

# A G E N D A

## Strategic Monitoring Committee

Date: **Monday, 10th April, 2006**

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Time: **10.00 a.m.**

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Place: **The Council Chamber,  
Brockington, 35 Hafod Road,  
Hereford**

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Notes: Please note the **time, date** and **venue** of the meeting.

*For any further information please contact:*

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**County of Herefordshire  
District Council**



# AGENDA

## for the Meeting of the Strategic Monitoring Committee

To: Councillor T.M. James (Chairman)  
Councillor Mrs. P.A. Andrews (Vice-Chairman)

Councillors B.F. Ashton, W.L.S. Bowen, H. Bramer, A.C.R. Chappell,  
J.H.R. Goodwin, Mrs. M.D. Lloyd-Hayes, J.P. Thomas and W.J.S. Thomas

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| 1. <b>APOLOGIES FOR ABSENCE</b><br>To receive apologies for absence.  |         |
| 2. <b>DECLARATIONS OF INTEREST</b><br>To receive any declarations of interest by Members in respect of items on this agenda.  |         |
| 3. <b>MINUTES</b><br>To approve and sign the Minutes of the meeting held on 13th February, 2006.  | 7 - 12  |
| 4. <b>SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY</b><br>To consider suggestions from members of the public on issues the Committee could scrutinise in the future.                    |         |
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## **PUBLIC INFORMATION**

### **HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES**

The Council has established Scrutiny Committees for Adult Social Care and Strategic Housing, Childrens' Services, Community Services, Environment, and Health. A Strategic Monitoring Committee scrutinises corporate matters and co-ordinates the work of these Committees.

The purpose of the Committees is to ensure the accountability and transparency of the Council's decision making process.

The principal roles of Scrutiny Committees are to

- Help in developing Council policy
- Probe, investigate, test the options and ask the difficult questions before and after decisions are taken
- Look in more detail at areas of concern which may have been raised by the Cabinet itself, by other Councillors or by members of the public
- "call in" decisions - this is a statutory power which gives Scrutiny Committees the right to place a decision on hold pending further scrutiny.
- Review performance of the Council
- Conduct Best Value reviews
- Undertake external scrutiny work engaging partners and the public

Formal meetings of the Committees are held in public and information on your rights to attend meetings and access to information are set out overleaf

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At the meeting the Chairman will ask the members of the public present if they have any issues which they would like the Scrutiny Committee to investigate, however, there will be no discussion of the issue at the time when the matter is raised. Councillors will research the issue and consider whether it should form part of the Committee's work programme when compared with other competing priorities.

Please note that the Committees can only scrutinise items which fall within their specific remit (see below). If a matter is raised which falls within the remit of another Scrutiny Committee then it will be noted and passed on to the relevant Chairman for their consideration.

#### **2. Questions from Members of the Public for Consideration at Scrutiny Committee Meetings and Participation at Meetings**

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## **Remits of Herefordshire Council's Scrutiny Committees**

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

*Statutory functions for adult social services including:*

*Learning Disabilities*

*Strategic Housing*

*Supporting People*

*Public Health*

### **Children's Services**

*Provision of services relating to the well-being of children including education, health and social care.*

### **Community Services Scrutiny Committee**

*Libraries*

*Cultural Services including heritage and tourism*

*Leisure Services*

*Parks and Countryside*

*Community Safety*

*Economic Development*

*Youth Services*

### **Health**

*Planning, provision and operation of health services affecting the area*

*Health Improvement*

*Services provided by the NHS*

### **Environment**

*Environmental Issues*

*Highways and Transportation*

### **Strategic Monitoring Committee**

*Corporate Strategy and Finance*

*Resources*

*Corporate and Customer Services*

***Human Resources***

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**COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL**

**BROCKINGTON, 35 HAFOD ROAD, HEREFORD.**

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

**MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday, 13th February, 2006 at 10.00 a.m.**

**Present:** Councillor T.M. James (Chairman)  
 Councillor Mrs. P.A. Andrews (Vice-Chairman)

Councillors: W.L.S. Bowen, A.C.R. Chappell, J.H.R. Goodwin and J.P. Thomas

**In attendance:** Councillors P.J. Edwards, Mrs. J.P. French, R.I. Matthews, R.J. Phillips, D.W. Rule MBE and R.M. Wilson.

**47. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors H. Bramer and Mrs M.D. Lloyd-Hayes.

**48. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**49. MINUTES**

In relation to Minute no 38 the Chief Executive informed the Committee that an Improvement Plan had been prepared in response to the findings of the recent Joint Area Review of services for Children and Young People and submitted to the Chief Inspector of the Commission for Social Care Inspection. He enquired how it was intended to scrutinise implementation of the Plan, if approved. In reply the Chairman indicated that progress would be monitored by the Strategic Monitoring Committee.

In explaining that there was no right of reply for Officers at full Council meetings the Chief Executive expressed the hope that it would be accepted that, as the Minute demonstrated, he had reported fully to the Committee on the findings of the Review, had emphasised how seriously he viewed the matter and the importance of addressing the issues raised. He had also reported fully to Cabinet.

The Chairman remarked on the need for all Members to recognise the importance of the issues raised by the Joint Area Review and their responsibilities with regard to them.

In relation to Minute No 41 on the Pay and Workforce Development Strategy a request was made for a report on staff turnover showing a breakdown of the overall figure. An update was also requested on the findings from exit interviews.

**RESOLVED: That the Minutes of the meeting held on 26th January, 2006 be confirmed as a correct record and signed by the Chairman.**

**50. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY**

There were no suggestions from Members of the Public.

**51. REVENUE BUDGET STRATEGY AND CAPITAL PROGRAMME 2006/07**

The Committee considered the Cabinet's revenue budget strategy for 2006/07 and proposals for the Capital Programme 2006/07.

The reports on the revenue budget strategy and proposals for the capital programme 2006/07 made to Cabinet on 26th January, 2006 were appended to the report.

**Revenue Budget Strategy**

The Chief Executive explained the position which had been reached in developing the 2006/07 revenue budget. He noted that this was the Committee's opportunity to contribute formally to the process before the Executive presented proposals to Council in March. A Members seminar had also been arranged to ensure that all Members had the opportunity to consider the strategy before Council met.

The Director of Resources then presented the report. She commented on the Government's two year financial settlement for 2006/07 and 2007/08 and the expectation that the next spending review, which would establish a settlement for a three year period: 2008/9-2010/11, would be much tougher for Local Government.

She drew attention to changes to the Government grant formula questioning whether pressures on Social Care, Waste Management and concessionary fares had been fully recognised in the settlement. She noted that the Council was rated a good Council which made good use of resources and achieved good value for money and was achieving a lot with a low resource base. However, of the 44 all-purpose authorities the Council remained the 38th lowest funded and it was important that the pressures on the authority were recognised at a local and national level.

She then highlighted the position on the current year's budget; Cabinet's proposal to write off overspends and the implication for reserves; the consideration given to how to manage increasing pressures on resources to avoid disruption to service delivery; the need to change the way the Council did things as it was unsustainable simply to do more of the same and the consequent importance of the Invest to Save programme; the base budget pressures; areas identified as essential growth, the intention to establish a contingency in recognition of ongoing financial risk for Adult and Children's social care budgets and to undertake an independent assessment of future demand to provide a basis for establishing a new base budget; the key principles agreed for future financial management; and the corporate financial risks which had been identified.

In the ensuing discussion the following principal points were made:

- In response to questions the Director of Resources explained that at the time the report to Cabinet had been prepared information on the grant settlement had been incomplete. It would now be possible to include full details in the next report to Cabinet, which would form the basis of the report to Council. She commented in more detail on the changes to the way in which government grant was calculated, explaining how the Government had calculated a notional budget requirement figure for the Council for 2005/06 based on the new formula and how a 4.7% increase in council tax in 2006/07 would translate into a 6.6% increase on that notional figure. She reiterated that because of the creation of a dedicated ring-fenced grant for schools this represented a 4.3% increase on the notional budget for that area, and a 2.4% increase on other expenditure. With a Local Government Pay award of 2.9%, increased provision for pensions and severe increases in fuel and utility costs the increase in non-school budgets of

2.4% would barely meet the costs of inflation.

- A question was asked about the assumption in paragraph 9 of the Cabinet report that the £1.65 million cash efficiency gain target would be achieved. The Director of Resources replied that currently £1.1 million of savings were identified. Any shortfall would be allocated to Directorates to meet. Efficiency plans would be firmed up as part of the Corporate Strategy Review and the development of the Service Improvement Programme.

The Chief Executive commented that there was nothing new in the pursuit of efficiency gains. This had always been part of the Council's budget strategy. Where there was a change of emphasis was in ensuring that where efficiency savings were made the resources generated were not simply reinvested in the same service area but were reallocated to corporate priorities.

- It was noted that in the appendices to the Cabinet report there were a considerable number of growth items which Directorates had identified. In numerous places it was stated that the growth would have to be delivered from existing resources given the corporate financial context. It was suggested that a lot of expectations would be unmet.

The Chief Executive expanded on the financial constraints facing the Council. He said that the government grant settlement for the next two financial years could not be changed and representations to change the underlying basis of the settlement, even if ultimately successful, would take longer than that to take effect. There were restrictions on how much Council Tax the Council could raise and limitations on the income it could reasonably generate from other sources. In that context the Council either had to fundamentally change the way it operated or recognise that it would have to accept incremental reductions in services. The review of the Corporate Strategy was intended to identify how to make those fundamental changes without impacting on front line service delivery.

- Advice was sought on the possibility of the Council's budget being capped. In reply, the Director of Resources said that she could not give definitive advice on this point. It was thought that much would depend on the picture of Council tax rises nationally, noting that ministerial statements expected the average Council Tax increase to be less than 5%, and possibly the notional budget increases. In both instances the proposals being made by Cabinet were not out of line with other authorities. However, the risk of capping had to be acknowledged in finalising the proposals.
- Clarification was sought on the proposal, as set out in paragraphs 18 and 19 of the Cabinet report, to set aside a contingency sum to provide for the possible ongoing financial risks associated with the adult and children's social care budgets. The Director of Resources commented that the view had been taken that even if current and prior year overspends were written-off and the base budget adjustments outlined in paragraph 15 of the report were approved there were still significant financial risks for these services. To make a robust assessment of the likely level of future demand it was proposed that independent work would be commissioned to assess the level of need, in particular in relation to adult services. In the meantime it was proposed to create a contingency sum from the capacity available within the 2006/07 budget in case demand could not be met from within the approved budget.

The Chief Executive commented that in the face of tighter settlements in future years and pressures on resources the Council could not afford simply to make

additional provision in the base budget at this stage. It had to establish clearly what the demand was and begin to plan now for the 2008/09 budget.

- In reply to a question about the proposed assessment of future demand it was reported that a project brief had been delivered to the Policy and Research team and, if necessary, this would be externally validated. The intention was that the work would be completed by the end of the Summer.
- It was requested that the next report to Cabinet should clarify how the proposed contingency for social care expenditure would be funded.
- In relation to paragraph 15 of the Cabinet report, which identified base budget pressures, it was noted that provision had been made to provide for catching up with inflation indices for the contract with SHAW Homes Ltd for the provision of services for older people but nothing had been included to meet the increased costs of other private care contractors. Concern was expressed that provision was not being made in the base budget at this stage. In reply it was stated that as a block contract the financial commitment to Shaw Homes Ltd was clear. This contrasted with the uncertainty over the future costs of individual contracts. Further evidence was needed of the costs of other private care.
- The efficiency gains identified by the Director of Environment in paragraph 44 of the Cabinet report were queried, in particular the expectation that a reduction in supervision between the client and HJS as contractor would be feasible. It was noted that the Review commissioned by the Committee and nearing completion suggested that it would be hoped that this would be achievable.
- It was noted that the intention to generate efficiency savings by providing capacity for Property Services to focus on the corporate property agenda was in line with the findings of the Property Review undertaken by the Committee.
- The Director of Resources reported on work to identify the potential for her Directorate to contribute further to the efficiency agenda.
- The fact that the pressures on social care budgets and waste management budgets were national issues was acknowledged. It was also noted that the benefits of Government increases in health budgets were negated if partners responsible for social care were not provided with resources to fulfil their complementary responsibilities upon which the success of the health reforms also depended.
- It was suggested that expenditure associated with the growth items identified in the appendices to the report and how much fell in 2006/07 and how much in 2007/08 needed to be more clearly explained. It was again noted how many references there were to the need for the proposed growth items to be met from existing resources. The fact that the "wish lists" of Directorates had been included in the report was welcomed. However, in recognising that not all these proposals would proceed it was requested that the impact on service delivery should be more clearly explained so that Members were fully aware of the implications.

The Chief Executive emphasised that the Council did not have any additional resources available to fund those items in the appendices for which funding was not already identified in the report. He advised that if Members wished to pursue any of those schemes it was incumbent on them to identify where resources should be transferred from to finance them. He added that it would be

inappropriate to have an arbitrary debate at Council about the relative merits of schemes.

- In reply to a question about growth identified in relation to the cost of elections, noting that carrying out the work was a statutory requirement, the Director of Corporate and Customer Services commented that the intention was to manage this within budget, if possible. However, as the expenditure would have to be committed it had been thought pragmatic to highlight it as a pressure and subject to ongoing discussion with the Director of Resources.
- The Chairman stressed his wish to be assured that the proposed budgetary provision for Adults and Children's Services was sufficient, noting in the case of Children's Services the need to respond to the findings of the Joint Area Review.

The Chief Executive commented in reply that the Improvement Plan for Children's Services in response to the Joint Area Review identified resources needed to deliver the Plan. The next Cabinet report could address this issue.

In response to a question about staff turnover in Children's Services he added that this demonstrated the need for monitoring of the delivery of the Improvement Plan to be very clear and analytical, with a clear explanation of the implications for service delivery of any staff shortages, noting that these would vary depending on the type of staff involved.

The role of Partners in delivering the Improvement Plan was noted.

In reaching its conclusions on the revenue budget strategy the Committee highlighted the following issues:

- the constraints on the level of Council tax increase and the need to be mindful of the potential for the increase to be capped;
- the importance of the Invest to Save programme; and
- the need to ensure that the funding proposals for adult social care and children's Services were appropriate.

#### **RESOLVED TO RECOMMEND TO CABINET**

- That**
- (a) the proposal for a Council Tax increase of 4.7% for 2006/07 was supported, noting that despite uncertainty over the pressures on Adults and Children's Services this was likely to be close to the maximum level of increase which the Government would be likely to consider acceptable, whilst recording that this support was subject to monitoring developments between now and the Council meeting at which the budget would be set to confirm that there was no change to the Government's advice on what it would regard as excessive increases in council tax;**
  - (b) the transfer of the unspent Invest to Save budget in 2005/06 into 2006/0 be supported;**
  - (c) confirmation be provided that the provision for adults social care services was prudent;**

**and**

- (d) confirmation be provided that the provision for Children's Services was sufficient to deliver the Improvement Plan prepared in response to the Joint Area Review.

#### **Proposals for the Capital Budget 2006/07**

The Director of Resources presented the report noting in particular the proposed level of prudential borrowing and Cabinet's emphasis on the need to maintain as much flexibility as possible between programme years within the overall planning totals.

