Years | Interest Rate % |
|----------|----------------|-------------|-------------------|-----------------|---|
| 12/08/04 | Fixed Maturity | PWLB | 5,000,000 | 26 | 4.80 |
| 30/09/04 | Fixed Maturity | PWLB | 7,000,000 | 27 | 4.75 |
| 26/10/04 | Fixed Maturity | PWLB | 3,000,000 | 1 | 4.50 |
| 24/11/04 | LOBO | Danske Bank | 6,000,000 | 50 | 2 years at 1.60%, then 48 years at 4.50% |
| 15/02/05 | Fixed Maturity | PWLB | 5,000,000 | 28 | 4.50 |
| | | | 26,000,000 | | |

2.4 Rates of interest available during the year for PWLB Fixed Rate – Maturity (25 to 30 Years) loans ranged from 4.50% to 5.10%. As further comparative performance indicators, average PWLB maturity loan interest rates for 2004/05 were: -

- 1 year 4.72%
- 9-10 year 4.99%
- 25-30 year 4.82%

The graph below shows the range (high and low points) in rates for each maturity period during the year, and individual rates at the start and end of the financial year.

PWLB rates 2004/05



- 2.5 The cost of borrowing in 2004/05 was £1,122,596 less than the budget, mainly due to slippage on the Capital Programme and new borrowing at low interest rates. Interest payments totalled £2,663,710. The average rate of interest paid on borrowings during the year was 4.62% compared to 5.40% in 2003/04, reflecting the repayment of short-dated high interest loans and new borrowing at low interest rates.
- 2.6 The longer term debt at 31st March 2005 falls due for repayment as follows (NB it is assumed that the LOBO loans will be repaid after the initial 2-year period of each loan).

| Long-term Debt Profile | £ | % of total debt |
|--------------------------|-------------------|-----------------|
| Within | | |
| 1 year | 9,423,523 | 14 |
| 1 – 5 years | 12,648,877 | 19 |
| 5 – 10 years | 1,423,894 | 2 |
| 10 – 15 years | 3,979,271 | 6 |
| 15 years and over | 40,244,137 | 59 |
| | 67,719,702 | 100 |

- 2.7 In addition to the external borrowing identified above, the Council has a bank overdraft facility with its bankers, National Westminster Bank plc, of £6,000,000, which was used on a limited basis during the year. This was used in replacement of any short-term borrowing of amounts less than £100,000 where it would not be cost effective to borrow through the money market.
- 2.8 The Council's aim is to maintain a nil cleared balance, as far as possible, in low-interest bearing accounts. This is hard to achieve in practice because some payments are made directly in to the bank. However, such sums are not significant in overall terms. The average daily bank balance for 2004/05, on which debit and credit interest is calculated was £30,503 in credit. **Annex A** illustrates the balances for 2004/05.

3. THE COUNCIL'S INVESTMENT TRANSACTIONS 2004/05

3.1 **Internally Managed Investments** – The Council manages its in-house investments with the institutions listed in the Council's approved lending list. The Council placed investments for a range of periods from overnight to 364 days, dependent on the Council's cash flows, its interest rate view and the interest rates on offer.

3.2 During the year the interest rate earned on internally managed funds have varied between 3.45% and 5.00% and the average daily investment managed internally was £29,114,791. The actual daily investments ranged from £11,860,000 to £45,732,248, which illustrates how much the temporary cash flow fluctuates throughout the year. The temporary short-term investment transactions for 2004/05 are summarised as follows:

| Internally Managed Investments | £ | £ |
|--|------------------------|-------------------|
| As at 1 st April 2004 | | 13,810,151 |
| Investments made during year (254 transactions) | 1,022,446,981 | |
| Investments recalled during year | <u>(1,010,267,132)</u> | 12,179,849 |
| As at 31st March 2005 | | 25,990,000 |

3.3 The level of funds of funds that were available for investment increased during the year, due to budget underspends and slippage on the Capital Programme.

3.4 The average interest rate achieved on internally managed funds was 4.64%, which compares favourably with the generally accepted yardstick of the average 7-Day LIBID rate (uncompounded) of 4.50%. The Council's return on temporary investments largely mirrored the prevailing base rate. **Annex B** compares the average interest rate earned on internally managed funds, the 7-day LIBID rate, the borrowing rate offered by the PWLB (for 25-30 year maturity loans) and the Bank of England Base Rate.

3.5 **Externally Managed Investments** – Council funds of £7,143,049 (as at 31st March 2005) continued to be managed externally by Investec Asset Management Ltd (Investec). The fund management agreement between the Council and Investec defines the limits for maximum duration of investments for the fund and the Counterparty criteria and exposure limits.

3.6 The average net return for the year was 4.59% and the net income earned is added to the fund. Investec's return was in line with the benchmark of the average 7-day LIBID rate (compounded) of 4.60%.

3.7 Investec performed well compared to other fund managers in 2004/05. The Council continues to monitor Investec's performance on a monthly basis.