The Leader of the Council noted the impact on the Programme of the need to use prudential borrowing to finance the Hunderton School replacement. This had been identified as the Council's highest priority and it was to be regretted that Government Grant had not been forthcoming for the Scheme.

Clarification was sought and provided on the increase in the estimated cost of the Rotherwas Relief Road and the difficulty in utilising the gas from the gas flare at Stretton Sugwas landfill site.

In supporting the proposals the Committee noted and supported the flexibility in the Programme and that it would accordingly be subject to change.

The meeting ended at 11.45 a.m.

**CHAIRMAN**



**REVIEW OF THE STRATEGIC SERVICE DELIVERY PARTNERSHIP****Report By: The Strategic Service Delivery Partnership Review Group****Wards Affected**

County-wide.

**Purpose**

1. To consider the findings of the Strategic Service Delivery Partnership Review Group following the review of the operation of the Partnership.

**Background**

2. In April 2005 the Committee agreed to include in its work programme a scrutiny review of the Council's contract with Herefordshire Jarvis Services (HJS). Under the contract HJS provides a range of contract services, including highway maintenance, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier services, printing, vehicle maintenance, signage, building maintenance, building cleaning, and event catering.
3. It was subsequently decided, as reported to this Committee in October 2005, to extend the review to include Owen Williams who have a separate contract to provide a range of technical consultancy services. The scope of this contract covers the provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.
4. The Council, HJS and Owen Williams together form the Strategic Service Delivery Partnership.
5. The Review Group's report setting out the Group's approach to its task, its findings and conclusions is attached.
6. It will be noted that in its concluding remarks the Review Group envisages that subject to the outcome of the consideration of the report by Cabinet that it would wish to review the progress made in response to its recommendations in six months time. This timescale would also enable the Group to take account of the second annual report on the Strategic Service Delivery Partnership which is due to be reported to Cabinet in the Summer.

## **RECOMMENDATION**

**THAT the Committee considers the report of the Strategic Service Delivery Review Group and determines whether it wishes to agree the findings for submission to Cabinet.**

## **BACKGROUND PAPERS**

None identified.

# **Review of the Strategic Service Delivery Partnership**

**Report by Strategic  
Service Delivery Review  
Group, December 2005**

**For Presentation to the Strategic  
Monitoring Committee, April 2006**

...**Putting** people first  
...**Promoting** our county  
...**Providing** for our communities  
...**Protecting** our future

***Quality life in a quality county***



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## APPENDICES

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- IV Background on Herefordshire Commercial Services Position Prior to Transfer and the Process Followed
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## Executive Summary

1. The Herefordshire Strategic Service Delivery Partnership (The Partnership) commenced on 1st September 2003 with the award of initial 10-year contracts to Herefordshire Jarvis Services Limited (HJS) and Owen Williams Limited. HJS is a joint venture between Herefordshire Council and Prismo Limited, a wholly owned subsidiary of Jarvis PLC.
2. The current expenditure under the service delivery agreement between the Council and HJS is approximately £15 million per annum. The scope of the contract includes highway maintenance, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier services, printing, vehicle maintenance, signage, building maintenance, building cleaning, and event catering.
3. The current expenditure under the service delivery agreement between the Council and Owen Williams Limited is approximately £1 million per annum in fees. The scope of this contract covers the provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.
4. This combined expenditure represents a significant proportion of the Council's revenue and capital procurement budgets (12%) and provides for the delivery of a wide range of important services.
5. The Strategic Monitoring Committee decided in July 2005 that it would be timely to scrutinise the operation of the Partnership and appointed a Review Group comprising 6 Members of the Committee to carry out this task.
6. The Group's principal finding is a concern about the viability of Herefordshire Jarvis Services and the implications of this for service delivery. Factors leading to that concern include evidence that assumptions underpinning the Business Plan were optimistic and that the negativity associated with the Jarvis name is preventing the Company generating significant new business. Coupled with ongoing annual rate reductions for jobs and an 8% fee on the sum invoiced to the Council paid to Jarvis PLC for managerial support it appears extremely difficult to see how HJS can continue to deliver the contract and make a profit. In these circumstances the Group was concerned that the temptation would be for the contractor either to seek to inflate the cost of each job or to reduce service delivery in some way and that this might not be immediately apparent to the Council. The Group has made a number of recommendations intended to suggest a way forward but can not pretend to be optimistic.
7. It has particular reservations about the 8% fee on the sum invoiced to the Council by HJS for works it has carried out under the service delivery agreement which is paid to Jarvis PLC for managerial support. These relate to the implications of the annual fee for the profitability of HJS and the benefit received in return for the payment.
8. To date, although the fee is shown in the HJS accounts no money has actually been taken out of the HJS business because the business is not earning enough to pay the charge. The Group was told that within 2 years HJS expected that the business would be able to sustain the charge, with the aim of generating a profit of 10% within 5 years. The Group can not therefore

see how in future HJS could repay the debt which has accumulated and continues to accumulate. It is also therefore unlikely that the Joint Venture Company, in whose profits the Council expected to share, will now in fact be able to make a profit once the 8% charge is taken into account.

9. Although HJS receives certain services from Jarvis PLC in return for the 8% sum the Group also did not consider this payment represented value for money. There was no evidence of the input into the Partnership of significant additional expertise and innovation which might have been expected from a large Company such as Jarvis PLC.
10. The Group has therefore recommended that firm representations be made to Jarvis PLC to write the sum off. The Group has also recommended that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money.
11. The Group has also identified shortcomings in the Business Planning Process highlighting the need both for HJS to revisit its process and to comply with the provisions of the Contract governing production of the Business Plan. It has also commented on the need for the Council to recognise its own role and to monitor and influence the contract, adopting a more robust and challenging approach.
12. The Group has also commented on the implications for HJS of the negative image associated with the Jarvis name and the potential hindrance that the association with Herefordshire might have in securing external work.
13. Given its concern about the viability of HJS the Group sought and received assurance from officers that service delivery would continue in the event of failure of HJS. It has also noted the need for the Council's Contingency Plan to be updated and robust, and for systems to be in place to ensure that the services are being and continue to be delivered to the quality, cost and standard required.
14. In relation to Owen Williams the overall picture presented to the Group was that Owen Williams had sought to develop a responsive local team that sought to provide a good service. If problems did occur Owen Williams was ready to seek a constructive solution. The Group did, however, consider that the fee levels charged by Owen Williams required further monitoring and examination.
15. In terms of the operation of the Partnership as a whole the Group has commented on the need for closer working relationships to be developed, in particular between HJS and Client officers. It has noted that co-location of staff has had some benefits in this respect.
16. It has recognised the progress in developing a Joined Up Programme of work and action being taken to continue to improve the process. However, the Group thought that there was a need for a renewed focus on developing the Partnership to maximise the potential benefits.
17. The Group hopes that its report will make a constructive contribution to consideration of the future operation of the Strategic Service Delivery Partnership.

## **1. Introduction**

- 1.1 At its meeting on 1st July, 2005, the Strategic Monitoring Committee agreed to scrutinise the operation of the Council's contract with Herefordshire Jarvis Services. Following a resolution that the scoping statement and the appointment of the Review Group be finalised following consultation with the Chairman and Vice-Chairman of the Committee, Cllr Terry James (Chair), Cllr Mrs. Polly Andrews, Cllr Harry Bramer, Cllr John Goodwin, Cllr John Thomas, and Cllr Stuart Thomas were appointed to serve on the Strategic Service Delivery Partnership Review Group. The Terms of Reference for the Review are attached in Appendix I.
- 1.2 The overarching purpose of the Review was to examine the Strategic Service Delivery Partnership between Herefordshire Jarvis Services Limited, Owen Williams Limited and Herefordshire Council. The desired outcomes from the Review were: to establish that the aims and objectives contained in the Service Delivery Agreement are being met; to establish that the Council is receiving value for money; and to establish that the Partnership is meeting the priorities of the Council's Corporate Plan.
- 1.3 The Review was undertaken between October 2005 and January 2006. This report summarises the key findings of the Review and contains recommendations for the Executive.
- 1.4 The Review Group would like to express their thanks to the witnesses who submitted evidence and participated in interviews during the Review.

## **2. Method of Gathering Information**

### **i. Preamble**

- 2.1 The Review Group commenced the Review at a meeting on 3rd October, 2005 with an introductory presentation on the Strategic Service Delivery Partnership by the Director of Environment and County Secretary and Solicitor. At the same meeting, a number of documents were circulated to the Group by way of initial briefing, including briefing on the Herefordshire Jarvis Services (HJS) Shareholders Agreement, the legal framework for the Herefordshire Jarvis joint venture, a briefing paper on the contract with Owen Williams Limited, and a scoping statement for the Review. In addition, the Group received a report that had been presented to Cabinet on 14 July 2005: The Herefordshire Strategic Service Delivery Annual Report 2005, prepared by the Council's Project Manager on the contractual arrangements which underpin the Partnership.
- 2.2 At this initial meeting the Review Group identified the key lines of enquiry and determined the approach to be adopted to the collection of information.

### **ii. Documentary submissions**

- 2.3 A considerable amount of documentation relating to the establishment and operations of the Partnership was considered by the Review Group during the course of the Review.
- 2.4 This documentation included: a series of briefing papers prepared by Herefordshire Council officers to inform the Review; short notes prepared by



several witnesses to support their interactions with the Review Group; business planning information submitted by Herefordshire Jarvis Services Limited, and other presentation materials submitted by both Herefordshire Jarvis Services Limited and by Owen Williams Limited.

- 2.5 A full list of the documentation considered by the Review Group is presented in Appendix II.

### **iii. Witness interviews**

- 2.6 At its first meeting on October 3, the Review Group noted that it would be necessary to obtain information from representatives of Herefordshire Jarvis Services Limited, Owen Williams Limited, the Leader of the Council as the Council's observer on the HJS Board, and a sample of Council staff in receipt of services from Herefordshire Jarvis Services Limited, noting that some staff thought the partnership arrangements worked well whereas others did not.

- 2.7 Accordingly, the Review Group held interviews with a number of key witnesses or groups of witnesses to enable specific issues to be discussed in detail. The witnesses included members of the management teams of the Council's partners and a selection of Council officers with responsibility for client-side involvement in different areas of the Partnership's operations. The full list of witnesses interviewed and the timetable on which the interviews were conducted is set out in Appendix III.

- 2.8 The interview programme was launched on Thursday October 20 with a question-and-answer session with senior HJS representatives. In the subsequent week, Owen Williams staff made a presentation on the company's capabilities and the work carried out in the Hereford office. Following a number of interviews with Herefordshire Council client officers, the local HJS management team was invited back for a review session on 1 December 2005. A list of question areas that had been developed following the client officer interviews was assembled and forwarded to HJS for their consideration prior to this session.

## **3. Background to The Partnership**

- 3.1 The Partnership has its origins in a decision in 2001 to review the operation of Herefordshire Commercial Services, the Council's in-house Direct Service Organisation, and to examine whether the private sector could offer a better service. At the time of that review, the commercial services were operating at an annual loss of some £0.6M with no realistic prospect of a turnaround in financial performance. The partnering arrangements and required contracts were in line with the "Rethinking Construction" principles set out in a report on the scope for improving quality and efficiency in UK construction which had been commissioned for the former Department for the Environment, Transport and the Regions. "Rethinking Construction" identified five key drivers of change for the construction industry at large: committed leadership; a focus on the customer; integrated processes and teams; a quality-driven agenda; and commitment to people.
- 3.2 Based on these principles, a partnership model was devised which appeared to match the Council's requirements. In essence, this model incorporated long-term partnership arrangements in respect of both contract services and technical consultancy services.

- 3.3 The two contracts necessary for the implementation of the partnership model along the lines described were placed following public procurement procedures conducted in line with EU procurement principles and best value legislation. The partnership arrangements use the New Engineering Contract (NEC) family of contracts. Thus, the service delivery agreement with HJS is based on the NEC Engineering and Construction Contract whilst the agreement with Owen Williams is based on the NEC Professional Services Contract. The NEC contract family provides a secure basis for partnering and in both cases the ethos of the partnership working is given formal expression in the contract documentation. Jarvis PLC was selected as the preferred partner for the delivery of contract services following a competition in which 28 organisations responded to the invitation to tender. Owen Williams Limited was selected as the preferred partner for the delivery of technical consultancy services following a competition in which 19 organisations pre-qualified. In each case the final selection of preferred bidder, with whom negotiations were eventually completed, was made following a systematic assessment of price, quality and cultural fit. Additional detail on the background to the transfer process and on the selection is presented in Appendix IV.
- 3.4 The Herefordshire Strategic Service Delivery Partnership (The Partnership) commenced on 1st September, 2003 with the award of initial 10-year contracts to Herefordshire Jarvis Services Limited and Owen Williams Limited. Herefordshire Jarvis Services Limited is a Joint Venture Company owned by Herefordshire Council and Prismo Limited a wholly owned subsidiary of Jarvis PLC. The Council holds 200 non-voting shares in the Joint Venture Company and Prismo Ltd holds 800 shares. This arrangement was founded upon the mutual commitment of the partners to deliver the Council's requirements within available financial resources. Appendix V illustrates the key participants in the Partnership and shows the most significant relationships between the partners.
- 3.5 The current expenditure under the service delivery agreement between the Council and Herefordshire Jarvis Services Limited is approximately £15 million per annum. The scope of the contract includes highway maintenance, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier services, printing, vehicle maintenance, signage, building maintenance, building cleaning, and event catering.
- 3.6 The current expenditure under the service delivery agreement between the Council and Owen Williams Limited is approximately £1 million per annum in fees. The scope of this contract covers the provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.
- 3.7 The mutual commitments of the partners are set out in nine high level Aims and Objectives, as summarised later in this report (paragraph 4.1).
- 3.8 The service delivery agreements contain over 100 performance indicators. These have been reduced to 28 key performance indicators together with 19 secondary indicators focusing on the principles of "Rethinking Construction" to concentrate on cost and time predictability.
- 3.9 The annual report by the Project Manager submitted to Cabinet in July 2005 commented that performance of the partnership to date had been mixed and that it was clear that all parties would have to continue to develop the joint

working arrangements to extend good working practices across the services and overcome some initial problem areas. The report also noted that there had been significant improvements in many service areas since the partnership arrangements were instituted. Implementation of the areas of focus in line with the principles of Rethinking Construction was seen to have contributed to a better quality of workmanship together with better time and financial outturns, to have improved performance in respect of health and safety, and to have improved the delivery of programmes to meet Members' expectations.

- 3.10 The Project Manager's report also commented that, overall, the contract arrangements represented good value for money with improved outcomes for the Council. However, it observed that the need for senior management commitment from the Council had been higher than anticipated, with the change process taking longer than planned and with unexpected disputes having taken too long to resolve. This was broadly the picture presented at the outset of the current Review.

#### **4. Aims and Objectives**

- 4.1 The aims and objectives of the Strategic Service Delivery Partnership are presented in Schedule 8 of the Service Delivery Agreement between Herefordshire Council and Herefordshire Jarvis Services Limited and are also incorporated in the Service Delivery Agreement between Herefordshire Council and Owen Williams Limited. These aims and objectives are reproduced here as follows:

- Deliver the Council's service outcomes within the available financial resources.
- Improve the processes by which we achieve the objectives of the Council.
- Productivity improvement (Whole Cost).
- Enhance the perception/customer satisfaction of all services delivered directly or indirectly by the Council.
- Cross fertilisation of cultures through learning and sharing.
- Deliver quality local services that are responsive to local needs
- Sound commercial and financial management.
- Safety: 'ZERO TOLERANCE' to accidents
- Quality product - 'Right first time' principle.

- 4.2 One of the Review's terms of reference was to review the nine high level aims and objectives contained in the Service Delivery Agreement and establish whether they were being met. One of the key questions was to consider the method of measurement of the aims and objectives. Appendix 2 of the Strategic Service Delivery Partnership Annual Report 2005 presented to Cabinet in July 2005 detailed the critical success factors against which

performance would be measured and made an assessment of performance at that time.

- 4.3 The Review Group has reviewed the Annual Report presented to Cabinet noting that Cabinet has already therefore had the opportunity to form a view on the points raised in that report. As the Review developed, the evidence collected by the Group revealed important issues touching on the operation of the Partnership, which were not addressed in such detail in the Annual Report, and it is these the Group has chosen to focus on in its report as a consequence.
- 4.4 Another of the desired outcomes was to establish that the Partnership is meeting the priorities of the Council's Corporate Plan. Whilst it is clear that the work of the Partnership contributes in general terms towards meeting some of the priorities the Group found it difficult to identify any direct linkages and have no comments on this aspect.

## **5. Value for Money**

- 5.1 Value for money describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer.
- 5.2 The Strategic Service Delivery Partnership Annual Report 2005 presented to Cabinet in July 2005 stated that:

*“the award of the Contract at lower than the industry rates, the absorption by the Contractor of previous losses by the Council's Direct Labour Organisation and ongoing annual rate reductions represent good value for money in financial terms.*

*Overall the contract arrangements represent good value for money with improved outcomes for the Council. However, the need for senior management commitment has been higher than anticipated. The change process is taking longer than planned and unexpected disputes have taken too long to resolve which has delayed progress in securing effective joint working.”*

- 5.3 The Group was concerned that whilst on the face of it the ongoing annual reduction in rates for services and works (1% per annum for all highway works and 0.25% for all other services), from a low base, might have appeared a good deal at the time the contract was awarded, in their view the bid for the Contract had been too low. The section on the HJS business plan in this report demonstrates how optimistic the Plan has proved to be and the extent to which it has not been achieved. In this context and in conjunction with the burden of the 8% fee on turnover payable to Jarvis PLC, also the subject of a separate section in this report, the Group was concerned that the contract with HJS may prove to be undeliverable.
- 5.4 In these circumstances the Group was concerned that the temptation would be for the contractor to either seek to inflate the cost of each job or to reduce the quality of service delivery in some way and that this might not be immediately apparent to the Council. It does seem that there may have been some instances of costs being inflated.
- 5.5 The Group did receive evidence of disputes over the cost of schemes and of some efforts by Quantity Surveyors employed by HJS to maximise the cost of

schemes. It has also noted the discussions which take place over the monthly application for payment which HJS submits to the Council. It has, however, also received evidence from HJS suggesting that the criticism of overcharging or maximising the cost of schemes was being overstated by the client officers.

- 5.6 The Group was also advised that HJS sub-contracted out a lot of work, particularly in relation to building maintenance. Clearly HJS charged a fee to the Council for this. It was not clear to the Group how this could represent value for money.
- 5.7 Further evidence giving cause for concern on this point was that HJS had done little to consolidate the supply chain of contractors. It was sub-contracting in the same way as the Council had done and was consequently incurring the same costs. It was also suggested to the Group that some contractors were charging a premium for working for HJS rather than the Council. However, it was noted that the contractor was now bearing the risk of engaging sub-contractors rather than the Council. There was evidence that health and safety compliance and sub-contractor registration had improved.
- 5.8 The Group has commented in more detail in a separate section on the 8% fee paid to Jarvis PLC for managerial support to HJS and does not consider that this fee represents value for money.
- 5.9 Performance indicators have been put in place for the service delivery agreements with baselines established for 2004/05. The Group has been advised that the indicators do not yet provide a clear picture on performance. It has noted the need for further work to be undertaken by the Council on this issue.
- 5.10 In summary the Group was unable to obtain any hard evidence that expenditure represented value for money and to demonstrate that the quality and quantity of service had improved. The Group was, however, informed that there had been some improvement in the quality of work. Also whilst the evidence appeared to suggest that some efficiency savings had been made there was clearly scope for further improvements in the working practices of both HJS and the Council. In particular the Council needed to acknowledge the changes they needed to make to operate the contract effectively.

## **Recommendation**

**That the scope for further improvements in the working practices of both HJS and the Council should be vigorously explored.**

## **6. Expertise received from HJS**

- 6.1 One of the outcomes the Council wished to achieve from the Partnership was the encouragement of innovative solutions to service delivery.
- 6.2 The Group found no evidence of the input into the Partnership of significant additional expertise and investment and benefits of economy of scale which might have been expected from the association with a large Company such as Jarvis PLC. One simple example was the lack of a marketing strategy for the business – one area where it would have been thought that Jarvis PLC would have been able to provide HJS with a significant advantage over its

competitors. Evidence was also presented to the Group by client officers of frustration at the disappointing level of investment in new equipment. It was also noted that in the main the Council was dealing with staff formerly employed by Herefordshire Commercial Services.

- 6.3 It was suggested that in part the lack of change was because Council officers had wanted to retain control of the processes. There was also resistance by officers to accepting that a principal incentive to HJS would be to generate profit. It was therefore in part a question of culture, trust, and working relationships.
- 6.4 In part this was reflected in the comments of HJS representatives. They gave the Group some examples of changes they had introduced and proposals for further change. They suggested they could do more if given the opportunity to do so by the client.
- 6.5 The Group would note at this point that the evidence they received pointed clearly to the conclusion that working practices had improved and in particular Health and Safety practices. It is important that these lessons are not lost in any eventuality.
- 6.6 It is clear that there is still scope for innovative approaches to be developed. One of the functions of the Partnership Management Team is to consider the potential for innovation. But even though at that level there is agreement as to the aims of the Partnership, it is not clear that this is shared at lower levels of the organisation.
- 6.7 The Group's conclusion is that the Council is not getting the benefit of expertise from Jarvis PLC which it might expect and for which it is paying. There is an apparent lack of investment and capacity at a strategic level and a general lack of support from Jarvis PLC.
- 6.8 The potential to generate improvement in service delivery through innovations as originally envisaged still remains and greater focus needs to be placed on this by both HJS and the Council as client.
- 6.9 The Group did consider whether part of the difficulty which clearly exists is because each partner had had different expectations about what the other could contribute. Whereas HJS had had an expectation that the Council would be able to help them more in winning school contracts, the Council had had an expectation that more expertise would have been brought to the partnership by HJS than appeared to have been the case.
- 6.10 When neither side had performed according to the other's expectations this had led to disillusionment and a retreat from seeking to work in partnership to a reliance on a basic contractual relationship. If this is the case, trust and mutual understanding needs to be rebuilt.

## **Recommendation**

**That each partner needs to have a clearer understanding of what each can contribute to the Partnership to improve service delivery and consider what can be done to remove the barriers which are impeding progress, with the Council proactively seeking to draw on the expertise available from Jarvis PLC which HJS representatives have said is available.**

## **7. The Business Plan**

- 7.1 There are two aspects to the Review Group's examination of the Business Plan. The first relates to the extent to which the business planning process specified in the contract has been followed and the second to the detail of the Business Plan itself.
- 7.2 Under the Shareholders Agreement between the Council and Prismo Ltd, Prismo are required to procure that the directors of the Company prepare a draft Business Plan at least 30 working days prior to the commencement of each financial year of the Company. The draft is to be submitted to Herefordshire Council not less than 20 working days prior to the commencement of the financial year of the Company. This draft is then to be discussed by the Company, and Herefordshire Council, who may then make representations and comment on the content of the Business Plan.
- 7.3 The Group found great difficulty in securing details of the Business Plan from HJS. Whilst there was an awareness of the provision in the Shareholders Agreement, it was clear that apart from the preparation of a detailed Business Plan at the outset only annual presentations on specific issues had been received by the HJS Board. The Council had not been provided with a draft Plan as required by the Agreement. Equally, the Group found no evidence that the Council itself had sought to enforce the provision in the Agreement.
- 7.4 It also appeared that the operation of HJS had not been subjected to the level of rigorous scrutiny by the Council's observers that might have been expected given the scale of the contract and its importance in service delivery terms.
- 7.5 The reports and minutes of the HJS Board have been examined and the overall conclusion reached that there has been little formal business planning in the sense in which the term would normally be understood.
- 7.6 The Group's findings also demonstrate a need for the Council to recognise that there remains a vital role in monitoring and influencing the contract. One of the arguments in favour of the Joint Venture Company approach was that it would give the Council greater influence in the operation of HJS. There appears to be a need for the Council's observers on the Board to adopt a more robust and challenging business minded role.
- 7.7 The Group was advised by HJS representatives that when the business plan was first set out it had been thought by HJS that core business would represent 75% of work with the remaining 25% being external. Growth was expected in building maintenance and building cleaning (facilities management), grounds maintenance and printing. Facilities Management was expected to be the main growth area. In terms of highways it was expected that profit would be generated through efficiency and effectiveness gains.
- 7.8. One concern the Group discussed was the extent to which the assumptions contained within the Business Plan had been, or should have been, tested prior to letting the contract, questioning in particular the Plan's assumptions on winning school business and the likely level of confidence in the Company given the Jarvis name. Another concern was the efforts that had or had not been made and the success of those efforts in adjusting and amending the Business Plan as events had unfolded.

7.9 The Council has 102 schools with some 24,000 pupils. It was reported to the Group in October 2005 that the facilities management work currently carried out by HJS, a key growth area identified by the Company, was as follows:

- *Schools Catering:* HJS currently provided schools catering to 11 schools, from 2 production kitchens (St Mary's Fownhope and Hunderton). (Prior to July 2005 HJS was providing catering services to 33 schools.)
- *Grounds Maintenance:* HJS had lost all 35 Grounds Maintenance Contracts formerly held by HCS. HJS currently provided services to only one school. The Group was informed that 53 grounds maintenance contracts were to be awarded in January 2006. HJS subsequently won contracts to provide a service to a further two schools. It now therefore provides Grounds Maintenance Services to 3 schools in total.
- *Building Cleaning:* HJS provides building cleaning services to 3 schools in Herefordshire: Lugwardine, Pencombe and the Priory Pupil Referral Unit. (Herefordshire Commercial Services had provided services to 25 schools.)

HJS was on Worcestershire County Council's approved select list for Building Cleaning and was trying to bid to carry out grounds maintenance work. There was some £5 million of business available from Worcestershire schools of which HJS currently held £600,000.

7.10 The Group found clear evidence that the assumptions underpinning the Business Plan had been optimistic and ill founded. It is clear that HJS had expected that the Council would have been able to do more to assist HJS in winning work at schools, in particular building cleaning. It was of concern to the Group that this was a fundamental misunderstanding of the Council's relationship with schools. HJS did not seem to recognise that schools were financially independent as well as being independent in spirit. It was worrying that HJS still seemed to believe even now that the position in this regard could somehow be reversed.

7.11 The Group has not been convinced that the HJS business is being driven forward and that assumptions of growth will materialise.

## **Recommendations**

**That HJS be encouraged to revisit its business planning process.**

**That action should be taken to ensure compliance with the provisions of the Shareholders agreement.**

**That the Council's Observers on the Board should take a more proactive role.**

**That monitoring reports should be presented to the Corporate Management Board and to Cabinet by the Council's observers on a quarterly basis.**

## **8. The 8% Management Charge**

8.1 Under the contract there is a management agreement between the joint venture company and Prismo, the sponsoring Jarvis company. This agreement sets out the basis on which Prismo Limited will provide managerial support to the Company (Herefordshire Jarvis Services Limited) and the



corresponding levels of payment that it will receive. There is an 8% fee each year, which is calculated as 8% of the amount invoiced to the Council under the Service Delivery Agreement. This means that external work is exempt from this fee, a point the Group believes should be reinforced to HJS.

- 8.2 Based on the turnover in 2004/05, this fee comes to approximately £1.4 million. The Review Group sought to establish what the Council receives in return for this sum and whether the HJS business could sustain such a charge.
- 8.3 HJS said that this fee was payment for the overhead costs of Jarvis PLC Head Office in York for providing the following services: payroll, IT, procurement, Human Resources, Training, Insurance, and legal services.
- 8.4 This sum significantly exceeds the amount for Central Council Services previously provided to Herefordshire Commercial Services (Human Resources, Legal and Committee, Treasurer's and ICT), which came to £283,000. The fact that the recharge is set as a percentage of turnover suggests that it is not linked to the cost of central services provided by Jarvis PLC to HJS. In short, it is a simple flat percentage fee based on that part of the turnover of the Company that is related to the work undertaken for the Council under the Service Delivery Agreement.
- 8.5 In terms of HJS sustaining this charge the Group was informed that although this management fee was shown in the HJS accounts, no money had actually been taken out of the HJS business. The business was not earning enough to pay the charge. Laying the management fee on one side, HJS said that it was operating profitably with a profit of £200,000 to date and an expected year-end profit of £400,000. Profit was expected to be £1.2 million by the end of 2006/07 and £1.9 million the year after in line with plans. Within 2 years it was therefore expected that the business would be able to sustain the 8% recharge. The aim was to generate a profit of 10% within 5 years.
- 8.6 The Review Group was concerned that at some point Jarvis PLC would wish to recoup the 8% charge. It asked what the Company's intentions were and whether it would calculate that a debt had accumulated since the commencement of the contract or whether it would write all or part of this sum off. It was not clear how HJS would be able to repay an accumulated sum.
- 8.7 The Managing Director of Jarvis PLC Roads Division provided clarification as follows:

*"The position currently is as follows: It will be another year or two before HJS achieves sufficient profitability to routinely meet payments of the management charge. The growing liability from the previous years will, as you have suggested, build to a quite substantial level. It is not, however, Jarvis's intention to create a liquidity problem for HJS by demanding an immediate and one time payment of the outstanding charges. Jarvis would not seek to put the partnership into any threat of insolvency.*

*The Partnership's ability to service the 8% charge rests entirely with its ability to generate a profit and to be cash positive. Once that point has been reached in line with the business plan, Jarvis may well request that the arrears of the management charge are repaid in a form commensurate with the liquidity of HJS.*

*The likelihood in this instance is that the debt would need to be released before any dividend or profit share is payable to Herefordshire Council.*

*With regard to your question concerning Jarvis's inclination to impose an interest charge on the arrears of the management charge, I advise that this is not currently our intention and it is unlikely that we would seek to do so in the future."*

- 8.8 The Group was concerned about the solvency of HJS in these circumstances. It has been advised that there are two tests that are generally used to determine whether a company is insolvent. The tests are important, in that it is unlawful for a company to trade when insolvent. The first test is that, at common law, insolvency arises when a company is unable to meet its debts as they fall due. This could arise if the support of a parent company or overdraft facility was suddenly withdrawn or if a major creditor failed to discharge its own debts to the company, causing a financial crisis. The test was therefore a cash flow-based test. The second test was for an analysis of the balance sheet to be undertaken. Where assets were outstripped by liabilities, the company could be said to be insolvent. If a company was being supported (by overdraft facility or parent-company support) – it could very well have a net deficit on its balance sheet, but still be regarded as solvent and able to meet its debts as they fell due – albeit from borrowed working capital.
- 8.9 The Group considers that the position of HJS is unlikely to remain tenable unless steps are taken by Jarvis PLC to write off this accrued debt. It also considers that the Joint Venture Company has received little in return for this fee. Accordingly it considers that this matter should be discussed further with Jarvis PLC.
- 8.10 As the Group could find no evidence that the Joint Venture Company received value for money from this fee it further considers that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money. A breakdown of costs of past services should be requested to inform this discussion.