3.8 The Council achieved well above its investment income budget of £670,000 in 2004/05 (as summarised below). This was primarily due to slippage on the Capital Programme and cash flow advantages on delays in spending to budget, together with increased interest rates.

| Summary of Investment Income | £ | £ |
|-------------------------------------|-----------------|------------------|
| Internally Managed Funds | | 1,351,857 |
| Externally Managed Funds (net) | | 322,337 |
| | | <u>1,674,194</u> |
| Less: transfers to Schools | (200,234) | |
| Interest payments to trusts etc. | <u>(88,526)</u> | |
| | | <u>(288,760)</u> |
| Interest Received 2004/05 | | 1,385,434 |

4. THE STRATEGY FOR 2004/05

4.1 The treasury strategy for 2004/05 was based on a view of the UK, US and world economic growth rates continuing to strengthen as the recovery from the down turn caused by the Iraq war in the first half of 2003 gathered momentum. In the UK, base rate had risen from a low of 3.5% to 4.0% by February 2004; this was still a low rate by historic standards which was acting as a stimulus to the economy. The Monetary Policy Committee was therefore expected to eliminate that stimulus by gradually raising base rate back to more normal levels (near to 5%) during the year.

4.2 Similarly, the US Fed was expected to raise rates from the exceptionally low rate of 1.0% to reduce the major stimulus to the economy but by way of a phased series of gentle increases as there were still concerns about the recovery being a "jobless recovery". The Eurozone growth rate was expected to improve, but not substantially, as the dollar was expected to weaken against the Euro and so negatively impact Eurozone exports. The European Central Bank was therefore expected to leave rates unchanged at 2.0% so as to continue to provide some stimulus for the economy in the absence of major inflationary concerns. Inflation in all three areas was expected to be well contained.

4.3 The effect on interest rates for the UK was therefore expected to be as follows:

Shorter-term interest rates - The "average" City view anticipated that the strengthening growth rate in the UK, US and world economies would lead to gentle increases in UK base rate.

Longer-term interest rates - The view on longer-term fixed interest rates was that long-term PWLB rates would be fairly stable around the 5.0% level for most of the financial year.

4.4 The strategy agreed by Cabinet, based upon the above forecast, was:

- That the expectation that short-term rates would be good value for some of the 2004/05 borrowing requirement and would assist in lowering debt servicing costs. The risk was that leaving longer-term borrowing to later years could eventually entail higher longer-term interest costs.
- That the risks intrinsic to shorter-term variable interest rates are such, when compared to historically low long term funding costs, that the Council will maintain a stable, longer term portfolio by drawing longer-term fixed rate funding.
- The Council operated both borrowing and investment portfolios and as a consequence was at lower risk from being impacted by a sharp, unexpected rise in short-term variable interest rates.