### **Recommendations**

**That it be clearly understood that the 8% recharge relates only to that part of the turnover of the Company that is related to the work undertaken for the Council under the Service Delivery Agreement.**

**That the issue of the accruing HJS deficit needs to be addressed and firm representations should be made to Jarvis PLC to write this sum off.**

**That as the Group could find no evidence that the Joint Venture Company received value for money from this fee it further recommends that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money. A breakdown of costs of past services should be requested to inform this discussion.**

## 9. The Contingency Plan

- 9.1 The Group has been assured by officers that service delivery would continue in the event of failure of HJS and has considered a document described to them as the Council's Contingency Plan.
- 9.2 This document was drawn up after Jarvis PLC indicated their wish to sell their majority shareholding in a number of subsidiary companies including Herefordshire Jarvis Service Limited. The Group considered that the document as submitted to them was unsatisfactory. Whilst it identified various scenarios it did not identify the detailed actions which would be required in the event that HJS was unable to continue to operate. It was also clear that further updating was also needed.
- 9.3 As part of the contingency planning the Group has also identified the need for systems to be in place to ensure that the services are being and continue to be delivered to the quality, cost and standard required.

### Recommendation

**That a robust updated contingency plan be prepared.**

## 10. Working Relationships

- 10.1 The Strategic Service Delivery Partnership Annual Report 2005 presented to Cabinet in July 2005 contained the following paragraph on new ways of working:
- "The level of success achieved by the Partnership is dependent upon how well the parties can work together to deliver service and overcome problems. The contracts establish all the required mechanisms to allow this to develop. Even so, success is not a given. Both Jarvis and Owen Williams were selected as modern flexible partners for a cultural fit with the organisation that the Council wishes to become. Council staff are still resistant to change and this issue presents a real risk to the Partnership's success, and has resulted in a number of operational difficulties to date."*
- 10.2 The Group did not find evidence that there were any particular difficulties in working relationships between Owen Williams and officers.
- 10.3 However, the Group was particularly concerned to find that there was an apparent breakdown in relations between elements of HJS and the Client Side Officers of the Council.
- 10.4 Earlier in this report the Group commented on the possibility that neither side had performed according to the other's expectations and that this had led to disillusionment. Each partner needs to refocus on the aims of the Partnership and seek to forge a common sense of purpose.
- 10.5 The importance of dealing with this issue is clearly reflected in the extract from the Annual Report. That was published in July 2005 but it is clear that it remains unresolved. This needs to be addressed promptly and progress closely monitored by Senior Management/Corporate Management Board.

- 10.6 The Group also felt that in relation to how the contract with HJS was working the perception of senior officers of the Authority was in some instances, and to varying degrees, different from that of middle ranking staff and in turn those below them. It also appeared that there were different levels of understanding of the contract and its provisions. This must be detrimental to the operation of the contract and needs to be addressed.

### **Recommendations**

**That emphasis be placed on the development of good, closer working relationships between HJS and client officers and progress closely monitored by Senior Management/the Corporate Management Board.**

**That the need for staff to be familiar with the detail of the Contract with HJS should be reinforced and appropriate training provided, with refresher sessions for trained staff at appropriate intervals and a clear formal induction programme for new staff.**

### **11. Operation of Owen Williams**

- 11.1 As mentioned earlier in this report the contract between Owen Williams and the Council is a typical contractual arrangement for the provision of technical consultancy services.
- 11.2 It replaced two sets of arrangements previously used to provide technical consultancy support to a number of service areas: a contract with a firm for engineering consultancy work and ad hoc tendering for other architectural and technical services.
- 11.3 The arrangements with Owen Williams provide that although the Council reserves the right to use others to deliver the services it does not carry out in-house the expectation is Owen Williams will be used and the expectation is also that other contractors would only be used following consultation and agreement with Owen Williams. Owen Williams is guaranteed a minimum annual budget of £500,000 which is subject to an inflation adjustment each year. If the Council does not provide that minimum budget then Owen Williams are entitled to compensation calculated on additional costs/losses attributable to the shortfall.
- 11.4 In terms of Property Services the work undertaken by Owen Williams is the work previously done on a competitive fee basis by local practices. The in-house staffing in Property Services is therefore unchanged. For capital works there are two Architects, one Technologist, one Quantity Surveyor and a Building Economist.
- 11.5 There is an in-house design resource in the Highways Maintenance Construction team with 10 members of staff involved. The work covered includes bridges (design, assessment and maintenance), highways structures, new road schemes, traffic calming, cycle and pedestrian improvements. Some additional work is undertaken throughout the service that has the potential to be carried out by consultants but tends to be less "design focused". In the traffic team there are another 10 members of staff involved in design and development of schemes. Work includes assessment, feasibility studies, consultation, detailed design, public & statutory consultation, implementation and monitoring of traffic/parking schemes.

- 11.6 In contrast to the arrangements with HJS the Group was advised that the expectations of both parties were by and large being met. Owen Williams was strong in some areas such as engineering and construction but had limited capacity in other areas such as public transport policy. However, Owen Williams had been open about this and had agreed to the Council going direct to other contractors for certain kinds of specialist work, for example in the case of a contract for traffic modelling. It was suggested that culturally the arrangement was very different to that with HJS. There were regular discussions and risks were identified at an earlier stage.
- 11.7 Some issues of concern were drawn to the Group's attention. These included some failures to complete jobs within the agreed timescale and issues over pricing and the need to ensure that quotes matched the end price.
- 11.8 There was also an issue in that only one architect was based at Hereford the rest being at Lewes (East Sussex), with some reluctance on their part to travel to project meetings.
- 11.9 The Group was also made aware in the context of education schemes that there had been a need to address the relationship between architect, council and Headteacher and the need for architects not to assume that they were in a position to instruct contractors. It had now been made clear to the Consultant that the Council would not pay for works which had not been processed in the agreed way and approved by the Council.
- 11.10 The Group also touched on the issue of retention of in-house capacity but reached no firm conclusion on this point. The Director of Environment explained that the principle was to retain sufficient in-house resource to ensure the Council could attract, develop and retain staff with the skills to carry out this type of work and provide a comparison with the private sector.
- 11.11 However, the picture overall presented to the Group was that Owen Williams had sought to develop a responsive local team that sought to provide a good service. If problems did occur Owen Williams were ready to seek a constructive solution. One example of improvement provided to the Group was the development of a standard model brief used for each scheme to be undertaken by Owen Williams. This enabled both parties to be clearer about the requirements associated with particular schemes and address the issue of quotations not matching outturns. In response to the agreed brief Owen Williams were required to produce a project quality plan setting out how they proposed to respond to the brief. This included a schedule of staff, the hours it was predicted they would spend on the project and the rate per hour.
- 11.12 The Group was also informed that there were some benefits of working with a large firm of consultants. Owen Williams had a design team comprising architects, mechanical engineers and quantity surveyors. This meant that they had one account manager for the whole scheme and the Council would have one person working with them. It was also suggested that the quality of the architecture was better. The Group was informed that in terms of the large Education Schemes which had been carried out the quality of design and service had been good. It was also suggested that a consultant was better placed to keep pace with the requirements of new Regulations and Good Environmental Management Practices. The transfer of risk from the Council to the Consultant was another benefit.
- 11.13 The Group therefore felt that on the whole the arrangements with Owen Williams were working much better than the previous arrangements.

However, there were some concerns about the level of fees charged, whilst noting that only a small number of schemes had so far been completed.

- 11.14 It was noted that whilst there were some benefits of working with a large firm there were higher overheads to be met. There was a view that if each job was tendered on the open market it might be possible to get a lower cost. However, this had to be balanced against the cost of the tendering process which the Council incurred and the costs of insurance. The Group obtained no conclusive evidence on this point.
- 11.15 The Group was assured in relation to the Owen Williams fee structure that work was charged on a time basis and that the work of each consultant was charged to the Council at the appropriate rate. It was noted that there was a “pain and gain” element to the agreement with any saving being shared and similarly any overspend. However, to date there had not as yet been any gain for the Council.
- 11.16 The Group also tested the proposition that whilst there were benefits in reducing the work associated with putting every job out to tender there could be a danger in the relationship with the consultant becoming too relaxed. No evidence was found to suggest that this was currently an issue.
- 11.17 The Group did however have a concern over the fee levels of Owen Williams and considered that this was one aspect of the arrangement that did require further investigation. It was noted that the fee rates had been achieved through a competitive process and comparisons of fee outturns for a variety of schemes. However, examples were quoted of payments for schemes, with fee levels ranging from 7% to 34% of the cost of a scheme. Whilst no evidence was presented to suggest that these fees were necessarily out of line with the industry rates the fee levels on some schemes were such that it still seemed to the Group that they would be worth further investigation, monitoring and examination. The Group was aware that a regional benchmarking exercise was underway and that this should inform the monitoring and evaluation process.

## **Recommendation**

**That the fee levels charged by Owen Williams require careful monitoring and examination with clear procedures in place to ensure fee levels are controlled.**

## **12. Operation of the Partnership as a whole**

- 12.1 The main area of overlap between the work of the three partners is in Highways work. This amounts to some £10 million of work and represents about 70% of the value of the contract with HJS. HJS has first refusal on Schemes under £200,000 in value and can tender for larger schemes.
- 12.2 The Partnership operates through a number of Boards and Working Groups. A Partnership Board (not to be confused with the Board of the Joint Venture Company) is in place comprising the Director of Environment, a Director of Jarvis PLC and a Director of Owen Williams Limited. This is reported to by a Partnership Project Management Team comprising the Project Manager from Herefordshire Council, the Project Director from Herefordshire Jarvis Services and the Contracts Manager for Owen Williams.
- 12.3 At an operational level a framework is in place for the co-location and establishment of Project Teams with “Early Contractor Involvement” and post

project reviews. This is designed to lead to better planning of works, commencement and completion of schemes on time and at agreed costs.

- 12.4 A Joined Up Programme (JUP) for highways and property schemes is in place. HJS expressed the view that arrangements between partners for planning work as part of this Programme were not yet as effective as originally intended but were improving.
- 12.5 Owen Williams felt that their relationship with HJS had improved over the life of the Contract. It was suggested that more could be achieved if there was more commitment from Jarvis PLC at a senior level, continuity having been a particular problem.
- 12.6 There was evidence from HJS that it was not consistently being given the opportunity to be involved in the design of schemes at an early stage. It considered that it had a lot to offer in achieving practical and cheaper solutions and was not being allowed to contribute as it could.
- 12.7 The Annual Report 2005 stated that, "the Joined Up Programme for 2005/06 was in place and although not currently operating to 100% effectiveness the improvements are a big step forward and it can be expected to improve each year."
- 12.8 The 2006/07 JUP has recently been developed through collaborative effort from a multidisciplinary team comprising representatives from the three partners. Finalised after a number of iterations, the 2006/07 joined up programme includes some £6.6m of expenditure with HJS and Owen Williams on highways and transportation programmed works and some £0.7m on property programmed works. The Programme is expected to facilitate the smooth planning and deployment of partnership resources through the year.
- 12.9 A number of those who presented evidence to the Committee commented on how co-location of Council Staff and the partners at the Thorn Offices had improved working arrangements, allowing a number of issues to be resolved quickly face to face.
- 12.10 The Group comments that there would appear to be considerable scope for improved efficiency as closer working relationships develop but this will not happen by accident.

## **Recommendation**

**That the Partnership Board renew its focus on developing the Partnership to maximise the potential benefits.**

### **13. The Name: Herefordshire Jarvis Services**

- 13.1 The Review Group considered the implications for HJS of the negative image of being associated with the Jarvis name.
- 13.2 In its initial meeting with representatives of HJS it was suggested to the Group that the problems experienced by Jarvis PLC had had an effect on HJS although this could not be quantified. However, the view was that the HJS brand was working and it was not thought that the Jarvis name would affect growth. Consideration had been given to changing the name but it was thought this might have appeared cynical. HJS was a brand which was considered to be steadily building credibility and was growing regionally.

- 13.3 At a subsequent meeting HJS said that the view expressed to the Group in October that the name would be retained was not necessarily a final one and could well be the subject of further discussion.
- 13.4 The Group considers that both the words Jarvis and Herefordshire might be unhelpful in seeking to secure external work and that there is nothing to suggest that this will not continue to be a problem.

### **Recommendation**

**That HJS should change its name and adopt a new name which does not include the words Jarvis or Herefordshire.**

### **14. Next Steps**

The Review Group would envisage that subject to the outcome of the consideration of the report by Cabinet that it would wish to review the progress made in response to its recommendations in six months time.

### **15. Recommendations**

- 1. That the scope for further improvements in the working practices of both HJS and the Council should be vigorously explored.**
- 2. That each partner needs to have a clearer understanding of what each can contribute to the Partnership to improve service delivery and consider what can be done to remove the barriers which are impeding progress, with the Council proactively seeking to draw on the expertise available from Jarvis PLC which HJS representatives have said is available.**
- 3. That HJS be encouraged to revisit its business planning process.**
- 4. That action should be taken to ensure compliance with the provisions of the Shareholders agreement.**
- 5. That the Council's Observers on the Board should take a more proactive role.**
- 6. That monitoring reports should be presented to the Corporate Management Board and to Cabinet by the Council's observers on a quarterly basis.**
- 7. That it be clearly understood that the 8% recharge relates only to that part of the turnover of the Company that is related to the work undertaken for the Council under the Service Delivery Agreement.**
- 8. That the issue of the accruing HJS deficit needs to be addressed and firm representations should be made to Jarvis PLC to write this sum off.**
- 9. That as the Group could find no evidence that the Joint Venture Company received value for money from this fee it further recommends that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money. A breakdown of costs of past services should be requested to inform this discussion.**
- 10. That a robust updated contingency plan be prepared.**



- 11. That emphasis be placed on the development of good, closer working relationships between HJS and client officers and progress closely monitored by Senior Management/the Corporate Management Board.**
- 12. That the need for staff to be familiar with the detail of the Contract with HJS should be reinforced and appropriate training provided, with refresher sessions for trained staff at appropriate intervals and a clear formal induction programme for new staff.**
- 13. That the fee levels charged by Owen Williams require careful monitoring and examination with clear procedures in place to ensure fee levels are controlled.**
- 14. That the Partnership Board renew its focus on developing the Partnership to maximise the potential benefits.**
- 15. That HJS should change its name and adopt a new name which does not include the words Jarvis or Herefordshire.**



**THE STRATEGIC SERVICE DELIVERY PARTNERSHIP REVIEW  
SCOPING STATEMENT & TERMS OF REFERENCE**

**1. TERMS OF REFERENCE**

- To review the Strategic Service Delivery Partnership between Herefordshire Jarvis Services, Owen Williams Limited and Herefordshire Council.
- To review the nine high level Aims and Objectives contained in the Service Delivery Agreement
- To review the “Value for Money” aspect of the Partnership.

**2. DESIRED OUTCOMES**

- To establish that the aims and objectives contained in the Service Delivery Agreement are being met
- To establish that the Council is getting value for money
- To establish that the Partnership is meeting the priorities of the Council’s Corporate Plan

**3. KEY QUESTIONS**

- Consider the method of measurement of the Aims and Objectives
- Consider the method of measurement of value for money
- Consider the ability of the Partnership to meet the aims of the Council’s Corporate Plan
- Review the successes of the Partnership

**THE STRATEGIC SERVICE DELIVERY PARTNERSHIP REVIEW  
LIST OF DOCUMENTATION CONSIDERED BY THE REVIEW GROUP**

| <b>Ref.</b> | <b>Title/Subject</b>  |
|-------------|---|
| 1           | Introductory presentation on the Strategic Service Delivery Partnership   |
| 2           | Briefing paper on the HJS Shareholders Agreement  |
| 3           | Briefing paper on Legal Framework for the Herefordshire Jarvis Joint Venture  |
| 4           | Briefing paper on the Owen Williams contract  |
| 5           | Report to Cabinet on 14 July 2005: The Herefordshire Strategic Service Delivery Partnership Annual Report 2005                    |
| 6           | Slides from presentation by Owen Williams Limited to the Review Group   |
| 7           | Summary of required content for Owen Williams project briefs for schemes  |
| 8           | Note submitted by G Salmon – comments on the Strategic Service Delivery Partnerships  |
| 9           | Note on the financial issues in relation to the Council's contract with Herefordshire Jarvis Services                             |
| 10          | Briefing Note by Herefordshire Council Legal Practice Manager on share allocation   |
| 11          | Explanatory statement on Britain in Bloom involvement   |
| 12          | Letter from Andrew Martin, Managing Director, Prismo Roads, concerning payment of Herefordshire Jarvis Services Management Charge |
| 13          | Contingency Plan – Herefordshire Jarvis Services Limited, report by County Secretary and Solicitor, as revised November 2005      |
| 14          | Slide presentation of Herefordshire Jarvis Services Business Plan Update July 28 2003   |
| 15          | Slide presentation of Herefordshire Jarvis Services Revised Business Plan January 26 2004   |
| 16          | A review of Owen Williams consultants fees, report by Director of Environment   |

**APPENDIX III**

**THE STRATEGIC SERVICE DELIVERY PARTNERSHIP REVIEW  
LIST OF INTERVIEWEES AND INTERVIEW SCHEDULE**

| <b>Name(s)</b>  | <b>Position (s)</b>  | <b>Date/time of interview</b>             |
|---|--|---|
| Andrew Martin<br>Mike Williams<br>Mark Thomas<br>Peter Marrs<br>Andrew Lake | Managing Director, Prismo Roads<br>Project Director, Herefordshire Jarvis Services (HJS)<br>Operations Manager Highways, HJS<br>Operations Manager Facilities Management, HJS<br>Commercial Manager, HJS | Thursday 20<br>October 2005, 9.30<br>am   |
| Dennis Hill<br>Alan Rimmer  | Divisional Director, Owen Williams Limited<br>Contract Manager, Owen Williams Limited  | Thursday 27<br>October 2005,<br>10.25 am  |
| Councillor R J<br>Phillips  | Leader of the Council, Herefordshire Council   | Thursday 27<br>October 2005,<br>11.40 am  |
| Antony<br>Featherstone  | Parks, Countryside and Leisure Development<br>Manager, Herefordshire Council   | Thursday 3<br>November 2005,<br>10.00 am  |
| Richard Ball<br>Peter Evans   | Transportation Manager, Herefordshire Council<br>Area Services Manager (Highways and<br>Transportation), Herefordshire Council   | Thursday 3<br>November 2005,<br>11.05 am  |
| James Farrell   | Client Manager, Building Cleaning, Catering and<br>Grounds, Property Services, Herefordshire<br>Council  | Thursday 10<br>November 2005,<br>10.50 am |
| George<br>Salmon  | Head of Policy and Resources, Education,<br>Herefordshire Council  | Thursday 10<br>November 2005,<br>11.20 am |
| Stephen Oates   | Head of Highways and Transportation,<br>Herefordshire Council  | Thursday 17<br>November 2005,<br>10.30 am |
| Colin Birks   | Property Services Manager, Herefordshire<br>Council  | Thursday 17<br>November 2005,<br>11.25 am |
| Mike Williams<br>Mark Thomas<br>Peter Marrs<br>Andrew Lake                  | Project Director, HJS<br>Operations Manager Highways, HJS<br>Operations Manager Facilities Management, HJS<br>Commercial Manager, HJS  | Thursday 1<br>December 2005,<br>10.00 am  |

### **BACKGROUND ON HEREFORDSHIRE COMMERCIAL SERVICES POSITION PRIOR TO TRANSFER AND THE PROCESS FOLLOWED**

The report to Cabinet in July 2002 recommending externalisation of Herefordshire Commercial Services (HCS) described the increasing financial pressures facing that organisation. The proposed large scale housing stock transfer was the single largest pressure on HCS with 25% of turnover associated with housing work. Agreement that that proportion of HCS involved in housing work would be transferred to the new housing company made the continued viability of HCS increasingly uncertain.

A number of options to structure an externalisation were considered:

- Setting up a corporate entity owned by the Council which was then sold to the private sector;
- A trade sale of the businesses as a going concern;
- A joint venture such as a privately influenced company;
- Contracting out the service, whereby the successful bidder for the service took transfer of the staff and other assets comprising the “undertaking” (a TUPE transfer).

Different legal considerations applied to each of these cases. The two options which were seriously considered by the officer project board established to review the matter involved either a formal partnership in the form of a joint venture or a contracting-out of the service to one successful bidder (or consortium of bidders).

It was reported that the joint venture company route was of particular benefit where the venture would require funding, assets and resources from the partners to the venture as opposed to central Government funding. Many of the services under consideration in relation to the proposed externalisation would involve the need for new funding to allow the services to improve in line with public expectation. The legislation which empowered this option had been designed to encourage local authorities to ensure that such companies were structured to be private sector led and to ensure that the risk of such ventures lies with the private sector and there was no recourse to the public sector if the venture turned out not to be commercially viable.

The other option would be to seek a partner to whom the services would be contracted out. The advantage of seeking a partner rather than enter a simple contract was to ensure that services were provided to the best of the abilities of both parties. The complex nature of the services provided made it difficult to write a simple contract which would not fall prey to “loop hole” exploitation if circumstances changed over time.

The joint venture company also had the attraction of allowing the Council to be involved in the future running of the company by the appointment of directors. Additionally, the Council could control certain aspects of the company’s operation by the means of a golden share.

Cabinet agreed to advertise for an external provider or partner to enter into either a joint venture company or to contract out the service with HCS being externalised.

Alternative Options considered and none of which was recommended were as follows:

### **Alternative Option 1**

Retain HCS and resize. This was only viable if HCS could maintain a critical mass of contracts which would provide sufficient investment to fund capital purchases. 98% of its turnover was from work derived from the Council. Each time a contract was lost the pressure of overhead costs increased on the remaining contracts until the whole financial viability was challenged. HCS had been reviewing practices and staffing provisions but with a restriction in its ability to seek work outside the government arena the organisation would simply contract until it was too small and would simply cease to exist.

### **Alternative Option 2**

Absorb HCS into the client Directorates. There was little scope to split HCS and allocate staff to each client section. This would restrict flexibility and the ability to manage the desegregated staff would vary across the services.

### **Alternative Option 3**

There was no interest shown by the management to buy HCS. In the financial situation this position was unlikely to change.

### **Alternative Option 4**

Externalise HCS with its current contracts. The financial position of HCS was such that there was likely to be little or no interest in a simple externalisation. The financial position of HCS was clear and without long term contracts or the guarantee of work in the future no value existed in HCS. It was possible to market test this option.

### **Alternative Option 5**

Restructure HCS to remain in house and form a partnership with existing external providers. HCS had already established a partnership arrangement of this sort with Ringway. Although providing benefits, it did not address the underlying investment problems and the overall benefits would not sufficiently overcome the problems facing HCS. HCS could enter a partnership with one or more other local authorities. Here again, there might have been some broad advantages but the selection of a partner was problematic. The majority of surrounding authorities had externalised. In order to secure the long term future of HCS the selection of a single partner was critical but the geographic problems of Herefordshire limited this option.

Having decided to externalise Herefordshire Commercial Services given this position a process for the procurement of contract services was followed involving four stages to ensure that the Council complied with EU procurement rules and best value legislation:

#### **Stage 1 – Invitation to tender**

28 companies responded to the invitation to tender. Their submissions were measured against the selection criteria. 10 companies proceeded to Stage 2.

#### **Stage 2 – Pricing**

A limited pricing exercise was undertaken to:

- Determine whether there was a financial advantage to the Council by letting separate contracts for some activities

- Establish a baseline for detailed cost negotiations in Stage 4

The prices showed that there was a financial advantage in putting all the services into a single package. Six companies proceeded to stage 3, with Jarvis quoting the lowest price followed by Accord.

### **Stage 3 – Culture and Quality Assessment**

This was a key stage in the process designed to ensure a “fit” with the Council. Each company was assessed against the following criteria:

- History and background
- Leadership and people management
- Partnership working
- Service delivery
- Performance management
- Quality assurance

Staff undertaking the assessments were drawn from Herefordshire Commercial Services and client staff from Environment and Policy and Community Directorates. The consensus scores placed Jarvis first followed by Accord.

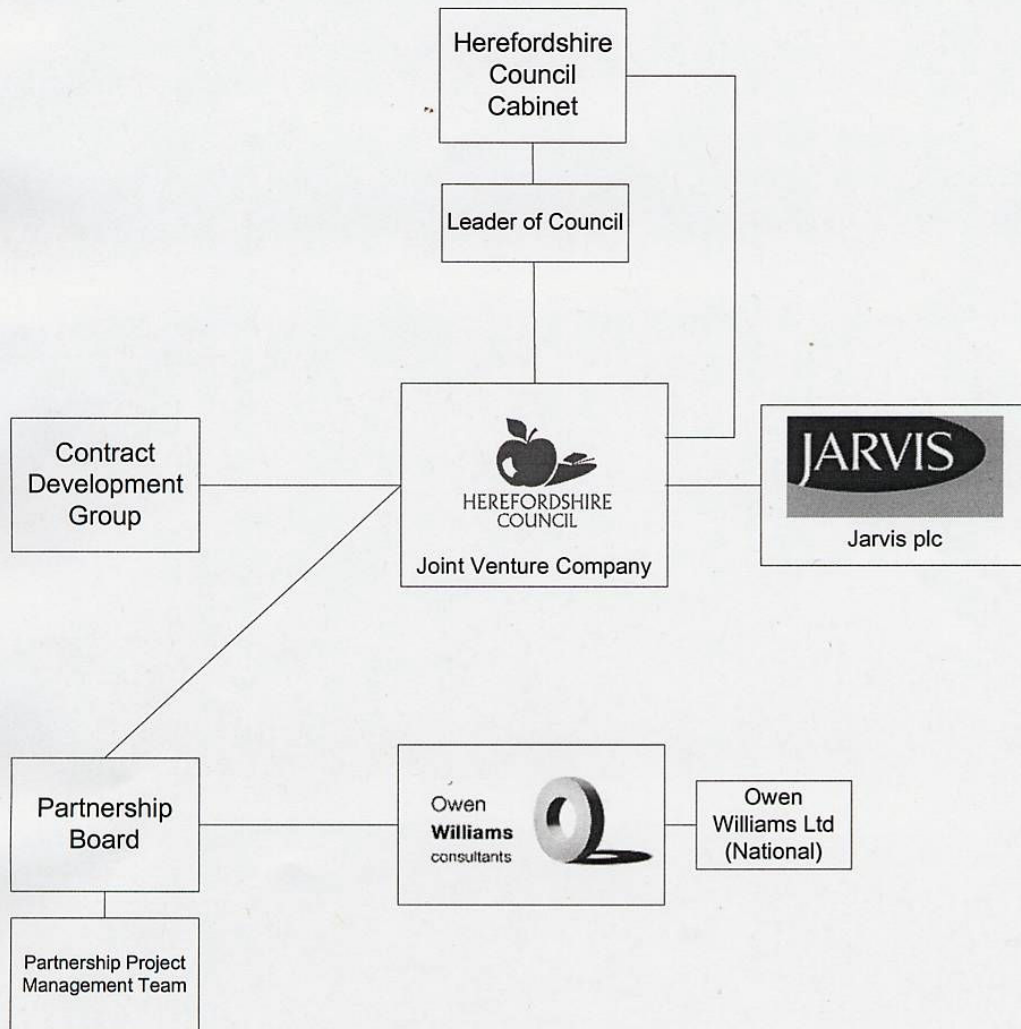
### **Stage 4 – Negotiations**

As reported to Cabinet on 10 April 2003, negotiations were authorised to commence for the externalisation of Herefordshire Commercial Services (HCS) with Jarvis PLC as preferred bidder and Accord PLC as reserve. The desired outcome was a joint venture between the Council and Jarvis, which contracted to provide services to the Council and other organisations. Essential elements of the contract were targeted cost reductions and quality improvements over time. The contract was to be for ten years with the option to extend.

(The Group was advised during the Review that the projected annual deficit for Herefordshire Contract Services assessed prior to the transfer to Herefordshire Jarvis Services was £600,000. This was an annual projected deficit and was not a one-off sum. It was also advised that client officers had been reluctant to give work to HCS.)