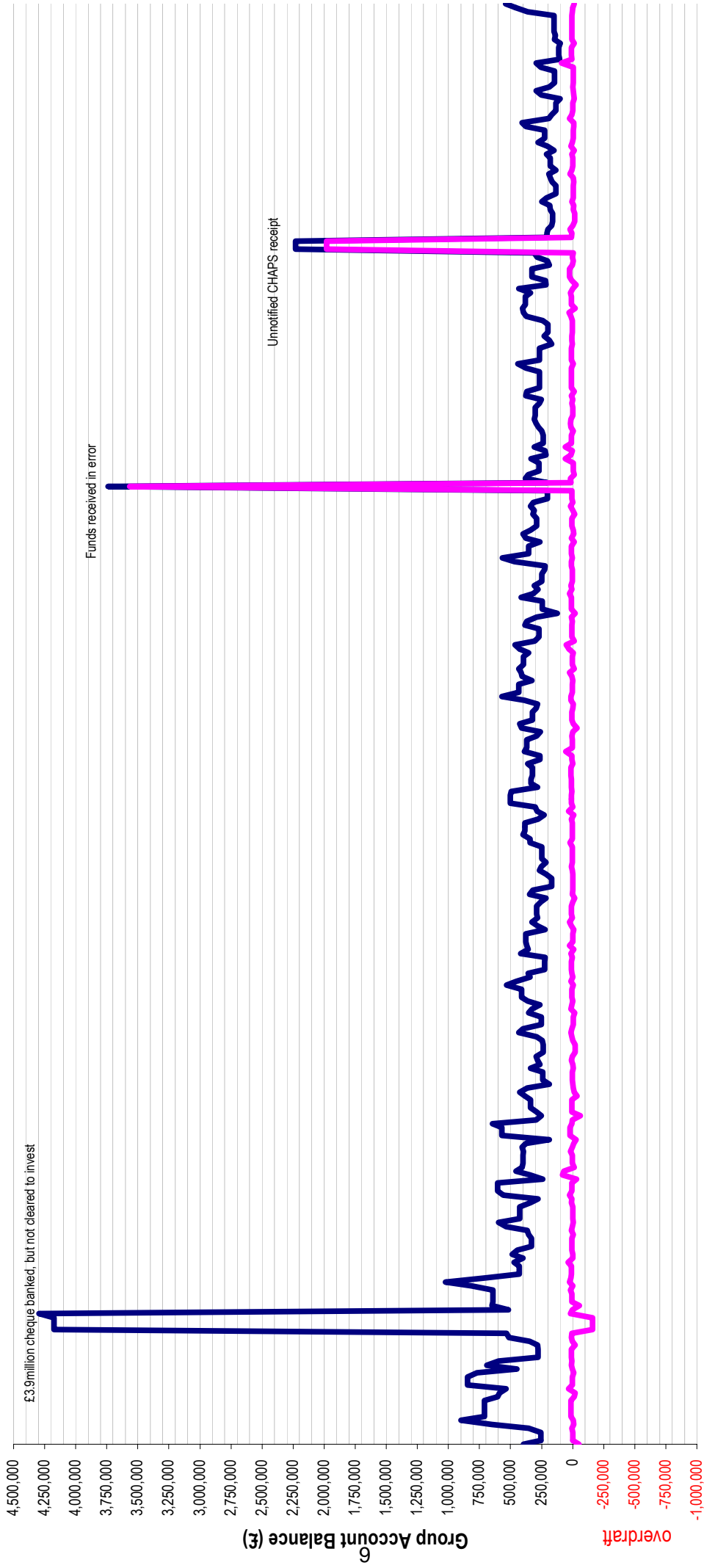
5. THE ECONOMY IN 2004/05

- 5.1 **Shorter-term interest rates** – Base rate rose in 0.25% steps from 4.0% in February 2004 to reach 4.75% in August where it stayed for the rest of the financial year. House prices grew strongly during 2004 and consumer confidence was high which fed through into strong increases in personal borrowing. Early in 2005, the housing market slowed sharply and consumer confidence fell as high oil prices reduced spending power and negatively impacted sentiment. This eased pressure for a further increase to 5.0%.
- 5.2 **Longer-term interest rates** – The PWLB 25-30 year rate started the year at 4.80% and then hovered around 5.0–5.10% in May/June before falling back, and falling sharply in November/December to reach 4.5% towards the end of December 2004. During February/March 2005 the rate rose again to a peak of 4.90% as high oil prices renewed inflation concerns.

6. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

- 6.1 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in **Annex C**. The Prudential Indicators set out are recommended by the CIPFA Prudential Code for Capital Finance.
- 6.2 The outturn of the Capital Programme was provided for Cabinet as part of the Integrated Annual Outturn Report 2004/05. The capital programme outturn for 2004/05 totalled £33,198,152 compared to an original budget of £34,937,786, which represents a decrease of £1,739,634 or 5%. Changes in original capital budgets represent a combination of total increases of £7,597,000 and total decreases of £9,337,000. This is due to new schemes and new sources of funding being identified, slippages and deferment of schemes into future years, and budget virements where necessary.
- 6.3 The original Prudential Borrowing indication was £5,000,000 however Cabinet subsequently allocated a reduced sum of £4,740,907 to various capital schemes in July 2004. Additional Supported Capital Expenditure (Revenue) (SCE(R)) funded £127,000 of this requirement. The outturn for the use of Prudential Borrowing for 2004/05 was £2,602,502 with the slippage from the original allocation of £2,011,405 now being required in 2005/06. This level of Prudential Borrowing would have required only £1.77 of a Band D Council Tax instead of the original £3.75. Although Prudential Borrowing was less than forecast during the year additional SCE(R) was used and therefore the net Capital Financing Requirement actually increased compared to the original forecast.

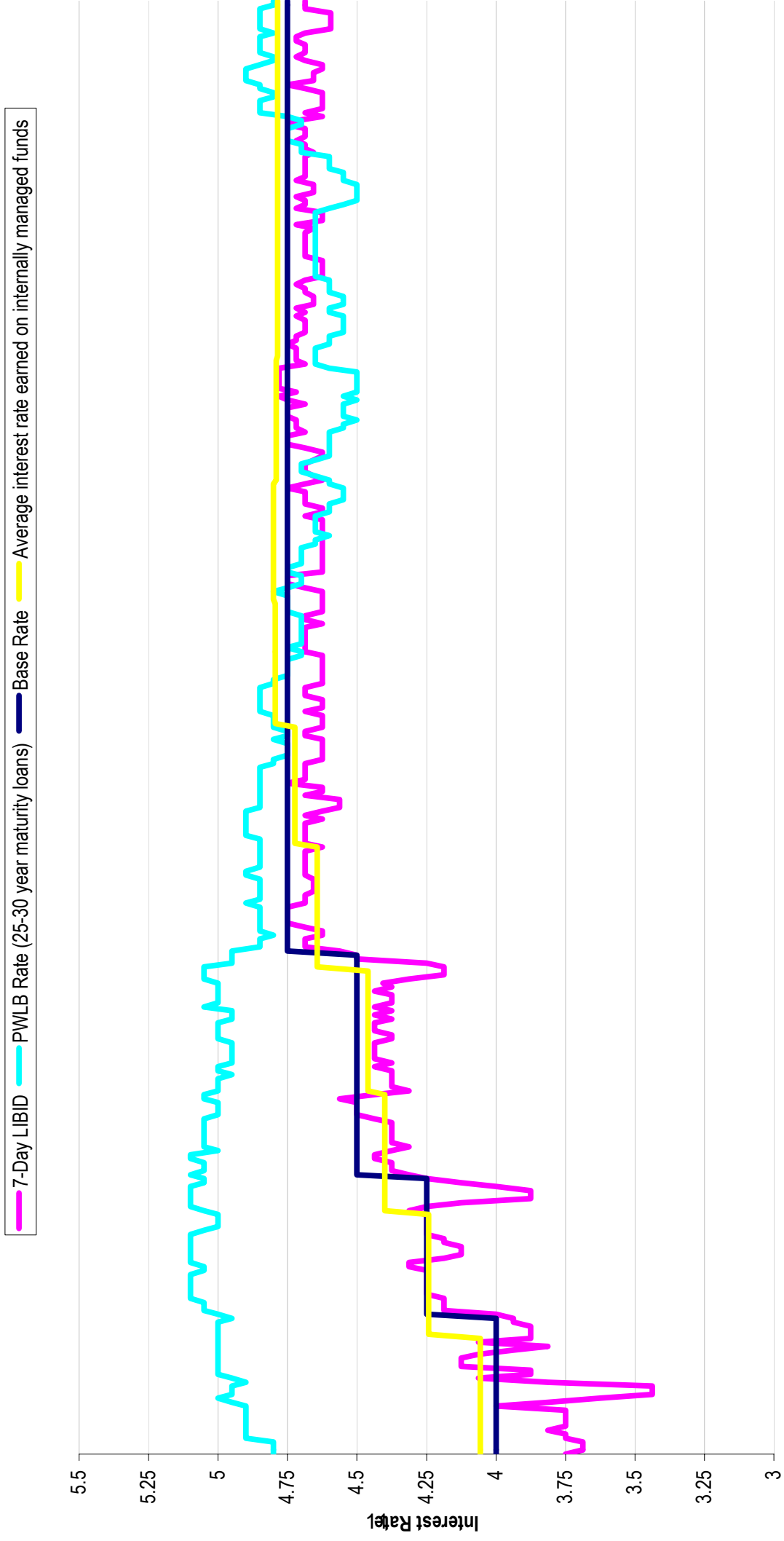
Herefordshire Group Account Bank Balances for 2004/2005