### Strategic Partnerships between Herefordshire Council, Prismo Ltd (Jarvis plc), Owen Williams Limited





## PAY AND WORKFORCE DEVELOPMENT STRATEGY

**Report By: Head of Human Resources**

### Wards Affected

County-wide

### Purpose

1. To report on employee turnover, and to provide an update on the findings of Exit Surveys.

### Financial Implications

2. None.

### Background

3. On 13 February, 2006, in considering the Minutes of its meeting on 26th January, 2006 the Committee requested a report on staff turnover showing a breakdown of the overall figure. An update was also requested on the findings from exit interviews
4. The Council's Pay and Workforce Development Strategy 2005-8 sets out five key strategic themes for improvement, one of which is to improve resourcing within the Council. The main performance indicator measuring success of improvement actions in this area is employee turnover. A target of 9% turnover per year has been agreed, against a median average for local government of 14.5% and English Unitary average of 16.5% (Source: People Skills Scoreboard 2005). Employee turnover within the Council continues to be steady at just under 9%, and more recently has fallen to 6.95% as shown below (Note that not all leaver data for March 06 is included. The final return is likely to be higher).

| Directorate          | 01/04/05 | 31/03/06 | Average employed | Voluntary Leavers | Turnover |
|----------------------|----------|----------|------------------|-------------------|----------|
| Adult & Community    | 804      | 773      | 788.50           | 80                | 10.15%   |
| Chief Executive      | 56       | 57       | 56.50            | 7                 | 12.39%   |
| Children's Services  | 3717     | 3868     | 3792.50          | 212               | 5.59%    |
| Corporate & Customer | 250      | 237      | 243.50           | 34                | 13.95%   |
| Environment          | 388      | 389      | 388.50           | 33                | 8.49%    |
| Resources            | 195      | 198      | 196.50           | 14                | 7.12%    |
| TOTAL                | 5410     | 5522     | 5466             | 380               | 6.95%    |

### Calculation – Best Value Performance Indicator (BVPI) 13

Further information on the subject of this report is available from  
David Johnson, Head of Human Resources on 01432 383055

5. Within the overall turnover figures there are areas within Directorates where turnover issues are to be addressed via the Pay and Workforce Development Strategy annual Operational Plan 2006-7. A range of actions has been identified to address turnover and key shortage areas, and address the Joint Area Review findings. Actions include:
  - Develop a system for analysing skills/workforce shortage areas to include local and national trends to inform workforce planning, and
  - Development of initiatives to address identified key shortage areas e.g. in Social Care (Children's and Adults), Planning, Environmental Health, Trading Standards based on workforce planning information developed by end July 2006.
6. Particular focus within the overall turnover figures is to be given to Social Care (Children's), and Adult Learning Disability.
7. The average Council turnover rate for Social Workers is approximately 10%, against a national turnover figure of 10.6% and a West Midlands region turnover figure of 10.1%.
8. The national vacancy rate for Children's Social Workers is 11.4% and the West Midlands area figure is 12.9%. The Council does not currently operate a fixed establishment and it is difficult therefore to accurately assess vacancy rates. If, however, the Council takes a baseline figure of 14 FTE per 10,000 head of population aged 0-17 (Audit Family Group) the current rate for comparison could be potentially 13.3%.
9. Overall turnover in the Children's Social Work teams has seen 11 leavers in the last 12 month period. This is higher than previous years however, three retired at age 60+, one was dismissed following prolonged sickness absence and two were job share partners who left to take up a job share post with our local PCT. Over the same period the Council recruited 12.5 full time equivalent qualified Social Workers to cover the losses and other vacancies. Discussions are currently underway regarding resourcing levels given projected demographic changes for this age group in the longer term.
10. The Children's Duty Team did not have a disproportionate number of social worker leavers in the past 12 months compared to the other Children's teams, but did lose its team manager in that time.
11. The Adult Services turnover rate for social workers in past 12 months has been 9.25%, consistent with previous years. The national annual turnover rate is 10% and the West Midlands area annual turnover rate is 10.5%. The national vacancy rate is 10.4% and West Midlands area figure is 11.8%. Without an agreed establishment figure, it is estimated that the Council's current vacancy rate is around 10.62%. Work is in hand to make an assessment against the relevant audit family group.
12. The Community Learning Disability Team currently has 2 FTE Social Worker vacancies. Within the Integrated Learning Disability Team the Primary Care Trust (PCT) are currently working to address shortages of 1.4 FTE nursing posts. There is combined PCT/Council effort planned for March and April to jointly promote, advertise, and recruit to these vacancies.
13. To help better assess staffing issues, it is intended to set in place an establishment for the Council. A degree of flexibility will need to be retained within this context, so

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Further information on the subject of this report is available from  
David Johnson, Head of Human Resources on 01432 383055

that employee levels can continue to be managed according to service delivery needs. With an establishment in place, vacancy levels will be easier to identify and manage in the future.

14. Actions to address the issues identified have been planned and set in progress to cover both Adults and Children's Social Work, these include:
- monies allocated from the National Training Support Grant to sponsor existing employees through the social work degree;
  - there are currently 11 sponsored employees at various stages on the social work degree to whom the Council will offer posts;
  - there are a number of external final year degree students on placement with the Council and we looking to recruit and retain them;
  - over the past 16 months the Council has piloted a traineeship scheme for existing employees to facilitate a career move into a social care occupation. It is planned to roll this out in a simplified form across the council;
  - the possibility of offering bursaries to external final year students as an aid to recruitment/retention is being investigated;
  - actively promoting social work as a viable career (for example a recent press release resulted in over 50 enquiries about social work careers, and a drop in event is being held on 26<sup>th</sup> April).
  - An open advert on the Council website to attract Social Workers on an on-going basis
  - A specialised campaign targeted at regional social work job seekers.
15. The Council continues to carry out quarterly surveys of leavers from the organisation. Response rates to date have been above 30%. This means findings can be relied upon statistically as being broadly representative of the majority of leavers. In 2004-5 the primary reasons for leaving were job content dissatisfaction, lack of job security and career prospects, lack of recognition, and management. Lack of recognition was the most common *secondary* reason. In the second quarter of 2005-6 the most common *primary* reason for leaving was job content dissatisfaction. The Leaver Survey for the third quarter of 2005/6 reveals
- Job content dissatisfaction, and inadequacy of pay and benefits were the most commonly cited reasons for leaving, each quoted by 36% of respondents – against 41% for the full year 2004-5 and 26% in 2003-4).
  - The most common theme in the comments about reasons for leaving was that respondents had relocated and it would no longer be possible to work for the Council. Career progression and pay were the most commonly cited attractions of a new organisation, similar to the second quarter findings.
  - Consistent with previous surveys, the largest group of third quarter respondents (25%) left for a job in another local authority. 21% joined the private sector. 68% of respondents found their work satisfying or very satisfying. 79% felt communication in their section was adequate or better. 54% felt training needs were met well or very well. 61% thought opportunities for career development were adequate or better. 89% of respondents rated the Council fair, good, or very good as an employer.
16. The Pay and Workforce Development Strategy aims to continue to address these leaver survey issues through the identified actions in the operational plan 2006-7,

and as part of the longer-term aims for 2008 – in particular actions to address pay, reward and recognition and developing a generic careers structure for the Council.

## RECOMMENDATION

**THAT the report be noted, subject to any comments Members might wish to make.**

### Background Papers

- None

## **FORWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2006/07**

**Report By: Director of Resources**

### **Wards Affected**

County-wide

### **Purpose**

1. To note the Council's strategy for achieving service efficiencies for 2006/07.

### **Financial Implications**

2. As set out in the Cabinet report.

### **Background**

3. The report to Cabinet on 30th March, 2006 on the forward looking Annual Efficiency Statement is attached.

### **RECOMMENDATION**

**THAT the report be noted subject to any comments which the Committee wishes to make.**

### **BACKGROUND PAPERS**

- None





# FORWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2006/07

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

30TH MARCH, 2006

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### Wards Affected

No Wards are affected.

### Purpose

To receive a report on the Council's strategy for achieving service efficiencies for 2006/07.

### Key Decision

This is not a Key Decision.

### Recommendation

- That (a) the Council's overarching strategy for securing efficiency gains as set out in Appendix A be agreed; and
- (b) the list of efficiency gains as set out in Appendix B be agreed.

### Reasons

Cabinet Members need to ensure that the Council's strategy for achieving efficiencies are aligned to the objectives of the Corporate budget and Plan.

### Considerations

#### Background

1. The Council is required to provide a Forward Looking Annual Efficiency Statement for 2006/07 as part of the wider Gershon Agenda. It needs to identify as a minimum a cumulative total of £6.619m by the end of 2006/07. This includes the ongoing gains of £3.31m for the current year. It needs to be stated at this stage that it becomes increasingly more difficult for services to demonstrate efficiency gains year on year and there will be a requirement to demonstrate a further £3.31m in 2007/08.
2. At least half of these efficiency gains need to be 'cashable', i.e.: releasing additional cash resources, and £1.65m has been included in the revenue budget for 2006/07 accordingly. The remaining efficiencies are non-cashable and where possible these have been linked to performance gains on key service indicators within the Corporate Plan. This is by no means an exact science and there is limited national guidance on how to calculate efficiency gains in this manner. In this respect some of the non cashable savings currently identified need to be clarified to ensure they are acceptable. The Council has sought to apply a relatively consistent methodology in

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Further information on the subject of this report is available from  
Andrew Tanner, Assistant County Treasurer on 0162

doing this, however the most important point is that these gains are linked to the priority service improvement objectives within the Corporate Plan. Examples therefore of such gains are in:

- Street Cleansing;
  - Independent living for older people;
  - Minimising the amount of landfill waste;
  - Reducing serious casualties on the roads; and
  - Increasing take up of Council Tax Benefit.
3. Appendix B contains the detailed list of efficiencies and these will contribute to the main part of the Efficiency Statement itself. These will however change during the year and be formally reviewed for the interim monitoring statement half way through the year. The Council is also obliged to take a retrospective look at efficiencies gained during 2005/06 and this exercise will take place early in 2006/07.
4. Appendix A contains a brief and overarching strategy for ensuring efficiency gains and this focuses not only on some of the good work already carried out in the Council, such as:
- Rationalising office accommodation;
  - Setting up a central recruitment centre and a
  - Comprehensive absence management programme,
- but also the Corporate Strategy Review which aims to have a major and beneficial impact on all services. The outcomes of this review are unlikely to have a significant impact in terms of realising efficiencies in 2006/07 but are intrinsic to the overall strategy.
5. The formal Efficiency Statement needs to be signed off by the Leader, Chief Executive and Director of Resources by 18th April and submitted on that day to the Office of the Deputy Prime Minister. In view of the contents of this report it is not envisaged there will be any substantial changes when this is submitted but, if there are, they will be communicated to Cabinet Members.

## **Alternative Options**

There are no alternative options.

## **Consultees**

There are no consultees.

## **Risk Management**

The corporate budget for 2006/07 was balanced by applying a level of efficiency savings across all services. A failure to realise these efficiency savings may impact on services'

ability to deliver their objectives within the corporate, directorate and service plans. An ongoing commitment to efficiency savings and gains is necessary in the light of both the current corporate financial position but also the likely future position with very tight central financial settlements.

## **Background Papers**

None identified.



## APPENDIX A

### Overarching Strategy for 2006/07 Annual Efficiency Statement

Herefordshire Council continues to make significant strides for maximising the efficiency of service delivery. The formal VfM assessment as part of the 2005 CPA marked the Council as a 3 (out of 4) and this highlights improvements made in this respect since its inception in 1998.

The Council's budget for 2006/07 has identified the realisation of £1.65m of cash efficiency gains across all services and these have been set out in the detailed statement. In addition to this, non-cashable gains have been clearly linked to the delivery of its key objectives within the Corporate Plan.

There are a number of efficiency strands identified in the 2005/06 Forward Looking Annual Efficiency Statement, which underpin the realisation of these efficiency gains. The underpinning initiative is 'Herefordshire Connects' which is the outcome of a comprehensive corporate strategy review undertaken early in 2006. This has resulted in three work streams that are currently being worked up into more detailed business cases. These are:

- Integrated Customer Services;
- Integrated Support Services; and
- Corporate Performance Management.

The scope for these three work streams, now branded 'Herefordshire Connects', cover significant areas of the Council's service delivery, support and management and will add value by driving out efficiencies by releasing resources to customer facing services. The full benefit of this major programme will not be realised until well into the medium term however it will encapsulate many of the initiatives that have been highlighted in the detailed efficiency statement. Broadly Herefordshire Connects will ensure improvements in:

- Customer service providing residents, visitors and businesses access to a broad range of council and partner services via a range of access channels;
- Smarter working for all Council staff using the wide range of remote working and operational devices available to them;
- More efficient management of records and documents; and
- Better procurement and transaction efficiency.

The Council is therefore embarking on a significant change programme. This is exemplified by the rationalisation of accommodation for frontline and back office staff through an active asset management programme and the movement of staff into the central Plough Lane offices. Other major initiatives to be progressed in 2006/07 include the creation of a central recruitment team and a comprehensive absence management programme, the continued delivery of a consistent and robust performance management framework, and the delivery of the Corporate Customer Services, Corporate Communications and ICT Strategies including a new voice and data network serving council employees, schools, community access points and various partner organisations.

From a specific service perspective Social Care is under particular pressure to realise efficiencies in the face of significant demand pressures and new and innovative ways of procurement and commissioning are being developed in conjunction with the Council's partners. Environment, highways and transport continue to provide improving services in the face of cash reductions in real terms and this has been through effective working with the Council's strategic partners. Children's Services have also been able to maintain ongoing efficiency savings by continually reviewing non-schools services, in particular school transport.

## 2006/07 GERSHON EFFICIENCY TARGETS

| Directorate         | Detail  | Cashable<br>£'000 | Non<br>cashable<br>£'000 | Total<br>£'000 |
|---------------------|---|-------------------|--------------------------|----------------|
| Children's Services | Improved routing and scheduling of school transport   | 160               |                          | 160            |
| Children's Services | System efficiencies in awards and grants administration   | 50                |                          | 50             |
| Children's Services | 2% improvement in KS 1,2,3,4,5 results  |                   | 18                       | 18             |
| Children's Services | LEA Standards Fund  |                   | 16                       | 16             |
| Children's Services | General efficiencies from better working practices within newly created Children's Directorate                            |                   | 151                      | 151            |
| Children's Services | Shared Social Care and SEN transport savings  | 30                |                          | 30             |
| Children's Services | Managing Sickness Absences  | 37                |                          | 37             |
| Children's Services | Other procurement savings   | 22                |                          | 22             |
| Children's Services | Recruitment Advertising   | 9                 |                          | 9              |
| Children's Services | Vacancy Savings   | 89                |                          | 89             |
| Children's Services | Children's commissioning. Potential reduction in costs through invest to save   |                   | 174                      | 174            |
| Children's Services | Percentage of 3 year olds who have access to good quality free education  |                   | 287                      | 287            |
| Environment         | Re-engineering of Planning Development Control to increase application turnround times and increase income                |                   |                          | -              |
| Environment         | Sustaining improvement in highways maintenance in light of excess inflationary pressures                                  |                   | 86                       | 86             |
| Environment         | Partnership working with HJS - rate reduction   | 45                |                          | 45             |
| Environment         | Reduction in supervision between client and HJS   | 100               |                          | 100            |
| Environment         | Introduction of SIP to Environmental Health and Trading Standards - increase performance against response targets to 100% | 100               |                          | 100            |
| Environment         | Recruitment Advertising   | 7                 |                          | 7              |
| Environment         | BVPI 199 - The percentage of streets and public areas falling below Grade B for cleanliness - reduce from 34% to 25%      |                   | 238                      | 238            |
| Environment         | Operational savings achieved through managing vacancies   | 102               |                          | 102            |
| Environment         | Reduction in proportion of household waste that is landfilled   |                   | 190                      | 190            |
| Environment         | Reduction in the number of people killed or seriously injured in road traffic collisions                                  |                   | 55                       | 55             |
| Environment         | Rationalisation of pool cars and vans   | 7                 |                          | 7              |
| Adult & Community   | Merger of various teams into larger team  | 20                |                          | 20             |
| Adult & Community   | Freeze inflation on non employee budgets  | 60                |                          | 60             |
| Adult & Community   | Non replacement of part time post   | 12                |                          | 12             |
| Adult & Community   | Increase Library charges  | 3                 |                          | 3              |
| Adult & Community   | Income from general consultancy and conference work   | 5                 |                          | 5              |
| Adult & Community   | Recruitment advertising   | 19                |                          | 19             |
| Adult & Community   | Vacancy Savings   | 176               |                          | 176            |
| Adult & Community   | Driving efficiencies in HALO through reduction in management fee  | 25                |                          | 25             |