1st April 2004 to 31st March 2005

— Represents the uncleared group account bank balance i.e. some transactions included in this balance are subject to clearance. (This balance agrees to the bank statements).
— Represents the cleared group account bank balance i.e. all transactions included in this balance have cleared. (This is the balance on which interest is charged or earned)

Comparison of Interest Rate for 2004/2005



1st April 2004 to 31st March 2005

PRUDENTIAL INDICATORS

| PRUDENTIAL INDICATOR Extract from Budget Setting Report | 2003/04 Actual | 2004/05 Original | 2004/05 Actual Outturn |
|---|---------------------------|-----------------------------|---------------------------------------|
| Capital Expenditure (£'000) | £33,023 | £34,938 | £33,198 |
| Ratio of financing costs to net revenue stream | 3.28% | 3.83% | 3.02% |
| Capital Financing Requirement as at 31st March (£'000) | £78,090 | £94,892 | £95,371 |
| Incremental impact of capital investment decisions * | | | |
| Increase in council tax (Band D) per annum (£) | N/A | £3.75 | £1.77 |
| * The Outturn for Prudential Borrowing in 2004/05 amounted to £2,602,502 compared to the original budget of £5,000,000. | | | |
| PRUDENTIAL INDICATOR Treasury Management Prudential Indicators | 2003/04 Actual | 2004/05 Original | 2004/05 Final |
| Authorised Limit for External Debt - | | | |
| Borrowing (£'000) | £105,000 | £119,000 | £119,000 |
| Other Long Term Liabilities (£'000) | £1,500 | £3,000 | £3,000 |
| Total (£'000) | £106,500 | £122,000 | £122,000 |
| Operational Boundary for External Debt - | | | |
| Borrowing (£'000) | £63,000 | £73,500 | £73,500 |
| Other Long Term Liabilities (£'000) | £1,500 | £1,500 | £1,500 |
| Total (£'000) | £64,500 | £75,000 | £75,000 |
| Upper Limit for Fixed Interest Rate Exposure | | | |
| Net principal re: fixed rate borrowing/investments | 100% | 100% | 100% |
| Upper Limit for Variable Rate Exposure | | | |
| Net principal re: variable rate borrowing/investments | 25% | 50% | 50% |
| Upper limit for total principal sums invested for over 364 days (£'000) | £7,000 | £10,000 | £10,000 |

| Maturity structure of fixed rate borrowing during 2004/05 | Upper Limit | Lower Limit |
|--|--------------------|--------------------|
| Under 12 months | 30% | 0% |
| 12 months and within 24 months | 60% | 0% |
| 24 months and within 5 years | 90% | 0% |
| 5 years and within 10 years | 100% | 0% |
| 10 years and above | 100% | 20% |

ASSET MANAGEMENT PLAN

PROGRAMME AREA RESPONSIBILITY: RESOURCES

CABINET

15TH SEPTEMBER, 2005

Wards Affected

County-wide

Purpose

To approve the 2005 edition of the Council's Asset Management Plan (AMP).

Key Decision

This is not a key decision.

Recommendation:

THAT the 2005 Asset Management Plan be approved.

Reasons

To enable the Council's property assets to be managed in accordance with the Council's objectives.

Considerations

1. The Council has written an AMP for the last five years. The AMP is being sent separately to Cabinet Members and is available in the Members' Room, on the Council's website and on request.
2. These plans were originally a requirement of the Office of the Deputy Prime Minister (ODPM) who prescribed the format of the AMP and stated primary and secondary criteria upon which the plan was assessed.
3. The Government Office for West Midlands acted as agents for the ODPM in reviewing these reports. Once a 'Good' rating was obtained, which Herefordshire Council achieved two years ago, submission was no longer required.
4. The AMP gives details of the property portfolio of the Council and outlines property issues and action to be taken in the short-term. It also details the results of actions taken over the last twelve months.
5. Contained within the AMP are fifteen performance indicators that cover property issues such as energy, maintenance, rates of return and costs. The Council submits these PIs to an association known as the Institute of Public Finance (IPF). This enables comparison with other Councils.

Further information on the subject of this report is available from
Colin S Birks, Property Services Manager on 01432 261980

Financial Implications

Full revenue and Capital implications are contained in the AMP.

While comparisons with other Councils is difficult because of the range of different services provided, in general the Council's PIs are in the middle to upper quartiles.

Herefordshire Council was one of fifteen Councils involved in a pilot scheme undertaken by an organisation known as York Consulting. They were appointed by the ODPM to review how Councils resourced the writing of the AMP and the quality of the plan produced. The proposal is to continue using York Consulting to facilitate the AMP process and to obtain an independent annual report.

Full revenue and capital implications are contained in the AMP and the current year's proposed expenditure is supported by the budget allocations for 2005/06.

Alternative Options

None.

Risk Management

Inadequate financial and staff resources to meet the requirements of the AMP. Financial aspect is supported by capital programme bids and staffing resources being dealt with in accordance with the Pay and Workforce Development Strategy.

Consultees

Cabinet Member for Resources

Cabinet Member, Rural Regeneration, Smallholdings and Commons

Officers on Capital Strategy Group

Background Papers

Annual Core Data Sheets

SMALL BUSINESS FRIENDLY CONCORDAT

PROGRAMME AREA RESPONSIBILITY: RESOURCES

CABINET

15TH SEPTEMBER 2005

Wards Affected

Countywide

Purpose

To consider signing up to the principles set out in the Small Business Friendly Concordat.

Key Decision

This is not a Key Decision

Recommendation

THAT Herefordshire Council signs up to the principles set out in the Small Business Friendly Concordat; and that the Small Business Event in Shrewsbury on 5th October, 2005 be noted.

Reasons

It is a key milestone for 2005 in the National Procurement Strategy for Local Government that Councils should adopt the principles of the SME Concordat, which was issued by the Deputy Prime Minister this year. The Council is following the National Strategy and the aims of the Concordat are also generally in line with the aim of the Council's Corporate Plan to support business growth.

Considerations

1. The Small Business (SME) Friendly Concordat is a voluntary, non-statutory code of practice. ODPM, the LGA and the DTI's Small Business Service strongly encourage all Local Authorities in England to sign up to it. The National Procurement Strategy for Local Government (2003) sets a target for all Local Authorities to have adopted the Concordat by the end of 2005.
2. This report links two items, an introduction to the Small Business Friendly Concordat, and a description of an event for small businesses in which the Council is participating, in Shrewsbury in October.

The Small Business Friendly Concordat

3. Most of the material on the Concordat in this report is taken from the text of the Good Practice Guidance document which accompanies it. The Concordat itself is attached as an appendix to the report.

4. The Small Business Friendly Concordat is a voluntary, non-statutory code of practice aimed at helping small and medium-sized enterprises (SMEs). The Deputy Prime Minister, the LGA and the Small Business Service of the DTI have strongly encouraged all Local Authorities in England to sign up to it. The National Procurement Strategy for Local Government sets a target for all Local Authorities to have adopted the Concordat by the end of 2005.
5. The purpose of the Concordat is to set out what SMEs and others supplying Local Government can expect when tendering for Local Authority contracts. It is not intended that smaller suppliers should automatically be given a competitive advantage when tendering for local government contracts, but there are certainly steps that all contracting authorities could take to ensure that suppliers of all kinds are treated equally.
6. The Concordat also sets out the standards that public sector buyers should expect from their suppliers.
7. Under the Local Government Act 2000, councils are required to prepare a Community Strategy and have powers to promote the economic, social and environmental well-being of their communities. Provided there is compliance with the EC Public Procurement Regulations and 'Best Value', councils can work with suppliers to realise 'community benefits' of this kind through their procurement activities. Since SMEs are often local businesses, and members of the local community, any assistance given to them can also bring wider benefits to the community. The same holds true for many social enterprises, voluntary and community organisations, and Black and Ethnic Minority Enterprises.
8. SMEs are generally locally owned and often employ people from a smaller catchment area than larger competitors. ODPM advise that Local Authorities should not, however, ignore the benefits offered by small firms who trade on a wider national or regional basis, and must ensure that their policies are consistent with EU law - i.e. that there is also no discrimination against larger firms.
9. The Good Practice Guidance notes that SMEs can offer real benefits to Local Authority clients:
 - they can often respond quickly and flexibly to customer needs.
 - they can be a source of innovation, ideas and products.
 - they can offer cash savings, improved quality, service and effectiveness.
 - they are frequently close at hand.
 - some, like social enterprises and those operating in the voluntary and community sector, may have better access to hard to reach customer groups.
 - they may attach more importance to doing business with a Local Authority.
10. Cabinet approved a Procurement Strategy on 14 July. The report introducing the Strategy noted that the Council was unusual in (a) having outsourced a significant amount of its activities, or in other ways developed strong working partnerships, and (b) part-owning West Mercia Supplies, a purchasing organisation. Accordingly, the Council's own scope for dealing directly with SMEs is potentially a little less than elsewhere, but there is nothing in the Concordat with which the Council might fundamentally disagree. It is also worth remembering that the Council, when dealing with a principal contractor or partner, is increasingly taking pains to ensure that any sub-contractors or subsidiary partners down the supply chain are themselves following the Council's own requirements with respect, for example, to environmental or Diversity issues. The Council can similarly give effect to the Concordat at arm's