| Directorate                   | Detail   | Cashable<br>£'000 | Non<br>cashable<br>£'000 | Total<br>£'000 |
|-------------------------------|--|-------------------|--------------------------|----------------|
| Adult & Community             | Contract Procurement   | 71                |                          | 71             |
| Adult & Community             | Managing Sickness Absence: reduce days lost  | 91                |                          | 91             |
| Adult & Community             | Service Improvement: Customer access changes   | 25                |                          | 25             |
| Adult & Community             | Service Improvement: reduced office costs  | 50                |                          | 50             |
| Adult & Community             | Increase in HMO registration fees  | 5                 |                          | 5              |
| Adult & Community             | Increase fees Home Improvement Agency  | 6                 |                          | 6              |
| Adult & Community             | Other  | 8                 |                          | 8              |
| Adult & Community             | Other Procurement, Sickness Absence etc  | 23                |                          | 23             |
| Adult & Community             | Increase from 55 to 65 the number of people aged 65 and over helped to live at home per 1,000 population |                   | 381                      | 381            |
| Adult & Community             | Increase the number of people employed in technology and knowledge intensive industries                  |                   | 64                       | 64             |
| Adult & Community             | Headway transport contract awarded to Herefordshire Mind   | 54                |                          | 54             |
| Corporate & Customer Services | Freeze inflation on non employee budgets   | 25                |                          | 25             |
| Corporate & Customer Services | Staff and procurement savings  | 100               |                          | 100            |
| Corporate & Customer Services | Savings on BT telephone contract   | 10                |                          | 10             |
| Corporate & Customer Services | Recruitment advertising  | 7                 |                          | 7              |
| Resources                     | Deletion of a secretarial post   | 20                |                          | 20             |
| Resources                     | Saving of half a post re car leasing   | 9                 |                          | 9              |
| Resources                     | Recruitment Advertising  | 2                 |                          | 2              |
| Resources                     | Directorate Restructure  | 72                |                          | 72             |
| Resources                     | Treasury Management  | 63                |                          | 63             |
| Resources                     | Increase in the number of people aged over 60 in receipt of Council Tax Benefit                          |                   | 31                       | 31             |
| Corporate & Customer Services | Vacancy Savings  | 55                |                          | 55             |
| <b>Total</b>                  |  | <b>1,774</b>      | <b>1,691</b>             | <b>3,465</b>   |



## SUMMARY OF 2006/07 EFFICIENCY SAVINGS IDENTIFIED

| Efficiency Gain Category:       | Cashable<br>£'000 | Non<br>cashable<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------|--------------------------|----------------|
| Adult Social Services           | 371               | 64                       | 435            |
| Children's Services             | -                 | 34                       | 34             |
| Culture and Sport               | 237               | -                        | 237            |
| Environmental Services          | 216               | 569                      | 785            |
| Local Transport                 | 45                | -                        | 45             |
| LA Social Housing               | 19                | -                        | 19             |
| Non-School Educational Services | 397               | 612                      | 1,009          |
| Supporting People               | -                 | -                        | -              |
| Homelessness                    | -                 | -                        | -              |
| Corporate Services              | 363               | 31                       | 394            |
| Procurement                     | 126               | 381                      | 507            |
| Productive Time                 | -                 | -                        | -              |
| Transactions                    | -                 | -                        | -              |
| Miscellaneous Efficiencies      | -                 | -                        | -              |
|                                 | <b>1,774</b>      | <b>1,691</b>             | <b>3,465</b>   |

### By Directorate:

|                               |              |              |              |
|-------------------------------|--------------|--------------|--------------|
| Children's Services           | 397          | 646          | 1,043        |
| Corporate & Customer Services | 197          | -            | 197          |
| Environment                   | 361          | 569          | 930          |
| Resources                     | 166          | 31           | 197          |
| Adult & Community             | 653          | 445          | 1,098        |
|                               | <b>1,774</b> | <b>1,691</b> | <b>3,465</b> |

|                                    |       |
|------------------------------------|-------|
| <b>Add brought forward 2005/06</b> | 3,168 |
| <b>Cumulative</b>                  | 6,633 |
| <b>Required</b>                    | 6,619 |
| <b>(Shortfall)/Surplus</b>         | 14    |



## **LOCAL PUBLIC SERVICE AGREEMENT**

**Report By: Director of Resources**

### **Wards Affected**

County-wide

### **Purpose**

1. To note the final performance against the first Local Public Service Agreement.

### **Financial Implications**

2. As set out in the Cabinet report.

### **Background**

3. The report to Cabinet on 16th March, 2006 on the first Local Public Service Agreement is attached.

### **RECOMMENDATION**

**THAT the report be noted subject to any comments which the Committee wishes to make.**

### **BACKGROUND PAPERS**

- None



# LOCAL PUBLIC SERVICE AGREEMENT

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

16TH MARCH, 2006

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### Wards Affected

County-wide

### Purpose

To receive a report on the final performance against the first Local Public Service Agreement (LPSA 1).

### Key Decision

This is not a Key Decision.

### Recommendation

**That the performance against targets within LPSA 1 as set out in Appendix 1 be noted.**

### Reasons

A significant level of performance reward grant PRG was available for the achievement of the LPSA 1 targets and it is important for members to be aware of the final performance against these targets.

### Considerations

#### Background

#### Funding the Agreement

1. The first Local Public Service Agreement finished on 31st March, 2005. Internal Audit staff have now completed the verification of the reported performance figures and these are set out in detail in Appendix 1. These will need to be signed off by the Chief Executive and submitted to the Office of the Deputy Prime Minister in order for the performance reward grant to be paid.
2. Cabinet received an interim report on LPSA 1 performance in May 2005. This made an estimate of the reward grant earned at £1.6m. The actual PRG earned, prior to agreement by the Government, is £1.65m which is 47% of the total available of £3.54m. This grant will be paid in two equal amounts over the next two years and has been approved by Cabinet for investment in LPSA 2. This will be supplemented by the pump priming grant by the Government of £930,000.
3. An analysis has been carried out by the ODPM on national performance for LPSA 1

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Further information on the subject of this report is available from  
Andrew Tanner, Assistant County Treasurer on 01432 260162

based on the first 20 pilot authorities. The overall percentage of PRG earned amongst these authorities is 63%, however there is a recognition that some targets, most noticeably in the educational attainment area have been very difficult to achieve. The level of PRG earned by Herefordshire can therefore be seen as disappointing, despite robust corporate monitoring. Lessons learnt from LPSA 1 need to be carried forward into ensuring a higher level of reward grant is secured in the second agreement. The Council and its partners will rely heavily on additional investment for performance improvement in the future and the LPSAs provide a very good opportunity for this to happen.

### **Performance Considerations**

4. A sustained focus on those targets which were within the Council's control would have resulted in a higher level of PRG. It has been accepted in previous debates on LPSA 1 that some of the targets negotiated were going to be extremely difficult to meet: the Homelessness and Educational attainment targets being two obvious examples. Targets such as domestic burglaries were also never going to be reached due to changes in definitions on national crime performance indicators and this ultimately was a risk borne by the Council.
5. There were however a number of targets where the Council had a greater control over final performance but ultimately fell short of securing the available reward grant. Examples include nursery settings and e-government. The delay in the Community Access Point project under HIT resulted in target 13.3 being missed whilst the operational programme for the Single Assessment Process was not delivered meaning that reward grant has been lost here also. Target 11.2, relating to the percentage of nursery settings on a one to two year outcome for three consecutive years failed because of one setting.
6. The Head of Internal Audit has now completed the detailed Audit process and the formal submission for the reward grant can now be made.

### **Alternative Options**

There are no alternative options.

### **Risk Management**

Local Public Service Agreements represent an opportunity for the Council and its partners to secure significant future investment in priority areas. Failure to focus adequately on the performance management aspects of the agreement will have an adverse impact on the Council and its partners to sustain important service improvements in the future.

### **Consultees**

There are no consultees.

### **Background Papers**

None identified.

## LPSA 1 Targets

| PRG      |  | Available PRG £ | PRG Earnt<br>£ | LPSA<br>Target | Actual             |
|----------|--|-----------------|----------------|----------------|--------------------|
| Target 1 |  | 272,000         |                |                |                    |
| 1.1      | Intensive Home Care as % of intensive home and residential care. B11   | 68,000          | -              | 20%            | 14.20%             |
| 1.2      | Intensive Home Care. C28   | 68,000          | -              | 6.5            | 5.32               |
| 1.3      | Older People helped to live at home. C32   | 68,000          | -              | 120            | 58.9               |
| 1.4      | Avoidable harm for older people (falls & hypothermia)  | 68,000          | 68,000         | 22             | 14                 |
| Target 2 |  | 272,000         |                |                |                    |
| 2.1      | Fire per 10,000 dwellings - BVPI 142 iii   | 136,000         | 136,000        | 15             | 13.04              |
| 2.2      | Deaths & injuries per 100,000 population - BVPI 143 I & ii   | 136,000         | 136,000        | 6.95           | 6.64               |
| Target 3 |  | 272,000         |                |                |                    |
| 3.1      | The no of killed and seriously injured casualties per annum.   | 136,000         | 136,000        | 197            | 141                |
| 3.2      | Course visual inspection of roads % exceeding threshold. - BVPI 97 a) & b)                                       | 136,000         | 136,000        | 10%            | 10%                |
| Target 4 |  | 272,000         |                |                |                    |
| 4.1      | Vehicle crimes per 1,000 population  | 90,667          | 90,667         | 8.75           | 6.21               |
| 4.2      | Domestic burglaries per 1,000 households.  | 90,667          | -              | 7.4            | 8.1                |
| 4.3      | % young people offended in last 1/4 of year who reoffended..   | 90,667          | -              | 42.60%         | 46.70%             |
| Target 5 |  | 272,000         |                |                |                    |
| 5.1      | Adoptions of looked after children - BVPI 163  | 272,000         | -              | 21             | 15                 |
| Target 6 |  | 272,000         |                |                |                    |
| 6.1      | Employment, education and training for care leavers  | 90,667          | 90,667         | 72%            | 80%                |
| 6.2      | % of children leaving care aged 16, obtaining 5 GCSE's grades A* to C  | 90,667          | -              | 5%             | 1%                 |
| 6.3      | Children looked after absent from school.  | 90,667          | 61,653         | 11             | 12.60              |
| Target 7 |  | 272,000         |                |                |                    |
| 7.1      | % of Electoral Register voting in 3 postal wards at district elections.  | 90,667          | 90,667         | All met        |                    |
| 7.2      | %+B25 of younger people surveyed answering + to "council giving young people influence over important decisions. | 90,667          | -              | 24.80%         | 19.20%             |
| 7.3      | % of citizens panel - local people influencing important decisions.  | 90,667          | 90,667         | 20%            | 33%                |
| Target 8 |  | 272,000         |                |                |                    |
| 8.1      | % of homeless households needing repeat housing.   | 272,000         | -              | 0%             | Conditions not met |
| Target 9 |  | 272,000         |                |                |                    |
| 9.1      | % of pupils attaining 5 or more A* - C grades at GCSE  | 272,000         | -              | 62%            | 58.20%             |

## Appendix 1

|           |  |         |         |     |        |
|-----------|--|---------|---------|-----|--------|
| Target 10 |  | 272,000 |         |     |        |
| 10.1      | % of pupils attaining 5 or more grade A* - B GCSE's  | 136,000 | 136,000 | 31% | 32.20% |
| 10.2      | % of pupils attaining level 5 or above in English, Maths, Science at end of Key stage 2.   | 136,000 | 136,000 | 18% | 18.40% |
| Target 11 |  | 272,000 |         |     |        |
| 11.1      | % of settings on 1-2 year outcome  | 90,667  | -       | 2%  | 3.70%  |
| 11.2      | % of settings on 1-2 year outcome for 3 consec yrs.  | 90,667  | -       | 0%  | 0.90%  |
| 11.3      | % of settings accredited on Quality Assurance Scheme.  | 90,667  | -       | 45% | 22%    |
| Target 12 |  | 272,000 |         |     |        |
| 12.1      | Increase in cost effectiveness   | 272,000 | 272,000 | 8%  | 8%     |
| Target 13 |  | 272,000 |         |     |        |
| 13.1      | BVPI 157 - 100% delivery of e government   | 90,667  | 68,000  | 100 | 75     |
| 13.2      | % of Council services relating to Single Assessment, Supporting People and community legal services, delivered in partnership with county agencies and available via the Herefordshire Partnership portal by 2005. | 90,667  | -       | 50% | ??     |
| 13.3      | The maximum travelling time for any Herefordshire resident to their nearest community access point (a public web access point provided by the Herefordshire Partnership).  | 90,667  | -       | 15  | 25     |

|                      |                  |
|----------------------|------------------|
| <b>PRG Earnt</b>     | <b>1,648,320</b> |
| <b>PRG Available</b> | <b>3,536,000</b> |
|                      | <b>47%</b>       |



## LOCAL AREA AGREEMENT

Report By: Director of Corporate and Customer Services

### Wards Affected

County-wide

### Purpose

1. To note the negotiation of the Local Area Agreement and the next stage of the process.

### Financial Implications

2. There are no immediate financial implications for the Council. In time, the pooling of partnership organisation funding could be very significant, in terms of service delivery and resource allocation.

### Background

3. The report to Cabinet on 30th March, 2006 on the Local Area Agreement (LAA) is attached.

### RECOMMENDATION

**THAT the report be noted, subject to any comments which the Committee wishes to make.**

### BACKGROUND PAPERS

- None



# LOCAL AREA AGREEMENTS: OUTLINE PROPOSALS

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

30TH MARCH, 2006

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### Wards Affected

No Wards are affected

### Purpose

To advise Cabinet of the successful negotiation of the Local Area Agreement (LAA), and to outline the next stage of the process.

### Key Decision

This is not a Key Decision.

### Recommendation

**THAT Cabinet approve the Local Area Agreement, and endorse the actions required for the next stage of the process.**

### Reasons

On the 19th May 2005 Cabinet gave consent for interest to be registered with GOWM in obtaining an LAA. Herefordshire Council duly registered interest in being one of the second round LAAs. On 22nd June 2005 Herefordshire Council was advised that it had been successful in securing an LAA, and that Herefordshire was to be one of thirteen areas to have a Single Pot LAA.

On the 22nd September 2005 Cabinet approved outline LAA proposals, which were submitted to GOWM on 30th September, 2005. On the 17th November 2005 Cabinet gave approval to our first draft LAA, which was submitted to GOWM, on the 25th November, 2005.

On the 26th January 2006 Cabinet gave approval to submit the penultimate draft LAA on the 3rd February 2006, and the final draft was submitted on the 21st February 2006. All of the timetable deadlines imposed by GOWM were met.

### Considerations

1. The LAA has now been approved by Government Ministers, and will run for three years from the 1st April 2006.
2. The LAA has been subject to a number of revisions, as a result of negotiations with GOWM. Some of these have been accommodated without too much difficulty, but other changes have been imposed, rather than negotiated. This largely relates to the inclusion of a mandatory outcome and performance indicators for the nationally launched Respect Action Plan. The ODPM has still to agree the detail of the

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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

proposed indicator around the requirement for “Provision of an intensive family support project.” This is a national issue, rather than a concern for Herefordshire alone, and will be finalised in the next few weeks.