length, so to speak, by encouraging its principal contractors or partners to use local SMEs as subcontractors where possible.

SME Buying Event, Shrewsbury, October 2005

11. The Council is one of the joint owners of West Mercia Supplies (WMS), together with Shropshire County Council, Telford & Wrekin Council and Worcestershire County Council.
12. All of the owners, and WMS, already appreciate the importance of SMEs to their local economies. Accordingly, WMS and three of the four Councils - including Herefordshire - are hosting a workshop for SMEs on "How to do Business with your Local Council". The workshop will be held on 5 October 2005 in the Council Chamber at Shirehall, Shrewsbury, and procurement staff from WMS and the three Councils will be giving presentations. Worcestershire are not taking an active part in the workshop, but will be present as observers and are expecting to promote a similar event on their own in 2006.
13. To maximise awareness of the workshop, WMS is working closely with the Shropshire Chamber of Commerce and Enterprise to ensure the widest possible publicity. The Herefordshire Business Partnership have also been advised about the event.
14. The purpose of the workshop is to try to demystify the process of tendering for local authority contracts. Those attending the workshop will be "talked through" the tender process, understand why Councils need specific information about the tendering companies to be able to assess their capacity to undertake work for the Councils, and will be warned about common mistakes made when submitting a tender. Time will also be available for a Question and Answer session, and a buffet lunch will be provided to allow more informal discussions to take place.

"Doing business with Herefordshire Council"

15. A short article has appeared in the August edition of Herefordshire Matters saying that the Council was interested in doing as much business as possible with the County's own companies and businesses. There has been an encouraging trickle of responses to this article, mostly from SMEs, and contacts have been passed on by the Procurement Manager to the relevant spending officers in the Council.
16. Small Business Friendly Concordat: Good Practice Guidance, ODPM, 2005. A copy has been placed in the Members' Room and may also be inspected on the ODPM website at:
www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_035776.hcsp

Alternative Options

Other than the option of declining to adopt the Concordat, there is no practical alternative option for consideration.

Risk Management

There is no significant risk in not adopting the Concordat, other than possible disfavour from ODPM and the local business community. On the other hand, supporting its principles confirms the Council as keeping up with good practice elsewhere, and may also lead to better working relationships and partnerships with the Council's suppliers and contractors in

future.

Consultees

Relevant internal officers have been consulted. No external consultation has been felt necessary.

Background Papers

None Identified

National Procurement Concordat for Small and Medium-sized Enterprises

A statement of principles to encourage effective trade between local authorities and small businesses.

Introduction

We are committed to delivering locally the National Procurement Strategy for Local Government.

The strategy asks local authorities to adopt a small and medium sized enterprise (SME) friendly procurement concordat and to encourage a mixed range of suppliers in order to help develop and stimulate a varied and competitive marketplace. The concordat sets out the actions that local authorities will take to make their contracts more accessible to SMEs.

Although the principles should relate to all SMEs, the concordat is particularly focused on small businesses of less than 50 employees.

We recognise the important contribution that small businesses can make to the delivery of public services and the vital role these businesses play in the national and local economy. We are committed to making the most of the benefits offered by them.

Underlying Principles

Contracts are awarded in order to support the Best Value delivery of local government services. We will deliver value for money and take into account the whole life costs in contract decisions; this means considering quality, longer term cost and benefits as well as initial price.

We will make appropriate use of our legal powers including the power to promote the economic, social and environmental well being of our community.

All tender processes and contract awards will comply with EU Public Procurement Directives and the principles of non-discrimination, equal treatment and transparency and our duties under UK law.

Local Authority Commitments

Procurement strategy

We will publish a corporate procurement strategy. The strategy will include a commitment to:

- The role procurement plays in delivering the Council's objectives and its contribution to the community strategy, workforce issues, diversity and equality and sustainability.
- How we will encourage a diverse and competitive supply market, including small firms, social enterprises, ethnic minority businesses and voluntary and community sector suppliers.
- A commitment to ensure that our approach to individual contracts, including large contracts and framework agreements etc, is supported by a sound business case and options appraisal.
- A commitment that where we decide that the best value option is to aggregate supply or let a longer term contract or framework agreement we will invite bidders to demonstrate their track record in achieving value for money through effective use of their supply chain.
- *A commitment to consider the role of SME specialist suppliers in delivering elements of larger contracts and framework agreements.*

Access to contract opportunities

Further information on the subject of this report is available from
David Stewart , Interim head of Performance Management on 01432 261743

We will publish on our website;

- Guidance for suppliers on how to do business with the council;
- details of forthcoming bidding opportunities, and;
- contact details for each contract, with appropriate links to any regional site and the national public sector opportunities portal (to be launched Summer 2005).

Details of our key suppliers.

- We will advertise contracts. We will use a range of publications and other means in order to encourage greater diversity and competition.
- We will give potential suppliers an opportunity to discuss the procurement in order to understand our requirements and assess their own suitability. Nothing will be done, however, which would give a particular business or provider an unfair advantage in competing for a specific contract.
- We will work with prime contractors - both at tender stage and during the life of a contract - to establish the contribution that small firms, ethnic minority businesses, social enterprises and voluntary and community sector suppliers can play in the supply chain. We will provide details of our prime contractors on our website.

Fair tender processes

- We will apply our own rules and policies fairly.
- At pre-tender stage and during the tender process we will ensure that all tenderers have equal access to relevant information.
- We will keep the tender process as simple as possible in order to help minimise the costs to suppliers.
- If a pre-qualification stage is used we will use a Council-wide pre-qualification questionnaire containing common core questions with limited bespoke additions for each contract. We will work with regional and national partners to ensure a consistent approach to pre-qualification.
- We will assess potential suppliers against published pre-qualification and tender evaluation criteria. These criteria will be proportionate to the risks of the individual contract process. In particular the criteria relating to financial standing will not be set to unreasonably exclude newer businesses.

Feedback

We will offer meaningful feedback to suppliers following the procurement process in order that suppliers can improve for future tenders.

- We will seek feedback from suppliers, and their respective trade associations, on our tender processes and address where we can any problems that are brought to our attention.
- We will publish a complaints procedure.

Contract management

- We will treat suppliers openly and fairly. Suppliers will:
 - Be paid on time. No more than 30 days from receipt of an undisputed invoice.
 - Receive honest and constructive feedback on the supplier's performance of the contract.
 - Be given notice of any performance problems and an opportunity, if appropriate, to put matters right.
- All contracts will require our suppliers to pay their sub-contractors, throughout the supply chain, within 30 days from receipt of an undisputed invoice.

Supplier commitments

As customers we will make clear to our suppliers, and those wishing to do business with us, what is expected of them.

Declaration of support for the small business friendly concordat

The ODPM, the LGA and Small Business Service want to see all local authorities sign up to the Small Business Friendly Concordat. The Concordat is a voluntary, nonstatutory document, and your signature will not only demonstrate a pledge to actively engage with small businesses, but it will also show your authority's commitment to good procurement practices in general. This in turn should help foster a professional approach to managing procurement in your authority and, in doing so, help you implement key strategic objectives and milestones in the National Procurement Strategy for Local Government.

Name of your Authority:

Signed by:

Date:

Position in Local authority:
Thank you for your support.

HEREFORDSHIRE OLDER PEOPLE'S STRATEGY

PROGRAMME AREA RESPONSIBILITY: SOCIAL CARE, ADULTS AND HEALTH COMMUNITY SERVICES

CABINET

15TH SEPTEMBER, 2005

Wards Affected

County-wide

Purpose

To approve the production of a County-wide strategy for older people in Herefordshire through engagement with the Local Strategic Partnership and key stakeholder organisations.

Key Decision

This is not a key decision.

Recommendation

- THAT (a) the decision to progress with the production of an Older People's Strategy in association with the Local Strategic Partnership be approved;**
- (b) the Strategy be produced in accordance with the inspection criteria as identified by the Audit Commission in its publication 'Older People – Building a Strategic Approach (Independence and Well-being)';**
- and**
- (c) the Strategy be formulated using PRINCE 2 project management principles and be completed (subject to resources being identified) within a 12 month timeframe.**

Further information on the subject of this report is available from
Mr G Hughes, Director of Adult & Community Services on (01432) 260609

Reasons

1. Herefordshire's older population is significantly higher than the national or regional average. A discrepancy that is set to become more marked.
2. Herefordshire has some plans relating to Older People but their value is limited through a lack of corporate and inter-agency linkage. It is probable this reduces the opportunity to develop and deliver services that meet the wider needs and aspirations of the target group.
3. New direction set by central government in for example 'Opportunity Age' and 'Independence, Well-being and Choice' requires that these wider needs are addressed, with more emphasis being placed on prevention, inclusion and partnership working.
4. Older residents themselves have different expectations to previous generations including the right to participate fully in life and the communities that surround them.
5. Like other local authorities Herefordshire Council needs to lead the way in taking forward government direction and residents expectations. It now also needs to do so in the context of the Local Area Agreement (LAA), which includes a "Healthier Community and Older Peoples" theme. The negotiations regarding the LAA to be concluded by the end of March 2006 will need to take into account the identified needs within the Older People's Strategy in order that the resources required for delivery can be secured as part of the agreement.