3. Few of our Freedoms and Flexibilities requests have been agreed by Central Government, and nationally over 90% of business cases have been refused. GOWM have advised us that we should continue to make the case for Freedoms and Flexibilities during the lifetime of the LAA. The ODPM has now published “Local Area Agreements - Enabling Measures”, which provides detailed information on which Freedoms and Flexibilities have been agreed or denied in the first round of LAA pilots. This will be updated with data from the LAA second round in due course. We have been asked to formally revisit our Freedoms and Flexibilities requests at the six monthly review meetings and, at what is termed, the annual LAA Refresh discussions.
4. Where necessary, we have secured agreement to alter the wording of LAA to reflect the new Herefordshire Community Strategy, including the revised Herefordshire Community Strategy vision. However there will inevitably be some changes to the LAA during its lifetime, but before the next Community Strategy is produced.
5. We have been able to considerably reduce the number of outcomes and key performance indicators from our initial submissions. In time this should lead to a reduction in bureaucracy, in terms of supplying monitoring information to Central Government Departments.
6. The LAA has been jointly signed off by the Chair of the Herefordshire Partnership and the Leader of Herefordshire Council. David Miliband, Minister of Communities and Local Government, will sign on behalf of Central Government. There will be a formal signing ceremony in London on the 23rd March 2006 for successful LAAs.
7. The LAA now incorporates the LPSA2, which will, in future, be described as the reward element of the LAA.
8. £1,208,352 has been identified for the Single Pot in the first year. The Primary Care Trust has provided the larger part of this funding. £21,523,140 of funding has also been aligned for 2006/2007. These sums will rise substantially in future years. First year funding is adequate to implement the new LAA funding and reimbursement procedures, and to establish robust accountability and audit processes.
9. The performance management of the LAA will be dealt with as part of the wider performance management arrangements for the Herefordshire Community Strategy Action Plan. The Herefordshire Partnership has established a Performance Management Group, which has representation from all the partner organisations. There will be regular monitoring reports on the LAA Action Plan presented to Cabinet.
10. The tight timescales prescribed for producing the LAA has meant that full consultation with partner bodies and stakeholders has not been possible. We need to embark on a programme of systematic engagement as soon as possible, to ensure that the LAA is fully embedded.
11. We will also work with Shropshire and Worcestershire on a range of areas of common interest. This will cover affordable housing, homelessness, secure accommodation, Anti-Social Behaviour Orders, Contact Centres, and diversity. This list may be extended as a result of further collaboration.

## **Alternative Options**

There are no realistic alternative options.

## **Risk Management**

The negotiation of the LAA has involved substantial time and effort, but the implementation phase will require capacity to be created, in particular to deal with Performance Management, Governance and LAA engagement with partner organisations. Failure to deliver the LAA (including the LPSA2 element) will mean poorer outcomes for Herefordshire residents and risk the loss of reward funding.

## **Consultees**

GOWM, AWM, Partners in the Herefordshire Partnership, Shropshire and Worcestershire County Councils

## **Background Papers**

Local Area Agreement



## THE ANNUAL OPERATING PLAN 2006-07

Report By: Director of Corporate and Customer Services

### Wards Affected

County-wide

### Purpose

1. To draw the Committee's attention to the Council's Annual Operating Plan (AOP) 2006-07 and to its further development to serve as the basis for performance management, and to invite the Committee to have regard to it in determining the scrutiny programme.

### Financial Implications

2. The financial implications of the AOP are consistent with budget decisions for 2006-07.

### Background

3. The AOP is enclosed separately for Members of the Committee and is available to the public on request.
4. Within the context of the Corporate Plan 2006-09, the AOP sets out the challenges facing the Council in 2006-07, what it intends to do to meet them, and the targets and milestones by which its success in meeting them will be judged.
5. The AOP was approved by Cabinet on 23 February 2006, subject to its being consistent with the Corporate Plan 2006-09 and the 2006-07 Budget as approved by Council. This has been achieved with the Council's approval of the Corporate Plan and Budget on 10 February 2006.
6. The AOP will be maintained as a living document as part of the in-year reporting and management of performance. In particular, it will be updated to reflect:
  - the final, agreed new *Herefordshire Community Strategy*
  - the associated (recently signed) *Local Area Agreement*
  - the key actions agreed under the *Herefordshire Connects* service improvement programmes
  - the key actions in the Council's *Overall Performance Improvement Action Plan*, which is being agreed with the Audit Commission and other inspectorates.

Nonetheless, the key issues in respect of each have already been taken into account in the preparation of the current document.

7. Some targets, milestones and actions have yet to be determined because of the need to establish an accurate baseline. In a number of cases, this depends on the results of the annual public satisfaction survey carried out in late 2005, the results of which will be available shortly. The intention is to set the relevant targets etc. in April.
8. Revised, shorter and simpler corporate performance reports will report progress against the new AOP. These will continue to integrate reporting on service and corporate performance indicators, targets and milestones, financial performance and the management of risks.
9. The AOP is being printed and bound. It will be sent shortly, with the Corporate Plan 2006-09, to Council Members and managers, and to principal partner organisations.

## RECOMMENDATION

- THAT**
- (a) the Committee notes the Annual Operating Plan 2006-07 and what will be done to maintain it as the basis for effective performance monitoring and management;**
  - (b) the Committee considers whether there are any issues it wishes to bring to Cabinet's attention;**
- and**
- (c) the Committee has regard to the Annual Operating Plan in determining the future scrutiny programme.**

## BACKGROUND PAPERS

- None



## WORK PROGRAMME

**Report By: Director of Corporate and Customer Services**

### Wards Affected

County-wide

### Purpose

1. To consider the Committee's work programme.

### Background

2. As reported to the Committee in January, this Committee last approved a work programme for itself on 15th April, 2005. This incorporated items identified as requiring periodic monitoring and attention and it was envisaged that this would be added to as required. The Programme was subsequently augmented by the inclusion of reviews of the Strategic Service Delivery Partnership and ICT Services.
3. The Committee was informed at that time of the work in hand to agree a new suite of reports to Cabinet and the Committee and the Committee has subsequently received the Integrated Performance Report.
4. The Committee was also informed last year that the Annual Operating Plan itself could be used to identify priorities for scrutiny to focus upon in the current year to add both to this Committee's work programme and those of the other scrutiny Committees. This approach has still to be developed. The Plan appears elsewhere on this agenda.
5. At the time of drafting this report the Council's Improvement Plan in response to the Corporate Assessment made as part of the Comprehensive Performance Assessment is still under discussion with the Audit Commission. A number of items for the Committee's consideration may arise from this Plan. As reported to the Committee in January, the Corporate Assessment contains a number of comments upon the role of the scrutiny function, noting in particular a need for an increased focus on performance management.
6. Similarly, although the Chairman of the Committee has now indicated that he would expect performance against the Joint Area Review Improvement Plan to be principally monitored by the Children's Services Scrutiny Committee there may be need to report on some issues to this Committee once the Plan has been approved.
7. One further matter to note is that it is expected that the future role of Councillors and Scrutiny Committees in relation to the processes involved with the Herefordshire Community Strategy will be subject to further discussion in the light of emerging advice from the Office of the Deputy Prime Minister (ODPM). It has, however, been agreed that Cabinet and the Strategic Monitoring Committee will review progress upon the three-year Action Plan and roll it forward on an annual basis.
8. The Committee is asked to consider how it wishes to develop its work programme.

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Further information on the subject of this report is available from Tim Brown, Committee Manager (Scrutiny)  
on 01432 260239

**BACKGROUND PAPERS**

- None

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Further information on the subject of this report is available from Tim Brown, Committee Manager (Scrutiny)  
on 01432 260239

**SCRUTINY ACTIVITY REPORT****Report By: Director of Corporate and Customer Services****Wards Affected**

County-wide

**Purpose**

1. To consider the work being undertaken by the Scrutiny Committees.

**Financial Implications**

2. None

**Background**

3. This report summarises the matters considered by the Scrutiny Committees since the last report by this Committee to Council. It is intended to help keep Council aware of the work being undertaken.
4. The work of the Committees is analysed below as far as practicable under the following five roles for overview and scrutiny: holding the executive to account, best value reviews, policy development and review, external scrutiny, and improvement (performance management and review).

**Summary**

5. The Adult Social Care and Strategic Housing Scrutiny Committee met on 17th March, 2006 and considered the following issues:

| Theme   | Reports   |
|---|---|
| Holding the Executive to Account                |   |
| Best Value Reviews                              |   |
| Policy Development and Review                   | Review of Services to People with Learning Disability<br>Homelessness Prevention<br>White Paper – Our Health, Our Care, Our Say; a new Direction for Community Services |
| External Scrutiny                               |   |
| Improvement (Performance Management and Review) | Budget Monitoring<br>Future Budget Position<br>Performance Monitoring   |
| Other   |   |

6. The Committee is undertaking a review of services to people with a learning disability recognising the pressures on the service caused by changing demography, spending

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Further information on the subject of this report is available from  
Tim Brown, Committee Manager (Scrutiny) on 01432 260239

patterns and changes in expectations and the need to review the current use of resources and future needs. A series of visits have been undertaken to meet staff and service users. A number of issues have been raised and the intention is to complete the review and make recommendations to the Cabinet Member (Social Care Adults and Health) for consideration in the summer.

7. The Committee has also given careful consideration to the current and future budget position. It has requested that a seminar be arranged to discuss the budget and future service delivery in more detail.
8. The Children's Services Scrutiny Committee met on 13th March, 2006 and considered the following issues:

| Theme   | Reports   |
|---|---|
| Holding the Executive to Account                |   |
| Best Value Reviews                              |   |
| Policy Development and Review                   |   |
| External Scrutiny                               |   |
| Improvement (Performance Management and Review) | Joint Area Review of Children's Services in Herefordshire<br>Health of Children and Young People in Herefordshire |
| Other   |   |

9. The Committee has given consideration to recommendations for improvement following the recent Joint Area Review (JAR) of Children's Services. When the Committee met it was noted that the JAR Improvement Plan had been sent to the Commission for Social Care Inspection (CSCI) and the Department of Education and Skills (DfES). The outcome of their assessment of the Service's capacity to improve as a result of the Improvement Plan was still awaited. The Improvement Plan resulting from the JAR inspection and any implications arising from it will be reported to the next meeting. A performance monitoring report on performance against the JAR Improvement Plan, will form an integral part of the Committee's future work programme. The Committee is also to undertake a series of fact-finding visits to the various services within the Directorate to inform its understanding of the Services.
10. The Committee has also been briefed on the work undertaken by Children's Services and its partners to improve and maintain the health of children and young people in Herefordshire, noting in particular the work undertaken by the Herefordshire Healthy Schools Partnership.
11. The Community Services Scrutiny Committee met on 24th March, 2006 and considered the following issues:

| Theme                            | Reports   |
|----------------------------------|---|
| Holding the Executive to Account |   |
| Best Value Reviews               |   |
| Policy Development and Review    | Community Youth Service partnership<br>Arrangements with the Voluntary and Community Youth Sector<br>Refurbishment of Kington Library<br>Review of Independent Museums and Heritage Centres |
| External Scrutiny                | Halo Leisure Services Ltd   |

Further information on the subject of this report is available from  
Tim Brown, Committee Manager (Scrutiny) on 01432 260239

|   |                        |
|---|------------------------|
| Improvement (Performance Management and Review) | Performance Monitoring |
| Other   | -                      |

12. The Committee met in Kington to allow the public to hear at first hand an update on progress in refurbishing Kington Library. A question had been submitted by a representative of Kington Tourism Group about the implications of the Scheme for the location of the Tourist Office and she was also able to contribute to the discussion at the meeting. Further discussions are to be held to try to resolve that matter.
13. Last year one of the Committee's Co-opted Members, following a request from a Member of the public, proposed a review of the Council's support for independent museums and heritage centres in the County. The Committee decided to undertake the review and has now agreed a scoping statement for the review which it is planned to complete by April 2007.
14. In fulfilling its remit to scrutinise the provision of leisure services the Committee has scrutinised the operation of the external provider HALO Leisure Services Ltd
15. The Committee has also considered the working relationship with the voluntary and community youth work sector and Herefordshire Council's Community Youth Service. The Committee was concerned that the Service is unlikely to achieve its four DfES key performance indicators by the end of the year due to the low resource base of the Service. It has asked that the Children's Services Scrutiny Committee should be informed of these concerns and should closely monitor developments.
16. The Environment Scrutiny Committee met on 27th March, 2006 and considered the following issues:

| Theme   | Reports   |
|---|---|
| Holding the Executive to Account                | -   |
| Best Value Reviews                              | Improvement Plans   |
| Policy Development and Review                   | Clean Neighbourhoods and Environment Act 2005   |
| External Scrutiny                               |   |
| Improvement (Performance Management and Review) | Capital Programme<br>Revenue Budget<br>Performance Indicators<br>Environment Directorate's Contribution to the Herefordshire Plan |
| Other   |   |

17. The Committee has been informed of the principal measures contained in the Clean Neighbourhoods and Environment Act 2005 and received an overview of the potential impact of the Act on the services provided by the Environment Directorate. The Committee has welcomed various aspects of the Act including the introduction of new Litter Clearance Notices which should enable the Council to enforce areas it had been unable to do previously. The Act also confirmed that cigarette butts and discarded chewing gum were classed as litter. In this respect the Committee particularly noted a comment that the Government were considering imposing a hefty tax on chewing gum with the proceeds being used to help Councils with the cost of cleaning chewing gum from footways. The Committee has recorded its support for

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Further information on the subject of this report is available from  
Tim Brown, Committee Manager (Scrutiny) on 01432 260239

such a proposal to tax chewing gum, particularly the synthetic gum, and invited the Executive to make representations on the matter.

18. The Health Scrutiny Committee met on, 16th and 23rd March, 2006 and considered the following issues:

| Theme   | Reports  |
|---|--|
| Holding the Executive to Account                |  |
| Best Value Reviews                              |  |
| Policy Development and Review                   | Public Health Services<br>Development of Stroke Services in Herefordshire<br>White Paper – Our Health, Our Care, Our Say; a new Direction for Community Services |
| External Scrutiny                               |  |
| Improvement (Performance Management and Review) |  |
| Other   | NHS Reconfiguration  |

19. The Director of Public Health's (DPH) Annual Report, considered by the Committee in January 2006, noted that people in Herefordshire are, in general, healthier than they are in the rest of the Country. However, overall MMR vaccine uptake rates are below the nationally recommended levels with a variation in uptake rates across the County. There is also now evidence of a rise in the infections the vaccine is supposed to prevent. The DPH report also highlighted that the percentage of 5 year olds free from tooth decay is below the average for England and Wales and is the lowest within the West Midlands (South) Strategic Health Authority area and that fluoridation of the water supply is agreed to be the most effective tool in reducing dental health inequalities. The Committee requested and received detailed information on these two areas of concern and will be seeking to support the Primary Care Trust in achieving improvement in these two areas as part of the Committee's focus on the public health agenda as a whole.
20. The Committee has also received a detailed presentation on proposals for the development of stroke services in the County, another area where the need for an improvement in provision has long been acknowledged, and has supported the approach being proposed by the Primary Care Trust in conjunction with the Council.

## BACKGROUND PAPERS

- None