Considerations

1. Central Government is clear in terms of its priorities for an Older People's Agenda. A high level of consistency can be observed across Government Departments in their key policy statements. The following themes appear to dominate the Older People's Agenda:
 - The promotion of positive views of aging
 - The building of partnerships
 - Independence
 - Well-being
 - Choice
 - Citizenship
2. The promotion of positive views of aging - It is no longer acceptable to see aging as a 'problem'; instead we need to celebrate the fact that we are living longer and promote the inclusion of older people, recognising them as citizens with rights and responsibilities. It is generally accepted that what is needed is a whole new approach, one which acknowledges that discrimination based on age is as debilitating as discrimination based on race, gender, sexual orientation or disability. Age discrimination is now seen as not just wrong morally, but also wasteful, inefficient and economically inept.
3. A key part of an Older People's Strategy will be the need to modernise public services. Modern Public Services should be responsive to the needs and aspirations of individual older people, who should be involved in the design, delivery and evaluation of the services which affect them. Only by adopting this principle can we move towards a position in which we promote well-being and independence among older people.
4. There is a shared understanding within Central Government Departments that

'Older people or people seeking advice on behalf of an older person will have easy access in their local area to information about the full range of services available – either through a single access point, or several access points which can offer advice across a range of issues' – An Integrated Network of Services for Older People (Link Age; Building Partnerships – Department of Work and Pensions.

An example of this kind of initiative is the work currently being undertaken locally in support of the Joint Teams project under the LPSA 2 programme. There is significant potential for the extension of this project within the context of a wider Older People's Strategy.

5. The Audit Commission in its 2005 publication 'Older People – Building a Strategic Approach (Independence and Well-being)' identifies seven key indicators of 'Good Performance' in its study of approaches to the planning services for older people. These are:

- Involving older people
- A clear picture of the local population of older people
- A strategic approach (linked to the Community Plan)
- Commitment and leadership
- Partnership and whole system working (across agencies)
- Communication and information
- Evaluation and impact (processes, outputs and outcomes)

Any inspection will also take into account performance against a number of National Policy Initiatives such as National Service Framework (NSF) Standard 8 (Older People).

6. Finally, in order that the values of independence, well-being and choice be realised, commissioning of services will need to create a range of conditions and opportunities within which older people can live life to the full, as independently as possible, and for as long as possible.

7. How will the Strategy be developed?

The Strategy will be developed by a Partnership based project team incorporating a membership which represents the key delivery agencies. The process will be heavily dependent on the following activity: -

- Research to establish the current picture of the local population of older people
- Consultation with older people and the organisations that supply services to them as to their needs. It is envisaged that this activity will be co-ordinated through the Community Involvement Co-ordinator Officer and will involve both the Council's Community Forum Network and the emerging Age Concern Local Forums
- The production of a draft Older People's Strategy based upon the needs analysis which identified priorities for action
- A final consultation stage leading to a formal adoption by the Herefordshire Council and Local Strategic Partnership
(A draft Project Plan and Framework is provided as Appendix 1)
- Links with existing strategies such as Health and Social Care Commissioning Strategy

Alternative Option

Not to proceed.

Risk Management

1. Resources - To produce a Strategy which will meet Audit Commission standards of 'Good performance', it will need to be properly resourced from across all Council Directorates and secure 'buy in' from other members of the Local Strategic Partnership. The misconception that responsibility for older people is limited to the Council (Directorate of Adult & Community Services) and the Primary Care Trust must be corrected at the outset.
2. Engagement - An 'Older People's Champion' is advocated by the Audit Commission as a key success factor in all of the case study pilots (Shropshire, Camden and Nottinghamshire).
3. Change in priority and resources marginalising project - This mitigated by PRINCE 2 Project Management.
4. A whole systems approach - The formulation of this strategy should be key to both modernisation and service improvement agendas. Failure to deliver on integrated services will severely undermine the impact of the strategy.

Consultees

Herefordshire Primary Care Trust

Key Officers across Herefordshire Council Directorates

Background Papers

None identified.

HEREFORDSHIRE OLDER PEOPLE'S STRATEGY 2005

Project Plan & Indicative Timetable

| Action | Timetable |
|---|---------------------|
| 2005 | |
| 1. Cabinet Approval | September |
| 2. LSP Board Approval | October |
| 3. Appointment of Project Board & Project Team | October |
| 4. Appoint Project Manager | October |
| 5. Production of Project Plan and Associated Documents (PID, Project Mandate & Project Organisation Plan) | November |
| 6. Approval of Project Documents (HC & LSP) | November |
| 7. Project Initiation | November |
| 8. Data Collection | November / December |
| 2006 | |
| 9. Consultation with Stakeholders, Agencies and other interested parties | January / March |
| 10. Drafting of Findings | April / May |
| 11. Consultation Draft Strategy | May (end) |
| 12. Consultation on Findings / Proposals | June & August |
| 13. Final Document Approval (HC & LSP) | September |
| 14. Printing & Launch | October |

HEREFORDSHIRE OLDER PEOPLE'S STRATEGY 2005

Proposed Framework for Strategy

- Why a Strategy for Older People?
 - Facts about the area
 - Key objectives
 - Priority issues

- A Vision of the Future

- Principles
 - Involvement of Older People
 - A clear picture of the local population of older people
 - A strategic approach (linked to the Community Plan)
 - Commitment and leadership
 - Partnership and whole system working (across agencies)

- Issues and Themes
 - The promotion of positive views of aging
 - The building of partnerships
 - Independence
 - Well-being
 - Choice
 - Citizenship

- What happens next? Action Plan

- Summary

- Getting involved

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